

NATIONAL BANK OF IRAQ (NBI) | Iraq

Strengthening access to finance for small and medium enterprises (SMEs) through Investment and Advisory Services

Market Gaps

COUNTRY CONTEXT

Iraq is a fragile and conflict-affected state with unique challenges to its business environment due to its political and economic situation, including its heavy reliance on oil exports.

With a banking sector heavily dominated by the Central Bank of Iraq has embarked on regulatory reforms to ease restrictions on private banks, and recently launched SME financing programs. This major shift in the banking sector provides banks opportunities to expand their offerings to SMEs.

ACCESS TO FINANCE

Although nearly 90 percent of private sector jobs in Iraq are generated by smaller businesses, the financing gap for the SME sector is estimated at \$38 billion.

Fewer than seven percent of the country's formal SMEs have access to loans, while over 60 percent are fully or partially credit constrained.

SMEs Face Barriers



LACK OF SUPPORT



LIMITED FUNDING SOURCES



LACK OF FINANCIAL OR OPERATIONAL TRACK RECORDS

Client

National Bank of Iraq (NBI) was established in 1995 to provide banking services to individuals and businesses. NBI's efforts to strategically expand the SME segment as a revenue driver was driven by its revenue stabilization and diversification strategy and positive economic outlook. The SME segment expansion is also part of the bank's strategy to diversify and serve SMEs that generate jobs, with plans to leverage digital financial services to do so.

The Global SME Finance Facility, a blended-finance partnership funded by the UK Foreign, Commonwealth & Development Office (FCDO) and the Netherlands Ministry of Foreign Affairs, is focused on helping to close the financing gap faced by SMEs in emerging markets. Catalyzing access to finance for SMEs, the facility has a goal of generating one million new jobs in the SME sector.

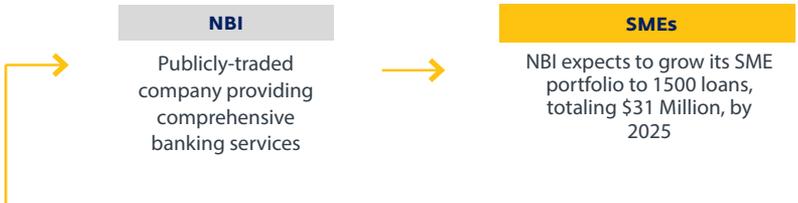
ABOUT THE PROJECT

IFC seeks to enable the NBI to accelerate the growth of its small and medium enterprises portfolio, given the segment is considerably under-served. IFC's Investment and Advisory Services, with support from Global SME Finance Facility (GSMEF), will make the bank's financial services affordable to SMEs and improve its capacity to serve SMEs. By increasing SMEs' access to finance, the project is expected to help diversify Iraq's economy and support job creation and sustainable development.

IFC's Investment Services will help the bank to meet the working capital needs of SMEs affected by COVID-19. IFC's Advisory Services will provide support to scale up SME lending operations, via:

- Data Analytics and market positioning,
- SME Definition and Sub-Segmentation,
- Development of SME Lending and Savings products,
- Credit risk management and SME scorecard, and
- COVID-19 response through implementing SME Impact survey, SME Non-Financial Services webinars, and NBI Stress Testing Capacity Building.

INVESTMENT & ADVISORY SERVICES STRUCTURE



Investment Services

TOTAL PROJECT	GSMEF SUPPORT	IFC LOAN
\$11 million	\$1.05 million Interest Rate Buy-down reducing NBI's cost of capital if it grows SME lending to 20% of its total lending	\$25 million working capital loan

Advisory Services

TOTAL PROJECT	GSMEF SUPPORT	OTHER SUPPORT
\$200,000	\$100,000 to scale up SME financing and position NBI to address COVID-19 effects	\$100,000



International Finance Corporation
WORLD BANK GROUP



Ministry of Foreign Affairs of the Netherlands