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

newsletter

Quarterly Publication

April/June 2021-Quarter 2

"Connect with member countries & global partners

مجموعة البنك الإسلامي للتنمية
Islamic Development Bank Group

Rehabilitation of a wastewater collector in Dakar, Senegal

Supporting imports of essential commodities to Pakistan

Enhancing energy security in Bangladesh

Supporting SME trade finance in Uzbekistan

A Growing Presence: ICIEC and Central Asia

" ICIEC hopes to provide these quarterly updates to engage our valued partners, clients, and stakeholders in open communication. Is there something you'd like to hear from ICIEC? Let us know!"

Oussama Abdul Rahman KAISSI, CEO, ICIEC

MESSAGE FROM THE CEO

The world is still grappling with the fallout from the COVID-19 pandemic coupled with the growing threat of variant strains, but we are beginning to see the light at the end of the tunnel. Global vaccinations numbers are rising, and businesses in many countries are beginning to reopen their doors.

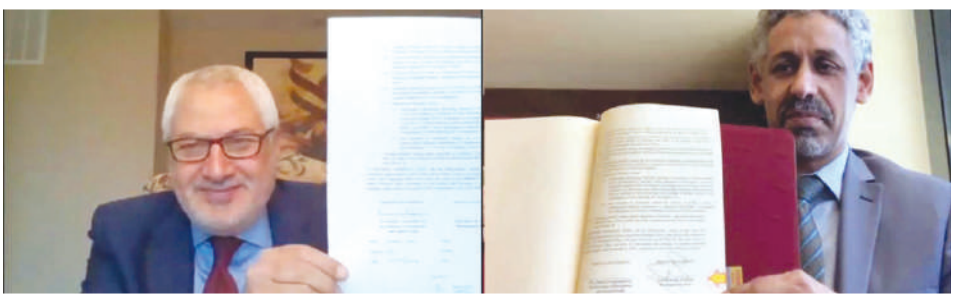
In this period, demand for ICIEC's cover has shifted from addressing short-term urgent needs toward projects that foster medium-term recovery. With this, on behalf of the Corporation, I am pleased to introduce the quarterly newsletter for Q2 2021. This issue highlights several of the projects ICIEC is currently supporting, including USD 20 million to refurbish a centre for people with disabilities in Cameroon and EUR 50 million to rehabilitate a wastewater collector in Senegal. Both projects are set to have lasting developmental impacts in the respective Member Countries. In this issue, we also present industry insight into FDI flows for the MENA region and ICIEC-specific insights into the Corporation's growing business presence in Central Asia. In addition, we sat down with the underwriter of one of ICIEC's most seminal projects from last year for an interview that delves deeper into the project's immense impact. Lastly, we have included an interview to introduce ICIEC's head of underwriting and ask select questions surrounding ICIEC's risk strategy and portfolio. We hope that you find this content to be engaging and informative. If there's anything you'd like to hear from ICIEC in future editions of the newsletter – let us know!

Oussama Abdul Rahman KAISSI
Chief Executive Officer, ICIEC

NEWS SUMMARY

ICIEC Insurance Coverage Supports BADEA's Participation In Financing Syndication For EBID

ICIEC provided EUR 50 million support through Bank Master Policy (BMP)to BADEA in its participation in syndication led by the International Islamic Trade Finance Corporation (ITFC) and BMCE Bank of Africa.



Tuesday, 27 April 2021

The Bank Master Policy (BMP) provided by ICIEC assists BADEA's participation in syndication with the International Islamic Trade Finance Corporation (ITFC) and BMCE Bank of Africa. The intended syndication is to provide financing to the ECOWAS Bank for Investment and Development (EBID). The financing will facilitate the import of strategic goods from Arab countries to ECOWAS member states, strengthening the strategic south-south cooperation between Arab and African countries.

This transaction marks the first Islamic BMP signed between ICIEC and a Multilateral Development Bank (MDB).

"ICIEC is delighted to be signing our first BMP transaction for this seminal collaboration," claims ICIEC CEO, Mr Oussama KAISSI. "The catalytic impact of the larger syndication is one of the main driving factors behind ICIEC's participation. ICIEC and BADEA's involvement has increased the availability of financing to EBID to not only facilitate the importation of strategic goods to ECOWAS countries but also support the business and growth of Arab exporters and enhancing strategic trade relations within the OIC – a foremost priority for ICIEC in light of the trade shocks presented by the pandemic."

Catalyzing Investments In Uzbekistan Through Strategic Partnership With UzIPA

ICIEC signed a joint Memorandum of Understanding with the Uzbekistan Investment Promotion Agency (UzIPA)

June 24, 2021

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) has signed a Memorandum of Understanding (MoU) with the Uzbekistan Investment Promotion Agency (UzIPA).

The MoU provides a general framework to facilitate cooperation between ICIEC and UzIPA to promote foreign investments that contribute to economic and social development in the Republic of Uzbekistan. The MoU outlines that ICIEC and UzIPA will promote their services to foreign investors, highlighting ICIEC's risk mitigation and credit enhancement capacity, as well as UzIPA's added value with the aim to encourage an increased flow of investments into the Republic of Uzbekistan.

The MoU also enhances information exchange efforts between the participating institutions, especially regarding any investment climate reforms and foreign investment plans in the country. Included in the MoU are opportunities for joint visits and workshops on areas of cooperation, technical assistance, training, capacity building and contribution of knowledge resources.

The partnership between ICIEC and UzIPA follows the signing of a Partnership Strategy for 2018-2021 between the Government of Uzbekistan and ICIEC's parent organization, the Islamic Development Bank (IsDB).

ICIEC is seeking to enhance its presence in Central Asia. As one of ICIEC's 47 Member Countries, Uzbekistan is relatively a country with great potential for trade and investment, sitting in a strategic position between China and Europe and containing abundant natural resources. Late in 2020, ICIEC signed a MoU with the Uzbekistan National Export-Import Insurance Company (UzIPA) to extend the capacity of their insurance coverage, creating opportunity for larger trade transactions and development projects in Uzbekistan.

"This agreement seeks to deepen further the vibrant and growing relationship between ICIEC and the Republic of Uzbekistan" says ICIEC CEO, Oussama Kaissi, "FDI is an essential part of economic growth and acts as a catalyst for sustainable development in our Member Countries. We're very excited to work with UzIPA and promote Uzbekistan as a premier destination for foreign investors."

The signing ceremony of a MoU with the UzIPA will take place during the IsDB Group annual meetings to be held in Tashkent, Uzbekistan, in September 2021.

"FDI is an essential part of economic growth and acts as a catalyst for sustainable development in our Member Countries. We're very excited to work with UzIPA and promote Uzbekistan as a premier destination for foreign investors."

Oussama Abdul Rahman KAISSI

Chief Executive Officer, ICIEC

Mobilizing Collaborative Efforts to Enhance Food Security in OIC Countries with IOFS

The Corporation signed a Memorandum of Understanding (MoU) with the Islamic Organization for Food Security (IOFS)

Sunday, 27 June 2021

IOFS was established under the Organization of Islamic Cooperation (OIC) as a specialized institution fostering socio-economic development in its Member Countries through the promotion of food security, sustainable agriculture, and rural development. ICIEC and IOFS share common beneficiaries and strategic objectives for trade and development. Hence, a mutually beneficial partnership between the institutions is inherent to better serving these commonalities and rendering their activities more effectively.

> "ICIEC is delighted to be working closely with IOFS to address the important issue of food security in our Member Countries. Both organizations share similar values and objectives, so there are many opportunities for collaborative efforts that can enhance capacity for our respective activities and that support the achievement of common goals. We look forward to witnessing the immense impacts this partnership will have for OIC citizens."

Oussama Abdul Rahman KAISSI
Chief Executive Officer, ICIEC

Recognizing ICIEC's extensive regional and sectoral experience and expertise, IOFS intends to work with ICIEC teams across the Corporation's regional and country offices to promote the best international practices for food security among common Member Countries. Taking into context both parties' respective mandates, objectives and procedures, it is anticipated that collaborative efforts will focus on areas of mutual interest with a specific focus on attracting and promoting investment into the agriculture and food sector. Possibilities for further collaborative efforts include the promotion of knowledge-exchange, especially the dissemination of best practices for food safety and halal products in OIC member states, and facilitating South-South or intra-OIC cooperation through the utilization of Reverse Linkage programmes, ICIEC's trade credit and investment solutions, centres of excellence, extension services, and various capacity-building workshops, in addition to providing technical support and assistance, with specific support for joint research on food security in OIC member states.

Regarding the partnership, ICIEC's CEO, Mr. Oussama Abdel Rahman Kaissi stated, "ICIEC is delighted to be working closely with IOFS to address the important issue of food security in our Member Countries. Both organizations share similar values and objectives, so there are many opportunities for collaborative efforts that can enhance capacity for our respective activities and that support the achievement of common goals. We look forward to witnessing the immense impacts this partnership will have for OIC citizens."

As a next step to further the pursuit of common objectives, the parties intend to establish a general framework to facilitate the implementation of the collaboration, which will outline the terms and timelines of key activities.

Rehabilitation of a wastewater collector in Dakar, Senegal

ICIEC is providing EUR 50 million in guarantee cover as part of a EUR 126 million facility to Société Générale. The facility is being used to rehabilitate the Hann-Famm wastewater collector in Dakar, Senegal, built more than 70 years ago and is in an advanced stage of degradation. The collector provides approximately 8 km of evacuation and treatment of wastewater, covering more than ten city districts. The rehabilitation will significantly improve the city's wastewater safety, enhancing resilience against sanitation-related health issues for the population, especially during the flood season. A more effective wastewater collector will also increase the attractiveness of the city of Dakar to foreign direct investment.

Supporting imports of essential commodities to Pakistan

ICIEC has provided USD 50 million in coverage under the Bank Master Policy (BMP) to The Arab Investment Company (TAIC) to import essential commodities, such as crude oil, refined products, and liquified natural gas. The commodities are critical to Pakistan's residential, commercial and industrial sectors for various purposes, including heating, cooking, generating electricity and manufacturing a wide variety of products.

Enhancing energy security in Bangladesh

ICIEC is extending USD 36.22 million in DCIP coverage to Mashreq Bank in support of importing a liquid petroleum gas tanker into Bangladesh. The tanker will assist the Member Country in enhancing its liquid petroleum gas infrastructure, thereby aiding Bangladesh in increasing energy security for its businesses and citizens.

Facilitating investments into the rehabilitation of a centre for disabled individuals in Cameroon

ICIEC provides USD 20 million in credit enhancement cover to its partner, BMCE Bank of Africa, to rehabilitate a centre for disabled individuals in Cameroon. The rehabilitation project will facilitate the modernization of the centre's technical facilities, the renewal of essential equipment, and the extension of healthcare facilities to accommodate a broader range of disabilities. The rehabilitation will also support expanding the centre's services, focusing on socio-professional reintegration and empowering people with disabilities to participate in various socio-economic activities.

The project contributes to the government's policy to fight against social exclusion and meet the demands of the sub-region. It is contributing to the achievement of SDG 3 for good health and well-being, SDG 8 for decent jobs and economic growth, and SDG 10 for reduced inequality. The project's impact reaches beyond Cameroon as the centre provides needed medical services to patients from Chad, Central African Republic, Gabon, Congo and Equatorial Guinea. The project showcases ICIEC's key role in mobilizing private sector resources to develop medical infrastructure in its Member Countries.

Promoting exports of coal from Indonesia and other Member Countries

ICIEC has provided cover for a Bank Master Policy (BMP) to FIM Bank favouring Adani Global. The transaction serves to facilitate the procurement of Coal from Indonesia and various other ICIEC Member Countries. ICIEC is insuring the principal amount of USD 10 million, though the cover is estimated to facilitate up to USD 20 million worth of exports. ICIEC's involvement in the project is helping to grow Indonesia and the other Member Countries' economies by supporting the promotion of their exports in new markets.

Supporting SME trade finance in Uzbekistan

ICIEC is extending USD 50 million in cover to ICBC Standard Bank Plc for a finance line to Sanoat Qurilish Bank (SQB) in Uzbekistan. Due to the quarantine restrictions and uncertainty brought about by the COVID-19 pandemic, Uzbekistan faces weaker trading partner demand, particularly for natural gas, and lower domestic demand - leading to lower private consumption and investment. The role of SMEs in Uzbekistan's economy has significantly increased since 2000, accounting for approximately 78% of jobs, leading the nation's government to prioritize the sector.

The financing to SQB supports government policies aimed at reducing Uzbekistan's exposure to volatile commodity prices and diversifying the range of export markets by strengthening the export potential of the private sector, particularly SMEs. Approximately 50 to 100 of Uzbekistan's SMEs are expected to benefit from the facility, increasing their access to trade finance and facilitating imports of capital goods. The facility will also help SMEs overcome specific barriers, including lack of access to financing and improving their export potential.

Catalyzing Access to Healthcare in Cote D'Ivoire

The World Health Organization (WHO) declared a Public Health Emergency of International Concern on 30 January 2020 due to the fast spread of COVID-19. With the threat of a pandemic looming and noting the crumbling health infrastructure in Côte d'Ivoire, on 5 March 2020, Deutsche Bank and ICIEC signed a financing facility agreement to support Côte d'Ivoire's health infrastructure through the construction of two new regional hospitals as well as five new medical units in five additional hospitals. The agreement was signed a few days before the WHO declared the pandemic on 11 March 2020; the same day, the first case of COVID-19 was detected in Côte d'Ivoire.

Mr Raphael Fofana, Underwriter in ICIEC's Underwriting Department, Sovereign Risks Division, provided some insight on the Corporation's involvement in this award-winning project.

Q: Could you please briefly introduce the overall project and financing structure?

RF: Of course. The government of Côte d'Ivoire mandated Deutsche Bank to mobilize financing of around 142 million Euros to fund the construction of two regional hospitals, with approximately 200 beds each. One of the hospitals is located in Adozpé (100 KM north of Abidjan) and Aboisso (100 KM east of Abidjan). The project also funded five new medical units in five additional hospitals located across the country.

Deutsche Bank sought insurance from ICIEC for capital relief to more comfortably finance the transaction given the size. ICIEC's cover provides Deutsche Bank with increased security against the risk of default. If the bank were to fund such a transaction without ICIEC's cover, the transaction would have been too expensive for the Government of Côte d'Ivoire to bear.

Q: Why was ICIEC sought as a partner over other insurers?

RF: ICIEC was the clear choice of insurer for this project from the start. Based on the considerable value of the transaction, few insurers would have the risk appetite for this project in the first place. As a long-standing partner and client of ICIEC, Deutsche Bank is familiar with the unique added value we offer as a multilateral institution. We have additional tools to make our clients more comfortable.

One such unique aspect of our coverage is ICIEC's Preferred Creditor Status (PCS), which helps ICIEC mitigate the risk of default in transactions. When a government knows that ICIEC is involved in a project, they are less likely to default on payments. And, if for any reason they do default, and they only have a limited amount of funds available to pay us or any private banks involved, they would be required to pay us before other creditors.

Our clients also appreciate that we hold high standards and implement a rigorous due diligence process in terms of developmental impact and environmental and social issues. ICIEC brings a development lens to the transaction because we make sure that the projects we support are impactful and that the results of our transactions benefit a broader population of our Member Countries.

Q: What was the developmental rationale for ICIEC to get involved in this transaction, and how does it align with Côte d'Ivoire's national development plans?

RF: Under Côte d'Ivoire's President, Alassane Ouattara, who was elected in 2010, the construction and renovation of the country's hospitals were highlighted in the country's national development plan. An additional, and more specific, National Health Development Plan was also prepared with the clear objective to build and renovate hospitals with an estimated cost of EUR 1.5 billion. The two hospitals and five medical units covered in this project are part of this program.

When assessing the project, ICIEC recognized the priority placed by the government of Côte d'Ivoire on renovating the existing healthcare infrastructure and building new facilities. It was an easy choice for us to proceed. As a multilateral insurer, part of our role is to support the private sector in financing seminal Government projects and bolster investments in critical sectors. In addition to this project, we support Cote d'Ivoire in constructing a potable water plant and renovating the country's education infrastructure.

Q: What was the development impact of this project on the healthcare sector?

RF: The state of healthcare infrastructure in Côte d'Ivoire before this project was less than ideal. Malaria, yellow fever, sleeping sickness, leprosy, trachoma, and meningitis are all endemic to the Member Country. While government programs exist to control these and other diseases, the healthcare sector suffered from insufficient and deteriorated infrastructure. Therefore, strides in the government's National Health Development Plan, of which this project is a part, significantly impact citizens' access to healthcare. The project created 400 new hospital beds in the two hospitals and brought in state-of-the-art equipment and facilities, enhancing access to and healthcare quality in the typically underserved regions. Additionally, five new medical units in five other hospitals have been built. By insuring the financing of this project, ICIEC is supporting better health and well-being for citizens of our Member Country.

Q: What was the development impact of this project beyond the healthcare sector? Are there any links to SDGs you can make?

RF: The development of basic infrastructure in the health sector is crucial to achieving sustainable development and empowering communities in Côte d'Ivoire and beyond. The two new hospitals contribute to job creation, employing around 600 local people and fostering a micro economy in the surrounding areas. The construction element of the project also facilitates the trade of services and human capital between Côte d'Ivoire and Morocco.

By insuring the financing for the hospitals and medical units, ICIEC contributes to the achievement of the United Nations' Sustainable Development Goals (SDG), specifically to SDG3 - Ensure good health and well-being for all. However, the project contributes broader impacts to SDG1 - End poverty in all its forms everywhere; SDG9 - Build infrastructure, promote sustainable industrialization and foster innovation; and SDG10 - Reduce inequalities between social categories.

Q: What were some additional unique features of the project that piqued ICIEC's interest?

RF: An extraordinary bonus feature of this project was that it is an intra Organisation of Islamic Cooperation (OIC) investment. The Engineering, Procurement, and Construction (EPC) contractor was Moroccan. As Côte d'Ivoire and Morocco are both OIC members, this makes the transaction eligible to be classified as an intra OIC investment. This is precisely the collaborative type of transactions that ICIEC seeks to encourage.

Another unique feature of this project was the sheer size of th e transaction. It is the most significant direct cover for the healthcare sector in ICIEC's history, and the largest transaction ICIEC has closed in Côte d'Ivoire.

Q: This project started right when the COVID-19 pandemic started. How has the project contributed to Côte d'Ivoire's COVID-19 response?

RF: The COVID-19 pandemic is ongoing in Côte d'Ivoire, and the two new hospitals will naturally be used as part of the national response. They will be operational any day now and will, of course, receive and treat COVID-19 patients as necessary. There will also be some designated facilities for COVID-19 testing and treatment.

The five additional medical units have also been integrated into the national response since their respective operationalizations. In these critical times, any reinforcement to the healthcare system will significantly impact citizens.

Q: Were there any specific challenges or lessons learned you would like to reflect on?

RF: On the financing side, it was very straightforward. There is direct financing from a bank to the government, and ICIEC provides insurance against the government's default. This is something we inherently do.

The main challenge was in the execution of the project, which took place in the middle of the COVID-19 pandemic. The construction was planned before the virus took the world by storm. While the crisis created a sense of urgency given the critical nature of the healthcare infrastructure being developed, there was a period of adjustment to ensure workers' safety and mitigate any challenges to the logistics, such as access to materials.

Q: Finally, this project won the Islamic Finance News Sovereign & Multilateral Deal of the Year 2020; can you tell us about what made this project so notable?

RF: This reflects how dire the healthcare situation in Côte d'Ivoire was before the project and highlights just how impactful investments in critical sectors could be. The size of the transaction and the intra-OIC nature of the project also contributed to this becoming a high-profile and award-winning project. ICIEC is proving that there is a need for Shariah-compliant insurance solutions and demonstrating how impactful its involvement can be.

A Growing Presence: ICIEC and Central Asia

Central Asia as a Strategic Region for Trade and Investment

The geographical region widely considered as Central Asia comprises Kazakhstan, Azerbaijan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The diverse region boasts a mix of upper-middle- and low-income countries with significant strategic importance due to their geographic location and abundant natural resources[1]. The region has a long history as a central area for global trade, dating back to the Silk Road trade network during China's Han Dynasty over 2000 years ago. These historic routes extended more than four thousand miles from China to Europe, connecting eastern and western markets and putting Central Asia at the epicentre of trade and globalization, generating immense wealth[2].

The modern-day Central Asia region still benefits from its strategic geographic position between China and Europe and the abundant natural resources, low public debt, a young population, and a growing labour force found in the countries that comprise it. These countries have also benefited through their increased integration into the global economy over the last decade, driven mainly by natural resources and labour. During the 2000s, the Central Asia region emerged as one of the most dynamic global economic regions, trading goods and services globally to help support domestic demand, reduce poverty, and share prosperity throughout the region. These resource-rich countries have already achieved or are approaching the upper-middle-income status, mainly on the back of solid demand for their natural resources[3].

Being such an important geopolitical and economic region, Central Asia has been swiftly developing; thanks to foreign direct investments (FDI), the gross inflow totalled $378.2 billion between 2007-2019[4]. The European Union (EU) countries invested 40 per cent of total FDI in Central Asia. China has been developing logistics and transit routes through projects as part of its Belt and Road Initiative (BRI), sometimes referred to as the New Silk Road. In addition to investments, the EU and the United States provide significant grant funds to support public and political institutions, projects for environmental protection, and civil society development. The EU alone provided the region with approximately $1.2 billion in aid between 2014 and 2020[5]. These initiatives recognize the importance being placed on integrating Central Asian countries into the global economic arena.

1 https://www.worldbank.org/en/region/eca/brief/central-asia
2 https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative
3 https://www.wto.org/english/thewto_e/acc_e/Session1SarojKumarJha12stCenturySilkRoad.pdf
4 https://astanatimes.com/2020/12/fdi-to-central-asia-reached-378-2-billion-over-past-13-years/#:~:text=NUR%2DSULTAN%20%E2%80%93%20The%20Central%20Asian,of%20which%20totaled%20%24378.2%20billion.&text=FDI%20to%20Kazakhstan%20reached%20%243.6,important%20geopolitical%20and%20economic%20region
5 https://astanatimes.com/2020/12/fdi-to-central-asia-reached-378-2-billion-over-past-13-years/#:~:text=NUR%2DSULTAN%20%E2%80%93%20The%20Central%20Asian,of%20which%20totaled%20%24378.2%20billion.&text=FDI%20to%20Kazakhstan%20reached%20%243.6,important%20geopolitical%20and%20economic%20region

Economic Development and Opportunities in the Region

While the investment activities in Central Asian countries have been picking up, there are still significant opportunities for economic growth and sustainable development within the region. With its plethora of natural resources and location as one of the main transit passages between EU countries, China, and Russia, the region has many inviting attributes for further investments.

Despite being a central trade route between Europe and China, improving conditions for trade within the Central Asia region itself is particularly critical, given some of the inherently challenging conditions. The economic structure of Central Asia is one of low density and long distances. The combined population of the countries in Central Asia is approximately 75 million[6], spread unequally over a relatively large geographical area, including large deserts and high mountains with limited connectivity[7]. The landlocked and remote location of the Central Asia region paired with its rugged topography means there are additional transport costs and transit times needed for regional and international shipments within the region[8].

Despite these barriers, the economic expansion of other nearby countries, such as China and Russia, creates an unprecedented opportunity for Central Asia to emerge as a hub for trade and commerce. The region should benefit from closer intra-regional connectivity, deeper ties with traditional partners, and growing trade relations with some fast-growing nearby economies such as China, India, and Turkey[9].

Although each Central Asian country pursues its own individual development paths, they share similar challenges regarding cross-border resource management, underinvestment in sustainable infrastructure, and economic diversification and growth challenges. Since Central Asian countries are all relatively small economies, they will need to promote regional trade policies and closely integrate into the international trading system to achieve sustainable economic development[10].

ICIEC's Role in Central Asia

Currently, three of the five Central Asian countries are ICIEC Member Countries - Kazakhstan, Turkmenistan, and Uzbekistan. ICIEC supports trade and investment flow for these Member Countries by providing insurance solutions to mitigate political and commercial risks. Through its range of solutions and its preferred creditor status, ICIEC also assists Member Countries in attracting FDI for projects in critical sectors for their sustainable development and national objectives.

ICIEC plays a critical role in promoting intra-OIC trade between Central Asian Member Countries and Member Countries in other regions. As part of its mission, ICIEC seeks to increase global trade integration, foster cooperation among markets in the Global South, and support in periods of trade turmoil. To achieve this, ICIEC is working closely with its IsDB Group peers, namely IsDB, ITFC and ICD, to enhance the Group's synergy and expand joint operations in Central Asia.

Kazakhstan

Kazakhstan attained ICIEC Membership in 2003. Since joining, ICIEC has insured a total of USD 1.94 billion for trade and investment in Kazakhstan: USD 996 million in coverage for the import of strategic goods into Kazakhstan and USD 939 million in cover for exports out of Kazakhstan.

During this time, ICIEC has maintained an excellent relationship with Kazakhstan's national Export Credit Agency to help them support their national exports. In 2014, ICIEC signed a Memorandum of Understanding for cooperation with KazakhExport to promote collaboration and expand the insurance capacity of both institutions. In 2015, ICIEC extended USD 21 million in reinsurance support to KazakhExport to export locomotives to Azerbaijan Railways.

In 2020, ICIEC worked with Eurasian Machinery, the official distributor of Hitachi Construction Machinery (HCM) in Kazakhstan and Central Asia, extending USD 9.5 million in Specific Transaction Policy, covering 80% of the total sales contract and assisting in the import of capital goods. This cover provided Eurasian Machinery with four Hitachi excavators to the Kazakhstan mining sector and helped support Kazakhstan's mining sector by increasing production capacity and securing new jobs.

ICIEC is also closely following the PPP projects in Kazakhstan and is contacting the Kazakhstan PPP Center and international banks to support PPP projects in Kazakhstan.

Turkmenistan

Turkmenistan is the most recent Central Asian country to join ICIEC membership in 2019. Since then, ICIEC has been growing its presence within the country, seeking opportunities to promote foreign direct investment, expand

6 https://www.worldometers.info/world-population/central-asia-population/#:~:text=Countries%20in%20Central%20Asia&text=The%20current%20population%20of%20Central,among%20subregions%20ranked%20by%20Population.
7 https://www.wto.org/english/thewto_e/acc_e/Session1SarojKumarJha12stCenturySilkRoad.pdf
8 https://www.adb.org/sites/default/files/publication/29927/central-asia-trade-policy.pdf
9 https://www.wto.org/english/thewto_e/acc_e/Session1SarojKumarJha12stCenturySilkRoad.pdf
10 https://www.adb.org/sites/default/files/publication/29927/central-asia-trade-policy.pdf



Turkmenistan's exports, and prioritize support for projects that contribute to Turkmenistan's strategic development goals. The Corporation stands ready to catalyze support in Turkmenistan by mitigating political and commercial risks for trade and investment by providing its Shari'ah compliant insurance solutions for banks, corporates, export credit agencies, and other insurers.

Currently, ICIEC is engaging with several international banks to support transportation and agricultural sector projects.

Uzbekistan

Uzbekistan joined ICIEC Membership in 2019. ICIEC has since facilitated several seminal sustainable development projects in Uzbekistan, amounting to USD 126 million in total cover. ICIEC contributes to foreign direct investment and advances Uzbekistan's specific development goals by facilitating investments in strategic sectors.

In one such project, ICIEC provided a total cover of USD 54 million in Specific Transaction Policy for transactions between two of China's largest telecommunications equipment manufacturers and Uzbekistan's state-owned telecommunication operator in line with the Government's National Development Strategy for 2017-21. The two projects involved modernizing the mobile broadband access network in the Eastern and Western regions of Uzbekistan, expanding the data storage and processing centre, and supporting new technology that will increase access to critical services.

ICIEC's continued support of infrastructure-related projects in Uzbekistan can help mobilize the private sector and financial resources from abroad. For example, ICIEC is in contact with the PPP Development Agency and international banks to explore opportunities to support PPP projects such as energy and hospital projects in Uzbekistan. ICIEC is cooperating with international banks for their lines of finance to Uzbek banks and entities. ICIEC is also in dialogue with the Investment Promotion Agency under the Ministry of Investments and Foreign Trade to sign an MoU to attract FDI into the country.

In June 2020, ICIEC and Uzbekinvest, the Export-Import Insurance Company of Uzbekistan, signed a Memorandum of Understanding that supports joint efforts, expanding the insurance capacity of both institutions.

Looking Ahead

The diverse natural resources, plentiful human capital, and burgeoning SME sector in the Central Asia region are grabbing investors' attention, providing many promising future opportunities. To enhance growth and overcome the existing challenges of a lack of sustainable infrastructure and economic diversification, the Central Asia region will have to implement new policies and strategies and lean on political risk insurers, such as ICIEC, to support ventures into new markets.

Greater infrastructure development could give Central Asian economies a critical boost by enhancing growth, poverty eradication, climate change mitigation, and recovery from the impacts of the COVID-19 pandemic. Effective infrastructure projects, such as ICIEC's reinsurance support to KazakhExport to export locomotives to Azerbaijan Railways, can induce positive spillover effects on economic growth, employment, and trade. The Central Asia and Caucasus region require a combination of the soft and physical infrastructure to achieve a sustained growth pattern. This will require financing solutions and new funding sources to tackle the region's infrastructure investment gap. Along with infrastructure development, regional connectivity barriers need to be scaled down so that potential inter-, intra-, and extra-regional trade can be expanded[11].

Central Asian countries and their respective governments should also seek to expand economic diversification, having primarily integrated with the world economy through their natural resources, which account for about 65 per cent of exports in Kyrgyzstan, Tajikistan, and Uzbekistan, and more than 90 per cent in Kazakhstan and Turkmenistan[12]. This heavy reliance on a few primary commodities exports makes the Central Asian region vulnerable to abrupt swings in volatile world prices for these commodities and complicates economic management. To counter this, some of Central Asia's more advanced economies have already begun pursuing economic diversification and advancement accompanied by structural reforms to invite further new investments in the region[13]. This will help expand FDI flows beyond extractive industries. ICIEC's services in the region can also expand FDI flows and foster economic diversification by supporting local exporters of non-oil commodities in reaching new markets.

ICIEC will continue to support its Member Countries, businesses, and citizens in the Central Asia region by facilitating sustainable development projects in both soft and hard infrastructure, by encouraging investments in strategic sectors, and by offering a range of risk mitigation solutions to help increase global trade integration and prosperity in the region.

11 https://www.adb.org/sites/default/files/publication/688061/adbi-book-developing-infrastructure-central-asia.pdf
12 https://www.brookings.edu/blog/future-development/2019/12/13/encouraging-transformations-in-central-asia/#:~:text=Nearly%2030%20years%20ago%2C%20the,the%20middle%20of%20the%201990s
13 https://www.forbes.com/sites/arielcohen/2020/12/08/foreign-investment-in-renewables-and-beyond-the-last-best-hope-for-central-asias-economic-recovery/?sh=26368a2f5ebf

Supporting Economic Growth: Foreign Direct Investment in the MENA region

The role of FDI in MENA countries

Since the early 2000s, Foreign Direct Investment (FDI) to the Middle East and North African (MENA) region has provided substantial capital and support for national development projects in MENA countries. Sectors such as oil and gas, real estate, coal, chemical manufacturing, services (particularly in tourism and hospitality), and renewable energy have been the primary recipients of this FDI, with the majority of investments coming from the United States, France, the United Kingdom, Italy, China, Japan, India, Germany, and Austria[14].

Greenfield investment is a type of FDI in which a parent company creates a subsidiary in a different country and builds its operations from the ground up, creating jobs and contributing to economic growth. Greenfield investments represent over 80% of total FDI projects in most MENA countries, creating more than 50,000 jobs to date in Algeria, Egypt, Morocco, Saudi Arabia, Tunisia and the United Arab Emirates. On average, these investments represented 4.86% of MENA GDP from 2003-2012[15]. Gulf Corporation Council (GCC) countries are a significant source for these greenfield investments in their fellow MENA countries, contributing significantly to intra-OIC relations.

Though FDI has provided significant development support to MENA countries, it has become relatively stagnant over the last decade. On average, countries in the region struggled to secure FDI following the 2008 global financial crisis and the Arab Spring movements of 2010-2011. While inward FDI did eventually rise again in 2015, inflows plateaued by 2018, still only reaching less than half the levels of total FDI inflow found in MENA countries at their peak in 2007. Conflict-ridden countries in the MENA region have experienced further difficulties attracting FDI, reporting negative FDI inflows. By 2019, net FDI inflows to the MENA region sat at a mere USD 57.8 billion compared to USD 126.5 billion in 2007.

Factors influencing FDI into MENA countries

Several factors influence FDI flows to MENA countries. Former colonial ties, religious affiliation, and the use of a common language all act as major influences in ways unseen in the rest of the world. Furthermore, differences between the economies of oil-producing and non-oil producing MENA states play a significant role in attracting FDI. Generally, non-oil producing MENA countries attract more significant greenfield investment than their oil-producing counterparts. This can be attributable primarily to oil-producing countries utilizing their abundant in-country oil resources to generate national capital instead of seeking foreign sources.

The most significant factor influencing the limitations witnessed for FDI in many MENA countries is the perceived risk associated with the region, which results in heightened concern from foreign investors regarding immediate and long-term regional stability. These risks can include political instability, low GDP, and infrastructure deficiencies, amongst others. To mitigate against these risks and counter the decline of FDI in the region, various MENA governments have advanced policy reforms, using policy and regulation to promote and facilitate the return of foreign firms and money. Such reforms have led many MENA states to revise investment legislation, ease market entry, streamline regulations in business operations, strengthen investment promotion agencies (IPAs), and adopt policies to direct investment into under-performing regions. However, despite these efforts, many MENA governments have been unable to secure FDI at levels equal to that found amongst other emerging and developing economies, limiting sustainable development in the region. While the MENA region currently has the market, resources, and human capital potential required to attract FDI at high levels, it faces significant challenges that hinder incoming FDI's flow and effectiveness.

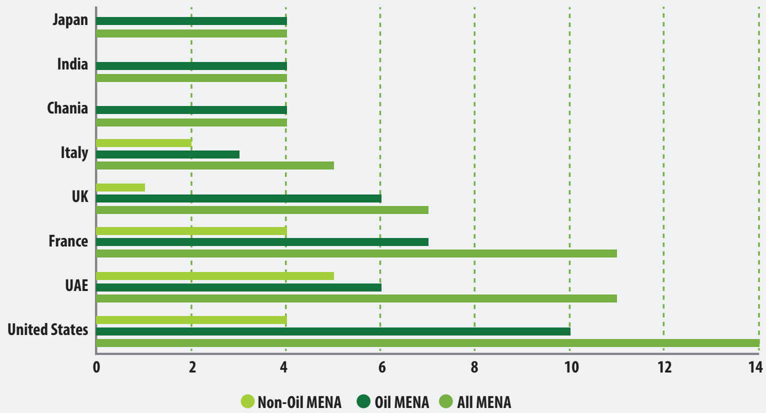
MENA's FDI and COVID-19

The onset of the COVID-19 pandemic further exasperated the issues regarding FDI inflows to the MENA region. No nation was spared from the economic impacts of the virus, as all governments had to close borders and implement lockdowns and quarantines,

14 https://read.oecd-ilibrary.org/view/?ref=134_134467-ydi12subjo&title=Investment-in-the-MENA-region-in-the-time-of-COVID-19&_ga=2.157186872.245605971.1622493830-457525634.1622493830

15 https://www.iemed.org/publication/fdi-in-the-mena-region-factors-that-hinder-or-favour-investments-in-the-region/

Top Sources of FDI to MENA Region



Source: The Financial Times service fDi Markets. Number of times a given country is among the top five investors in any MENA country.

grinding global economic activity to a halt and causing a contraction of the global economy by 3.3% in 2020[16]. Furthermore, as a result of the pandemic, global FDI flows fell by 35% from US$ 1.5 trillion in 2019 to US$ 1 trillion in 2020[17].

Early estimates suggested the MENA region would lose up to 45% of its FDI inflows in 2020, though varied outcomes have been suggested since this prediction.[18] Such concerns were raised primarily in response to the impact of the pandemic on greenfield investments, which had already dropped by 80% in the first six months of 2020. This was a drastic loss compared to the anticipated reduction in greenfield investments in other emerging and developing economies (42%) and amongst OECD countries (17%)[19]. The projections were based on significant greenfield investment-reliant industries such as tourism and manufacturing being hit particularly hard due to lockdowns and border closures.

As oil prices dropped, greenfield investments from the GCC oil-producing countries to their MENA neighbours were also anticipated to fall drastically, primarily affecting the region's real estate (65% of investments) and energy (14% of investments) sectors[20]. Despite these bleak projections, greenfield investment drops appear to primarily result from projects being put on hold rather than being cancelled or shelved, meaning a greater likelihood of FDI bouncing back in the region.

Despite bleak early projections, states throughout the MENA region have experienced positive and negative FDI inflows during the COVID-19 pandemic. FDI flows to West Asia increased by 9% in 2020. Meanwhile, North Africa saw FDI inflows contract by 25%. These variations in FDI have largely been sector-driven, with specific sectors seeing higher or lower investments due to the pandemic-based valuations of different industries.

Many MENA countries have worked to support select industries based on these disruptions. Some states are positioning themselves as premier destinations for FDI in specific industries. For example, the Tunisian government is encouraging international automobile manufacturers to refocus their funds away from the Chinese and American markets into the country through implementing various investment-friendly policy and regulation schemes. Furthermore, states are revising investment laws to focus on priority sectors and improve regulatory and institutional structures that facilitate increased FDI. Turkey is extending a specialized free zone programme encouraging investment in software and ICT activities to include other high value and technology-intensive activities, resulting in Ford's recent construction of USD 2.6 billion electric automobile assembly plant.

ICIEC and FDI in MENA

ICIEC's mandate is to bolster economic growth and sustainable development in its 47 Member Countries. With much of its Membership located within the MENA region, the Corporation is a significant support for attracting FDI flows to MENA countries, specifically for projects that boast substantial developmental impact. ICIEC supports FDI by providing investment cover against the potential risks that lead to barriers for investors through its Preferred Creditor Status and the Corporation's Political Risk Insurance (PRI) products, namely its Foreign Investment Insurance Policy (FIIP) and Non-Honoring of Sovereign Financial Obligations (NHSFO). ICIEC's cover helps to provide investors with increased security.

Since the Corporation's inception in 1994, ICIEC has provided more than USD 78 billion in total business insured, including USD 15.6 billion toward investment protection. In 2020, ICIEC provided a total of USD 9.86 billion cover for trade and investment across its 47 Member Countries. Over USD 6 billion of this total is being used to provide insurance cover for transactions in the MENA region, and USD 1.98 billion is being used specifically for investment insurance cover.

ICIEC has been highly active in promoting FDI in MENA countries, providing cover for several notable investments. One such example is ICIEC's USD 68 million FIIP cover for the construction and operation of the Benban Solar Complex in Aswan, Egypt. ICIEC's support for this transaction promoted FDI inflow to the MENA Member Country and contributed to the growth of renewable energy sources, bolstering the nation's energy security. ICIEC also provided USD 32.5 million in NHSO cover for the Sharjah waste-to-energy (WtE) project in the United Arab Emirates, earning the Project Finance International (PFI) Award for the Middle East Clean Energy Deal of the Year in 2019. Meanwhile, ICIEC won the PFI award for Turkish Deal of the Year in the same year for its various levels of insurance cover toward the construction of the Çanakkale bridge in Turkey, which is set to have an immense impact on both trade and development in Turkey.

As vaccines become more available and MENA countries reopen their borders to trade and promote their industries to investors, ICIEC will continue to work with our Member Countries in the region to facilitate the return of FDI. Though most MENA governments are currently working to provide responses negating the immediate impact of COVID-19 on trade and investment, now is an opportune time to implement ambitious long-term programs that encourage further investment into the region. ICIEC is ready to help MENA governments attract high-quality investments that increase jobs and capital within the region and promote an inclusive, sustainable, and resilient recovery. While the pandemic has posed a difficult stretch for FDI, ICIEC and its MENA Member Countries will work together to ensure the next decade is one of prosperity and openness for MENA-oriented FDI.

16 https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021
17 https://unctad.org/news/global-foreign-direct-investment-set-partially-recover-2021-uncertainty-remains
18 https://read.oecd-ilibrary.org/view/?ref=134_134467-ydi12subjo&title=Investment-in-the-MENA-region-in-the-time-of-COVID-19&_ga=2.157186872.245605971.1622493830-457525634.1622493830
19 https://www.oecd-ilibrary.org/docserver/6d84ee94-en.pdf?expires=1623732761&id=id&accname=guest&checksum=60281377E9FF4C8DE098F26824B0FD24
20 https://read.oecd-ilibrary.org/view/?ref=134_134467-ydi12subjo&title=Investment-in-the-MENA-region-in-the-time-of-COVID-19&_ga=2.157186872.245605971.1622493830-457525634.1622493830

In-focus: An Interview with ICIEC's Head of Underwriting

We caught up with **Mr Mohamud Khalif**, ICIEC's Senior Manager for Underwriting, to shed more light on ICIEC's core business function, emerging insurance trends, ICIEC's role in the Berne Union and the department's future goals.

Q: Can you please tell us about yourself and, more broadly, your role at ICIEC?

MK: My official title is Senior Manager, and I have been with ICIEC for close to 19 years. I joined the Corporation as a young professional, and in the beginning, I also did some work within the Islamic Development Bank (IsDB) itself. Over the years, I've had the opportunity to work in several different positions with ICIEC, gaining experience across various functions, including conducting country risk assessments as part of the Risk Management department at the time. Currently, I head the Corporation's Underwriting department, a team of 15 people in total, and I also work very closely with the departments of Business Development, Risk Management, Reinsurance, and Legal. The Underwriting department is divided into two teams: one team deals with underwriting activities for commercial risk transactions, and the other deals with underwriting for sovereign risk, sub-sovereign risk, and state-owned enterprise risk.

Q: As the Head of Underwriting, can you briefly describe underwriting and its role in ICIEC's broader mandate?

MK: Underwriting is a core function of any insurance institution. The role of the Underwriting department at ICIEC is to receive applications submitted by potential clients and review their project and transaction documentation to assess the risk associated with the transaction. The risk assessment outcome is firstly to evaluate if ICIEC should cover the risk and issue a policy to the client. The second outcome is deciding which of ICIEC's policies or products would be most suitable for the client and transaction and which risks or perils should be covered under the policy. We then decide the tenor, how long we should cover the risk, and under what terms and conditions we should cover, including the pricing. In summary, our department determines what type of risks we should take, the magnitude of the risks ICIEC can underwrite, for how long, and at what price.

Underwriting is essential more broadly within ICIEC's mandate; underwriting is crucial as it supports our clients by assuming some of the transaction risks, especially when conducting cross-border business. When businesses engage in activities in new countries, they don't know the culture, rules, laws, and systems work. They sometimes have insecurities about their ability to succeed in that country. In these situations, businesses typically undertake feasibility studies to assess the project's profitability and how they will help the host country through job creation, facilitate the transfer of technology and many other benefits. However, what these businesses cannot manage is the political risk. This is where ICIEC's underwriters come in with our knowledge of and relationships with, Member Countries. Throughout the whole transaction, we develop strong relationships with all the parties involved, including project staff on the ground and key government officials. This puts us in a privileged position to help avoid any potential problems, in addition to the insurance we provide. For example, we actively engage with the involved parties and resolve the matter when something goes wrong. In some cases, we can even arrange meetings between our CEO and the respective minister of finance, for example, to resolve any issues or disputes.

Q: What is ICIEC's risk appetite like in the current market?

MK: Risk appetite is not something static but is rather dynamic. It is affected by the economic and political environment at the global, country and sector levels. Last year, our risk appetite was revisited to support most impacted member countries due to the pandemic. Now, as the pandemic is slowly clearing up and we see the mass roll-out of vaccines, our risk appetite is returning to the normal baseline again. In general, I can say that our risk appetite is determined through a defined written process. Thus our risk management department determines our level of risk appetite scientifically, analyzing available information at different levels.

Q: What are some of the trends in structuring transactions you have observed recently? Are there any new players, or is there any shift in the share of risk being taken on by other players, e.g. ECAs, private financial institutions etc.?

MK: The COVID-19 pandemic certainly has had a visible impact on the different players in the market. The risk appetites of private financial institutions have decreased significantly. As a result, ECAs and multilateral development finance institutions, including ICIEC, have done a great deal of work filling the gaps left by the private sector players taking more of the share of financing. Member Countries' governments also played a crucial role by providing stimulus measures to the economy, specifically towards the trade and investment sectors, which also helped mitigate some of the risks caused by the pandemic. Without government interventions, the impact of the pandemic would have been much worse on the economy.

Furthermore, COVID-19 had far-reaching implications for the trade and investment industries globally. We know, for instance, that trade declined in 2020 by close to 10%, whereas some studies indicate that FDI went down by about 40%. These declines were much higher than those observed during the global financial crisis in 2008-09. The upshot of the pandemic and the panic it created scared away a lot of the private sector capital used to support development projects, especially those in countries already perceived to be high risk even before the pandemic. This led multilateral development institutions such as ICIEC and other Islamic Development Bank entities to take center stage and modestly try to fill the gaps left by the private sector capital flight. The trend emerging from this process has been the numerous initiatives that MDBs and ECAs have implemented to provide support to projects that traditionally would have been able to access private finance before the pandemic.

Q: What are some sectors or regions you see the potential for growing ICIEC's support?

MK: The majority of ICIEC's Member Countries are developing or emerging economies, which means there is a high potential for growth in these countries. Thus, the need for support from institutions like ICIEC is quite significant. Recently we have seen increased demand for Political Risk Insurance (PRI) in several regions, such as with our three Central Asian Member Countries. We have also seen increased demand in Sub-Saharan Africa, specifically in Cote d'Ivoire, Senegal and Nigeria. In the MENA region, with the political situation getting better in Libya, we expect demand to pick up very quickly, resulting from the need for reconstruction in the country. Indeed, we are ready to play our part in supporting that reconstruction process in the future. We also see a lot of demand in South Asia. In Bangladesh, for example, the economy has been growing very fast, specifically in the banking sector and the textile sector. We also see some increased demand in Indonesia as well. There is a lot of potential for ICIEC services right now.

The global integration of economies is fueling this demand. Many Member Countries are now more in touch with the rest of the world from a business perspective. For example, many Member Countries are trading capital goods with non-Member Countries. We often see this quite often, whether it is exports from these Member Countries or imports of strategic commodities and capital goods.

We see an increase in demand in the health sector, of course stemming from the pandemic. We also see growth in digital technologies because of the new trends emerging as the result of lockdowns. For example, new technologies to adapt operations for people working from home. Another sector in which we see growth picking up is renewable energy. The push for this happening globally, to mitigate against climate change, but the real action is trickling down to Member Countries through climate-related transactions. These are the main sectors in which we see a lot of growth and potential happening.

Q: ICIEC is an active member of the Berne Union; what do you see as ICIEC's main contributions to the Union, and what are some of the benefits ICIEC gets from being a member?

MK: The Berne Union is an important association for ICIEC. It compromises Investment and Export Credit insurers worldwide from both the private and public sectors (national ECAs and specialized multilateral insurers, like ICIEC). The Union organizes annual meetings which serve as learning and networking opportunities for ICIEC staff. Being a member of the Union affords ICIEC numerous opportunities for actual collaborations. For example, we work with non-Member Country ECAs in Russia, China, the US, Netherlands, France, Belgium, and ECAs in our Member Countries through the Berne Union. In terms of what we contribute to the Union, we partake actively in all the meetings, send staff in for training, and share industry data and information. Over the last two years, we have been a member of the Management Committee, which means we are part of the decision-making process of the leadership of the Union itself and are a very active participant. Previously, ICIEC held the Vice-Chair position for the short-term committee, the biggest committee in the Union. We also actively participate in data collection and surveys used for publications. Lastly, we provide ideas and topics for discussion and use the Union as a platform for us to showcase what we are doing. In these areas, we see opportunities for collaboration among members. So, the Union for us is a forum that we believe is very helpful for us and at the same time, ICIEC plays a crucial role in making it a lively and valuable forum for everyone.

Q: What are some of the short- and long-term goals for ICIEC's underwriting?

MK: To summarize, we would like to improve our overall efficiency and cost-effectiveness. The most crucial function of an underwriting department is always the quality of the underwriting, the efficiency by which it is done, the cost-effectiveness, and the results achieved. We have sound quality underwriting and robust results. As such, our short- and long-term goals are to increase the efficiency to serve our clients. Currently, we are expecting to roll out a new digital system to do so. Here it is important to note that our department has two sets of clients - internal and external. The internal clients are our colleagues in the business development unit prospecting for business opportunities that they bring to us to process. However, there are some aspects where we are inefficient in developing the deal. Efficiency and timeliness are essential.

Additionally, as a development institution, we also have to be very selective in the projects we choose. We have to make sure that the projects we choose have a clear and measurable development impact. Hence, our long-term goal is to enhance the collaboration agreements with our Member Countries, peer institutions, private sector insurance providers, companies, ECAs and all the other stakeholders in this industry.

The catalyst for international trade and investment in the OIC region and beyond

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

(+966) 12 644 5666 (+966) 12 637 9755 iciec-communication@isdb.org iciec.isdb.org

ICIEC

Editor-in-Chief
Oussama A. Kaissi
Chief Executive Officer

Managing Editor
Rania Binhimd