



**ICIEC**

THE ISLAMIC CORPORATION FOR  
THE INSURANCE OF INVESTMENT  
AND EXPORT CREDIT



**2019**

**ANNUAL  
DEVELOPMENT  
EFFECTIVENESS  
REPORT**



مجموعة البنك الإسلامي للتنمية  
**Islamic Development Bank Group**



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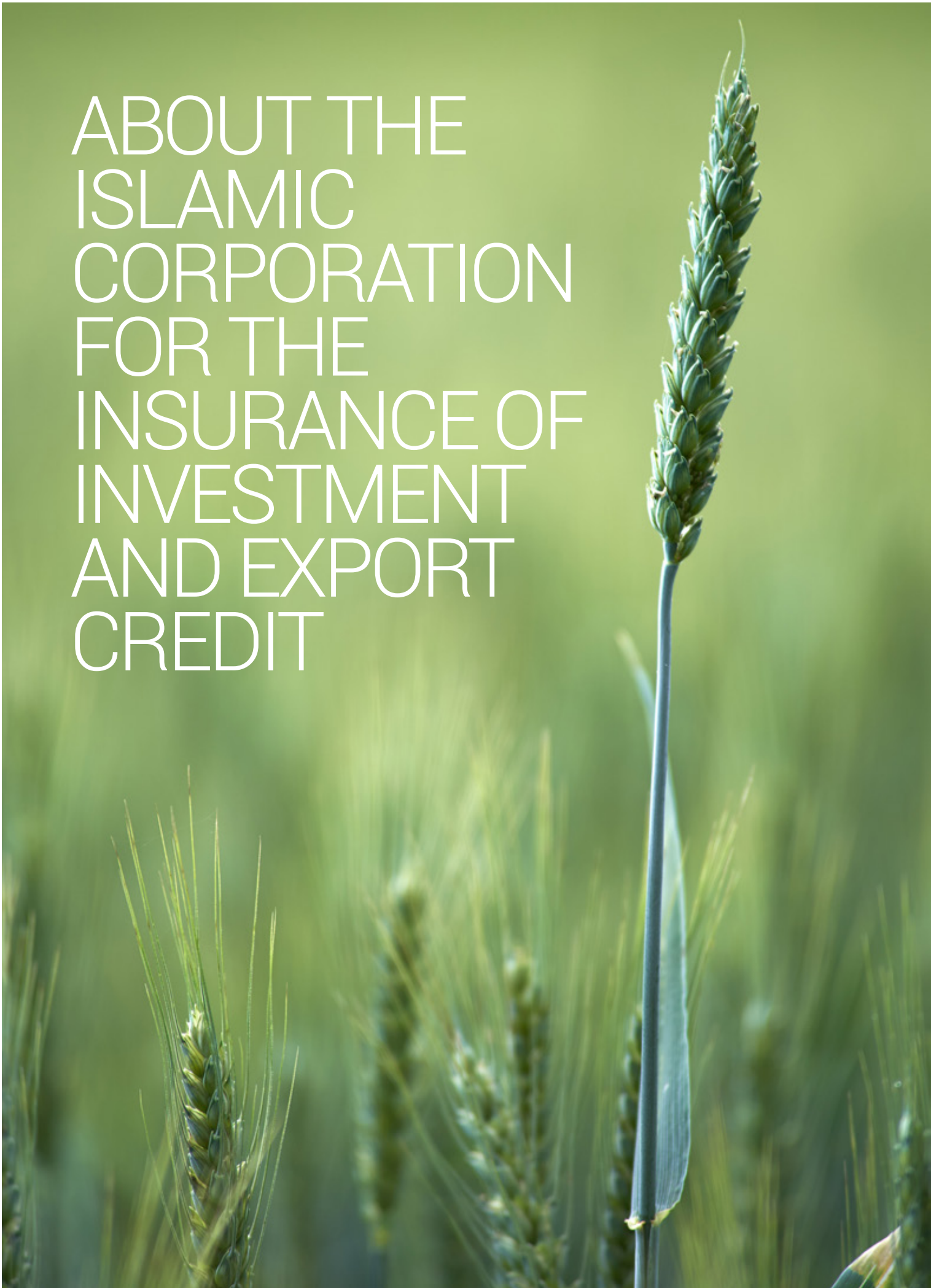
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# ACRONYMS & ABBREVIATIONS

<b>AAB</b>	Al-Akhdar Bank	<b>IsDBG</b>	Islamic Development Bank Group
<b>ADER</b>	Annual Development Effectiveness Report	<b>ISFD</b>	Islamic Solidarity Fund for Development
<b>AfCFTA</b>	African Continental Free Trade Agreement	<b>ITFC</b>	Islamic Trade Finance Corporation
<b>AICIF</b>	African International Conference on Islamic Finance	<b>ITFEE</b>	ICIEC Microfinance & Micro-Takaful Fund for Economic Empowerment
<b>APIX</b>	Agence Nationale Chargée de la Promotion des Investissements et Marché 2003 des Grands Travaux	<b>LC</b>	Letter of Credit
<b>AU</b>	Aman Union	<b>LIC</b>	Low Income Country
<b>BCP</b>	Groupe Banque Centrale Populaire	<b>LDC</b>	Least Developed Country
<b>BI</b>	Business Insured	<b>LDMC</b>	Least Developed Member Countries
<b>BU</b>	Berne Union	<b>MASEN</b>	Moroccan Agency for Sustainable Energy
<b>BMP</b>	Bank Master Policy	<b>MC</b>	Member Country
<b>CAGEX</b>	La Compagnie Algérienne d'Assurance et de Garantie des Exportations	<b>M&amp;E</b>	Monitoring and Evaluation
<b>COMCEC</b>	Committee for Economic and Commercial Cooperation (OIC)	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>COTUNACE</b>	Compagnie Tunisienne pour l'Assurance du Commerce Extérieur Tunisienne pour l'Assurance du Commerce Extérieur	<b>MOU</b>	Memorandum of Understanding
<b>CSTP</b>	Comprehensive Short-Term Policy	<b>NAIFE</b>	National Agency for Insurance and Finance of Exports (Sudan)
<b>DICP</b>	Documentary Credit Insurance Policy	<b>NARES</b>	North Africa Renewable Energy Summit
<b>DHAMAN</b>	Arab Investment and Export Credit Guarantee Corporation	<b>NHSO</b>	Non-Honoring of Sovereign Financial Obligation
<b>DIFC</b>	Dubai International Finance Centre	<b>NHSO-SOE</b>	Non-Honoring of Sovereign Financial Obligation – State Owned Enterprise
<b>ECA</b>	Export Credit Agency	<b>OIC</b>	Organization of Islamic Cooperation
<b>ECI</b>	Etihad Credit Insurance	<b>OBIC</b>	OIC Business Information Centre
<b>EGCE</b>	Export Credit Guarantee Agency of Egypt	<b>P5P</b>	President's 5-Year Plan (IsDB)
<b>FDI</b>	Foreign Direct Investment	<b>PPP</b>	Public-Private Partnership
<b>FII</b>	Foreign Investment Insurance	<b>SBI</b>	State Bank of India
<b>FIIP</b>	Foreign Investment Insurance Policy	<b>SDG</b>	Sustainable Development Goal
<b>GDP</b>	Gross Domestic Product	<b>SME</b>	Small and Medium Enterprise
<b>ICIEC</b>	Islamic Corporation for the Insurance of Investment and Export Credit	<b>SPV</b>	Special Purpose Vehicle
<b>IRENA</b>	International Renewable Energy Agency	<b>ST</b>	Short Term
<b>IsDB</b>	Islamic Development Bank	<b>STP</b>	Specific Transaction Policy
		<b>STP-CF</b>	Specific Transaction Policy – Contract Frustration
		<b>TDB</b>	Trade and Development Bank
		<b>WtE</b>	Waste-to-Energy

ABOUT THE  
ISLAMIC  
CORPORATION  
FOR THE  
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CREDIT



Established 26 years ago in 1994 as a multilateral institution and member of the Islamic Development Bank Group, ICIEC was tasked to promote cross-border trade and foreign direct investments in its Member Countries.

To fulfil its mandate, ICIEC provides risk mitigation solutions to Member Country exporters. By protecting them from commercial and political risks, exporters are enabled to sell their products and services across the world. The multilateral credit insurer also provides risk protection to investors from across the world that seek to invest in ICIEC's Member Countries. To promote sustainable economic development of its Member Countries, ICIEC – on a limited basis – can also support international exporters selling capital goods or strategic commodities to ICIEC's Member Countries. In addition to its core business, ICIEC also offers technical assistance to Member Countries' Export Credit Agencies.

ICIEC's mission is to make trade and investment between Member Countries and the world more secure through Shari'ah-compliant risk mitigation tools. Its vision is to be recognized as

the preferred enabler of trade and investment for sustainable economic development in Member Countries.

ICIEC is the only multilateral export credit and investment insurance corporation in the world that provides Shari'ah-compliant insurance and reinsurance solutions.

Today, ICIEC supports trade and investment flows in 47 Member Countries spanning across Europe, Asia, Middle East and Africa. Its target clients are corporates (both exporters and investors), banks and financial institutions as well as Export Credit Agencies and insurers.



# MESSAGE FROM THE CHAIRMAN

2019 was a trying year for global trade and international cooperation. Geopolitical tensions and growing questions surrounding trade and development were on the rise. We live in a time where people are beginning to scrutinize and ask how trade impacts their personal economic and social well-being. As ICIEC, we made a commitment to document and assess the impact of our activities on the ultimate beneficiaries – our Member Countries' citizens. The Annual Development Effectiveness Report is not just another report with facts and figures but highlights the tangible impact of ICIEC's work furthering human development and well-being within OIC Member Countries.



Our development role is to facilitate Member Countries' development agendas, supporting the direction they choose to take on their path towards sustainable development. We fulfil this role by mitigating trade-related political and commercial risks and protecting businesses, particularly SMEs, from the negative impacts of these risks. This protection enables both SMEs and larger companies to integrate into export markets and increasingly global value chains. Our insurance products improve access to finance for firms of all sizes giving them the opportunity to grow their business and enter new markets. On a macro level, we work with

national Export Credit Agencies providing capacity building and financial products that increase their risk-taking capacity to support their national exporters in turn. Our assistance to these ECAs ultimately promotes the development of the export sector in Member Countries.

With our investment coverage, Member Countries are able to attract much needed foreign direct investment for infrastructure development which stimulates economic growth. ICIEC's support of investments in Member Countries' strategic sectors further mobilizes resources from the private finance sector. We also place





The most significant trade commitment was by our **African Member Countries** that joined the **ambitious Africa Continental Free Trade Area** with an estimated market value of **USD3 trillion**.

high priority on partnering with financial institutions to facilitate the development of a Shari'ah-compliant financial sector in Member Countries. Financial sector development is crucial for economic development as this sector is the engine that facilitates trade.

In the end, ICIEC's development impact is focused on the people benefiting from these investments and trade transactions facilitated by the organization. Therefore, measuring the impact of ICIEC's development footprint on human development is extremely important. The projects we support provide accessible social services such as health and water that improve the lives of our Member Countries' citizens.

I am proud to note that in 2019 our Member Countries forged ahead with their development agendas and, as ICIEC, we played a vital role in facilitating these. At a policy level we had an exciting year where our

Member Countries continued to make commitments to open trade, deepening their financial sector, infrastructure and human development. Perhaps the most significant trade commitment was by our African Member Countries that joined the ambitious Africa Continental Free Trade Area with an estimated market value of USD3 trillion. We also saw growing intra-OIC trade with half of our insurance products facilitating imports and exports between OIC countries. This trend signals a strong commitment by our Member Countries to strengthen trade cooperation with one another. Going forward we will continue catalyzing this intra-OIC cooperation and foster meaningful development in our Member Countries.

**Dr. Bandar M. H. Hajjar**  
Chairman of the Board of Directors



# MESSAGE OF CEO

Our current times are marked by great uncertainties. Global trade tensions are on the rise; political and economic landscapes remain unpredictable. Our Member Countries are no less susceptible to these challenges. War, migration, climate change, trade disputes and stagnating economic growth are only a few of the development obstacles they face. And with the geographical coverage of our Member Countries spanning from South America to Asia and from Eurasia to Sub-Saharan Africa, also comes diversity in economic, social and political structures.



More than ever in these volatile times, ICIEC stands as lighthouse and reliable partner by turning uncertainties into manageable risks. In this complex and challenging environment, each country forges a path towards sustainable development that is specific to its context. While Upper-Middle Income Member Countries are pursuing inclusive growth, economic diversification and a more climate-friendly infrastructure, Least Developed Member Countries are prioritizing food security and reliable energy supply. Regardless of each Member Country's development agenda one thing remains certain: there is great potential to be realized in OIC Member

Countries. Our Member Countries are endowed with diverse resources and a growing working population which if harnessed properly will lead to economic and social prosperity for the people living within our OIC Member Countries.

Even though their development priorities differ, we are committed to support our Member Countries achieve the Sustainable Development Goals. In this endeavor, crowding-in private sector finance for investments and facilitating trade remain important stepping-stones. At ICIEC our mantra is therefore simple: we catalyse investments, we enable trade, we insure



## Even though their development priorities differ, we are committed to support our Member Countries achieve the Sustainable Development Goals.

development. The nature of the insurance business however requires us to operate at arms-length. Protected from political and commercial risks through our insurance covers, Member Countries, investors, banks, exporters and importers operate at the forefront – developing, negotiating and implementing projects and transactions that foster sustainable development for our Member Countries and people.

2019 was an exceptional year for ICIEC in respect of our development impact. In total we facilitated USD8.4 billion of exports and catalyzed more USD2.5 billion in investments into 12 of our 47 Member Countries. Investments in Least Developed Member Countries reached USD2.9 billion and with our Documentary Credit Insurance Policy we supported 45 Issuing Banks in our Least Developed Member Countries to facilitate trade transactions. We also continued to strengthen

our partnerships with Member Countries' national ECAs to diversify and grow their respective export sectors. As a result, we were able to reinsure USD1.2 billion worth of exports.

Given our 2019 achievements we are proud to present the Corporation's 2019 Annual Development Effectiveness Report. We hope this report will help inform our Member Countries and other stakeholders of how ICIEC's work contributes to positive development outcomes and impacts. While each Member Country's development path will look different, ICIEC's facilitation role will remain essential in assisting Member Countries walking out these development paths and creating a better OIC for the next generation.

**Oussama Abdul Rahman KAISSI**  
Chief Executive Officer



# EXECUTIVE SUMMARY



## ICIEC's Development Footprint



### Total amount of business facilitated

2019 **USD10,864 million**  
Since Inception **USD63,652 million**



### Total amount of export transactions facilitated\*

2019 **USD8,379 million**  
Since Inception **USD50,693 million**



### Total amount of investments facilitated

2019 **USD2,485 million**  
Since Inception **USD12,959 million**



### Number of export transactions facilitated

2019 **8,653**  
Since Inception **71,830**

## INTRA-OIC TRADE AND INVESTMENT



### Intra-OIC export insured

2019 **USD4,385 million**  
Since Inception **USD24,051 million**



### Intra-OIC investment insured

2019 **USD1,047 million**  
Since Inception **USD5,183 million**

## LEAST DEVELOPED MEMBER COUNTRIES



### Investments insured in Least Developed Member Countries

2019 **USD359 million**  
Since Inception **USD2,881 million**



### Exports insured from Least Developed Member Countries

2019 **USD23 million**  
Since Inception **USD273 million**

## SECTORS



### Agricultural support provided

2019 **USD64 million**  
Since Inception **USD1,341 million**



### Energy support provided

2019 **USD5,585 million**  
Since Inception **USD21,915 million**



### Infrastructure support provided

2019 **USD474 million**  
Since Inception **USD4,129 million**



### Manufacturing support provided

2019 **USD2,612 million**  
Since Inception **USD20,809 million**



### Health sector support provided

2019 **USD360 million**  
Since Inception **USD1,427 million**

\* Export transactions facilitated from all countries

# ICIEC's Products for Development



## Facilitating intra-OIC trade *Documentary Credit Insurance Policy*

With its Documentary Credit Insurance Policy, ICIEC directly supports the international correspondence network of its Member Country banks. Importers and exporters in ICIEC's Member Countries require their banks to support their transactions in markets in which the banks may not have a correspondent banking relationship in place. ICIEC's insurance allows banks to take correspondent bank risk with those financial institutions with whom they do not have an international banking network. This is critical to facilitate payment modalities and meeting short-term financing needs on the side of the importer. ICIEC's insurance mitigates the commercial and political risks involved in these bank-to-bank transactions, thereby making it attractive for banks to grow their trade finance-related business for the benefit of local importing and exporting industries.



## Enhancing access to markets and finance *Credit Insurance Products*

By offering credit insurance products, ICIEC mitigates the commercial and political risks involved in open-account transactions between importers and exporters. By protecting against non-payment, ICIEC's insurance safeguards business continuance for exporters engaging in new, as well as existing, business relationships with foreign buyers. At the same time, exporters feel more comfortable negotiating larger contracts and entering new potentially riskier markets. ICIEC's credit insurance also eases exporter's access to working capital finance, as it can represent an attractive type of collateral to exporters' banks.

ICIEC's credit insurance solutions also support access to long- and medium-term finance for local buyers. On the basis of ICIEC's insurance, banks are willing to finance buyers' capital investments, thereby not only supporting the foreign supplier (either from a Member or non-Member Country) to sell its capital goods to a Member Country buyer but at the same time facilitating local manufacturing or capital investments of local businesses and governments.



## Improving access to Islamic Finance services *Bank Master Policy*

ICIEC's Bank Master Policy allows an exporter to obtain Islamic working capital financing from its bank on the basis of a purchase contract. ICIEC's insurance does not only mitigate the underlying commercial and political risks for the bank, but also helps the bank structure the Islamic financing. The working capital facility is especially beneficial for SMEs who often struggle to implement larger contracts due to working capital restrictions and lack of access to (Islamic) finance.

### *Sovereign Sukuk Insurance Policy*

Mobilizing Shari'ah-compliant finance for infrastructure and other large-scale projects aimed at driving economic growth can be challenging for Member Countries, especially for the least developed ones. To address this shortcoming in the Islamic capital markets, ICIEC has developed a Sovereign Sukuk Insurance Policy. The policy provides a strong credit enhancement by insuring the investor against default on Sukuk issued by sovereign entities of Member Countries. ICIEC's Sukuk policy broadens the prospective pool of investors in order to crowd-in more private sector capital to development-inducing projects in its Member Countries.



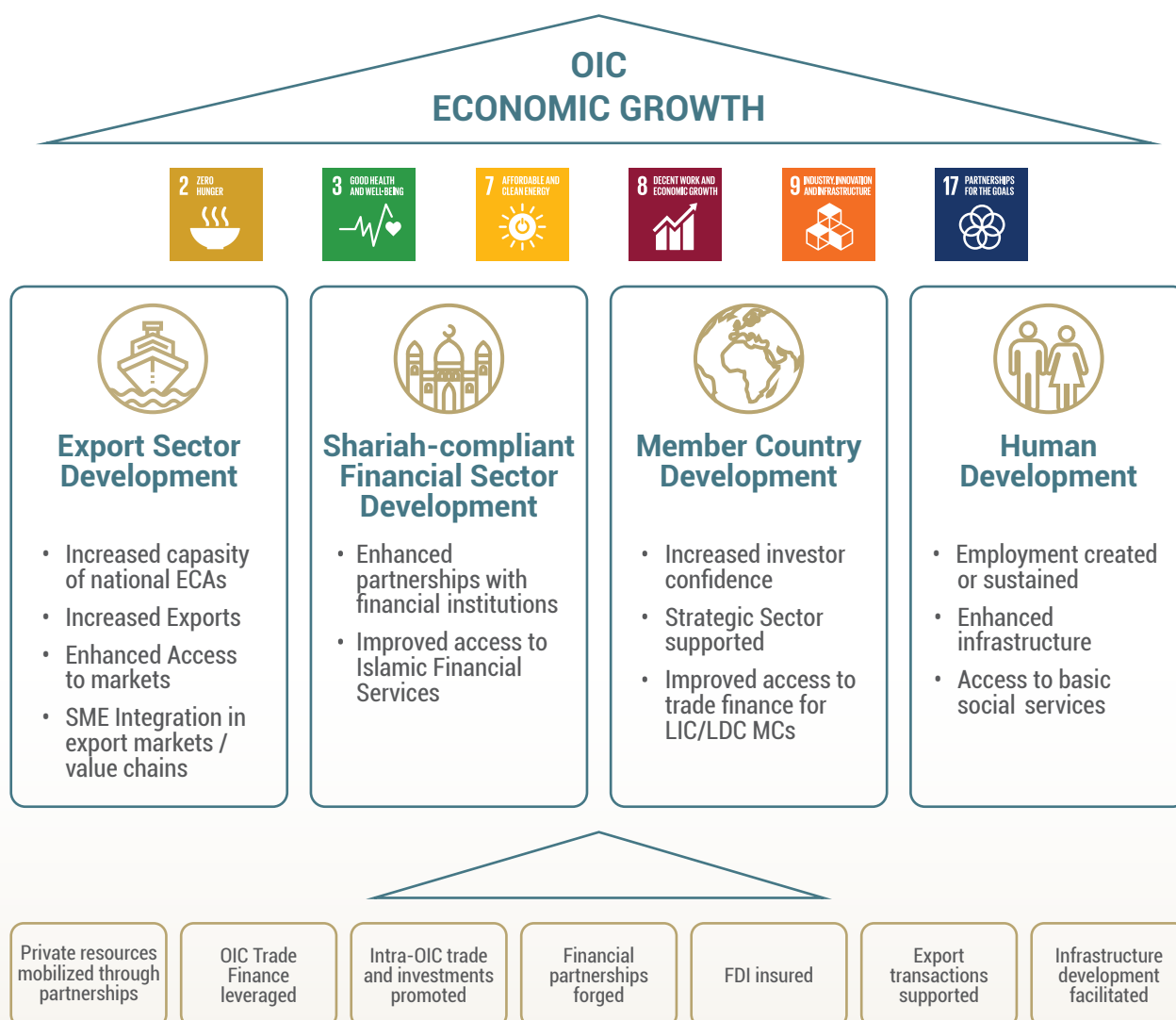
## Facilitating investments into and among OIC *Investment Insurance Products*

ICIEC's investment insurance products mitigate non-commercial risks with regard to investments in its Member Countries. Thus, ICIEC supports the flow of investments into markets perceived as higher-risk, attracts additional project capital and improves the overall risk perception of the respective country and market.

# ICIEC's Development Effectiveness Framework

ICIEC's Development Effectiveness Framework is closely aligned with IDBG's 10-Year Strategy, the President's 5 Year Program (P5P) and the Group's commitment to the SDGs. Its development impact contribution, particularly at the beneficiary and overall Member Country level is derived from a conceptual road map, called Theory of Change, which links the Corporation's services to intended outcomes in the export and financial sectors. ICIEC's Development Effectiveness Framework is underpinned by a Monitoring and Evaluation system, that takes ICIEC's role as an insurer (versus a financier) into consideration.

Figure 1: ICIEC's development effectiveness framework

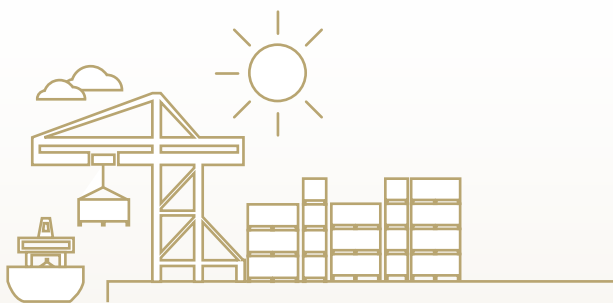


# ICIEC's Development Contribution

## Towards Export Sector Development in Member Countries

Export sector development is vital for the growth of an economy and for a country to fully participate in global trade. The export sector is significant for economic growth through two main channels. First, it is a base for foreign exchange generation for a country and second it is a source for job creation. As the export sector grows more income is generated for governments through taxation and this income can be used to finance public projects that foster economic and human development in the country. At a firm level, facilitating export growth induces firms to increase their productivity. In turn, they require more labour leading to increased labour demand in the economy and job creation. The macroeconomic impact of this is higher firm and labour productivity leading to higher GDP growth. Additionally, with more jobs created in the economy individuals are able to have more income, also leading to higher income per capita in the country.

However, growing the export sector can be difficult for countries that face high political and economic risks as investors and buyers tend to be risk averse. These risks cause market failures in the export sector resulting in low productivity in the economy and low income generated for governments. Over the years OIC Member Countries have seen a decline in exports from 2012 until 2016 largely affected by the drop in world commodity prices. It is only until recently that exports have begun to increase reaching USD1.98 trillion in 2018 compared to about USD1.4 trillion in 2016, the year with the lowest exports. High commodity dependence is also a concern for a majority of OIC



**ICIEC's has facilitated export transactions worth USD50 billion since its inception and a growing number of these transactions have been increasingly intra-OIC exports**

countries who are seeking to diversify their exports and wean their reliance on one single commodity. Hence, export diversification through export sector development is high on the agenda for most OIC Member Countries.

Given this, ICIEC has placed high priority in facilitating the development of the export sector in Member Countries in two main ways. First, ICIEC mitigates commercial and political risks of buyers, allowing businesses to sell their goods, enter new markets and/or provide competitive payment terms. ICIEC also provides capacity building and financial services support to national Export Credit Agencies (ECAs). In short, ICIEC bridges market failures. In providing risk mitigation instruments and facilitating access to trade finance it supports small to large exporters to grow their businesses and ultimately countries to prosper economically. Through its facilitation role, ICIEC's has facilitated export transactions worth USD50 billion since its inception and a growing number of these transactions have been increasingly intra-OIC exports.

### Key Highlights 2019



**USD8 billion export business insured**



**USD4.4 billion intra-OIC export business insured**



**8,653 export transactions supported**



**1.2 billion of Shari'ah compliant reinsurance support to Member Country ECAs**

## Towards Shari'ah-compliant financial sector development in Member Countries

Financial sector development is important for trade facilitation and ultimately economic development. Countries with mature financial sectors are able to engage in complex and high volume trade transactions enabling them to fully participate in global trade. Developed financial sectors also enable full economic participation of consumers in the economy creating dynamic markets which



attract foreign direct investments. Given the importance of financial sector development, OIC Member countries have made it a priority to pursue Shari'ah-compliant financial sector development in their countries. Shari'ah-compliant finance emphasizes profit banking where financial institutions share in the profit or loss stake of the enterprises they underwrite. This compliance also emphasizes gharar which is the sale of items with high uncertainty such as insurance purchases for expected or unexpected risks.

To this end ICIEC is an important player in ensuring the development of a Shari'ah-compliant financial sector in OIC Member Countries. ICIEC's presence in the market increases the capacity of its partner financial institutions in OIC countries to offer Shari'ah-compliant insurance services and access to finance, further setting an example as the only multilateral Takaful credit insurer. The Corporation also encourages banks to develop Islamic trade and project finance structures in order to benefit from ICIEC's services. In 2019, ICIEC launched its Sovereign Sukuk Insurance Policy, aimed at strengthening Islamic Finance capital markets and mobilizing Shari'ah-compliant capital for strategic investment projects in Member Countries. Business insured under ICIEC's Bank Master Policy, providing Islamic financing to predominately SME clients, has increased to USD378.5 million.

### Key Highlights 2019



**USD378.5 million export-related working capital for predominately SMEs under ICIEC's BMP**



**USD100.5 million worth of joint transactions with ITFC**



**7 countries where ICIEC's Islamic Finance BMP product is active**

## Towards Member Country Development

Strategic economic development is another key priority for OIC Member Countries. The economic diversity within these Member Countries means countries are pursuing development agendas that are in line with their needs and capacity. Some Member Countries are pursuing economic

diversification to lessen their dependence on single resource exports; others are engaging in activities to increase economic productivity and grow their economies. In pursuing these development agendas all OIC Member Countries have an objective to do so in a strategic and sustainable way. Strategic development is important given the current challenges faced by OIC Member Countries including growing populations and climate change. The growing population in Member Countries means higher demand for basic services and infrastructure such as roads, health facilities, education facilities, water and food. Climate change is affecting how Member Countries are implementing their development agenda. Increasingly extreme weather patterns are forcing countries to find sustainable ways to adapt.

ICIEC enables strategic projects and improves investment attractiveness. Through its mandate and a variety of insurance products, ICIEC supports the development agendas of its Member Countries by underwriting investments in strategic sectors. The effect of ICIEC's presence as an investment partner, while facilitating foreign investment, also provides a measure of reassurance and encouragement to other potential investors seeking opportunities in countries with higher risk. The investment projects often provide employment, enhanced, modern and efficient infrastructure, and better quality of life for citizens. ICIEC also improves access to trade finance for Least Developed Member Countries who may be at higher risk and not as attractive to other market players but need exports and investments to grow. These effects over time contribute to economic growth and Member Country development.

In 2019, ICIEC's key strategic investment projects in Member Countries included the Azito Thermal Power Plant Project in Côte d'Ivoire as well as the water supply facility for the City of Abidjan.

### Key Highlights 2019



**USD2.5 billion total investment facilitated**



**USD1 billion intra-OIC investment insured**



**USD359 million investments insured in Least Developed Member Countries Towards Human Development**

## Towards Human Development

ICIEC's trade and investment support always takes into account the final beneficiaries, i.e. citizens living in OIC Member Countries. The development goal for ICIEC is to ensure the well-being and economic prosperity of these individuals. Human development efforts include improving access to basic infrastructure and services including education, health, nutrition and sanitation. Promoting access to these services improves the well-being of populations. In turn, healthier populations are more productive and can contribute to the overall productivity. ICIEC's backing of investments in infrastructure and social services improve economic productivity, competitiveness and quality of life in Member Countries. Meanwhile, firms - through ICIEC's political and commercial risk insurance - access new markets, grow, sustain or increase employment, and contribute to the human development of their countries. In 2019 ICIEC made significant contributions to the agriculture and health sectors amounting to USD63 million and USD360 million respectively. Agriculture is a vital for bolstering food security and employment in many countries, while improvement in and access to health care is a cornerstone of human well-being and development.

### Key Highlights 2019



**USD64 million business insured in agricultural sector**



**USD360 million business insured in health sector**




**USD474 million business insured in infrastructure projects (excluding energy projects)**



**USD127 million business insured in labor intensive sectors in 2019.**

## ICIEC's Contribution to the Sustainable Development Goals

SDG	SDG Target	ICIEC's Contribution	In Numbers
 <b>Zero Hunger (SDG 2)</b>	<p>2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.</p> <p>2.a: Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.</p>	<p>Enhanced agricultural productivity through the facilitated import of agricultural machinery and access to financial services</p>	<p>Total Agricultural business insured: <b>USD64 million</b></p> <p>LDMC agricultural imports insured: <b>USD51.8 million</b></p>





### Good Health and Well-Being (SDG 3)

3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Improved access to quality essential health care services through insuring foreign investments in health infrastructure, otherwise deemed too risky

Health sector business insured: **USD360 million**

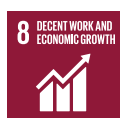


### Affordable and Clean Energy (SDG 7)

7.b By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support

Expanded upgraded infrastructure for modern and sustainable energy services through mitigating political and commercial risks associated with required investments and exports

Energy sector business insured: **USD5.6 billion**



### Decent Work and Economic Growth (SDG 8)

8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries

8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Economic growth, increased economic productivity and employment creation by facilitating strategic investments in LDMC and promoting export businesses to grow internationally

- Business insured in labour-intensive sector: **USD187 million**
- Total business insured in LDMC: **USD1.3 billion**



### Industry, Innovation and Infrastructure (SDG 9)

9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

9.a: Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States 18

Improved access to finance for SMEs and infrastructure investments through risk mitigation instruments for banks and medium/long-term finance

- BMP and DCIP business insured: **USD4 billion**
- Manufacturing business insured: **USD2.6 billion**
- Infrastructure business insured: **USD474 million**



### Partnerships for the Goals (SDG 17)

17.3: Mobilize additional financial resources for developing countries from multiple sources

17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020

Participation of banks, investors, corporates, and national ECAs in export transactions with, and investments in, risky markets encouraged by ICIEC partnership

- 82 Partnerships
- Business insured of national ECAs: **USD1.6 billion**
- Total Export business insured: **USD8.4 billion**
- Exports from LDMC insured: **USD23 million**



# INTRODUCTION

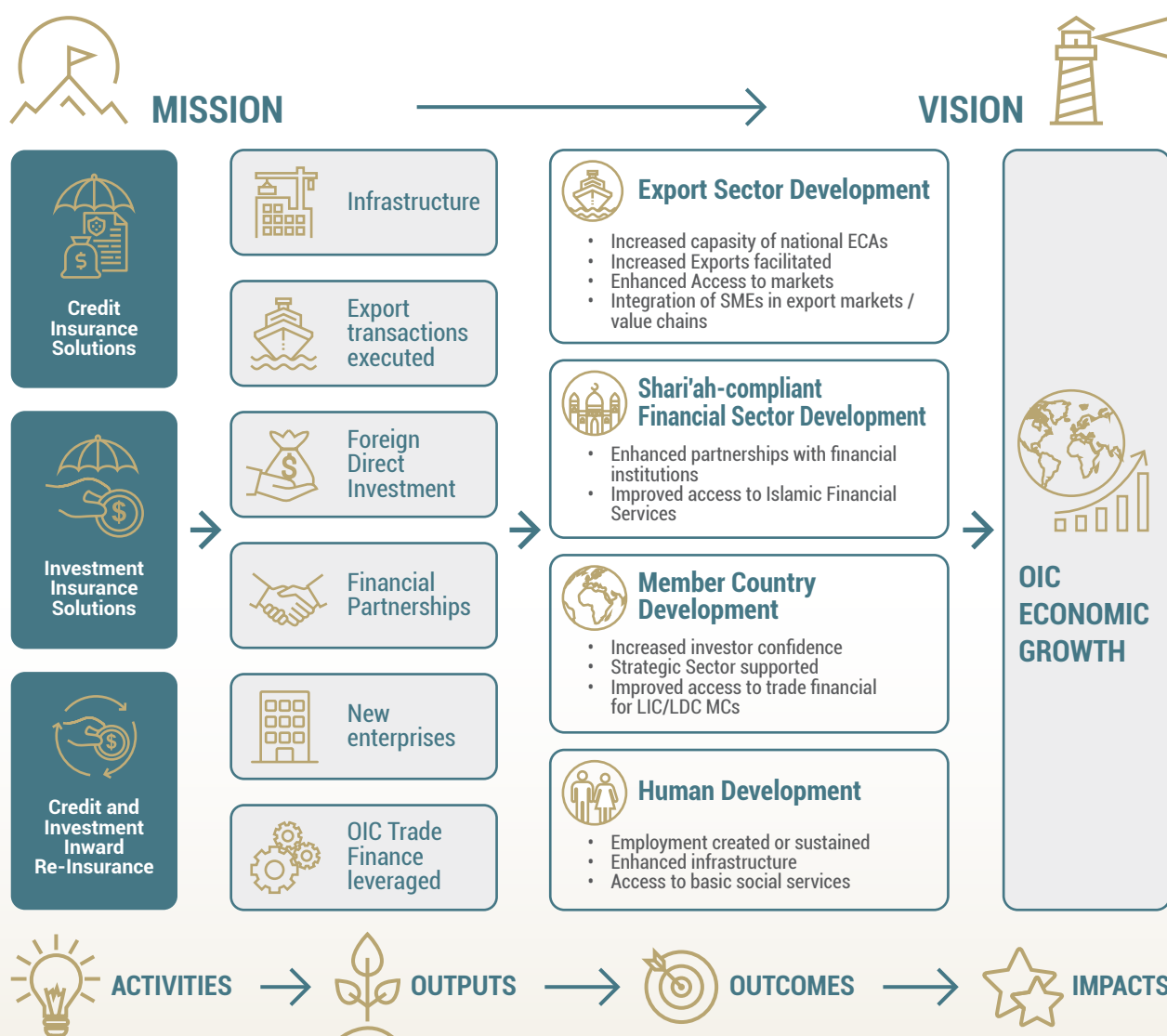
ICIEC's Annual Development Effectiveness Report analyzes the Corporation's business performances through a developmental lens. Given ICIEC's twin strategic objectives – to ensure financial sustainability and create development impact – the ADER serves to reflect on the latter and to showcase how the Corporation pursues its developmental mandate. While last year's report celebrated ICIEC's 25<sup>th</sup> Anniversary and development journey, this year's ADER focusses on ICIEC's development outcome pillars "Export Sector Development", "Shari'ah Compliant Financial Sector Development", "Member Country Development" and "Human Development" – as defined by the Corporation's Development Impact Framework.



# ICIEC's Theory of Change

ICIEC's developmental impact can be summarized by a Theory of Change Diagram (see Figure 2). It establishes the logical connection between what ICIEC does, why it does it and how it contributes to defined development outcomes. ICIEC's theory of change is based on the understanding that the Corporation's impact is part of a larger strategy, namely IDBG's 10-Year Strategy. ICIEC's mandate and activities support inclusive, responsive and resilient development in OIC Member Countries and directly contribute to increasing connectivity and the global Islamic finance sector growth. At the same time, ICIEC is fully committed to support its Member Countries achieve the Sustainable Development Goals.

Figure 2: ICIEC's Theory of Change



As shown in Figure 2, ICIEC's development rationale is derived from its core business activities – delivering tailored trade, export and investment insurance products that facilitate trade, export and investment within OIC, and between OIC and the world at large. Through partnerships with financial institutions and national Export Credit Agencies, ICIEC's products reduce export risks and

provide much needed financial space to both large firms and SMEs to obtain access to working capital, while minimizing lending risk. For SMEs, financial risk of lending is significantly reduced and they are able to access investment capital they need to expand and grow in new markets. By underwriting investments in strategic sectors, supports the development agendas of

its Member Countries. The investment projects often provide employment, enhanced, modern and efficient infrastructure, and better quality of life for citizens. Through ICIEC's trade insurance, firms access new markets, grow in existing markets and in the process generate employment and economic growth, contributing to the human development of OIC economies.

## ICIEC's unique development role

ICIEC has a unique development role to foster development through facilitating trade and investment within OIC Member Countries and between OIC countries and the world through Shari'ah-compliant risk mitigation tools. The uniqueness of this role is apparent in ICIEC's business model. As an insurance provider, ICIEC's involvement in the transaction comes before the actual trade or investment takes place. This is part of its catalyzing role. In many cases, ICIEC is the bridge that facilitates trade transactions to occur where they would normally not materialize particularly in high risk countries.

Given ICIEC's role and mandate, the organization spearheads IDBG's partnership theme through its capital paired with development-driven risk appetite. By partnering with private sector insurers such as Coface, ICIEC is able to achieve additional leverage on its capital and further extend its reach and capacity. Private insurers and reinsurers are willing to participate indirectly in the transactions as ICIEC's multilateral and preferred creditor status provides them with sufficient assurance. ICIEC's engagement in a transaction also demonstrates its commercial

viability, therefore mobilizing investors and insurers to support similar transactions in the future.

ICIEC's insurance business model is different to that of banks that by law have to actively manage and monitor a client's portfolio during the lifetime of their risk engagement. Instead, ICIEC as an insurer assesses the client's risk before issuing the insurance policy and typically will not receive regular monitoring updates from the client – unless there is reason for concern that an insured event occurs. Hence, gathering data on ICIEC's

development impact during the course of its risk exposure or ex-post is not as straightforward or comparable to lenders. As a development finance institution and member of the IDBG, ICIEC is nevertheless committed to measuring and steering its development contribution and supporting the strategy of the Group. ICIEC is dedicated to identifying smart ways to obtain the required data and information that are acceptable to the parties involved and allow ICIEC to monitor, assess and report on its specific development impact.



**ICIEC is the bridge that facilitates trade transactions to occur where they would normally not materialize.**



# ICIEC'S 25-YEAR DEVELOPMENT JOURNEY

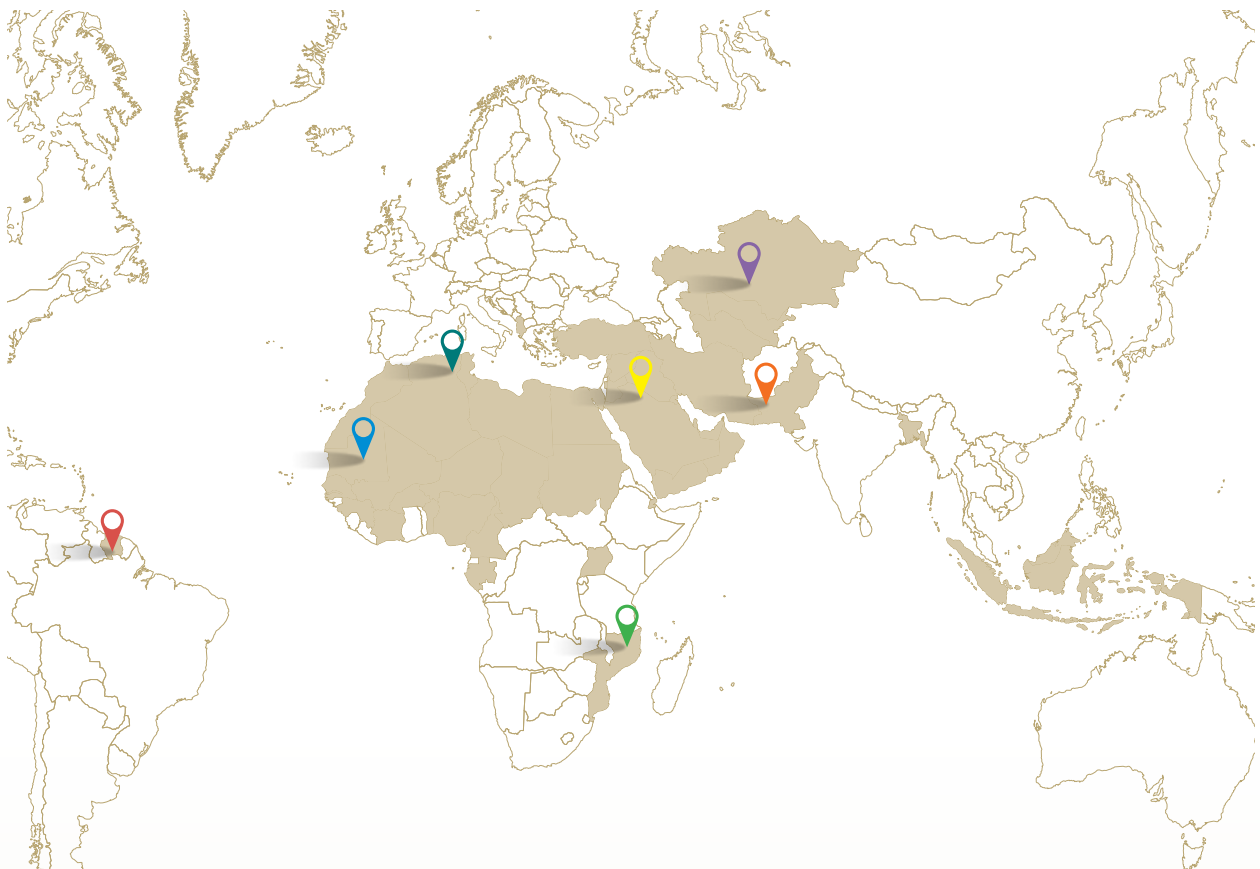




# ICIEC's Development Milestones

## Membership Growth

ICIEC's Membership has grown significantly over the years, from 13 countries in its founding year to 47 Member Countries today. This Membership represents a broad mix of economic backgrounds ranging from high income economies to least developed economies. 16 Member Countries are currently classified as low income countries (LICs) and least developed countries (LDCs) – making trade and investments ever more important for the development and uplift of this group of countries.



**South America**  
Suriname

**West Africa**  
Benin, Burkina Faso, Côte d'Ivoire, Gambia, Guinea, Mali, Niger, Nigeria, Senegal

**East and Central Africa**  
Cameroon, Chad, Comoros and Djibouti, Gabon, Mozambique, Uganda

**Arab Asian Countries**  
Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, UAE, Yemen

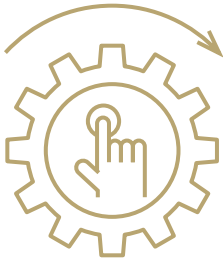
**North Africa**  
Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, Tunisia

**South East Asia**  
Bangladesh, Brunei, Indonesia, Iran, Malaysia, Pakistan

**Central Asia & Europe**  
Albania, Kazakhstan, Uzbekistan, Turkmenistan, Turkey

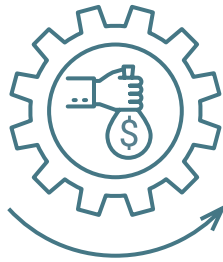
## Evolution of mandate and product portfolio

ICIEC's mandate and product portfolio have continued to evolve to meet the dynamic changes of the organization's Member Countries and clients.



1997

ICIEC begins operations with three products; the Comprehensive Short-Term Policy, the Bank Master Policy and the Supplementary Medium-Term Policy



1998

ICIEC launches the Foreign Investment Insurance Policy



2000

The Board of Governors amend the Articles of Agreement allowing ICIEC to cover exports to non-Member Countries given the dramatic globalization of international trade.



2003

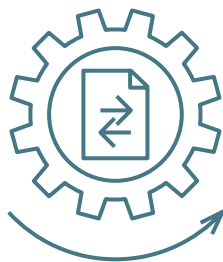
ICIEC launches the Documentary Credit Insurance Policy



2005

The Board of Governors amend the Articles of Agreement allowing ICIEC to provide political risk insurance to cover investors from non-Member Countries investing into Member Countries.

The IDBG's Investment Promotion Technical Assistance Program is launched.



2006

ICIEC introduces the Specific Transaction Insurance Policy and the Reinsurance Facility Agreement.



2010

The Board of Governors amend the Articles of Agreement to cover domestic sales (as long as they are part of an exporter's portfolio of sales) and imports from non-Member Countries. The latter are restricted to strategic commodities and capital goods.

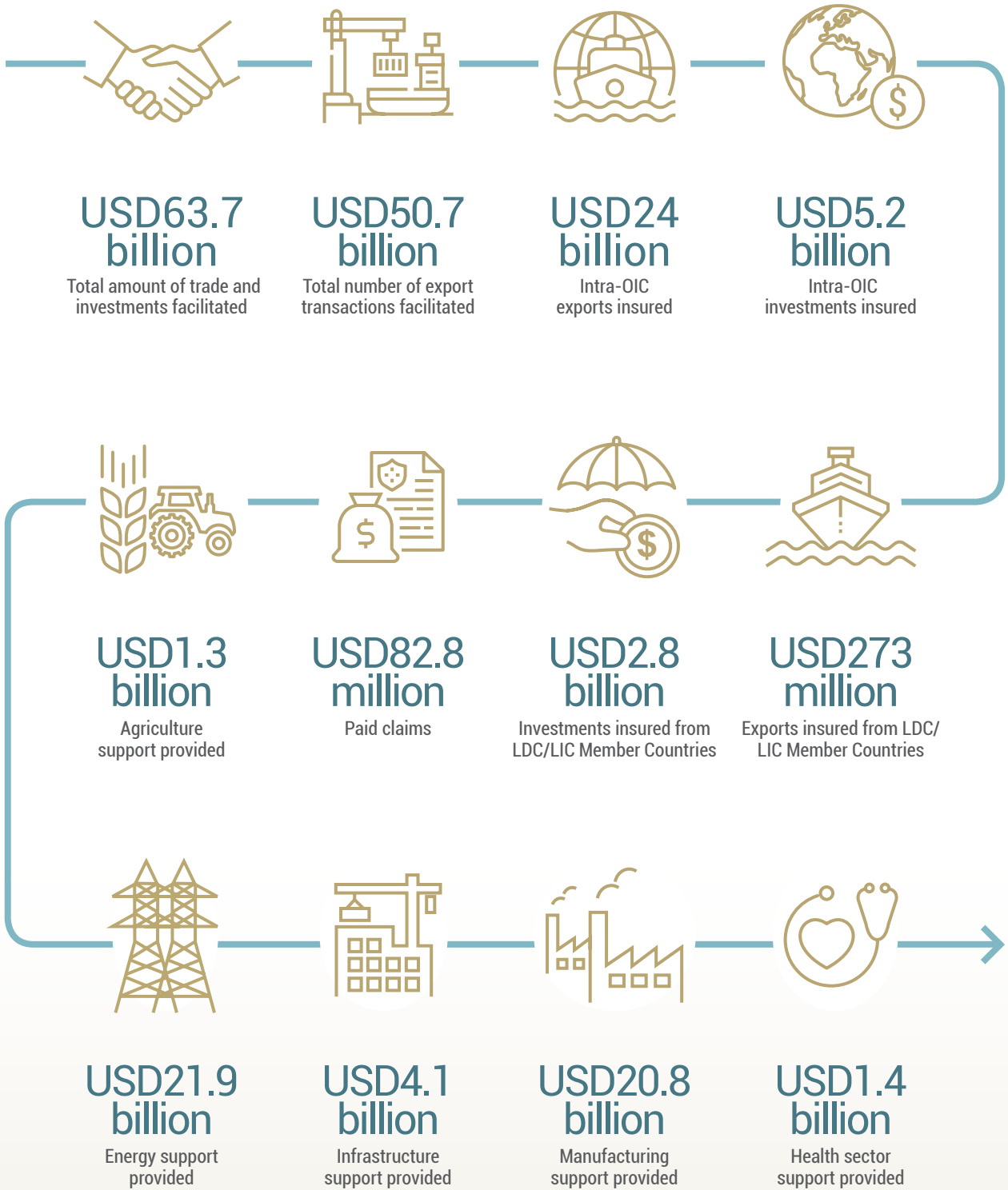


2013

ICIEC launches an innovative 'Sovereign Sukuk Insurance Policy' which allows users to utilize Sukuk to tap into capital markets. ICIEC also designs a 'Bank Master Policy for Istisna financing', which will protect Islamic banks against non-payment risks of obligors in Istisna financing structures.

# ICIEC's Development Results

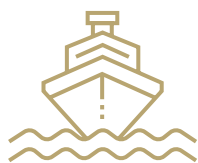
Since its inception, ICIEC has had significant development impact.





# EXPORT SECTOR DEVELOPMENT

## Key Highlights 2019



ICIEC insured  
**USD8.4 billion**  
worth of exports



ICIEC Supported  
**USD4.4 billion**  
intra-OIC exports



National Member  
Country ECAs received  
**USD1.2 billion**  
of Shari'ah compliant  
reinsurance support



ICIEC's total business  
insured in LDMCs  
amounted to  
**USD1.4 billion**



A total of **8,653** export  
transactions benefited  
from ICIEC's support

### Global Perspective

Export sector development is a key driver for active engagement in international trade, particularly for developing countries. However, in 2019 global exports faced significant trade and monetary policy challenges including rising global trade tensions and other regional-specific policy challenges in particular the uncertainty within the European Union. These challenges led to a 1.2% growth forecast in world merchandise trade for 2019 compared to the 3% growth in 2018. However, despite strong global aversion to trade, OIC Member Countries remained committed to open trade with a majority of OIC's 26 African Member Countries joining the newly created Africa Continental Free Trade Area (AfCFTA). The AfCFTA offers immense export opportunities for these OIC Member Countries and an opportunity for ICIEC to expand its contribution in supporting Member Countries' access to the African market.

Given the current uncertainties in global and OIC export trends, access to reliable trade finance is crucial in developing and sustaining a resilient and successful exporter sector; and facilitating exports for OIC Member Countries. Compared to domestic sales, international sales contracts are more complex, riskier and more difficult to enforce due to changing political, social and economic factors. As a result, exporters require external credit in some form of external credit insurance to ensure a smooth transaction of their international sales. Credit insurance results in more predictable sales for firms and encourages them to increase their exports to diversified markets and this in turn strengthens a country's macroeconomic resilience. Predictability in international sales is particularly important where the export commodity is a major source of earnings for the economy, or where overseas resources is needed for industrial expansion and job creation.

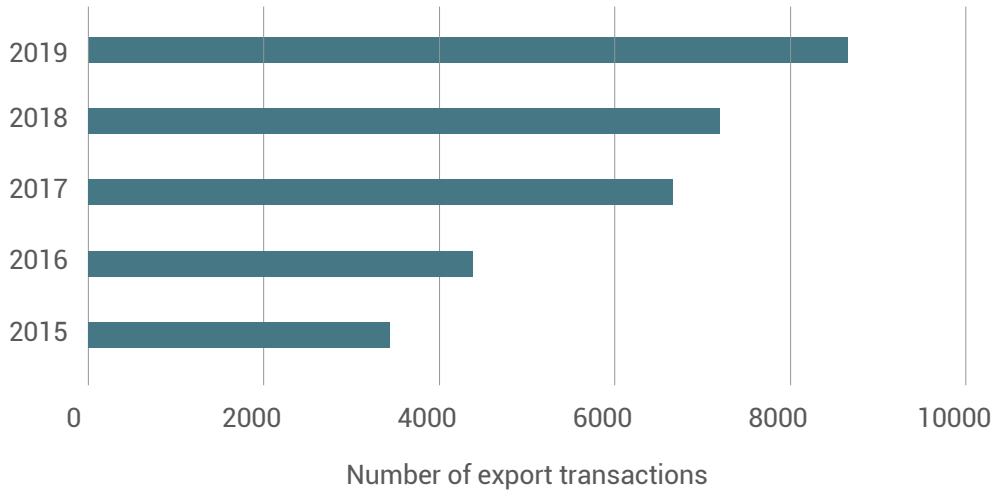
Trade finance is also an important component in supporting firms, particularly small and medium sized enterprises (SMEs), to meet their investment and working capital needs. Various SME surveys have shown that limited access to affordable trade finance is one of the biggest obstacles SMEs face when in engaging in international trade. Generally, exporting SMEs record higher growth rates and are the main drivers of economic growth. Providing secure and easily accessible trade finance to SMEs, particularly those in developing countries, can help these firms scale up operations thereby sustaining and creating jobs.

The rest of this chapter outlines ICIEC's contribution to specific areas promoting export sector development namely export facilitation, enhancing market access, enhancing insurance capacity of national ECAs and supporting the integration of SMEs in export markets and value chains.

## Export facilitation

Export facilitation in Member Countries is a significant component of ICIEC's development mandate. Through the provision of its various export insurance products, ICIEC minimizes commercial and political risks involved in cross-border trade. ICIEC's support to exporters and banks facilitates thriving trade between Member Countries and with the rest of the world. In the past five years, the number of export transactions facilitated by ICIEC more than doubled as shown in Figure 3.

**Figure 3: Number of export transactions facilitated by ICIEC**



ICIEC also aims to facilitate and increase intra-OIC exports, encouraging businesses to take advantage of the diverse resources in Member Countries. In 2019 alone, ICIEC facilitated exports worth USD4.3 billion among OIC Member Countries across Arab Asia, Central Asia, South East Asia, North Africa, West Africa and Central Africa. A majority of these exports were originating from Arab Asia, Europe and Central Asia while Africa and South East Asia were the main destinations for intra-OIC imports. This trade flow suggests that there is growth potential for intra-OIC exports from African and South East Asian OIC Member Countries.

**Figure 4: Regional distribution of Intra-OIC Trade insured, 2019**



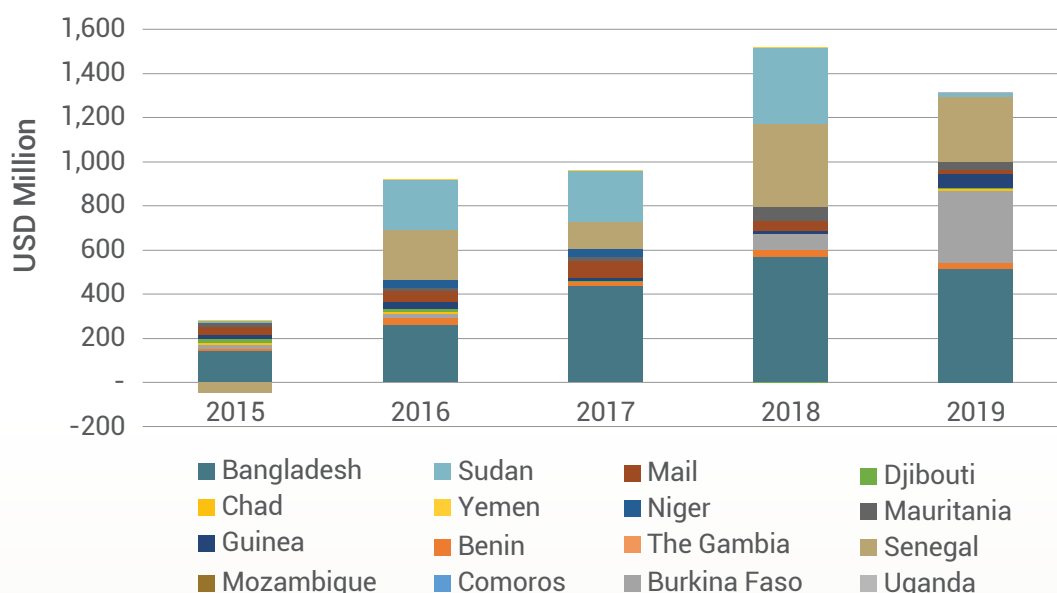
## Enhanced access to markets

Accessing new markets can be daunting for exporters due to a variety of factors including lack of familiarity with the risk of destination markets and no payment track-records of new clients among others. This can lead to adverse effects on the exporting firm's growth prospects. ICIEC's insurance products provide exporters with the solution and assurance of entering new and potentially riskier markets. ICIEC's insurance is not only useful to firms seeking to access new markets but also for firms looking to increase exports and service delivery to their existing markets. Expansion in existing markets can also entail risks given the various economic, political and social uncertainties. The insurance ICIEC provides gives these firms the protection they need to expand their market share.

In 2019 ICIEC continued to offer support to various firms in OIC Member Countries. The largest support was given to Riyadh Cables Co. (RCC) through ICIEC's Comprehensive Short-Term Policy (CSTP) over a one-year period. RCC is Arab Asia's leading cable manufacturer and exporter, selling to more than 40 countries since its establishment in 1984. This CSTP will enable RCC to continue increasing its export sales, penetrate new markets, obtain information on new buyers and secure its receivables.

Many businesses consider Least Developed Member Countries (LDMC) high-risk export destinations and remain hesitant to enter these markets. Lack of financial data and track record further causes businesses to shy away from seizing their export potential. This situation not only hampers growth prospects of exporting businesses, but also the supply of capital goods and consumables for businesses in these markets perceived too risky to trade with. To mitigate the negative economic impact on both sides of the cross-border transaction, ICIEC is dedicated to providing risk insurance for transactions with businesses in LDMC. In 2019, ICIEC's total business insured in LDMCs amounted to USD1.4 billion. While this is a slight decrease from 2018, the Corporation over the past years has made strides in facilitating access to its LDMCs as shown in Figure 5.

**Figure 5: Total Business Insured in Least Developed Member Countries**



Another important initiative, which will have a substantial positive impact on creating access to new markets, is the establishment of the OIC Business Intelligence Center (OBIC). Most OIC countries still suffer from insufficient credit data, with a trickle-down effect on the risk perception of cross-border trade as well as on the overall access to finance, especially for MSMEs. In 2019, ICIEC reached an important milestone in the initiative when it presented the market study, business and implementation plan for the Center to the OIC Ministers at the 35<sup>th</sup> Annual Meeting of the COMCEC. It is estimated that the OBIC will boost private-sector lending in LDMC by USD670 billion a year. The launch of the Center is planned for late 2020.

## Insurance as the facilitator to unlocking market access to the AfCFTA

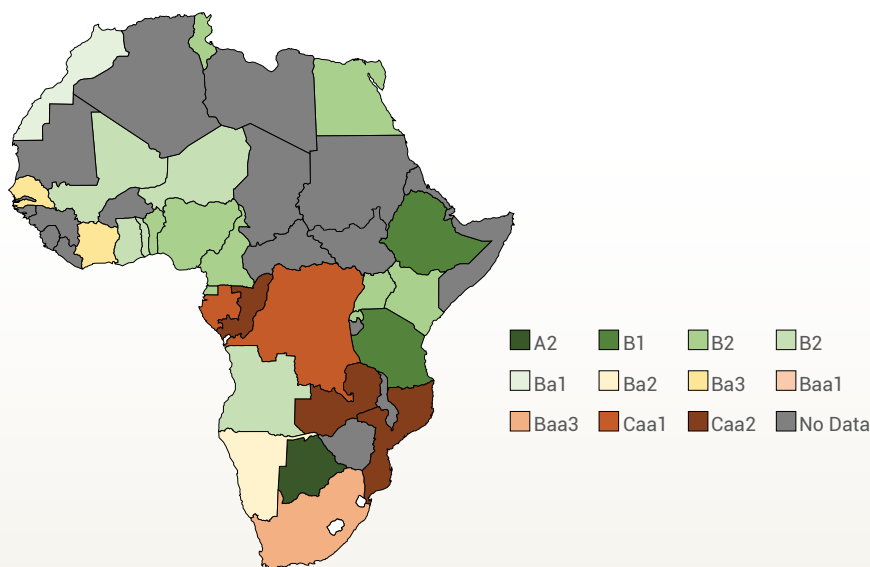
While current global trade trends are pointing towards protectionism, African countries have made a concerted effort to deepen regional integration and expand trade. The ratification of the Africa Continental Free Trade Area (AfCFTA) agreement signaled the strong commitment African countries have towards open trade. The free trade area has an ambition to create a unified continent market estimated at USD3 trillion with over 1 billion people. However, to translate the AfCFTA from a trade agreement into a thriving free trade area will require significant financial resource mobilization to facilitate exports.

But mobilizing financial resources for trade and investment opportunities on a continent with high risk investments will be a mammoth task. Markets with high investment risks seldom attract both domestic or foreign direct investment. Most African countries have a B, C or lower Moody credit grading, as shown in Figure 6 indicating that most countries have at best speculative markets or are in default with the exception of Botswana with an A2 rating. This current environment is not conducive for attracting investments. This makes investment insurance critical in attracting investment in the AfCFTA. Investment insurance in such high-risk markets is crucial in galvanizing much needed investments to realize the full potential of the AfCFTA and its signatories. Without investment insurance investors and businesses will not have the assurance they need to actively engage in trade transactions or investment projects in the AfCFTA.

To realize the tremendous potential in the AfCFTA given the existing high investment risk will require the participation of institutions that offer investment insurance such as ICIEC. The insurance services offered will be crucial for the success of the AfCFTA in two main ways. First, these investment insurance institutions provide much needed insurance to cover the political and economic risks that might affect trade transactions. This insurance coverage provides investors with confidence that if the transaction does not follow through, they can at least get their initial investment back. This type of insurance will encourage more first mover investors in the AfCFTA. Second, the capacity building offered by ICIEC will be critical in building national institutions that support exports such as national Export Credit Agencies and banks. Capacity building is essential in equipping these export-enabling institutions with the financial resources and technical capacity needed to facilitate exports in the AfCFTA.

As AfCFTA signatories begin to negotiate the trade agreement they should also keep in mind that investment insurance will be the corner stone in building an inclusive and thriving free trade area that will benefit all member states.

**Figure 6: Moody Sovereign Credit Rating for African Countries**

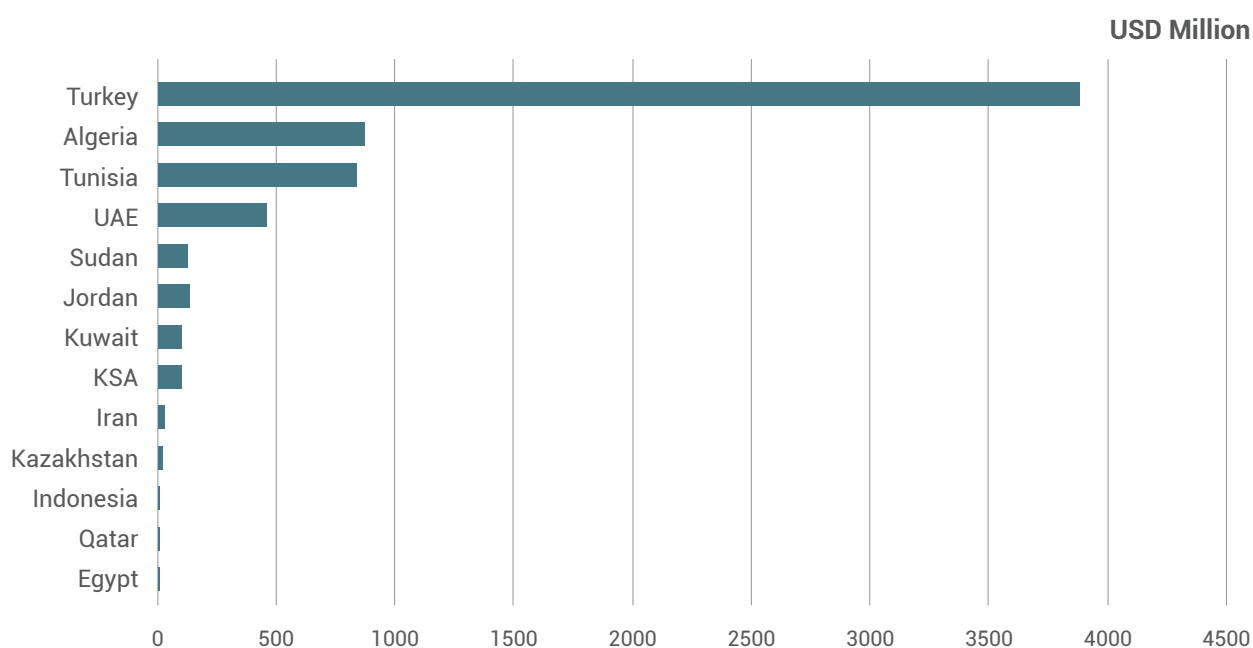




## Enhanced insurance capacity of National Export Credit Agencies

Governments and development finance institutions have made it a priority to address the persisting trade finance gap in order to support the growth of an exporting industrial base. To do so, many countries have embarked on establishing their own national Export Credit Agencies (ECAs) that help address trade and export finance market failures. Nevertheless, these national ECAs often start off with limited insurance and technical capacities—especially in developing countries. As part of its mandate, ICIEC supports Member Countries with fostering a strong and vibrant national export sector and is an important strategic partner of Member as well as Non-Member Country ECAs. The multilateral insurer closely cooperates with them and provides them with additional insurance capacity through facultative and treaty re-insurance mechanisms. In 2019 ICIEC signed new reinsurance agreements with three Member Country ECAs, namely Credit Oman, Etihad Export Credit Insurance (ECI) and Export Credit Guarantee Company of Egypt (ECGE). ICIEC also offers technical assistance and supports national OIC and non-OIC ECAs to launch new insurance instruments by providing tailored co- and re-insurance support and facilitating smart partnerships with other development players. Figure 7 highlights ICIEC's support to 14 national ECAs in 13 countries in 2019. ICIEC's support to Member and Non-Member Country ECAs, Development Finance Institutions (DFI) and Multilaterals such as MIGA totaled USD1.6 billion in 2019 making the total amount provided for support USD11 billion since ICIEC's inception.

**Figure 7: Total business insured with Member Country ECAs since inception**



### Aman Union – Enhancing national ECAs' capacities

The Aman Union is a leading professional forum for the export credit and investment insurance industry in OIC member countries. The association was co-founded by ICIEC with the objective to facilitate capacity building of national ECAs and provide a platform for information sharing on market and product developments and broader macroeconomic trends. 2019 marked the 10<sup>th</sup> Anniversary of the Union. In the last 10 years of its existence, Aman Union – with significant support from ICIEC – has established itself as hub for knowledge sharing as well as trade and investment advocacy in the region.

Addressing the need for professional development in many of its Member Country ECAs, Aman Union also launched the Aman Union Academy. The Academy offers a training program through the Institute for Trade and Innovation at Offenburg University that is tailored to the specific ECA-related capacity needs of its members.

## Integration of SMEs in export markets and value chains

SMEs play a significant role in economic development and job creation both in developed and developing countries. Globally they represent 90% of businesses and account for more than 50% of employment. In emerging economies, formally registered SMEs contribute up to 40% of GDP and account for every 7 out of 10 jobs created. Within OIC members, SME contribution to economic development varies widely given the different income levels of Member Countries. Despite this, the fact that by 2030, 600 million jobs will be needed globally to absorb a growing labor force, SMEs will remain a key priority for job creation and poverty alleviation in OIC Member Countries. Given the significance of SMEs, their integration in export markets means they can benefit from increased returns to scale, become more competitive and innovative leading to higher productivity. However, SMEs continue to face significant financing gaps despite their role in diversifying employment sources and overall economic expansion, in the majority of OIC Member States.

ICIEC has played a leading role in supporting SMEs in OIC Member Countries to integrate in export markets and value chains through underwriting SME loan facilities or insuring Letters of Credit for the importation of capital goods by SMEs to become more productive and competitive. As an example of this support, Turk Eximbank and ING Bank were beneficiaries of ICIEC's Non-Honoring of Sovereign Financial Obligations (NHSFO) in 2019. Details of the support are provided in the Development Highlight "Fostering inclusive growth in Turkey".

However, as financing gaps prevail, ICIEC is also currently working with the Islamic Solidarity Fund for Development (ISFD) to establish an ICIEC Microfinance & Micro-Takaful Fund for Economic Empowerment (ITFEE). The fund is being designed to support financing to SMEs, productive projects and programs in ICIEC's Member Countries by enhancing borrowing capabilities of least developed countries.



DEVELOPMENT HIGHLIGHT

# FOSTERING INCLUSIVE GROWTH IN TURKEY



PRODUCT



**Non-Honoring of Sovereign Financial Obligations (NHSO)**

CLIENT



**ING Bank, Germany**

VOLUME



**EUR 180 Million**

TENOR



**5 Years**

PROJECTS



**Providing cover to ING bank for its loan to Turk Eximbank for the support of Turkish export SMEs.**



ICIEC' ROLE

ICIEC is supporting Turkey by providing cover to facilitate Turk Eximbank financing of SMEs in Turkey's export sector. ICIEC's policy only covers the non-payment according to the signed repayment schedule between Turk Eximbank and ING Bank, Germany.



DEVELOPMENT IMPACT



**SDG 8** Promote inclusive and sustainable economic growth, employment and decent work. Through its support, ICIEC contributes to Turkey's export sector development enabling SMEs to access new markets and increase exports. As Turkish SMEs increase their exports, they are expected to create employment and decent work for the Turkish labour market.



**SDG 17** Revitalize the global partnership for sustainable development. The NHSFO product catalyzed private sector financing from ING Germany for Turk Eximbank.



MEMBER COUNTRY PROFILE

Turkey is a member country of ICIEC with a 2023 goal to increase its export volume to USD500 billion with the support of the Turk Eximbank. Given its mandate to support capacity building in OIC Member Countries, ICIEC partners with Turk Eximbank to assist in financing Turkish companies looking to trade and invest both within OIC and with the world. Currently Turk Eximbank has a client base of 6000 Turkish companies, a majority of which are SMEs giving ICIEC a significant foothold to effect development impact in the Turkish economy.

ICIEC has recently strengthened its partnership with Turk Eximbank by providing cover to ING for its EUR 100 million loan to Turk Eximbank. The loan will be utilized by Turk Eximbank to finance the SME sector in the country. The latter is key to the economic growth of the Turkish economy and is the main employment creating sector. In financing this sector, Turk Eximbank gives these businesses a greater opportunity to grow, thereby creating more jobs and opportunities for companies in Turkey.

ICIEC's commitment to assist its partner, Turk Eximbank, will play a crucial role in assisting Turkey to achieve the SDGs. Additionally, it will induce economic growth for the Turkish economy more generally, leading to economic prosperity for the entrepreneurs and workers involved in the SME sector in the country. For this loan, the development impact of ICIEC's cover is will be significant in terms of inducing economic growth and employment opportunities. This cover will also propel the relationship between ICIEC and Turk Eximbank in line with ICIEC's goal to provide support to national ECAs.

# SHARI'AH COMPLIANT FINANCIAL SECTOR DEVELOPMENT



## Key Highlights



**USD4 billion**  
business insured through BMP and DCIP



**USD100 million**  
leveraged in partnership with ITFC



Number of Issuing Banks increased to **662**

### Global Perspective

Financial sector development is crucial in improving access to trade finance and ultimately increasing international trade. Empirical evidence shows that countries with a higher level of financial development (measured by credit to the private sector by deposit money banks and other financial institutions as a share of GDP) have higher shares of manufactured exports in GDP and in total merchandise exports. Financial sectors mobilize savings, facilitate goods and services trade, and promote efficient allocation of resources. By doing so they provide the mechanisms to make and receive payments, thereby reducing transaction and information costs. Trade finance, as a specific service of the financial industry, is crucial for trading partners to bridge the time lag between the export order and the payment for goods and services produced. Other factors such as transaction volume and credit period can considerably increase financing costs or even make it difficult to obtain funding at all.

ICIEC provides risk mitigation and credit information services

to financial industries tailored to address persisting financial and non-financial market failures in Member Countries. For example, ICIEC supports local banks who do not have any or many foreign correspondent banks by establishing banking relations with leading international banks through the provision of comprehensive risk cover. These international banking networks are crucial to facilitate export transactions of local producers. These services support the development and extension of local financial services specifically targeted towards SME exporters in Member Countries. The total value of business insured through ICIEC's BMP and DCIP has steadily increased since the organization's inception and stood at USD380 million for BMP and USD3.7 billion for DCIP in 2019.

### Partnerships with financial institutions

In addition to supporting national Export Credit Agencies, ICIEC seeks to expand its client and beneficiary base with local financial institutions. In doing so ICIEC is fulfilling both its outlined development mandate as well

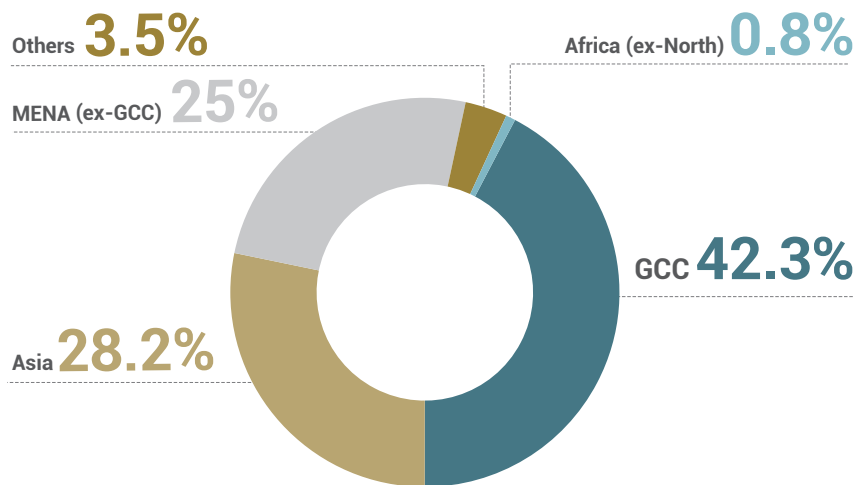
as SDG 17. Since its inception ICIEC has supported numerous financial institutions through the provision of its services with total business insured under BMP and DCIP amounting to USD14.7 billion since the Corporation's inception. ICIEC also continues to actively collaborate and lift synergies with the International Islamic Trade Finance Corporation (ITFC). In 2019 the volume of joint transactions amounted to USD100 million compared to USD61 million in 2018.

As forging strategic partnerships is crucial in driving financial sector development, ICIEC reinforced its collaboration with Akhdar Bank (AAB) in 2019. Both institutions seek to grow their Islamic Finance business by realizing cross-selling and sourcing opportunities. Similarly, ICIEC entered into a strategic partnership with the Moroccan Groupe Banque Central Populaire (BCP), one of Morocco's leading banks. By leveraging each other's strength, BCP and ICIEC plan to jointly expand their foothold in Sub-Saharan Africa.

## Improved access to Islamic Finance

Islamic finance is financing that adheres to Shari'ah standards. It is provided through Shari'ah compliant financial services and instruments. Over the years Islamic finance has increased in global markets as an alternative ethical form of finance. In 2018 the Islamic Financial Services Industry (IFSI) was estimated at USD2.19 trillion compared to USD2.05 trillion in the previous year and maintained a 6.9% year on year growth. However, a majority of these financial services are concentrated in certain regions, with Arab Asia accounting for 42.3% of the industry and Asia for 28.2% as highlighted in figure 8. This suggests a market gap in Islamic financing in other regions such as Africa and Central Asia where businesses often face challenges in accessing finance.

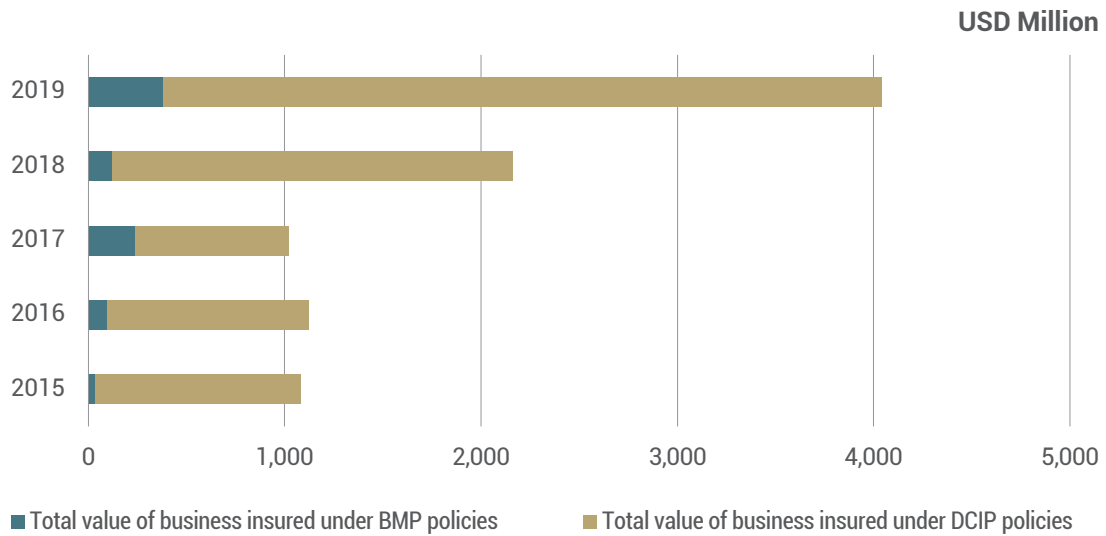
**Figure 8: Share of global Islamic Financial Services Industry by region, 2018**



*Source: ICIEC's calculation based on data from Islamic Financial Services Industry stability report 2019*

To better serve the Islamic financial market, the Islamic Development Bank developed three objectives: Inclusiveness-Solidarity, Connectivity for Growth; and Promoting the Development of the Islamic Financial Sector. ICIEC's mandate aligns with the third pillar on developing the Islamic Financial Sector. ICIEC therefore seeks to strengthen the Islamic banking sector and demonstrate to a range of government and major financial institution actors that Islamic financing instruments and mechanisms are successful conduits for private sector development and growth. As the takaful credit and political risk insurer, ICIEC has over the past quarter century pioneered a new form of export credit and investment insurance based entirely on Islamic financing, investment and insurance principles. Under its current 10- year strategy and in line with the IDBG strategy framework, ICIEC seeks to further expand its positioning to becoming a market maker in the takaful insurance market.

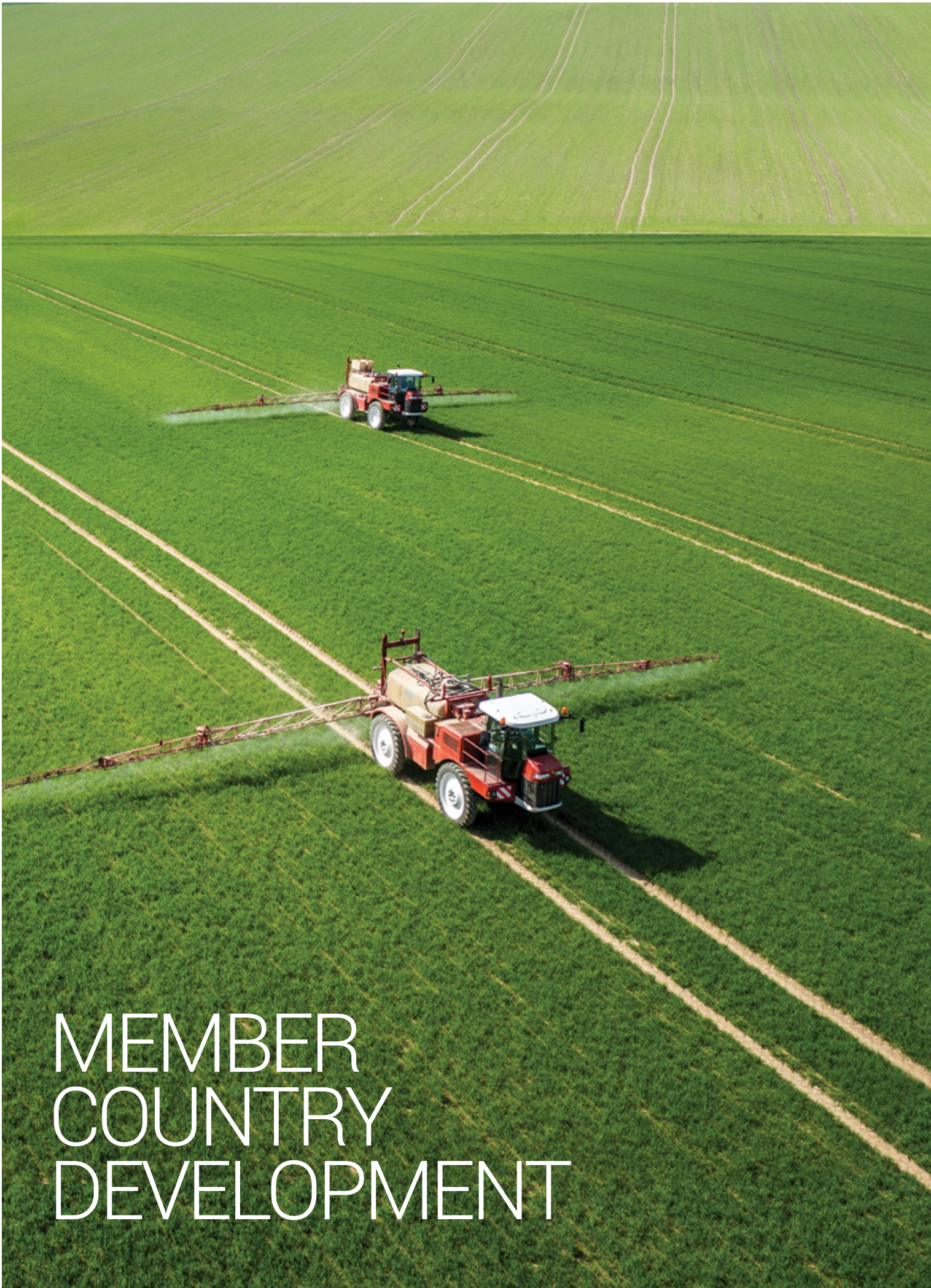
ICIEC promotes access to Islamic finance through takaful insurance and its Bank Master Policy (BMP) instrument. ICIEC, as a takaful insurance provider, actively promotes access to Islamic Finance in its Member Countries. Additionally, in line with the IDBG's key goal of Global Islamic Finance Sector growth, ICIEC has adopted a strategy to play a market-leading role as takaful credit insurer. Through the BMP instrument, ICIEC facilitates the provision of Islamic Finance to exporters facing difficulties in obtaining much needed working capital in a Shari'ah-compliant way. ICIEC's active BMP policyholders are situated in Kuwait, Malta, Bahrain, France and Kingdom of Saudi Arabia. In 2019 the total value of businesses insured under BMP amounted to USD379 million. More generally the total value of businesses insured under BMP and DCIP has been growing. ICIEC's BMP and DCIP promote access to financial products and services for SMEs by protecting banks' balance sheets against commercial and political risks. BMP gives banks more confidence to extend their services to SME exporters and thus indirectly supports SMEs to export.

**Figure 9: Value of businesses insured under BMP and DCIP, 2015 – 2019**

In 2019 ICIEC furthermore launched its new Sovereign Sukuk Insurance Policy. The new product is specifically tailored to catalyze Islamic Finance capital markets. The product has been developed following intensive discussions with market players about persisting market failures and needs to mobilize additional financing towards Shari'ah-compliant Sukuk financed capital investments in ICIEC's Member Countries.

Access to Islamic Finance can also improve through better advocacy and visibility. Therefore, ICIEC has partnered with Islamic Finance News to serve as Multilateral Strategic Partner at the news outlet's numerous events and conferences across the Muslim world. ICIEC also attended the African International Conference on Islamic Finance and received the Project & Infrastructure Finance Deal of the Year Award for the Turkish Çanakkale 1915 Bridge Project as it was the first Islamic Public-Private-Partnership Financing in Turkey.

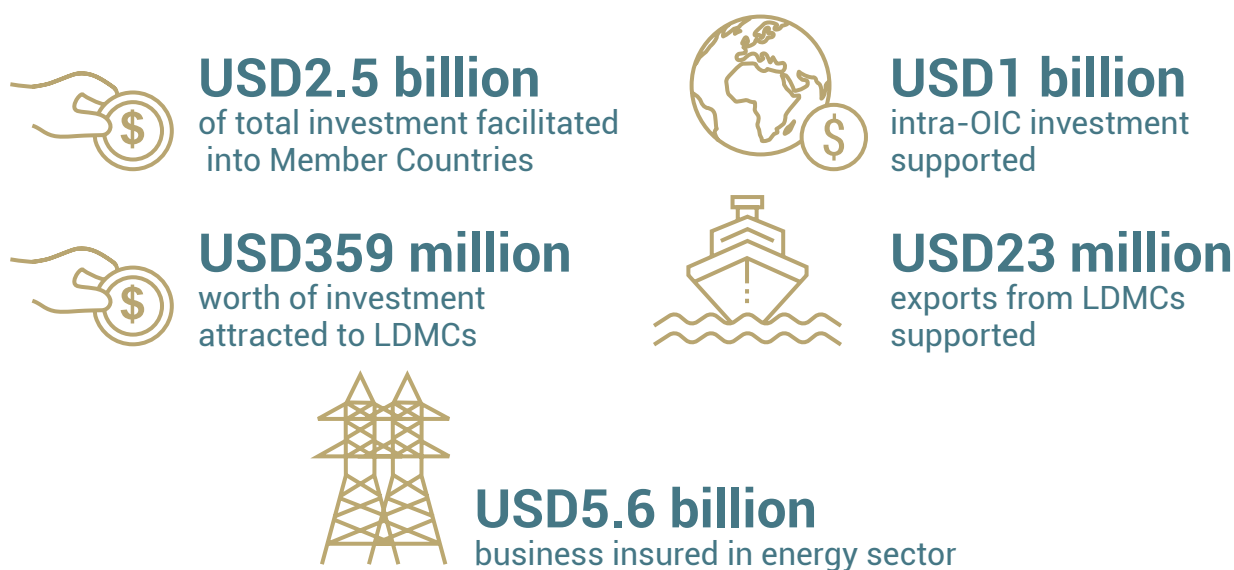




MEMBER  
COUNTRY  
DEVELOPMENT



## Key Highlights



## Global Perspective

OIC Member Countries are at varying economic development stages with 31 countries classified as middle income countries, 19 as low-income countries and 21 as least developed countries (LDCs). Given this difference in economic development, OIC Member Countries are pursuing different economic development strategies suitable to their objectives. Developing OIC economies face various development challenges. The main are infrastructure challenges, low GDP performance and high investment risk ratings – to name a few. These challenges negatively impact the amount of much needed foreign direct investment (FDI) going to these countries to develop infrastructure, human capital and thus boost economic growth. On the other hand, OIC's high income and commodity dependent economies are largely pursuing economic diversification strategies to

reduce income volatilities that come with depending on a single export resource. Regardless of the economic strategies being pursued all OIC members have made attracting FDI a top priority to achieve their strategic economic goals.

Despite the recognition of the need to attract global FDI for economic development, FDI inflows into OIC Member Countries have been on a downward trend in recent years in spite of having large economies, young and dynamic populations, and abundant natural resources. In 2018 FDI inflows were recorded at USD107.4 billion compared to USD143 billion in 2011. A country level analysis shows that FDI flows to OIC member countries was concentrated to a few countries. The top 10 FDI recipients accounted for 73.5% of the total FDI flows to OIC Member Countries with the top 3 being Indonesia, Turkey and United Arab Emirates. Global FDI flows into developing countries

are expected to decline in coming years resulting from the fragile global economy, persistent weakness of aggregate demand, sluggish growth in some commodity exporting countries, and effective policy measures to curb tax inversion deals. All of these factors are expected to make FDI markets more competitive, especially for the developing world, and this has the potential to affect many OIC member countries.

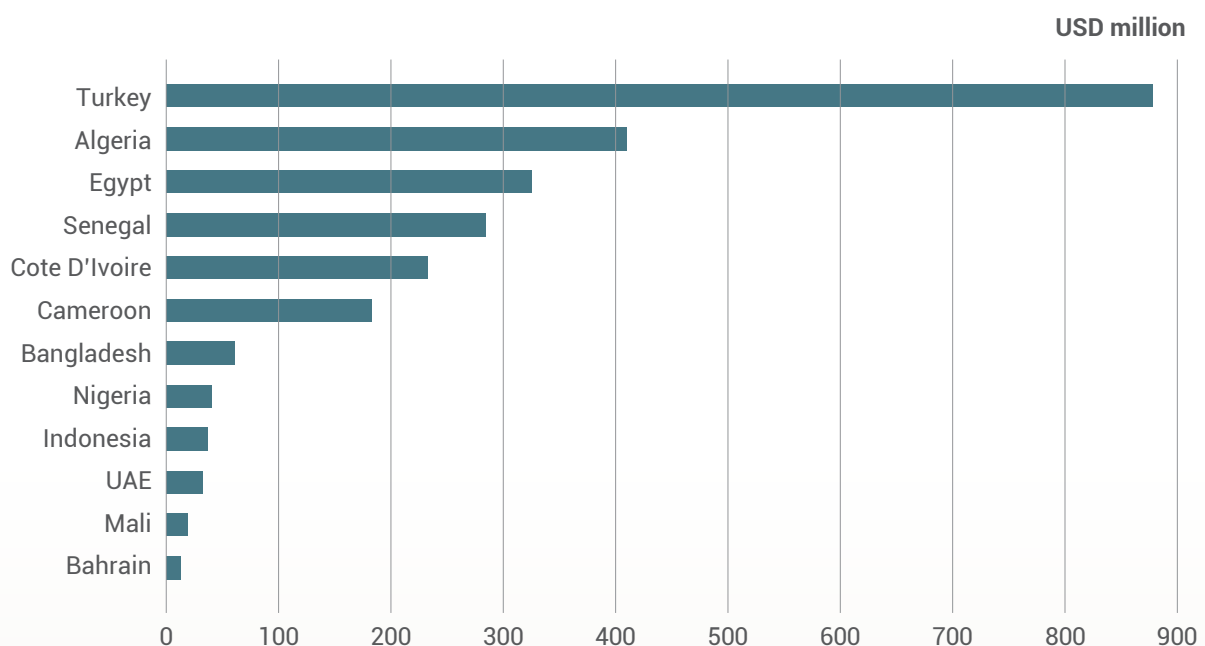
Whether pursuing economic growth or diversification, ICIEC's ultimate objective is to support the development priorities of its Member Countries, in line with each country's strategic priorities and ICIEC's institutional mandate. This approach allows Member Countries to identify their most crucial needs and take ownership in addressing those needs. Apart from aligning itself with the respective Member Countries Development plans, ICIEC as an investment insurer seeks to enhance the overall

attractiveness of its Member Countries as recipients of other FDI sources. Through the execution of successful investments, ICIEC seeks to achieve a demonstration effect, meaning that third parties, such as commercial banks, private insurers and investors, gain confidence to enter sectors and markets formerly deemed too risky. In addition to the demonstration effect, ICIEC also pursues development objectives namely job creation, infrastructure development and the transfer of modern technology.

### Increased Foreign Direct Investment and Investor Confidence

FDI is an important source for inducing or sustaining economic growth through providing capital investment injection into the economy not otherwise available from domestic sources. FDI also provides source of job creation and knowledge transfers when foreign companies establish subsidiaries in the host country. ICIEC mobilizes FDI through its Foreign Investment Insurance Policies for the overall development of Member Countries. As foreign firms invest in OIC Member Countries they are often faced with a new, unfamiliar environment with various risks and uncertainties, including political and social risks as well as macro and microeconomic risks. ICIEC insures against many of these risks, allowing firms to expand in higher-risk countries with otherwise attractive investment opportunities. ICIEC's participation helps not only to mobilize capital but improves the perception of the investment climate and increases investor confidence in OIC Member Countries. In 2019 investments insured by ICIEC totaled USD2.5 billion in 12 countries including Least Developed Member Countries as highlighted in Figure 10. The investments insured include OIC and non-OIC foreign direct investment. In line with the Group's overarching partnership theme, ICIEC formalized its partnership with APIX, Senegal's primary agency for attracting FDI to the Member Country by signing a Memorandum of Understanding to join forces in promoting Senegal as lucrative destination for FDI.

**Figure 10: ICIEC insured Foreign Direct Investment to Member Countries, 2019**



### Support for Strategic Sectors and Infrastructure Development in Member Countries

ICIEC supports infrastructure development in support of strategic sectors of Member Countries. These projects cover a variety of sub-sectors including health, social and transportation infrastructure and energy. In addition to providing infrastructure development, these projects also create jobs, support the local economy via local procurement of services and equipment; and foster technology and knowledge



The largest energy project supported by ICIEC was in Indonesia where geographical terrain and the high demand for energy by the country's 260 million people had put a strain on the national grid. The energy project will generate electricity through power ships and barges in Kupang, Ambon, Amurang and Medan generating a total of 970 megawatts.

transfer. ICIEC's insurance strategically targets the agriculture, energy, infrastructure, health, manufacturing and services sectors to facilitate economic growth and job creation through. Figure 11 shows ICIEC's business insured by strategic sector with energy, manufacturing and services sectors being the top three beneficiaries of ICIEC support. The energy sector is a high priority for OIC Member Countries given the growing demand for energy that comes with demographic changes and economic growth. ICIEC supported energy projects in Bangladesh, Pakistan, Indonesia and Cote d'Ivoire in 2019. The largest energy project supported by ICIEC was in Indonesia where geographical terrain and the high demand for energy by the country's 260 million people had put a strain on the national grid. The energy project will generate electricity through power ships and barges in Kupang, Ambon, Amurang and Medan generating a total of 970 megawatts. In recent years ICIEC has also committed to financing renewable energy projects, for example a small-scale solar project in Egypt and wind farm in Turkey.

Figure: 11 ICIEC business insured by strategic sector 2019



## Supporting climate change resilient infrastructure

Insuring projects that help Member Countries mitigate or adapt to climate change is an increasingly central priority of ICIEC. The significant financing gap for mitigation, adaptation and energy efficiency projects and investments makes ICIEC's capacity to de-risk and crowd-in additional investment even more important. Without capital being directed towards climate resilience, the projected perils of climate change will become a grim reality, not only for ICIEC's Member Countries but for the world at large. As a result, the Corporation has increasingly provided support for projects that strengthen its Member Countries against the threat of global warming.

While ICIEC still provides insurance for fossil fuel transactions due to the centrality of fossil fuels to its Member Countries' economies, in the last decade the Corporation has also provided support for Member Countries' strategic investments in renewable energy. Amongst the projects ICIEC supported are high-profile renewable energy projects including the world's largest solar parks in Egypt, wind-power projects in Turkey and coast protection works in Benin to protect the country from the effects of sea-level rise.

Considering that many of ICIEC's member countries are low-income countries, they struggle to attract capital to mitigate or adapt to climate change despite being some of the most vulnerable to its effects. As such, ICIEC understands its vital role in helping to drive investment into climate-resilient infrastructure in these member countries and is working consistently to improve its capacity as a climate finance provider. In addition to its covering of climate-resilient projects, ICIEC has begun building partnerships which will allow the Corporation to leverage its products more effectively and to crowd in private sector capital for climate related projects. The Corporation has also begun developing products tailored specifically for catalyzing investment towards climate-resilient projects.

Specifically, ICIEC introduced its Green Sukuk Insurance Policy, aimed at allowing Sukuk issuers to better attract capital for "green" projects. The product will be crucial for issuers in ICIEC's vulnerable developing countries which may struggle with poor credit ratings. Fostering its climate finance partnerships, ICIEC signed an MoU with the Moroccan Agency for Sustainable Energy (MASEN), aimed at facilitating sustainable energy investment into Morocco. Finally, ICIEC built up its climate finance capacity by having its representatives attend events aimed at strengthening the renewable energy sector. To this end, ICIEC representatives attended the North African Renewable Energy Summit 2019 and the 5<sup>th</sup> International Renewable Energy Agency Policy Day. ICIEC will continue to work towards being a leader in the space of climate finance, to help avert or mitigate the threats that climate change poses for its Member Countries.





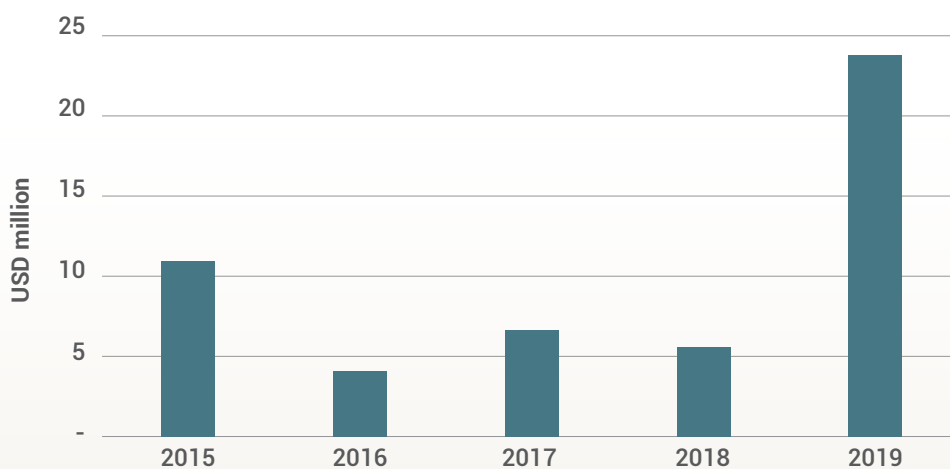
Driven to support its Member Countries' strategic infrastructure investments, ICIEC joined forces with the African Development Bank, African Trade Insurance Agency (ATI) and GuarantCo. Together the four development institutions launched the Co-Guarantee Platform in 2019. The platform allows the three risk insurers ATI, GuarantCo and ICIEC to combine their de-risking efforts and attract investments for much needed infrastructure development on the continent.

### Improved access to trade finance for LIC/LDC Member Countries

Among ICIEC's Member Countries 16 are classified as least developed countries (LDCs). ICIEC's risk mitigation services are especially crucial for LDCs where market failures in regard to the adequate provision of trade finance are assumed to be highest. ICIEC has provided much needed trade finance to LDCs through insuring various investments, trade transactions and supporting Issuing Banks. Since its inception ICIEC has supported 91 Issuing Banks in LDMCs, by helping these banks to access international financial markets and build their trade finance practice. Insuring cross-border transactions in LDCs ensures that businesses are able to execute their import or export transactions smoothly where foreign buyers or sellers might view them as high risk.

ICIEC's support for exports from LDMCs across all sectors has been growing. This growth highlights both the export potential and participation of these countries; and ICIEC's commitment to improving access to trade finance for businesses in LDMCs. Figure 12 shows the total value of export insured by ICIEC LDMCs since 2015. The total value of business insured was the highest in 2019 amounting to USD23.5 million. ICIEC's support promotes exports from LDMCs, thereby creating jobs and inducing economic growth.

**Figure 12: Exports insured from Least Developed Member Countries, 2015-2019**



Power outages result in serious underperformance of the Bengali economy relative to its potential in terms of agricultural outputs. Bangladesh therefore needs a higher power generating capacity and this project will play an integral role in providing it to the country.



## DEVELOPMENT HIGHLIGHT:

## "EMPOWERING BANGLADESH"



## PRODUCT



**Documentary  
Credit Insurance  
Policy**

## CLIENT



**State Bank  
of India**

## VOLUME



**USD  
38  
Million**

## TENOR



**3  
Years**

## PROJECTS



**Energy  
infrastructure  
development**



## ICIEC' ROLE

Provided Insurance cover on the Non-Payment Risk of a Letter of Credit issued by a Bangladeshi Bank for the import of power generation equipment



## DEVELOPMENT IMPACT



**SDG 2:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture. This project directly increases agriculture output in Bangladesh through irrigation which improves food security in the country.



**SDG 8:** Promote inclusive and sustainable economic growth, employment and decent work. By supporting this project ICIEC promoted sustainable economic growth through supporting the Bangladeshi import sector.



**SDG 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. ICIEC's financial product assisted in the building of resilient energy infrastructure promoting sustainable industrialization in Bangladesh.



## MEMBER COUNTRY PROFILE

Bangladesh like many ICIEC LICs and LDCs faces a major challenge in satisfying the growing demand for energy. With growing population and increased economic activities energy demand is skyrocketing in Bangladesh, growing at a rapid rate of 10% per year but demand is fast outpacing supply. A majority of the population faces persistent blackouts with some parts of the country having no electricity access. The agriculture sector is hit the hardest by the impact of this energy shortage during the summer season when irrigation takes place. Power outages result in serious underperformance of the Bengali economy relative to its potential in terms of agricultural outputs. Bangladesh therefore needs a higher power generating capacity and this project will play an integral role in providing it to the country. To assist with importing power generating equipment, ICIEC provided insurance cover on the Non-Payment Risk of a Letter of Credit issued by a Bangladeshi Bank. This insurance enabled the smooth intra-OIC transaction between the Bangladeshi Bank and the State Bank of India allowing for the import of much needed power generating equipment.



# HUMAN DEVELOPMENT





## Key Highlights



**USD127 million**  
business insured in labor intensive sectors in 2019



**USD4 billion**  
infrastructure support provided to Member Countries since ICIEC's inception



**USD360 million**  
health sector support provided in 2019



**USD63.4 million**  
agricultural support provided in 2019

## Global Perspective

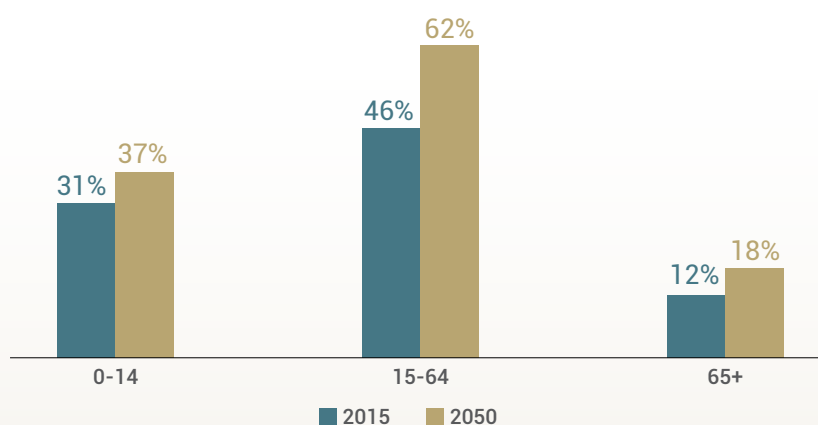
Human Development is an important outcome of ICIEC's services as well as a continuous process in the overarching strive for universal and inclusive development that ICIEC is contributing to. OIC Member Countries account for 24% of the global population and this population is expected to grow across all demographic age groups as shown in Figure 13. With this surge in population growth comes higher demand for basic services and infrastructure. Hence, ICIEC decided to prominently feature Human Development as a stand-alone development theme to underline the importance of considering and measuring the impact of development projects on its ultimate beneficiaries in terms of jobs created or retained, access provided to new and improved basic social services, and access provided to infrastructure.

Measuring human development is becoming increasingly important for ICIEC given the young and growing demographics of OIC Member Countries. With a growing young and working age population OIC Member Countries are persistently facing decelerating income growth, increasing poverty and

growing unemployment. Income growth, as measured by GDP per capita, continued to decline in OIC countries with GDP per capita expected to grow by 1.2% between 2019 and 2020 compared to the world average of 2.2%. Poverty levels, measured as a headcount of individuals living on USD1.90 a day, are also persistent in OIC countries with 13 OIC countries having poverty rates above 30%. Unemployment, particularly youth unemployment, is perhaps the biggest challenge for most OIC countries. In 2019 unemployment rates in OIC countries were estimated to

stand at 6% compared to the 5% world average while youth unemployment was estimated to be nearly 14%. Job creation is important given the working age population in OIC countries, which is estimated to be 34.1% of the population by 2050. Therefore, economic growth in OIC Member Countries must be inclusive to provide sustainable jobs, promote equality and foster human development. Given these demographic changes, ICIEC supports projects that create and sustain jobs; and improve access to infrastructure for citizens in OIC Member Countries.

**Figure 13: OIC Member Countries Population by Age Group, 2015 & 2050**



Source: ICIEC's calculation based on UN World Populations Prospects



## Job creation

Unlike most developed countries experiencing rapid aging, OIC Member Countries are experiencing a growing working age group (15 – 64 years) expected to be more than half of the OIC population by 2050. This growing working age population requires new jobs to keep up with employment demand. At the current pace employment demand is far exceeding employment creation resulting in high unemployment rates particularly among youth unemployment within OIC Member Countries. However, a large working age group also offers OIC Member Countries an opportunity to benefit from the demographic dividend. Demographic dividend occurs when a country's population has a low child and old age dependency ratio and a high working age population. If there are enough jobs to sustain the working age countries with a large working age group will see an increase in income per capita. This results in increased consumption and higher savings rates, in turn translating into significant economic growth. The highlighted benefits of the demographic dividend present OIC Member Countries with immense opportunities but only if Member Countries are proactive in keeping up with the growing and changing demands that come with the shifting demographics.

ICIEC recognizes the opportunities presented by the growing working age population within OIC and the job creation concerns faced by OIC Member Countries. ICIEC through supporting FDI and exporters and facilitating trade, contributes to creating new jobs or sustaining existing ones. As companies within OIC increase their exports they scale up operations leading to labor demand on the economy and employment opportunities. ICIEC emphasizes supporting labor-intensive sectors where significant employment opportunities can be created. Since its inception ICIEC has insured up to USD2.6 billion in labor-intensive sectors which generate significant employment in economies. These labor-intensive sectors include agriculture, manufacturing and services sectors.

## Access to infrastructure

Across all age groups population is expected to increase in OIC Member Countries as highlighted in Figure 13. This means there will be higher demand for basic goods and services such as education, health, water, food just to mention a few. Consequently, OIC member countries have to develop infrastructure to keep up with the growing population. Improving access to infrastructure is among the top priorities of ICIEC's Member Countries and ICIEC's multilateral and preferred creditor status make it an attractive partner for investors and stakeholders embarking on such projects. It is therefore that ICIEC is involved in many of the major infrastructure projects in its Member Countries from planning stages onwards. ICIEC also provides much needed insurance for financing these big development projects, particularly in high risk investment countries where mobilizing large sources of finance can be risky without adequate mitigants.

## Access to basic social services

ICIEC is also committed to improving access to basic social services particularly health and water services. Supporting access to high quality health care promotes healthier lives for all OIC Member Countries' citizens leading to higher productivity and overall economic growth. Improving access to water services is crucial for most OIC countries that have scarce water resources and are even more susceptible with climate change.

## DEVELOPMENT HIGHLIGHT:

## "ACCESS TO CLEAN WATER"



## PRODUCT



**Non-Honoring of  
Sovereign Financial  
Obligations**

## CLIENT



**Société  
Générale  
Paris**

## VOLUME



**EUR  
107  
Million**

## TENOR



**EUR 38.5 million  
commercial tranche; 7 years  
EUR 68.5 million  
DFI tranche; 10 years**

## PROJECTS



**Construction of  
a water supply  
facility for the  
city of Abidjan**



## ICIEC' ROLE

ICIEC has provided Société Générale Paris with Government non-payment cover against the default of financial obligations of a loan facility that Société Générale Côte d'Ivoire is granting to the Ministry of Finance and Budget of Côte d'Ivoire.



## DEVELOPMENT IMPACT



**SDG 1:** End poverty in all its forms everywhere. This project is helping ending poverty created by the high rural to urban migration in Abidjan.



**SDG 3:** Ensure healthy lives and promote well-being for all at all ages. The clean water supply provided through this project will promote healthy living for the residents of Abidjan.



**SDG 6:** Ensure availability and sustainable management of water and sanitation for all. This project directly promotes sustainable water management and sanitation for all.



**SDG 8:** Promote inclusive and sustainable economic growth, employment and decent work. The project has already generated 450 local jobs directly contributing to the creation of employment and decent work.



**SDG 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. This projects promotes building resilient water management infrastructure that will benefit the city of Abidjan.



## MEMBER COUNTRY PROFILE

The city of Abidjan faces a serious water shortage following the 2011 political crisis. Since the onset of the crisis in 2002 rural to urban migration has dramatically increases placing high demand on the existing water supply. Currently a majority of the population relies on underground water which is often unreliable and unsafe for consumption leading to frequent outbreaks of water borne diseases.

To assist the city of Abidjan's efforts towards providing better quality water, ICIEC is non-payment cover against the default of financial obligations to Société Générale Paris for its loan facility that it is granting to the Ministry of Finance and Budget of Côte d'Ivoire for its role in funding the PFO/VEOLIA water supply facility.

This project will have a significant human development impact for the inhabitants of the city of Abidjan. The PFO/VEOLIA water factory will deliver water to the neighborhoods of Angré, Abobo and Anyama, the crowded suburbs of Abidjan that have almost 2 million people in total. The development of basic infrastructure such as water, sanitation and distribution facilities are crucial to achieving sustainable development and empowering communities in Ivory Coast.

This project will also bring significant employment opportunities. Specifically, 450 local jobs have been created and all the staff are trained by VEOLIA facilitates, thus transferring technological transfer and human capital development in the local populace. Moreover, this project will allow a more sustainable management of the aquifer around Abidjan preventing both the depletion and pollution of ground water resources.



# WAY FORWARD

In the last three ADER editions, including this one, ICIEC has demonstrated its commitment to development effectiveness and will continue to do so. In this regard ICIEC is dedicated to finding new ways to effectively measure its development impact. Going forward as demographics and the economic landscape continues to change within OIC, evidence-based reporting on development impact will become all the more important. ICIEC will continuously strive to provide evidence of its impact to show development objectives achieved through the M&E tools which include the Theory of Change, a corporate Logical Framework with a monitoring plan, Key Evaluation Questions and integration of development impact data collection through ICIEC's Integrated Management System. Going forward ICIEC will continue identifying smart ways to obtain the relevant data and information that are acceptable to the parties involved and allow ICIEC to monitor, assess and report on its specific development impact.



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ISSN 1658-435X