ICIEC
THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

COMCEC
Cooperation for Development

SESRIC
STATISTICAL, ECONOMIC AND SOCIAL RESEARCH AND TRAINING CENTRE FOR ISLAMIC COUNTRIES

OIC Business Intelligence Center
A Cutting Edge Platform
to Drive Economic Transformation

IsDB
مجموعة البنك الإسلامي للتنمية
Islamic Development Bank Group

Sources:
http://www.comcec.org
https://iciec.isdb.org
https://data.worldbank.org

Table of Contents

What is OBIC

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The OIC Business Intelligence Center (OBIC) aims to provide accessible and affordable information and credit data on businesses across the Organization of Islamic Cooperation (OIC). This initiative was proposed in a First Concept Note at the 33rd Session of the Standing Committee for Economic and Commercial Cooperation of the OIC in 2017. The establishment of the center will be spearheaded by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the Islamic Development Bank (IsDB), and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC); these entities will also be responsible for monitoring the center once it is launched.

The business intelligence database and platform that are established through the OBIC initiative will provide a cross-border credit registry and linked credit bureau services, compiling and coordinating data in the process. In addition to its functioning as a data provider, the OBIC will offer advisory and Capacity Training Programmes services to member countries of the OIC at different levels of credit reporting maturity, so that they can efficiently adopt modern systems of credit reporting, in line with the OBIC.

The vision of the OBIC is to provide OIC member countries with a best-in-class business growth and risk management intelligence ecosystem. In delivering on this mission, the OBIC will set up the legal framework governing the collection, treatment and sharing of business information in concordance with its private and public stakeholders. To give meaning to the data it collects, and to ensure it is as insightful for end users as possible, the OBIC platform will include user-friendly executive dashboards, contain desirable ad-hoc functions and provide predictive analytics.

OBIC will rest on four strategic pillars:

A) Country-level credit reporting ecosystem development (addressing four different tiers of credit maturity levels amongst OIC countries);

B) Cross-OIC credit data infrastructure;

C) Capability development;

D) Its own operational excellence with a sustainable business model.

Through these pillars, the OBIC will help OIC countries develop and enhance their individual credit reporting ecosystems, build a comprehensive OIC-wide business intelligence infrastructure, develop the capacity of OIC countries as it relates credit reporting, and catalyze a sustainable business model for itself.

The OBIC is set to accelerate trade with and investment into OIC countries by providing businesses with a detailed picture of OIC business performance and creditworthiness, helping them make informed decisions and allocate capital with confidence.

OBIC Strategic Plan

The Importance of Business Intelligence and Credit Information

The Importance of Business Intelligence and Credit Information

Access to accurate and reliable business information is the lynchpin of trade and investment. In an increasingly data-driven world, business intelligence - the technology that allows businesses to turn data into actionable insights that inform business decisions - and credit information central to doing business. The availability of business and credit information is crucial for ensuring that credit and capital markets, as well as financial systems more generally, are efficient and robust. From the perspective of a trade partner, company or investor, uncertainty is the enemy of commerce, and this uncertainty comes from a lack of information.

Strong credit reporting reduces information asymmetries between lenders and borrowers. This asymmetry is particularly prominent in countries with limited credit and business information. In these environments, business intelligence and credit data act as a compass in the deal making process and serve as fuel for economic growth.

Without the necessary data to make informed decisions, many potential trade partners, companies and investors may not have the confidence to do business in a region with a perception of geopolitical risk. Credit data on companies, particularly micro, small and medium-sized enterprises (MSMEs), or industries can help drive trade, boost revenues, and drive foreign companies to invest and set up operations abroad. For the banking and insurance industries, among others, the presence of precise and available data is required for such institutions to minimize risk and operate effectively. Without a strong financial and insurance industry, access to financing can be impaired, cutting off a much-needed ingredient for growth in effected regions.

In addition, modern business intelligence and credit reporting systems play an integral role in fortifying financial systems by reducing transaction costs, enhancing portfolio quality and increasing competition. By extension, this allows financial systems to better manage risk, and for the demand side of the lending equation to better gain access to capital, and to be rewarded for good borrowing practices.

Overall, a strong business intelligence ecosystem and access to reliable credit information are both crucial for a strong economy, and give companies, lenders and trade partners alike a clearer roadmap for how to allocate their assets.

The Business Intelligence

Gap in the OIC

The Business Intelligence Gap in the OIC

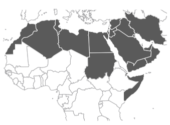
Private bureau coverage totalled only

11% of the adult population across the OIC in 2016, as compared to **66%** across the OECD.

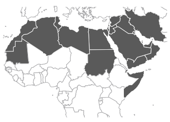
Public credit registry coverage

25.2%
adults in the OECD

15%
MENA region



10%
Arab World



8.3%
Sub-Saharan Africa

The OIC suffers from the lowest levels of credit penetration in the world, along with inadequate levels of credit reporting. Most OIC economies either have an inadequate credit reporting system, or none at all. Credit information systems across the OIC measure far below global benchmarks.

According to World Bank data, private bureau coverage totalled only 11% of the adult population across the OIC in 2016, as compared to 66% across the OECD.

This disparity unfortunately continues to persist, with many of the regions desperately in need of access to credit and investment still posting extremely low rates of credit coverage. For instance, in Sub-Saharan Africa, the rate of private registry coverage was measured at 11% in 2019. In the MENA region, the rate was 11% excluding high-income countries, while the rate in the Arab World was 12%, even while including the higher income economies in the region. The issue of inadequate public registry coverage also exists across the OIC, with public registry coverage totalling 25.2% of adults in the OECD, while the MENA region, the Arab world, and Sub-Saharan Africa sit at 15%, 10% and 8.3% respectively. Outside of Malaysia, Central Asia and the advanced GCC economies, the OIC as a region is well behind developed, and many developing regions, in the realm of credit information.

The ability to accurately capture and translate data into meaningful, actionable insights is crucial in building and supporting vibrant economies. Without transparency in credit reporting, lending activities are stymied, often crippling hopes up substantial economic expansion in the process. It thus comes as no surprise that the presence of an authentic credit reporting system is one of the main factors to consider when assessing a country's readiness for doing business.

The lack of credit information in the OIC, along with the weak business intelligence systems across the region has resulted in various constraints in OIC economies. Such weakness has played a large part in the underwhelming rates of lending, trade and foreign direct investment that have plagued OIC countries in recent years. This is demonstrated by the low level of financial inclusion and financial sector development across the OIC. Only 28% of adults in the OIC have a bank account at a financial institution; this low level of financial inclusion is largely due to the lack of credit data, which makes it costly for financial institutions to discern a good loan from a bad one. This, in turn, cripples lending, preventing MSMEs and consumers alike from acquiring the capital needed to drive business expansion.

Chart: 2016 Private bureau coverage of adult population, across the OIC, by region

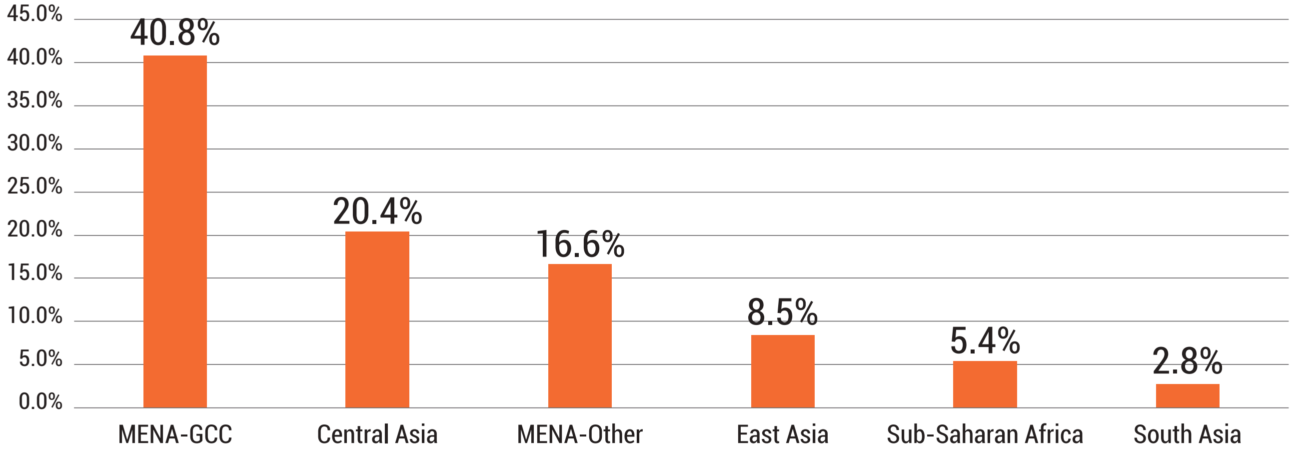
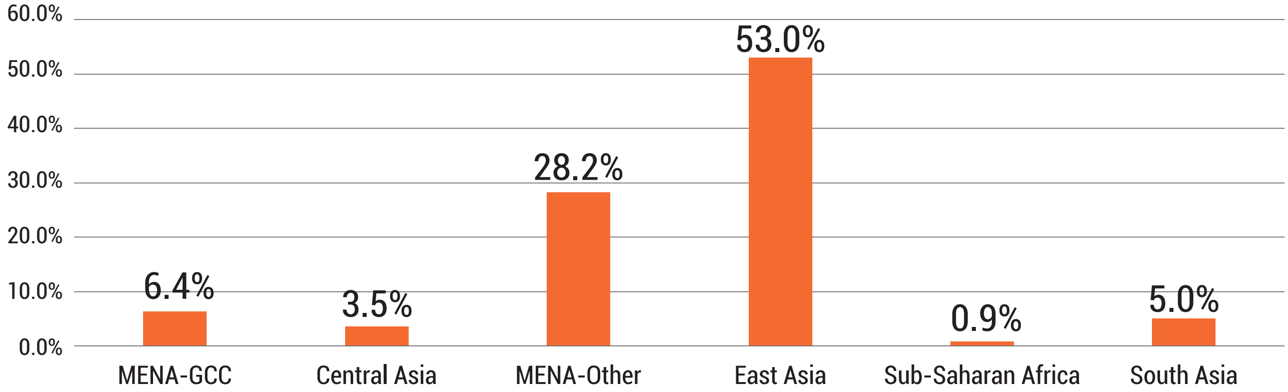
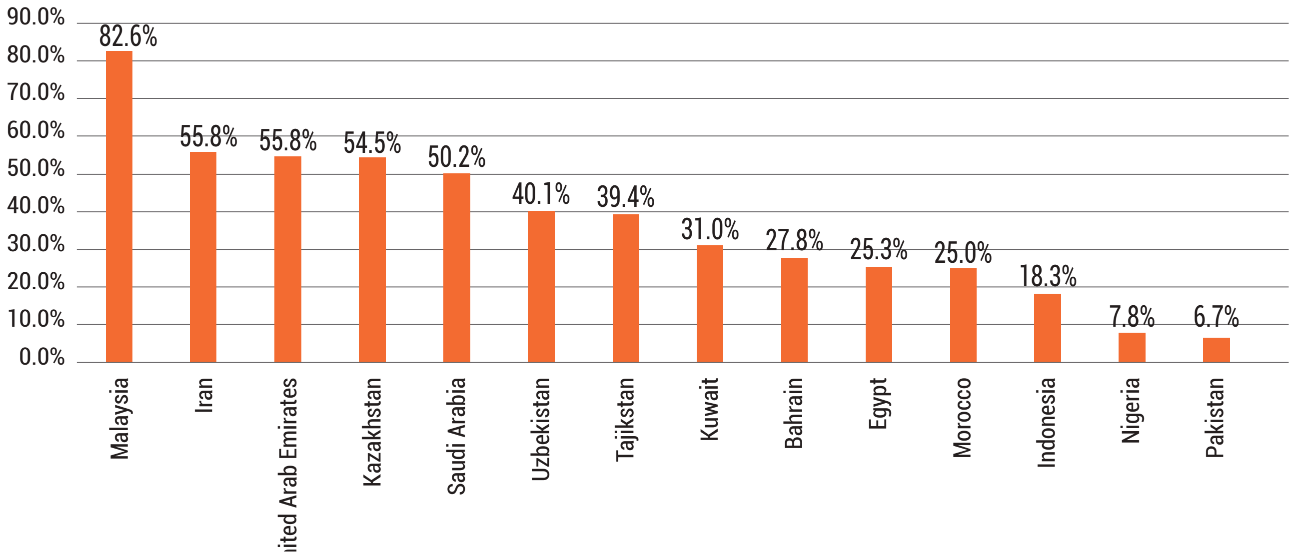


Chart: 2016 Public bureau coverage of adult population, across the OIC, by region



Source: World bank data[26]

Chart: 2017 Leading OIC countries, percentage of adult population covered by credit bureaus



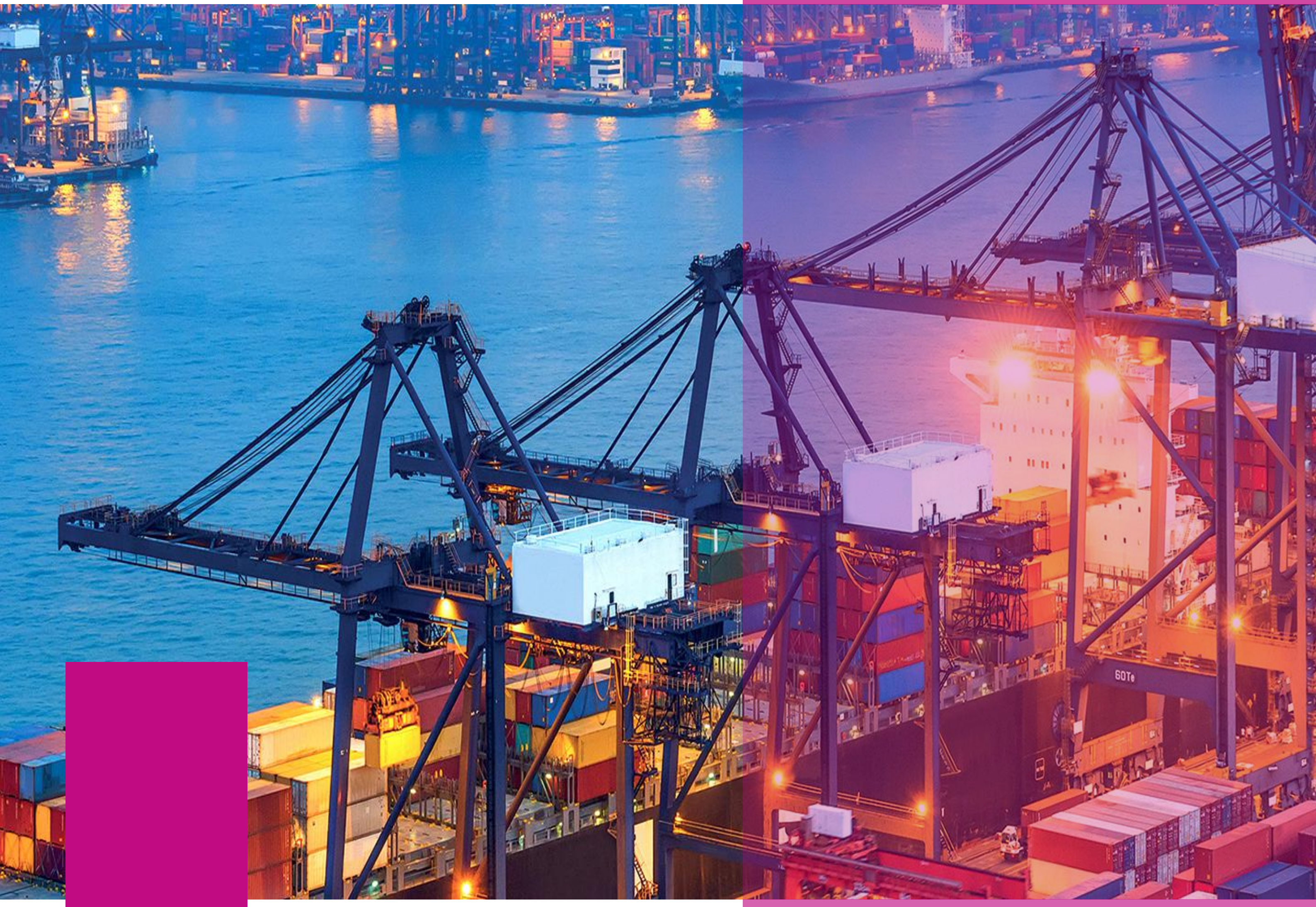
26 Obtained and analyzed from World Bank website. https://data.worldbank.org/

Subpar lending is also reflected in the fact that domestic credit provided by the financial sector in OIC countries was on average equivalent to 66% of the GDP compared to 141% in non-OIC developing countries and 172% globally. This harms the competitiveness of OIC companies in the global economy. Additionally, the volume of foreign direct investment (FDI) that OIC countries attract has continued to perform well under its potential, despite modest improvements in recent years.

The OIC's low income countries, which have little to no available credit information, have grown at a slower pace than the OIC average in recent years. Given that low-income citizens and businesses often lack physical collateral needed for a loan, a modern credit reporting system can support such people and businesses to earn "reputation collateral," thereby helping financial institutions and other businesses feel more comfortable in transacting with them. The OBIC will play an integral role in closing the OIC business intelligence gap, helping to drive trade with and investment into OIC countries in the process.

The Opportunity for OBIC

to Catalyze Regional Trade, Investment and Lending



The Opportunity for OBIC to Catalyze Regional Trade, Investment and Lending

The OBIC will be instrumental in fuelling regional trade and investment across the OIC. This is underpinned by the center's vision, which is to enable all OIC member countries to have the strongest investment, financing, and trade development in the world through a best-in-class business growth and risk management intelligence ecosystem.

Given the current inadequate rates of lending and credit information that the OIC, and especially its lowest income countries, suffer from, the OBIC will have a transformational effect. By increasing the transparency, reliability and accessibility of OIC credit information, prospective trade partners and companies looking to expand into OIC countries will be able to see the promise of doing business in such markets at a low cost.

Private sector lending is estimated to be USD 670 billion a year

The OBIC will focus on delivering credit intelligence to end consumers by way of credit reports. These reports will cover companies of various sizes and will take into account a multitude of information, ranging from a company's credit history to its current business performance. These reports will guide creditors in making lending decisions, as they analyze a potential borrower's financial strength and discover commercial opportunities in the process. In addition, the company specific reports will contain details pertaining to which countries a company has operations in, what its employee size is, who its executives are, its ownership details and legal history. Apart from this, market and research reports will also be generated as it pertains to data at the industry and country level, offering industry outlooks and country level data related to creditworthiness and financial strength. This credit and financial data will be translated into credit scores at a company, industry and country level.

Credit registry systems have a profound impact on attracting FDI. By making critical information available to potential international investors and financiers such as rates of repayment, existing credit lines and other such data among businesses and consumers, such systems play an integral role in financial market development. A comprehensive World Bank Economic Review found that the impact of financial market development across 29 emerging markets between 1994 and 2006 was immense, demonstrating a 97% correlation between FDI and financial market development.

OBIC will also play a key role in driving trade by way of expanding cross-border credit information sharing. Such information sharing remains limited to large and medium sized enterprises. By promoting the accessibility and exchange of credit information pertaining to companies of various sizes, including MSMEs, prospective trade partners will gain access to information which may reveal commercial opportunities that they were unaware of, either due to the opacity of the creditworthiness of a market, or due to the costliness of the assessment.

With the introduction of the OBIC, this currently murky picture will become much clearer, boosting trade volumes and expanding trade finance in the process. This development will be instrumental in expanding intra-OIC trade volumes, a central objective of the OIC. Specifically, the OIC has set a new 25% target for intra-OIC trade as a proportion of total OIC trade. As prospective trade partners in the OIC become more familiar with credit landscape of their counterparties, they will be more willing to do business.

Based on the experience of other regions that introduced stronger credit reporting systems, the increase in private sector lending is estimated to be USD 670 billion a year. Additionally, non-performing loans are slated to decline by roughly 7.75%.

Based on this data, implemented effectively, the OBIC could have a transformational effect on expanding investment, driving trade, and increasing lending across the OIC.

Non-performing loans can be reduced by 7.75% per year

How OBIC will use Advanced Technology

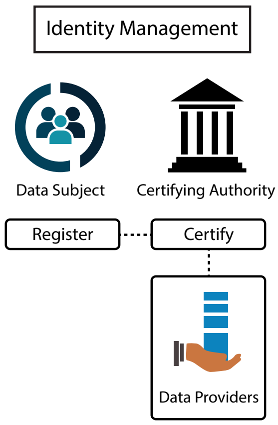
How OBIC will use Advanced Technology

The OBIC will be a world-class business intelligence center. It will embrace the most modern technologies in business intelligence and data analytics. Among these technologies are blockchain, artificial intelligence and machine learning. The OBIC will leverage these technologies in order to safely store information, and ensure that the insights drawn from that data are as accurate, informative and actionable as possible.

The use of blockchain will be instrumental in ensuring that data stored by the OBIC is both secure and accurate. Through its decentralized ledger system, blockchain will ensure that data is not stored in a centralized place, hence reducing its vulnerability to a single hack or system malfunction. Additionally, as multiple parties will have access to the data and can review its legitimacy, this greatly reduces the likelihood of data modification or manipulation, thus bolstering its integrity.

The OBIC's technology will also allow the center to avoid some of the major problems currently plaguing the credit reporting industry. The first of these is the problem of erroneous reporting and the lengthy dispute resolution process for subjects when it comes to rectifying these errors. This lengthy process is endemic to the current iteration of the credit reporting industry and blockchain would eliminate this issue due to the distributed nature of the data records. Once a dispute is raised, the original source of the data input will be notified of the dispute, and all other stakeholders in the transaction will be immediately notified and consulted on the input, ensuring the integrity of the revised data input. In addition to this, OBIC's blockchain features will allow for it to ensure proper identity management, namely that each identity for an entity will be unique, preventing entities from copying or masquerading as others.

The incorporation of artificial intelligence (AI) and machine learning (ML) features will allow end users of the data to gain more insightful and actionable information from the center. Additionally, AI and ML will improve the accuracy, convenience and speed with which data insights are both produced and accessed by end users. Through the integration of AI and ML features, OBIC will offer strong predictive analytics which will ensure that the credit reports that the center produces will be of greater utility to the end user. By picking up on trends and correlations in the data, ML and AI provide deeper insights into business and credit data that other reporting systems would miss. This will ensure that OBIC users are well equipped to make sound business decisions.



Tentative Steps involved

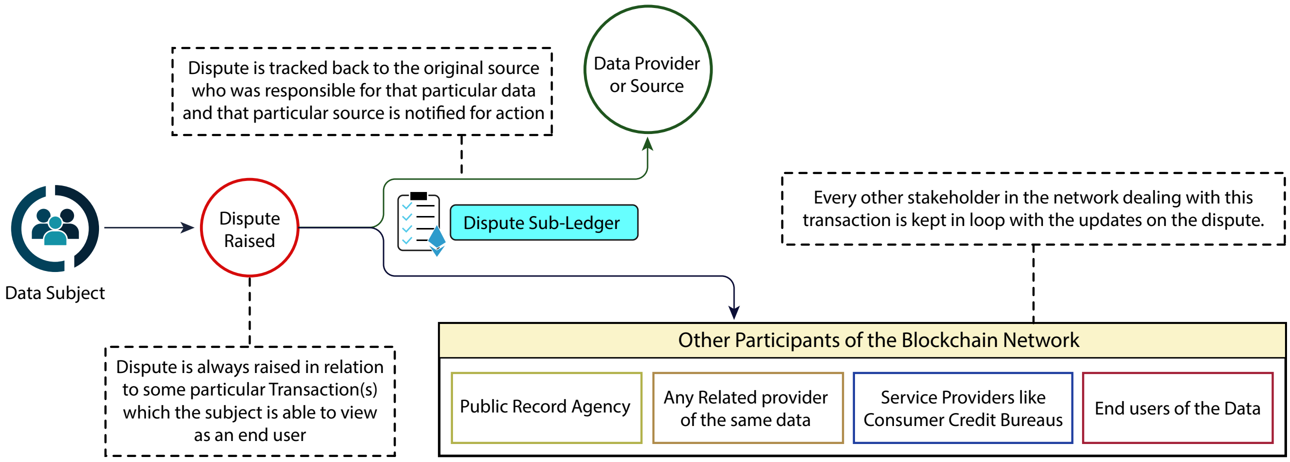
1. Subject & Authority both register their identities using their public key + Unique Digital Fingerprint (UDF).

2. Authority will have access to certify subject data.
Authority will be typically the lenders. ie. banks. In business terms they are referred to as Data Providers.

3. Once certified, subjects public key will be added to a list of valid certificates. Lenders would cosider only certified subjects from other trusted lenders.

4. Lenders will also ensure that only one public key is associated with one certificate. There should not be any duplicates.

5. Apart from Banks other data providers like Non-Banking Financial Institution [NBFI] or Alternative providers can also be considered a certificate authority depending on the business process.



ICIEC Headquarters Address
P.O. Box 15722 Jeddah 21454
Kingdom of Saudi Arabia
Tel.: (+966) 12 644 5666
Fax: (+966) 12 637 9755 - 644 3447
E-mail: iciec-communication@isdb.org
https://iciec.isdb.org