

## Frequently Asked Questions

### ◆ By a SME borrower *(continued)*

#### - How long does the application process take?

If all documentation is in order a decision to grant the guarantee can be made within seven working days.

#### - Where and how can I get an application form?

Application forms can be obtained from any of the participating banks listed below:

## ICBG Participating Banks

- Bank of Baghdad
- Middle East Bank for Development and Investment
- Basrah International Bank for Investment
- National Bank of Iraq
- Sumer Commercial Bank
- Al Warka Bank for Investment
- Mosul Bank for Development and Investment
- North Bank
- Ashur International Bank for Investment
- Gulf Commercial Bank
- Investment Bank of Iraq

## Potential ICBG Outreach Through the Private Banks Operating in Iraq.



الشركة العراقية لكفالات المصرفية المحدودة  
THE IRAQI COMPANY FOR BANK GUARANTEES LTD.

## ICBG Vision and Mission

The goal of ICBG is to enhance access for the small and medium size enterprises to formal sources of credit.

By partnering with the Iraqi private banks, the ICBG creates an enhanced financing facility to support increased private sector development through the provision of guaranteed loans to Iraqi SMEs.

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# ICBG Loan Guarantee Scheme for Small and Medium Enterprise Borrowers



## Introduction

The ICBG is owned by 11 Iraqi private banks and its development has been supported by the Central Bank of Iraq in recognition of the important role such a company plays in deepening the local lending market.

## The objectives of the company are to:

- Support commercial bank lending to SMEs through the provision of loan guarantees;
- Enhance access to credit from private banks for eligible Small and Medium Enterprises (SMEs) Iraq;
- Support the use of modern credit methods and sound banking practices in providing loans to SMEs; and
- Assist private banks to develop new market sectors.

## How does the application process work?

Should the borrower satisfy the respective ICBG eligibility criteria, the participating bank will:

- complete and present the guarantee application package to ICBG for review;
- certify that proper due diligence and normal underwriting was completed.

ICBG will conduct its own review and decide whether or not the application qualifies.

## Frequently Asked Questions

### ◆ By a participating bank

#### - How does a participating bank access the guarantee program?

The bank completes a participating bank agreement (PBA) with ICBG which defines the obligations of both ICBG and the bank. The bank must be licensed with the Central Bank of Iraq and be fully compliant with all CBI regulations.

#### - Does the ICBG deal directly with SME borrowers?

No, only with the banks.

#### - What types and terms of loans does the ICBG Guarantee?

- ICBG may guarantee eligible for both working capital and fixed asset acquisition:
  - Working capital loans may not exceed 360 days in tenor;
  - Fixed asset loans may be from 1 year to 5 years in tenor;
  - All loans should have monthly repayments.

#### - Is a grace period for repayment applicable?

Grace period is decided by the bank and subject to the borrower's cash flow projection.

#### - Do the applicant bank have to pay any loan guarantee fee?

A 2% loan guarantee fee is charged per annum on the guaranteed portion of the loan and the accrued interest. The fee is calculated and payable on the reduced balance.

#### - What is the maximum loan guarantee coverage?

All guarantee applications submitted during the first year of operations may be granted guarantee coverage up to 75% of the approved loan. Accrued interest is guaranteed for a period not exceeding 90 days.

#### - What is the maximum amount of loans that can be guaranteed by ICBG?

ICBG will guarantee loans with volumes ranging between the ID equivalent of USD 5,000 and USD 250,000.

#### - Are personal guarantees and collateral required for loans guaranteed by ICBG?

The ICBG loan guarantee program supports cash flow based lending. However, the participating banks are authorized to require personal guarantees and suitable collateral.

#### - What sectors of the economy does the ICBG loan guarantee program support?

Manufacturing, services, tourism, construction, trade and agriculture.

## Frequently Asked Questions

### ◆ By a SME borrower

#### - How does an SME borrower access the guarantee program?

The borrower requests a loan from its bank (which must be a participating bank with ICBG), the bank performs normal loan underwriting due diligence, and will then decide whether to present the application to the ICBG for guarantee.

#### - Does the ICBG guarantee loans for start-up businesses?

Yes, start-up businesses are included in the ICBG loan guarantee program.

#### - What are the eligibility criteria governing an SME borrower?

Borrowers must satisfy the following:

- Be citizens of the Republic of Iraq and between the ages of 21 and 65;
- May be sole proprietorships, partnerships, limited liability companies, or joint stock companies;
- Enterprises must be registered with the appropriate Iraqi governmental authorities;
- The borrower must have at least 2 full-time employees and not more than 29 full time employees;
- The borrower must not be a subsidiary of, or affiliated through common ownership with, a company or branch of an enterprise that has more than 250 employees, nor can the enterprise hold a majority stake in larger companies;
- Have not defaulted under any payment obligation to financial institutions or other creditors;
- Owners and managers may not be related to members of the Bank's board of directors or senior management.

#### - What are the interest rates chargeable on ICBG guaranteed loans?

ICBG-guaranteed loans should bear market rates on interest.

#### - Where can I find technical assistance to help me with business plan?

The loan officers from the respective participating banks are trained and available to assist with the preparation of the borrower's loan application package.

#### - Do I have to pay any fee for obtaining the loan guarantee application?

All applicants are requested to pay a non-refundable, application fee of USD100 in its ID equivalent.