



THE ISLAMIC CORPORATION FOR  
THE INSURANCE OF INVESTMENT  
AND EXPORT CREDIT



# 30 YEARS OF ICIEC

COVERING MEMBER STATES CREDIT AND POLITICAL RISKS



*A Compelling Story  
of Three Decades  
of Transformative  
Social and Economic  
Development Impact  
Through Innovative  
Risk Mitigation and  
Credit Enhancement  
Solutions*

**1415H-1445H  
(1994-2024)**

**© ICIEC All rights reserved.**

No part of this publication may be reproduced or used in any form (graphic, electronic or mechanical, including photocopying, recording, taping or information storage and retrieval systems) without permission of ICIEC. All comments, news, statistics are provided for information purposes only. Whilst ICIEC takes every care to ensure that its reporting is accurate, it cannot take responsibility for any error of fact, comment, statistics, or news, nor any loss, financial or otherwise, resulting from any business, trade, investment, or speculation conducted based on these comments, facts, statistics, dates, and news. The views expressed by contributors and guest writers are not necessarily those of the Editor-in-Chief and ICIEC. This book was researched, compiled, and written by Mushtak Parker for ICIEC, drawing on sources from IsDB, ICIEC, and a host of international, regional and national open data sources, official publications, and face-to-face interviews.

سَمَاءُ  
الْحَمْدِ  
لِلَّهِ



## Vision

---

“To be the internationally recognized leader in Shariah-based export credit and investment insurance and re-insurance in Member States.”



## Mission

---

“To encourage exports from Member States and to facilitate the flow of foreign direct investments to Member States by providing and encouraging the use of Shariah-compliant export credit and investment insurance as credit and political risk mitigation instruments.”

# Mandate

---



ICIEC's mandate is to promote cross-border trade and foreign direct investment (FDI) flows in its Member States.



ICIEC serves its mandate by providing risk mitigation and credit enhancement solutions to exporters in Member States selling to buyers across the world, and to investors from across the world investing in Member States



ICIEC also supports international exporters selling to Member States if the transactions are for capital goods or strategic commodities.

# ICIEC's Realigned Strategic Framework 2023-2025



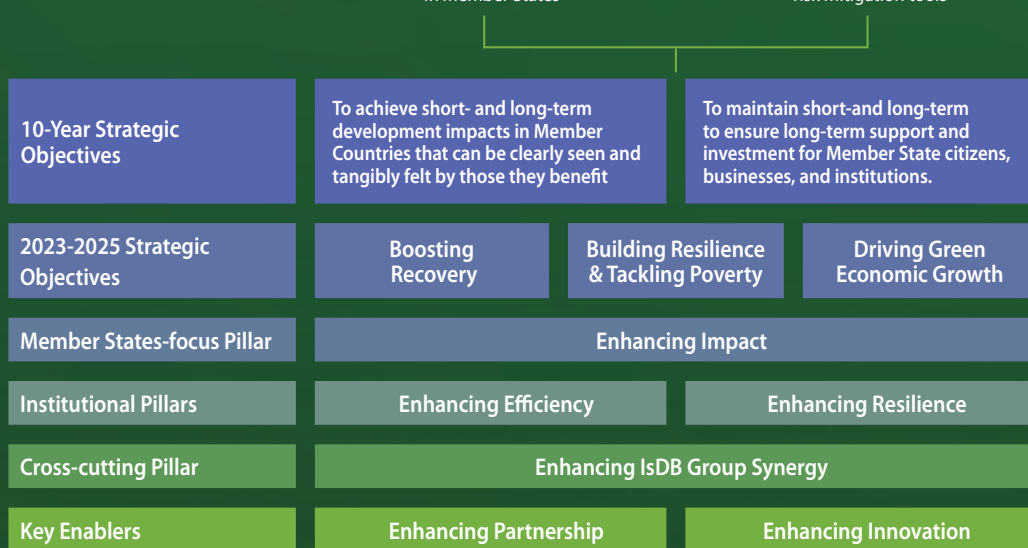
## Vision

"To be recognized as the preferred enabler of trade and investment for sustainable economic development in Member States"



## Mission

"To facilitate trade and investment between member countries and the world through Shariah-compliant risk mitigation tools"



Development Area	Description
Underwriting	Soon-to-be-live ICIEC Takaful System (ITS)
Financials	Implementation of IFRS 17 and 9 (reserving)
Enterprise Risk Management	Stress Test and Risk Based Pricing Framework to be implemented in addition to establishment of Sustainability Risk practices
Business	Becoming an insurance facilitator and broker of choice
Member Country	Recent concerted efforts to advance ICIEC's services in CIS countries
Credit Intelligence	OBIC for providing credit intelligence for OIC stakeholders
Risk Assessment	Acclimatize for advance climate risk assessment
IsDB Group Synergy	Bank Master Policy (BMP) for increased cooperation between sister entities in IsDB Group

# Contents

---

<b>1</b>	<b>Abbreviations and Acronyms</b>	10
<b>2</b>	<b>Glossary of Key Terminology</b>	12
<b>3</b>	<b>ICIEC Fact File at a Glance</b>	15
<b>4</b>	<b>20th Anniversary Message</b> Dr Ahmad Mohamed Ali, Chairman, ICIEC 1994-2016	16
<b>5</b>	<b>25th Anniversary Message</b> Dr Bandar M.H. Hajjar, Chairman, ICIEC 1916-2021	18
<b>6</b>	<b>30th Anniversary Message</b> Dr Muhammad Al Jasser, Chairman, ICIEC 1921-Present	20
<b>7</b>	<b>20th Anniversary Message</b> Dr Abdel Rahman El Tayeb Taha, CEO, ICIEC 1994-2015	22
<b>8</b>	<b>30th Anniversary Message</b> Oussama Abdul Rahman Kaissi, CEO, ICIEC 2016-Present	24
<b>9</b>	<b>Prologue - Export Credit and Investment Risk Insurance</b> The Establishment of The Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC) - The Rationale, The Backstory, The Business Case	28
<b>10</b>	<b>Export Credit and Investment Risk Insurance</b> A Shariah Perspective	40
<b>11</b>	<b>ICIEC - Islamic Corporation for the Insurance of Investment and Export Credit</b> Three Decades of Progress, Innovation and Transformative Impact Development	52
<b>12</b>	<b>20th Anniversary Interview Dr Ahmad Mohamed Ali - President of IsDB Group &amp; Chairman of ICIEC (1994-2016)</b> ICIEC Well On its Way to Becoming a World Class Multilateral Insurer	66
<b>13</b>	<b>International Linkages</b> The Value of Partnerships	72
<b>14</b>	<b>International Linkages</b> Re-imagining Win-Win Public-Private Partnerships (PPPs) to Serve Real Economy Development Agendas	78
<b>15</b>	<b>International Linkages</b> ICIEC and The AMAN UNION – An Alliance of Solidarity	92
<b>16</b>	<b>20th Anniversary Interview - Dr Abdel Rahman El Tayeb Taha, Chief Executive Officer, ICIEC 1994-2015</b> A Partner of Choice with an Evolving Legacy	98
<b>17</b>	<b>30th Anniversary Interview – Mr. Oussama Abdul Rahman Kaissi, Chief Executive Officer, ICIEC 2016-Present</b> A Legacy of Delivery, Sustainability, Partnerships, Upliftment, Innovation and Hope amid a Challenging Global Economic and Geopolitical Landscape	104
<b>18</b>	<b>ICIEC - The Islamic Corporation for the Insurance of Investment &amp; Export Credit</b> 30 Years of Cumulative Achievements in Figures & Charts, ICIEC in FY2023	116



<b>19</b>	<b>ICIEC - The Islamic Corporation for the Insurance of Investment &amp; Export Credit</b> 30 Years of Development Impact in Case Studies, Selection of ICIEC Green & Climate-related Transactions & Case Studies 2023	124
<b>20</b>	<b>Utilization of ICIEC Services by ICIEC Member States Since Inception</b>	139
<b>21</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> Export Credit and Investment Insurance and the SDGs - A Reality Check Stock Take, Action Through Upscaling	142
<b>22</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> Expanding Market Awareness, Education, Technical Assistance, Credit Information and Advisory Services	146
<b>23</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> Embracing Digitalization in Export Credit and Investment Insurance in a World of Persistent Risks Digitally Delivered Export Services Reaches US\$4.25 Trillion in 2023	152
<b>24</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> ICIEC's Climate Change Policy and ESG Framework - Charting a Post-COP28 Climate Action Pathway - The Corporation's Green Leap Forward	168
<b>25</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> The Future of Intra-OIC Trade - Traction or Conundrum?	176
<b>26</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> A Commendable Facilitation of Mitigating Food Security Challenges Through De-risking Tools	180
<b>27</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> Enhancing Private Sector Engagement Through Bankable Projects	184
<b>28</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> Engaging Sovereign Wealth and Pension Funds (SWPFs) in the OIC Member States to Increase their Involvement and Investments in the National and Global Islamic Finance and Halal Economy Ecosystem in Financing Trade and Investment Flows	188
<b>29</b>	<b>Epilogue - Future Proofing the Next 30 Years - Driving the Pillars of Progress and Protection</b> Urgent Upscale and Traction of ICIEC's Pioneering and Innovative Sukuk Insurance Policy (SIP) or (Sukuk Takaful) to Facilitate the Entry of OIC Investment and Sub-Investment Grade Sovereign Issuers	192
<b>30</b>	<b>The Islamic Corporation for the Insurance of Investment &amp; Export Credit (ICIEC)</b> A 30-year History in Milestones - 1994-2024	200
<b>31</b>	<b>Endnote</b> Aspiring to be the Preferred Enabler of Trade and Investment for Sustainable Socio-economic Development in Member States	210

# Abbreviations & Acronyms

<b>OIC</b>	Organization for Islamic Cooperation
<b>IsDB</b>	Islamic Development Bank
<b>ICIEC</b>	The Islamic Corporation for the Insurance of Investment and Export Credit
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector
<b>ITFC</b>	International Islamic Trade Finance Corporation
<b>UIF</b>	Unit Investment Fund of the IDB
<b>IRTI</b>	Islamic Research and Training Institute
<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>IFSB</b>	Islamic Financial Services Board
<b>IMF</b>	International Monetary Fund
<b>BU</b>	Berne Union
<b>PC</b>	The Prague Club
<b>AUM</b>	Assets Under Management
<b>ODA</b>	Official Development Aid
<b>FOB</b>	Free on Board
<b>CIF</b>	Cost, Insurance, Freight
<b>ASEI</b>	PT Asuransi Ekspor Indonesia (Persero)
<b>ACI</b>	American Credit Indemnity
<b>BADEA</b>	Arab Bank for Economic Development in Africa
<b>GCC</b>	Gulf Cooperation Council
<b>ECA</b>	Export Credit Agency
<b>EDC</b>	Export Development Canada
<b>ECGD</b>	Export Credit Guarantee Department of the UK
<b>SINOSURE</b>	China Export & Credit Insurance Corporation
<b>FIAS</b>	Foreign Investment Advisory Service

<b>IFSR</b>	International Financial Reporting Standards
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>SFAC</b>	Societe Francaise d'Assurance Credit
<b>IASB</b>	International Accounting Standards Board
<b>ID</b>	Islamic Dinar (the Unit of Accounting of the IDB Group)
<b>IBNR</b>	Incurred-But-Not-Reported Claims
<b>SDR</b>	Special Drawing Right of the IMF (One ID=One SDR)
<b>PRI</b>	Political Risk Insurance
<b>BIS</b>	Business Intelligence System
<b>AU</b>	AMAN Union
<b>ATI</b>	African Trade Insurance
<b>DHAMAN</b>	Arab Investment and Export Guarantee Corporation
<b>DIFC</b>	Dubai International Financial Centre
<b>BOG</b>	Board of Governors
<b>BOD</b>	Board of Directors
<b>CAGR</b>	Compound Annual Growth Rate
<b>CFP</b>	Contract Frustration Policy
<b>CEO</b>	Chief Executive Officer
<b>COO</b>	Chief Operating Officer
<b>COMESA</b>	Common Market for Eastern & Southern Africa
<b>CSTP</b>	Comprehensive Short-Term Policy
<b>ERM</b>	Enterprise-wide Risk Management
<b>HR</b>	Human Resources
<b>IIMS</b>	Integrated Insurance Management System
<b>STO</b>	Specific Transaction Policy
<b>CIS</b>	Commonwealth of Independent States

<b>GATT</b>	General Agreement on Tariffs and Trade
<b>OECD</b>	Organization of Economic Cooperation and Development
<b>WTO</b>	World Trade Organization
<b>DCIP</b>	Documentary Credit Insurance Policy
<b>SATP</b>	System Acceptance Test Plan
<b>BMP</b>	Bank Master Policy
<b>GIAD</b>	Group Internal Audit Department of the IDB Group
<b>MEXIM</b>	Malaysia Exim Bank
<b>MIDA</b>	Malaysia Industry Development Authority
<b>NEXI</b>	Nippon Export & Investment Insurance
<b>NEXIM</b>	Nigeria Exim Bank
<b>NPL</b>	Notifications of Probable Loss
<b>DBC</b>	Data Base Centre
<b>IWPP</b>	Independent Water and Power Producer
<b>TOBB</b>	Türkiye Odalar ve Borsalar Birliği (Turkish Union of Chambers of Commerce and Commodity Exchange)
<b>LIBOR</b>	London Inter Bank Offered Rate
<b>LC</b>	Letter of Credit
<b>ORF</b>	Operational Risk Management Framework
<b>JIB</b>	Joint Interest Billing
<b>CROCI</b>	Cash Return on Cash Invested
<b>GRMC</b>	Group Risk Management Committee
<b>GRMD</b>	Group Risk Management Department
<b>IMS</b>	Integrated Insurance Management System
<b>NIPA</b>	National Investment Promotion Agency of Djibouti
<b>IDI</b>	International Development of Ireland

<b>TEPAV</b>	Economic Research Foundation of Türkiye
<b>ISPAT</b>	Investment Support and Promotion Agency of Türkiye
<b>SPX</b>	subcontracting and Partnership Exchanges Programme
<b>SWF</b>	Sovereign Wealth Fund
<b>SACE</b>	Istituto per i Servizi Assicurativi del Commercio Estero
<b>ARCEIT</b>	Arab Regional Center for Entrepreneurship & Investment Training
<b>WAIPA</b>	World Association of Investment Promotion Agencies
<b>SLIEPA</b>	Sierra Leone Export and Investment Promotion Agency
<b>GIEPA</b>	Gambia Export and Investment Promotion Agency
<b>OQST</b>	Outward Quota Share Treaty
<b>QST</b>	Quota Share Treaty
<b>RMD</b>	Risk Management Department
<b>ITAP</b>	Investment Promotion Technical Assistance Program
<b>FDI</b>	Foreign Direct Investment
<b>UIA</b>	Uganda Investment Authority
<b>UIF</b>	Unit Investment Fund of the IDB
<b>UNIDO</b>	United Nations International Development Organization
<b>UNCTAD</b>	United Nations Conference on Trade and Development

# Glossary of Key Terminology

---

---

**Shariah** - (also Shari'ah/ and in Indonesia and Malaysia - Syariah). Islamic canon law derived from three sources - the Quran (the Muslim revealed text), the Hadith and the Sunnah (sayings, practice and traditions of the Prophet Muhammad S.A.W.) and Ijtihad of Ulama (personal effort by qualified Shariah scholars to determine the true ruling of the divine law in a subject matter on which the revelation is not explicit). The word Shariah is derived from the root Shin Ra'Ayn – literally the road to the watering place (the straight or righteous path to follow).

---

**Takaful** - The word 'Takaful' is derived from an Arabic word Kafalah which means solidarity, whereby a group of participants agree among themselves to support or guaranteeing one another jointly for the losses arising from specified risks. Takaful literally means solidarity or mutual support or guarantee. It is considered to be an Islamic equivalent to insurance for the benefit of the participants, akin to a mutual society.

In a Takaful arrangement, participants pay a premium to a common fund. This fund is invested in Shariah-compliant instruments. The Takaful operator plays the role of Wakala (agency) in managing and investing the funds. Participants voluntarily donate part or all of their contributions (Tabarru'), which are used to pay any claims for damages suffered by any participant.

In general, Takaful is defined as a mutual guarantee provided by a group of people against a defined risk or catastrophe befalling one's life, property, commercial trade, investment or any form of valuable asset.

The Takaful concept has its basis in the Shariah, which institutes group responsibility for helping those in distress through a share in the Zakat Fund for the Gharim (a person who has lost his or her assets through calamity or as the result of service to the community).

---

**Wakalah** - (root Wakala) - agency contract, which gives the power to a person to nominate another person to act on his behalf if he is alive based on the agreed terms and conditions - also the representation of a person on behalf of another in a certain disposition - also to entrust with or to give mandate.

---

**Wakalah Bi Al Ajr** - an agency contract with fees.

---

**Wakalah Placement Agreement** – a standard agreement which facilitates deposit placements by corporate clients with Islamic financial institutions (IFIs) under the Wakalah (agency) concept, which involves two parties, the Muwakkil as the principal (the depositor) and the Wakil as the Muwakkil's agent to invest the Muwakkil's funds in Shariah-approved transactions, the standardised Wakalah Placement Agreement for corporates essentially specifies a common modus operandi for IFIs as the Wakil in investing the deposits placed by their corporate customers under the Wakalah concept. Likewise, the Interbank Wakalah Placement Agreement specifies the modus operandi for deposit placements amongst IFIs.

---

**Wakeel (also Wakil, Waqeel)** – an agent, deputy, proxy in legal affairs.

---

**Wakeel Al Istithmar** - an investment agent.

---

**Tabarru'** - is derived from the verb Tabarra'a). It means a voluntary donation/gift the purpose of which is not commercial but is done to seek the pleasure of Allah. Tabarru' is any benefit that is given by a person to another without getting anything in exchange is called Tabarru'. It is absolutely at the lender's own discretion and without any prior condition or inducement for reward. The concept of Tabarru' eliminates the element of uncertainty in the Takaful contract. The sharing of profit or surplus that may emerge from the operations of Takaful is made only after the obligation of assisting the fellow participants has been fulfilled. Thus, the operation of Takaful may be envisaged as a profit-sharing business venture between the Takaful operator and the individual members of a group of participants.

---

---

**Tabarru' Al Mukaramah** - a generous donation or gift.

---

**Tabarru'at** - ownership contract on voluntary basis.

---

**Tabarru Bil Iwad** - donation with compensation.

---

**Tabarru' Commitment** - the amount of contribution to be relinquished by a Takaful participant as a donation for fulfilling the obligation of mutual help and to be used to pay claims submitted by eligible claimants.

---

**Kafalah** - Kafalah (also known as Dhaman). Literally, Kafalah means responsibility, amenability or suretyship. In general, its meaning is a guarantee, a surety – a guarantee given by a person or an institution to a third party to honour a debt/obligation should the debtor/obligor fail to discharge his obligation. It is also a contract which combines one's Zimmah (liability) with another person's liability – a contractual guarantee given by the guarantor to assume the responsibilities and obligations of the party being guaranteed on any claims arising thereof. This principle is also applied in loan guarantees whereby the guarantor assumes the liability of the debtor when the debtor fails to discharge his obligation. Legally in Kafalah a third party becomes surety for the payment of a debt. It is a pledge given to a creditor that the debtor will pay the debt, fine etc. Suretyship in Islamic law is the creation of an additional liability regarding the claim, not to the debt or assumption only of the liability and not of the debt.

---

**Gharar (also Gharrar)** - the root GhRR denotes deception, uncertainty, risk, hazard, ignorance in transactions. Bai al-Gharar is an exchange in which there is an element of deception either through ignorance of the goods or the price, or through faulty description of the goods, in which one or both parties stand to be deceived through ignorance of an essential element of exchange. As an example, gambling is a form of Ghaar because the gambler is ignorant of the result of the gamble. Gharar is divided into three types, namely Gharar Fahish (excessive), which vitiates the transaction, Gharar Yasir (minor), which is tolerated and Gharar Mutawassit (moderate), which falls between the other two categories. Any transaction can be classified as forbidden activity because of excessive Gharar. According to Ibn Guzayy, there are several types of Gharar exchange, all of which are illegal. The following are examples:

- a) Selling goods that the seller is not able to deliver, such as a run- away horse in the desert or an unborn calf sold separately from the mother.
- b) Selling unknown goods or known goods against an unknown price, such as selling the contents of a sealed box.
- c) Selling goods without proper description, such as a trader selling an unspecified suit of clothing in his shop.
- d) Selling goods without specifying the actual price, such as selling at 'the going price'.
- e) Making a contract conditional on an unknown event, such as when my friend arrives, if the arrival time is not specified.
- f) Selling a hopelessly sick animal or the goods in a sinking ship.
- g) Selling goods based on a false description.
- h) Selling goods without proper examination.

---

**Export Credit** - in general is an insurance, guarantee or financing arrangement, which enables a foreign buyer of exported goods and/or services to defer payment over a period. Export credits are generally divided into short term (usually under 2 years), medium-term (usually 2 to 5 years) and long-term (usually over 2 years) and can be offered by multilateral agencies, state-owned agencies, and private companies. Export credits may take the form of 'supplier credits' extended by the exporter, or of 'buyer credits' where the exporter's bank or other financial institution lends to the buyer (or his bank). Official support through ECAs may be provided as 'pure cover' (i.e insurance or guarantees given to exporters or lending institutions without financing support, as financing support (direct credits/financing, refinancing, interest rate support, and/or as aid financing (credits, grants technical assistance disbursements).

---

**Export Credit Agency (ECA)** - is a private or quasi-governmental institution that acts as an intermediary between governments and exporters to issue export financing, which can take the form of credits (financial support) or credit insurance and guarantees (pure cover) or both, depending on the mandate of the ECA.

---

**Integrated Insurance Management System (IIMS)** - is the complete automation (computerization) of all underwriting, reporting, and sales activity management functions. The IIMS would pave the way for a fully paperless operations flow and would have product modules for all the products offered by ICIEC, as well as modules for statistics and performance management. It would also include a portal which would allow ICIEC clients to place requests for credit limits, submit declarations, and generate reports on their respective portfolios.

---

---

**Insurance Capacity** – this determines the amount of business the Corporation can underwrite. The formula used under ICIEC's Articles of Agreement is  $\text{Subscribed Capital} + \text{Reserves} \times \text{Approved Gearing Ratio} + \text{Reinsurance}$ .

---

**Comprehensive Short-Term Policy (CSTP)** – policy, which covers exporters against the risk of non-payment by their buyers due to commercial or political reasons. Covers the commercial and political risks of the whole turnover of the exporter.

---

**Specific Transaction Policy (STP)** – a policy that is designed to insure single short-and medium export transactions, usually associated with project finance. It covers the same risks as the existing Supplemental Medium-Term Policy (SMTP), which caters, for medium-term whole-turnover business.

---

**Single Transaction Policy (STP)** - covers the commercial and political risks of single export transaction (Large Tickets).

---

**Equity Investment Insurance Policy (EIIP)** - a policy that provides insurance coverage for cross border equity investment by any individual or company against transfer & convertibility, Expropriation, War and Civil disturbance and breach of contract.

---

**Financing Facility Insurance Policy (FFIP)** - a policy that provides insurance coverage for cross border financing by banks and financial institutions against transfer & convertibility, Expropriation and War and Civil disturbance

---

**Non-Honoring of Sovereign Obligation (NHSO)** - a policy that provides insurance coverage for corporates against the default of governments and government owned entities in meeting their sovereign obligations.

---

**Bank Master Policy (BMP)** – a policy that provides insurance of banks export related financing to its customers on an Islamic basis against both commercial and political risks.

---

**Documentary Credit Insurance Policy (DCIP)** – a policy that provides protection to a commercial bank against the risk of non-payment of an Import Letter of Credit issued by an importer's bank and confirmed by the policyholder on behalf of its exporting customer.

---

**Loss Payee Assignment** – a policy that allows the banks to provide export related financing to its customers and utilize the export receivables as security for the repayment of the credit extended.

---

**Financing Facility Insurance Policy (FFIP)** - a policy that provides insurance coverage for cross border financing by banks and financial institutions against transfer & convertibility, Expropriation and War and Civil disturbance.

---

**Reinsurance Facilities Agreement (RFA)** - this policy is offered to Export Credit Agencies (ECAs) and commercial insurance companies in Member States and is essentially a facultative reinsurance arrangement that could be developed into a quota-share treaty.

---

**Quota Share Treaty** - is a proportional reinsurance Treaty offered to ECAs in the member states, which states taking a stated per cent share of their entire portfolio as a support to their insurance capacity.

---

**Excess of Loss** - is a non-proportional reinsurance designed to help ECAs to underwrite large transactions.

---

**Hijri Year (H)** - An Islamic lunar calendar system comprising 12 months: Muharram, Saffar, Rabi al-Awal, Rabi al-Thani, Jumadal al-Awal, Jumada al-Thani, Rajab, Sha'aban, Ramadan, Shawal, Dhul Qa'ada, and Dhul Hijjah. Hijra Year. It contains 354 days, which is about 11 days less than the Gregorian calendar system.

---

**Islamic Dinar (ID)** - A unit of account of IDB Group which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF).

---

**Member State** - A country that has subscribed to the capital of ICIEC, accepted the terms and conditions setup by the Board of Governors and is a member of the Organization of Islamic Conference (OIC).

---

# ICIEC Fact File at a Glance 1994-2024

<b>Name of Corporation</b>	The Islamic Corporation for the Insurance of Investment and Export Credits (ICIEC)
<b>Corporation Type</b>	Multilateral Credit and Political Risk Insurer
<b>Unique Feature</b>	The ONLY Shariah-based Multilateral Insurer in the World
<b>Date of Incorporation</b>	1 August 1994
<b>Date of Commencement of Operations</b>	21 July 1995
<b>Authorized Capital (March 2024)</b>	ID 1 billion (US\$1.34bn). One ID = One SDR (Special Drawing Right) of the International Monetary Fund (IMF).
<b>Chairmen of the Board of Directors</b>	H.E. Dr Ahmad Mohamed Ali (1994-2016); H.E. Dr Bandar M. H. Hajjar (2016- 2021); H.E. Dr Muhammad Al Jasser (2021-Present)
<b>Inaugural CEO</b>	Dr Abdel Rahman El Tayeb Taha (1994-2015)
<b>Current CEO</b>	Oussama Abdul Rahman Kaissi (2015-Present)
<b>Number of Member States (March 2024)</b>	49 Member States
<b>Cumulative Business Insured since Inception</b>	US\$108.3bn at end FY 2023, comprising US\$86.2bn in export credit insurance and US\$22.1bn in political risk insurance (PRI)
<b>Cumulative Intra-OIC Trade and Business Financing since Inception</b>	US\$51bn for intra-OIC trade and business at end FY2023
<b>Cumulative Business Insured by SDG Impact since Inception</b>	US\$77.8 billion.
<b>Rating</b>	<p><b>Moody's Investor Services</b> - "Aa3" Insurance Financial Strength Rating (IFSR) for the 16th consecutive year with a Stable Outlook.</p> <p><b>Standard &amp; Poor's (S&amp;P)</b> - First time "AA-" Long-term Issuer Credit and Financial Strength Rating with a Stable Outlook in 2024. The rating is the highest within its peer group globally.</p>
<b>Flagship Underwriting Policies</b>	<p><b>Trade Credit Insurance</b> – i) Insurance of Confirmed Letters of Credit, ii) Buyer Credit Insurance, iii) Insurance of Supplier Credit, <b>Investment Insurance</b> – i) Non-Honouring of Sovereign Financial Obligation, ii) Political Risk Insurance of Cross-Border Financing, iii) Political Risk Insurance for Equity Investments/Projects, iv) Credit Enhancement, <b>Export Credit and Investment Reinsurance</b> – i) Reinsurance and Co-insurance, ii) Fronting, <b>Sukuk Insurance Policy</b> – i) Standard Sukuk Insurance, ii) Green Sukuk Insurance</p>
<b>Main Equity Shareholders</b>	IsDB (50.48%); Saudi Arabia (20.20%); Egypt (4.51%); Iran (3.37%); Kuwait (2.52%); United Arab Emirates (UAE) (2.52%); Kazakhstan (2.28%); Morocco (1.68%); Qatar (1.68%); Türkiye (1.68%); Rest of the Member States (9.07%).

Source: Compiled by Mushtak Parker from ICIEC Data March 2024

# 20<sup>th</sup> Anniversary Message

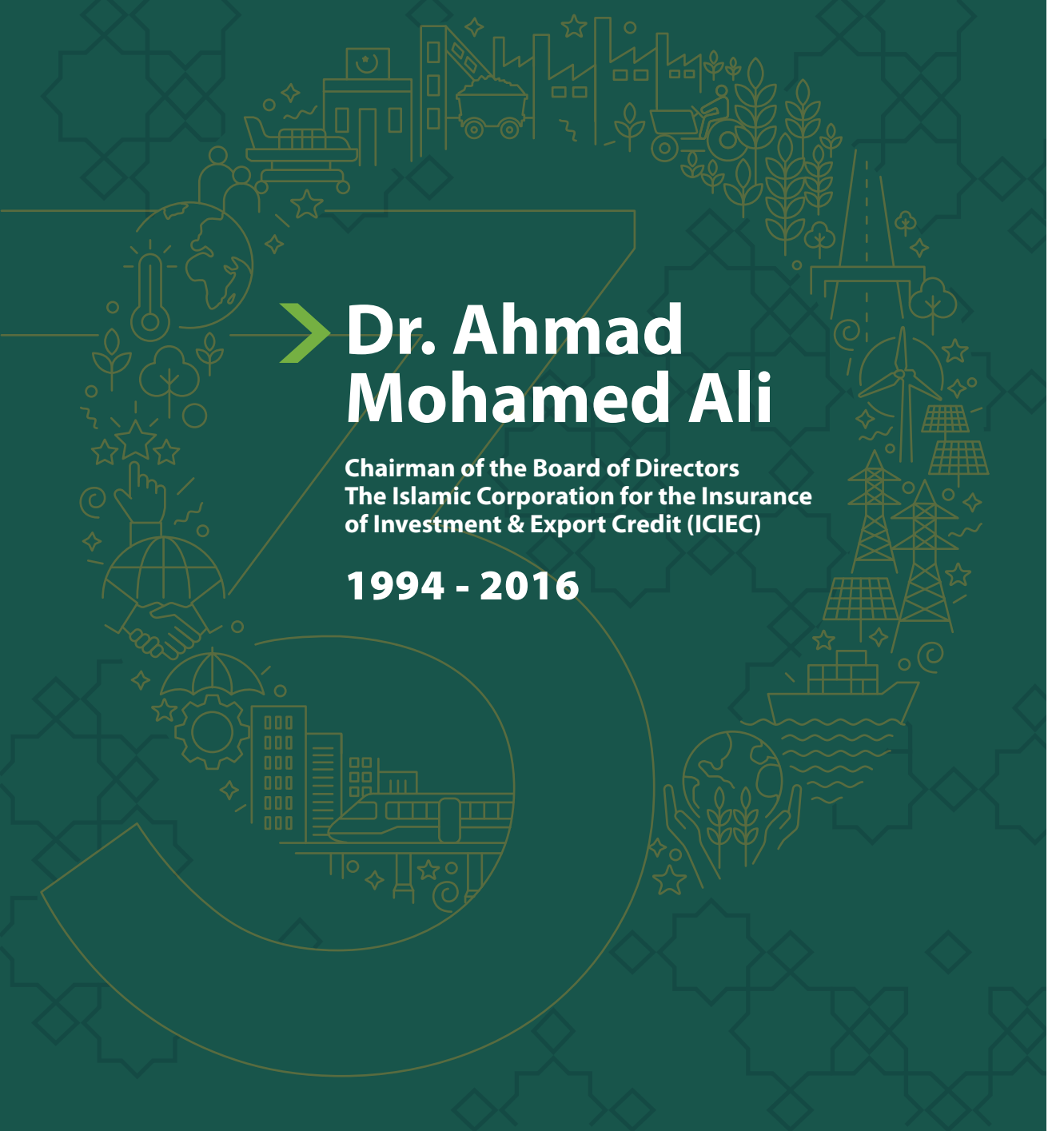
---



## Dr. Ahmad Mohamed Ali

Chairman of the Board of Directors  
The Islamic Corporation for the Insurance  
of Investment & Export Credit (ICIEC)

**1994 - 2016**





The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) celebrated its 20th Anniversary in 2014.

This is a long way from those heady days in August 1994 when the Corporation was established following the call of The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC) on The Islamic Development Bank to set up a multilateral institution to support the exports from and investments into Member states through the provision of credit and country risk insurance services.

ICIEC has evolved into a world-class export credit and investment insurance agency (ECA) and remains the only dedicated multilateral ECA in the world that exclusively provides Shariah-based export credit and investment insurance, and reinsurance products to its member states.

The strategic objectives of ICIEC have evolved over the years from the original limited role of supporting intra-Islamic trade and investments, to the wider role of supporting the exports of the member states worldwide and to encourage the flow of direct investments and project financé to them from anywhere in the world.

This was designed to bring the mandate of the Corporation more in line with the developmental mission of its parent institution, the Islamic Development Bank. As a result, ICIEC's business has experienced rapid growth over the last decade reaching more than US\$3 billion in 2013.

It is thus no surprise that the international rating agency, Moody's Investors Service, has assigned an "Insurer Financial Strength" rating of Aa3 rating to ICIEC for the 7th consecutive year during a period in which the global financial crisis battered firms globally, and resulted in some credit insurers seeing their rating being downgraded. This is indeed a remarkable achievement.

Equally important, ICIEC has put Shariah-based export credit and investment insurance firmly on the international map, as such products and services are now an acceptable part of the global trade and investment landscape.



The strategic objectives of ICIEC have evolved over the years from the original limited role of **supporting intra-Islamic trade and investments**, to the wider role of supporting the exports of the member states worldwide and to encourage the flow of direct investments and project financé to them from anywhere in the world



This is manifested in the membership of ICIEC in the prestigious Berne Union of selected state-owned and private ECAs, some of whose members come to the Corporation for partnership in transactions involving Islamic insurance (Takaful) structures. Furthermore, ICIEC works closely with its multilateral peers, such as the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, the Arab Investment and Export Credit Guarantee Corporation (DHAMAN) and the African Trade Insurance (ATI) Group.

ICIEC has also played a crucial leadership role in supporting the export credit insurance industry in the member states of the Organization of Islamic Cooperation (OIC), when it established (in conjunction with DHAMAN) in October 2009, the AMAN UNION, the professional association of Credit and Political Risk Insurance Agencies and reinsurers in Member States of the OIC and the Arab League.

Needless to say, the Corporation also cooperates closely with the leading national ECAs of non-member states such as COFACE of France, DUCROIRE of Belgium, ATRADIUS of the Netherlands and the China Export Credit Corporation (SINOSURE), and with private providers of export credit and investment insurance.

Despite all the foregoing achievements and given the changing nature of the global and regional economy, there is no room for complacency. ICIEC is still a relatively nascent institution that has learnt to grow up in difficult times. It is faced with huge challenges relating to capital requirements needed to expand insurance capacity, market education, human resource development and above all the deteriorating risk environment in which it operates.

I wish the Corporation all the best for the next twenty years, Insha Allah!

**H.E. Dr. Ahmad Mohamed Ali**

Chairman of the IsDB Group  
Chairman of the Board of Directors of ICIEC  
2016-1994

# 25<sup>th</sup> Anniversary Message

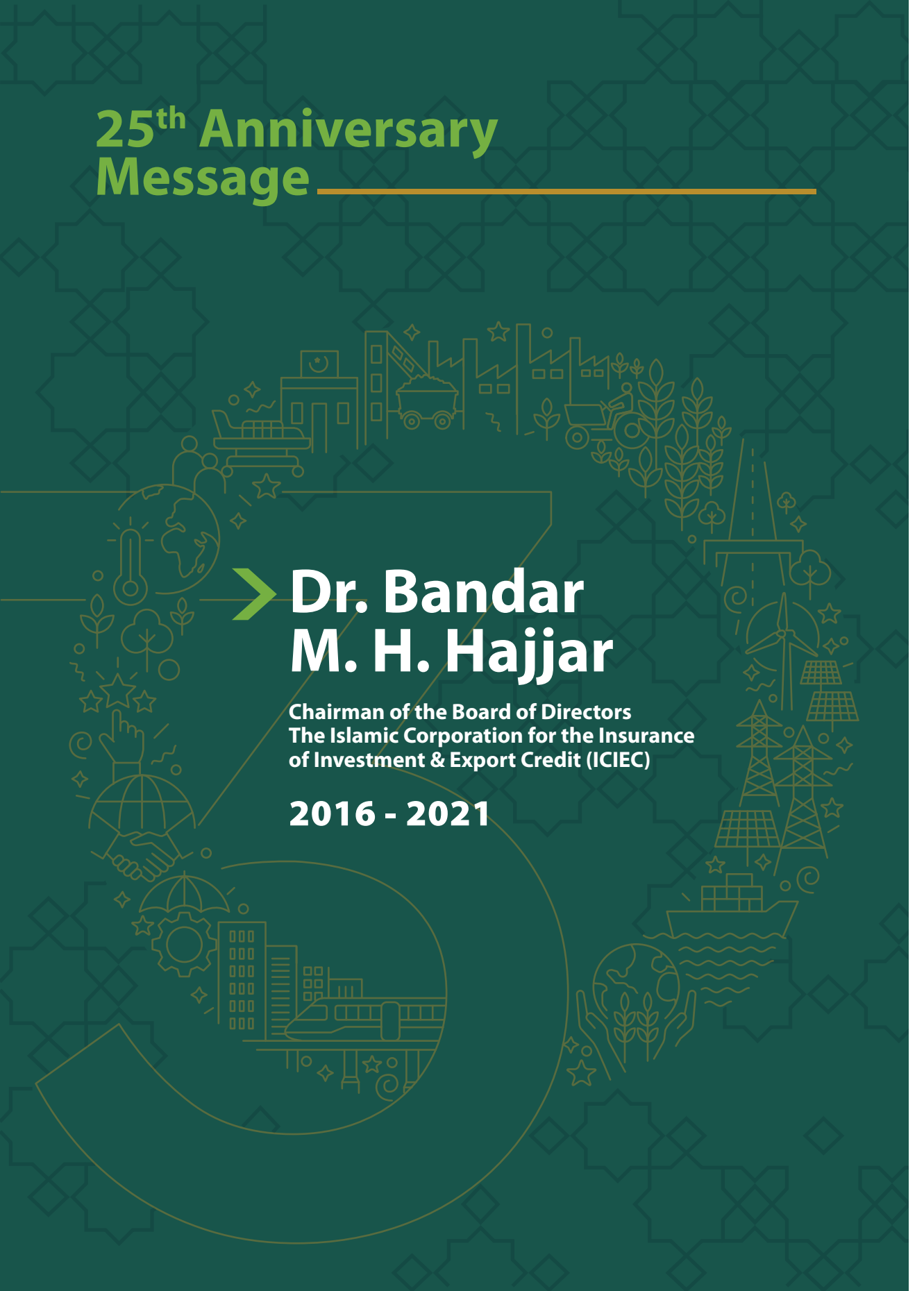
---



**Dr. Bandar  
M. H. Hajjar**

**Chairman of the Board of Directors  
The Islamic Corporation for the Insurance  
of Investment & Export Credit (ICIEC)**

**2016 - 2021**





**T**he Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) celebrates its 25th Anniversary in 2019. The anniversary was officially marked during the 44th Annual Meetings of the Islamic Development Bank (IsDB) Group which was convened in Marrakech, Morocco from 4th April 2019.

ICIEC's achievements over the past 25 years have had a profound impact on trade and investment among and between OIC Member States. From the outset, ICIEC has sought to broaden the scope of trade transactions and the flow of investments. Over the quarter century, ICIEC has sought to carry out the IsDB Group's vision in ways that are relevant and innovative.

Our corporation's path has not been without challenges but, with each challenge, it has nimbly responded to deliver Shariah-based export credit and investment insurance and to expand the capacity of Member States. Recognizing the unique solutions brought by ICIEC to the market and honoring the tireless efforts of the ICIEC staff and management, I feel privileged to be the chairman of this institution.

ICIEC has been at the forefront of shaping and supporting the growth of the Shariah-based export credit and investment insurance industry. Beginning with just seven applications in 1416H (1995) for export credit insurance policies, ICIEC now plays a meaningful role in contributing to the development of, and economic cooperation among, its Member States.

We issued our first issue of a Comprehensive Short-Term policy to an exporter from Saudi Arabia to cover his exports to 6 Member States. From this humble but important beginning, ICIEC has gone from strength to strength to play a meaningful role in contributing to the development of and cooperation among its Member States.

Over the years, ICIEC has also rolled out several innovative products and solutions to meet the needs of exporters and to support investors, financial institutions, and national Export Credit Agencies (ECAs) within Member States. We are at the nexus of major players in trade and investment globally and are uniquely positioned to catalyze growth and development. Our Shariah compliant products are unique in the insurance industry; ICIEC gives exporters and investors peace of mind to pursue new opportunities

and markets. Cooperation with ICIEC has allowed financial institutions, particularly ECAs in Member States and beyond, to increase their footprint.

ECAs partnering with ICIEC are better able to provide liquidity to support the export credit business, offer guarantees for trade and projects, and stand behind their domestic businesses investing overseas.

At the institutional level, ICIEC's current 10-Year Strategy has two primary objectives. The first is to achieve a clear and tangible Development Impact in the Corporation's Member States. The second objective is to attain and maintain Financial Sustainability. Working towards these, ICIEC has established three strategic pillars, namely: market impact, capital optimization, and organizational strength. With this framework in place, the institution is well positioned to support sustainable social and economic impact in Member States.



Over the years, ICIEC has also rolled out several **innovative products and solutions** to meet the needs of exporters and to support investors, financial institutions, and national Export Credit Agencies (ECAs) within Member States

ICIEC's reach and impact is ever-growing and strengthening. In 2018 the business insured upwards of US\$9bn and our new commitments grew to US\$3.683bn. Since its establishment to date in 2019, it has facilitated over US\$42bn in trade transactions and US\$10bn in foreign direct investments (FDI) in member states.

In the years ahead, the institution will continue to work with partners and stakeholders to catalyze trade and FDI flows and thereby maximize its development impact among Member States. However, given a new set of global and regional challenges and strained economic, social, and political headwinds ahead, we must also ready ourselves to respond to these challenges and take advantage of the opportunities that await.

ICIEC's track record over the last 25 years gives us every confidence that the Corporation can navigate the challenges that arise and continue to take advantage of the many significant opportunities. We look forward with great optimism as we commence the next 25 years of ICIEC's success.

I congratulate the ICIEC staff and management on a successful 25 years of impact and institutional growth and look forward to more achievements in the years to come.

**H.E. Dr. Bandar M. H. Hajjar**  
Chairman of the Board of Directors, ICIEC  
2016-2021

# 30<sup>th</sup> Anniversary Message

---



## Dr. Muhammad Al Jasser

Chairman of the Board of Directors  
The Islamic Corporation for the Insurance  
of Investment & Export Credit (ICIEC)

**2021 - Present**

I am delighted to extend my heartfelt congratulations to ICIEC on reaching the significant milestone of 30 years of dedicated and exceptional service in trade and investment risk mitigation and credit enhancement for IsDB member countries.

As we commemorate the 30th anniversary of ICIEC alongside the 50th anniversary of IsDB, I pay tribute to all those visionaries who dared to challenge the conventional institutional and societal orthodoxy relating to insurance. Their pioneering efforts in operationalizing Shariah-compliant Takaful frameworks were instrumental in mitigating the multifaceted risks and uncertainties inherent in 21st century challenges. Their foresight has proven invaluable in safeguarding against the evolving risks we have faced, continue to face, and will encounter in the future.

The journey of ICIEC is deeply intertwined with the vision and mission of IsDB. Our mutual commitment to fostering sustainable economic growth in member countries and Muslim communities in non-member countries has been the foundation of our collaborative endeavors.

As a multilateral insurer, ICIEC's mandate is to facilitate the flow of trade and investments by supporting exports and imports of strategic goods among member countries and providing credit and political risk insurance. Despite the underdeveloped culture of export credit agencies (ECA), limited penetration of the credit and investment insurance market, and a modest premium base within IsDB countries, there exists significant potential for multiplier impact and opportunities.

These opportunities are particularly pronounced in the context of post-pandemic recovery and normalization, buoyed by the resurgence in international commodity trade, gradual recovery of foreign direct investment flows, and the imperative of climate action aligned with the targets outlined in the 2015 Paris Climate Agreement. Additionally, there is a growing demand for sustainable finance in line with the UN Sustainable Development Goals



The journey of **ICIEC** is deeply intertwined with the vision and mission of **IsDB**. Our mutual commitment to fostering sustainable economic growth in member countries and Muslim communities in non-member countries has been the foundation of our collaborative endeavors



and the developmental aspirations of member countries, especially in efforts to uplift their populations out of poverty.

ICIEC's track record in the last six years shows that the Corporation has played a significant role in the development initiatives of the IsDB Group. Between 2018 and 2022, for instance, ICIEC accounted for 35% of the total IsDB Group approvals (exceeding US\$20.4 billion) and 56% of the total IsDB Group net resource transfers to member countries (surpassing US\$51.2 billion), emerging as the leading contributor in both categories.

Disruptions stemming from conflicts such as the conflict in East Europe, health crises like the Covid-19 pandemic, climate change-induced natural disasters, catastrophic events such as earthquakes, terrorism, and civil unrest, among others, unleash a multitude of both existing and emerging risks. All stakeholders are compelled to confront and actively mitigate these challenges.

ICIEC has responded decisively to these risks, acting with urgency and prioritization in coordination with other entities within the IsDB Group and through regional and international partnerships. This includes underwriting a total of US\$1.4 billion in insurance coverage, with US\$528 million allocated to the healthcare sector, US\$824 million towards facilitating the import of essential commodities, and US\$62 million earmarked to support small and medium enterprises. These efforts are aligned with the IsDB Group's Covid-19 mitigation Strategic Preparedness and Response Program.

As we look forward to the next three decades, we are filled with optimism and anticipation for a continuing ICIEC journey replete with growth, innovation, and lasting impact.

**Dr. Muhammad Al Jasser**

Chairman of the IsDB Group  
Chairman of the Board of Directors of ICIEC

# 20<sup>th</sup> Anniversary Message

---



**Dr. Abdel Rahman  
El Tayeb Taha**

Chief Executive Officer, ICIEC

**1994 - 2015**

As the decade of the nineteen eighties was ending, the world was at the height of globalization and international trade was getting bigger by the year, the World Trade Organization (WTO) was about to be born, and competition for Foreign Direct Investment (FDI) was also becoming tougher.

Therefore, the need for more sophisticated instruments, beyond financing, for the facilitation of trade and investments was becoming ever more necessary.

In that context, the Organization of Islamic Cooperation (OIC) member states realized that they were missing out on both of those fronts and that they needed an institution that would play the dual role of providing credit and political risk insurance as well as help support their national export credit agencies (ECAs). Then the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was created.

Twenty years ago, armed with the vision of the Islamic Development Bank's leadership and the support of our member states, we started building an ambitious institution from scratch.

Like in any journey in life, we faced challenges and obstacles. The most daunting of which was the lack of awareness among the business community in our member states of risk mitigation tools and their critical role in oiling the international trade and investment machinery.

However, we succeeded, against all odds, in putting in place a strong institutional infrastructure: an innovative product suite, organizational processes, procedures and regulations, a multi-skilled and diverse professional staff, and a state-of-the-art in-house-built insurance management system. We have also created a network of reinsurance support from the private market, ECAs and multilateral institutions.

Based on this strong foundation, we have achieved (on a stand-alone basis) and maintained over the past six years an Aa3 rating from Moody's, which is one of the strongest in the industry. In addition, we have, over the years, developed extensive and mutually beneficial relations with the credit and political risk insurance industry.

Today, ICIEC is a full member of the Berne Union, the association of the major private, public and multilateral export credit and political risk insurance companies in the world. It is also a member of the Prague Club, which brings together 36 providers of political and credit insurance support to businesses across the globe.

Most importantly, ICIEC is a co-founder (along with DHAMAN) of the AMAN UNION, which is a forum for Muslim and Arab countries' export credit agencies. Along the way, we have been able to support thousands of exporters in our member states venture into new markets. We have also worked with individual and corporate investors as well as financiers of projects in member states.

In total, we facilitated over US\$22 billion in trade transactions and US\$4.3 billion in foreign direct investments in member states. We have achieved all these



Along the way, we have been able to support **thousands of exporters** in our member countries venture into new markets. We have also worked with **individual and corporate investors** as well as **financiers of projects** in member countries

while at the same time preserving our capital and indeed augmenting our reserves by an average of 36 per cent of the capital.

Having said that, however, I am confident that the future holds even more exciting achievements for the Corporation. With the introduction of new and innovative products like the Non-Honoring of Sovereign Financial Obligation (which is already popular) and the Sukuk Insurance Policy, our client base is growing at a rapid pace.

In conclusion, as the founding CEO of ICIEC, I have had a rewarding experience in helping nurture not only a fledgling institution but also in institutionalizing credit and political risk insurance to this part of the world.

My colleagues and I are looking forward to taking the institution to the next level in the years to come.

**Dr. Abdul Rahman El Tayeb Taha**

Chief Executive Officer, ICIEC  
1994-2015

# 30<sup>th</sup> Anniversary Message

---



## ➤ Oussama Abdul Rahman Kaissi

Chief Executive Officer, ICIEC

**2016 - Present**





Zero Paris Climate Agreement are second to none, and is reflected in the rubrics of our policies, strategies, and underwriting operations.

These landmark achievements, with more than half of this business conducted in the last five years, underscore our significant growth and impact in recent years. This growth and delivery trajectory since 2015 continues unabated which augurs well for the Corporation in the near-to-medium-term.

In 2023, despite a slow post-pandemic global economic recovery and the manifold geopolitical uncertainties, ICIEC's Business Insured reached US\$13.3bn representing a year-on-year growth of 14.66%. The Corporation recorded a robust corporate performance, with a net result of US\$23.9m, a 130% increase over the previous year. This result has again been achieved on the back of the strong policyholders' fund performance as demonstrated by a 7th consecutive year of technical surpluses. The year 2023 faced significant global challenges, marked by the economic aftermath of the pandemic, the war in Ukraine leading to a severe energy crisis, supply chain disruptions in critical food commodities, renewed macroeconomic threats, and conflict in Palestine.

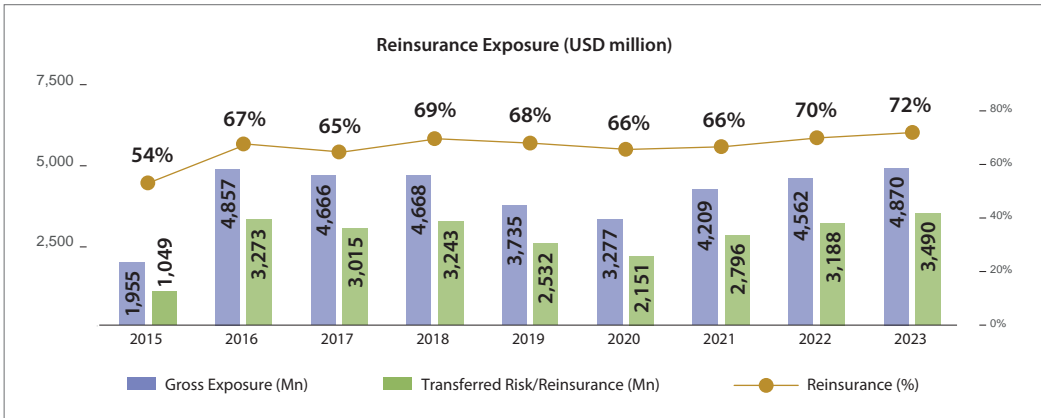
The year 2024 marks a momentous year in the 30-year history of The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the multilateral insurer of the Islamic Development Bank (IsDB) Group.

In its 30-year history, ICIEC generated USD 108 billion in Gross Business Insured (BI), comprising US\$86.2bn in export credit insurance and US\$22.1bn in political risk insurance (PRI) across 144 countries. Notably, between 2015 and 2023, the Corporation achieved over USD 85 billion in BI constituting about 79% of total BI since inception, despite a modest paid-up capital of around USD 201 million. This achievement is a testimony to the faith and confidence the founding shareholders put into the concept, necessity and the role of risk mitigation and credit enhancement in boosting intra-OIC trade and investment, and in the process supporting the development agendas of our Member States to ensure that no one is left behind.

The fact that ICIEC has underwritten policies since inception totaling US\$51bn in support of intra-OIC trade and business at end FY2023, and cumulative business insured by SDG Impact since inception of US\$77.8bn is further evidence of the efficacy and reach of the direction of ICIEC operations over the last three decades. Our commitment to enhance the UN SDG Agenda and the Net



ICIEC's Business Insured reached US\$13.3bn representing a year-on-year growth of 14.66%. **The Corporation recorded a robust corporate performance, with a net result of US\$23.9m, a 130% increase over the previous year.** This result has again been achieved on the back of the strong policyholders' fund performance as demonstrated by a 7th consecutive year of technical surpluses



On the other hand, the leverage capacity (or Business Impact multiplier) has exponentially increased by 47 times between 2015 and 2023, rising to 67 times as of the reporting date, driven by lower claims and improvements in expense management.

These challenges caused shifts in the geopolitical landscape, escalating debt levels, inflationary pressures, and restrained growth. In this context, ICIEC’s intervention through the provision of export credit and political risk insurance, including de-risking and credit enhancement solutions, was more crucial than ever to support our Member States in securing strategic commodities and fostering cross-border trade and investments.

ICIEC’s latest milestone of 30 years of transformative impact through Driving Social and Economic Development in our Member States coincides with the ongoing Golden Jubilee 50th anniversary of its parent, the IsDB, in 2023. The IsDB has been pivotal in ICIEC’s institutional development, providing support for our

capital increases and collaborating on various socio-economic development projects. The ICIEC Board of Governors unanimously approved the 3rd General Capital Increase (GCI) to ID1 billion (US\$1.34bn) during its 29th Annual Meeting on June 4, 2022, in Sharm El Sheikh, Egypt. This is vital to sustain the impressive growth experienced since 2015, and to lay the foundation for the future operational and growth strategy and success for the Corporation as it navigates its institutional pathway for the next three decades. I am particularly encouraged by the fact that most shareholder Member States have duly confirmed their subscriptions to the GCI while the rest are in the process of doing so. Their support and participation in the capital increase have fortified ICIEC’s financial foundation, thus reinforcing our capability to augment services for our Member States in the years ahead.

As ICIEC embarks on its 30th year, we are committed to achieving a high standard of operational excellence. We are actively enhancing risk management capabilities to ensure a balanced and resilient growth trajectory. A risk-



“  
The IsDB has been pivotal in ICIEC’s institutional development, providing support for our capital increases and collaborating on various socio-economic development projects



based pricing framework and stress test model have been developed and are slated for implementation in 2024. Additionally, to optimize capital, the current economic capital model is undergoing refinement to introduce a dynamic risk dashboard system, incorporating the Risk-Adjusted Capital (RAC) model. We are also incorporating the digitalization in trade including Generative AI and other Online Services, electronic trade documentation and better credit information and sharing playbook.

We remain committed to expanding our impact and integrating climate action and food security for the benefit of our Member States. We will continue to engage with stakeholders to identify challenges and devise bespoke insurance solutions.

During COP28 in Dubai, ICIEC launched its Climate Change Policy and ESG Framework, reaffirming ICIEC's policy thrust in promoting sustainable development and resilience in the face of climate challenges. Additionally, IsDB and ICIEC joined the Energy Transition Accelerator Financing Platform (ETAF), managed by The International Renewable Energy Agency (IRENA), positioning ourselves as a key player in climate action initiatives.

In line with SDG 2 (Zero Hunger), ICIEC has dedicated itself to enhancing food security, supporting US\$1.5bn in the agriculture sector since its inception. In 2023, we forged several partnerships to support Member States' food security programs and operationalized the Arab Africa Guarantee Fund (AAGF) which incorporates a food security component. To address global food security challenges, ICIEC had surpassed its initial pledge by approving USD 788 million by the end of 2023 as part of the IsDB Group's US\$10.5bn Food Security Response Program (FSRP).

In testimony to ICIEC's credit confidence and resilience, Moody's Ratings has affirmed ICIEC's 'Aa3' Insurance

Financial Strength Rating (IFSR) with a stable outlook for the 16th consecutive year. The affirmation of the rating reflects the strong fundamentals of ICIEC's financial position, risk governance, and continued support from its parent, the IsDB, and multiple sovereign members of the OIC.

S&P Global Ratings has recently assigned its 'AA-' long-term Issuer Credit and Financial Strength ratings to ICIEC with a stable outlook, which is the highest within its peer group. The stable outlook reflects the Rating Agency's expectation that ICIEC will continue leveraging its unique mandate and very strong preferred creditor status (PCT) to expand its core business, while maintaining its robust capital and liquidity positions.

We owe a debt of gratitude and a profound thanks to our founding stakeholder, the Islamic Development Bank (IsDB), as well as the unwavering support of our host country the Kingdom of Saudi Arabia, our 49 Shareholders, Board of Governors, and Board of Directors for their invaluable guidance, and to our clients, counterparties and beneficiaries for their loyalty and continued utilization of ICIEC's services over the years. Our success would not have been possible had it also not been for the dedication, professionalism, and commitment of Team ICIEC, all of whom have been instrumental to our continuing success.

Verily, it is a legacy we can all be proud of and on which we can only build on in delivering real economy and development success as per our mandate in underwriting greater volumes of trade and investment in our Member States – the two engines of growth, wellbeing, and socio-financial inclusion, over the next 30 years!

**Oussama Abdul Rahman Kaissi**  
Chief Executive Officer, ICIEC  
2016-Present

# Prologue

---



## ➤ Export Credit and Investment Risk Insurance

The Establishment of The Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC)

## The Rationale, The Backstory, The Business Case



The importance of credit and investment insurance cannot be overstated. For an industry that has been around for over a century, the challenge ahead is not to pay endless lip service to its business case, but to enhance awareness and market education among policy makers, regulators, multilateral, national and private sector insurers, and export credit agencies (ECAs), banking institutions, insurance providers, exporters, importers, investors, and SMEs.

Today, around 90% of all global trade relies on some form of credit, insurance or guarantees, issued by a bank, insurer, or specialist financial institution. As it has done for over a century, the credit insurance industry will continue to evolve and adapt to meet challenges - societal, environmental, and economic - that lie ahead and support the real economy.

Credit and investment insurance typically acts as a catalyst that provides financing to the real economy through export and import flows and promotes foreign direct investment (FDI) movements across the globe. By protecting exporters and banks against the risk of non-payment, defaults and expropriation, credit insurance enables cross-border trade and investment.

As the latest data suggests from The Berne Union (International Union of Credit and Investment Insurers), the not-for-profit professional association representing the global credit and political risk insurance industry, the industry demonstrated great resilience and adaptability throughout the pandemic, the crisis in Eastern Europe and the global economic downturn. Over the year 2022, the credit and investment industry supported US\$2.83 trillion

of cross-border trade and investment (up 5% on 2021) with an additional US\$68.6bn in non-cross-border support for exporters. Berne Union Members, which include ICIEC, collectively provide payment risk capital worth US\$2.5 trillion each year, insuring approximately 13% of the value of total global cross-border trade.

A recent survey conducted for The Berne Union Export Credit Business Confidence Trends Index shows that the industry remains confident and positive, despite the high-risk environment and the global economic and geopolitical uncertainties. "Strong global trade performance in 2022 provides cause for optimism, but high inflation, widespread geopolitical risk and the increasing frequency of insolvencies/rising pre-claims means underwriters remain cautious through Q2 2023," were the sentiments of an overwhelming number of respondents.

The Index tracks perceived demand, risk appetite and claims in the export credit insurance industry, based on quarterly surveys of Berne Union Members. To capitalize on business growth opportunities and increase resilience within key sectors, the survey recommends an approach



In line with the UN Social Development Goal (SDG) 17 (Partnerships for the Goals), ICIEC to date has established more than **168 partnerships** with national ECAs, private sector insurers, reinsurers, financial institutions, and other multilateral institutions



based on five core features: 'Adapt and Innovate', Greater flexibility and support for finance across all stages of the trade cycle, More partnerships between public and private sources of finance and risk capacity, Reduction of barriers, aligning of incentives, and Increasing coordination across different spheres.

All this is far cry from that fateful day on 24 Safar 1415H (1st August 1994) when The Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC) was incorporated as a unique and alternative multilateral export credit and investment insurance institution under the aegis of The Islamic Development Bank (IsDB), the multilateral development bank serving the 57 Member States of the Organization of Islamic Cooperation (OIC) and Muslim communities in Non-Member States which itself was incorporated in 1974.

Both institutions started operations a year later following their establishment in 1975 and 1995 respectively. Together with other IsDB sister entities such as the International Islamic Trade Finance Corporation (ITFC), and the Islamic Corporation for the Development of the Private Sector (ICD) - the trade fund and private sector finance arm of the Group respectively, the IsDB Group with ICIEC serving as its dedicated multilateral credit and political risk insurance (PRI) pillar, has re-written the playbook of global trade, development, risk mitigation and credit enhancement through its niche and fast-growing alternative market segment.

The uniqueness of ICIEC is that it is the only multilateral insurer, like its parent Group, in the world operating exclusively as per its ethos and mandate under Shariah (Islamic legal) principles relating to financial intermediation (Fiqh Al Muamalat) and Takaful (the Islamic equivalent to mutual insurance and/or guarantees).

As such ICIEC introduced a new ethical dimension to the global trade and investment insurance paradigm, which

in many respects has been gaining mainstream traction, forging partnerships with ECAs, private credit insurers, reinsurers, commercial banks, and manifold government agencies – both in Member and Non-Member States.

In line with the UN Social Development Goal (SDG) 17 (Partnerships for the Goals), ICIEC to date has established more than 168 partnerships with national ECAs, private sector insurers, reinsurers, financial institutions, and other multilateral institutions.

How poignant and appropriate that ICIEC's 30th Anniversary should coincide with the Golden Jubilee 50th Anniversary of her parent, the IsDB. In a world of manifold uncertainties, rising geopolitical tensions, and a cornucopia of ever-emerging risks, ICIEC's unique approach has been vindicated many times over. This is despite an evolving credit and PRI culture, lack of awareness and market education about credit insurance, and the institutional and data deficits regarding the industry in many OIC Member States.

In the short space of three decades, ICIEC has amassed a cumulative Business Insured since inception exceeding US\$108.3bn end FY2023, comprising US\$86.2bn in export credit insurance and US\$22.1bn in PRI – impressive and impactful by any measurement yardstick. ICIEC similarly contributed a cumulative US\$51bn to finance Intra-OIC Trade and Business, and US\$77.8bn in cumulative Business Insured by SDG Impact for the same period. This could not better highlight the Corporation's real economy connectivity to the development agendas and the multifarious needs of Member States constituents.

ICIEC's operational pathway and institutional development was not easy, especially in its first two decades of operations. But since then, it has never looked back, achieving some of its most transformative achievements and progress in the last six years of its operations.



### **First Dedicated Shariah-based Multilateral Insurer**

ICIEC is the first dedicated Shariah-based multilateral insurer in the world, which was established by the IsDB in 1994 to provide investment and export credit insurance for Member States from the OIC. Its roots originate from the Agreement for the Promotion, Protection and Guarantee of Investment among OIC Member States, which was concluded under the process of COMCEC (The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation) in Istanbul, Türkiye.

A year later, the Export-Import Bank of Malaysia Berhad (EXIM Bank) was incorporated in 1995 through a wholly owned subsidiary of the Minister of Finance Incorporated to provide credit facilities to finance and support exports and imports of goods, services, and overseas projects with emphasis on non-traditional markets as well as the provision of export credit insurance services, export financing insurance, overseas investments insurance and guarantee facilities.

Although it provides both conventional and Shariah-based products and services, its Islamic offerings are perhaps the most comprehensive in the market comprising 8 programs and 25 products encompassing Cross Border Financing, Guarantees, Trade finance and Credit Takaful. The 'globalization' of Shariah-based export credit and investment insurance received a major boost in October 2009 when ICIEC and DHAMAN agreed to establish the AMAN UNION, the professional association of Export Credit and Investment Risk Agencies and reinsurers in Member States common to both the OIC and DHAMAN.

The caveat though is that the AMAN UNION promotes both conventional and Shariah-based export credit and investment insurance, and because of a lack of differentiation especially in the AMAN Union Data

between the two systems, the true progress of export credit and investment Takaful becomes that much more problematic. The gap between the ECAs of the OIC countries, irrespective of whether they offer conventional or Shariah-based or both facilities, and those in the non-OIC world should be put in perspective in terms of how far the latter still need to evolve and to what extent the OIC market is under-penetrated and under-served.

The New Business Insured (both conventional and Shariah-based) by the then 17 AMAN Union members in 2012, according to a study by Mourad Mizouri, Manager ,MENA Region Division (ICIEC) totaled US\$19.4bn, which is a mere drop in the ocean compared with the New Business Insured of US\$1.81 trillion by the members of the Berne Union, which represents 10 per cent of global trade volumes.

Collectively, the capital base of the 17 AMAN UNION members in 2012 was US\$7.2 billion, of which three ECAs accounted for 87% of the capital base. Excluding the above three, the average capital of the remaining 14 ECAs is a mere US\$72 million. This compared to SINOSURE, which alone has a capital of US\$3.1 billion.

### **Fast Forward to 2024 in a Climate of Polymorphic Risks**

Credit and investment insurance as mentioned is the great absorber and mitigator of risks in the global geopolitical and economic landscape. It acts as a catalyst that provides financing to the real economy across the globe. By protecting exporters and banks against the risk of non-payment, credit insurance enables cross-border trade and investment increasingly in climate-related business, inputs, and projects.

Members of the Berne Union (the international association of credit and investment insurers around the globe), of which ICIEC is a long-standing member, collectively

provide payment risk capital worth US\$2.5 trillion each year, insuring approximately 13% of the value of total global cross-border trade.

The global export credit industry is hugely influential globally with up to US\$28 trillion – comprising 80 to 90% – of international trade relying on export financing, much of it provided by governments via export credit agencies and export-import banks. Governments, international agencies, the COP process, and other stakeholders have hitherto failed to capitalize on what the ECII community can bring to the table beyond their vanilla de-risking and credit enhancement solutions. On the other hand, the ECII community and their promoters and shareholders should take some responsibility for this lack of upscaling, underwriting, collaboration, and urgency in underwriting especially emerging climate related and catastrophe risks.

The consensus is that ECAs are a critical link to support the rising ambition of governments and the private sector. While some ECII stakeholders have taken important steps to increase their support for the new green economy, the industry and their regulators are perceived as lacking



OIC member states are some of the most vulnerable to the devastating impacts of **climate change, natural disasters, and food insecurity**. Yet they contribute relatively very little to emissions of greenhouse gases but are disproportionately affected. They are also required to try to comply with the strict targets of the **UN Sustainable Development Goals (SDGs) Agenda and the Net Zero 2050 ambition of the 2015 Paris Climate Agreement**



greater ambition and action with more consistent methodologies and collaboration with the wider financial services sector. The availability of finance, liquidity and underwriting is not a problem. It is a question of matching the above with acceptable and bankable projects and transactions.

A few weeks before COP28 in Dubai in December 2023, a 34-strong international group of environmental, climate and consumer protection entities including the Swiss-based WWF (Greening Financial Regulation Initiative), wrote an open letter calling on the International Association of Insurance Supervisors (IAIS) to scale up regulatory action on climate and shift away from environmentally harmful economic activities.

OIC member states are some of the most vulnerable to the devastating impacts of climate change, natural disasters, and food insecurity. Yet they contribute relatively very little to emissions of greenhouse gases but are disproportionately affected. They are also required to try to comply with the strict targets of the UN Sustainable Development Goals (SDGs) Agenda and the Net Zero 2050 ambition of the 2015 Paris Climate Agreement.

In terms of the role of the ECII industry, the recent launch of the Net Zero Export Credit Agencies Alliance (NZECAA) by a group of ECAs led by UK Export Finance (UKEF) under the aegis of the United Nations Environment Program Finance Initiative (UNEP-FI) with the simple mandate of promoting the role of export credit in achieving net zero emissions by 2050 and limiting global warming to 1.5°C, in collaboration with the Glasgow Financial Alliance for Net Zero (GFANZ), is crucial.



UN Under-Secretary-General and UNEP Executive Director, Inger Andersen rightly reminded that multilateral insurers and ECAs are in a strong position to deliver more sustainable global trade and to complement the work already being undertaken by the private finance sector, helping to address market gaps to deliver net-zero economies by 2050. Large private financial institutions are powerful, but they cannot deliver net-zero alone. Public finance is the missing piece in the net-zero financial landscape.

UKEF, with which ICIEC has a long-standing collaboration, recently unveiled multi-million-pound support for transactions supporting climate adaptation and sustainability across Africa and the Middle East, including a GBP226 million facility for the Iraqi Government to develop clean water and sewage treatment infrastructure in Hillah City. UKEF has declared that it is committed to reaching net-zero in terms of its total financed emissions by 2050, it ended all new support for overseas fossil-fuel projects in 2021, except in very limited circumstances, and recently introduced more flexible and competitive terms for British exporters as part of the Government's drive to encourage them to use and offer finance solutions and other options which are consistent with the Green Finance agenda in line with the UN SDGs and the Paris Net Zero ambitions.

UKEF now offers longer repayment terms and more flexible repayment structures for an expanded range of renewable and green transactions, and for standard transactions. Looking ahead there are several other positives that indicate a much more proactive and ambitious role for the ECII community in promoting the green economy through climate transition and decarbonization initiatives.

### **Preceded by 2023 Consolidation**

The year 2023 was characterised by significant global challenges, including the ongoing economic impact of the pandemic, the war in Ukraine leading to a severe energy crisis, supply chain disruptions in critical food commodities, renewed macroeconomic headwinds, and the conflict in Palestine. These challenges caused shifts in the geopolitical landscape, escalating debt levels, inflationary pressures, and restrained growth. In this context, ICIEC's intervention as per its mandate through provision of export credit and political risk insurance including de-risking and credit enhancement solutions, was more crucial than ever to support our Member States in securing strategic commodities and fostering cross-border trade and investments.

The year 2023 marks the 50th anniversary of the establishment of the IsDB, which has been pivotal in ICIEC's institutional development, providing support for our capital increases and collaborating on various socio-economic development projects. ICIEC owes a debt of gratitude to its founding stakeholder the IsDB, as well as

the steadfast support of its host country the Kingdom of Saudi Arabia, and 49 shareholders, who have been instrumental to its continuing success.

The resilience of ICIEC is evidenced by the data – business insured in trade and investment since its inception in 1994 reached US\$108.3 billion, of which US\$51 billion facilitated intra-OIC trade. The cumulative figure included US\$86.2 billion in export credit insurance and US\$22.1 billion in investment insurance.

This landmark achievement, with more than half of this business conducted in the last five years, underscores its significant growth and impact in recent years. Not surprisingly, Moody's Investors Service recently re-affirmed ICIEC's Aa3 Insurance Financial Strength Rating (IFSR) with Stable Outlook for the 16th consecutive year. The action according to Moody's rating rationale reflected the strong fundamentals of ICIEC's financial position, risk governance and continued support from its parent – the IsDB and multiple sovereign members of the OIC.

Moody's highlighted the strength of the standalone credit quality of ICIEC over the recent past years as evidenced by the improved profitability, strong core market positions, diversified operation, very liquid invested portfolio, and sufficient capital level. Moody's has also assigned ICIEC's ESG Credit Impact Score as neutral-to-low (CIS-2), for the second time, reflecting a limited impact from environmental and social factors on the rating. The Corporation's strong governance and predominant focus on credit and political risk insurance with its diversified portfolio help mitigate its exposure to ESG risks.

In 2023, ICIEC's Business Insured (BI) reached US\$13.3 billion representing an estimated 14.66% growth from the previous year. The Corporation has been a champion of intra-OIC business, supporting US\$51 billion in trade and investment within OIC countries. Armed with the 3rd General Capital Increase (GCI), the Corporation's scope to offer even a greater volume of underwriting is vitally enhanced. Throughout 2023, ICIEC enjoyed substantial support from its 49 member states, most of whom have duly confirmed their subscriptions to the GCI while the rest are in process.

As ICIEC embarks its 30th year, the management is committed to achieving a high standard of operational excellence, and actively enhancing risk management capabilities to ensure a balanced and resilient growth trajectory. A risk-based pricing framework and stress test model have been developed and are slated for implementation in 2024. Additionally, to optimize capital, the current economic capital model is undergoing refinement to introduce a dynamic risk dashboard system, incorporating the Risk-Adjusted Capital (RAC) model.

It is not surprising that as ICIEC embarks on its next 30-year journey, Standard & Poor's (S&P) assigned a first time

“AA-” long-term issuer credit and financial strength rating with a stable outlook to the Corporation. The rating is the highest within its peer group globally. The rating rationale considers ICIEC’s Enterprise Risk Profile (ERP) as ‘strong’ under S&P’s Multilateral Lending Institutions (MLI) criteria, underpinned by the Corporation’s supportive shareholder base, strong Preferred Creditor Treatment (PCT), and unique policy role of conducting all business in Shariah-based manner. Moreover, S&P assesses ICIEC’s Financial Risk Profile (FRP) as ‘very strong’ under its insurance criteria, as ICIEC’s capital adequacy shows a significant buffer above the 99.99% confidence, as measured by its insurers’ new risk-based capital model. Additionally, the Corporation maintains exceptional liquidity, further affirming its upscaled financial strength.

“The “AA-” rating from S&P reflects ICIEC’s solid financial position, sound risk management and governance practices. It also underscores the Corporation’s ability to navigate challenging economic environments and its commitment to supporting sustainable economic growth and development in member states,” added the rating agency.

### The Evolving Backstory

In the past export credit and investment insurance – both short-term and medium-to-long-term cover – largely used to be the exclusive preserve of the multilateral agencies such as the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, the Berne Union set up by both state and private ECAs, ICIEC, and the state-owned ECAs such as the Export Import Bank of the US (Exim Bank), Exim Bank of Japan (Jexim Bank), Export Credits Guarantee Department (ECGD) of the UK, Coface of France, Euler Hermes of Germany and more recently China Export & Credit Insurance Corporation (SINOSURE), the Chinese ECA, and probably the largest ECA in the world in terms of business insured and capitalization of US\$3.1 billion.

In recent decades, the provision of short-term export credit and investment insurance especially, has been privatized

with reinsurance largely dominated by private providers. Most private insurers of political risk insurance (PRI) (also known as investment insurance), for instance, are based in three insurance centers -London, Bermuda, and the United States (primarily New York City) - and several of the larger insurers have offices in Singapore, Hong Kong SAR, China, and Australia (Sydney), among other places.

According to MIGA, in addition to traditional PRI for equity investment, the private market offers protection for a wide variety of payment risks in developing countries, either for political perils alone, or comprehensive non-payment cover. Brokers play an important role in promoting and sourcing PRI for the private market.

The involvement of reinsurance companies is implicit because they write PRI-related coverage for both trade and investment. Reinsurance is an underlying factor driving both pricing and capacity in the private market. Some of the top reinsurers include Munich Re and Hannover Re of Germany, Swiss Re of Switzerland, and Berkshire Hathaway/General Re of the United States. Export credit agencies and multilaterals, including ICIEC, also participate as reinsurers of PRI, although on a much smaller scale because of lack of capacity.

In London, the famous Lloyd’s is an insurance “marketplace” where members join to insure political risks for cross-border investment, such as confiscation of property, inconvertibility of currency, and political violence. Only a small number of Lloyd’s syndicates offer investment insurance.

A few years ago, Cobalt Underwriting, which is based in Lloyd’s Building, became London’s first Shariah-based insurance and reinsurance underwriting agency focusing on solutions for commercial and corporate risk exposures. Cobalt worked exclusively with brokers to market and promote their products and services with a view to building strong working relationships with Shariah-based companies throughout the world.



In the OIC space, out of the 17 members of the AMAN Union, 2 are multilaterals (ICIEC and DHAMAN), 1 is a private company (LCI), 4 companies have mixed public/private shareholders (SONAC, COTUNACE, JLGC and NAIFE) and the remaining 10 ECAs are Government-owned.

## Back to the Future

The Joint Strategic Collaboration signed by the Schipol-based International Credit Insurance & Surety Association (ICISA) and the AMAN UNION on 14 April 2024, brings a timely enhancement dimension to promoting the credit and investment culture and business case to OIC markets.

Under the collaboration agreement the two parties agreed to foster mutual co-operation and knowledge sharing in the realm of trade and investment insurance. This cooperation symbolizes a pivotal step towards industry synergy and international cooperation and heralds a new era of collaborative endeavors aimed at fortifying trade and investment insurance frameworks globally. ICISA was founded in 1928 as the first trade credit insurance association, the current members account for

the great majority of the world's private credit insurance business. Surety companies became members of the association from the 1950s.

Today, with almost US\$3 trillion in trade receivables insured and billions of dollars' worth of construction, services, and infrastructure guaranteed, ICISA members play a central role in facilitating trade and economic development on all five continents and practically every country in the world. AMAN UNION is dedicated to promoting and developing the commercial and non-commercial risks insurance industry in OIC-Member States, as well as strengthening mutual relationships among its members.

Key objectives of the Joint Strategic Collaboration include:

- Facilitating knowledge exchanges on trade and investment insurance initiatives.
- Enhancing collaboration and development of best practices in the industry.
- Strengthening mutual relationships among members of both associations



AMAN UNION is dedicated to **promoting and developing the commercial and non-commercial risks insurance industry** in OIC-Member States, as well as **strengthening mutual relationships** among its members

According to Mr. Oussama Kaissi, the Secretary-General of Aman Union and CEO of ICIEC, "this partnership signifies our collective dedication to enhancing the capabilities and opportunities within the trade and investment insurance sector. By pooling our resources and expertise, we can drive positive change and sustainable growth for our member states. Both ICISA and AMAN UNION recognize the significant potential for cooperation to drive positive outcomes in the trade and investment insurance sector. Through this collaboration, the parties reaffirm their dedication to fostering innovation, resilience, and sustainable development within OIC Member States and beyond."

Historically, the oldest credit insurance company in the world is American Credit Indemnity (ACI), which was established in 1893. This was followed by the establishment of Hermes Kreditversicherungs Bank AG of Germany in 1917, the Trade Indemnity Company of the British Trade Corporation (the precursor to ECGD) a year later and Societe Francaise d'Assurance Credit (SFAC) in 1927.

Some of the above state-owned ECAs came together with private providers to form the Berne Union in 1934 primarily to "actively facilitate cross-border trade by supporting international acceptance of sound principles in export credits and foreign investment". The formation of the European Union led to a wave of privatization in the ECA industry. Three of the world's biggest ECAs (COFACE, Atradius, and Euler Hermes) were carved out from the state entities and privatized and now can insure anything from anywhere to anywhere. The above three ECAs today



control a staggering 85% of the trade credit insurance market, including increasing interest in the Middle East and Asia to drive their growth.

Export Credit and Investment Insurance and ECAs can be abused through lack of disclosure and transparency in transactions and used as a tool to unfairly subsidize exports in contravention of international rules and conventions ranging from the provisions of the old GATT (General Agreement on Tariffs and Trade) and its successor Uruguay and Doha Rounds of the World Trade Organization (WTO), and other United Nations and international conventions such as the OECD Arrangement.

### In Tandem with World Trade

Not surprisingly, the ECA process too has evolved in tandem with world trade, investment, environment, and anti-bribery reforms encompassing the Helsinki Package (1991), the Schaerer Package (1994), Ex Ante Guidance on Tied Aid (1996), Knaepen Package (1997), Project Finance Understanding (2005), and Common Approach on Environment and Action on Bribery (2000).

Today, only there are 17 credit and loan guarantee entities from the OIC that are members of the Berne Union, which celebrates its 90th Anniversary this year. They include PT. Asuransi Asei Indonesia (Asuransi Asei), CREDIT OMAN, DHAMAN (Pan Arab), Etihad Credit Insurance (UAE), Export Credit Guarantee Company of Egypt, Export Guarantee Fund of Iran, Indonesia Eximbank, Jordan Loan Guarantee Corporation (JLGC), Kazakh Export Credit Insurance Corporation, The Lebanese Credit Insurer (LCI), Export-Import Bank of Malaysia Berhad (MEXIM), Qatar Development Bank (QDB), The Saudi Export-Import Bank (Saudi EXIM), Société Nationale d'Assurances du Crédit et du Cautionnement (SONAC), TURK EXIMBANK (Türkiye), National Export-Import Insurance Company (UZBEKINVEST), and of course ICIEC, the only dedicated Shariah-based multilateral insurer.

In addition, the Berne Union set up The Prague Club in 1993 as an information exchange network for new and maturing insurers of export credit and investment. Today 11 ECAs from the OIC countries are members of The Prague Club together with ICIEC and the Kuwait-based DHAMAN.

While the idea for a multilateral political risk insurance provider was floated as far back as 1948, it was only in 1988 that an international convention established MIGA as the newest member of the World Bank Group. Some 11 OIC member states are founder members of MIGA. Its core mission was "to enhance the flow to developing countries of capital and technology for productive purposes under conditions consistent with their developmental needs, policies and objectives, on the basis of fair and stable standards to the treatment of foreign investment."

MIGA was originally created to complement public and private sources of investment insurance against non-commercial risks in developing countries. Today this has evolved into simply promoting foreign direct investment into developing countries to support economic growth, reduce poverty and improve people's lives.

At the same time, while DHAMAN was established way back in 1974 as a joint-Arab agency with the mandate to promote capital mobility into Arab countries and to enhance Arab exports worldwide through the provision of guarantees and export credit insurance, its activities were almost exclusively done on a conventional insurance basis.

Similarly, Turk Eximbank was established in 1987, effectively absorbing the State Investment Bank. In fact, Turk Eximbank is the largest ECA in the OIC countries in terms of business insured, albeit the ECA's activities also are largely done on a conventional insurance basis.

### Challenges Ahead

On the occasion marking the 20th Anniversary of ICIEC, the AMAN UNION's Project Manager, Mr. Mourad Mizouri was clear about the challenges facing The Aman Union Members. He added that issues such as the lack of reliable credit information on buyers (mainly in the GCC and Sub-Saharan African countries), low awareness amongst exporters, limited reinsurance coverage on higher risk countries, competition from low capital base, and training and development needs of staff are among the major challenges currently faced by the Association. "Though many of the problems are systemic in nature, there are some problems which can be effectively dealt with by the ECAs. Cooperation among ECAs and close coordination with other concerned government agencies are some of the ways in which the above given problems can be tackled. The proposed areas of collaboration include knowledge sharing, extending cooperation between members in the credit information, insurance and reinsurance," he added.

However, in terms of Shariah-based export credit and investment insurance, the role of ICIEC is crucial. The good news is that the message and structures of Shariah-based export credit and investment insurance is getting through. "Yes, Shariah-based export credit and investment insurance, though they still remain the specialty of ICIEC," explained the then ICIEC's CEO Dr Abdul Rahman El Tayeb Taha, "has now become an acceptable part of the global trade and investment landscape. Knowing this fact, Berne Union members would always come to ICIEC for technical help and partnership in transactions involving Islamic structures. We have already collaborated with MIGA on two investment insurance projects that were Shariah-based. We see huge potential in working with Berne Union members and other providers of credit insurance on the growing sub-industry of Islamic finance."



In terms of **Shariah-based export credit and investment insurance, the role of ICIEC is crucial.** The good news is that the message and structures of Shariah-based export credit and investment insurance is getting through

In addition, across the market, ECAs are looking to develop new tools to provide liquidity to the export credit business, guarantees for trade and projects, third party guarantees to sovereigns rated investment grade and below to raise funds, and to reassure domestic businesses investing overseas. In the Islamic insurance space, ICIEC similarly is leading innovation in this respect and has rolled out two unique products recently – the Sukuk Insurance Policy (Sukuk Takaful), initially aimed at providing credit enhancement for sovereign Sukuk Al-Ijarah issuances, and the Istisna' Master Policy for construction projects.

### Fast Forward to 2024

ICIEC was thrilled to participate in the 34th General Arab Insurance Federation (GAIF) Conference, between 18-21 February 2024 in Muscat, Oman, which explored the latest trends, technological advancements, and innovative solutions within the insurance industry, including the export credit and investment insurance industry. The latter has not reached the potential for export credit and investment underwriting, guarantees, and reinsurance capacity of the Arab countries.

The reality is that the MENA region is grossly underinsured, with low premium income and market penetration. The region in 2023 was hit by various catastrophic events including the earthquakes in Türkiye, Syria and Morocco, conflict in Sudan, Libya and ongoing tension and instability in several other countries, geopolitical headwinds especially with the conflict in Ukraine with its supply chain disruptions, and the conflicts in Palestine, the slow recovery from the pandemic and the resultant economic impacts including high inflation due to higher energy and food prices, the proliferation of technological developments especially the adoption of electronic trade documentation and generative AI, and of course the need to support the development agendas of Member States especially in employment generation among the youth.

The latest figures from GAIF suggest that aggregate insurance premiums (of all insurance) totaled just under US\$445 billion in 2023, which translates into 1.66% of the total GDP of the Arab countries. There is a fundamental mismatch between market penetration of insurance with the size, potential and opportunities of the Arab economies.

ICIEC's collaboration with Oman is driven by the cooperation agreement signed with Credit Oman in June 2021, whereby the two entities agreed to cooperation in the field of reinsurance to cover credit insurance risks and to enhance the services and offerings provided by ICIEC in this field. The agreement was part of Credit Oman's efforts to provide optimal services to support Omani exporters and manufacturers trade safely in over 115 markets globally. Credit Oman seeks collaboration opportunities with related institutions and organizations to grow Omani exports.

There is good scope for expanding ICIEC's collaboration with Credit Oman and the sultanate, which currently owns 0.17% of ICIEC shares. The utilization of ICIEC's Services by Oman since inception totals US\$1,370.519m, comprising US\$684.04m in exports, US\$480.65m in imports, and US\$205.91m in inward investments.

### Industry is Well Positioned

The Berne Union Export Credit Business Confidence Trends Index Survey respondents maintained that their industry is well positioned to support economic stability and energy security while also playing a pivotal role in advancing energy transition, food security and resilience, and climate adaptability goals.

Most industrialized countries, and many emerging economies, provide official support to cross-border trade and investment through export credit agencies (ECAs).

Several global insurance companies have also introduced credit insurance products representing the private market. There are also four multinational agencies that provide credit and political risk insurance focused mainly on specific geographic regions. The latter category includes ICIEC.

The reality is that many OIC countries are bereft of a national ECA, a gap often unofficially filled by ICIEC by virtue of its de facto engagement with counterparties (usually ministries, state agencies, banks, and export trade associations) and adoption by these partners. Another reality is that of the 57 OIC and 49 ICIEC member states, only 17 are acceded to some sort of membership of the Berne Union.

Not that membership of a prestigious international professional body is essential or a panacea to the trade and FDI ambitions and shortcomings of several ICIEC member states. But the lack of participation in industry bodies such as the Berne Union, the AMAN UNION and ICIEC, inevitably deprives partners involved in trade and investment activities in and with member states of getting the necessary exposure to the latest regulatory, legal, market, financial innovation and technical developments, trends, and processes pertaining to the industry. It also deprives them of engaging with potential partners, learning from the experiences of peer best-in-the-industry entities, exchanging ideas, and forging partnerships for the future.

As risk absorbers and mitigators, the current status quo represents the credit and investment insurance industry in the OIC countries with both challenges and opportunities. Especially as the global economy is in a rebuilding and reimagining mode in the wake of the pandemic, as well as in pursuit of net zero goals for decarbonization, and mitigating the impact of the supply chain disruptions caused by the Ukraine conflict especially in fuel and foodstuffs, which has raised renewed questions about food security and building resilience to future shocks. ICIEC's uniqueness in operating as the only Shariah compliant multilateral insurer in the world, is matched by its results and cumulative record, which in turn underlines its success and commitment in working on developing bankable projects and programs, serving the OIC Member States' climate and food security agendas.

## Benefits and Challenges

The efficacy, benefits and challenges of credit insurance could not be better illustrated by ICIEC's experience in Senegal. Over the past years, ICIEC has supported numerous landmark transactions and projects in Senegal with an investment totaling US\$3.6bn through risk mitigation, credit enhancement solutions and guarantees. Notable projects include Blaise Diagne International Airport (AIBD SA), Stade du Sénégal (Abdoulaye Wade Stadium), Dakar Expo Center, the Market of National Interest, Hann-Fann Wastewater Collector, and the Dakar Truck Station.



The benefits for ICIEC member states are potentially game-changing – increased **intra-OIC trade and investment, better socio-economic outcomes, greater capacity building, and resilience in meeting climate, food security and other challenges, ensuring that no one, whether businesses, SMEs, or individuals, is left behind**

According to H.E. Madame Oulimata Sarr, the then Minister of Economy, Planning and Cooperation of Senegal, "The ICIEC guarantees (and de-risking tools) have enabled the realization of several infrastructure projects in Senegal. ICIEC's credit and investment insurance products play a major role in project risk mitigation, as they make them more attractive to investors. In addition, these products make it possible to ensure projects are more bankable with foreign investors who have a high-risk perception when it comes to investing in Africa or in developing countries."

However, several ICIEC developing member states are confronted with various dilemmas. Despite its vital importance in project financing, insurance, they point out, often contributes to the increase in the cost of a project, especially in Africa which suffers from an unfavorable and biased credit rating. "As you well know, the pricing of insurance premiums is partly based on a country's credit rating and as rating agencies overstate risk on the continent, African countries find themselves paying very high premiums," noted Madame Sarr.

As one of the most important development banks in the world, the IsDB Group, including ICIEC, she added, could play a key role with rating agencies to change this perception of overvalued risk on the African continent. ICIEC, like other insurers operate in the real world accountable to shareholders, market conditions, various risk metrics and its mandate.

Senegal's call to insurers for a reduction in insurance premiums because "lower insurance premiums would help reduce project costs on the continent and make the market more accessible to African private sectors," merits consideration.



But this is subject to collaboration, negotiation, and demonstrable progress in enhancing the credit insurance culture and ecosystem in member states – an ambition to which ICIEC is committed to. The benefits for ICIEC member states are potentially game-changing – increased intra-OIC trade and investment, better socio-economic outcomes, greater capacity building, and resilience in meeting climate, food security and other challenges, ensuring that no one, whether businesses, SMEs, or individuals, is left behind. A much greater level of partnerships is needed to close gaps in resources, capital, which would allow the underwriting of much greater volumes of business and investment insured, reinsurance treaties and guarantees, capacity building, better risk management, and reliable credit history and data collection.

## Capital Measures in Consolidating Recapitalization

In some respect, The Board of Governors of ICIEC set its near-to-medium-term strategy template when it approved the Corporation's 3rd Capital increase during its 29th Annual Meeting held in Sharm El Sheikh, Egypt on 4th June 2022.

By approving a 150% increase in ICIEC's Authorized Capital from its current ID0.4bn to ID1.0bn and a 268% increase in the Subscribed Capital by ID500m to ID797m, it effectively boosted ICIEC's ability to underwrite more business and its reinsurance capacity. The Board recognized there is a need to increase the capital of ICIEC for it to continue to do its job and carry out its mandate effectively.

Furthermore, the capital increase enhances ICIEC's financial strength, boosts its loss-bearing equity resources, improves internal capital generation capacity, helps to continue its

operation on a solid and stable foundation, and strengthens its credit fundamentals. In addition, the Board of Governors approved a Special Share Class comprising 20% of the increase in Subscribed Capital (ID100m) for subscription by financial institutions owned/controlled by Member States.

Capital increases can be a double-edged sword. It depends on how the management absorbs the funds and channels it in the right direction. The capital strategy of ICIEC fits for the 21st Century and the development demands of its Member States is far from resolved. It remains a work in progress. Under the Chairmanship of Dr Bandar Hajjar, there was perhaps a more visible approach to recapitalization. The reality is that there has been stagnation within the organization in the past, when it was not responsive in the way the Board wanted it to be.

The Board is extremely supportive of ICIEC. Under the tenure of CEO Oussama Kaissi the Board supported the Corporation in several important ways. For instance, it approved US\$5m for a new IT system, and a budget for the overhaul of the Corporation's risk management capabilities, especially risk management monitoring. The IsDB Group as a whole is also looking to engage outside consultants to look at recapitalization options. This has always been a contentious issue for insurers.

ICIEC has over the last few years been creative enough and re-engineered its insurance treaty to absorb some of the capital requirements that is needed instead of using our its ordinary capital resources. In other words, ICIEC was in fact using its insurance capacity to underwrite that business. At the same time, ICIEC also initiated a study internally for the need of and risk implications of recapitalization, taking in the experience of peer institutions in the MDB domain and looking at new innovative ways to recapitalize.

Another important factor which ICIEC brings to the table is its ability to leverage its capital, which in turn determines capacity through the reinsurance market. ICIEC has over the last few years been creative enough and re-engineered its insurance treaty to absorb some of the capital requirements that is needed instead of using our its ordinary capital resources. In other words, ICIEC was in fact using its insurance capacity to underwrite that business.

Under its erstwhile authorized capital of ID400m (US\$556m) for instance, ICIEC on average leveraged its capital five times from the reinsurance market over the last few years. For every dollar given to invest in a project, ICIEC could bring 5 dollars from the international market which is supported by its reinsurance capacity. Imagine the power of leveraging insurance can bring to the table as a major player can release capacity to the developers.

At the same time, ICIEC also initiated a study internally for the need of and risk implications of recapitalization, taking in the experience of peer institutions in the MDB domain and looking at new innovative ways to recapitalize.

# Export Credit and Investment Risk Insurance

---



> **A Shariah  
Perspective**





**I**nsurance in Islam has traditionally attracted controversy as some other areas of Islamic financial intermediation. Many Muslims scholars have traditionally felt apprehension with regards to insurance because it was perceived as a new and imported Western practice and because they felt uncomfortable with the aspect of uncertainty.

In fact, insurance primarily only became an issue for Muslim jurists in the 19th Century. Many jurists, for instance, adjudged commercial insurance such as maritime insurance (Saftajah) to be prohibited because it contained elements of gambling (Maisir) and uncertainty (Gharar) and wrongfully 'devouring' other people's money (S2 v 188).

They considered gambling to be implicit in insurance transactions because the parties stand to gain or lose in a state of uncertainty - if the goods/services/risks arrive/are delivered/mitigated safely, the insurer won the premium, if not the insurer lost as he paid out far more than the premium.

In the early 20th Century however Mohammed Abdou, the Mufti of Egypt, argued in favor of commercial insurance suggesting that both parties gained from it and that it had become an integral part of world trade.

In the 1950s and 1960s, concurrent with the early evolution of the contemporary Islamic finance movement, insurance resurfaced amongst Muslim scholars.

They were basically divided into three camps: a) traditionalists who rejected all forms of insurance as in violation of the Shariah, and who viewed commercial insurance as gambling and life insurance as impious because God alone decrees life and death, b) liberals who accepted all forms of insurance as new transactions essential in modern economic life and saw insurance as an institution within the entire commercial market that accepted the risk for each individual case and determined premiums on an actuarial basis, so that the performance of insurance companies as a whole is little affected by Gharar. The premiums are a just reward for the guarantees given to the insured.

Similarly, life insurance is regarded as insuring the future of the deceased dependents rather than taking a gamble on the timing of death, and c) those scholars who comprise most of the contemporary jurists who have endeavored to design a form of insurance within the framework of the Shariah based on solidarity and mutuality (Takaful) between individuals or companies.

### The Takaful Model

As a Shariah-based export credit and investment insurer, ICIEC operates on the 'Takaful' model.

The word 'Takaful' is derived from the Arabic word, Kafalah, which means 'guaranteeing each other' or 'joint guarantee' or 'solidarity', whereby a group of participants agree among themselves to support one another jointly for the losses arising from specified risks. Takaful literally means solidarity or mutual support or guarantee, whereby a group of participants agree among themselves to support one another jointly for the losses arising from specified risks. It is the Islamic equivalent to conventional insurance

for the benefit of the participants, akin to a mutual society. Participants pay a premium to a common fund. This fund is invested in Shariah-based instruments.

Kafalah (also known as Dhaman (not to be confused with Dhaman, the Arab Investment Guarantee Corporation) has a general meaning of a guarantee, a surety given by a person or an institution to a Third Party to honor a debt/ obligation should the debtor/obligor fail to discharge his obligation. It is a contract which combines one's Zimmah (liability) with another person's liability, therefore a contractual guarantee given by the guarantor to assume the responsibilities and obligations of the party being guaranteed on any claims arising thereof.

Literally, Kafalah means responsibility, amenability or suretyship. Legally in Kafalah a Third Party becomes surety for the payment of a debt. It is a pledge given to a creditor that the debtor will pay the debt, fine etc. Suretyship in Islamic law is the creation of an additional liability regarding the claim, not to the debt or assumption only of the liability and not of the debt.

Takaful can be defined as Islamic insurance based on cooperation and a voluntary donation as per the principles of Shariah. Conventional insurance is not allowed under Shariah because of Al Gharar (uncertainty). Contracts tainted with Al Gharar are permissible under Shariah if based on Tabarru' (a voluntary donation). As such, in a Takaful arrangement, participants pay a premium to a common fund. This fund is invested in Shariah-based instruments. The Takaful operator plays the role of Wakala (agency) in managing and investing the funds. Participants voluntarily donate part or all their contributions (Tabarru'), which are used to pay any claims for damages suffered by any participant.



Takaful literally means solidarity or mutual support or guarantee, whereby a group of participants agree among themselves to support one another **jointly for the losses arising from specified risks**



In general, Takaful is defined as a mutual guarantee provided by a group of people against a defined risk or catastrophe befalling one's life, property, commercial trade, investment, or any form of valuable asset. The Takaful concept has its basis in the Shariah, which institutes group responsibility for helping those in distress through a share in the Zakat Fund for the Gharim (a person who has lost his or her assets through calamity or as the result of service to the community).

The key difference between Takaful and conventional insurance lies mainly on the structure and the relationship between the insurer and the policyholders rather than the risks covered or insurance operations. Under Takaful, there is a separation between the funds – the Policyholders Fund and the Shareholders Fund. However, there is only one fund (Shareholders Account) under the conventional insurance. Thus, all premiums are considered as revenues and policyholders are viewed as clients. Consequently, the conventional insurance company gets all the profits and bears the losses of the business.

Under Takaful, however, any Surplus in the Fund is shared among the Participants and Losses are divided and shared according to the Contributions to the community pool. When the Policyholders' Fund is unable to meet its expenses, the deficit is funded from the Shareholders' Fund by way of a Loan (without interest - Qard) to be repaid from the Surplus accruing to the Policyholders Fund. Shariah also regulates the investments of the funds as well as the reinsurance activities of the company.

In a Takaful arrangement, participants pay a premium to a common fund. This fund is invested in Shariah-based instruments. The Takaful operator plays the role of Wakala (agency) in managing and investing the funds. Participants

voluntarily donate part or all their contributions (Tabarru'), which are used to pay any claims for damages suffered by any participant.

In general, Takaful is defined as 'mutual guaranteeing' through mutual support and shared responsibility whereby a group of people agree to jointly guarantee one another against a defined loss or risk or catastrophe befalling one's life, property, commercial trade, investment, or any form of valuable asset.

The Takaful concept has its basis in the Shariah, which institutes group responsibility for helping those in distress through a share in the Zakat Fund for the Gharim (a person who has lost his or her assets through calamity or as the result of service to the community). In the Middle Ages the trade guilds in the Muslim world used to compensate members who suffered loss of property because of fire, flood or other calamities.

Proponents of Takaful also point out that insurance has its roots in the practices of the early Muslims. They quote a Hadith in which the Prophet Muhammed commended the actions of the Ash'aris tribe, who on discovering a shortage of food on a journey would bring all their food together in one pile and share it out equally.

### Trade Guilds of the Middle Ages

In the Middle Ages the trade guilds in the Muslim world used to compensate members who suffered loss of property because of fire, flood, or other calamities.

Proponents of Takaful also point out that insurance has its roots in the practices of the early Muslims. They quote a Hadith in which the Prophet Muhammed commended the actions of the Ash'aris tribe, who on discovering a shortage of food on a journey would bring all their food together in one pile and share it out equally.

Dr Zaki Badawi, the late contemporary Azharite scholar, most importantly also saw the wider context of the application of insurance and Takaful in the modern financial system. "Insurance institutions," he stressed, "are an important source of capital for investment in the various activities of society. As such, insurance is more than a mere collection of funds. It helps in capitalization within the economy and at the same time helps to meet essential business and social needs. The suggestions that the State should take over this function overlook the fact that it may prove to be beyond the State's ability to undertake such a large venture (a centralized all-empowering Takaful firm). We are after all in an age of privatization not nationalization." (*Islamic Banker magazine* May/June 1996 (*Insurance in Islam – A Premium on Solidarity*) and June 1998 (*A Model for Mutual Insurance*) by Dr Zaki Badawi).

There are various recognized Takaful business models. The popular ones are Agency (Wakalah) and Investment



Manager (Mudharabah) models. Many companies combine both models to create a hybrid version (Hybrid Model). There is also the Trust (Waqf) model as favored in countries such as Pakistan whilst in Saudi Arabia, the Cooperative (Mutual) model is endorsed by the state - Takaful Ta'awuni - akin to mutual insurance such as a friendly society.

Takaful is subject to specific Solvency Requirements - the financial requirements that are set as part of the solvency regime and relate to the determination of amounts of solvency resources that a Takaful undertaking must have in addition to the assets covering its technical provisions and other liabilities.

Takaful Technical Provisions comprise the value set aside to cover expected obligations arising on Takaful contracts. For solvency purposes, technical provisions comprise two components, namely the current central best estimate of the costs of meeting the Takaful underwriting obligations, discounted to the net present value (current estimate), and a margin for risk over the current estimate.

So, what is the difference between conventional insurance and Takaful? The underlying concept and objective are the same. Both are effective tools of risk mitigation. However, with conventional insurance, there is a process of risk transfer, with Takaful, policyholders share the risk amongst themselves. An Islamic insurer will also structure its processes to remove the three components in conventional insurance which contravene the principles of Shariah and Fiqh Al Muamalat (Islamic law relating to financial transactions) – Riba (interest), Gharar (uncertainty), and Maisir (gambling and speculation).

The reality in many ICIEC member states is that insurance culture, especially Takaful per se, and export credit and

investment insurance, is still underdeveloped generally for cultural, policy, regulatory, legal framework, product innovation, capacity, and marketing reasons.

In several countries insurance penetration is less than 1 per cent. In the area of trade and business, more could be done to educate both banks and businesses (especially small-and-medium-sized enterprises (SMEs) on the need for export credit and investment insurance especially in an ever changing regional and global economic and political environment, with its changing associated risks for business and finance.

The establishment of ICIEC and other multilateral industry organizations such as DHAMAN and the Association of Export Credit and Political Risk Insurance Agencies in ICIEC member states (AMAN Union), has contributed over the last decade to 'mainstream' trade credit and investment insurance in OIC countries.



Not surprisingly, **market education through technical assistance, credit information and advisory services** is a key component of ICIEC's mandate in its objective of helping to develop the credit and investment insurance industry in member states.



The above, however, is work in progress given that the task is huge, and the insurance baseline is very low. Not surprisingly, market education through technical assistance, credit information and advisory services is a key component of ICIEC's mandate in its objective of helping to develop the credit and investment insurance industry in member states.

Commercial and credit risk insurance, investment or political risk insurance, construction and project risk insurance, and Sukuk insurance are relatively new phenomenon in the Takaful landscape, which is largely dominated by general (fire, motor, mortgage Takaful) and family (life, education, health) Takaful.

Given the stated aspiration of the IsDB of promoting intra-Islamic trade and investment to 30 per cent of the total trade of the 57 Member States of the Organization of Islamic Cooperation (OIC) by the year 2030, and given the fallout of the upheavals of the so-called 'Arab Spring' countries undergoing political and economic transition, insurance and Takaful, though less well-defined and developed, covering all aspects of commercial activities, financial transactions and development assume a far greater importance and a potential which remains largely under-served, underutilized and under-researched.

In the context of Shariah-based export credit and investment insurance and Takaful, there has been an implicit recognition of the importance of such products and services over the last two decades. These products and services are a manifestation of the natural evolution of Ijtihad (discourse) amongst contemporary scholars and of the Takaful model itself.

## The Global Takaful Market Dynamics

Takaful is the smallest sector by far of the global Islamic finance industry. This is partly because of controversy in some quarters over the role of insurance in Islam and partly because of the lack of enabling legislation, regulatory frameworks, and market education to facilitate such products and services.

This lack of market penetration and very low base of premium contributions are both drawbacks and opportunities for growth. In recent years Takaful assets have seen double digit growth but this from a very low base.

According to the latest ICD-REFINITIV Islamic Finance Development Report 2022, total Takaful assets amounted to a mere US\$73bn in 2021 on the back of a strong year-on-year 17% growth, projected to grow to US\$106bn in 2026. This compared with total Islamic finance assets of US\$3,958bn and projected to rise to US\$5,900bn in 2026. Takaful assets comprised a mere 2% of total Islamic finance assets, compared with 70% for Islamic banking. Globally there were 335 Takaful operators in 2021.

The Reported Net Income by Takaful Operators in 2021 comprised 79% in profits and 21 percent in losses, while the Reported Performance by Takaful Operators was 49% positive and 51% negative. Here, positive performance indicates an increase in net income, decrease in net loss or turn to profit from loss when compared to 2020. Negative performance indicates the opposite. The data applies to full-fledged institutions and windows that reported their net incomes.

The sector, according to the Report, is undergoing consolidation in the Gulf Cooperation Council (GCC) countries that will streamline and reduce costs, and big regulatory changes in Southeast Asia will strengthen governance in Indonesia and Malaysia, as well as potentially welcome new entrants in the Philippines.

The stark reality is that Takaful is prevalent in any meaningful way in only three countries – Iran (US\$30bn in assets), Saudi Arabia (US\$18bn) and Malaysia (US\$12bn). The rest of the Takaful asset contributions come from the UAE and Indonesia (US\$3bn each), Türkiye (US\$2bn), Pakistan, Qatar and Bangladesh (US\$1bn each) and Oman (US\$0.5bn).

The slow albeit steady growth trajectory of Takaful is driven by several factors. These according to the ICD-Refinitiv Report include:

- i) Takaful is responding to fierce competition from conventional insurance specifically in regions such as the GCC.
- ii) One factor driving competition is the surge in medical and motor claims that hit markets such as Saudi Arabia where many Takaful operators reported losses.
- iii) The rise in Takaful market consolidation. Which will reduce operators' fixed costs. In July 2022, the UAE's Dar Al Takaful and Watania merged to create one of the leading operators in the fragmented insurance market. In Saudi Arabia in 2022, SABB Takaful and Walaa Insurance received SAMA's approval to merge. In Bahrain, Solidarity completed its merger with T'azur in January 2022.
- iv) The emergence of new markets. In 2021, 335 Takaful firms operated in 47 countries. More operators and countries will join the sector from 2022 and beyond as new regulations are passed. During 2022, the Insurance Commission in Philippines released guidelines for Takaful windows, Tanzania and Tajikistan introduced Takaful regulations, Tawhid Bank, one of Tajikistan's full-fledged Islamic banks, signed an agreement with AlHuda CIBE to set up a Takaful operator.

- v) In North Africa, where there are 33 takaful operators including windows, Algeria is seeing moves by insurance operators after regulators approved draft regulations for Takaful in February 2021. A year later in February 2022, Djazair Takaful, a government-owned company, was launched, and a month later Société Générale Assurance Méditerranéenne (GAM) opened Takaful Général.
- vi) Similarly in Morocco, Holmarcom launched its subsidiary Takafulia Assurance. The country's regulator has already approved other licenses for subsidiaries and Takaful windows. Another initiative is the planned Takaful operator whose shareholders include Qatar International Islamic Bank (QIIB), Qatar Islamic Insurance Company, the Atlanta Insurance Company and the Moroccan Real Estate and Tourism Loan Bank (CIH).
- vii) Another growth dynamic is bancatakaful offered by banks. In Morocco, for instance, six banks have received approvals by the Insurance and Social Welfare Supervisory Authority to offer bancatakaful.

### Malaysian Takaful Sector Leads Transformation

The ethos of the Malaysian approach is to develop a dual financial system (both banking and insurance where Islamic banking and Takaful systems operate side-by-side with conventional counterparts – cooperating but not comingling) that is sound, progressive, and inclusive.

In the insurance sector, according to the Bank Negara Malaysia (BNM) 2023 Annual Report, Takaful fund assets totaled 14% of total insurance/Takaful fund assets, and Takaful net contributions accounted for 23.4% of the total net premium and contributions in the insurance sector. Takaful assets grew by 11.6% compared with 6.2% in conventional insurance assets, and Takaful net contributions increased by 6% year-on-year in 2023 compared with 3.6% for the conventional insurance premiums. Total Takaful assets increased from RM43.6bn in 2022 to RM48.5bn in 2023, while total net contributions increased from RM12.7bn to RM13.3bn in the same period.

From a regulatory point of view, BNM set out revised requirements to ensure the sector's alignment with Malaysian Financial Reporting Standard (MFRS) 17 Insurance Contracts and MFRS 9 Financial Instruments that came into force in January 2023. These set the principles for the recognition, measurement, presentation, and disclosures of insurance contracts and fundamentally change the way insurers, Takaful operators included measure and account for insurance contracts. The new regulation, according to the ICD-REFINITIV Report, will also impact how actuarial calculations are made. Overall, these will impact the fundamentals of the insurance business and its management, and lead to product redesign and repricing.

In fact, in 2021, the Shariah Advisory Council (SAC) of BNM ruled that the method to measure Qard (interest-free loan) transactions between the Shareholders' fund and



From a regulatory point of view, BNM set out revised requirements to ensure the sector's alignment with **Malaysian Financial Reporting Standard (MFRS) 17 Insurance Contracts and MFRS 9 Financial Instruments that came into force in January 2023**



the Takaful fund under MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments requirements is allowed. That ruling became effective from 7 July 2021.

The rationale according to the ruling is because the total repayment of the Qard amount will not increase even if the time value of money (TVM) principle is applied in the measurement method. This ruling, said the SAC, is subject to comprehensive disclosure in the notes to the financial statements as follows:

- The requirement for Takaful operator to provide Qard from shareholders' fund in the event a deficit occurs in the Takaful fund.
- The nature of Qard contract, the Qard original amount that has been provided to the Takaful fund and the expected repayment period for the Qard upon availability of surplus in the Takaful fund, and
- Explanation on the accounting measurement in respect of TVM application to determine the present value and future value of Qard and the impact to the original amount of Qard and fair value adjustment required to achieve the original amount. The explanation should also cover the "rights of shareholders' fund to receive the original Qard amount" and the "obligation of Takaful fund to repay the original Qard amount", of which the amount stays unchanged throughout the Qard repayment period.

BNM has also set 2023 as the cut-off date for insurance operators to sell their foreign stakes—that must be limited to 70% - or contribute to a charitable fund. For Takaful, this would impact some operators' parent insurance companies such as Zurich and Prudential.

Other initiatives being adopted in Malaysia include:

- Malaysia's Employees Provident Fund (EPF), the state pension fund, giving its members protection plans that can be provided by the insurance and Takaful operators under i-Lindung. This is expected to increase the insurance penetration rate in the country.
- The introduction of digital licenses for the Takaful sector. In January 2022, BNM issued a Discussion Paper on Licensing Framework for Digital Insurers and Takaful Operators (DITOs) to pave the way for digital innovation. Licences for DITOs are likely to be issued earliest in 2023.
- Malaysia is not the only country focused on digital innovation for Takaful. Pakistan's SECP is working towards launching Taktech (Takaful technology).
- BNM in 2023 also completed a comprehensive review of the risk-based capital framework (RBCT) for insurers and Takaful operators, to ensure its continued effectiveness to address existing, new, and emerging risks.
- In 2023 BNM also continued to raise standards of professionalism within the insurance and Takaful intermediary sector through strengthened qualification criteria, alongside stronger expectations on corrective actions to be taken on those found to engage in improper practices.

### Conformity with Shariah Principles – ICIEC Takaful Model

In terms of the Export Credit Agencies (ECAs) that do business exclusively on a Shariah-based basis or offer Shariah-based insurance products and services, ICIEC Takaful Model is the Market Standard.

In conformity with Shariah principles governing Takaful insurance, under the ICIEC Model, the Articles of Agreement of the Corporation (Article 28) require that the Corporation maintains two separate funds:

- i) The Policyholders' Fund, which contains mainly the insurance contributions and recoveries from paid claims and from which the insurance operations expenses are disbursed, and
- ii) The Shareholders' Fund, which contains the paid-up capital and accumulated reserves and from which a deficit in the Policyholders' Fund may be financed through a non-interest loan.



These requirements are reflected in the structure of the financial statements of the Corporation. In addition, the Articles of Agreement do not allow the distribution of surpluses either from Shareholders' or Policyholders' Funds until the accumulated reserves are five times the subscribed capital of the Corporation.

All operations of ICIEC are done in accordance with the principles of Shariah. All regulations, rules, policies, and other insurance instruments of ICIEC are subject to close and regular scrutiny, before their coming into force, by the Shariah Committee of the IsDB Group, which also acts as the Shariah Committee of ICIEC. This gives the clarity and certainty on Shariah principles of ICIEC products and services to clients, participants, and partners.

Thus, in carrying out its operations and to further enhance the Shariah function, the Corporation strictly:

- i) Endeavors to achieve mutual co-operation of policyholders through their collective sharing of losses, which any one policyholder may suffer.
- ii) Distributes the surplus that may accrue from the insurance and any reinsurance operations to policyholders after meeting statutory reserve obligations.
- iii) Excludes cover of contracts for the sale of goods prohibited under Shariah, as well as interest accruing from export credit or investment loans.
- iv) Removes or amends terms and conditions of insured agreements in case of contradictions with Shariah.

- v) Invests its own funds in accordance with Islamic financial principles.

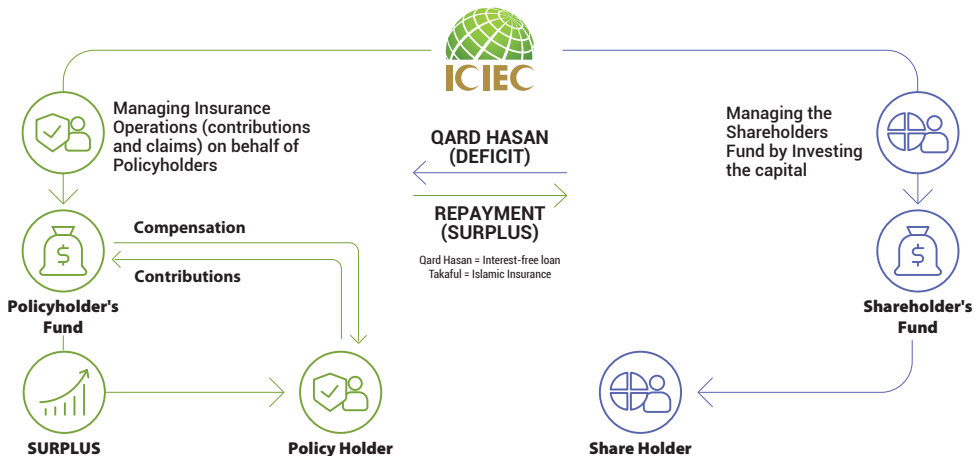
The ICIEC member ECA, which offers perhaps the largest profile of Shariah-based products, is the proactive EXIM Bank Malaysia. Currently the Bank offers 13 such Islamic Banking and Credit Takaful offerings, which are uniquely distinguished from its conventional products by an 'i' suffix. The rationale here is that Malaysian traders and manufacturers should not hesitate to explore international markets to have a competitive advantage.

Under its Islamic Banking product offerings, for instance, EXIM Bank Malaysia offers four facilities under its Cross Border Financing-i namely Buyer Financing-i, Malaysia Kitchen Financing-i, Term Financing-i, and Overseas Project Contract Financing-i. These facilities are based on the Shariah concepts of Ijarah, Istisna', Murabahah or Tawarruq (whichever is applicable).

Under its Islamic Banking product offerings, EXIM Bank Malaysia in addition offers three facilities under its Guarantee-i namely Letter of Credit-i, Bank Guarantee-i, and Forward Foreign Exchange-i. Under its Islamic Banking product offerings, EXIM Bank Malaysia further offers four facilities under its Trade Finance-i namely Export Credit Refinancing-i (ECR-i), IDB Co-financing, Supplier Financing-i and Import Financing-i.

Similarly, the rationale behind Credit Takaful is that it provides protection against the risk of non-payment by buyers because of commercial and/or political risk. As such Credit Takaful is an essential facility for Malaysian exporters so they can be assured of receiving future payments, either

### ICIEC Takaful Business Model



Source: ICIEC February 2023





Another factor that will impact on the insurance sector is the introduction of new International Accounting Standards IFRS 17 and IFRS 9. The consensus is that IFRS 17, which came into force on 1 January 2023, for insurance/**Takaful contracts will bring enhanced transparency to financial statements**, as well as greater consistency and comparability within and beyond the insurance market

from the buyers or from EXIM Bank Malaysia by way of Takaful claims.

Under its Credit Takaful product offerings, EXIM Bank Malaysia offers two facilities namely Exporters Trade Credit Takaful (Export/Domestic), and Specific Takaful. In February 2014, EXIM Bank Malaysia also became the first ECA in the world and ICIEC member to raise funds through a Sukuk issuance - a debut 5-year US\$300 million Reg-S Sukuk Al Wakalah.

### **Current Challenges for the Takaful Industry**

Specifically, how the economic slowdown and rising inflation are impacting the operations and the return on investment of the insurance/Takaful companies in general and commercial and political risk insurers in particular, are complex and subject to the vagaries of individual markets, products, and operating environments. The large bond/Sukuk holdings in the portfolios of insurers – more than half of the asset portfolios of insurers, for instance, make them sensitive to changes in interest and profit rates, unless they are fixed rate certificates. However, asset mix varies from jurisdiction to jurisdiction to include bonds/Sukuk, equities, cash, and deposits.

According to the OECD, low and falling interest rates/profit rates entail a reinvestment risk as newly issued bonds/Sukuk may not bring returns high enough to meet commitments made in the past.

However, Robert Mazzuoli, Director in the insurance team at Fitch Ratings, maintains: “Claims inflation rises, premiums increase in-line with insured values. Investment asset values fall in most asset classes, but interest income increases. The net effect on Return on Investment (RoI) varies in function of a specific investment portfolio. Commercial insurers have a higher exposure to GDP growth, therefore insured values increase, but less economic activity leads to lower demand for insurance coverage and lower claims frequency. We do not see a specific link between political risk insurers and the economy/inflation.”

The OECD in its Global Insurance Market Trends (July 2022) reported that insurers exhibited mixed investment returns in 2021: “Real investment rates of return in 2021 were positive in 12 out of 26 reporting jurisdictions for life insurers, in 12 out of 30 reporting jurisdictions for non-life insurers and in 5 out of 15 reporting jurisdictions for composite insurers engaged in both life and non-life insurance activities.”

Another factor that will impact on the insurance sector is the introduction of new International Accounting Standards IFRS 17 and IFRS 9. The consensus is that IFRS 17, which came into force on 1 January 2023, for insurance/ Takaful contracts will bring enhanced transparency to financial statements, as well as greater consistency and comparability within and beyond the insurance market.



Under IFRS 17, says Fitch Ratings, Insurers' profit recognition pattern, as well as the P&L components, are set to change under IFRS 17. The standard requires insurers to present a market-consistent balance sheet measurement of insurance contracts, with recognition of profit over the period that services are provided.

Written premiums, traditionally the first line of a traditional income statement (P&L), will be replaced by a new item, 'value of the insurance services provided', and investment components will be excluded from revenue and claims.

According to Stephan Kalb, Senior Director, Insurance at Fitch Ratings, the introduction of IFRS 17 and IFRS 9 "will have limited impact on our ratings, as it does not change the risk structure or the economic profitability of the underlying insurance operations. We do not expect our overall views on capitalization to change for most insurers after the introduction of IFRS 17. However, reported shareholders' equity is likely to be affected, both directly and indirectly, by the introduction of IFRS 17.

"IFRS 17's requirement to value liabilities at market value will bring significant direct impacts to reported equity, regarding the introduction of the contractual service margin (CSM) and the discounting of cash flows. We believe shareholders' equity could be reduced because of this, as the profit is recognized more slowly over the duration of the contract. However, we expect to add the CSM to the shareholders' equity in both its Prism Factor-

Based Capital Model (FBM) and in the denominator of capital-based ratios. Therefore, the total impact on capital should be small."

Kalb expects that most financial performance and earnings ratios currently used will be maintained under IFRS 17, although the parameter values of the ratios could change. "We may therefore need to calibrate a separate set of criteria guidelines for companies switching to IFRS 17. In addition, we expect to adopt several new financial performance ratios to enhance our analysis, leveraging the new information that will be available under IFRS 17. We have no expectation that the above views could be different for credit and political risk insurance."

### **The Retakaful Challenge**

Retakaful is the Islamic equivalent to conventional reinsurance where Takaful operators protect themselves against the risks they underwrite. The Retakaful market is even smaller than the Takaful market. The major challenge is the lack of reliable data and the small number of Retakaful providers and underwriters.

According to Joseph Iranya, Head of Financial Lines and Specialty Risks, at SKY Reinsurance Brokers Limited, "Retakaful is where one party (the Takaful operator) cedes a proportion of its risks on either a Treaty Retakaful basis or Facultative Retakaful basis to another party (Retakaful Operator) for a proportion of contribution in the form of



ICIEC has signed several MoUs over the years with various counterparties including Quota Sharing Treaties, which protects portfolios against commercial and political risks, Reinsurance Facultative Agreements (FRAs), which offer reinsurance of foreign investment insurance, Reinsurance of Domestic Business, **which provides reinsurance to transfer some of the risks of domestic businesses previously insured, and Excess of Loss, which protects portfolio and limits losses**

Tabarru into a common fund in-exchange for cover against a specified loss or damage.”

The party that cedes the risks i.e. the cedant is Takaful Operator and the party that underwrites and offers capacity for the ceded risks is called the Retakaful Operator. The relationship between the two parties is governed by a Retakaful Contract.

Retakaful is offered usually through General (Motor, Fire) Retakaful and Family (Life) Retakaful. The benefits of Retakaful to the Takaful operator are quite like those in conventional reinsurance. According to Irunya, Retakaful enables the Takaful Operator to balance out its portfolio of risks. By selectively ceding out its peak risks, the Takaful operator can withstand losses or damages from the occurrence of events. The Retakaful operators also have a wealth of technical expertise that Takaful operators can utilize in underwriting complex risks. Retakaful also ensures the diversification of the exposure of the Takaful Operator.

Like Takaful per se, the common Retakaful models include the Wakalah Model, the Wakalah-Mudarabah Model, the Wakalah-Waqf Model, the Co-operative Treaty Retakaful Model, which offers automatic coverage for all risks written by the ceding Takaful Operator that fall within the terms of the Retakaful contract and subject to the limits and exclusions. Facultative Retakaful Contracts on the other hand cover the ceding Takaful Operator for individual risks that either exceed the capacity of the Treaty arrangement

or are not covered under the terms of the Treaty arrangement.

ICIEC has signed several MoUs over the years with various counterparties including Quota Sharing Treaties, which protects portfolios against commercial and political risks, Reinsurance Facultative Agreements (FRAs), which offer reinsurance of foreign investment insurance, Reinsurance of Domestic Business, which provides reinsurance to transfer some of the risks of domestic businesses previously insured, and Excess of Loss, which protects portfolio and limits losses. These include recent MoUs with Saudi Eximbank and Uzbekinvest.

It has also provided Retakaful for several projects and transactions in member states including Uzbekistan, Senegal, the UAE et al, largely through its Inward Facultative Reinsurance Policy (IFRP).

### **Challenges Faced by the Retakaful Industry**

The Retakaful industry in comparison to the conventional Reinsurance industry is infinitely small. Its development is hampered by limited capacity. Given the limited number of Retakaful and Takaful Operators available, the capacity available is not sufficient to meet the demand of some 355 Takaful operators globally. Standalone Retakaful Firms also do not have the technical expertise, resources, and credit ratings to match their rival conventional Reinsurers.

**ICIEC**

**The Islamic Corporation for  
the Insurance of Investment  
and Export Credit**

---



**➤ Three Decades  
of Progress,  
Innovation and  
Transformative  
Impact  
Development**



The historical roots for the establishment of ICIEC, the multilateral insurer of the IsDB Group, can be traced to a key stated objective of the Organization for Islamic Cooperation (OIC), namely, to promote intra-Islamic exports, trade, and investment.

This was done primarily through its two main economic and development finance organs, namely the Islamic Development Bank (IsDB), the multilateral development bank of the global Muslim community (Ummah), which started operations in 1975, and the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC), which was established by the Third Islamic Summit Conference held in Mecca/Taif in 1981 and which became operational at the Fourth Islamic Summit Conference held in Casablanca, Morocco, in 1984.

While the main task of COMCEC is to enhance economic and commercial cooperation among the member states of the OIC, the core initial mandate of the IsDB was to promote intra-Islamic trade and investment, to promote the Islamic system of financial intermediation, and to promote policies towards poverty alleviation in member states.

COMCEC is one of four Standing Committees of the OIC, the other three being the Al Quds Committee, the Standing Committee for Information and Cultural Affairs (COMIAC) and the Standing Committee for Scientific and Technological Cooperation (COMSTECH).

COMCEC's main initiatives at the onset included the Program of Financing Exports (PFE), the Medium-Term Trade Financing Scheme (MTTFS), the Financing Export Fund (Export Financing Scheme (EFS), the Export Credit Insurance and Investment Warranty Scheme, the Trade Preferential System among the Member States of the OIC (TPS-OIC) and the Trade Information Network of the Islamic Countries (TINIC).

The TPS-OIC was one of the most important projects of the COMCEC to foster intra-OIC trade. This system is based on three agreements, namely, the Framework Agreement which came into force in 2002, the Protocol on Preferential Tariff Scheme (PRETAS), which became effective in 2010, and the Rules of Origin which were adopted in 2011. The TPS-OIC resembles the Global System of Trade Preference (GSTP).

The idea for the establishment of an entity to provide investment and export credit insurance for OIC member states further originated from the Agreement for the Promotion, Protection and Guarantee of Investment among Member states of the OIC (APPGI). Initially, this agreement governed investments made on a bilateral



The idea for the establishment of an entity to provide investment and export credit insurance for OIC member states further originated from the **Agreement for the Promotion, Protection and Guarantee of Investment** among Member states of the OIC (APPGI)



basis between two member states – the investing country and the host country.

### The Cradle Years

Indeed, the OIC with the help of its own experts and international consultants in 1991, started preparing 'The Founding Agreement Draft' for the proposed Export Credit Insurance and Investment Warranty Corporation (the precursor name of ICIEC) whose objectives at the time would be:

- i) To facilitate the offering of export credit and investment insurance for exporters and investors.
- ii) To facilitate foreign direct investment (FDI) flows into member states.
- iii) To provide reinsurance facilities to ECAs in member states, thus in the process helping to boost intra-OIC exports, trade, and investment.

After several revisions, the draft agreement regarding the establishment of the Corporation was finalized by COMCEC at its 7th Meeting held in Istanbul, 6-9 October 1991.

In fact, Article 4 under the Section on Trade of the Report and Resolutions of the 7th Meeting called on the OIC "to strengthen further the export promotion activities among Member States in particular, and with other countries in general, by way of greater flow of information, improved training facilities and appropriate financial mechanisms to this end. In this connection, early completion of the studies on cooperation in the fields of insurance, reinsurance, export credit guarantee schemes and the

possible establishment of clearing mechanisms would constitute steps towards removing some of the most important barriers to bilateral trade."

The functions of the Export Credit Insurance and Investment Warranty Corporation were clearly defined:

- i) Insuring OIC member states against default and non-payment risks.
- ii) Insuring intra-OIC trade among member states.
- iii) Protecting investors in OIC member states against political and other risks, and
- iv) Providing reinsurance services.

All the above activities would be structured and offered under a Shariah-based insurance equivalent (Takaful) basis.

The mandate to establish such an institution went to the IsDB, with the result that in 1992 the Board of Governors of the IsDB at its 16th Annual Meeting held in Tripoli, Libya, in Sha'ban 1412H (February 1992), approved the Articles of Agreement for the establishment of an Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). This was effectively based on 'The Founding Agreement Draft' for the proposed Export Credit Insurance and Investment Warranty Corporation finalized by COMCEC.

It took another two years following the endorsement of the Articles of Agreement by the required quorum of member states, for ICIEC to be incorporated on 23rd Safar 1415 (1st August 1994). Since then, the Corporation has never looked back. In less than a year, ICIEC officially



commenced business on 22nd Muharram 1416 (21 July 1995) after the appointment of its inaugural manager and senior professional officers. The next two years saw basic institutional and capacity building, typical of a nascent multilateral organization. With a skeleton staff, ICIEC slowly started to underwrite business around export credit insurance.

The priority at the time of formation of ICIEC was primarily to promote intra-trade and investments between the OIC countries. The COMCEC initiative to establish ICIEC adopted a broad initial mandate for the Corporation:

- i) To increase intra-OIC trade.
- ii) To facilitate intra-OIC investments, and
- iii) To provide reinsurance facilities to ECAs in OIC member states.

The Underwriting Department, Marketing Department and Administration Department were subsequently set up. Those early years, however, presented huge challenges for the ICIEC team. The culture of export credit and investment insurance was almost non-existent in most if not all the OIC member states, and even the basic vanilla products and services were virtually unknown to them, thus marketing and underwriting insurance for such business became very challenging at the onset.

The fact that ICIEC had a physical presence only in Saudi Arabia also limited the scope of its business initially. However, undeterred by these initial shortcomings, ICIEC pressed on – firstly establishing an in-house Country Risk Analysis Unit in 1997 given that the biggest risk that

the Corporation was underwriting was country risk, and secondly introducing its Foreign Investment Insurance (FII) policy a year later – a product that took a few years to develop.

The first FII transaction was underwritten only in 2001, underlining the complexity of issuing such a pioneering Shariah-based facility, for which despite the frequency of risk incidence is less the consequences are more problematic in the event of a claim.

Demand for ICIEC’s FII policy increased over the years and by 1434H (Fiscal Year (FY) 2012/13) it had contributed 28 per cent of the total business insured volume. Indeed, FII business increased from US\$825 million in FY2011/12 to US\$943 million in FY2012/13.

### **Mandate Amendments**

As an evolving entity, the Corporation’s mandate was periodically reviewed in an ever-changing regional and global economic and financial environment.

For, as the Corporation gained operational experience, senior management under the guidance of the Board of Directors regularly reviewed market conditions and requirements of exporters from and investors into member states. This resulted in the relevant updating and broadening of ICIEC’s mandate as and when necessary.

In fact, between 2000 and 2010, the Articles of Agreement saw three crucial amendments:

- i) In 2000, the Board of Governors agreed to amend the Articles of Agreement allowing ICIEC to cover exports to non-member states, given the dramatic

globalization of international trade. However, to preserve the core objective of promoting intra-Islamic trade, the ICIEC Board of Governors imposed a cap of 50 per cent on the capacity that the Corporation could allocate to business involving exports from member to non-member states, and required the receiving country to have at least an investment grade rating or that the facility be covered by acceptable collateral (preferably securities) to ICIEC.

- ii) Similarly, in 2005, the Board of Governors agreed to amend the Articles of Agreement allowing ICIEC to cover political risk insurance (PRI) to cover investors from non-member states investing into member states.
- iii) By 2010, the Articles of Agreement were further amended to cover domestic sales (if they are part of an exporter's portfolio of sales) and imports (primarily strategic goods such as food and capital goods) from non-member states. ICIEC's competitors, the international private ECAs, were already doing this thus putting the Corporation at a major competitive disadvantage. However, in approving this amendment, the Board of Governors required the Corporation not to allocate more than 10 per cent of its capacity to domestic insurance business, and more than 20 per cent to exports from non-member states to member-countries.

That mandate until recently focused on:

- i) Promoting cross-border trade and foreign direct investment (FDI) flows in its Member States.
- ii) ICIEC is serving its mandate by providing risk mitigation and credit enhancement solutions to

exporters in Member States selling to buyers across the world, and to investors from across the world investing in Member States.

- iii) ICIEC supports international exporters selling to Member States if the transactions are for capital goods or strategic commodities.

But under ICIEC's Realigned Strategic Framework 2023-2025, that ethos has changed to a Vision which sees the Corporation "to be recognized as the preferred enabler of trade and investment for sustainable economic development in Member States" with the ongoing Mission "to facilitate trade and investment between member States and the world through Shariah-based risk mitigation tools."

Compared to industry peer institutions, ICIEC's mandate remains restrictive and could be further liberalized. As a Shariah-based multilateral ECA, it remains at a competitive disadvantage in several key respects:

- i) The Corporation still cannot cover banks providing financing to member country-based importers if the financing is structured on a conventional basis.
- ii) ICIEC does not have the "unfair calling of bonds" product because Shariah-based alternatives have yet to be developed, and



To preserve the core objective of **promoting intra-Islamic trade**, the ICIEC Board of Governors imposed a cap of 50 per cent on the capacity that the Corporation could allocate to business involving exports from member to non-member states





- iii) ICIEC cannot even get involved in a project in a country, which is a member of the IDB, but not a member of the Corporation.

## Capital Constraints

Similarly, ICIEC has been constrained by a lack of subscribed capital, which in turn impedes the volume of its underwriting and reinsurance business because of a lack of capacity. As any ECA would stress, a capital base is one of the most important drivers of such an agency's business. Whenever any potential investor, financial institution or even large exporter wishes to do business with ICIEC, for instance, the first factor they consider is the share capital of the Corporation, since this will dictate whether ICIEC will be able to pay claims.

However, the Board of Governors took cognizance of this fact by periodically increasing the authorized capital of the institution from Islamic Dinars (ID) 100 million (US\$140m) at its inception to ID150m (US\$240m) in FY2010 to ID400m (US\$613m) in FY2012, made up of 400,000 shares of ID1,000 each.

In FY2012/13, the IsDB had subscribed to 100,000 shares or 25 per cent of the authorized capital of ICIEC, through the IsDB Special Account Resources Waqf Fund, while the Member states have subscribed to 131,498 shares, out of the 250,000 shares allocated for subscription by them. The remaining 50,000 shares of the authorized capital of ICIEC are designated for subscription by financial institutions and commercial enterprises in member states.

Indeed, the Waqf Fund subscribed to and fully paid up 50 per cent of ICIEC's initial ID100 million authorized capital. The involvement of the Waqf Fund underlines an important demonstration effect of the Islamic concept of Waqf (religious endowment or perpetual trust), which effectively operates as a private equity trust fund, with investments in the equity of Islamic financial institutions (such as ICIEC) and products such as Murabaha and Istisna receivables, and Sukuk, of which the income generated is used for development finance, special assistance and social sector development of Muslim communities the world over.

As such, the total subscribed capital of ICIEC at FY2012/13 reached ID231.5m (US\$354.6m) of which ID110.86m (US\$169.81m) is paid up. The Corporation's subscribed capital has increased by only ID142 million in the last 20 years – which is a Compound Annual Growth Rate (CAGR) of 6%, compared to ICIEC's Business Insured during the same period, which recorded a CAGR of 80 per cent.

Efforts to get member states to increase their subscription to ICIEC's share capital were partially successful. The reality is that for every dollar of capital subscribed, the Corporation can provide at least 10 times in insurance support for member states' exports and inward foreign direct investment.

Indeed, at the Annual Meeting of the Board of Governors of the IsDB held in Dushanbe in 2013, the Board passed an urgent Resolution "to encourage and call on the member states, which have not yet subscribed to the general and optional increase of the share capital of the Corporation, to do so as early as possible. This to enable the Corporation to achieve its objectives in facilitating international trade and investment flows to member states."

The levels of paid-up capital and the disparity with subscribed capital, which then totaled about US\$200m, were also constraints because they deprived the Corporation of earning additional investment income. To its credit, the Corporation managed the above issue and that of the gap in CAGR of its capital and business insured through reinsurance agreements and by playing on the strength of its rating.

As such, addressing the above issues by the Board of Governors of the IsDB over the next few years were crucial for the Corporation to effectively carry out its mandate of providing export credit and political risk insurance to member states, whose market and business potential in many respects is larger than that of the Islamic banking sector per se, given that the total trade of OIC countries amounted to US\$3.9369 trillion at end 2011, of which intra-Islamic trade accounted for US\$674.2283bn or 17.1% of total trade of IsDB Member States. Similarly, total resource flows (net official development assistance (ODA) and net private foreign direct investments (FDI)) of IsDB member states amounted to US\$100.96bn, of which US\$51.64bn was through ODA.

To its credit, ICIEC has been successful in spreading the message of the importance of export credit and investment insurance both through its increased membership and its business activity. Membership in ICIEC is open to member states of the OIC and IsDB.

When it was established, the Corporation had 15 founder members. Over the last two decades this membership has more than doubled to reach 41 countries plus the IsDB, making it 42 members, at the end of First Quarter 2014, with Mozambique the latest country to accede to membership of ICIEC.

In 2014, Comoros Islands was poised to become the 43rd member having virtually completed its membership requirements. At the time ICIEC had 42 members comprising one multilateral development bank (the IsDB through its Waqf Fund), and 17 Arab countries, 15 African countries, and 9 Asian and other countries.

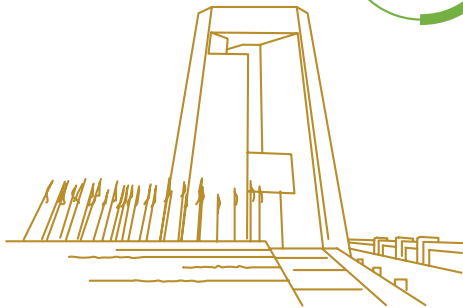
Given that the OIC and IsDB membership at the time was 56 countries, there is room for further expanding the membership of the Corporation, albeit the process of becoming a member is long and requires parliamentary ratification of ICIEC's Articles of Agreement.

By 2024, the IsDB membership had peaked at 57 Member States and ICIEC’s membership reached 49, with Azerbaijan the latest country to accede to membership in 2023.

### Top 10 Shareholders (% of Shares)

#### Islamic Development Bank (IsDB)

50.48%



Resource mobilization remains a key challenge not only for ICIEC but also for other IsDB Group members, which includes the parent entity (the IsDB itself), the Islamic Corporation for the Development of the Private Sector (ICD), the private sector funding arm of the Group, and the International Islamic Trade Finance Corporation (ITFC), the trade finance fund of the Group, and of course ICIEC.

This must also be seen in the context of the establishment of the IsDB Group Investment Promotion Technical Assistance Program (ITAP) in 2005, which is in fact managed by ICIEC. The main objectives of ITAP are to assist member states in improving their investment climate, and identifying and promoting promising investment opportunities which would encourage FDI flows into these countries.

Despite the challenges, ITAP, under the guidance of ICIEC, has been a successful exercise and its mandate remains as important and relevant today especially in the light of the developments in the so-called ‘Arab Spring’ countries undergoing political and economic transition, where the demand for funding to finance employment-generating projects especially for the youth has been overwhelming.

#### Capital Moves

The Board of Governors of ICIEC should be commended for their perspicacity when it approved the Corporation’s 3rd Capital increase during its 29th Annual Meeting held in Sharm El Sheikh, Egypt on 4th June 2022.

By approving a 150% increase in ICIEC’s Authorized Capital from its current ID0.4bn to ID1.0bn and a 268% increase in

<b>Saudi Arabia</b>	<b>20.20%</b>
<b>Egypt</b>	<b>4.51%</b>
<b>Iran</b>	<b>3.37%</b>
<b>Kuwait</b>	<b>2.52%</b>
<b>United Arab Emirates</b>	<b>2.52%</b>
<b>Kazakhstan</b>	<b>2.28%</b>
<b>Morocco</b>	<b>1.68%</b>
<b>Qatar</b>	<b>1.68%</b>
<b>Türkiye</b>	<b>1.68%</b>

40.44%

#### Rest of the Countries

9.08%

the Subscribed Capital by ID500m to ID797m, it effectively boosted ICIEC’s ability to underwrite more business and its reinsurance capacity. The Board recognized there is a need to increase the capital of ICIEC for it to continue to do its job and carry out its mandate effectively.

The capital increase enhances ICIEC’s financial strength, boosts its loss-bearing equity resources, improves internal capital generation capacity, helps to continue its operation on a solid and stable foundation, and strengthens its credit fundamentals. In addition, the Board of Governors approved a Special Share Class comprising 20% of the increase in Subscribed Capital (ID100m) for subscription by financial institutions owned/controlled by Member States.

However, ICIEC’s recapitalization like its parent the IsDB is a work in progress, given the stated ambitions of both in carrying out their respective mandates, increasing their membership and the competing demands from existing Member States to fulfill their development agendas. Maybe some thinking outside the box is required especially to facilitate new members including peer multilateral development finance institutions, not necessarily from the OIC cohort, and private sector corporates, banks, and insurers. However, any IsDB Group institution like the parent must always remain under the control of OIC Member States in terms of subscriptions, voting rights and share class classifications.

These additional members could bring new ideas to the Board and could result in increased cooperation in mainstreaming Shariah-based co-financing, insurance and

reinsurance arrangements, capacity building and technical assistance.

## Bankable Rating

Like the IsDB, ICIEC and its pioneering work in the Shariah-based export credit and investment insurance space remains a highly bankable and marketable proposition, which is supported by the Aa3 “Insurance Financial Strength Rating (IFSR)” rating with a Stable Outlook assigned to ICIEC in 2007, by the international rating agency, Moody’s Investors Service.

The fact that Moody’s has assigned this rating to ICIEC for 16 consecutive years, a period in which the global financial crisis battered other ECAs and insurance providers globally, is a testimony to its inherent financial and corporate strength and its continuing acceptability in the international markets. In addition, this rating was assigned despite the relatively small capital base of ICIEC, which remains the only member of the IsDB Group (other than the Bank) to have a stand-alone credit rating.

In fact, Standard & Poor’s (S&P) assigned a first time “AA-” Long-term Issuer Credit and Financial Strength Rating with a Stable Outlook to ICIEC in early 2024. The rating is the highest within its peer group globally.

Indeed, over the last few years, the Board of Governors of the IsDB Group has increasingly been encouraging the IsDB Group, especially the IsDB per se and ICIEC, to leverage their bankability through their favorable ratings, to diversify their resource mobilization strategies and to expand their product and service offerings.

Moody’s rating exercise was complex and comprehensive, and its main benefit is that ICIEC policies can be used by banks to obtain capital relief when they use the

Corporation’s insurance products. This is also a crucial decision-making factor for large exporters as well. At the same time, the rating does not only give counterparties more confidence in ICIEC, but also increases the marketability of the Corporation’s products and services.

## Forging Linkages

Given the diverse market and geographical basis of its membership, and the global nature of its business including the reinsurance aspect, ICIEC has always been aware of the importance of reaching out to the market through forging international linkages. These linkages have manifested in two important group relationships – the one with international peer ECAs and major Western ECAs and reinsurance majors, and the other with the ECAs of the Arab League countries and those in the wider OIC countries.

Indeed, only five years after commencing operations, ICIEC joined the COFACE Credit Insurance Alliance in 2000 because of the need to get relevant information and benefit from the experience of COFACE (the French export credit agency) and its partners. ICIEC joined this Alliance primarily because of obtaining information on buyers and credit opinion, which continue to remain crucial to underwriting decision-making.

The Corporation has a longstanding relationship with the Multilateral Investment Guarantee Agency (MIGA), which is part of the World Bank Group, established in 2004. MIGA helped train ICIEC underwriters and lawyers, and also co-guarantees projects with ICIEC in addition to reinsuring MIGA for infrastructure projects in member states common to both organizations.

Similarly, ICIEC is an active member of the Berne Union, an association of ECAs primarily from the Organization of Economic Cooperation and Development (OECD), to which it acceded as a full member in 2008. A year later ICIEC also joined The Prague Club, which is part of the Berne Union, and which comprises membership primarily of ECAs from the developing countries and is an excellent platform for information and knowledge sharing.

In the area of reinsurance, the Corporation has over the last decade signed several Reinsurance Treaties with major reinsurers because of rising claims and business volume and its limited capital, it became indispensable for ICIEC to re-insure part of its business volume. The first treaty was signed with Atradius, the state-owned Dutch credit insurer and one of the world’s largest. This relationship was further cemented in April 2013 when the two partners concluded a Reinsurance Agreement to support short-term cross-border transactions involving capital goods and infrastructure projects.

The story is the same with ICIEC’s facultative reinsurance business. Facultative reinsurance is needed for larger,



The fact that Moody’s has assigned this rating to **ICIEC for 16 consecutive years**, a period in which the global financial crisis battered other ECAs and insurance providers globally, is a testimony to its inherent **financial and corporate strength and its continuing acceptability in the international markets**

longer-term transactions which the Corporation may not be able to accommodate on its own books.

On the other hand, ICIEC has been approaching the reinsurance market for facultative reinsurance on a case-by-case basis, for large short-term, medium-term, and political risk insurance. Given the Corporation's proven due diligence and risk assessment methodologies, ICIEC has achieved much success in the facultative reinsurance market. One compelling case study is the EUR82m 7-year repayment transaction that ICIEC covered for El-Sewedy Electric in Ethiopia. The transaction involved the Commercial Bank of Ethiopia opening an LC, which was insured by ICIEC. Even though Ethiopia is a difficult market, the case ICIEC was able to present to reinsurers allowed it to obtain 80% reinsurance support for the transaction in the Lloyd's market in London.

In 2013 also, ICIEC entered into a Master Facultative Reinsurance Agreement with DuCroire SA, the Belgium ECA and a leading European credit insurance provider.

ICIEC also cooperates closely with the Arab Investment and Export Guarantee Corporation (DHAMAN), which is the multilateral ECA set up by Arab states to promote investments and trade. The two entities were the prime movers together with the EXIM Bank Malaysia and Eximbank of Türkiye to launch in 2009 the AMAN UNION (the Grouping of ECAs in Islamic and Arab Countries), which has broadly similar objectives to those of the Berne Union. At its launch, there were 16 founder members led by DHAMAN and ICIEC.

Today, the Aman Union comprises some 30 members, including multilaterals such as MIGA and ECAs, and could potentially play a pivotal role in enhancing the

export credit and investment insurance culture in the OIC countries.

At the 4th Annual General Meeting of the AMAN UNION, which was held in Doha in 2013, a Database Center (DBC) was formally launched by ten subscribers, namely ICIEC, DHAMAN, ASEI of Indonesia, ECGA of Oman, ECGE of Egypt, NAIFE of Sudan, Shiekan of Sudan, EGFI of Iran, Turk Eximbank of Türkiye and ECIE of UAE.

Given that more than half of ICIEC's 49 member states come from Africa, the Corporation also signed a memorandum of understanding with the Nairobi-based African Trade Insurance (ATI), a relatively new multilateral export credit and political risk insurance entity, in 2008, albeit that two entities currently have only two members that are common to both.

At the same time, ICIEC is actively seeking cooperation with SINOSURE (China Export Credit and Insurance Corporation), the world's largest ECA, which is increasingly active in ICIEC member states especially in Asia and the Middle East. The two entities are in the process of finalizing a cooperation agreement and have already closed one transaction involving imports into Saudi Arabia.

## Compelling Story

The really compelling story of the last three decades, especially in the last ten years, is ICIEC's impressive success in its internal evolution and its operations. This, despite the difficult operational climate in those early days, to underwrite Shariah-based export credit and investment insurance in a nascent OIC market.

Its internal evolution is highlighted by its governance framework including Shariah Board, Risk Management,



Internal Audit, and its senior management function, both of which have changed significantly over this period.

A crucial development was in 2004 when the position of the Manager was changed to General Manager and saw the ex-officio President of ICIEC, Dr. Ahmed Mohamed Ali, also the President of the IsDB Group, delegate some of his powers to the General Manager, who effectively managed the Corporation on a day-by-day basis. Following a restructuring in 2008, the title of General Manager was changed to Chief Executive Officer, who was endowed with full authority to manage the business of the Corporation. The ex-officio President became the Chairman of the Board of Directors.

As business grew, it became imperative to streamline and consolidate the various departmental reporting functions. This was done through the appointment of a Chief Operating Officer.

As such, the functions of Sales, Distribution, Trade Credit Underwriting, Structured Finance & Political Risk Underwriting, Risk Management and Customer Relationship Management would report to the Chief Operating Officer. This change has allowed the Corporation to become more customer centric. To further assist in its marketing and distribution, ICIEC opened a Dubai Office in 2009.

Similarly, the legal and IT departments were modernized. ICIEC started building an in-house IT System called the Integrated Insurance Management System (IIMS), which was completed in 2010. But although many services are now automated, which is crucial for the business of any ECA, this is still a work in progress and requires further investment to develop. In 2013, the ICIEC IT team

completed IMS remote access, allowing its staff, clients and the public access to operations information via IMS and web portal.

In terms of its operations and product evolution, when ICIEC started for business, it was very conservatively leveraged, its capacity for underwriting business was capped at 1.5 times its capital and reserves. But as business grew, the leverage ratio was increased to 8 times capital and reserves.

Together with several capital increases over the last two decades, the Corporation's capacity also increased. However, this capacity was almost completely exhausted by its business volumes. As such, in the absence of reinsurance, it would have been challenging for the Corporation to underwrite more business.

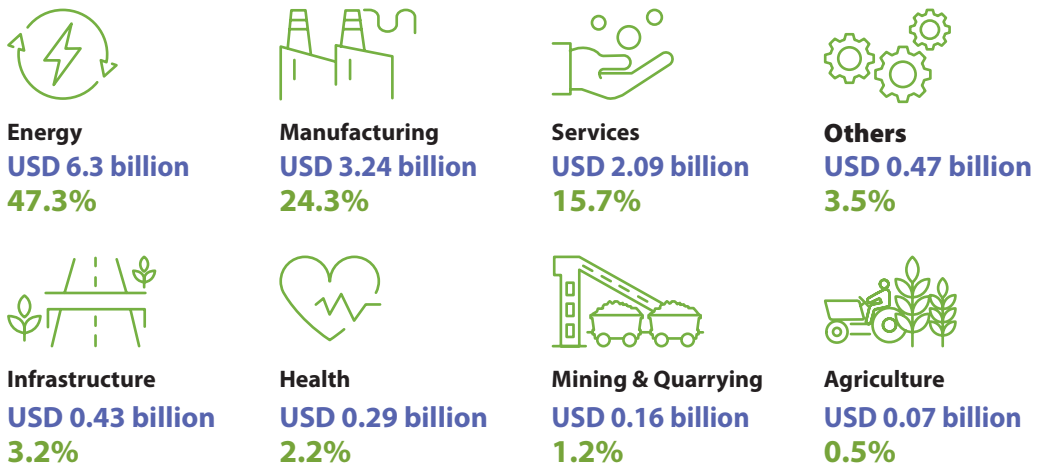
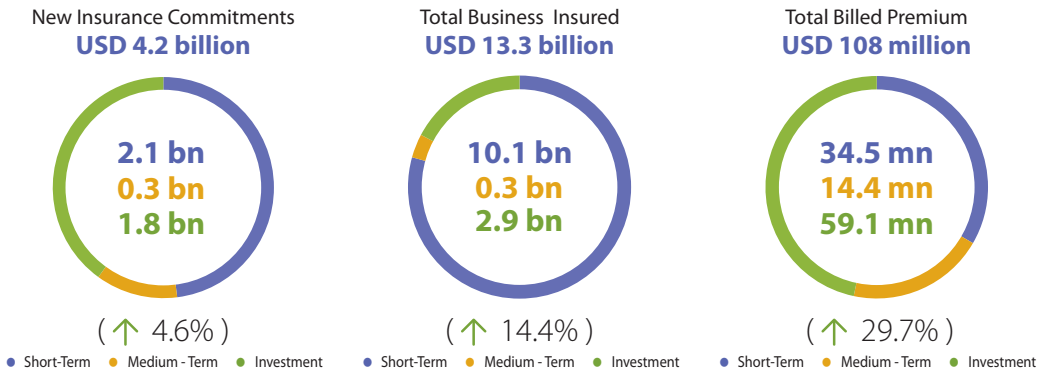
Nevertheless, the business case for ICIEC is further underlined by the fact that Business Insured increased from US\$339m in 1425H to US\$3.3bn in 1434H, dominated by short-term underwriting (68%) investment insurance (28%) and medium-term business (4 per cent). At the same time, Premium and Fee Income grew from US\$3m in 1425H to US\$13.2m in 1434H. Since inception, cumulative Premium and Fee Income has totaled US\$114m with the short-term business being the most productive.

In the first two decades, the Corporation has paid claims of US\$28.43m since inception, out of which US\$20.60m was on short-term business and US\$7.83m on medium term business. Recoveries generated US\$13.7m, which is 48% of paid claims. No claims have been paid under the FI business.

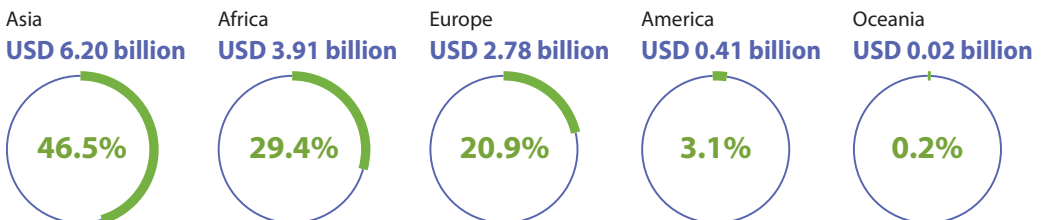


Together with several capital increases over the last two decades, the Corporation's capacity also increased. However, this capacity was almost completely exhausted by its business volumes. As such, in the absence of reinsurance, it would have been **challenging for the Corporation to underwrite more business**

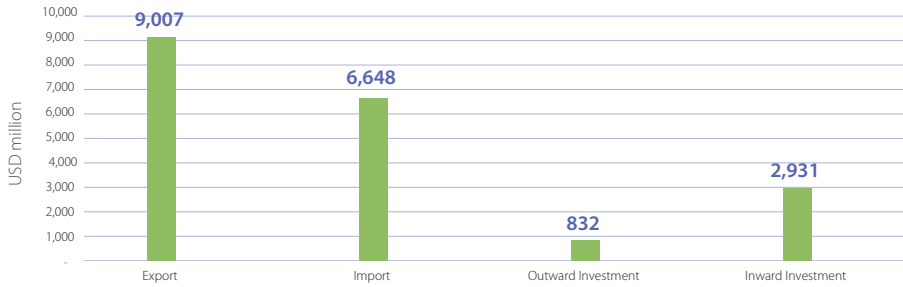
In 2023, ICIEC's Business Insured (BI) reached US\$13.3 billion representing a 14.66% growth from the previous year. New Insurance commitments reached US\$4.2bn and Total Gross Written Premium totaled US\$108m.



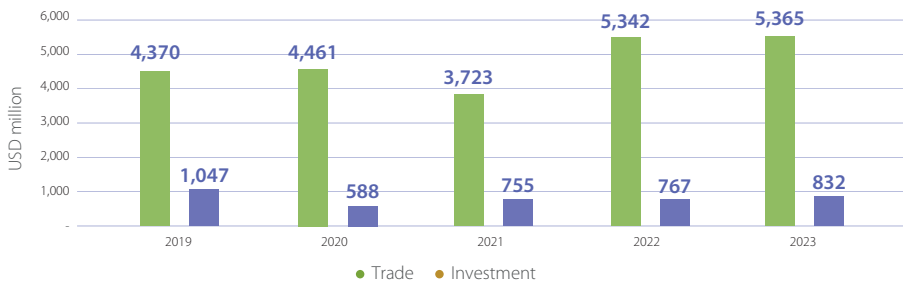
**Business Insured by Region**



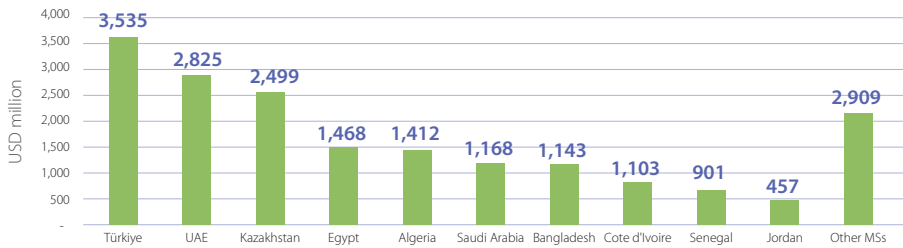
### ICIEC Support provided to its Member States in 2023 (USD million)



### Intra-Trade and Intra-Investment Facilitated for OIC Member States During 2019 to 2023 (USD million)



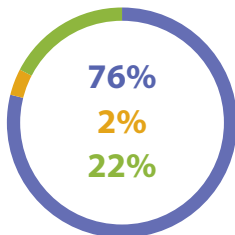
### ICIEC Support provided to its Member States in 2023 – Top 10 States (USD million)



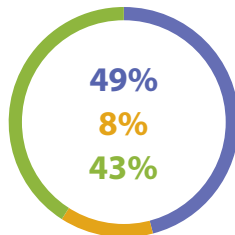
## ICIEC Business and Operational Review 2023

### Underwriting Summary

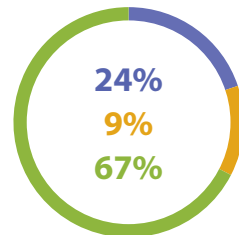
#### Total Business Insured



#### New Commitments



#### Gross Exposure

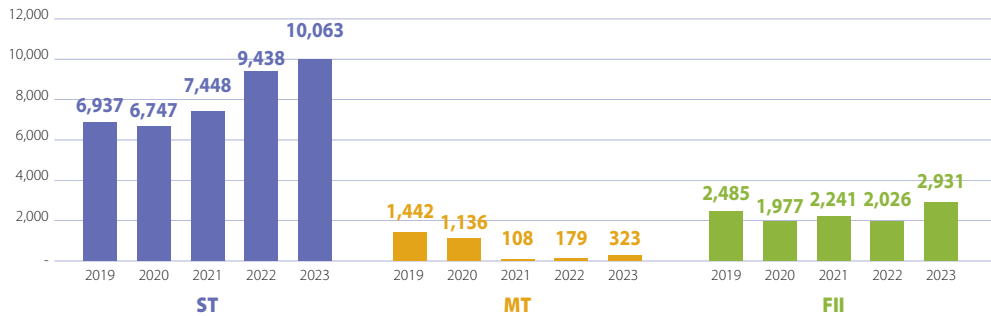


● Short-Term ● Medium - Term ● Investment

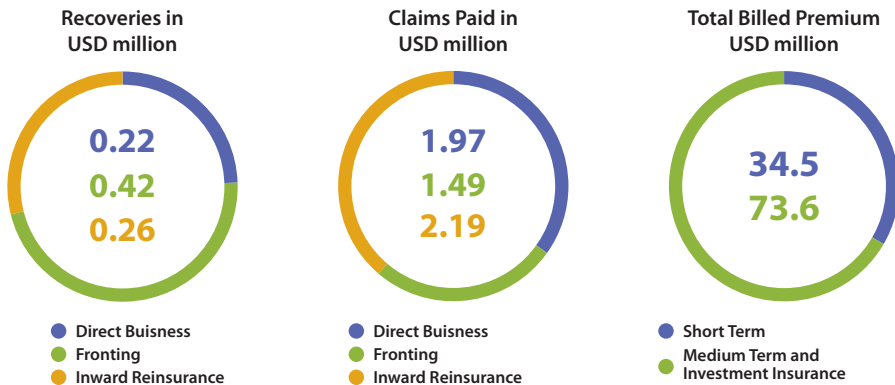
USD millions	2023	2022	YoY Change (%)
<b>New Commitments</b>	<b>4,188</b>	<b>4,005</b>	<b>4.6%</b>
Short Term	2,065	2,410	-14.3%
Medium Term	333	533	-37.5%
Investment Insurance	1,790	1,062	+68.5%
<b>Business Insured</b>	<b>13,317</b>	<b>11,643</b>	<b>+14.4%</b>
Short Term	10,063	9,438	+6.6%
Medium-Term Business	323	179	+80.5%
Investment Insurance	2,931	2,026	+44.7%
<b>Total Gross Exposure</b>	<b>4,868</b>	<b>4,562</b>	<b>+6.7%</b>
Short Term	1,166	1,450	-19.6%
Medium Term	439	254	+72.8%
Investment Insurance	3,263	2,858	+14.2%

A notable shift in 2023 for new commitments is from short-term insurance to investment insurance as Foreign Investment Insurance's share increased from 27% to 43%, while Medium-Term business declined from 13% to 8%, and Short-Term Business decreased from 60% to 49%. The significant growth in the combined Medium-Term and Foreign Investment Insurance business indicates a strategic focus on more diversified and long-term investments.

**Business Insured Over Last 5 Years (USD million)**



**Underwriting Performance**







### Enhanced Product Innovation

Given the changing nature of the demand dynamics of the market and the needs of clients, product innovation and enhancement remain an on-going challenge for any ECA, let alone ICIEC.

To think that the Corporation started business with a mere three products, in the space of 15 years it offered over 16 products, which in turn is complemented with a corresponding expansion of distribution channels and the development of the human capital base, given the niche nature of ICIEC's business. Thus, operations must also be seen in the context of the evolution of product development. ICIEC started with three products, namely, the Comprehensive Short-term Policy (CSTP), the Bank Master Policy (BMP), and the Supplementary Medium-Term Policy (SMTTP), which were introduced in the first few years.

This was followed in the 2000-05 period by the introduction of the Documentary Credit Insurance Policy (DCIP) and the Specific Transaction Policy (STP) and the Re-insurance Facility Agreement. The DCIP has since then become the flagship product of the Corporation.

More recently, ICIEC launched four new products, including the STP-Contract Frustration policy, the Ducroire reinsurance policy (DRP), and the innovative Sukuk Insurance Policy (Sukuk Takaful), which is the first such dedicated Third Party Shariah-based risk mitigation and

credit enhancement guarantee of up to US\$125 million offered by an ECA for sovereign Sukuk al-Ijarah issuances.

The compelling story of the last three decades and business case for ICIEC for the future are reflected in the impact and demonstration effect of its operations in and out of member states.

The success, resilience, and efficacy of ICIEC is evidenced by the data – business insured in trade and investment since its inception in 1994 reached US\$108.3 billion, of which US\$51 billion facilitated intra-OIC trade. The cumulative figure included US\$86.2 billion in export credit insurance and US\$22.1 billion in investment insurance.

Indeed, whenever ICIEC's capital has been increased, it has responded by increasing its business volumes to utilize the capacity in a very short period.

This is a remarkable achievement given the developing member country export credit and investment insurance culture and the difficult international economic and market conditions especially over the past six years.

The fact that ICIEC has also fared well when compared to peer institutions is yet another reflection of its relative success in delivering its mandate, which is to promote trade and investments for member states – perhaps with the caveat that much more needs to be done over the next two decades to sustain and to enhance this success.

# 20<sup>th</sup> Anniversary Interview

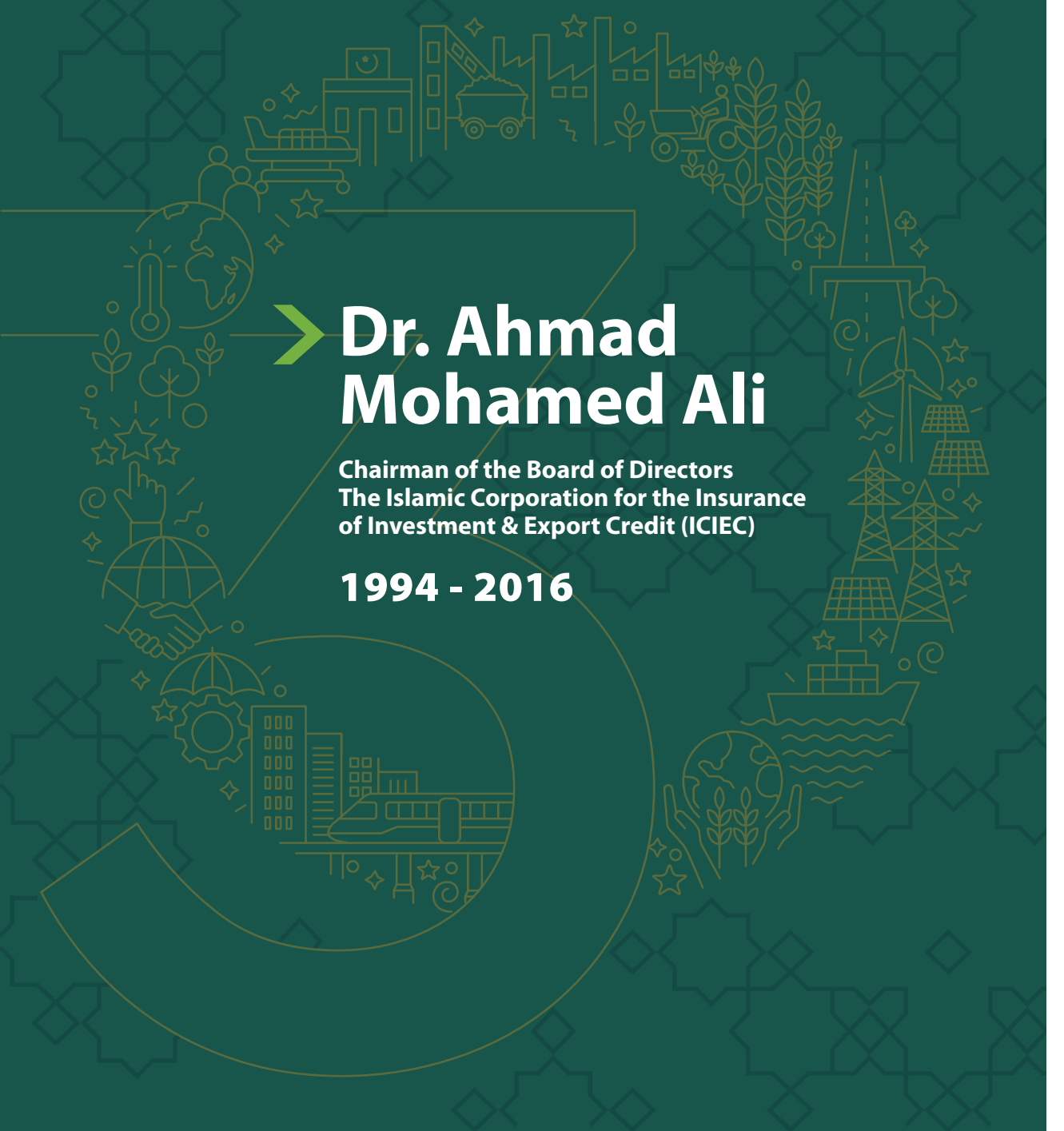
---



## Dr. Ahmad Mohamed Ali

Chairman of the Board of Directors  
The Islamic Corporation for the Insurance  
of Investment & Export Credit (ICIEC)

**1994 - 2016**





## ICIEC Well On its Way to Becoming a World Class Multilateral Insurer

### ***What was the rationale behind the establishment of ICIEC in 1994 as a member of the IsDB Group?***

The initial idea of the establishment of the Islamic Development Bank (IsDB) was centered on addressing the development needs of member states' public sector, and perhaps the support of the Muslim communities. However, it later became apparent that the role of the private sector was inadvertently marginalized. It was also realized that credit and political risk insurance services were in short supply in the member states of the Organization Islamic Cooperation (OIC).

Hence, the call by the Standing Committee for Economic and Commercial Cooperation (COMCEC) to IsDB to establish an institution with the objectives of promoting exports and investment among member states through the provision of Shariah-based export credit and country risk insurance services.

The Board of Governors of IsDB heeded the call of COMCEC and took the decision in 1992 to establish the Islamic

Corporation of the Insurance of Investment and export Credit (ICIEC) as the first private sector entity of the IsDB.

### ***What do you think are the major achievements of the Corporation over the last two decades?***

The achievements of the Corporation are many. But the most important ones include the following: To begin with, the establishment of a world-class institution that put Shariah-based credit and political risk insurance on the global map. This is attested to by the fact that ICIEC is an active member of the prestigious Berne Union, the International Association of Credit and Political Risk Insurers, and by the impressive network of business relationships ICIEC has been able to establish within the international credit insurance industry.

In addition, the Corporation has done a great deal in fulfilling its mandate. The cumulative trade facilitated so far is over US\$18 billion and the foreign direct investments are more than US\$3 billion. The total annual business insured is over US\$3 billion.



Furthermore, it achieved a stand-alone rating of Aa3 by Moody's, a strong rating by all standards, and without the direct support or guarantee of the IsDB.

In conclusion, ICIEC has done a lot in enhancing cooperation and economic integration among member states. One way of doing this was to work very closely with many of the national export credit agencies of these member states to build their capacity and access reinsurance.

***The total trade of IsDB member states amounted to US\$3.94 trillion in 2011, of which US\$674.2 billion was intra-Islamic trade. As such, the scope for export credit and investment insurance is potentially huge. What can the IsDB and its member states do to leverage this potential and to take Shariah-based export credit and investment insurance to the next level?***

There is no doubt that the potential for increasing intra-trade among OIC member states is huge. ICIEC, or any other export credit agency for that matter, cannot on its own fill this gap due to limited capacity. Therefore, there is a need for more cooperation between IsDB Group entities to provide financing and insurance as a package.

Moreso, there is a need for more partnership with reinsurers, ECAs and multilateral insurers to share the risk and expand the capacity of the Corporation. Leveraging the finite resources of the IsDB Group to mobilize resources from the market is a key strategic plank for the Group.



With increasing competition and the need to venture into new markets and export financing requirements, **brought credit insurance to the fore as an effective solution.**

Furthermore, the recent events of the global financial crisis and the turbulence in the region have increased the awareness about export credit and investment insurance

The member states, on the other hand, need to develop the capacity of their national ECAs so that a sustainable regional credit and political risk industry comes into being. Those who don't have a national ECA will need to create one to support the private sector in collaboration with ICIEC and other regional and multilateral entities.

Finally, the regulatory and banking environment in member states needs to be further developed to

encourage banks to use credit insurance as a risk mitigation tool.

***Why do you think the export credit and investment insurance culture is relatively under-developed in IsDB member states given that most of them are major trading nations and exporters of commodities and raw materials, and are positioning themselves as potential recipients of FDI inflows?***

I believe the lack of awareness about export credit and investment insurance services in IsDB member states is explained by the nature of business which historically relied on personal knowledge and known partners and as such the parties involved did not consider insurance. With increasing competition and the need to venture into new markets and export financing requirements, brought credit insurance to the fore as an effective solution. Furthermore, the recent events of the global financial crisis and the turbulence in the region have increased the awareness about export credit and investment insurance. The introduction by ICIEC of the “Non-Honoring of Sovereign Financial Obligation Policy”, and the recent “Sukuk Insurance Policy” is a clear response to an increasing demand for insurance services.

***To what extent has ICIEC’s activities, products and services, and international reach contributed to promoting intra-Islamic trade, which after all is a major objective of the IsDB Group as a whole?***

Encouraging intra-trade among member states has been one of the key development priority areas that IsDB Group focused on since inception. The birth of ICIEC in itself was a manifestation of our drive to increase the competitiveness of member states exporters.

The assurance that ICIEC offers to traders in our member states has been a catalyst in promoting intra-trade among member states. In the last 20 years ICIEC has facilitated more US\$8 billion of intra-trade, which is considered a significant contribution given its limited capital. However, this represents a very small part of the requirements for export credit insurance in member states.

***ICIEC’s capital was raised two years ago to ID400 million (US\$625 million). The full subscription to this increase has yet to be completed. What are the steps taken by ICIEC to encourage shareholders to fulfill their commitments to ensure that the Corporation is well capitalized to carry out its mandate?***

The recent capital increase call has been well answered by the ICIEC member states. All the major shareholders have already responded favorably and made generous increases to the ICIEC capital. The remaining member states are in the process of obtaining the necessary internal approvals to respond to this call. The Corporation

is following up with the remaining countries to respond to its additional capital call through various avenues, and ICIEC will also make use of the IsDB Group Annual Meeting in June 2014 to remind the remaining countries to expedite their subscription to the capital.

***There are those who argue that ICIEC, a multilateral, is constrained by the level of its capitalization. This restricts its underwriting and reinsurance capabilities. If you compare the Chinese ECA, SINOSURE, for instance, its capital is US\$3.1 billion. Is there a case for a substantial increase in ICIEC’s capital so that it can more effectively carry out its mandate of extending export credit and investment insurance?***

Of course, the level of insurance operations that ICIEC may undertake is primarily determined by its capital resources. Accordingly, the amount of capital that ICIEC has is a major element in determining the extent that it can undertake interventions in supporting its member states.

However, it also makes use of the international reinsurance market to make available additional capacity to undertake its much-demanded services. Given the level of intervention that ICIEC has undertaken over its 20 years of existence, given its current level of capital, there is a strong case for additional capital to enable ICIEC to meet the demand from the member states, especially that its insurance capacity is about to be exhausted.

***Total investment flows into IsDB member states amounted to US\$100.96 billion in 2011. Of this over half was official development aid. FDI flows into IsDB member states are relatively low compared to other regions. ICIEC alone cannot be the prime mover here. What needs to be done to further attract much-needed investment flows into IsDB member states?***

Recognizing the low level of FDI flows into IsDB member states, the IsDB Group took several steps to address the obstacles and constraints. The IsDB supports the infrastructure development in its member states, as this is key to attract FDI. The establishment of ICIEC in 1994 was a key response to address investors’ risk concerns. Since then, ICIEC has done a great deal in supporting FDI flows to member states. Certainly, the challenges are huge and ICIEC cannot be the sole mover, ICIEC works jointly with its peers, DHAMAN and MIGA of the World Bank, in increasing FDI flows.

In addition, Realizing the need of member states uncover and showcase their investment potential, the IsDB Group established its Investment Promotion Technical Assistance Program (ITAP), which is managed by ICIEC. The main objectives of ITAP are to assist member states in improving their investment climate, and identifying and promoting promising investment opportunities which would encourage FDI flows into these countries.

Some IsDB member states are experiencing upheaval, especially the so-called Arab Spring countries undergoing political and economic transition. What are the governance prerequisites for any market for an orderly flow of export credit and investment insurance, and guarantee facilities and how does the IsDB Group mitigate some of these shortcomings in many of its member states? How important is political stability and good economic management by governments in this respect.

ICIEC has a well-functioning in-house risk assessment mechanism in place. It draws its risk management governance from its Articles of Agreement, Operations Regulations and Procedures, as well as the Corporation's Risk Management Framework.

These basic rules are complemented by the Specialized Committees such as Underwriting Committee (UCM), the Country Risk Analysis Committee (CRAC), Investment Committee and Claims Committee. They all determine how the Corporation will conduct its business in terms of country

or commercial risk. Political and economic stability are very important for our member states, where we cover their risks. The Corporation does not avoid taking risks but tries to mitigate risks in different ways such as through re-insurance and/or giving special guarantees where it is applicable.

***Innovation is an essential component of any financial organization. ICIEC has launched a unique Sukuk Insurance Policy and yet thus far there have been no takers by potential sovereign Sukuk issuers. Why do you think this is. Is this a reflection of the lack of understanding of Sukuk outside the traditional issuing countries of the GCC and Southeast Asia?***

In recent years, many Member states have issued Sukuk to mobilize resources for financing their developmental projects. Some other member states have developed the necessary framework and expressed their interest in issuing Sukuk. In this context, it is felt that ICIEC, as a credit and political risk agency of its member states, can play a crucial role in helping its member states, especially those



In recent years, many Member states have issued Sukuk to mobilize resources for financing their developmental projects. Some other member states have developed the necessary framework and expressed their interest in issuing Sukuk. In this context, it is felt that ICIEC, as a credit and political risk agency of its member states, **can play a crucial role in helping its member states,** especially those who are below investment grade, to **raise funds from the international capital markets**



Through new and innovative products like the Sukuk Insurance Program (SIP), **ICIEC will strive to help member states get access to Shariah-based financing with lower cost and better conditions**



who are below investment grade, to raise funds from the international capital markets.

This is why ICIEC has developed its unique sovereign Sukuk Insurance Policy, which serves as a credit enhancement and risk mitigation tool allowing better access for some member states to the international capital markets. Given the expected growth of the Sukuk market worldwide and in our member states, the demand for ICIEC's product is also expected to increase in the coming years. ICIEC is still at the initial stage of the promotion of this product. It has started raising awareness among the international community and among member states about the Sukuk Insurance Policy and has initiated discussions with different stakeholders including reinsurers, multilaterals, and investment banks to provide adequate capacity to insure Sukuk.

***What should the priorities be for ICIEC over the next 20 years?***

The work awaiting ICIEC in the next twenty years is immense, to say the least. However, the following should, in my opinion, take center stage in the efforts of the Corporation.

First, since we all know that no single organization, however powerful it is, can match the demand for credit and political risk services in member states. It is imperative therefore to develop the capacity of national ECAs of Member states. Along the same lines, the Corporation will strive to support the national investment promotion agencies (IPAs) of member states through ITAP, an IsDB

Group-wide program that is managed by ICIEC. These two activities should go a long way in enhancing the competitiveness of the economies of our member states, and particularly the capacity of the private sector to play its proper developmental role.

Second, ICIEC should devote a considerable amount of its efforts to support infrastructure projects in member states. This is already being done, but not anywhere close to the scale required. The catalytic role of infrastructure development and the flow of FDI cannot be over-emphasized.

Third, ICIEC should always endeavor to develop its technical, human, and financial resources to enable it to deliver on its important mandate at the best possible standards of effectiveness and efficiency.

Finally, through new and innovative products like the Sukuk Insurance Program (SIP), ICIEC will strive to help member states get access to Shariah-based financing with lower cost and better conditions.

***Twenty years from now, where do you see ICIEC in the landscape of multilateral and international export credit agencies?***

In twenty years, I see ICIEC being true to its vision and mission as a world class multilateral insurer playing a major role in the facilitation of trade and investments for member states and a preferred partner for companies seeking access to new markets.


# International Linkages

---



## ➤ The Value of Partnerships





As an increasingly important and the sole dedicated Shariah-based multilateral insurer in the world with an Aa3 rating for the last 16 consecutive years, it is not surprising that ICIEC is a partner of choice for several international and multilateral credit and investment insurance organizations.

These include industry bodies such as The Berne Union, an association of export credit agencies (ECAs), most of which are from OECD countries, the Prague Club, which is supported by the Berne Union and whose membership primarily comprises ECAs from the developing countries, and multilateral political risk insurers such as the Multilateral Investment Guarantee Agency (MIGA), which is part of the World Bank Group.

The Corporation's international standing among peer institutions is proven. Under Dr. Abdel Rahman Taha's leadership, ICIEC has acceded to membership of the Berne Group, The Prague Club and has close links with MIGA, which is widely considered as the most experienced political risk or investment insurer in the world.

Thanks to ICIEC's efforts, Shariah-based export credit and investment insurance and reinsurance is now an accepted part of the global export credit, investment, and reinsurance landscape.

"Yes, Shariah-based export credit and investment insurance, though they still remain the specialty of ICIEC," explains Dr. Taha, "has now become an acceptable part of the global trade and investment landscape. Knowing this fact, Berne Union members would always come to ICIEC for technical help and partnership in transactions involving Islamic financing and investment structures. We have already collaborated with MIGA on two investment insurance projects that were Shariah-based. Therefore, we see a huge potential in working with Berne Union members and other providers of credit insurance on the growing niche of Islamic finance."

Membership of the Berne Union involves meeting certain minimum criteria including business volumes, as well as product standards. As such, ICIEC initially started as a member of The Prague Club before acceding to membership of the Berne Union. As such, ICIEC's accession to the Berne Union is effectively a confirmation of the acceptance that the Corporation's business and product

## “Yes, Shariah-based export credit and investment insurance, though they still remain the specialty of ICIEC,”

**explains Dr. Taha,** “has now become an acceptable part of the global trade and investment landscape. Knowing this fact, Berne Union members would always come to ICIEC for technical help and partnership in transactions involving Islamic financing and investment structures. We have already collaborated with MIGA on two investment insurance projects that were Shariah-based. Therefore, we see a huge potential in working with Berne Union members and other providers of credit insurance on the growing niche of Islamic finance.”



standards are at par with those of larger peers from the Western world.

The Corporation has leveraged its membership of the Union through the provision of advanced training to ICIEC and its Member Country staff, and jointly organizing technical workshops and specialized seminars, in addition to performance data and consultation services.

MIGA and ICIEC are the only two multilaterals which are members of the Berne Union. The Corporation's relationship with MIGA is long-standing and mutually beneficial. In fact, the first Memorandum of Understanding (MoU) between the two multilaterals was signed over a decade ago. The MOU covered cooperation and exchange of information on various areas of mutual interest to the organizations. Since then, the MOU has been revised through addenda to reflect the evolution of not only the two entities but also the changing nature of the industry at large.

The most important aspect of this relationship is on training, where ICIEC sends its underwriters and lawyers to spend time at MIGA Headquarters for them to gain on-the-job training and engage in an exchange of expertise.

Under the tenure of CEO Mr. Oussama Abdul Rahman Kaissi, ICIEC's international linkages and global partnerships have evolved to the next level, given the huge advances made in the underwriting architecture and playbook through digitalization, rapidly-emerging new risks especially related to geopolitical tensions and conflict, supply-chain disruptions and catastrophic climate change events including droughts, floods, agricultural pests, and of course through natural disasters such as earthquakes.

Not surprisingly, ICIEC has now established more than 168 partnerships with national ECAs, reinsurers, banks, other multilateral institutions and global industry bodies in various market segments including more recently the International Renewable Energy Agency (IRENA), InsuResilience Global Partnership, The Africa Co-Guarantee Platform, Arab Africa Guarantee Fund (AAGF), Arab-Africa Trade Bridges Programme (AATB), GGGI (Global Green Growth Initiative) and the West African Development Bank (BOAD).

Through its advocacy, ICIEC has forged important relationships and partnerships with Central Asia especially industry counterparties and peer organisations in the six central Asian republics especially Kazakhstan, Uzbekistan and more recently Azerbaijan. This is particularly important in creating market awareness, technical education, workshops, and familiarisation programmes in Member States. In continental Africa, ICIEC has very close relations with Egypt and Senegal, where its underwriting has contributed to the realisation of iconic projects in infrastructure, climate action and transition to clean energy, the agricultural sector and food security and the primary healthcare sector.

### Knowledge Sharing

Another area ICIEC is keen to expand is knowledge sharing. ICIEC and MIGA, in 2012 for instance, collaborated with the Dubai International Financial Centre (DIFC) in holding a forum in Dubai on “Global Turbulence and MENA Transformations – Political Risk and Investment Trends and Opportunities”. The forum explored how today's uncertain world affects prospects for regional growth.

“Events in the region,” stressed Dr. Abdel Rahman Taha in his keynote address, “clearly show the role PRI can play in attracting foreign investment into countries which need it the most. I am sure this event went a long way in educating stakeholders in the role multilaterals like the Multilateral Investment Guarantee Agency of the World Bank Group (MIGA) and ICIEC can play in supporting their investments. PRI, which serves to bridge the gap between the ability and willingness of foreign investors to invest their capital, will only grow in importance given the macro-economic and political climate.”

Another critical area is that of operational collaboration where ICIEC reinsures MIGA in favor of important infrastructure projects in Member States common to both multilaterals. In fact, MIGA views the Corporation as a strategic reinsurance partner in Member states common to both organizations. ICIEC has co-underwritten political risk insurance (PRI) with MIGA in several Middle East & North African (MENA) countries to insure their investments against the risk of war, civil disturbances, expropriation, transfer restrictions, and non-honoring of sovereign financial obligations of the host country.

The first such collaboration took place in 2006 when MIGA issued guarantees to DP World Djibouti FZCO, Standard Chartered Bank, Dubai Islamic Bank, and WestLB AG for their investments in the Doraleh Container Terminal in Djibouti. MIGA's gross exposure under the project was US\$427m. The Agency reinsured US\$50m with ICIEC under MIGA's Facultative Reinsurance Program.

MIGA's participation allowed the syndication of a significant amount of financing provided by the above banks under an Islamic financing structure. This was MIGA's

first guarantee for an Islamic project finance facility. ICIEC and MIGA subsequently also signed another contract of reinsurance in 2011 for the Kadikoy-Kartal-Kaynarca Metro Project in Istanbul, Türkiye, of which MIGA was the primary insurer. The total financing requirement of the project, which was provided by a consortium of banks led by WestLB of Germany, and which was the subject of this contract of reinsurance, is €222.6m.

MIGA provided insurance cover against the risk of Non-Honouring of Sovereign Financial Obligation (NHSFO) by the Municipality of Istanbul to cover the banks' financing for a period of 9.5 years. In turn, ICIEC provided €15m reinsurance support to MIGA.

More recently, on 11 May 2023, ICIEC, in a landmark transaction, issued a US\$7.6m Risk Sharing of Foreign Investment Policy (RSFIP) in favor of Nakheel Palestine for Agricultural Investment (Nakheel) – the Corporation's first transaction in the Occupied Palestinian Territories. The transaction marks the first partnership between ICIEC and MIAG for a project in the West Bank in Palestine.

MIGA acted as the administrator for the West Bank and Gaza Investment Trust Fund (WBGTF) on behalf of its sponsors, the Palestinian Authority, and the Government of Japan. This latest transaction covers foreign investments into a flagship Dates Farm Project in the West Bank, Palestine. The guarantees, enabled by the WBGTF, were issued to Palestine Development and Investment Company, Ltd. (PADICO) of Liberia (US\$10.38 million), Siraj Fund 1 (US\$4.05 million), and Siraj Fund Management Company (US\$2.18 million). ICIEC is providing risk participation (akin to reinsurance) for the guarantee that was issued to PADICO.



MIGA's participation allowed the syndication of a significant amount of financing provided by the above banks under an Islamic financing structure. This was MIGA's first guarantee for an **Islamic project finance facility**



In early 2023, MUFG Securities EMEA plc structured a €1.247bn financing package to enable institutional capital investors and syndicate lenders to collaboratively contribute to the package for **Türkiye's green Yerkoy Kayseri Highspeed Railway Project**. The Project is backed by a coalition of four European ECAs led by UKEF



Collaboration with national, regional, and international partners is a key component of ICIEC's strategy, given the complex risk metrics involved in climate-related events. In early 2023, MUFG Securities EMEA plc structured a €1.247bn financing package to enable institutional capital investors and syndicate lenders to collaboratively contribute to the package for Türkiye's green Yerkoy Kayseri Highspeed Railway Project. The Project is backed by a coalition of four European ECAs led by UKEF.

ICIEC participated in this landmark transaction with an 8-year tenor by covering the risks of the Non-Honouring of Sovereign Financial Obligation (NHSFO) of the Ministry of Finance and Treasury of Türkiye of up to €134.1 million, to cover a Syndicated Financing Facility of the same amount led by MUFG Securities EMEA plc and comprising six banks including MUFG, Banco Santander, DZ Bank, Deutsche Bank, Societe Generale and ING Bank. The aim of the project is to improve the efficiency and adequacy of the transportation system in the region by addressing poor rail connectivity and the lack of alternative environmental transport modes. ICIEC played an instrumental role in this impactful transaction, confirming our unwavering commitment to supporting critical infrastructure developments in Türkiye and within ICIEC Member States.

### Arab Spring and Beyond

ICIEC's working relationship with the Berne Union, The Prague Club and MIGA, is part of a deliberate strategy to align itself with its peers, and to gain as much industry and product knowledge as possible while doing so. The fact that they are co-insuring, providing re-insurance, and seeking re-insurance with the Corporation, is a vote of confidence by them in ICIEC's business and standing as an ECA.

In the wake of the Arab Spring, developments in Member States undergoing political and economic transition have seen a marked rise in demand for PRI business from ICIEC, which Dr. Abdel Rahman Taha attributes as "a testament to the increased awareness of the importance of involving multilaterals like ICIEC in new investment programs. A significant part of this increase in the PRI numbers can also be attributed to the growing relationship ICIEC is building with MIGA, which views the Corporation as a strategic reinsurance partner in its member states."

In a world of increasing uncertainties as a result of the aftermath of the COVID-19 pandemic, geopolitical tensions in Ukraine, South China Sea and the Middle East, the supply chain disruptions including in the Red Sea and Panama Canal Sea Routes, a sluggish global recovery, and multiple climate-related events, risk management is an on-going vital function for all institutions whether DFIs or private sector companies.

Disruptions caused by conflict such as the war in Ukraine, health events such as the COVID-19 pandemic, natural disasters due to climate change, catastrophic events such as earthquakes, terrorism and civil unrest, and so on, unleash a spate of existing and new risks which all stakeholders have to confront and try to mitigate.

"Many lessons were learnt from the pandemic experience," explained Mr. Oussama Kaissi, ICIEC CEO. ICIEC, for instance, immediately implemented a comprehensive suite of risk management measures. ICIEC Management and the Board of Directors are regularly updated with appropriate market intelligence, enabling them to respond in a swift and informed manner to new developments. To closely monitor the Corporation's financial soundness and

resilience, ICIEC – amongst other measures – introduced regular Member State vulnerability test as well as portfolio stress tests, closely tracked overdue payments at the portfolio level, exchanged early-warning exposure experiences amongst IsDB Group entities and adjusted its investment strategy to be more defensive.”

ICIEC also has a Preferred Creditor Status from member states. In the case of complications in terms of payment issues, ICIEC has leverage to solving the issues especially with the governments and the central banks. During times of uncertainties and disruptions, ICIEC under its mandate redoubles its efforts to ensure member states have access to essential goods, supplies and equipment in energy, food staples and health care to ensure no one is left behind. ICIEC has recently made significant strides to strengthen its risk management paradigm and achieved appreciable milestones.

Throughout the pandemic period, ICIEC took a balanced approach, supporting Member states to combat the pandemic while maintaining a sound portfolio with robust risk management, prudent underwriting, and loss minimization efforts. Undoubtedly, the pivotal role of Risk Management helped ICIEC to successfully navigate the crisis period and uphold its strong credit profile.

The Corporation’s target of implementing a fully-fledged Enterprise Risk Management (ERM) architecture as an

enabler to achieving its strategic goals sets the foundation for the priorities for the coming Five-Year Risk Strategy (2021-25). The ERM framework shall be bespoke and forward-looking, tailored towards ICIEC’s multilateral status and self-regulated business model adapted by the COVID-19 paradigm shift and new ways of doing business.

The core risks of ICIEC’s business operations stem from underwriting of trade credit and political risks through the Policyholder’s Fund, investment operations of its Shareholders Fund, and counterparty risks arising from outward reinsurance of its insurance exposure. Other risks arise from its overall activities in diverse and complex forms, being a specialized multilateral insurer.

Subsequently, the near future plans of ICIEC from a risk perspective includes the development and implementation of new policies and structures including a Country Risk Management Framework, a Capital Risk Management and Solvency Framework, a Stress Testing Framework, an Operational Risk Management Framework, a Market and Liquidity Risk Management Framework, an Enterprise Risk Management Framework (Operational Risk Infrastructure), IFRS 9, Enhanced Risk Parameters, a Risk-Based Pricing Model, and the preparation of a Risk Bulletin to cover sector insights, industry updates, and recent risk management developments.

## “Many lessons were learnt from the pandemic experience,”

***explained Mr. Oussama Kaissi, ICIEC CEO.***

ICIEC, for instance, immediately implemented a comprehensive suite of risk management measures. ICIEC Management and the Board of Directors are regularly updated with appropriate market intelligence, enabling them to respond in a swift and informed manner to new developments. To closely monitor the Corporation’s financial soundness and resilience, ICIEC – amongst other measures – introduced regular Member State vulnerability test as well as portfolio stress tests, closely tracked overdue payments at the portfolio level, exchanged early-warning exposure experiences amongst IsDB Group entities and adjusted its investment strategy to be more defensive.”



# International Linkages

---



➤ **Re-imagining Win-Win Public-Private Partnerships (PPPs) to Serve Real Economy Development Agendas**



It is no coincidence that the 17 UN Sustainable Development Goals (SDGs) 2030 Agenda culminates with Partnerships for the Goals. “Never has there been a more critical time for strengthening cross-sectoral partnerships and securing the next ten years of collaboration for sustainable development,” says the UN, urging much greater investment in empowering solutions in attempting to achieve the other 16 goals, whose sheer scope and challenges are matched by their urgency and complexity.

This mantra of greater collaboration and cooperation, especially through public private partnerships (PPPs), is echoed by the gatekeepers of international finance on a regular basis. But the reality is that while multilateral development banks and insurers, aided and abetted by private capital, the global financial services industry and ever increased involvement by philanthropic funds, tend to individually perform well, financing the Goals as a whole, according to the Brookings Institution, is not delivering the desired capacity and is at best fragmented.

This is not the fault of the above players. The sustainable development goal posts keep changing. The terminology, reporting and disclosure protocols remain fragmented and evolving. Previously agreed targets and financing

pledges are reneged on. Political will among governments is beholden to unfolding events beyond their control. These include the on-going impacts of the COVID-19 pandemic, the supply chain disruptions in food and fuel supplies and prices caused by the Ukraine conflict, and the resultant global economic shocks characterized by high inflation, a dearth in FDI flows, subdued GDP growth, rising unemployment and a pervasive cost-of-living crisis, which has spared no economy in the world.

These events exposed the fragility and inadequacy of the global response to tackling them, but ironically is also a vindication of Goal 17 of the SDG agenda - the importance of collaboration among stakeholders in a world of increasing market risks and geopolitical uncertainties.

## PPPs – the Global Context

In recent years, however, PPPs, privatized utilities, and even state-owned enterprises (SoEs) have come under increased global scrutiny especially during times of economic crises.

The untreated sewage spewing out into British rivers and seas, washing up on the beaches of England’s “green and pleasant land”, and South Africa’s transport logistics bottlenecks and debilitating power cuts are symbolized by entities/utilities either privately-owned or state owned, many of which are debt-ridden, mismanaged, poorly regulated, beset by institutional corruption and by state capture of assets. All in the pursuit of dividends to private shareholders or the self-enrichment of apparatchiks appointed to the boards of SoEs or management responsible for running them.

The reality is that the world has been experiencing a ‘silent crises’ of failing and dysfunctional utilities through PPPs, private operators and SoEs. They are mandated to provide the best service at the cheapest cost to customers. The state of the utilities expels the neo-liberal myth that the private sector is best suited to running entities efficiently, profitably and at acceptable prices to consumers. This orthodoxy has been adopted even by Keynesian state interventionist centre left parties, reinvented as New Labor in Britain. The Blair government pioneered public-private partnerships in the health and rail sectors which turned out to be disastrous to the taxpayer and customers, and to which several hospitals are still tied to through expensive debt and interest service payments.

Both the prevailing privatized and state-owned utility models are discredited and well pass their sell-by dates.

The world is clamoring for alternative financing and operating models for water, sewage, electricity, rail, road, and ports services. The cost-of-living crisis fueled by conflicts, mismanagement, and corruption, has reinforced the perception that politicians, by nature driven by short-termism and election cycles, are ill-equipped to oversee let alone run essential utilities. Yet the dichotomy is that SoEs are increasingly crucial in the global economy. UNCTAD defines SOEs as “entities that have a commercial activity where the government has a controlling full, majority or significant minority interest, whether listed or not on the stock exchange.” Herein lies the answers to any future dispensation which will only be as good as the caliber of procurement transparency, independent auditing, and regulatory oversight.

Since utilities usually involve ownership of state assets, which center left parties tend to regard as a sovereignty issue, privatization is usually regarded as anathema. The failure of privatized utilities mainly in the West has reinforced this view. The dividends are huge and the stakes high! UK and South African research have shown that the quality of the regulation of utilities and the government’s effectiveness in running them have a direct correlation with citizen sentiments and trust in politicians.

## Partnerships and Multilateral Insurers

Partnerships and collaboration especially with ECAs and EXIM banks in ICIEC’s 49 member states is important, but the pitfalls are also real. For ICIEC partnerships are primarily to help exporters in these countries especially SMEs to enter new markets, to generate employment, to provide de-risking solutions and credit enhancement in an era of increased and emerging new risks, and of course to increase awareness of the importance of affordable





and effective credit insurance, for technical cooperation, human capital development and capacity building, and for market education.

In fact, the very ethos of ICIEC's Takaful Model connotes solidarity through partnerships and collaboration in the sense of mutual mitigation of risks and payment of claims for the benefit of the policyholder and, ultimately, by extension, of the economy and community per se. The rationale is that these proscription metrics would ensure an equitable pathway in a transaction.

The contemporary Islamic finance industry, nearing its 50th anniversary in 2025, in recent years, has had encouraging success in crowding in institutional investment for projects and trade financing in the 57 OIC member states. ICIEC has done this through its extensive partnerships, as a member of the Islamic Development Bank (IsDB) Group and through a suite of innovative products. The major challenge, in general, is how to upscale the crowding in risk-sharing institutional investment to the levels required and the innovation of financial structures suited to the development needs of its member states.

Some of the positive changes needed include adopting the relevant enabling legislation, regulatory and risk management frameworks to facilitate this in the OIC states, the introduction of tax and other incentives, the improvement in the financial reporting culture and adoption of the IFRS17 and 9 standards, greater clarity of insurance laws and guidelines especially relating to the underlying contracts in Takaful, market education, and perhaps the biggest challenge of all – increasing the capitalization of insurers to facilitate much greater volumes

and capacities of business insured, reinsurance treaties, guarantees and credit information.

ICIEC acknowledges that the crowding in of institutional investment is a pre-requisite of raising the trillions of dollars of funding required to meet the development challenges in member states and the global financing ecosystem. Investors want certainty and comfort in terms of policies, regulations, laws, standardization, incentives and recourse to courts and the rule of law. Countries, in return, want equity and fairness in risk perception, pricing, terms of financing, claims, capacity building, information sharing and access to capital.

Over the last two decades, ICIEC, the IsDB Group and peer institutions have rallied to facilitate the crowding in of an institutional investment ecosystem which holds much promise for the future. This includes inter alia partners in the estimated US\$3.5 trillion Islamic finance industry (which, according to S&P, is estimated to rise to US\$5 trillion by 2025) and with global, regional, national, and philanthropic institutions such as MIGA, the World Bank, IFC, UN agencies, the OPEC Fund for Development, Public Investment Fund (PIF) in Saudi Arabia and Bill & Melinda Gates Foundation.

But the scope is much higher and potentially rewarding. Here, the co-option of pension and social security funds, sovereign wealth funds (SWFs), development finance institutions, banks, insurance firms, family offices, philanthropy, and social funds, and even retail investors through government-guaranteed schemes in vital infrastructure becomes imperative.



For ICIEC partnerships are primarily to help exporters in these countries especially SMEs to enter new markets, to generate employment, to provide de-risking solutions and credit enhancement in an era of increased and emerging new risks, and of course to increase awareness of the importance of **affordable and effective credit insurance, for technical cooperation, human capital development and capacity building, and for market education**

## Collective Bankable Propositions and Projects

Institutional investors primarily want to invest in bankable projects, which can be a tough ask in several LMICs because of a lack of capacity. ICIEC is at the forefront of several credit enhancement and risk mitigation initiatives through its suite of products, such as a Non-Honoring Sovereign Financial Obligation (NHSFO) Insurance Policy, Bank Master Policy (BMP), Documentary Credit Insurance Policy (DCIP), Facultative Reinsurance Agreement (FRA) and Contract Frustration Insurance Policy (CFIP), in partnership with government agencies, banks and private capital, or through multilateral peer group alliances such as the Arab Africa Trade Bridges Program, of which ICIEC is the insurance pillar, the Africa Co-Guarantee Platform (CGPA), and the proposed Climate Action Finance Trust Fund with institutional partners, peer multilaterals, ECAs, banks and private investors, which would offer a discount to the insurance premiums needed for financing climate projects that are not investment grade.

Take for instance the CGPA, agreed in 2018 with the mandate to create an innovative and collective de-risking instrument, to address the perceived high risk across Sub-Saharan Africa (SSA) and the lack of capacity of traditional lenders to provide risk mitigation products for projects.

The promoters comprise The African Development Bank (AfDB), ICIEC, the African Trade Insurance Agency (ATI), the multilateral African ECA, and GuarantCo, part of the Private Infrastructure Development Group (PIDG) which is supported by the governments of the UK, Switzerland, Sweden, Netherlands, and Australia.

The CGPA aims at increasing the volume of insurance and guarantee solutions available to project sponsors and their bankers in a market-responsible manner. The objective is to mobilize greater amounts of investment that would otherwise not take place in the region in the absence of affordable risk mitigation products. ICIEC, like the other three partners has a huge stake in Africa with 30 years of experience of operating on the continent since its establishment in 1994.

In a globalized financial services marketplace, the aim is for the CGPA to be eventually opened to more participants including official development institutions and the private sector with the aim of embracing reluctant risk mitigation and credit enhancement providers across the world to make more projects happen in Africa on more affordable terms for both African and foreign investors and lenders alike.

ECAs provide financing services such as guarantees, loans and insurance to companies to promote exports in the domestic country. The primary objective is to remove the risk and uncertainty of payments to exporters when exporting outside their country. ECAs take the risk away from the exporter and shift it to themselves, for a premium,



and underwrite the commercial and political risks of investments in overseas markets that are typically deemed to be high risk.

ICIEC brings alternative credit and investment insurance products to the table particularly aimed at the roads and electricity infrastructure sectors. ICIEC for instance recommended to the CGPA the financing of SMEs through extending lines of credit to local banks specifically for this purpose. The Corporation did that in Egypt with Afreximbank, by guaranteeing the €200 million loan that was given by Afreximbank to the National Bank of Egypt (NBE) for financing SME activities. ICIEC provided the guarantee against any default by NBE for the repayment. There is a huge need for this kind of cover.

ICIEC similarly has an exhaustive transaction record of underwriting the financing of government projects in various sectors involving regional and international banks and partners. Deploying innovative de-risking solutions is critical to create bankable projects in high-risk markets. Multi-stakeholder collaboration is vital to unlock institutional and private investor assets. ICIEC and peer multilaterals have an important role in contributing to the international climate finance ecosystem. It is committed to further boosting its green and sustainable finance operations. It has proposed the establishment of a Climate Action Finance Trust Fund with institutional partners, peer multilaterals and ECAs in Member States and beyond, which would offer a discount to the insurance premiums needed for the financing of Climate Action projects that are not investment grade.

In the above context, ICIEC is enhancing capacity building programs stressing the Role of Credit Information Sharing, Business Intelligence, and Digital Transformation in supporting trade and investment decisions and how the



ICIEC similarly has an exhaustive transaction record of underwriting the financing of government projects in various sectors involving regional and international banks and partners.

**Deploying innovative de-risking solutions is critical to create bankable projects in high-risk markets**

OIC Business Intelligence Center (OBIC) platform can be used as an improved Credit Risk Management tool that will facilitate access to finance for trade and investment, as well as the mitigation of risks related to those activities.

### Financing Challenge

Under such circumstances, the financing challenge is daunting albeit not unsurmountable. Estimates from the IMF/World Bank, OECD and UN put the cost of achieving the SDGs at US\$3.9 trillion annually over the next 10 years. One of the most defining goals, SDG 13, is that of Climate Action (CA) and achieving the Net Zero target of the Paris Agreement on Climate Change by 2050.

Estimates of global investments needed to achieve the Paris Agreement's temperature and adaptation goals of 1.5°C range between US\$3 to US\$6 trillion per year until 2050. The Intergovernmental Panel on Climate Change (IPCC) in its latest mitigation to climate change report concluded that the world is not on track to limit global warming to 1.5°C.

Climate action cannot be achieved by governments alone. The pressure on national budgets and scarce resources due to the impact of the pandemic and the global economic and geopolitical uncertainties has severely limited the ability of governments to mobilize the necessary funds.

But in adversity comes innovation in new partnership and financing models to support the re-engineering of our economies for Net Zero. An important building block is a system that mobilizes private finance and capital. In this respect, MIGA, the political risk insurer of the World Bank Group, sees the new partnership model encompassing systematic collaboration based on partnership principles

that bring together both the development community and the private sector, synergistic collaboration based on complementary institutional strengths and products, and streamlined and consistent interaction on joint projects, leveraging each partner's strengths.

Deploying innovative de-risking solutions is critical to create bankable projects in high-risk markets. Multi-stakeholder collaboration is vital to unlock institutional and private investor assets. As a signatory to the Principles for Responsible Insurance (PRI) and the fact that it is the only Shariah-based multilateral insurer, sustainable investment is firmly embedded in ICIEC's due diligence process through linking all new business and other queries with SDG and climate action indicators. In this respect, ICIEC actively targets real impact and change in all its financing, insurance policies it underwrites and projects it supports, and acts as a catalyst for private sector capital mobilization towards achieving the SDGs.

ICIEC's insurance policies, whether the policyholder is a financial institution, specialized company, or contractor, that offer cover against political and commercial risks, can contribute to the flow of Climate Action related investment, specialized technology and equipment or services into Member States. These projects help reducing electricity imports, lessening dependency on fossil fuels, creating jobs, supporting the local economy via local procurement of services and equipment, fostering technology transfer, empowering local people with new knowledge about renewable energy and improving local infrastructure via road construction and improvements in transmission lines and electricity distribution.

Climate change is one of the most pressing challenges facing the world today. Its impacts are felt across the globe, and the consequences of inaction are severe.

According to the World Bank, estimates suggest that insufficient or delayed action on climate change could cost the global economy US\$178 trillion by 2070, or almost double the current GDP. The OIC countries, which comprise 57 member states, are particularly vulnerable to the impacts of climate change. These countries are already experiencing more frequent and severe weather events, rising sea levels, and other climate-related consequences that threaten their economies and the well-being of their populations.

Financing climate action is an essential element of the global response to climate change. The cost of transitioning to a low-carbon economy is significant, and it is beyond the capacity of any single government or organization to finance it alone. PPPs have emerged as a critical tool for mobilizing the necessary resources and expertise to finance climate action in OIC countries.

The IsDB launched its realigned Strategy for 2023-2025 in 2023, which addresses climate change, as a crosscutting area, with one of the strategic objectives being 'Driving the Green Economic Growth of its Member states'. This will be supported by investments in building sustainable, green, and resilient infrastructure (e.g., water, sanitation, electricity, transport, and urban and rural development). Moreover, as part of its 2020-2025 Climate Action Plan, the IsDB has committed to ensuring that 35% of its financing to go towards climate change mitigation and adaptation, in alignment with SDG 13, by 2025, as well as the objectives of the 2015 Paris Climate Agreement.

### Climate Change Challenges Facing the OIC Countries

The OIC countries are particularly vulnerable to the impacts of climate change. According to the IPCC, the

impacts of climate change in the region are likely to include more frequent and severe heatwaves, droughts, floods, and storms, as well as rising sea levels and ocean acidification. These impacts will have significant economic, social, and environmental consequences for the region.

Climate action for OIC Member States is a complex policy challenge. Most Member States face climate threats due to declining agricultural productivity, food insecurity, weather volatility, and receding water levels and quality. These threats are exacerbated in some countries by political instability, conflict, and low adaptation capacities due to technological and financial impediments.

Together they make Member States most vulnerable because of their dependence on high climate-sensitive natural resources including fossil fuels and palm oil. Many OIC countries are primary commodities producers and processors including oil, gas, coal, palm oil and other agricultural products. Just transitioning to clean energy will be a difficult and lengthy process. As such the transition must be well thought out and pragmatic, balancing the demands of climate change with those of economic development agendas and resource mobilization.

In recent years, the IsDB Group have been deepening partnerships in addressing perennial and emerging development challenges facing member states. "We have scaled up not only financing but also technical expertise in helping our member states navigate through crises. In 2022, the IsDB intensified its engagement with development financing partners, yielding a contribution of US\$2.29 billion on top of the existing US\$1.14 billion IsDB financing for various development projects in member states. Additionally, the IsDB Group reached a landmark collaboration with the Arab Coordination Group, earmarking US\$10.54 billion for a comprehensive



food security response program and US\$24 billion for climate finance initiatives,” confirmed IsDB President Dr. Muhammed Al-Jasser.

The Group is committed to *Promoting Green Finance*, especially as climate change is impacting on economic growth with consequences on the lives and livelihoods of people in Member States. In this regard, the IsDB is committed to a 35% climate finance share of its total financing approvals by 2025.

As a proactive step toward addressing emergent global challenges, IsDB formulated a Realigned Strategy 2023-2025 that hinges on three overarching objectives. These are boosting recovery, tackling poverty, building resilience, and driving green economic growth. These objectives are intended to be achieved by focusing the Bank’s interventions on two key pillars over 2023-2025: developing green, resilient, and sustainable infrastructure, and supporting inclusive human capital development through projects and capacity development initiatives.

### The Role of PPPs in Financing Climate Action

Successful PPPs have emerged as a critical tool for mobilizing the necessary resources and expertise to finance climate action in OIC countries. PPPs involve collaboration between public and private sector entities to achieve a common goal. In the context of climate action, PPPs can help to mobilize private sector investment, expertise, and innovation to support the development of climate-friendly infrastructure and technologies.

PPPs can take many forms. For example, they can involve joint ventures between public and private sector entities, the provision of financial incentives to private

sector investors, or the establishment of public-private partnerships to support the development of clean energy infrastructure.

PPPs have several advantages in the context of financing climate action. First, they can help to leverage private sector investment to support the development of climate-friendly infrastructure and technologies. This is particularly important in the OIC countries, where public sector resources are often limited. Second, PPPs can help to bring private sector expertise and innovation to bear on the development of climate-friendly infrastructure and technologies. The private sector has significant expertise in areas such as renewable energy, energy efficiency, and sustainable agriculture that can be leveraged to support climate action in the OIC countries.

Finally, PPPs can help to promote the development of local capacity and the transfer of technology and expertise. This can help to build resilience to the impacts of climate change and support sustainable economic development in the region.

### Successful PPPs and CA Programs in OIC Countries

There are several examples of successful PPPs and climate action programs in the OIC countries that illustrate the potential of this approach to mobilize private sector investment and expertise in support of climate action. These include:

- The Noor Ouarzazate solar power plant project in Morocco, which was developed as a PPP between the Moroccan government and a consortium of private sector companies. The project is one of the largest solar power plants in the world, which has helped to support the development of Morocco’s renewable energy sector and has attracted significant private sector investment.
- The Dubai Clean Energy Strategy 2050, which was launched by the Dubai government in 2015. This strategy aims to make Dubai a global leader in clean energy and to reduce the city’s carbon footprint. The strategy involves a range of PPPs with private sector companies, including the development of a solar park and the establishment of a green fund to support the development of clean energy projects in the region.
- The Saudi Arabia Renewable Energy Project Development Office (REPDO) was established in 2017 to support the development of Saudi Arabia’s renewable energy sector. The office has been successful in attracting significant private sector investment and expertise, with several major renewable energy projects currently under development. Saudi Arabia also launched The Saudi Green Initiative in March 2021, which is a



The Group is committed to *Promoting Green Finance*, especially as climate change is impacting on economic growth with consequences on the lives and livelihoods of people in Member States. In this regard, the **IsDB** is committed to a **35% climate finance share of its total financing approvals by 2025**



Egypt, one of the most vulnerable countries to climate change, launched several initiatives including the National Climate Change Strategy 2050, complemented by the Integrated **Sustainable Energy Strategy 2035** which identifies a set of targeted indicators to be reached by 2030

comprehensive plan to reduce carbon emissions and combat climate change. The initiative includes planting 10 billion trees and aims to cut carbon emissions by 60% by 2030.

- Egypt, one of the most vulnerable countries to climate change, launched several initiatives including the National Climate Change Strategy 2050, complemented by the Integrated Sustainable Energy Strategy 2035 which identifies a set of targeted indicators to be reached by 2030 - 20% of Egypt's power generation to be based on renewables by 2022, and 42% by 2035. Egypt is also in the process of finalizing its "National Strategy for Hydrogen" to promote the use of blue and green hydrogen as a low to zero emission energy source.
- Bank Negara Malaysia (BNM), the central bank, and the Securities Commission Malaysia (SC), the capital markets regulator, launched the Climate Change and Principle-based Taxonomy (CCPT) under which financial institutions are required to transition to the Taxonomy and to report their progress towards achieving this and how they manage climate-related risks to The Joint Committee on Climate Change (JC3). The Committee, through the CCPT Implementation Group (CCPT IG), is working with the industry and partners to further improve the consistency and quality of classifications under the CCPT for existing outstanding financing and investments. CCPT IG has developed a due-diligence questionnaire with the World-Wide Fund (WWF) Malaysia on selected CCPT guiding principles to help financial institutions capture important information from their customers and counterparties in a more consistent manner, and is also cooperating with Capital Markets Malaysia, an affiliate of the SC, to develop an ESG Disclosure Guide tailored to Malaysian SMEs.
- Last year the Malaysian government launched BNM's the Financial Sector Blueprint 2022-2026, one of whose five key thrusts is "positioning the financial system to facilitate an orderly transition to a greener economy, building social resilience and promoting climate resilience and sustainability." This complements the Sustainable and Responsible Investment-linked (SRI-linked) Sukuk Framework launched by the SC in June 2022.
- The SC also released a consultation paper on the principles-based SRI Taxonomy for the Malaysian capital market. The SRI taxonomy aims to guide companies with transition finance needs, facilitate investment allocation and promote the growth of SRI assets.

### Key Factors Contributing to the Success of PPPs in the OIC Countries

Several key factors contribute to the potential success of PPPs in OIC countries, although the ecosystem of enabling legislation, regulatory frameworks, FDI laws and incentives, and profit repatriation policies especially in foreign currency, differ from country to country. The reality however remains that private sector financial institutions will continue to search for climate-related investment products and liaise with the public sector and multilateral and national development banks (MDBs and NDBs) to develop joint products and partnerships.

These factors are essential for successful implementation of PPPs and include:  
Strong political will and commitment from policy makers, the public and private sectors are a pre-requisite of any self-respecting and successful PPP ecosystem. This involves a willingness to work together towards a common goal, as well as a commitment to providing the necessary resources and support.

Take Central Asia, for instance where ICIEC is forging strategic partnerships with peer institutions in several countries, the focus *inter alia* is increasingly on the region's Green Growth and Sustainable Development Agenda, regional interconnectivity and collaboration especially in the transport, energy, and telecoms sectors, and progress towards achieving the UN SDGs and the Net Zero targets of the Paris Climate Agreement.

As such the Corporation, has been closely following the region's needs in trade and investment insurance and guarantees to provide on-time and high-quality services as the number and volume of transactions is increasing, supported by a physical presence through ICIEC's nascent Regional Hub in Almaty in Kazakhstan.

As an alternative to funding projects from national budgets, Turkmenistan, Azerbaijan, Kazakhstan, and Uzbekistan have adopted PPP legal frameworks to attract foreign investors and Islamic financial institutions in government projects. Although the application stages differ from country to country, all are targeting projects funded through PPPs.

ICIEC partner KazakhExport pays special attention to supporting sustainable development projects in compliance with international standards and best practices. The development of its own expertise in the sustainable development agenda, with the help of ICIEC technical and risk management expertise, will allow the Company to expand international cooperation and participate in joint projects in the field of sustainable development with foreign ECAs and banks.

Another important activity of KazakhExport will be the development of insurance support for responsible exporters, expressed in support of export projects related to reducing environmental impact and adaptation to climate change, by providing more optimal conditions for insuring green projects, as well as expanding support for investments and export transactions of companies with a high level of ESG responsibility for the development of the "exports of the future".

Clear regulatory frameworks are essential for creating a supportive environment for PPPs. This includes regulatory frameworks that encourage private sector investment and innovation, as well as frameworks that ensure transparency, disclosure, and accountability.

Effective risk management is vital. PPPs involve a degree of risk, and effective risk management is essential for ensuring their success. This includes identifying and assessing potential risks, as well as developing strategies to mitigate and manage these risks. In addition, there are high risk-return perceptions due to uncertainties about future climate policies, technological costs, training needs, and economic effects of climate impact.

Strong partnerships between public and private sector entities are essential for the success of PPPs. Developing enduring relationships requires a willingness to collaborate and share expertise and resources, as well as a commitment to building long-term relationships.

On 20th July 2023, ICIEC for instance signed a MoU with the State Asset Management Agency of the Republic of Uzbekistan (UzSAMA), whereby the two entities will collaborate in exchanging experiences in the privatization process. Both parties have committed to advancing their cooperation to attract potential investors for privatized state assets, including that of the banking sector, in Uzbekistan.

ICIEC is in contact with the PPP Development Agency and international banks to explore opportunities to support PPP projects in Uzbekistan's energy and healthcare sectors. ICIEC is cooperating with international banks for their lines of financing to Uzbek banks and entities. ICIEC is also closely following the various proposed PPP projects pipeline in Kazakhstan and is in contact with foreign investors, the Kazakhstan PPP Centre, and international banks to support PPP projects in the country. Adequate financing is essential for supporting the development of PPPs. This includes providing the necessary funding to support the development of climate-friendly infrastructure and technologies, as well as providing financial incentives to encourage private sector investment.

ICIEC's experience in Senegal is implicit here. Over the past years, ICIEC has supported numerous landmark transactions and projects in Senegal with an investment totaling US\$3.6 billion through risk mitigation, credit enhancement solutions and guarantees. Notable projects include Blaise Diagne International Airport (AIBD SA), Stade du Sénégal (Abdoulaye Wade Stadium), Dakar Expo Center, the Market of National Interest, Hann-Fann Wastewater Collector, and the Dakar Truck Station.

According to Madame Oulimata Sarr, then Minister of Economy, Planning & Cooperation of Senegal, "The ICIEC guarantees (and de-risking tools) have enabled the realization of several infrastructure projects in Senegal. ICIEC's credit and investment insurance products play a major role in project risk mitigation, as they make them more attractive to investors. In addition, these products make it possible to ensure projects are more bankable with foreign investors who have a high-risk perception when it comes to investing in Africa or in developing countries."

ICIEC has also been active in several projects in Egypt in line with its policy to increase its Green Finance and Sustainable Finance exposure in projects in member states. The Corporation, for example, provided Breach of Contract and Political Risk Insurance (PRI) cover under its Foreign



Over 28 years, ICIEC cover has been directed to various sectors, including **US\$36.1bn to clean energy**. The IsDB Group's current renewable energy financing totals about US\$3.4bn, and **ICIEC has provided US\$596m in insurance for renewable energy projects in member states**



Investment Insurance (Equity) Policy to the UAE-based Alcazar Energy for its US\$68 million equity investment in the Benban Solar Complex in Aswan. The cover is for 7 years. The complex involves the construction and operation of four 50 MW solar power plants, providing the generated electricity to the Egyptian national grid under a 25-year power purchase agreement.

ICIEC also provided a Non-Honouring of a Sovereign Financial Obligation (NHSFO) policy for US\$56 million covering the participation of Japan's Sumitomo Mitsui Banking Corporation (SMBC) in the Syndicated Green Term US\$3 billion Loan arranged by Emirates NBD Capital and First Abu Dhabi Bank in favor of the Ministry of Finance of Egypt to finance Green Projects including clean energy and water, and waste treatment projects.

ICIEC's climate action finance portfolio through involvement in PPPs or in trade and investment projects including the private sector and private capital is substantial and is set on an upward trajectory over the next few years. Over 28 years, ICIEC cover has been directed to various sectors, including US\$36.1bn to clean energy. The IsDB Group's current renewable energy financing totals about US\$3.4bn, and ICIEC has provided US\$596m in insurance for renewable energy projects in member states.

A strong feature of ICIEC's climate action strategy is forging new partnerships, signing MoUs and framework agreements. In recent months, these have included an MoU with the Federation of Afro-Asian Insurers and Reinsurers (FAIR) to encourage business collaboration among their members and an agreement with Egypt's Elsewedy Electric to accelerate climate action in Member States by promoting climate and water projects in line

with the ICIEC Climate Action Guidelines and Elsewedy Electric's Sustainability Strategy 2020-2023.

Elsewedy Electric, a long-standing partner of ICIEC, is a leading global energy solutions provider with a footprint across electric, engineering and construction, digital solutions, and infrastructure investments. Its climate cooperation with ICIEC will lead to stronger coordination and more efficient implementation of its activities to benefit the Egyptian economy.

ICIEC also signed a crucial MoU with Nippon Export and Investment Insurance (NEXI) of Japan to boost cooperation on ESG-related and climate action infrastructure projects, with particular focus on green-field projects, a cooperation MoU with Africa Finance Corporation (AFC) to Promote the Origination, Financing and Execution of Climate Action Projects in African Member States common to both entities, and ICIEC joining the InsuResilience Global Partnership (IGP) for climate disaster risk finance and disaster solutions, thus positioning itself at the forefront of its peers to meet the Climate Action needs of its Member States.

ICIEC's commitment to further boosting its green and sustainable finance operations, is underlined by its proposal for the establishment of a Climate Action Finance Trust Fund with institutional partners, which would offer a discount on the insurance premiums needed for the financing of Climate Action projects especially in below investment-grade Member States.

The Corporation's green finance credentials are implicit in promoting a clean and just energy transition in the Member States through supporting private sector-involved renewable energy projects, waste management, desalination, and clean water provision.



## Challenges and Opportunities for PPPs in Climate Action Finance

While PPPs have significant potential for financing climate action in OIC countries, several challenges and opportunities must be considered. One of the main challenges is the lack of awareness and understanding of PPPs among public and private sector entities in the region. Many stakeholders may not fully understand the potential benefits of PPPs or may be hesitant to engage in these types of partnerships due to concerns around risk and liability.

However, as the experience in developed economies has shown, especially in the UK's National Health System (NHS) hospital building program, PPPs can have a debilitating downside on Treasury coffers, if agreements and terms of engagement are not properly and equitably negotiated, and heavily skewed in favor of private capital, which in the UK NHS case meant locking in hospitals with some 25 years of burdensome debt servicing.

Another challenge is the lack of adequate regulatory frameworks to support PPPs. Many OIC countries may not have the legal and regulatory frameworks to support PPPs, making it difficult to attract private sector investment and expertise.

There are also significant opportunities for PPPs in the OIC countries. These include the potential for leveraging private sector investment and expertise to support the development of climate-friendly infrastructure and technologies and the potential for building local capacity and promoting the transfer of technology and knowledge.

In addition, many OIC countries are heavily reliant on fossil fuels for their economies. This dependency makes them significant emitters of greenhouse gases (GHGs) and puts them at risk of being left behind in the transition to a low-carbon economy. At the same time, the OIC countries have significant renewable energy potential, particularly in the form of solar and wind energy.

The challenge facing the OIC countries, therefore, is to balance their economic development needs with the imperative of reducing greenhouse gas emissions and adapting to the impacts of climate change. This requires significant investment in climate mitigation and adaptation measures, as well as in the development of clean energy infrastructure.

However, the transition will take some time due to the inherent climate finance dichotomies, which will necessitate tough decisions at the policy level. Take for instance the US\$1.12 billion in development finance approved by the IsDB Board in September 2022. They included two projects involving PPPs. The first one was an €100m IsDB contribution for the Surkhandarya Combined Cycle Power Plant Project in Uzbekistan. This project's

objective is to improve the efficiency of the power sector while utilizing indigenous gas resources. It will reduce the operations and maintenance cost of the base load generation capacity required to maintain the power grid stability and allow for the integration of renewable energy resources into the power grid.

In contrast, the second one was an US\$100m allocation to Uganda towards the East Africa Crude Oil Pipeline Project, which will enable Uganda, a landlocked country, to emerge as a regional oil producer with export capacity to international markets.

ICIEC leverages its already extensive network of relationships with multilaterals, regional agencies, industry bodies, ECAs and private insurance companies. These include MIGA, the political risk insurance arm of the World Bank Group, The World Bank, Afreximbank, BADEA, the Berne Union of ECAs, and the ECAs of the Netherlands (Atradius), Tunisia (Cotunace), Algeria (CAGEX), Australia (NAIF), China (SINOSURE), France (COFACE), Saudi Export Program (SEP) etc.

MIGA recently renewed its long-standing cooperation MoU with ICIEC, which according to CEO Kaissi "will facilitate the pooling of our resources in catalyzing private sector investments and boosting FDI inflow." Since its creation in 1988, MIGA has directly supported over US\$55 billion in investments for over 850 projects in 111 developing countries. ICIEC in the last year has leveraged relationships with Coface, Atradius and Trade Mundi to facilitate transactions in Algeria, Nigeria, Cote d'Ivoire and Uganda. The list continues unabated.

## PPPs – The Way Forward

PPPs have emerged as a critical tool for mobilizing the necessary resources and expertise to finance climate action in OIC countries. These partnerships have the potential to leverage private sector investment and expertise to support the development of climate-friendly infrastructure and technologies, promote the development of local capacity, and build resilience to the impacts of climate change.

However, there are also several challenges that need to be addressed, including the lack of awareness, and understanding of PPPs among stakeholders, the lack of adequate regulatory frameworks, and concerns around risk and liability.

To fully realize the potential of PPPs in financing climate action in the OIC countries, there is a need for greater awareness and understanding of these partnerships, as well as for the development of clear regulatory frameworks and effective risk management strategies. With the right support and resources, PPPs have the potential to play a critical role in supporting the transition to a low-carbon, climate-resilient future in the OIC countries.

According to a recent IMF report, with the private sector providing a large share of financing, the public sector and multilaterals can underwrite more risks, take on equity/Junior tranches, provide guarantees and credit enhancements, as well as help with project selection and assessment, capacity development and training, improving regulatory and legal environment, and diversification for the private sector, public-private synergies in this area would provide a multiplicative effect.

Multilaterals and NDBs, added the report, are in a good position to channel more funds and guarantees in climate-related investment projects and partnerships. These banks can provide counter-cyclical financing, long-term or concessional resources, and promote private sector involvement. Equity stakes would allow the public sector to share the upside, but they would also help to leverage private sector capital in the largest way, particularly, given and many EMDEs have large private debt.

Therefore, multilaterals can play an additional role to help countries structure financial products in such a way to take equity stakes and thus attract private sector capital and can also help in addressing governance and fiscal risks.

Looking ahead decarbonization remains at the core of what will help drive the global economy in the coming years. Islamic finance especially infrastructure finance, credit and investment insurance and guarantees has, and will play a crucial role in assisting OIC countries to transform and mitigate climate risks in partnership with various stakeholders especially governments and the private sector, increasingly through PPPs. As the world's sole Shariah-based multilateral insurer, ICIEC takes its multiple roles of promoting both ESG-related finance, sustainable investment, and Islamic finance very seriously and believe that a combination of all will be important for achieving climate mitigation and a smooth energy transition.

To overcome the complex global challenges we face, maintains ICIEC CEO Oussama Kaissi, "we must come together and combine diverse skills and resources, including socially responsible projects that contribute to achieving the UN SDGs. ICIEC's tireless efforts to support post-pandemic recovery and forge new partnerships while insuring trade and investment in our Member States, demonstrate a commitment to growth and regeneration in the new development paradigm."

The benefits for ICIEC member states are potentially game-changing – increased intra-OIC trade and investment, better socio-economic outcomes, greater capacity building, and resilience in meeting climate, food security and other challenges, ensuring that no one, whether businesses, SMEs, or individuals, is left behind. A much greater level of partnerships including PPPs is needed to close gaps in resources, capital, which would allow the



underwriting of much greater volumes of business and investment insured, reinsurance treaties and guarantees, capacity building, better risk management, and reliable credit history and data collection.

Above all, as recent research by Swiss Re Institute shows, protection insurance whether for crops or climate damage in the agricultural sector or underwriting business credit and investment both on a standalone basis or in partnerships, crucially supports both micro and macro resilience in development and the wider economy!

## Climate Proaction

By acceding to membership of the ETAF Platform of the International Renewable Energy Agency (IRENA), the IsDB and ICIEC commit to promoting renewable energy production in Member States, to assisting Member States with addressing climate-change-related challenges, and capitalizing on opportunities inherent to green growth. The IsDB and ICIEC also pledged US\$250 million to projects on the platform by 2030 and to provide de-risking tools to support renewable energy projects in member developing countries.

Through the ETAF Platform, ICIEC is mandated to provide credit and political risk insurance solutions to support the financing of renewable energy projects recommended by IRENA for the benefit of common member states. This partnership leverages ICIEC's expertise in credit and political risk insurance and its synergies with the broader reinsurance market. The IsDB Group and ICIEC welcome this partnership with other stakeholders in the ETAF platform, which focused on advancing just, affordable, and clean energy transition in low-and-medium-income countries (LMICs).



From ICIEC’s vantage point, export credit insurance and political risk insurance emerge as instrumental tools in addressing the **Climate Action finance** gap. The corporation remains steadfast in its mission to support its 49 Member States in their endeavors to counteract and adapt to climate change challenges

LMICs form the largest component of the 57 member states of the IsDB and are disproportionately affected by the ravages of climate devastation even though as a group they are the lowest emitters of carbon in the world. As such, energy transition is not only a financial, economic, technological, survival and societal imperative, but also a moral one. As part of a diverse network of partners, the ETAF Platform enables the financing of renewable energy projects giving developers access to a suite of de-risking solutions and manifold financing opportunities as a way of advancing their energy projects and making them bankable to donors, institutional and private investors.

The IsDB Group and ICIEC bring to the table alternative funding and de-risking tools in the form of Islamic Green Finance, such as Syndicated Murabaha and Instalment Sale, a suite of risk mitigation policies underwritten based on Takaful (Islamic equivalent to insurance based on the principle of mutual solidarity) and Re-Takaful, and the issuance of Green/Sustainability Sukuk (trust certificate issuance backed by sustainable real assets).

Through smart partnerships ICIEC has also signed several MoUs with technology and industry leaders such as GE Vernova, multilateral institutions focused on designing climate-based solutions such as the Global Green Growth Institute and export credit agencies (ECA’s) whose portfolio of transactions and supported companies are predominantly renewable energy based, such as EKF of Denmark. ICIEC’s affiliation with the InsuResilience Global Partnership and its collaboration with ‘Aware for Projects’ further solidify its position as an industry leader. As ICIEC continues to evolve, the formulation of a Climate Change Policy and ESG Framework will further enshrine its dedication to Climate Action and Green Finance.

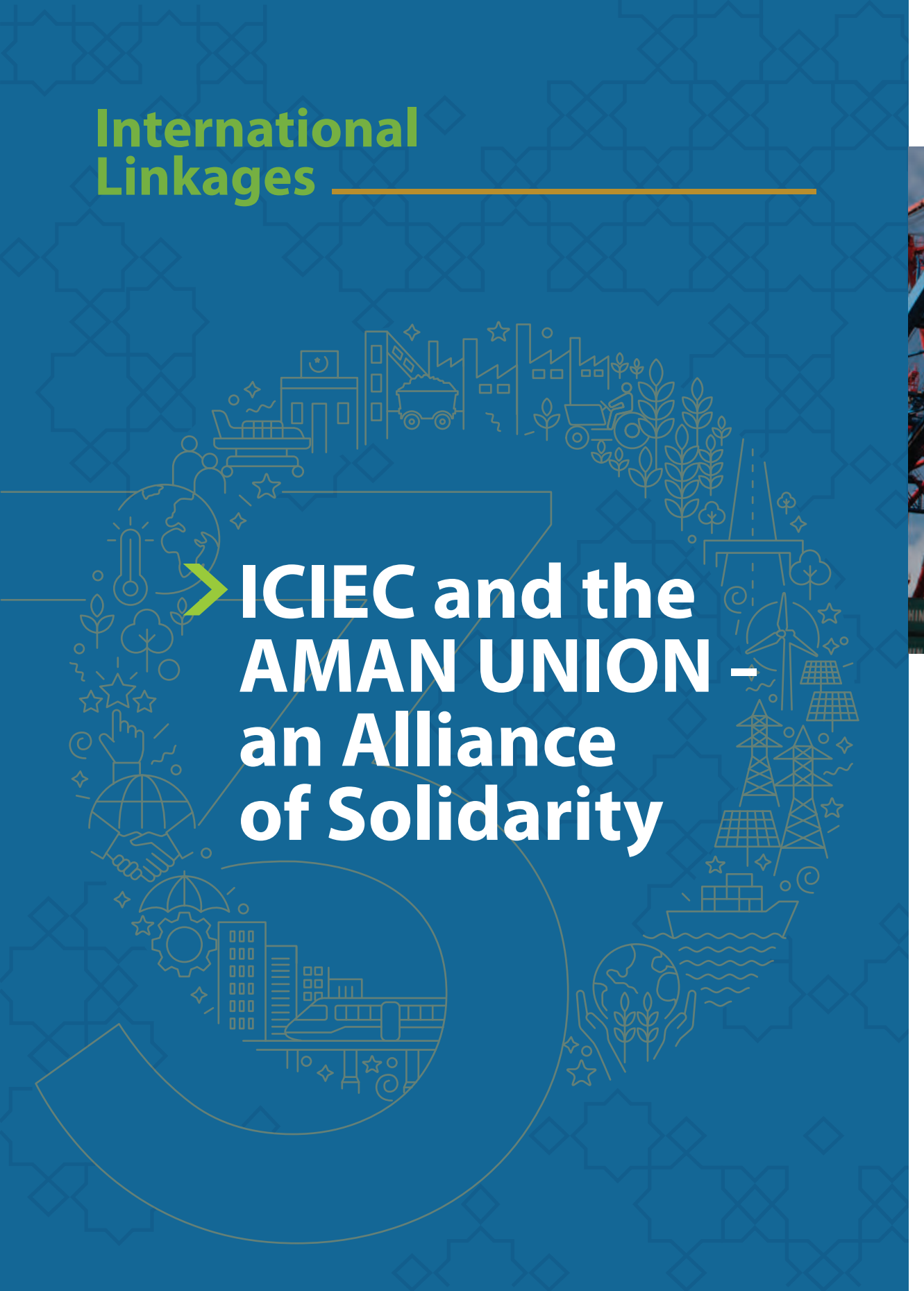
The Corporation is also engaging with the Saudi and Middle East Green Initiatives to tap into the value chains of carbon sequestration and the circular economy. A methodological approach to partnerships has ICIEC member states National Determined Contributions and National Adaptation Plans at its core.

ICIEC, through the Member State Partnership Strategy of the IsDB Group, remains cognizant of the priority areas of respective member states for climate action. This know-how is invaluable to financial institutions that have financing targets and that need ICIEC’s de-risking and insurance support to access new markets and to expand their footprint in existing ones. Furthermore, specialized companies in member states that produce goods or services that contribute towards climate action are continuously identified with a view to assisting their activities in other ICIEC member states and beyond.

From ICIEC’s vantage point, export credit insurance and political risk insurance emerge as instrumental tools in addressing the Climate Action finance gap. The corporation remains steadfast in its mission to support its 49 Member States in their endeavors to counteract and adapt to climate change challenges. The intricate interplay of Water-Energy-Food encapsulates the spectrum of Climate Action challenges, and this is mirrored in the diverse projects ICIEC undertakes. Through its innovative solutions, ICIEC not only provides a safety net against non-payment risks in international trade but also champions green investments. It is noteworthy that ICIEC has allocated a substantial US\$5.36 billion of its cover towards clean energy projects, underscoring its commitment to fostering a sustainable future.

# International Linkages

---



## ➤ ICIEC and the AMAN UNION – an Alliance of Solidarity



The Joint Strategic Collaboration signed in April 2024 between the International Credit Insurance & Surety Association (ICISA) and the AMAN Union, the forum comprising Commercial and Non-commercial Risks Insurers and Reinsurers in Member States of the Organization of Islamic Cooperation (OIC) and of the Arab Investment and Export Credit Guarantee Corporation (DHAMAN), is a potential gamechanger in enhancing the culture and business of trade and investment insurance in Member States common to both of them.

The MoU, which symbolizes a pivotal step towards industry synergy and international cooperation, was officially signed by Mr. Richard Wulff, Executive Director of ICISA, and Mr. Oussama Kaissi, the Secretary-General of Aman Union and CEO of ICIEC, at ICISA headquarters in Schiphol, The Netherlands on 14 April. It also heralds a new era of collaborative endeavors aimed at fortifying trade and investment insurance frameworks globally.

ICISA, as a leading trade association representing trade credit insurance and surety companies internationally, serves as a platform for collaboration and the development of best practices. Meanwhile, AMAN UNION is dedicated to promoting and developing the commercial and non-commercial risks insurance industry

in OIC-Member States, as well as strengthening mutual relationships among its members.

The collaboration between ICISA and AMAN UNION underscores a shared commitment to advancing the trade and investment insurance landscape, particularly within OIC Member States. By sharing their respective expertise and networks, the parties aim to facilitate enhanced knowledge exchanges and initiatives that contribute to the sustainable development of OIC Member States.

Key highlights of the Joint Strategic Collaboration include:

- Facilitating knowledge exchanges on trade and investment insurance initiatives

- Enhancing collaboration and development of best practices in the industry
- Strengthening mutual relationships among members of both associations

According to Mr. Richard Wulff, Executive Director of ICISA, “through this strategic alliance, we are assured to unlock unprecedented opportunities and drive innovation within our respective spheres. The signing of this MoU signifies a transformative leap towards harmonizing our efforts and maximizing the potential for sustainable growth and prosperity on a global scale.”

Similarly, Mr. Oussama Kaissi, the Secretary-General of AMAN UNION and CEO of ICIEC, sees the partnership as signifying “our collective dedication to enhancing the capabilities and opportunities within the trade and investment insurance sector. By pooling our resources and expertise, we can drive positive change and sustainable growth for our member states.”

Both ICISA and AMAN UNION recognize the significant potential for cooperation to drive positive outcomes in the trade and investment insurance sector. Through this collaboration, the parties reaffirm their dedication to fostering innovation, resilience, and sustainable development within OIC Member States and beyond.

The fact that the General Secretariat of the AMAN UNION is based at ICIEC headquarters in Jeddah, Saudi Arabia, underscores the commitment of ICIEC and Mr Kaissi over the last few years in enhancing and realizing that potential. The export credit and investment insurance industry have a sizable impact on the real economy. The industry has demonstrated great resilience and adaptability throughout the COVID-19 pandemic. In the post-pandemic recovery, the industry must continue to innovate, to support exporters and investors in Member States in an evolving environment for risk and uncertainties.

As risk absorbers and mitigators, this presents the industry with both challenges and opportunities. Especially as the global economy is in a rebuilding and reimagining mode in the wake of the pandemic, as well as in pursuit of net zero goals for carbon and zero market failure, and mitigating the impact of the supply chain disruptions caused by the Ukraine conflict especially in fuel and foodstuffs, which has raised renewed questions about food security and building resilience to future shocks.

Despite a year-on-year decline in MENA and Sub-Saharan Africa, exposure has remained stable in these regions as the industry continues to provide risk protection. Several recent surveys of export credit and investment insurers show that the industry is confident, despite the high-risk environment and the global economic and geopolitical uncertainties.

To capitalize on business growth opportunities and increase resilience within key sectors, the approach is to ‘Adapt and Innovate’, Greater flexibility and support for finance across all stages of the trade cycle, More partnerships between public and private sources of finance and risk capacity, reduction of barriers, aligning of incentives and increasing coordination across different spheres.

The credit and investment insurance industry is well positioned to support economic stability and energy security while also playing a pivotal role in advancing energy transition, food security and resilience, and climate adaptability goals.

### Aman Union Member States Challenges

While ECAs in AMAN Member States have generally witnessed rising growth in their operations – both conventional and Shariah-based – largely linked to government COVID-19 mitigation emergency packages, the reality is that the culture of credit and political risk insurance (PRI) in many markets remains underdeveloped.



The export credit and investment insurance industry have a **sizable impact on the real economy**. The industry has demonstrated great resilience and adaptability throughout the COVID-19 pandemic

All stakeholders have a role to play to foster increased awareness of credit and PRI including policymakers, multilateral and private insurers, reinsurers, private sector, businesses, SMEs, and industry bodies such as this Union. The benefits and opportunities are implicit, especially in mobilizing additional private capital for development from local banks and institutional investors. PRI and credit enhancement have a track record of effectively de-risking and thus catalyzing private investment into emerging markets through capital-efficient instruments. Channeling investment into sustainable projects presents a sizeable growth opportunity for insurers, especially in infrastructure and development projects. Insurers can design products to reduce risks in infrastructure projects and increase their attraction to investors.

The Technical Performance Analysis 2020-2021 prepared by Turk Eximbank for the 13th Aman Union AGM in Abu Dhabi last in May 2023, shows steady progress of the export credit and investment insurance ecosystem, but from a relatively very low base.

The main findings are:

- a) Total capital base of Aman Union member entities was US\$13.6bn at end 2021 – up on the US\$10bn in 2020. Saudi EXIM accounted for 59% of the figure in 2021.
- b) Total number of policyholders in 2021 reached 8,493 – up 11% on 2020.
- c) Total number of buyers increased from 106,000 in 2020 to 116,000 in 2021, of which Turk Eximbank accounted for 51%.
- d) Total AU Business Insured in 2021 reached US\$49bn – up 17% on 2020.
- e) The top 5 members accounted for 83% of total AU Business Insured, led by Turk Eximbank at 48 and ICIEC at 20%.
- f) Total Short term Export business increased to US\$35bn in 2021 from US\$28.6bn in 2021.
- g) MT Business insured decreased sharply to US\$200m in 2021 from US\$1.7bn.
- h) Investment Business Insured increased from US\$2.5bn to US\$3.1bn in 2021 with ICIEC accounting for 71%.
- i) In 2021 total premium reached US\$240m, up 19% on the previous year.

The data reveals a very fragmented export credit and investment insurance ecosystem with a handful of players dominating, especially ICIEC and Turk Eximbank and the very low base for almost all the various indicators. It shows the huge gaps relative to the developed markets in the advanced economies, and the work that needs to be done by member states and entities in almost all facets of the credit and investment insurance architecture, ranging from enabling legislation, regulatory and tax frameworks, risk mitigation strategies, product innovation, capitalization, market depth, competition, awareness, and market education.

## Priorities for Aman Union Members in Heightened Market and Operational Risks

The global consensus is unequivocal. To respond to and cope with the current compound challenges and uncertainties of the global economy requires decisive policy action laced with a heavy dose of pragmatism to find areas of common ground and cooperation.

Whether GDP growth is the appropriate and defining metric of measurement for the outlook for the world economy - instead of rising inequality, sovereign indebtedness, imbalances in terms of trade, political instability, conflict and gender bias, the bane of many middle-and-low income developing countries - may be lost in the scramble for national self-interest especially among the industrialised and fast-emerging economies.

The stark reality is that global growth in the near and medium term is projected to remain weak by historical standards and could weaken further if financial stress continues and leads to a sharp tightening of financial conditions. At best economic recovery is fragile. The latest WTO Trade Monitoring Report shows that trade protectionism is increasing in times of economic uncertainty. WTO members are introducing restrictions at an increased pace, particularly on food, feed, and fertilizers. The stockpile of import restrictions in force also continues to grow.

In his speech to the 13th Annual General Meeting of the AMAN UNION in Dubai on 29-31 May 2023, Mr. Kaissi highlighted the three priority areas of food security, digitalization, and its impact on supporting trade and investment, and the consequences of climate change for OIC Member States.

The three areas the Aman Union is prioritizing - food security, climate action and digitalization – are in fact intrinsically interlinked. Food insecurity is often a consequence of climate change. An important aspect of Climate Adaptation is mitigating the disruptions caused by catastrophic climate and environmental events such as floods, droughts and pests, and geopolitical events such as conflict, and their impacts on the agricultural, agri-business and food sector.

The consequences of inaction and delayed policy implementation could be devastating – with huge social and human costs. According to the World Bank, on the social front, more than 216 million people could be pushed to migrate within their own countries by 2050 and millions of others to migrate internationally because of delayed climate action or inaction.

Through its Agriculture for Poverty Reduction and Food Security through Green Finance strategies, the IsDB Group is leading from the front, in collaboration with peer partners. The flagship Food Security Response Program (FSRP) is a landmark collaboration with the Arab

Coordination Group, earmarking US\$10.54bn for the FSRP and US\$24bn for climate finance initiatives to support the ongoing food crisis and Future Food Resilience Against Climate Impact in the IsDB's 57 Member States. Total IsDB Group's financing support for agriculture and food security currently stands at over US\$20.6bn.

As a signatory to the Principles for Responsible Insurance and the fact that it is the only Shariah-based multilateral insurer, sustainable investment is firmly embedded in ICIEC's due diligence process through linking all new business and other queries with SDG and climate action indicators.

AMAN UNION members have an important role in contributing to the international climate finance ecosystem by committing to further boosting our green and sustainable finance operations. New initiatives are potentially on the cards, including the establishment of a Climate Action Finance Trust Fund with institutional partners, peer multilaterals and ECAs in Member States and beyond, which would offer a discount to the insurance premiums needed for the financing of Climate Action projects in Member States that are not investment grade.

ICIEC's green finance credentials is implicit especially in promoting a clean and just energy transition in Member States through supporting renewable energy projects, waste management, desalination and clean water provision often also involving private sector investment and bank financing. The Corporation actively targets real impact and change in all its financing, insurance policies it underwrites and projects it supports, and acts as a catalyst for private sector capital mobilization towards achieving the SDGs.

The danger is that in a global context the failure to harmonize Climate Action regimes and green taxonomies may lead to competition between jurisdictions and some investors migrating to regions such as the US, Asia, and the MENA region, where opportunities for scaled-up investment may be deemed to be greater.

In this respect, OIC member states who participate in and are 'beneficiaries' of the Paris-based OECD's Arrangement on Officially Supported Export Credits also stand to benefit further following the endorsement by the EU to modernize export credit rules and payment terms aimed at supporting exporters in member states especially in transitioning to green and climate-friendly transactions.

The deal to update the Arrangement on Officially Supported Export Credits, says the OECD "will provide streamlined terms and conditions so that government-backed export finance can better meet the needs of exporters in an increasingly competitive landscape, while avoiding market distortions. At the same time, the outcome widens the scope of green and climate-friendly transactions benefitting from extra incentives in the form of more flexible financial terms and conditions."

## Overvalued Risk Perception

The flipside of market perceptions is the issue of perception by rating agencies of overvalued risk in many OIC countries including those in the AMAN UNION. This pushes up the cost of finance of transactions and projects. It is understandable that these countries perennially lobby with insurers including ICIEC for a reduction in insurance premiums, which "would help reduce project costs and make the market more accessible to the private sector including in member states." The industry needs to explore ways of how to reset such perceptions in general.

The benefits are potentially game-changing – increased intra-OIC trade and investment, better socio-economic outcomes, greater capacity building and resilience in meeting climate and other challenges – ensuring that no one, whether businesses, SMEs, or individuals, is left behind. What the industry in the OIC Member States have achieved as individual organizations or collectively has no doubt delivered in impact investment and engagement.

Nevertheless, by any measurement and the sheer scale of existing and emerging uncertainties and risks given the shifting sands of evolving events – ongoing Ukraine, the rocky global economic recovery, sticky inflation, rising sovereign indebtedness, conflict as in Sudan – these efforts though highly commendable remain 'a work in progress'.

The industry needs a much greater level of collaboration and partnerships to close the gaps in resources, capital - which would allow participants to underwrite much greater volumes of business and investment insured, reinsurance treaties and guarantees, capacity building, risk management and reliable credit history and data collection, which is underdeveloped even in the advanced economies.

The industry needs to be honest and pragmatic about the challenges that lie ahead. The debate is still dominated by the rhetoric of aspiration as opposed to the reality of delivery and outcomes.

## Digitalisation Divide

Technology is a potentially empowering enabler of trade and investment, despite the tendency towards protectionism in times of uncertainty as the WTO has shown.

A defining moment came when the UK's Electronic Trade Documents Bill 2023 got Royal Assent in July 2023. Under the Bill, digital trade documents are now on the same legal footing as their paper-based equivalents to give UK business more choice and flexibility in how they trade. But the transformation to digital trade documents has taken a mind-boggling 131 years since the adoption of the Bills of Exchange Act 1882.

The UK government projects a major boost for the country's international trade, already worth more than £1.4





The insurance industry can **support the transition to a low-carbon economy** by absorbing disaster losses and by promoting sustainable infrastructure investments that help mitigate the impact of volatile extreme weather

trillion, and will reduce the estimated 28.5 billion paper trade documents printed and flown around the world daily. Business-to-business documents such as bills of lading - a contract between parties involved in shipping goods - and bills of exchange - used to help importers and exporters complete transactions - currently must be paper-based due to longstanding laws.

Could the Electronic Trade Documents Bill 2023 evolve into a global governing? model akin to the pre-eminent role English Law pays as the governing law for the documentation in the global bond and Sukuk market? Perhaps, this is something the AMAN UNION member states could explore to see whether they can come up with a similar model. According to the International Chamber of Commerce, digitalizing trade documents could generate £25bn in new economic growth in the UK by 2024, and free up £224bn in efficiency savings.

These latest initiatives complement the existing digital footprint of multilateral, national and private insurers, which at best is fragmented in Aman Union member states. Credit and investment insurance is essential for developing the holy grail of increased trade and FDI flows. The opportunities are huge, especially in our member states because the insurance premium market penetration and starting base are very low.

According to the WTO, there's a current US\$1.7 trillion gap in trade finance. In Africa, this amounts to a US\$450bn trade finance opportunity, of which the current gap is around US\$80bn. Private sector engagement requires credit enhancement, which insurers such as ICIEC are uniquely positioned to do through their sustainability policies and access to Member States' national and subnational bodies, which engage with relevant climate action and food security projects and transactions.

Embedding commercial opportunities and helping corporates and banks make a material difference to support positive climate and food security outcomes is something that risk mitigation tools can facilitate!

### Future Prospects

Food insecurity is often a consequence of climate change. An important aspect of Climate Adaptation is mitigating the disruptions caused by catastrophic climate and environmental events such as floods, droughts and pests, and geopolitical events such as conflict, and their impacts on the agricultural, agri-business and food sector.

As a signatory to the Principles for Responsible Insurance and its faith-based ethos, sustainable investment is firmly embedded in ICIEC's due diligence process through linking all new business and other queries with SDG and climate action indicators. Technology is a potentially empowering enabler of trade and investment, despite the tendency towards protectionism in times of uncertainty as the WTO has shown.

Credit and investment insurance is essential for developing increased trade and FDI flows. The opportunities are huge, especially in ICIEC Member States because the insurance premium market penetration and starting base are very low. The insurance industry can support the transition to a low-carbon economy by absorbing disaster losses and by promoting sustainable infrastructure investments that help mitigate the impact of volatile extreme weather.

Digital technologies are playing a role in increasing global productivity growth. The pandemic has transformed consumers' receptiveness to interacting with insurance digitally, pointing to growth potential. But, increased digital interconnectedness is adding to cyber protection risks.

# 20<sup>th</sup> Anniversary Interview

---



## Dr. Abdel Rahman El Tayeb Taha

Chief Executive Officer, ICIEC

**1994 - 2015**



# A Partner of Choice with an Evolving Legacy

***This 20th Anniversary must be both an emotional and proud milestone for you personally and for your team at ICIEC. Talk us through those early days prior to and after incorporation – the rationale, the thinking, the challenges, and the excitement behind the establishment of the Corporation in 1994 as a member of the IDB Group?***

The idea of constituting ICIEC was premised on the noble idea of increasing intra-trade activities among the member states of the Islamic Development Bank (IDB). It was the first private sector entity that came to being. In addition, the no lesser important goal of increasing investments among the member states was also enshrined in the Articles of Agreement of the Corporation. This was a challenging demarche, and remains so, because these concepts of supporting exports and investment inflows in member states either did not exist at the time or were at rudimentary levels.

The initial challenge was the organizational set up, including the drafting of the legal documents, and finding the right skeleton staff. Two senior officers borrowed from the national export credit agencies of member states and the legal department of the IDB, have laid the groundwork of the Corporation's infrastructure between 1992 and 1993.

After the official establishment of ICIEC in August 1994, and the nomination of its first Manager in 1994, the real challenge of translating words to deeds started. Most of the following months, staff recruitment and organizational setup sapped the efforts of the Corporation. The real business of export credit insurance started in 1995. The investment insurance was postponed until 1998.

The initial premises on which ICIEC was founded remain valid. However, after some years of operations, it was realized that since the business of insurance is based on volume, it would require creating a critical mass of

products and business. To obtain that level, we needed to expand the scope of insurance services to cover exports from member states worldwide and to insure investments from anywhere to Member States. This required changes in the Articles of Agreements of the Corporation and led to a drastic rise in business volumes.

***Your mandate and strategic objectives have evolved over the years to incorporate the ever-changing circumstances in the global and the regional economy and in the political and economic environment of your member states. To what extent do you think ICIEC has achieved the objectives of its mandate?***

The traditional role that multilateral and regional ECAs play in the market has evolved in the last 20 years, especially at times when the legitimate needs and aspirations of exporters from member states to obtain the cheapest and fastest credit insurance are better serviced by private players. Although, there is a role for ECAs in developing countries, where the market is not mature enough to support private credit and political risk insurance (PRI), they are stepping aside to make room for the private sector to play the role, which arguably does better in the above respect.

However, the role of local and regional ECAs becomes more of the essence in turbulent economic conditions as the private insurers withdraw cover on certain buyers or certain sectors or countries, leaving market gaps. This was evidenced by the return of the European ECAs to provide short-term export insurance due to the withdrawal of the private sector after the financial crisis. It is noticeable also that emerging markets ECAs like China and South Korea

are very active in supporting their exports in very difficult markets with subsidized rates.

In our view, ECAs have to be always ready with the necessary infrastructure to step in at the right time to fill the gap created by private insurers and maintain the constancy of supply of these types of risks that are called “Non-Marketable Risks”, particularly in sovereign and quasi-sovereign risks of Member States where ICIEC can utilize its multilateral preferred creditor status as a competitive advantage. This is exactly the role played by MIGA in providing cover to encourage the flow of investment to post-conflict African and Middle Eastern countries in transition.

It is also evident that local ECAs in our Member States prefer ICIEC’s role as a technical and reinsurance capacity provider rather than as a local market player especially with regards to the services, which they are offering. (Answered by Mohamed Azzam, Underwriter, Structured Finance, and Investment Insurance Department, ICIEC)

***Do you envisage further changes to your mandate especially as the culture of export credit and investment insurance, guarantees and reinsurance starts taking root in your member states in the face of political and economic transition in many of those countries, increasing demand for your products especially political risk insurance, and the ongoing reforms in global trade and FDI flows?***

The mandate of ICIEC closely follows the mandate of its parent IDB and will be aligned if any change happens at the parent level. As the insurance industry



In our view, ECAs have to be always ready with the necessary infrastructure to step in at the right time to fill the gap created by private insurers and maintain the constancy of supply of these types of risks that are called “Non-Marketable Risks”, particularly in sovereign and quasi-sovereign risks of Member States where ICIEC can utilize its **multilateral preferred creditor status as a competitive advantage**





Another is the political risk insurance support given to the **OPL Oil & Gas Project in Pakistan**. Here we have supported an international bank that provided funding to the project to the tune of **US\$48 million**. The bank would never have extended the financing for the project had ICIEC not come along with the political risk insurance cover

progresses and new ideas and products take shape it will be given due consideration to adopt those within the primary mandate of ICIEC, which is broad enough to accommodate such changes.

***On the flip side, ICIEC is faced with on-going challenges like any other ECA and multilateral organization. Looking back, are there any things that you think you may have done differently to achieve your objectives and your operational business plans? Do you have any regrets in this respect?***

There are always plausible ways in which things could have turned out and one is hardly completely satisfied with their achievements in life. However, I believe that my colleagues and I have done the best under the circumstances and considering the challenges, from human resource shortages to capital limitations. You can imagine how challenging it is to establish an institution from scratch.

But it is even more challenging to start a business philosophy and a new way of addressing risks that is totally unknown in your market. Thus, in addition to the normal challenges of setting up an organization and the start-up teething problems, you must grapple with environmental macro issues that you may not, sometimes, be well-equipped to deal with.

***An important yardstick for any multilateral is the development impact and demonstration effect of its activities, products, services, and transactions. Can you highlight some of the more memorable ones where the business development and real economy impact has been marked?***

The developmental impact of ICIEC's activities and interventions are clear in many respects. But in general, the best yardstick is the concept of 'additionality': in other

words, the number of projects and trade transactions that would not have materialized without ICIEC's involvement. I can safely assert that almost all our interventions, except for some short-term trade transactions, would qualify for this characterization.

On a more granular level, our developmental impact is visible in the support we have been providing to key infrastructure projects in Member States. A good example is the Doraleh Container Terminal in Djibouti, a project that attracted over half of the country's GDP in investments and resulted in more than tripling the capacity of the port.

Another is the political risk insurance support given to the OPL Oil & Gas Project in Pakistan. Here we have supported an international bank that provided funding to the project to the tune of US\$48 million. The bank would never have extended the financing for the project had ICIEC not come along with the political risk insurance cover.

***The total trade of IsDB member states amounted to US\$3.94 trillion in 2011, of which US\$674.2 billion was intra-Islamic trade. As such, the scope for export credit and investment insurance is potentially huge. What can the IsDB and its member states do to leverage this potential and to take Shariah-based export credit and investment insurance to the next level?***

Given the huge amount of total trade of all IsDB member states, be it inter or intra-trade amongst members, without a doubt brings a huge potential for Shariah-based trade credit and political risk insurance business.

However, we are all aware that the level of awareness of such risk mitigation tools for trade is still very low within the business communities in all our member states as compared to their counterparts in non-member states, especially in the OECD.



**ICIEC must firm up and foster good relations** with world class reinsurers in the market to ensure that it can continuously receive adequate capacity to cater for the potential increased demand of trade credit and political risk insurance

This clearly shows that ICIEC, perhaps with the participation of all other ECAs in the AMAN Union, must collectively double their efforts to promote these products to the business communities in all member states.

At the same time, ICIEC must firm up and foster good relations with world class reinsurers in the market to ensure that it can continuously receive adequate capacity to cater for the potential increased demand of trade credit and political risk insurance. Also, a point to note is that a good partnership with reputable reinsurers is also crucial to help ICIEC, as a corporation, to keep abreast of the current best practices in the industry globally.

**ICIEC has been assigned an Aa3 rating by Moody's Investors Service for seven consecutive years. This is a considerable achievement given the Corporation's rating is the only standalone one other the parents in the Group. You are on record stating that the Corporation will strive toward further improving the rating. But surely, a large increase in capital is going to be essential for this ambition to materialize?**

I don't recall that we are on record for further improving the rating. We are content with the current rating, especially given the following facts:

- a) The economic and political upheavals across the globe, and especially in certain OIC member states, have made the operating environment much more challenging for the whole industry, especially ICIEC.
- b) Many large corporations in our industry have struggled in the last three years to maintain their existing ratings, with a few getting downgraded.
- c) The Corporation has been able to sustain its rating in this turmoil, and successfully maintained its Aa3 credit rating.

**On the face of it ICIEC's fundamentals seem impressive. Total Capacity in 1434 amounted to US\$4,767 million, Cumulative Premium Income totaled US\$114 million since inception, Business Insured in last 20 years has reached US\$18 billion, Paid Claims totaled US\$28.43 million since inception, and Recoveries so far have amounted to US\$13.70 million, which is 48% of paid claims. The reality is that the base line, compared with the Berne Union figures, is very low. Going forward, your challenge, it seems, is to dramatically up your capacity, which in turn is dependent on other factors – capital increase, product development, underwriting, attracting experienced human capital, managing claims and recoveries, and investing premiums in effective value-added products. How will the Corporation manage this huge task?**

This is indeed a good question. The Corporation does now have a long experience in getting by with a limited capital base relative to its market requirements and industry standards. The most effective tool we use is cultivating relationships with prominent industry players to collaborate with them whenever feasible. In this regard, we have a close working relationship with all the multilateral credit and political risk insurance institutions such as MIGA, Dhaman and ATI. We also work with multilateral financing institutions such as the African Development Bank and the Asian Development Bank. But most importantly, we have a strong panel of reinsurers including Munich Re, Hanover Re, Catlin and the Lloyd's Market.

On the product side, we are continuously studying our market with a view to understanding the evolving needs of our clients and member states. As a result, we are always seeking to introduce new innovative products. In the past two years alone, we have introduced two new products.

The first one is the Non-Honoring of Sovereign Financial Obligations. In the wake of the financial crisis and the

European debt crisis, we have seen an inordinate amount of demand for covering sovereign financial obligations, and the product has become one of the most popular products in the Corporation's product mix.

The second is the Sukuk Insurance Policy, which is now being rolled out. Since many Member States have expressed their interest in tapping the Islamic capital markets by issuing Islamic trust certificates (Sukuk), we saw an opportunity to help them lower the cost of the Sukuk issuance and give peace of mind to the Sukuk investors.

**What should the priorities be for ICIEC over the next 20 years?**

As a member of the IDB Group, ICIEC always aligns its strategic focus with the Group through targeted investment and trade interventions to increase developmental impact in member states.

For the next 20 years, ICIEC will continue to focus on supporting infrastructure development in Member States through more investment insurance and structured project finance operations. Close coordination with the IDB Group either at the departmental level or through the Member Country Partnership Strategy (MCPS) will be further strengthened to ensure strategic and operational synergy.

ICIEC will continue to support Member States' trade by means of its export credit offerings. Priority will be given to support intra-trade and SMEs' exports. This is in line with the Group's strategic focus of supporting member states economic integration.

Another priority for ICIEC is to encourage the utilization of Islamic finance instruments in member states resource mobilization efforts. In this regard, ICIEC's Sukuk Insurance Policy is a useful credit enhancement tool.

**Twenty years from now, where do you see ICIEC in the landscape of multilateral and international export credit agencies? What would you like your legacy to be at ICIEC?**

In the next 20 years, ICIEC will be internationally recognized as the strategic partner of choice in facilitating trade transactions, project finance and investments for its member states. I believe ICIEC will maintain its unique feature as the only multilateral insurer that provides Shariah-based insurance and reinsurance products, and if similar institution will appear in the industry landscape, ICIEC will certainly be the leading one in the field of Shariah-based export credit and investment insurance.

ICIEC is a member of Prague Club, Berne Union and is co-founder of the AMAN Union. Its contribution to industry issues in all these platforms is well recognized. In the coming two decades ICIEC's role in industry associations will be further strengthened.

I'm personally honored that I was given the responsibility to lead ICIEC, with the support of the IDB Group Chairman and the Honorable Board, from infancy to operational maturity. Perceived as a risky business when it was established, ICIEC is now an established entity within the IDB Group and a recognized international player as the only Shariah-based multilateral insurer. This is an impressive legacy!



I believe ICIEC will maintain its unique feature as the only multilateral insurer that provides **Shariah-based insurance and reinsurance products**, and if similar institution will appear in the industry landscape, ICIEC will certainly be the leading one in the field of Shariah-based export credit and investment insurance



# 30<sup>th</sup> Anniversary Interview

---



## ➤ Oussama Abdul Rahman Kaissi

Chief Executive Officer, ICIEC

**2016 - Present**





# A Legacy of Delivery, Sustainability, Partnerships, Upliftment, Innovation and Hope amid a Challenging Global Economic and Geopolitical Landscape

## *What are the challenges ahead for the export credit and investment insurance industry?*

For ICIEC, the year 2024 is a momentous one. We celebrate our 30th Anniversary this year in tandem with the Golden Jubilee 50th Anniversary of our parent and majority shareholder, the Islamic Development Bank (IsDB), without whose unwavering support we would not have achieved what we have to date.

ICIEC reached a new milestone of 30 years of transformative impact through Driving Social and Economic Development in its 49 Member States. There are several challenges ahead for the export credit and investment insurance industry, ranging from geopolitical tensions, global, regional, and national economic metrics, rapidly evolving digitalisation, new international regulatory, disclosure, accounting and compliance requirements and standards, lack of market awareness and penetration especially in OIC member states, lack of human capital and institutional capacity, and the lack of reinsurance treaties.

Another unexpected challenge in recent months is the consequences of the attacks on ships in the Red Sea and drought in the Panama Canal area that have more than quadrupled shipping prices moving goods since late 2023. Impacts could worsen should disruptions



ICIEC's New **Realigned Strategic Framework 2023-25** and **Future Outlook** is driven by our aim to be recognized as the preferred enabler of trade and investment for sustainable economic development in our 49 member states, and to facilitate trade and investment between member states and the world through Shariah-based risk mitigation tools with credit enhancement benefits as well



persist into the peak shipping season in the second half of 2024. Swiss Re Institute in its latest Insurance Insight, stressed that marine insurance contracts in affected areas are repricing higher or covers being adjusted, while some claims inflation is a further potential risk.

For insurers, marine has been one of the most impacted lines, as it selectively covers war and terrorism, though not delays. Covers have generally been held for travel through the Red Sea, but with case-by-case flexibility and significant increases in rates to account for the higher risk. Port congestion creates accumulation risks, while longer transit times mechanically raise insureds' risk exposure, both factors that insurers may need to take into consideration. There are also risks to business interruption and related covers, including Credit and Surety.

ICIEC's New Realigned Strategic Framework 2023-25 and Future Outlook is driven by our aim to be recognized as the preferred enabler of trade and investment for sustainable economic development in our 49 member states, and to facilitate trade and investment between member states and the world through Shariah-based risk mitigation tools with credit enhancement benefits as well.

The IsDB Strategic Realignment 2023-2025 specifically was implemented to overcome the setbacks to achieving the Sustainable Development Goals (SDGs) which resulted from the COVID-19 pandemic. The 3 overarching objectives of the Realigned Strategy are boosting recovery, tackling poverty, building resilience, and driving green economic growth.

Some of the areas of development in the next two years include the ICIEC Takaful System becoming live, implementation of IFRS 17 and 9 accounting standards for insurance firms, the implementation of our Stress Test and Risk Based Pricing Framework in addition to the establishment of Sustainability Risk practices, to acclimatize for advance climate risk assessment, increased cooperation between IsDB Group sister entities under the Group's Strategic Realignment Strategy 2023-2025.

The Realigned Strategy hinges on three overarching objectives: boosting recovery, tackling poverty and building resilience, and driving green economic growth agenda. These objectives will be achieved by focusing the Bank's interventions on two key pillars over the next three years (2023-2025): (1) developing green, resilient, and sustainable infrastructure, and (2) supporting inclusive human capital development through projects and capacity development initiatives.

All the above objectives are in the pursuit of ICIEC's vision of becoming the insurance facilitator and broker of choice. Given that the culture of credit and investment insurance is still developing in the OIC countries given the low market penetration and premium income metrics, it is incumbent that ICIEC together with industry bodies such as the AMAN UNION, the association of ECAs and credit insurers in the OIC countries, redouble their efforts in spreading the importance of credit and political risk insurance in trade and investment in a world of increasing risks and uncertainties.

The intertwining of geopolitics with global trade dynamics and the liberalization of global economic policy is leading

to new trade patterns. These include a shift away from dominant players to diversified trade partnerships, ensuring economic stability, the emergence of regional trade agreements which will offer solutions tailored to local challenges, fostering intra-regional trade, and market and industry pressures driving a shift towards sustainable and ethically sourced trade practices, with a focus on green supply chains.

ICIEC's unique position as the only multilateral insurance provider offering Shariah-based services gives it a distinctive edge in the market. Collaborative efforts with international insurance giants have further solidified ICIEC's standing. However, there is a pressing need for standardization in the Takaful industry, with ICIEC potentially playing a pivotal role in this standardization drive.

***How resilient is the insurance and reinsurance market in meeting these challenges and what sort of year was 2023 for ICIEC?***

The year 2023 was characterised by significant global challenges, including the ongoing economic impact of the pandemic, the war in Ukraine leading to a severe energy crisis, supply chain disruptions in critical food commodities, renewed macroeconomic headwinds, and the conflict in Palestine. These challenges caused shifts in the geopolitical landscape, escalating debt levels, inflationary pressures, and restrained growth. In this context, ICIEC's intervention as per its mandate through provision of export credit and political risk insurance including de-risking and credit enhancement solutions, was more crucial than ever to support our Member States in securing strategic commodities and fostering cross-border trade and investments.

The year 2023 also marks the 50th anniversary of the establishment of the Islamic Development Bank (IsDB), which has been pivotal in ICIEC's institutional development, providing support for our capital increases and collaborating on various socio-economic development projects. We owe a debt of gratitude to our founding stakeholder the Islamic Development Bank (IsDB), as well as the steadfast support of our host country the Kingdom of Saudi Arabia, and 49 shareholders, who have been instrumental to our continuing success.

The resilience of ICIEC is evidenced by the data – business insured in trade and investment since its inception in 1994 reached US\$108.3 billion, of which US\$51 billion facilitated intra-OIC trade. The cumulative figure included US\$86.2 billion in export credit insurance and US\$22.1 billion in investment insurance.

This landmark achievement, with more than half of this business conducted in the last five years, underscores our significant growth and impact in recent years. Not

surprisingly, Moody's Investors Service recently re-affirmed ICIEC's Aa3 Insurance Financial Strength Rating (IFSR) with Stable Outlook for the 16th consecutive year reflecting ICIEC's strong fundamentals, financial position, risk governance and continued support from the IsDB and multiple sovereign members of the OIC. In 2023, ICIEC's Business Insured (BI) reached US\$13.3 billion representing an estimated 14.66% growth from the previous year.

As ICIEC embarks on its 30th year, we are committed to achieving a high standard of operational excellence. We are actively enhancing risk management capabilities to ensure a balanced and resilient growth trajectory. A risk-based pricing framework and stress test model have been developed and are slated for implementation in 2024. Additionally, to optimize capital, the current economic capital model is undergoing refinement to introduce a dynamic risk dashboard system, incorporating the Risk-Adjusted Capital (RAC) model.

In 2023, we expanded our partnerships through numerous strategic engagements with Member States including MoUs with Abu Dhabi's Masdar and the Saudi Pak Industrial and Agriculture Investment Company Limited (SAPICO), focusing on sustainable energy and food security. Additional agreements were signed with the Libyan Export Promotion Centre (LEPC) and UZSAMA in Uzbekistan, enhancing trade and investment facilitation.

In 2023, we welcomed the Republic of Azerbaijan as our 49th member state. ICIEC's services will help Azerbaijan's private and public sectors expand exports and attract foreign direct investment. We remain committed to expanding our impact and integrating climate action and food security for the benefit of our Member States. We will continue to engage with stakeholders to identify challenges and devise bespoke insurance solutions. During COP28 in Dubai, ICIEC launched its Climate Change Policy and ESG Framework, reaffirming ICIEC's policy thrust in promoting sustainable development and resilience in the face of climate challenges.

Additionally, IsDB and ICIEC joined the Energy Transition Accelerator Financing Platform (ETAF), managed by The International Renewable Energy Agency (IRENA), positioning ourselves as a key player in climate action initiatives.

In line with SDG 2 (Zero Hunger), ICIEC has dedicated itself to enhancing food security, supporting US\$1.5 billion in agriculture sector since inception. In 2023, we forged several partnerships to support Member States' food security programs and operationalized the Arab Africa Guarantee Fund (AAGF) which incorporates a food security component. To address global food security challenges, ICIEC had surpassed its initial pledge by approving US\$ 788 million by the end of 2023 as part of the IsDB Group's US\$10.5 billion Food Security Response Program (FSRP).

**ICIEC's ability to leverage its capital has been a boon. How important is the appropriate level of capitalization for ICIEC to facilitate its operations in meeting its expanding mandate?**

An important factor which ICIEC brings to the table is its ability to leverage its capital, which in turn determines capacity through the reinsurance market. Its erstwhile authorized capital was ID400m (400m Islamic Dinars), which is equivalent to US\$556m.

ICIEC on average has leveraged its capital five times from the reinsurance market over the last few years. For every dollar that you give to invest in a project, I can bring you 5 dollars from the international market which is supported by our reinsurance capacity. Imagine the power of leveraging insurance can bring to the table as a major player can release capacity to the developers.

The Board of Governors of ICIEC approved the Corporation's 3rd Capital increase during its 29th Annual Meeting held in Sharm El Sheikh, Egypt on 4th June 2022.

The Meeting chaired by Dr. Muhammad Al Jasser, Chairman of the Board of Directors of ICIEC, approved a 150% increase in The Authorized Capital of the Corporation from its current ID0.4 billion to ID1.0 billion and a 268% increase in the Subscribed Capital by ID500 million to ID797 million.

In addition, the Board of Governors approved a Special Share Class comprising 20% of the increase in Subscribed

Capital (ID100 million) for subscription by financial institutions owned/controlled by Member States.

The Capital approval underscores the strong support of ICIEC member states for the Corporation and its strategic growth plans. Capital is important for a multilateral insurer because it governs our ability to underwrite more business and boost our reinsurance capacity. The Board recognized there is a need to increase the capital of ICIEC for it to continue to do its job and carry out its mandate effectively. Furthermore, the capital increase will enhance ICIEC's financial strength, boost the loss-bearing equity resources, improve internal capital generation capacity, help to continue its operation on a solid foundation, and strengthen its credit fundamentals," he emphasized. (Note: ID = Islamic Dinar, the unit of accounting of the IsDB Group - One ID = One SDR (Special Drawing Right) of the International Monetary Fund) - One SDR = US\$1.34 at 7 June 2022 - One ID = US\$1.34)

**ICIEC has a strong relationship with its host country Saudi Arabia. What is the natural trajectory of this special relationship especially in terms of some of the pillars of Vision 2030?**

The Kingdom is keen to expand its export base, especially of non-oil products. In this respect ICIEC, as the only Shariah-based multilateral insurer and member of the IsDB Group, has enjoyed a long relationship with the Kingdom in underwriting its export strategy - first with the Saudi Export Program and since 2021 with its successor Saudi Eximbank, highlighting the importance of credit and investment insurance and guarantees.



The Capital approval underscores the strong support of ICIEC member states for the Corporation and its strategic growth plans. Capital is important for a multilateral insurer because it governs our ability to underwrite **more business and boost our reinsurance capacity**. The Board recognized there is a need to increase the capital of ICIEC for it to continue to do its job and carry out its mandate effectively



This relationship is underpinned by the fact that the Kingdom accounts for 20.29% of the Corporation's subscribed equity and a cumulative US\$21.4 billion or 11.28% of business insured by ICIEC at the end of 2022 in favor of Saudi exporters, importers, investors, and banks. This figure increased to US\$22.6 billion in 2023 or 14.3% of business insured. This included US\$13.9 billion for exports, US\$8.5 billion for imports and US\$259.1 million for inward investments.

The launch of Saudi EXIM comes as an outcome of Vision 2030's programs and initiatives that aim to motivate Saudi exports and enhance the supply chains. In a very short time, Saudi EXIM was able to establish itself as an essential part of growing exports, having provided covered exports worth over US\$2.8bn and US\$3.2bn in loans to Saudi exporters since inception.

ICIEC will continue to enhance its existing cooperation with the Kingdom and seek new opportunities particularly related to the inter-connectivity between the estimated US\$3.5 trillion Islamic finance industry and the wider Halal Economy, which according to a report from Frost & Sullivan will likely reach US\$4.96 trillion by 2030 from US\$2.30 trillion in 2020. Here, ICIEC can provide de-risking tools for projects, co-opt private sector capital, which would make projects bankable and more attractive to investors and contribute to food security in Member States.

We welcome the launching of the Halal Products Development Company (HPDC) by The Public Investment Fund (PIF) aimed at investing in localizing the Halal manufacturing industry, promoting Saudi Arabia as a global Halal hub, and unifying global efforts in Halal certification and standards.

ICIEC and the credit insurance sector can leverage new business insured and guarantee opportunities in the halal economy especially trade credit and investment in manufacturing in pharmaceuticals, food and agri-products, and renewables. This can have an important multiplier effect which could have positive impacts on job creation, import substitution, GDP growth and wellbeing of citizens. Halal products have become increasingly globalized because of the Muslim diaspora, but the demand for halal products is now coming from both Muslim and non-Muslim consumers across countries.

***Intra-IsDB Group collaboration is vital especially in the context of the IsDB Strategic Realignment 2023-2025 which was specifically implemented to overcome the setbacks to achieving the Sustainable Development Goals (SDGs) that resulted from the COVID-19 pandemic. What is the state and scope of this collaboration going forward, especially in facilitating trade-related insurance?***

ICIEC covers inter alia the trade finance, export credit risks, Non-Honoring of Sovereign Financial Obligations,

and Political Risk Insurance (PRI) of Cross-Border Loans of sister companies within the IsDB Group including its private sector funding arm, ICD (Islamic Corporation for the Development of the private Sector) and its trade fund (ITFC (International Islamic Trade Finance Corporation) as and when needed for specific deals and projects.

Our most active relationship is with ITFC because there is a natural fit between the two entities. We have worked with them in several projects in the MENA Region participating in syndications for financing of strategic goods in member states. In Africa we support the cotton and rice industries, amongst others, especially in providing guarantees for import inputs and export finance. We participate where ITFC and ICD feel they need ICIEC for them to expand their financing. This is when they come to us to take our capacity.

***Credit enhancement and Third Party Guarantees for Sukuk through your Sukuk Insurance Policy (SIP) could be a game-changer for low-rated Member State sovereign issuers. What is the rationale here and what is ICIEC's strategy for enhancing the roll out of the SIP?***

Most of our member states are low-rated or unrated. We have experienced first-hand on several fronts when we are dealing with financing of infrastructure projects where there is a sovereign entity this is where the international banks will come to us to utilize our rating for them to provide a lower rate for financing for the obligor, which is the member state in order for the project to progress.

This is where the issue of Sukuk came for us to generate money from the capital market and to utilize the same principle we have used previously in honoring sovereign obligations. The Sukuk Insurance Policy will be to a certain extent like the honoring sovereign obligations product we are offering. Our Shariah Board after several deliberations on technical issues, approved the product.

On our side the proposal that was put forward initially is something we have addressed, which is the government asset backed by their gold reserves. Every government has gold reserves. There is no way transport, roads, hospitals and so on can be used as acceptable sovereign assets. But I might in kind tell you this will cost US\$100 million, but the government must give a pledge of US\$100 million of your gold reserves.

We considered all of this in building the SIP and believe it will create a great impact and will allow securing additional funding from the capital markets. This will further necessitate capitalization.

When I have an investor, he does not believe in investing in a specific country because of a rating issue or because of a perceived risk. He is willing to look at it to entertain the risk because of the AA paper ICIEC has. At the first instance, he will say OK, AA rated. Any informed investor will look at the financials and who is guaranteeing these Sukuk. They

will look at your balance sheet and they will ask how much capital do you have?

ICIEC will not venture in this area on its own. We must bring other MDBs with us. All the products have one front. We are the one that are issuing the policy. We are the Islamic institution for Sukuk guarantees. But we will have other MDBs with us. They have the financial capabilities and in addition to the international reinsurance market to make this possible. We must start with the risk appetite that we can entertain and maintain and ensure everything is done properly and is under control.

The overriding reason should be the rating. You should anticipate that member states have a lower rating than you to be the beneficiaries. If you go to the US or IMF similar ratings carry additional costs. We need to identify suitable projects and partners in green energy projects in addition to expanding later into the other traditional sectors.

***What is your default experience especially in cases where the sovereign risk is undermined by the sovereign entity or its agencies, for instance through late and delayed payments?***

In our experience in all the markets in which we operate, we have never had any issues in recoveries. Delays happen but we work with governments to reschedule payments. As an MDB we always have priority in repayment, and we push up the ticket to maximum at the IsDB Group level.

As of late we have a cross-default policy across the IsDB Group so any default for any member of the Group becomes the default of the Group as a whole. This answers your question dealing with a company you start on a project and payment is delayed say financed by ICD and in the case of a default the whole Group will start supporting you. We must be proactive in the management of the relationships, projects, and payment schedules. We now have a system where we send multiple reminders for the payment. Some entities will try to procrastinate the payment.

ICIEC is very careful in thinking about its structure for its future viability. A recent study for COMCEC started as a basic one but soon embraced the issue of FinTech disruption, Information Technology (IT), Artificial Intelligence (AI) and the Internet of Things (IOT). For you to project what you want you must look beyond 20 to 30 and 40 years from today to see how trade is going to change and be transacted.

***Lack of awareness of the risks associated with export credit insurance and PRI and the new risks emerging such as climate change risks, catastrophe insurance, marine disruption insurance, remains a major challenge for OIC markets. How do we mitigate such sentiments?***

We are aware of these shortcomings. Some of our Member States do not even have national ECAs, and some of them see ICIEC play this role. The concept is foreign to them to start with. In other Member States where they have ECAs these are very poorly capitalized and are limited to only insuring basic exports.

We do however have markets that are highly advanced, such as Malaysia and Türkiye, where there is a solid base for ECAs and Export Import Banks. The UAE has established Etihad Credit Insurance (ECI), the federal export credit agency, which in September 2019 launched an online conventional and Islamic export trade credit solution for SMEs, for which ICIEC is providing reinsurance for the Shariah-based option. The Islamic SME Protect is the first of its kind in the Middle East and expects around 100 SMEs to apply for this policy in the first five months.

The Islamic SME Protect will help move SMEs from traditional Letters of Credit and cash-payment terms towards the most updated sales on open credit terms and aims to support exporters and re-exporters in their international expansion plans, as well as assisting them in entering high-growth markets.

If you look at the knowledge base of exporters and government agencies there is more work to be done. To enter this domain, you must sell it to central banks, commercial banks, trade finance intermediaries before you start with anybody else. This is why we are engaging with these banks to show how things are done in the West and educating them about credit enhancement that can be given to local banks for them to give more lines of credit to and support local exporters.

The more you give them the more they can export. The longer repayment time means they can produce and export more. This is where ECAs and ICIEC come to play. We take that risk, and we share it with the issuing banks. In answer to your question, it varies from place to place. In some places there are certain constraints. In Pakistan we are working with them to expand capacity and capability in export credit insurance within the new Eximbank which was established in 2023.

***In these uncertain times, risk management surely assumes a much greater importance for all stakeholders. What are your latest developments in this respect?***

Risk management is an important consideration for us. We are developing a new system for risk management monitoring and modelling. We want to test our portfolio to see whether we have the proper coverage and to devise a new and advanced way to go forward. We worked previously with the AR Bentil system. Risks are existing but we revisit the largest ones, and we pick out those to see



In recent years, ICIEC has made significant progress in strengthening its risk management paradigm and achieved appreciable milestones. The Corporation **developed and implemented a Risk Appetite Statement (RAS)** which has been approved by the Board of Directors

how they are performing. We continue to monitor on an ongoing basis, changes in political, investment and day-to-day risks of Member States.

Following the downturns in the global economy due to the ongoing impact of the COVID-19 pandemic, the war in Ukraine and geopolitical tensions in the Middle East, insurance operations across the world have been adversely affected.

Despite this, ICIEC continues to tackle the economic consequences of the war and the lingering impact of the pandemic as the Corporation's business model has proven robust across different economic cycles. Undoubtedly, the pivotal role of Risk Management is one of the most important factors that enabled the Corporation to navigate successfully through the crisis period while upholding its strong credit profile.

ICIEC aims to consolidate the achievements made so far by strengthening the risk management practices and architecture to support the achievement of the 10-year strategy. The Risk Management paradigm is akin to safeguarding business continuity, achieving sustainability, optimizing capital allocation and utilization with a forward-looking risk-based capital planning while enhancing the overall performance of the Corporation through a tailored Enterprise Risk Management (ERM) architecture.

In recent years, ICIEC has made significant progress in strengthening its risk management paradigm and achieved appreciable milestones. The Corporation developed and implemented a Risk Appetite Statement

(RAS) which has been approved by the Board of Directors. The RAS articulates in written form the aggregate level and types of risk that the Corporation is willing to accept, or to avoid, to achieve its business objectives.

ICIEC has adopted a balanced approach to support the developmental needs of Member States amid crises whilst maintaining a sound portfolio with robust risk management, prudent underwriting, and loss minimization efforts. This has been further enhanced by the strong follow-up and prudent monitoring using effective risk management capabilities and management's timely intervention in strategic key points supported by IsDB Group synergy.

Some of the major milestones of ICIEC that have contributed to the strengthening of its risk management include the development and implementation of models and framework viz: Risk Management Framework, Risk Capital Model, Exposure Management Framework, and Portfolio Reserving. The plans of Risk Management for coming years are- the development of Risk Based Pricing Model, the development of the Stress Testing Framework, and the Implementation of IFRS-9 as part of the approved Portfolio Reserving Framework.

Other policies and initiatives that have enhanced the Corporation's risk management processes and practices include the introduction of RAS to define risk limits: the development of ICIEC Liquidity Policy towards managing liquidity risk that provides guidelines for identifying, measuring, controlling, monitoring, and reporting liquidity risk in a consistent manner across the Corporation,



origination of an internal Country Risk Rating Model, Preparation of Risk Management Perception (RMP) as management handbook for all operating countries.

The RMP highlights the risk trigger events to provide a quick view with high-level risk management guidelines shaped by the Risk Appetite of the Corporation in the structure of brief country risk analysis reports: and revamp of Country Risk Assessment (CRA) report. The CRA report reflects strong ingredients for underwriting assessment and risk measurements by different commercial and political risk perils.

**Food Security is a major sector for ICIEC especially in the wake of the pandemic and the Ukraine supply chain disruptions. What is ICIEC's future strategy in this respect?**

As a Multilateral Development Financial Institution, ICIEC pledges its total capacity and resources to contribute to the sustainable development of our Member States and stand by them during times of crisis. Our unwavering commitment to Food Security exemplifies our dedication to fostering resilience, growth, and prosperity across diverse landscapes.

In a proactive role within the IsDB Group Food Security Response Program (FSRP), a collaborative initiative adopted by an Extraordinary Special Meeting of the Boards of Directors of IsDB, ICIEC, and the Islamic Solidarity Fund for Development (ISFD) on July 28, 2022, ICIEC

initially allocated an insurance capacity of US\$500 million spanning a period of three and a half years, from the second half of 2022 through the end of 2025. This program aligns well with both the developmental objectives of ICIEC and the broader Sustainable Development Goal 2.

ICIEC's role within the FSRP is oriented towards the Least Developed Member states (LDMCs). With a focus on exporters, contractors, investors, and financial institutions, our efforts are centered on arrangements in partnership with respected global reinsurance entities.

Since its inception, ICIEC's unwavering support has translated into vital contributions, amounting to a significant US\$1.5 billion within the Agriculture sector. This considerable effort has notably boosted productivity and income for food producers, particularly in the least developed countries. The scope of our support is wide-ranging, from enabling the import of essential food commodities to empowering the mechanization systems of agriculture in member states.

**ICIEC Launched its Climate Change Policy and ESG Framework during COP28 in Dubai in 2023. Can you expand on the rationale and aims of your strategy?**

The launch of our Climate Change Policy and ESG Framework documents reflects an ongoing commitment towards mainstreaming Climate Action that began in 2021 at COP26 in Glasgow, in which I participated.





Since its inception, ICIEC's unwavering support has translated into vital contributions, amounting to a significant **US\$1.5 billion within the Agriculture sector**. This considerable effort has notably boosted productivity and income for food producers, particularly in the least developed countries. The scope of our support is wide-ranging, from enabling the import of essential food commodities to **empowering the mechanization systems of agriculture in member states**

The Framework marks the commencement of a transformative results-oriented process where ICIEC's operations, insurance, de-risking, physical assets and human capital and focus are addressing the Climate Crisis at their core, based on the needs of ICIEC's member states, IsDB Group synergies, the role of the private sector in climate finance and industry best practice. 2024 sees the second phase of the Climate Change project which is dedicated to screening, monitoring and evaluation based on practical, achievable and industry benchmarked parameters that take all ICIEC's business lines into account.

ICIEC is committed to helping our 49 Member States achieve their development goals, including resilience, mitigation and adaptation to the threats posed by climate change. ICIEC cover is directed towards various sectors, with US\$2.35 billion going specifically into clean energy initiatives such as solar energy systems and wind farms. At COP28, IsDB President, Dr. Muhammad Al Jasser, unveiled a US\$1 billion climate finance initiative for fragile and conflict-affected member states over the next three years.

In 2023 a total business insured target of 10% was dedicated to Climate Action and this target was reached and surpassed. In 2024 the target for total business insured for Climate Change projects and transactions was increased to 13%.

At the institutional level, the year 2024 will witness the responsibility for Climate Change and ESG being housed in a dedicated Function whilst capacity building

continues to be offered to all operations staff who will have specific climate change specific KPI's. Staff who are trained in climate change are naturally better equipped to proactively seek out transactions and projects that contribute towards climate change mitigation, adaptation and/or resilience. A stocktake of ecological consumption versus potential savings will take place on ICIEC's physical premises with clear environmentally friendly recommendations made and implemented, and travel mission carbon footprints will be mitigated through investment in certifiable carbon sink schemes in ICIEC member states.

The Climate Change Policy aims at supporting Member States to meet their commitments under the Paris Agreement, particularly their Nationally Determined Contributions (NDCs). It is also aimed at promoting investment and trade opportunities that support resilience, thus playing a pivotal role in reducing greenhouse gas emissions and enhancing adaptability to climate change. In this context ICIEC engages with financial institutions to promote business models and investments that are focused on renewable energy-efficient, natural capital, aligning with the broader transition towards the low-carbon industry.

The ESG Framework on the other hand underscored the importance of embedding ESG principles at the core of ICIEC's operations. As such we focus on developing ESG-centric products and services while incorporating ESG criteria into risk assessment and underwriting. We actively

align with global sustainability objectives and best practice and collaborate on an initiative that contribute to these goals.

***How important is it for the insurance industry to embrace digitalisation and what are the benefits and impediments?***

Trade, according to the World Trade Organization (WTO) and industry organizations, has become more digital, green, and inclusive. The digital revolution has bolstered trade in digitally delivered services by sharply reducing the costs of trading these services. The value of global trade in environmental goods and services has increased rapidly, outpacing total goods trade, and global value chains (GVCs) have expanded to encompass more economies.

The UN Global Sustainable Development Report (GSDR) 2023 similarly identifies digitalization as one of the six dynamic conditions shaping the achievement of the 17 Sustainable Development Goals (SDGs) by 2030 to which ICIEC is committed to helping its 49 member states progress towards achieving the goals in their development agenda through its financing, credit enhancement and risk mitigation solutions. The global trading landscape keeps evolving with advances in technology and science. Trade of tomorrow will be green and digital, and we need to make sure that our member states are able to transition smoothly to this new reality. ICIEC's various policies, services and programs offer an opportunity to build

stronger partnerships for food security, digital connectivity, just transition to clean energy, and mainstreaming trade and investment.

Digital technology allows insurers to gather and process large sets of data using connected devices, data analytics and machine learning. This will allow more holistic and accurate risk assessments and better pricing of risks. Digital solutions can also automate standardized tasks, such as data collection and analysis for underwriting, driving down costs and ultimately leading to lower premiums. An important component of this transition includes capacity building of member states, their agencies, financial and insurance institutions, and market players on the pivotal role of information sharing, business intelligence, digitalization and automation in supporting trade and investment decisions.

This initiative comes under the widely acknowledged capacity-building program for users of the OIC Business Intelligence Centre (OBIC), whose thrusts are i) How digitalization and business intelligence can support trade and investment and the transformative potential of digitalization for economic growth and investment promotion utilizing digital transformation roadmaps for SMEs, and the digitalization of investment promotion services, ii) The importance of reliable credit information, reporting and sharing, and of digital IDs in fostering financial inclusion and trade promotion, and iii) The value of efficient utilization of statistical sources of information on credit, trade, and investment.



Digital solutions can also automate standardized tasks, such as data collection and analysis for underwriting, driving down costs and ultimately leading to lower premiums. An important component of this **transition includes capacity building of member states**, their agencies, financial and insurance institutions, and market players on the pivotal role of information sharing, business intelligence, digitalization and automation in supporting trade and investment decisions

For ICIEC Digital Transformation and Technological Innovations are vital. The modernization of B2B payments and the digital transformation of global trade are pivotal. We see developments in several areas:

- i) Blockchain and Smart Contracts: Streamlined transactions, reduced fraud, and enhanced transparency will be realized through blockchain technology, ensuring secure and instantaneous trade settlements.
- ii) AI (Artificial Intelligence) and Machine Learning: Risk assessment optimization, decision-making automation, and personalized client interactions will be driven by AI, offering predictive insights into credit risks.
- iii) Digital Platforms: Integrated B2B platforms will offer end-to-end solutions, from procurement to payment, revolutionizing trade processes.
- iv) Transport Mobility: Shipping routes will see a significant transformation as autonomous self-driven electric container ships will be in operation.

In this respect, ICIEC is embarking on a transformative journey over the next three decades. The vision entails expanding its physical presence across all Member States of IsDB to effectively deliver services. A significant shift is foreseen in ICIEC's transition from being a direct insurance provider to a facilitator. This role would involve supporting other insurance entities with technical expertise, reinsurance capacity, and leveraging data to enhance service delivery. The future of credit insurance is intrinsically tied to data, with the OBIC initiative seen as a pivotal step towards harnessing data for future endeavours. There is also one other point. The euphoria surrounding the introduction of Insurtech has abated as the suggestion that it would democratize access to credit insurance and disrupt the status quo has failed to materialize. There has been push back against Insurtech, albeit there is scope for those firms and platforms that are adding value in the near term.

#### **Where do you see ICIEC in the next 30 years?**

The future is for visionaries in general. If management are not visionaries with their feet on the ground, they should at least be able to foresee what's coming ahead.

They should foresee the future trends of your industry, structures and changes that are taking place because of technology and talk about how markets can be linked together and how to widen the scope and the mandate of ICIEC. Not becoming just an insurance provider to becoming a player selling policies within its mandate so that it can expand and become lucrative at membership level of the ECB (European Central Bank), the World



There should be forward thinking. We are allowed self-criticism, but we Muslims tend to be offended by criticism. **Self-inspection is done on a professional level, and not based on emotion.** There is a need for more Think Tanks with the participation of respected academics. We do have them in our industry - both Muslims and Non-Muslims. It is the institutions that are lacking

Bank and the UN level. We must expand our role to be impactful. We must self-develop and if we do not engage at the global level we will not grow.

The Islamic finance terminology we use many people are not familiar with them. For me it is fine because I understand what it is, but for those who are non-Muslim this is difficult. How can you push on them this terminology?

We need to think in refining our terminology of the concepts and products to be more widely acceptable. We are already faced with growing Islamophobia. We should give our non-Muslim partners something they can relate to, not something that they would push away from the onset.

We need to unify the principles of which we are transacting our business, even though the diversity is great in Islam. It is through this diversity that we have reached great heights in Islamic history. When we talk about these financial and economic principles there's a wide range of schools of thought that we cannot have a consensus to draw in the business.

There should be forward thinking. We are allowed self-criticism, but we Muslims tend to be offended by criticism. Self-inspection is done on a professional level, and not based on emotion. There is a need for more Think Tanks with the participation of respected academics. We do have them in our industry - both Muslims and Non-Muslims. It is the institutions that are lacking.

**ICIEC**

**The Islamic Corporation for  
the Insurance of Investment  
and Export Credit**

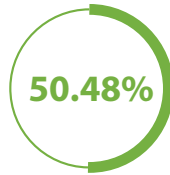
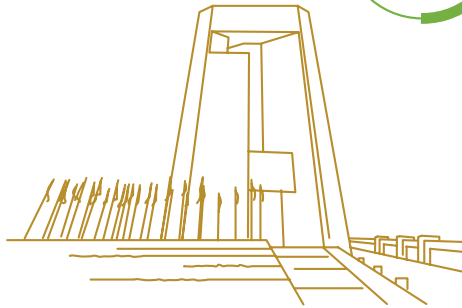
---



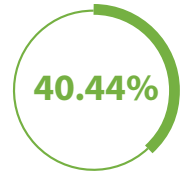
**30 Years of  
Cumulative  
Achievements  
in Figures &  
Charts**

## Top 10 Shareholders (% of Shares)

**Islamic Development Bank (IsDB)**



Saudi Arabia	20.20%
Egypt	4.51%
Iran	3.37%
Kuwait	2.52%
United Arab Emirates	2.52%
Kazakhstan	2.28%
Morocco	1.68%
Qatar	1.68%
Türkiye	1.68%



**Rest of the Countries**



## Business Insured Since Inception



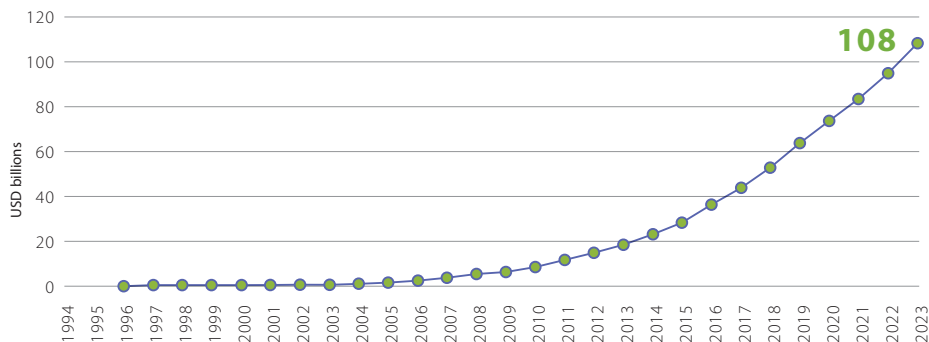
**USD 108.3 billion**  
 Insurance Provided Under Trade and Investments



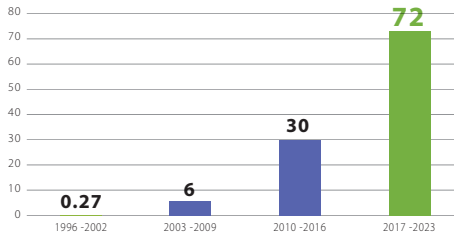
**USD 51 billion**  
 Intra-OIC Trade and Intra-Investment Facilitation

## Cumulative Business Insured and Technical Results

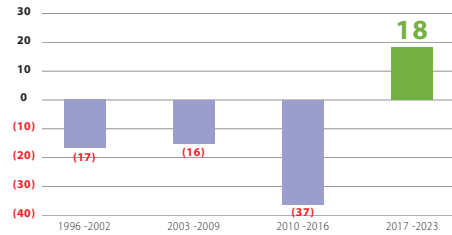
Cumulative Business Insured Since Inception (USD billions)



**Aggregate Business Insured by Period (USD billions)**

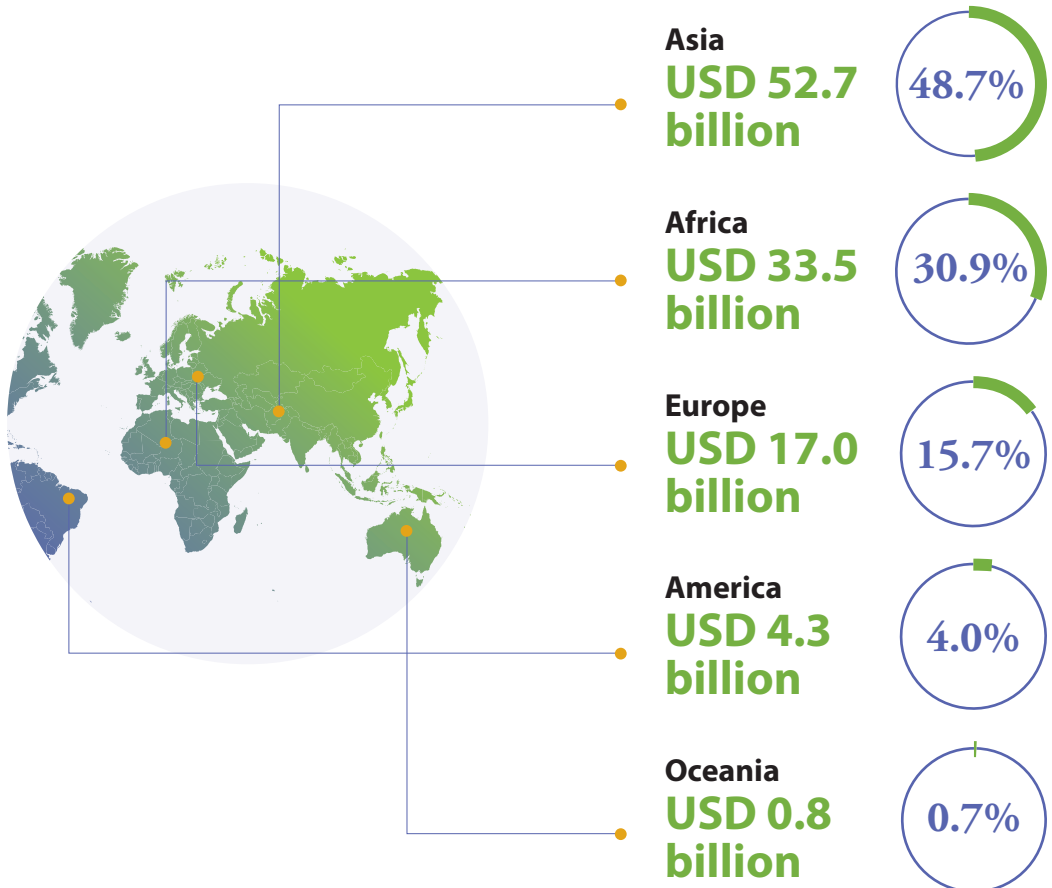


**Underwriting Technical Results by Period (USD millions)**

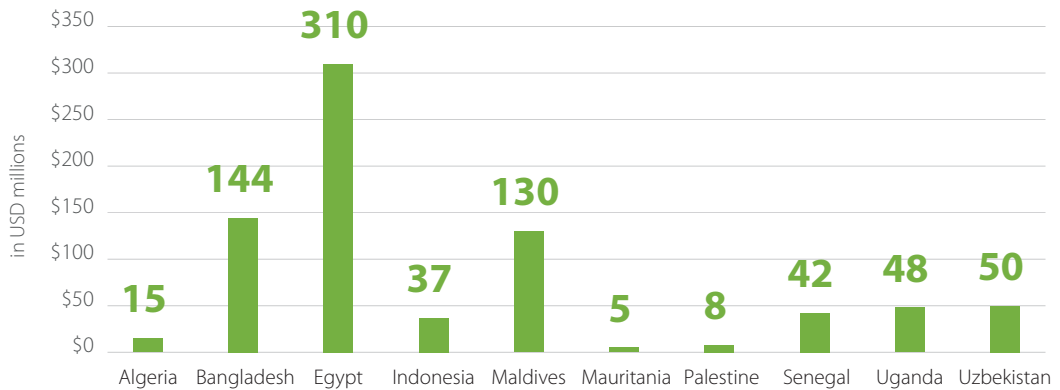


**Note:** ICIEC has been broadening and deepening its client base and market reach, yet it has maintained and improved its technical underwriting performance reflected by its 7th consecutive years of technical surpluses between 2017-2023 after having 23 years of technical deficits since its inception. This is extraordinary considering that ICIEC has more than doubled its business insured over the same period.

**Business Insured by Region Since Inception**



## FSRP Approvals by Country



Since the program's Inception from July 2022 until December 2023, ICIEC's approvals related to food security have already surpassed USD 788 million, surpassing our initial pledge of USD 500 million for the entire period until December 31, 2025.

ICIEC's contribution to food security is a global effort, spanning all geographic zones of its Member States. Beneficiaries have emerged from Sub-Saharan Africa (Senegal and Uganda), MENA (Algeria, Egypt, Palestine), and Asia (Bangladesh, Indonesia, Maldives, and Uzbekistan). ICIEC Initiatives primarily facilitate banking transactions, enabling the import of essential agriculture equipment, fertilizers, sugar, wheel, grains, soybeans, canola, and more. Additionally, we drive investments to modernize the agriculture sector and expand agricultural projects, reinforcing resilience against future food crises.

## Business Insured by SDG Impact Since Inception

**2** ZERO HUNGER



ICIEC has supported over **USD 1.5 billion** in trade and investment in the agricultural sector

**3** GOOD HEALTH AND WELL-BEING



ICIEC has insured upwards of **USD 2.6 billion** in trade and investment in the health sector

**7** AFFORDABLE AND CLEAN ENERGY



ICIEC has supported **USD 44.7 billion** in trade and investment related to the energy sector

**8** DECENT WORK AND ECONOMIC GROWTH



ICIEC has insured over **USD 16.1 billion** for imports, exports, outward and inward investment in low-income Member States and **USD 3.2 billion** in labour-intensive industries

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



ICIEC has supported **USD 6.9 billion** in trade and investment related to infrastructure

**13** CLIMATE ACTION



ICIEC has supported **USD 3.0 billion** in trade and investment related to green projects

**17** PARTNERSHIPS FOR THE GOALS

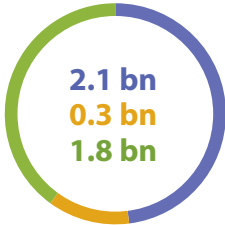


ICIEC has established more than **168 partnerships** with national ECAs, reinsurers, banks, and other multilateral institutions

## 2023 Highlights

New Insurance Commitments

**USD 4.2 billion**

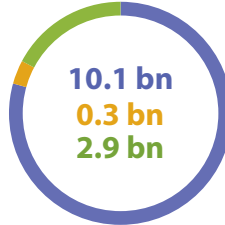


(↑ 4.6%)

● Short-Term ● Medium-Term ● Investment

Total Business Insured

**USD 13.3 billion**

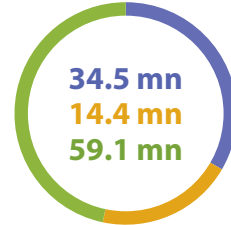


(↑ 14.4%)

● Short-Term ● Medium-Term ● Investment

Total Billed Premium

**USD 108 million**



(↑ 29.7%)

● Short-Term ● Medium-Term ● Investment



**USD 13.3 billion**

Business Insured



**USD 10.4 billion**

Support for Exports  
and Imports



**USD 2.9 billion**

Support for Foreign  
Direct Investments

## Business Insured by Sector



Agriculture

**USD 67 million**



Health

**USD 287 million**



Energy

**USD 6,302 million**



Infrastructure

**USD 426 million**



Manufacturing

**USD 3,240 million**



Services

**USD 2,086 million**



Others

**USD 472 million**



Mining and Quarrying

**USD 162 million**



Retail Trade

**USD 274 million**

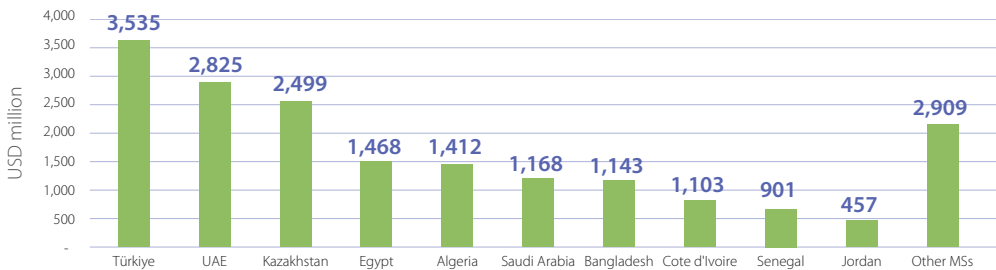


## Intra-OIC Trade

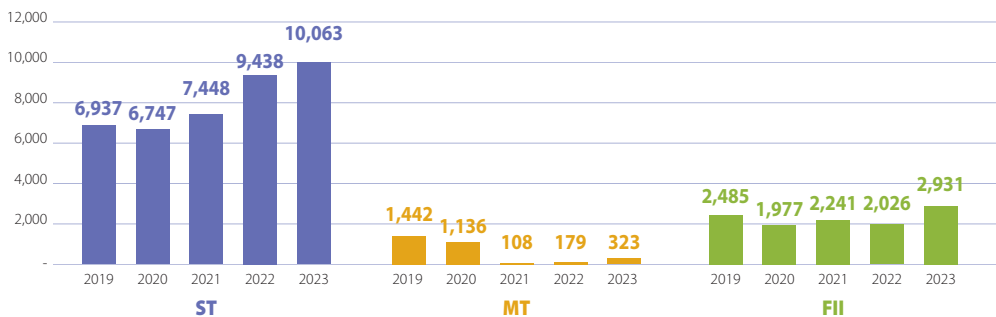
**Intra-Trade and Intra-Investment Facilitated for OIC Member States During 2019 to 2023 (USD million)**



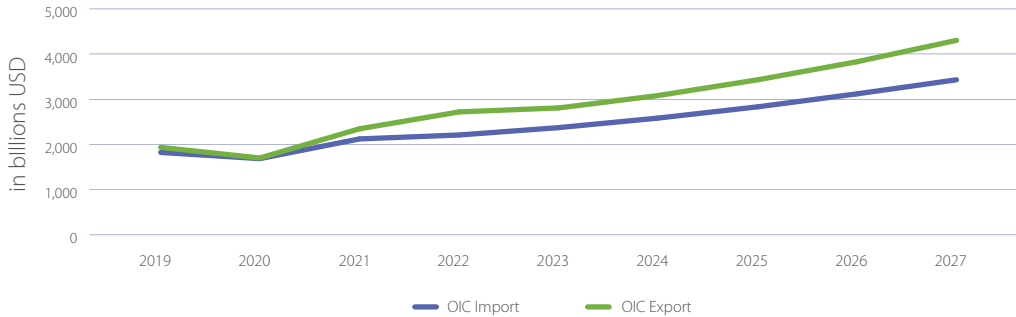
**ICIEC Support provided to its Member States in 2023 – Top 10 States (USD million)**



**Business Insured Over Last 5 Years (USD million)**

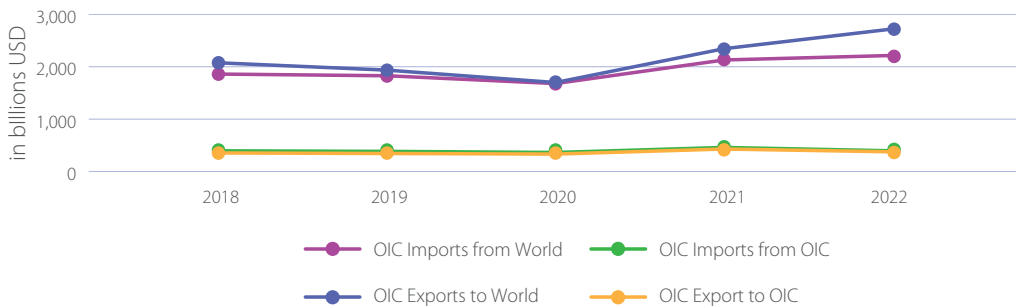


### OIC Trade Estimation and Projections



DinarStandard's OIC projections show that by 2027, import will reach USD 3.43 trillion, and export reach USD 4.30 trillion.

### OIC Trade Snapshot



## ICIEC's Flagship Initiatives and Programs: Driving Economic Transformation

### OIC Business Intelligence Centre (OBIC):

A pioneering initiative by ICIEC, the OBIC aims to offer accessible and affordable business and credit data across the OIC member states. With a vision to equip OIC countries with a top-tier business growth and risk management intelligence ecosystem, OBIC's strategic pillars are:

1. Country-level credit reporting ecosystem development.
2. Cross-OIC credit data infrastructure.
3. Advisory Services, Capacity building and development; and
4. Operational excellence with a sustainable business model.



### The Aman Union:

A collaborative effort between DHAMAN and ICIEC, the Aman Union serves as a professional forum for Commercial and Non-commercial Risks Insurers and Reinsurers within the OIC and DHAMAN Member States.



### **Arab-Africa Trade Bridges Programme (AATB):**

ICIEC, as a founding member of AATB, has been instrumental in fostering partnerships and enhancing trade and investment flows between Arab and African regions. With transactions exceeding USD 900 million through the program, ICIEC's commitment to the AATB's success is evident.



### **Arab Africa Guarantee Fund (AAGF):**

Initiated by ICIEC, the AAGF aims to bolster financial resources and risk mitigation for trade and investment in Arab and African nations. The fund encompasses three sub-funds: the Arab Africa Green Facility, the Arab Africa Food Security Facility, and the Arab Africa Health Facility.



### **The Africa Co-Guarantee Platform:**

In response to the growing need for de-risking instruments in Africa, the Africa Co-Guarantee Platform's partners, including ICIEC, have pledged to amplify their efforts. Their focus areas include infrastructure development, intra-regional trade, addressing the food and fertilizer crises, and enhancing coverage for various investments.



### **Food Security Response Program:**

Launched in 2022, this comprehensive program, backed by the IsDB Group, addresses the ongoing food crisis, and aims to bolster resilience against future food security shocks. ICIEC has shown unwavering support with a commitment of USD 500 million in PRI and credit insurance.



### **The IsDB Group's Investment Promotion Technical Assistance Program (ITAP):**

An initiative by the IsDB Group, established in 2005, and was managed by ICIEC until 2016. ITAP aims at helping to unlock the developmental potential of the IsDB Member States through a comprehensive and integrated program of foreign investment promotion technical assistance. Its focus areas include institutional development, sharing best practices, information dissemination on investment opportunities, Needs Assessment Studies, Specific sectors Studies, Capacity Building of Investment Promotion Agencies, Country Promotion events, including seminars and conferences, Policy Advice to improve investment environment.



**ICIEC**

**The Islamic Corporation for  
the Insurance of Investment  
and Export Credit**

---



**➤ 30 Years of  
Development  
Impact in  
Case Studies**

## Selection of ICIEC Green and Climate-related Transactions & Case Studies in 2023

### Supporting Mining Equipment Export from Japan to Kazakhstan

In a significant move on March 31, 2023, ICIEC concluded a substantial transaction. The deal, valued at USD 78.8 million over a seven-year tenor, involved the insurance-covered export of advanced Hitachi mining equipment from Japan to Kazakhstan. This project was a collaborative effort between Eurasian Machinery (EMBV) and the Kachary Ruda mine in Rudny, Kazakhstan.

Eurasian Machinery, known for being the exclusive distributor of Hitachi Construction Machinery in Kazakhstan and Central Asia, played a crucial role in this transaction. The Kachary Ruda mine, a key player in Kazakhstan's mining sector and a subsidiary of the Eurasian Resources Group (ERG), received the state-of-the-art Hitachi excavators and dump trucks. This move came after Kachary Ruda's evolution into an independent entity in 2020, having previously been a part of the Sokolov-Sarybai Mining Production Association (SSGPO) JSC.



ICIEC was instrumental in this project. Their involvement under the «import of capital goods from non-Member States scheme» ensured the successful facilitation of the insurance cover for EMBV's sale. This strategic intervention by ICIEC not only reinforced the robust mining sector of Kazakhstan but also marked a significant step in the enhancement of international trade and equipment export between Japan and Kazakhstan.

### Supporting Saudi Exporter Riyadh Cables Company



**Country** Saudi Arabia  
**Client** Riyadh Cables Company  
**Volume** USD 195 Million  
**Tenor** 1 year  
**Product** Comprehensive Short-Term Policy (CSTP)

#### ICIEC's Role

ICIEC is playing a key role in supporting Riyadh Cables Company in its effort to increase export sales, penetrate new markets, obtain information on new buyers and secure its receivables by providing its STP product.



## Supporting Transportation Sector in Saudi Arabia



Infrastructure is an important component of the KSA Vision 2030. The Riyadh Metro Project started in 2013, is an iconic manifestation of infrastructure delivery driven by a rapidly rising local and regional population and traffic flow. The project is in the process of being built and, when completed, will be the world's largest metro system. It is being implemented by an international consortium called FAST, of which Dutch contractor, Strukton Civiel Projecten B.V., is a key member.

ICIEC's contribution to the Riyadh Metro Project and to the KSA Vision 2030 is through reinsurance support for the project. The Corporation provided a USD 360 million Shariah-compliant reinsurance facility to Atradius Dutch State Business

N.V., the state-owned Export Credit Agency (ECA) of the Netherlands and one of the leading ECAs in the world, in support of Strukton for its role in the construction of the metro project in Riyadh.

The Riyadh Metro Project is a network covering 176 kilometres. The project aims to reduce traffic congestion in Riyadh and is expected to have a positive impact on the quality of life in the city as its residents will have access to a modern and efficient public transportation system. From an economic point of view, the project will generate substantial employment during the construction period by employing over 30,000 people.

The new metro network will provide Riyadh with a state-of-the-art integrated public transport system, to which buses and park-and-ride facilities will also be connected. Where only 2% of the population uses public transport today, it is expected that 20% of the city's inhabitants will use the underground once the metro is fully operational in 2023. This will reduce the individual trips of the residents of Riyadh, which will affect the quality of life and the carbon emission as well. In addition, stations will be powered by solar cells that will contribute to 20% of the entire station's energy. The service will contribute to the decrease of nearly 250,000 car journeys a day, thereby reducing the city's fuel requirement of 400,000 litres. According to Strukton, the Saudi capital is expected to grow by some 2.5 million inhabitants to a total of 8.3 million inhabitants over the next decade.

## Rehabilitation of Wastewater Collection 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 Dakar to foreign direct investment.



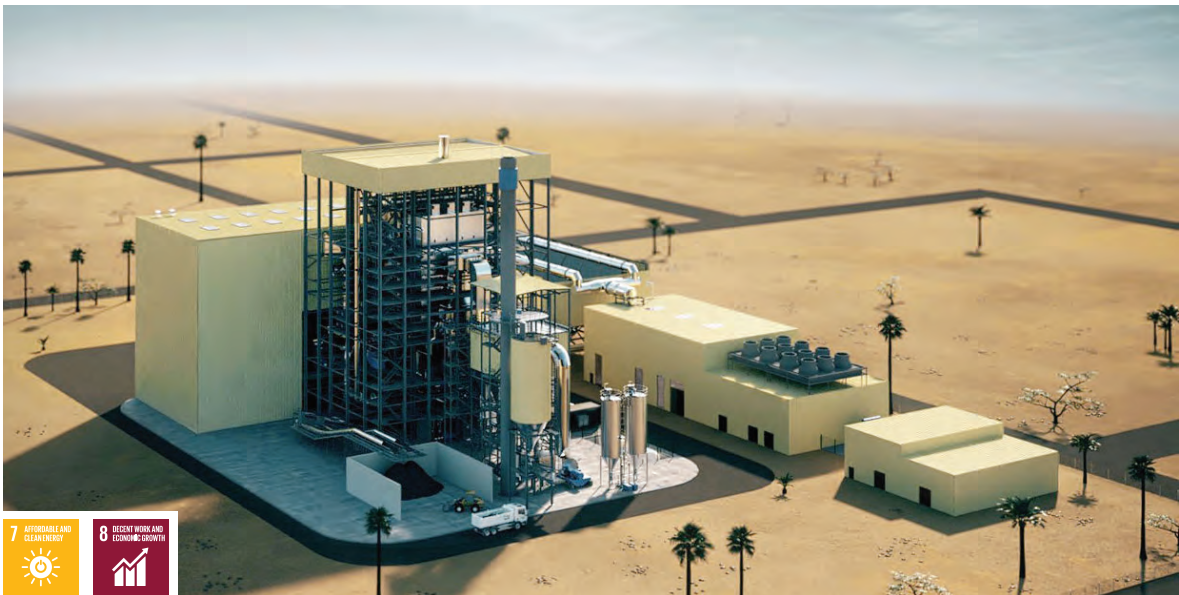
## Supporting Access to Clean Water in Cote d'Ivoire



ICIEC provided EUR 107 million for the Non-Honoring of Financial Obligation Loan Guarantee to Société General Paris to support the construction of a water supply facility in Abidjan, Cote d'Ivoire. Since 2002, rural-to-urban migration in Cote d'Ivoire has increased, placing high demand on the existing water supply. Prior to this project, the majority of the population relied on underground water, which is often unreliable and unsafe for consumption. ICIEC's support for this project has a significant human development impact, delivering clean water to nearly 2 million citizens and creating 450 jobs for local citizens. Moreover, the project allows for more sustainable management of the aquifer around Abidjan, preventing both the depletion and pollution of groundwater resources. The development of basic infrastructure such as water, sanitation and distribution facilities are crucial to achieving sustainable development and empowering communities in Cote d'Ivoire.



## Supporting Sharjah Waste to Energy Project



The Sharjah waste-to-energy (WtE) project is the first WtE scheme to be financed in the Gulf region as the Gulf states move away from landfills to more environmentally friendly disposal solutions. The project, led by UAE clean energy firms Masdar and Bee'ah, helped Sharjah reach its zero waste to landfill target by 2020 and contributed to the UAE's 2021 goal of diverting 75% of solid waste from landfill. ICIEC provided cover for the project's construction financing, working in partnership with fellow financial institutions SMBC, Siemens Bank, Abu Dhabi Commercial Bank, Abu Dhabi Fund for Development and Standard Chartered. For its contribution to the project, ICIEC was awarded a 2018 Project Finance International Award for Middle East Clean Energy Deal of the Year.

## Facilitating the Development of Renewable Energy in Türkiye



Wind farm projects in Türkiye get a boost after ICIEC reinsured Eksport Kredit Fonden (EKF) – the leading Danish ECA – for USD 80 million to support the construction of four wind farm projects to generate electricity with a total capacity of 316 MW. The wind farm projects will contribute to reducing Türkiye’s electricity imports and lessen its dependency on fossil fuels. The projects also help to create jobs, support the local economy via local procurement of services and equipment, foster technology transfer, empower locals with new knowledge about renewable energy and improve the local infrastructure via road construction and transmission line improvements.

## Supporting the Green Projects in Egypt

ICIEC has provided USD 56 million insurance coverage to support Green Projects in Egypt. The projects are expected to have a significant positive impact on the environmental and social programs of Egypt. Plans for the Green Loan include funding the construction of seawater desalination plants with energy-efficient technologies to reduce water consumption and improve the efficiency of resources. In four Egyptian governorates, 1.2 million people expect to have access to better sanitation and sewerage upon completion of the Sanitation and Sewerage Infrastructure Project. These projects will not only support the creation of employment for many locals, but these projects are also likely to contribute to the achievement of SDG 6, Clean Water and Sanitation, as the projects include the building of infrastructure for transportation and treatment of wastewater.



## Supporting the Promotion of Egypt’s energy sector



ICIEC provided a seven-year Breach of Contract and Political Risk Insurance cover under its Foreign Investment Insurance Policy to the UAE-based Alcazar Energy for its USD 68 million equity investment in the Benban Solar Complex in Aswan. The complex involves constructing and operating four 50 MW solar power plants, providing the generated electricity to the Egyptian national grid under a 25-year power purchase agreement.



## Project: Supporting Essential Refined Petroleum Supplies to Pakistan



In February 2023, ICIEC provided comprehensive insurance coverage for two refined petroleum transactions valued at USD39.4 million. These transactions were facilitated between two top-tier Pakistani banks and a UAE-based energy company, with the primary objective of enhancing Pakistan's economy by ensuring the import of strategic energy supplies.

ICIEC's insurance coverage safeguarded the transactions against potential risks and helped mitigate financial

uncertainties and promote international trade. These transactions were strategically designed to align with two of the United Nations' Sustainable Development Goals, specifically SDG7 and SDG8. SDG7 aims to ensure access to affordable, reliable, sustainable, and modern energy for all, while SDG8 focuses on promoting sustained, inclusive, and sustainable economic growth and decent and productive employment.

By providing insurance coverage for these transactions, ICIEC played a significant role in supporting Pakistan's economic growth, job creation, and energy security. The country is a net importer of oil and faces the risk of shortages and fuel scarcity, which could lead to severe strategic consequences for its economy. Therefore, the support provided by ICIEC is of utmost importance, and it reflects the institution's continued commitment to promoting economic development and prosperity in Member States. Overall, ICIEC's insurance coverage for these transactions reinforces its reputation as a reliable and effective institution that provides essential support to member states.

## PRI Cover for Equity Investment in Solar Power Project in Aswan, Egypt

<b>Country</b>	Egypt
<b>Volume</b>	USD 68 million
<b>Tenor</b>	7 Years
<b>Product</b>	Foreign Investment Insurance Policy-Equity
<b>Client</b>	Alcazar Energy
<b>Context</b>	Construction and operation of four 50 MW solar power plants, providing the generated electricity to the Egyptian national grid under a 25 year power purchase agreement. The project is located in the Benban Solar Complex in Aswan.



**ICIEC Role** ICIEC provided Breach of Contract and PRI cover to the UAE-based investor for their equity investment in the Benban Solar Complex.

**Developmental Impact** ICIEC support promoted FDI inflows into Egypt and energy security with a focus on supporting development of the country's power industry and renewable energy sources.

**Key Result** Areas Member Country Development & Energy Security

## Food and Agriculture - Egypt

### Financing the Purchase of Food Commodities in favour of the General Authority for Supply Commodities GASC



ICIEC signed a US\$210 million Bank Master Policy (BMP) in favour of banks participating in the syndication of the Islamic Trade Finance Corporation (ITFC), the trade finance arm of the Islamic Development Bank (ISDB) and a sister entity of ICIEC in the IsDB Group.

Under the 2-year facility signed in October 2023, Banks participating in the ITFC syndication were seeking insurance cover of the Non-Honouring of Sovereign Financial Obligation (NHSFO) of the Government of Egypt, to cover a Murabaha Syndicated Facility in which ITFC acted as Lead Arranger, and Agent. The syndicated facility is a collaborative effort among a consortium of banks aimed at financing the purchase of food commodities for the General Authority for Supply Commodities (GASC).

Notably, this facility benefits from a guarantee provided by the Ministry of Finance of Egypt. As part of this arrangement, ICIEC's policy will play a crucial role in mitigating non-payment risks associated with the Government of Egypt due to both commercial and geopolitical factors. This underscores ICIEC's commitment to facilitating and safeguarding trade and economic activities in the region.

The development impact and expected results of the ICIEC facility, which align with the UN SDGs 1,2,8,11 and 17, are implicit.

ICIEC's support to import strategically important essential commodities will help the country address the challenges related to food security. Importing food can help to strengthen Egypt's relationships with other countries. This can lead to increased trade and investment, which can benefit both Egypt and the countries that it imports food from. That assists in meeting the UN SDG Number 17 - Partnerships for the Goals.

Importing food commodities can help to reduce Egypt's reliance on its own resources, such as water and land. This can help to conserve these resources and make them available for other uses, such as growing crops for export. That assists in meeting the UN SDG Number 12-Responsible Consumption and Production. The transaction also supports synergy with ITFC within the context of greater collaboration and integration of IsDB Group entities.

The syndicated Murabaha Financing facility amounting to USD 210 million is in line with the objective of the Food Security Response Programme (FSRP) of IsDB Group. ICIEC pledged an amount of US\$500 million for FSRP during the period (July 2022-December 2025). Total approvals reached US\$573 million, where Egypt's share is US\$100 million related to four policies with one financial institution for the purpose of importing grain and other soft commodities.

## ICIEC – MIGA Pioneer Risk Sharing of Foreign Investment Policy in Occupied Palestinian Territories

### Agricultural Development in West Bank, Palestine

On the 11th of May 2023, a landmark agricultural development project was initiated in the West Bank, Palestine, with a funding volume of USD 7.6 million and a tenor extending up to 5.5 years. This initiative was primarily focused on the cultivation and international marketing of high-quality dates, specifically the Mejdool and Barhi varieties, through Nakheel Palestine for Agricultural Investment (Nakheel).

Located in Jericho and recognized as the leading domestic producer of these premium date varieties in Palestine, Nakheel's project was significantly bolstered by the Risk Sharing of Foreign Investment Policy (RSFIP) provided by ICIEC. The ICIEC issued an RSFIP to cover equity investments in Nakheel, safeguarding them against potential risks such as expropriation, war, civil disturbances, and temporary loss of income. This strategic move was further strengthened through a collaboration with the Multilateral Investment Guarantee Agency (MIGA).

The Nakheel project also has a crucial social inclusion dimension. It is considered a critical employer in a region hard hit by unemployment and poverty where most of the population makes a living from agricultural and dates cultivation sectors. Nakheel employs 74 permanent and 741 temporary employees, of which around 30% are women, and 60% of the employees come from low-



income families. Moreover, the project indirectly benefits the livelihoods of several hundred people throughout the supply chain, making it a crucial employer in an economy where unemployment and poverty are widespread.

Nakheel Project has an extensive infrastructure, including seven farms, a post-harvest handling packaging facility for dates, a sorting and grading house, a cold storage facility, and a rooftop solar power plant. All these facilities are in the West Bank of Palestine and contribute significantly to the local economy. Moreover, the Nakheel Project also aligns with the Paris Agreement and contributes to climate mitigation and adaptation. The project has installed 1,300 solar panels at its facilities, making it an eco-friendly initiative that promotes sustainable development.

### ICIEC and Standard Chartered Bank Partner for a Transformative Solar Electrification Project in Senegal

ICIEC and Standard Chartered Bank (SCB), a leading international cross-border bank, signed a Non-Honoring of Sovereign Financial Obligation (NHSFO) agreement to fund a €103 million solar electrification project through the installation of 50,000 off-grid solar-powered streetlamps in rural areas across Senegal.

This pivotal agreement represents a major step in sustainable development and will support the funding of a key project for the Senegal government's Ministry of Finance aimed at procuring and installing 50,000 off-grid solar powered streetlamps across Senegal's rural areas signifying substantial progress in the nation's pursuit of renewable energy.

The agreement was signed by Mr. Oussama Kaissi, CEO of ICIEC, and Mr. Sunil Kaushal, CEO of Standard Chartered,





Africa and the Middle East in Dubai during COP28. This ambitious project, valued at €103 million, aims to harness solar energy to power streetlights across Senegal's rural areas, improving the quality of life, and supporting economic activities reliant on consistent energy access.

It promises enhanced safety and security through well-lit streets, extending business hours, encouraging community gatherings, and fostering local economic growth. Environmentally, the project underscores the importance of reducing carbon emissions and adopting eco-friendly energy practices.

This deal also reflects ICIEC's resolve to accelerating climate finance through providing much needed de-risking which is key to attracting private capital in this domain in the Global Economic South. The importance of today's deal cannot be overstated. It is one more cog in consolidating financing and underwriting of projects especially serving rural and inner-city populations not only to better their lives and livelihoods but also to ensure they are not left behind.

The stark reality is that over six hundred million people in continental Africa lack access to electricity, mainly in rural areas, posing a significant hurdle to both daily life and economic progress. rural electrification stands out as a challenging yet transformative opportunity for sustainable development.

At the core also of ICIEC's Climate Action Policy are the importance of Partnerships (UN SDG 17 – The Importance of Partnerships in Achieving the SDGs) and the recognition that export credit insurance and political risk insurance are essential tools to bridge the Climate Action finance gap by de-risking investments and access to capital goods and green technology.

"Our partnership in Senegal," reminded Mr. Kaissi, "is well-established, flourishing and has real economy impact, realising projects in wastewater management, rail and road transport, tourism and convention infrastructure and state-of-the-art sports stadia and facilities. This agreement we are signing today symbolises what can be achieved when innovative financing, risk mitigation solutions, social

and development inclusion, private sector finance and government agencies come together in service of the real economy with its real impacts on communities and their ambitions."

Standard Chartered Bank UK sought an extension of our 95% insurance coverage, with a tenor of eight years, for their €126 million financing facility for the procurement and installation of 50,000 solar streetlights in the rural regions of Senegal, with the funds being managed by BNDE, Senegal's public bank. ICIEC provided our flagship Non-Honoring of Sovereign Financial Obligation (NHSFO) Policy Cover against any default by the Government of Senegal.

Reflecting on the agreement, the Mr. Oussama Kaissi, CEO of ICIEC, commented: "Our collaboration with Standard Chartered Bank for the solar streetlight project in Senegal is a testament to our commitment to sustainable development in our member states. This initiative is not just about illuminating streets, it's about empowering communities, enhancing safety, and sparking economic growth in rural areas. By harnessing the power of solar energy, we are taking a significant step towards energy independence and security in Senegal, aligning perfectly with Sustainable Development Goals 7, 11, 10, and 17."

Mr. Sunil Kaushal, CEO of Standard Chartered Africa and Middle East, commended the Bank's "continued partnership with ICIEC which has supported strategic infrastructure projects in Senegal, making it the first Green Loan provided by the Bank to the Republic. The installation of solar-powered streetlamps will uplift the lives of local communities while supporting the Senegalese government's climate goals. The Bank will continue to drive the development of the AME region by identifying financing opportunities for key infrastructure projects across a range of sectors."

The project strongly supports Senegal's energy diversification and transition policy by promoting clean renewable energy, enhancing its energy independence and security strategy, which prominently features the integration of solar power in the energy mix. Currently, solar energy contributes to 22 percent of Senegal's overall energy production. The development impact of streetlight electrification in rural areas will be transformative for businesses, SMEs and communities in several ways – extension of business hours, community gatherings, safety and security – at the same time contributing to sustainable development, community cohesion and towards achieving Senegal's net zero commitments.

This transaction is compelling evidence and progress of ICIEC's innovative playbook in the provision of protection against non-payment risks associated with international trade transactions, while also providing support for green investments in renewable energy projects, low-carbon transport systems, clean technology transfers and other sustainable initiatives.

## ESG Infrastructure Projects - Republic of Côte d'Ivoire

### Insurance of AfDB's Partial Credit Guarantee Provided to Secure Financing for ESG Projects in Côte d'Ivoire



ICIEC provided a Non-Honouring of Sovereign Financial Obligation (NHSFO) insurance policy to the African Development Bank (AfDB) to cover a Partial Credit Guarantee (PCG) it extended to Standard Chartered Bank (SCB) Singapore Limited and SCB Hong Kong Limited for a loan to the Government of Côte d'Ivoire, aimed at financing projects under the country's Environmental, Social, and Governance (ESG) Framework.

ICIEC's role is to provide additional insurance cover for a portion of a loan guaranteed by AfDB to SCB for financing projects in Côte d'Ivoire. Specifically, ICIEC is to cover 48.5% of the €400 million guaranteed by AfDB under its PCG, equating to €194 million. ICIEC's cover is for a period of 12 years.

The projects selected by the ESG Committee and categorized under eligible social and green projects will align with numerous UN SDGs.

They include Social Categorized Projects (SCP): SDGs 6, 7, 9, 11, 3, 4, 10 and 1. Examples of the SCPs selected to be financed under SCB's ESG loan: Water & Sanitation: Drinking Water Supply to Abengourou and surrounding areas from the Comoé River (€38.7 million), Affordable Housing: 12,000 social housing units (€15.2 million), Healthcare Infrastructure: upgrade of health facilities (€15.7 million). Examples of Green Categorized Projects (GCPs): SDGs 6, 12, 13, 14 and 15. Examples of the GCPs selected

to be financed under SCB's ESG loan: Renewable Energy: Boundiali Solar Powerplant (€2.7 million), Conserving Terrestrial and Aquatic Biodiversity: Rural and pastoral land management support project (€2.7 million). The Project will also contribute to establish Côte d'Ivoire as a credible sustainable issuer by supporting the country to build a track-record.

The project aims to support growth and sustainable development in Côte d'Ivoire, aligning with several UN Sustainable Development Goals (SDGs), particularly in areas like renewable energy, affordable housing, water and sanitation, and health infrastructure, and the Government of Côte d'Ivoire's National Development Plan and its ESG objectives.

The project focuses on promoting inclusive growth and mobilizing long-term financing for ESG expenditures in various sectors like renewable energy, education, and infrastructure development projects like water supply systems, healthcare facilities, renewable energy plants, social impact affordable housing, healthcare improvements, education, and financial inclusion initiatives. Environmental benefits implicit in some of the projects include biodiversity conservation and pollution prevention. This strategic collaboration among ICIEC, AfDB, and the Government of Côte d'Ivoire demonstrates a robust commitment to ensuring the successful financing and execution of vital ESG projects in Côte d'Ivoire.

## ICIEC Impact investment in Kingdom of Saudi Arabia

### Case Study - 01

<b>Project</b>	<b>Supporting Saudi Exporter Riyadh Cables Company</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 195 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Comprehensive Short-Term Policy (CSTP)</b>
<b>Client</b>	<b>Riyadh Cables Company</b>

#### ICIEC's Role

ICIEC is playing a key role in supporting Riyadh Cables Company in its effort to increase export sales, penetrate new markets, obtain information on new buyers and secure its receivables by providing its STP product.



### Case Study - 02

<b>Project</b>	<b>Supporting Saudi Exporter Riyadh Cables Company</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 60 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Specific Transaction Policy (SIP)</b>
<b>Client</b>	<b>A Japanese Company exporting to Saudi Arabia</b>

#### ICIEC's Role

The question of food security is vital for every country around the world. In this project, ICIEC is supporting a Japanese exporter, one of the largest trading companies in Japan, to export canned food products into Saudi Arabia. The deal facilitates trade between a member country and a non-member by allowing a higher credit facility for the Saudi importer with the Japanese exporter.



### Case Study - 03

<b>Project</b>	<b>Supporting Transportation Sector in Saudi Arabia</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 360 Million</b>
<b>Tenor</b>	<b>5 years</b>
<b>Product</b>	<b>Facultative Reinsurance Policy</b>
<b>Client</b>	<b>Atradius Dutch State Business N.V., the state-owned Export Credit Agency (ECA) of Netherlands</b>

#### ICIEC's Role

The Riyadh Metro Project is a network covering 176 kilometers. The project aims to reduce traffic congestion in Riyadh and is expected to have a positive impact on the quality of life in the city as its residents will have access to a modern and efficient public transportation system. From an economic point of view, the project will generate substantial employment during the construction period by employing over 30,000 people.

The new metro network will provide Riyadh with a state-of-the-art integrated public transport system, to which buses and park-and-ride facilities will also be connected. Where only 2% of the population uses public transport today, it is expected that 2% of the city's inhabitants will use the underground once the metro is fully operational in 2021. According to Strukton, the Saudi capital is expected to grow by some 2.5 million inhabitants to a total of 8.3 million inhabitants over the next decade.



### Case Study - 04

<b>Project</b>	<b>Facilitating exports of Saudi made Packaging Materials to EU, USA, &amp; MENA</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 160 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Globalliance (GAP) Short-Terns Policy — Reinsured by Coface</b>
<b>Client</b>	<b>Gulf Packaging Co. &amp; Trio Mada Co.</b>

#### ICIEC's Role

ICIEC is facilitating the export of the above exporters to Africa, Europe, North America and GCC countries by providing coverage to the PH against the non payment of their debtors/buyers. ICIEC is also playing a role in providing financial information on the existing/new buyers and new markets as well in order to ensure a safe penetration for the Saudi exporter to foreign markets.



### Case Study - 05

<b>Project</b>	<b>Facilitating export of Saudi made raw papers</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 120 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Comprehensive Short-Term policy - CSTP</b>
<b>Client</b>	<b>Middle East Papers Co.</b>

#### ICIEC's Role

ICIEC is facilitating the export of the above exporters to Africa, Europe, North America and GCC countries by providing coverage to the PH against the non-payment of their debtors/buyers. ICIEC is also playing a role in providing financial information on the existing/new buyers and new markets as well in order to ensure a safe penetration for the Saudi exporter to foreign markets.



### Case Study - 06

<b>Project</b>	<b>Facilitating export of spun melt non woven fabrics</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 90 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Globalliance (GAP) Short-Terns Policy — Reinsured by Coface</b>
<b>Client</b>	<b>Advanced Fabrics Co. (SAAF)</b>

#### ICIEC's Role

ICIEC is facilitating the export of the above exporters to Africa, Europe, North America and GCC countries by providing coverage to the PH against the non-payment of their debtors/buyers. ICIEC is also playing a role in providing financial information on the existing/new buyers and new markets as well in order to ensure a safe penetration for the Saudi exporter to foreign markets.



## ICIEC Impact investment in Kingdom of Saudi Arabia

### Case Study - 01

<b>Project</b>	<b>Facilitating export Saudi made Plastic product</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 60 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Globalliance (GAP) Short-Terms Policy — Reinsured by Coface</b>
<b>Client</b>	<b>Saudi Plastic Packaging System – Part of Takween Group</b>

#### ICIEC's Role

ICIEC is facilitating the export of the above exporters to Africa, Europe, North America and GCC countries by providing coverage to the PH against the non-payment of their debtors/buyers. ICIEC is also playing a role in providing financial information on the existing/new buyers and new markets as well in order to ensure a safe penetration for the Saudi exporter to foreign markets.



### Case Study - 01

<b>Project</b>	<b>Facilitating the export of 3P stretch films</b>
<b>Country</b>	<b>Saudi Arabia</b>
<b>Volume</b>	<b>USD 35 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Globalliance (GAP) Short-Terms Policy — Reinsured by Coface</b>
<b>Client</b>	<b>Al Sharq Flexible Industries – Takween Group</b>

#### ICIEC's Role

ICIEC is facilitating the export of the above exporters to Africa, Europe, North America and GCC countries by providing coverage to the PH against the non-payment of their debtors/buyers. ICIEC is also playing a role in providing financial information on the existing/new buyers and new markets as well in order to ensure a safe penetration for the Saudi exporter to foreign markets.



### Case Study - 01

<b>Project</b>	<b>Insuring Saudi Investment in Indonesia</b>
<b>Country</b>	<b>PH from Saudi Arabia – Project in Indonesia</b>
<b>Volume</b>	<b>USD 100 Million</b>
<b>Tenor</b>	<b>1 year</b>
<b>Product</b>	<b>Foreign Insurance Policy (FIIP) – Financing</b>
<b>Client</b>	<b>SIDRA Capital</b>

#### ICIEC's Role

ICIEC has provided insurance against the political in Indonesia. With ICIEC's support we made it easy for the Saudi Investor to fund a project in Indonesia that supports mining sector and creates thousands of job opportunities.





## Trade - Bahrain

### Facilitate Growth in Bahrain's Fisheries Sector and Advance Global Food Security Goals



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and Export Bahrain recently signed a Comprehensive Short-Term Policy (CSTP) to support Al Deebel Fishes Company W.L.L.. The Al Deebel Fishes Company is considered one of the key fishing businesses in the Kingdom of Bahrain and is involved in the processing and marketing of fish and fishery products. The business turnover is expected to be further increased through ICIEC and Export Bahrain by no less than 20%.

ICIEC also signed another CSTP Policy to support another key business in Bahrain: Seafood Products - Shell Fisheries Company .W.I.I , The company has its roots in Saudi Arabia, where it started this business in the 70's and has now risen to one of the leading frozen food and seafood distributors.

ICIEC is unwavering in its dedication to realizing the Sustainable Development Goals (SDGs) and effecting lasting developmental changes in the economies of its member states. A focal point of this commitment is the emphasis on SDG 2: Zero Hunger. ICIEC actively facilitates progress toward Zero Hunger by providing insurance for food-related transactions, thereby enhancing food security across its member states. The organization's steadfast goal is to ensure that all citizens have access to nutritious and safe foods, underscoring its commitment to achieving Zero Hunger for people worldwide.

Since its inception, ICIEC has been a formidable advocate for food security in its member states, exemplified by its substantial support of USD 1.5 billion for agriculture and fishery products. This support has significantly contributed to improving the productivity and income of food producers, particularly those in least-developed countries. ICIEC recognizes that enhancing access to quality food is integral to sustainable development globally. Moreover, it plays a pivotal role in reducing poverty levels and fostering economic growth within the communities it serves.

ICIEC's commitment to addressing food security challenges is further manifested in its instrumental role in establishing the Arab Africa Guarantee Fund (AAGF). Comprising three sub-funds, namely the Arab Africa Green Facility, Arab Africa Food Security Facility, and Arab Africa Health Facility, the AAGF stands as a testament to ICIEC's proactive efforts in promoting comprehensive and sustainable solutions to critical developmental issues.



## Yerkoy Kayseri High Speed Railway Project, Türkiye

On July 31, 2023, Türkiye embarked on a significant infrastructure development with the Yerkoy Kayseri Highspeed Railway Project, funded through a syndicated financing facility of USD 143.5 million. The tenor for this project is set for one year, with the MUFG Securities led syndication, comprising six banks including MUFG itself, playing a pivotal role in this endeavour.

ICIEC was approached by MUFG Securities EMEA plc to provide a Non-Honouring of Sovereign Financial Obligation (NHSFO) policy. This

coverage was sought against the risk of the Ministry of Finance and Treasury of Türkiye non honouring its financial obligations for a period of 8 years, thereby ensuring a secure financial foundation for this ambitious project.

Through this project, around 3,000 people are expected to be employed. This HSR route will allow for a direct rail connection between Yerköy and Kayseri, which will eventually connect Ankara and Kayseri with a travel time of only 2 hours by HSR where it is currently 7 hours by conventional train, 5 hours by car, and 1 hour by plane. By developing a fast, safe, sustainable, and economical rail route, this project is set to boost economic activity in the Yozgat, Nevşehir, and Kayseri regions. This includes support for winter tourism, trade in and from Kayseri, and enhanced intercity job and growth opportunities through improved commuting services.

The transaction is strategically important for the country. The project is a critical infrastructure priority through which the Turkish State Railways (TCDD) key target is to (i) increase Türkiye's high-speed rail system to 10,000 kilometres. (ii) vastly reduce transportation times, (iii) mark a significant step in Türkiye's green transition goals to decarbonise the Turkish transport sector and meet commitments to reduce greenhouse gas emissions following the COP26 climate conference and Türkiye's accession to the Paris Agreement.



## Financing of the Dakar-Tivaouane Highway, including the Construction of 37 Bridges

In November 2023, the Republic of Senegal embarked on an ambitious infrastructure project involving the financing of the Dakar-Tivaouane highway, including the construction of 37 bridges. With a total volume of EUR 336 million and a tenor of 12 years, this project represents a significant step in enhancing the country's infrastructure.

Société Générale (SocGen), managing the Special Purpose Entity (SPE), sought the involvement of ICIEC. ICIEC's role was crucial, providing insurance cover for the Non-

Honouring of Sovereign Financial Obligation (NHSFO) by the government of Senegal. This coverage was pivotal for an Islamic financing facility amounting to EUR 300 million, plus associated profit, as part of a larger EUR 489 million contract. The project is part of an overarching EUR 1 billion initiative, supported by the World Bank, the African Development Bank (AfDB) Group, the Saudi Fund, and the Government of Senegal.

The Dakar-Tivaouane highway project, spanning 55 kilometers, alongside the expansion of the Route de Rufisque, also known as the "Ancienne Route de Rufisque," holds significant strategic importance. These roads are integral components of the trans-African routes, connecting key cities like Tangier, Nouakchott, Dakar, Lagos, Algiers, and plans to extend to Madrid, Spain. The highway will traverse through vital agricultural regions and play an essential role in the transportation of oil and gas, thereby boosting the economic development of Senegal.

These projects symbolize Senegal's commitment to enhancing its national infrastructure and facilitating regional integration and economic growth. By improving transportation routes, these initiatives will have a profound impact on trade, tourism, and overall socio-economic development within Senegal and beyond.



# Utilization of ICIEC's Services by ICIEC Member States Since Inception

---



➤ **Globally 140 countries utilized ICIEC's services since inception, of which 50 countries are OIC Member States.**

## Utilization of ICIEC's Services by ICIEC Member States Since Inception

*Globally 140 countries utilized ICIEC's services since inception, of which 50 countries are OIC Member States.*

Country	<b>Albania</b>	Country	<b>Algeria</b>	Country	<b>Azerbaijan</b>
Trade Export	9,329,254	Trade Export	2,626,353,798	Trade Export	-
Trade Import	414,683	Trade Import	5,117,073,294	Trade Import	73,944,710
Outward Investment	-	Outward Investment	-	Outward Investment	45,252,079
Inward Investment	-	Inward Investment	1,501,495,000	Inward Investment	-
Total	9,743,937	Total	9,244,922,092	Total	119,196,789
%	0.0%	%	5.9%	%	0.1%
Country	<b>Bahrain</b>	Country	<b>Bangladesh</b>	Country	<b>Benin</b>
Trade Export	6,899,064,761	Trade Export	92,847,604	Trade Export	-
Trade Import	313,733,919	Trade Import	6,027,967,095	Trade Import	109,188,190
Outward Investment	-	Outward Investment	-	Outward Investment	-
Inward Investment	570,506,941	Inward Investment	666,717,478	Inward Investment	25,395,943
Total	7,783,305,622	Total	6,787,532,177	Total	134,584,133
%	4.9%	%	4.3%	%	0.1%
Country	<b>Burkina Faso</b>	Country	<b>Cameroon</b>	Country	<b>Chad</b>
Trade Export	-	Trade Export	212,033,528	Trade Export	-
Trade Import	1,075,750,620	Trade Import	606,964,248	Trade Import	29,031,501
Outward Investment	-	Outward Investment	-	Outward Investment	-
Inward Investment	-	Inward Investment	1,188,428,327	Inward Investment	-
Total	1,075,750,620	Total	2,007,426,103	Total	29,031,501
%	0.7%	%	1.3%	%	0.0%
Country	<b>Comoros</b>	Country	<b>Cote d'Ivoire</b>	Country	<b>Djibouti</b>
Trade Export	-	Trade Export	20,734,218	Trade Export	-
Trade Import	-	Trade Import	1,308,149,521	Trade Import	5,494,576
Outward Investment	-	Outward Investment	211,342,789	Outward Investment	-
Inward Investment	4,968,606	Inward Investment	3,041,722,889	Inward Investment	489,019,985
Total	4,968,606	Total	4,581,949,418	Total	494,514,562
%	0.0%	%	2.9%	%	0.3%
Country	<b>Egypt</b>	Country	<b>Gabon</b>	Country	<b>Guinea</b>
Trade Export	3,245,475,486	Trade Export	-	Trade Export	-
Trade Import	4,347,682,189	Trade Import	149,368,080	Trade Import	217,423,811
Outward Investment	382,941,299	Outward Investment	-	Outward Investment	-
Inward Investment	2,040,853,903	Inward Investment	-	Inward Investment	-
Total	10,016,952,877	Total	149,368,080	Total	217,423,811
%	6.3%	%	0.1%	%	0.1%
Country	<b>Indonesia</b>	Country	<b>Iran</b>	Country	<b>Iraq</b>
Trade Export	290,849,620	Trade Export	29,760,612	Trade Export	-
Trade Import	711,657,642	Trade Import	258,409,011	Trade Import	20,374,642
Outward Investment	-	Outward Investment	-	Outward Investment	-
Inward Investment	863,596,217	Inward Investment	202,121,572	Inward Investment	-
Total	1,866,103,479	Total	490,291,195	Total	20,374,642
%	1.2%	%	0.3%	%	0.0%
Country	<b>Jordan</b>	Country	<b>Kazakhstan</b>	Country	<b>Saudi Arabia</b>
Trade Export	5,302,113,977	Trade Export	4,714,368,817	Trade Export	13,862,517,295
Trade Import	2,265,401,969	Trade Import	3,491,370,855	Trade Import	8,468,871,107
Outward Investment	396,100,000	Outward Investment	-	Outward Investment	259,051,479
Inward Investment	-	Inward Investment	-	Inward Investment	-
Total	7,963,615,946	Total	8,205,739,672	Total	22,590,439,881
%	5.0%	%	5.2%	%	14.3%
Country	<b>Kuwait</b>	Country	<b>Lebanon</b>	Country	<b>Libya</b>
Trade Export	721,171,506	Trade Export	58,443,103	Trade Export	-
Trade Import	861,975,247	Trade Import	1,760,664,166	Trade Import	92,483,632
Outward Investment	47,370,831	Outward Investment	-	Outward Investment	-
Inward Investment	-	Inward Investment	250,000,000	Inward Investment	12,061,100
Total	1,630,517,584	Total	2,069,107,268	Total	104,544,732
%	1.0%	%	1.3%	%	0.1%

Country	<b>Malaysia</b>
Trade Export	51,194,833
Trade Import	98,100,978
Outward Investment	440,798,182
Inward Investment	-
Total	590,093,992
%	0.4%

Country	<b>Mauritania</b>
Trade Export	-
Trade Import	458,091,951
Outward Investment	-
Inward Investment	-
Total	458,091,951
%	0.3%

Country	<b>Niger</b>
Trade Export	-
Trade Import	74,031,761
Outward Investment	-
Inward Investment	70,599,520
Total	144,631,281
%	0.1%

Country	<b>Pakistan</b>
Trade Export	1,420,915,237
Trade Import	4,320,673,548
Outward Investment	-
Inward Investment	470,065,310
Total	6,211,654,094
%	3.9%

Country	<b>Republic of Turkiye</b>
Trade Export	12,538,008,911
Trade Import	3,552,508,823
Outward Investment	3,778,134,795
Inward Investment	4,204,584,597
Total	24,073,237,126
%	15.3%

Country	<b>Sudan</b>
Trade Export	280,884,238
Trade Import	419,085,047
Outward Investment	-
Inward Investment	824,002,268
Total	1,523,971,553
%	1.0%

Country	<b>Tunisia</b>
Trade Export	1,163,917,309
Trade Import	347,232,978
Outward Investment	-
Inward Investment	-
Total	1,511,150,287
%	1.0%

Country	<b>Uzbekistan</b>
Trade Export	4,269,289
Trade Import	517,714,717
Outward Investment	-
Inward Investment	338,141,974
Total	860,125,979
%	0.5%

Country	<b>Maldives</b>
Trade Export	-
Trade Import	230,804,441
Outward Investment	-
Inward Investment	54,575,025
Total	285,379,466
%	0.2%

Country	<b>Morocco</b>
Trade Export	534,528,917
Trade Import	800,110,772
Outward Investment	434,438,488
Inward Investment	-
Total	1,769,078,177
%	1.1%

Country	<b>Nigeria</b>
Trade Export	27,396,064
Trade Import	1,311,858,062
Outward Investment	-
Inward Investment	437,010,636
Total	1,776,264,762
%	1.1%

Country	<b>Palestine</b>
Trade Export	-
Trade Import	-
Outward Investment	-
Inward Investment	15,200,000
Total	15,200,000
%	0.0%

Country	<b>Republic of Turkmenistan</b>
Trade Export	-
Trade Import	357
Outward Investment	-
Inward Investment	63,000,000
Total	63,000,357
%	0.0%

Country	<b>Syria</b>
Trade Export	152,362,858
Trade Import	89,805,822
Outward Investment	-
Inward Investment	35,309,731
Total	277,478,410
%	0.2%

Country	<b>Uganda</b>
Trade Export	-
Trade Import	41,987,237
Outward Investment	-
Inward Investment	275,656,331
Total	317,643,568
%	0.2%

Country	<b>Yemen</b>
Trade Export	16,723,999
Trade Import	57,267,222
Outward Investment	-
Inward Investment	-
Total	73,991,220
%	0.0%

Country	<b>Mali</b>
Trade Export	-
Trade Import	185,627,896
Outward Investment	-
Inward Investment	134,707,072
Total	320,334,967
%	0.2%

Country	<b>Mozambique</b>
Trade Export	-
Trade Import	3,207,429
Outward Investment	-
Inward Investment	16,666,666
Total	19,874,095
%	0.0%

Country	<b>Oman</b>
Trade Export	684,043,217
Trade Import	480,566,674
Outward Investment	-
Inward Investment	205,909,809
Total	1,370,519,700
%	0.9%

Country	<b>Qatar</b>
Trade Export	1,461,869,089
Trade Import	268,355,908
Outward Investment	-
Inward Investment	-
Total	1,730,224,997
%	1.1%

Country	<b>Senegal</b>
Trade Export	114,617,685
Trade Import	744,370,044
Outward Investment	-
Inward Investment	3,620,964,166
Total	4,479,951,895
%	2.8%

Country	<b>The Gambia</b>
Trade Export	-
Trade Import	14,385,383
Outward Investment	-
Inward Investment	-
Total	14,385,383
%	0.0%

Country	<b>United Arab Emirates</b>
Trade Export	14,703,705,475
Trade Import	4,993,958,493
Outward Investment	2,129,270,546
Inward Investment	509,827,041
Total	22,336,761,555
%	14.2%

# Epilogue

---



## Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

**Export Credit  
and Investment  
Insurance and the  
SDGs**

**A Reality Check  
Stocktake,  
Action Through  
Upscaling**



The IsDB Group's support in promoting the UN SDG agenda is second to none among its peer multilateral development banks (MDBs). This is embedded in the Group's financing and insurance strategy to support transactions in the above respect. ICIEC specifically has enshrined SDG considerations in all the policies it underwrites, the operations it undertakes and the lines of financings it facilitates.

As we enter the ninth year since the adoption of the UN's Sustainable Development Goals (SDGs) Agenda in September 2015 aimed at achieving 17 specific goals by 2030, it could not be timelier to take stock of the progress towards the holy grail of meeting those ambitious and perhaps the most challenging development metrics in human history, which officially came into force on 1<sup>st</sup> January 2016.

Policy adoption, resource mobilisation and allocation, project and program implementation, arms-length audits, independent performance evaluation, social and financial inclusion and impact measurement are core components of any self-respecting stock taking exercise. In this respect the theme marking the 49<sup>th</sup> Annual General Meeting of the Islamic Development Bank (IsDB) Group's 50<sup>th</sup> Golden Jubilee Anniversary which convened in Jeddah on 29-30 April 2024 - *"Cherishing our Past, Charting our Future: Originality, Solidarity, and Prosperity"* could not be more relevant.

In the global SDG ecosystem, for every commendable step forward, we have seen two retrogressive steps backwards. The bane of this uncertain playbook includes rising policy deficits, fragmented and ambiguous SDG/ESG taxonomies, competing development agendas, the ideology-driven

politics and economics of development, resource gaps, broken funding pledges by the rich nations, and push back on social media by populist bad actors across the political extremes through disinformation and misinformation about the relevance of SDG metrics and efficacy of ESG.

Stocktaking however must be based on acknowledging past achievements and shortcomings to shape the future through meaningful upscaling. In a world of multiple uncertainties and polycrises – lingering COVID-19 drag, burgeoning sovereign debt, catastrophic climate events, food insecurity due to supply chain disruptions, a cost-of-living crisis driven by fuel and food shortages and rising prices, exaggerated credit risk perceptions of low-and-medium-income-countries (LMICs) by the international rating agencies which form the majority membership of the IsDB Group entities, and therefore cost of finance – charting the IsDB Group's future SDG/ESG paradigm is no mean task.

Given the unique specificities of the Islamic system of financial intermediation, which has faith-driven SDG/ESG considerations embedded in its ethos and the fact that ICIEC is the only multilateral credit and investment risk insurer in the world which operates on Shariah-based Takaful (mutual insurance) principles, the IsDB Group is in



The IsDB Group is leading from the front through its Strategic Realignment 2023-2025, which was precisely implemented to overcome the setbacks to achieving the SDG because of the pandemic. **The three overarching objectives of the Strategy are boosting recovery, tackling poverty, building resilience, and driving green economic growth**



an ideal position to provide bold ongoing leadership to ensure that no one in its 57 member states is left behind.

This future proofing alternative encapsulates financing initiatives in collaboration with international partners, multilateral programs, the multi-billion-dollar pledges made by major IsDB member states such as Saudi Arabia, UAE, Qatar, Türkiye, private sector engagement, and the Arab Coordination Group initiative which has pledged US\$50bn to upscale support for African infrastructure, climate resilience and food security.

The importance of export credit and political risk insurance in the global economy, including trade and investment, cannot be overstated. Berne Union Members, which include ICIEC, collectively provide payment risk capital worth US\$2.5 trillion each year, insuring some 13% of the value of total global cross-border trade. As a signatory to the Principles for Responsible Insurance, Shariah-based SRI and ESG finance are firmly embedded in ICIEC’s due diligence process through linking all new business insured, guarantees and reinsurance with the UN SDG and Paris climate action indicators. ICIEC actively acts as a catalyst for private sector capital mobilization towards achieving the SDGs and Net Zero targets.

The Corporation’s commitment and resilience is evidenced by the data – business insured in trade and investment reached US\$13.3bn in 2023, and US\$108.3bn since its inception in 1994, of which US\$51bn facilitated intra-OIC trade. The cumulative figure included US\$86.2bn in export credit insurance and US\$22.1bn in investment insurance in support of its 49 member states.

The IsDB Group is leading from the front through its Strategic Realignment 2023-2025, which was precisely implemented to overcome the setbacks to achieving the SDG because of the pandemic. The three overarching objectives of the Strategy are boosting recovery, tackling poverty, building resilience, and driving green economic growth. These objectives will be achieved by focusing the Bank’s interventions over the next three years on developing green, resilient, and sustainable infrastructure, and supporting human capital development through projects and capacity building.

The UN Global Sustainable Development Report (GSDR) 2023 is emphatic: In “Times of Crisis,” we need “Times of Change”. It commends the significant contribution of science and innovation, and evidence-based actions towards SDG transformation, in addition to governance, economy and finance, digitalisation, and individual and collective action.

It identifies human well-being and capabilities, sustainable and just economies, sustainable food systems and healthy nutrition, energy decarbonization and universal access, urban and peri-urban development, and global environmental concerns as key transformative shifts needed.

UN and IMF data show that the world needs US\$90 trillion of infrastructure investment by 2030, and US\$5-7 trillion annually to meet the SDG targets by 2030. There is a persistent SDG financing gap of US\$2.5 trillion each year. Sadly, “at the half-way point today,” says the GSDR, “the world is not on track to achieve the Goals by 2030.





In 2023, the situation is much more worrisome owing to slow implementation and a confluence of crises such as the pandemic, cost-of-living increases, armed conflict, and natural disasters, which have wiped out years of progress on some SDGs including eradication of extreme poverty.”

Other impediments include the perversities of 89m refugees and internally displaced persons, global military expenditure exceeding US\$2 trillion in 2022, government subsidies for the fossil fuel industry totalling US\$7 trillion in 2023, and deficits in governance, institutional capacities, financing, and infrastructure in many countries.

For IsDB member states the stakes are particularly high. Future proofing the IsDB Group’s SDG playbook must incorporate upscaling of several metrics.

- i) The Playbook will be influenced by the pace of the global economy recovery and GDP growth dynamics.
- ii) Resource mobilisation for key programs including the US\$10.5bn Food Security Response Program (FSRP), to which ICIEC has already surpassed its US\$788m pledge, needs to be markedly expanded. In line with SDG 2 (Zero Hunger), ICIEC has dedicated itself to enhancing food security, supporting US\$1.5bn in agriculture projects since inception.
- iii) Credit insurance and political risk insurance are important tools in addressing the SDG finance gap. The intricate interplay of Water-Energy-Food encapsulates the spectrum of Climate Action challenges, and this is mirrored in the diverse projects

ICIEC undertakes. The IsDB must dramatically upscale the culture and uptake of credit and investment insurance in member states to include new cohorts such as SMEs and rural entrepreneurs.

- iv) There is a mismatch between the estimated US\$3.5 trillion global Islamic finance industry and its engagement with the SDG. Here the IsDB Group can enhance their playmaker role.
- v) Green Sukuk at about US\$20bn in 2022 pales into significance with the US\$1.6 trillion conventional Green Bond issuance.

The year 2023 marks the 50<sup>th</sup> anniversary of the IsDB and the 30<sup>th</sup> anniversary of ICIEC. The IsDB has been pivotal in ICIEC’s institutional development, providing support for our capital increases and collaborating on various socio-economic development projects. ICIEC is beholden to its founding stakeholder, the IsDB, as well as the steadfast support of its host country, Saudi Arabia, and 49 shareholders, for which it is eternally grateful. These stakeholders have been instrumental to its remarkable and continuing success.

Charting the future will be challenging. The Board and Senior Management of ICIEC remain committed to achieving a high standard of operational and development excellence! The ultimate challenge is that Future Proofing the IsDBG’s SDG Playbook must incorporate urgent upscaling of resources, de-risking solutions, greater connectivity between the global Islamic finance industry and the Halal Economy with the Real Economy per se.

# Epilogue

---



## Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

**Expanding Market  
Awareness,  
Education,  
Technical  
Assistance, Credit  
Information and  
Advisory Services**



The reality in many ICIEC Member States is that insurance culture, especially Takaful per se, and export credit and investment insurance, is still underdeveloped generally for cultural, policy, regulatory, legal framework, product innovation and marketing reasons.

In many jurisdictions insurance penetration is less than 1%. In the area of trade and business, more could be done to educate both banks and businesses (especially small-and-medium-sized enterprises (SMEs) on the need for export credit and investment insurance protection especially in an ever changing regional and global economic and political environment, with its changing associated risks for business and finance including cyber security risks, online scams and fraud, crypto currency shenanigans, anti-money laundering measures, and fragmented taxonomies and terminologies.

The establishment of ICIEC and other multilateral industry organizations such as the Arab Investment Guarantee Corporation (DHAMAN) and the Association of Export Credit and Political Risk Insurance Agencies in ICIEC Member States (AMAN Union), has contributed much over the last decade or so to 'mainstream' trade credit and investment insurance in OIC Member States.

At the same time, the Investment Technical Assistance Program (ITAP) of the IsDB Group, which is managed by ICIEC, plays a crucial role in helping to unlock the developmental potential of Member States through a comprehensive and integrated program of foreign investment promotion technical assistance.

The above, however, is work in progress given that the task is challenging, and the insurance baseline is very low. Not surprisingly, market education through technical assistance, credit information and advisory services is a key component of ICIEC's mandate in its objective of helping to develop the credit and investment insurance industry in Member states.

The Corporation does this through MoU with partner institutions and investment promotion agencies in Member States and through the aegis of the AMAN Union, which last year launched a pioneering Database Centre, which is the first of its kind, and was established for the benefit of national ECAs in the Arab and Islamic countries and which will enable subscribers to the Database to share and purchase credit information reports, credit opinions on entities worldwide, and to exchange their underwriting experience on buyers and banks.

### **Main Obstacles**

The main obstacles faced by ICIEC member ECAs and for that matter DHAMAN and AMAN UNION members include the lack of reliable credit information on buyers, low awareness amongst exporters, limited reinsurance coverage in higher risk countries, competition especially from western ECAs, the lack of IT infrastructure, low capital

base, and the lack of human capital development in the sector.

Though many of the problems are systemic in nature, there are some problems which can be effectively dealt with by the ECAs. Cooperation among ECAs and close coordination with other concerned government agencies are some of the ways in which the above given problems can be tackled. The areas of collaboration include knowledge sharing, training, credit information, insurance, and re-insurance.

ICIEC started revamping its new Internet Portal way back in May 2013 with its improved functionality, interactivity, design, navigation (including accessibility by mobile and tablet telephony), and brighter page and content layout has been done to better serve the needs of clients, partners, and visitors.

ICIEC also utilized the extensive network resources of its parent, the IsDB Group, to spread the message of trade credit and investment insurance and reinsurance. This is done through the IsDB Group regional offices and their Gateway Offices.

In September 2013, for instance, ICIEC appointed Moustapha Sow as its first Representative for Africa, who is based in the Regional Office of the IsDB Group in Dakar, Senegal. The Senegal office promotes and increases ICIEC market share while boosting awareness of the Corporation's services in export credit insurance and foreign investments, particularly in Senegal and neighboring countries in West Africa.

By 2024, largely during the tenure of CEO Oussama Kaissi, ICIEC today has a presence structure comprising its HQ in Jeddah, a senior representative office in Riyadh, the Saudi capital, two Gateway Offices – one in Jakarta, Indonesia and the other in Istanbul in Türkiye, three Regional Hubs – one in Dhaka, Bangladesh, in Cairo, Egypt, and Almaty, Kazakhstan, a Regional Office in Dakar, Senegal, and two

representative Offices - one in Dubai, UAE, and the other in Rabat in Morocco.

## Active Schedule of Programs

The Corporation also has a very active schedule of familiarization, capacity building and technical assistance programs in favor of its clients, partners, and policymakers in Member States. These are basically implemented in three ways:

- i) In cooperation with other multilaterals including the World Bank Group and its Investment Guarantee entity, MIGA.
- ii) In cooperation with both Member and Non-Member State ECAs and Investment Promotion Agencies (IPAs).
- iii) Through direct programs and workshops with client companies, banks, and counterparties.

ICIEC has numerous agreements and MoUs with other multilaterals in place, signed over the last three decades to promote technical assistance, capacity building and market education of Member States ECAs and clients. ICIEC has a Framework Agreement with the Arab Bank for Economic Development in Africa (BADEA) to provide for technical assistance programs for Member States common to both institutions to assist them in attracting financial flows for investment through financing sector identification studies, training and capacity building activity and promotion of projects and investment opportunities. Very often this cooperation is extended to include ITAP. Such programs are in place with several Sub-Saharan African (SSA) member states. Some 16 SSA countries are members of ICIEC.

The Corporation also has several agreements in place with Ministries and Central Banks, especially to promote trade and inward investments in these countries. These include a MoU with the State Bank of Pakistan (SBP), for instance, to cooperate in promoting trade and investments in Pakistan



through the exchange of information between the two entities on the banking industry's condition and operating performance indicators and ICIEC's exposures on the banks operating in the country.

ICIEC has also jointly organized investment promotion and capacity building training programs inter alia with the Arab Regional Center for Entrepreneurship and Investment Training (ARCFIT), United Nations Industrial Development Organization (UNIDO), ITAP, the United Nations Conference on Trade and Development (UNCTAD) and the Ministry of Economy of Türkiye over the last two years.

The cooperation with Member Country ECAs is even more extensive, especially those emerging countries that are now business targets for the Corporation. Last year ICIEC, for example, signed an MoU with KazExportGarant in 2015 with the objective of supporting exports from Kazakhstan. The Kazakh ECA seconded two professional staff, Ruslan Bekturganov from the Marketing and Public Relations Department, and Adilbek Bukayer, an internal auditor, to ICIEC Head Office in Jeddah, Saudi Arabia for a period where they undertook a familiarization program that covered several technical areas including underwriting, marketing, claims, and recovery.

### **Familiarization Workshops**

ICIEC also regularly signs facility and policy agreements with banks and corporates as part of its routine business. Where new clients or new products and services are involved, the Corporation makes a point to organize product and process familiarization workshops for these clients.

The Corporation, for instance, signed two agreements way back in 2013 with local Saudi institutions in 2013 – one with National Commercial Bank (NCB), one of the largest banks in the Middle East and North Africa (MENA) region and since then renamed as the Saudi National Bank following a merger with another local bank, and the other

one with Packaging Solutions Factory Company, one of the leading exporters of packaging items in the Kingdom.

The agreement with NCB, which was geared especially towards helping small-and-medium-sized enterprises (SMEs) in the Kingdom, is aimed at enabling Saudi exporters to obtain post-shipment financing covered by ICIEC insurance. Exporters reassign their insured export receivables to the financing bank (NCB), and ICIEC will compensate NCB up to 90 percent of the goods value, in the event of non-payment.

At the same time, the agreement with Packaging Solutions was for ICIEC's popular Comprehensive Short-Term Policy (CSTP), whereby ICIEC covers Packaging Solution's exports to over 8 countries as well as its domestic sales. The policy involves ICIEC covering the whole turnover of Packaging Solutions. The agreement allowed Packaging Solutions to explore new markets in the MENA region and in Europe, while at the same ensuring its balance sheet is protected against shocks by isolating the risk of non-payment.

At the same time, ICIEC, which has access to specialized databases that provide detailed information on the payment history and creditworthiness of millions of companies, advised Packaging Solutions on credit management and enhancement as and where required. The technical assistance value-added-ness is further manifested through a joint Educational Workshop, which was organized by NCB in cooperation with ICIEC for its corporate clients on 30 December 2013.

The aim of the Workshop was to educate NCB's exporting clients, especially NCB, which is the driving force of the non-oil economy in the Kingdom, on the benefits of export credit insurance as a collateral tool for financing. The Workshop concentrated on ICIEC and its services, the importance of SMEs as a driver of the Saudi economy, NCB's Trade Finance Program, and the application process for both the ICIEC and NCB products and services.

To mitigate the risks in its SME business in the Kingdom, ICIEC has diversified its research sources, conducts more buyer visits, and closely monitors both clients and market developments. In addition, ICIEC also obtains credit information from The Saudi Credit Bureau (SIMAH), set up by the Government, and the Corporation is in the process of becoming a member of SIMAH, which would further enhance its underwriting of Saudi corporate clients, which last year totaled more than 180 clients.

ICIEC also enhanced its cooperation with the Saudi Export Program (SEP), which is managed by the Saudi Arabian Monetary Agency (SAMA). Under this enhanced cooperation, the two sides will have joint marketing of certain products, including the documentary credit insurance policy, increased reinsurance of transactions involving Saudi exporters, and the launch of a cooperative arrangement whereby the SEP will finance transactions insured by ICIEC for Saudi exporters.



Over the last three decades, ICIEC has established a comprehensive and impressive network of partners and counterparties spanning more than 168 partnerships with national ECAs, reinsurers, banks, and other multilateral institutions.

### Special Relationship with Host Country

As host country of ICIEC and the IsDB Group, the Corporation has a Special Relationship with the Kingdom of Saudi Arabia and plays an active role in the expansion of Shariah-based credit and investment insurance, guarantees and reinsurance, especially as the Kingdom is keen to expand its export base especially of non-oil products.

In this respect ICIEC, as the only Shariah-based multilateral insurer and member of the IsDB Group, has enjoyed a long relationship with the Kingdom in underwriting its export strategy - first with the Saudi Export Program and since 2021 with its successor Saudi Eximbank, highlighting the importance of credit and investment insurance and guarantees. This relationship is underpinned by the fact that the Kingdom accounts for 20.29% of the Corporation's subscribed equity and a cumulative US\$21.4 billion or 11.28% of business insured by ICIEC at the end of 2022 in favor of Saudi exporters, importers, investors, and banks. In 2023, ICIEC provided trade and investment support to Saudi entities totaling US\$1,168 million.

The launch of Saudi EXIM comes as an outcome of Vision 2030's programs and initiatives that aim to motivate Saudi exports and enhance the supply chains. In a very short time, Saudi EXIM was able to establish itself as an essential part of growing exports, having provided covered exports worth over US\$2.8bn and US\$3.2bn in loans to Saudi exporters since inception.

ICIEC will continue to enhance its existing cooperation with the Kingdom and seek new opportunities particularly related to the inter-connectivity between the estimated US\$3.5 trillion Islamic finance industry and the wider Halal Economy, which according to a report from Frost & Sullivan will likely reach US\$4.96 trillion by 2030 from US\$2.30 trillion in 2020. Here, ICIEC can provide de-risking tools for projects, co-opt private sector capital, which would make projects bankable and more attractive to investors and contribute to food security in Member States.

In this context ICIEC welcomes the launching of the Halal Products Development Company (HPDC) by The Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund, aimed at investing in localizing the Halal manufacturing industry, promoting Saudi Arabia as a global Halal Hub, and unifying global efforts in Halal certification and standards.

ICIEC and the credit insurance sector can leverage new business insured and guarantee opportunities in the halal economy especially trade credit and investment in manufacturing in pharmaceuticals, food and agricultural products, and renewables. This can have an important multiplier effect which could have positive impacts on job creation, import substitution, GDP growth and wellbeing of citizens. Halal products have become increasingly globalized because of the Muslim diaspora, but the demand for halal products is now coming from both Muslim and non-Muslim consumers across countries.

### Enhancing Awareness, Education and Resilience through Capacity Building

The common thread for all is the role credit and investment insurance and reinsurance play in risk absorption and mitigation thus making greater FDI and trade flows possible and projects more bankable especially to private capital, enhancing market awareness and education about export credit and political risk insurance (PRI), and convincing policy makers in Member States about the urgency and efficacy of adopting or adapting requisite legal and regulatory frameworks to facilitate the above.

In this respect, ICIEC organized the 1st Capacity Building Program for the users of the OIC Business Intelligence Center (OBIC) in March 2023, stressing the Role of Credit Information Sharing, Business Intelligence and Digital Transformation in supporting trade and investment decisions and how the OBIC platform can be used as an improved Credit Risk Management tool that will facilitate access to finance for trade and investment, as well as the mitigation of risks related to those activities. Another sign of the increasing awareness of credit and investment insurance and guarantees in the MENAT (Middle East, North Africa, and Türkiye) region, is the signing of a MoU in April 2023 between Emirates Development Bank and Emirates Islamic to collaborate on a joint credit guarantee scheme supporting financial inclusion of SMEs in the UAE. The aim is also to support SMEs in their efforts to develop their export potential to regional and international markets especially in non-hydrocarbon products as part of the government's diversification away from oil strategy and the contribution of the non-oil sector to GDP.

In September 2023, ICIEC teamed up with the IsDB's Cooperation and Capacity Development (CCD) Department, and the IsDB Regional Hub in Istanbul, Türkiye, to organize a ground-breaking three-day immersive Workshop between 26-28 September 2023 to explore the pivotal role of information sharing and business intelligence in supporting trade and investment decisions in the OIC Member States.



By equipping participants with Business Intelligence Skills, **IsDB Group contributes to building skills to drive economic growth and attract investments** that will, in turn, lead to job creation, technology transfer, and further overall economic development of the IsDB Member states and the broader Islamic finance industry

Additionally, the event which was attended by over 80 participants from various countries, was co-sponsored by The Participation Banks Association of Türkiye (TKBB) and the Turk Eximbank, the state export credit agency of Türkiye with which ICIEC enjoys close collaboration. The Workshop was convened as the second version of the Capacity Building Program for the Users of the OIC Business Intelligence Center (OBIC).

The carefully curated Workshop program facilitated a deep dive into the significance of Digitalization and Business Intelligence in bolstering Trade and Investment, including the relevance of Business Intelligence and Digital Transformation in shaping Business Decisions, understanding the pivotal role of Credit Information, and the imperative nature of information sharing and importance of effectively harnessing statistical data sources pertinent to Credit, Trade, and Investment.

According to Mr. Oussama Kaissi, CEO of ICIEC, the landscape of trade and investment is continuously evolving, and information-sharing and digital intelligence stand as its bedrock. This program was a testament to ICIEC's dedication to fostering a future where decisions are grounded in knowledge and innovation. He emphasized the significance of digitalization and automation for fostering development through trade and investment, and highlighted the opportunities presented by data abundance and technological advancements and stressed the importance of building robust information-sharing platforms.

"Our collaborative efforts hold the transformative potential to usher in a new era in which information

sharing and business intelligence will play a pivotal role in bolstering trade and investment within the OIC member states. This event stands as a defining milestone in our relentless journey, one where our unwavering commitment lies in nurturing economic cooperation and igniting the flames of sustainable development throughout the region," he added.

Dr. Walid Abdelwahab, Director of IsDB Regional Hub in Istanbul, Türkiye, shared his perspective on the importance of information sharing and digital transformation in supporting economic growth within the OIC member states.

"The partnership between IsDB and ICIEC in organizing this Workshop will help to foster knowledge sharing and capacity development among OIC member states in utilizing Business Intelligence for Trade and Investment decisions. By equipping participants with Business Intelligence Skills, IsDB Group contributes to building skills to drive economic growth and attract investments that will, in turn, lead to job creation, technology transfer, and further overall economic development of the IsDB Member states and the broader Islamic finance industry."

Important themes discussed included "Credit Information and the Importance of Information Sharing," which highlighted the significance of credit reporting, information sharing, and digital IDs in fostering financial inclusion and trade promotion, and "Efficient Utilization of Statistical Sources of Information on Credit, Trade, and Investment," focusing on investment data, investment outlook in OIC member states, and the efficient utilization of statistical resources for trade and investment information.

# Epilogue

---

## ➤ Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

**Embracing  
Digitalization in  
Export Credit and  
Investment  
Insurance in a World  
of Persistent Risks**





## ***Digitally Delivered Export Services Reaches US\$4.25 Trillion in 2023***

Development is a complex and costly process – both in terms of policy making, prioritizing scarce resource allocation, capacity building, economic, social, and human costs, and attracting financial flows including private capital on equitable and just terms and conditions.

Implicit in our mandate as the only Shariah-based multilateral credit and investment insurer in the world, is the responsibility of on-going efforts to lift people in our 49 member states out of poverty leaving no-one behind and fostering a sense of hope and inclusion in their respective socio-economic agendas in a world of multiple uncertainties and challenges.

Given the disparate nature of our member states' economies, what works for one economy may not work for another. It is vital to continually examine development across the full spectrum of policy and financing metrics. Post-COVID-19 pandemic, especially due to the necessary adoption of social distancing and lockdown measures to contain the spread of the coronavirus, the standout takeaway has been the rise of digitalization in trade, business, banking and financing, insurance, e-commerce, vital sectors such as agricultural and food security, climate action, FinTech, Blockchain – in fact across the whole spectrum of human activity and societal norms. In the last three years, technology and digitalization has been the supreme disruptor in almost all sectors of the economy with breath taking advances including in Generative AI in science, medicine, the energy sector,

infrastructure, mining, logistics and transport, food security and agri-business, financial services including insurance, trade, commerce and in leisure and hospitality – the list is endless. It is enough that our member states have in many respects been seemingly left behind in several development metrics – in recent years in access to affordable vaccines, food, and fuel supplies, in FDI inflows, attracting private capital and equitable global trade and investment terms.

In digitalization with its instant access and global reach, there is renewed hope that the imbalances in the post Bretton Woods dispensation can be addressed especially for low-and-medium-income-countries (LMICs), which form most of ICIEC Member States. But it remains a work in progress which will need to be nurtured carefully given the motley of risks including cybersecurity, online fraud, and scams etc.

That is why proactive digitalization must be embraced as a core component of any new development agenda which multilateral institutions too must prioritize beyond their usual playbook. ICIEC has done so in its strategy which puts digitalization at par with its other development aims

such as food security, energy transition, climate adaptation and mitigation, gender and diversity empowerment, and poverty alleviation.

### Global Trade and Digitalisation Prospects

Global trade has supposedly been a force for economic recovery, resilience and near normalization in the wake of a receding COVID-19 pandemic. But in 2022, says the latest World Trade Statistical Review (WTSR) 2023 of the World Trade Organization (WTO), global trade has lost momentum, largely due to the supply chain disruptions due to the conflict in Ukraine and global economic shocks including high inflation, the inevitable monetary tightening, and widespread debt distress.

The latest edition of the WTO’s “Global Trade Outlook and Statistics” confirms this challenging trajectory, foreseeing a gradual recovery in world merchandise trade volume in 2024 and 2025. This follows a contraction in 2023 driven by the lingering effects of high energy prices and inflation in advanced economies, particularly Europe. According to Ralph Ossa, Chief Economist of the WTO, Specifically, merchandise trade is expected to grow by 2.6% in 2024 and 3.3% in 2025 after falling by 1.2% in 2023. However, there is a downside risk due to regional conflicts, geopolitical tensions, and economic policy uncertainty.

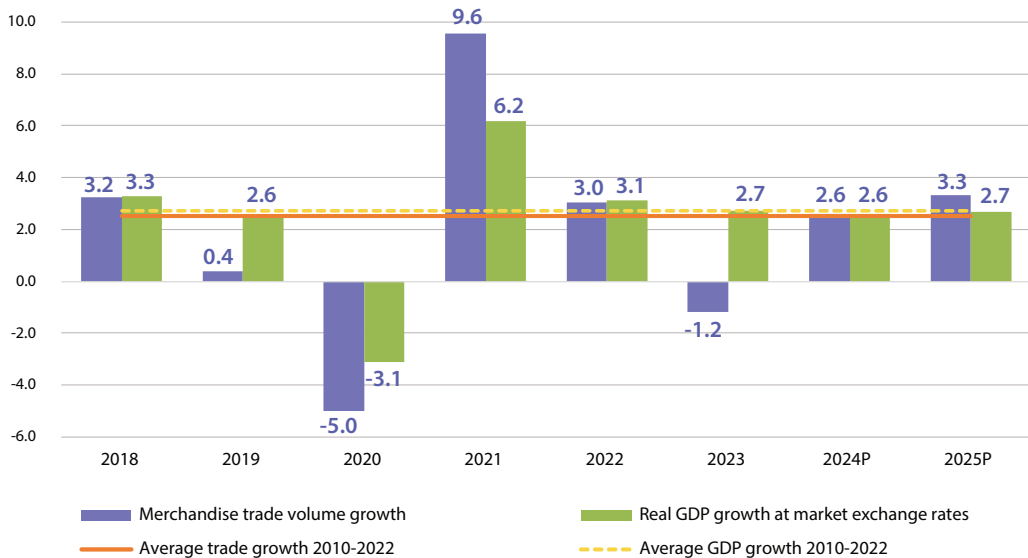
In value terms, merchandise trade fell 5% in 2023 to US\$24.01 trillion but the decline was mostly offset by a 9% increase in commercial services trade, which reached around US\$ 7.54 trillion. Total goods and services trade was only down 2%. An encouraging development for services was the global exports of digitally delivered services, which reached US\$4.25 trillion in 2023, up 9% year-on-year, accounting for 13.8% of world exports of goods and services. The value of these services — meaning services delivered digitally across borders through computer networks and encompassing everything from professional services to streaming of music and videos and including remote education — surpassed pre-pandemic levels by over 50% in 2023.

However, looking ahead, the WTO expects all regions to make positive contributions to export and import growth in 2024. Asia is expected to add around 1.3 percentage points to global export growth and 1.9 percentage points to global import growth in 2024.

But can digitalization and technology kick start trade and FDI flows recovery to pre-pandemic and its associated economic stability levels in a world of increasing and polymorphous uncertainties? After all the WTO caveats stress that regional conflicts and geopolitical tensions could limit the extent of the trade rebound by causing further price spikes in food and energy prices.

### World merchandise trade volume and GDP growth, 2018-2025

Annual % change



Note: Figures for 2024 and 2025 are projections. Merchandise trade grew 2.5% per year on average between 2010 and 2023 while GDP growth averaged 2.7%.

Source: WTO for merchandise trade volume and consensus estimates for GDP.



Although the Suez Canal disruptions stemming from the Middle East conflict have been relatively limited so far, some sectors, such as automotive products, fertilizers, and retail, have already been affected by delays and freight costs hikes. The marine insurance and trade disruption cover rates are evident in this respect.

There is no doubt that the prospects for global trade and investment over the short-to-medium term at best are mixed ranging from subdued to weak growth given the numerous downside risks exacerbated by the on-going conflict in Ukraine and in recent weeks the conflagration in the Middle East.

According to WTO Director-General Ngozi Okonjo-Iweala, “prior to the COVID-19 pandemic, we were accustomed to strong growth in global trade, which typically exceeded the rate of GDP growth. Even at the height of the pandemic, trade remained relatively resilient, and we saw a powerful rebound in 2021 as the global economy reopened and economic activity picked up.

Since 2022, we have been following a different trajectory, with slower trade growth due to the disruption to supply chains in, for example, the energy and agricultural sectors because of the Russia-Ukraine war, and due to broader geopolitical tensions elevated global inflation and high interest rates, among other causes.”

Despite these shifts, she added, the role of trade, as well as trade and supply chain finance products, is more important than ever. As the geopolitical and economic environment becomes more challenging, access to

liquidity and risk mitigation is increasingly valued. In addition, the desire – and need – to digitize has accelerated innovation in the trade and supply chain finance space. Her optimism that “global trade growth has remained positive,” on the back of a slow-down in its underlying growth trajectory, is tempered by the stark reality that trade growth remains weak in the near term into 2023 due “to numerous downside risks, from geopolitical tensions to potential financial instability, which are clouding the medium-term outlook for both trade and overall output.”

Any complacency over a receding pandemic and its impact on global trade too could be misplaced. The latest World Health Organization (WHO) update on COVID-19 on 3<sup>rd</sup> August reported over one million new cases and over 3,100 deaths globally in the month of July 2023. The pandemic at end July 2023, has seen over 768 million confirmed cases and over 6.9 million deaths globally.

For a multilateral insurer such as ICIEC, global trade should also be considered in the context of food security, nutrition, and global hunger – helping to alleviate it in member states, some of which are the poorest on earth, being a core mandate. The latest State of Food Security and Nutrition in the World (SOFI) report published jointly in mid-July by five UN specialized agencies, reveals that 735 million people are currently facing hunger, compared to 613 million in 2019. This represents an increase of 122 million people compared to 2019, before the pandemic.

“If trends remain as they are, the UN Sustainable Development Goal 2 of ending hunger by 2030 will not be reached. Indeed, it is projected that almost 600 million people will still be facing hunger in 2030. While some areas have made some progress in hunger reduction, there are many places in the world facing deepening food crises. Africa remains the worst affected region with one in five people facing hunger on the continent, more than twice the global average,” concludes the SOFI report. Similarly, FAO (the Food and Agriculture Organization of the UN) recently warned that global food commodity prices rose in July, influenced by the termination of the Black Sea Grain Initiative and new Indian export restrictions on rice.

## **African Challenges and Arab Development Finance Support**

Not surprisingly, least-developed countries (LDCs), especially in Africa, in general are faced with the biggest challenges in trade flows and dynamics, beholden to anachronistic world trade rules to the detriment of LDCs – a major failure of the global trade system. In 2022, for instance, resource rich Africa accounted for less than 1% share of world exports.

Even where exports of goods and services from LDCs increased by 31% between 2019 and 2022, this was more to do with a greater upside of 41% in value terms, once

again reflecting higher global commodity prices. Africa's trade deficit in intermediate goods (IG) – inputs used to produce a final product - shrank to US\$4.4bn in 2022. This is partly due to growth in its exports of IG, which totaled US\$292bn in 2022, an increase of 47% compared with its pre-COVID-19 level in 2019. Again, the rise in value terms is due to high commodity prices.

The fact that Africa accounted for only 14% of intra-African merchandise trade in 2022 (down from 16% in 2018) – the lowest of all the global regions - underlines the huge gap and challenge faced in realising the African Union's Agenda 2063 vision of economic integration and inclusive socio-economic development on time, and the trade-led development ambitions of the African Continental Free Trade Area (AfCFTA), which seeks to bring together 55 African countries and create an integrated market of 1.3bn people, with a combined GDP of over US\$3 trillion.

A major development is the allocation of up to US\$50bn to help build resilient infrastructure and inclusive societies in the African continent by the Arab Coordination Group (ACG) at the recent Arab-Africa and Saudi-Africa Summits' Economic Conference in Riyadh. The ACG is a strategic alliance that provides a coordinated response to development finance. Current members are the Abu Dhabi Fund for Development, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Gulf Program for Development, the Arab Monetary Fund, the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development, the Qatar Fund for Development, and the Saudi Fund for Development.

The ACG has been a long-standing supporter of African partner countries and has cumulatively invested over US\$220bn in the region to date. "We reaffirm our commitment to supporting the sustainable development of countries in Africa. Recognizing that the link between sustainable development and climate financing is cross-cutting and complex, the ACG reaffirms its commitment to scaling up financial assistance for climate change in line with the Paris Climate Agreement and to helping bridge investment gaps in energy access, including low-carbon energy sources, climate mitigation, adaptation, and resilience, as well as food security," said the Group in a statement.

### **Proliferation of Platform-base Trade**

The 2023 ICC Trade Register Summary Report gives a more nuanced vista of the dynamics of global trade prospects which will be increasingly subject to the impact of regulatory changes especially due to the new reporting requirements from the Financial Accounting Standards Board (FASB), and the ongoing digitization and future of platform-based trade.

The geopolitical and macroeconomic challenges of 2022 have continued, and have even intensified, in some cases, fueled by weak global growth, elevated inflation, and high interest rates. On the demand side, observes the ICC, consumption slowed from the post-pandemic bounce, but remained strong. Households continued to spend the savings they had accumulated during the pandemic, while government spending continued apace, for example in relation to the US Inflation Reduction Act (IRA).



**A major development is the allocation of up to US\$50bn to help build resilient infrastructure** and inclusive societies in the African continent by the Arab Coordination Group (ACG) at the recent Arab-Africa and Saudi-Africa Summits' Economic Conference in Riyadh



On the supply side, while the shipping constraints of 2021 abated, supply chains remained disrupted, partly due to new trade policies across many countries. According to the ICC Trade Report, international goods trade flows reached US\$23.8 trillion in 2022, up 10.7% from 2021. This was a softening in trade growth relative to the 25.5% jump in 2021, as the post-pandemic recovery eased in 2022. But this growth in 2022 was primarily driven by inflation rather than an increase in volume, as commodity prices jumped: in real, or inflation-adjusted, terms, goods trade flows grew only 3% in 2022 versus 2021.

Boston Consulting Group (BCG) forecasts nominal trade and supply chain finance revenues to grow modestly in the year 2023 to 2024 before picking up and growing by 3.8% per annum from 2022 to 2032, reaching US\$91bn by 2032 on a nominal basis. "Growth in open account products is slowing but is expected to remain strong as its speed, ease and cost effectiveness outweigh the risk mitigation properties of documentary trade. The ease of digitization of open account also works in its favor," said BCG. BCG also stresses the importance of ongoing digitization and the future of platform-based trade.

- Digitization is going from strength to strength, with most players investing heavily in their trade and supply chain infrastructure to:
- Modernize the customer experience. Provide new product functionalities across the full procure-to-pay value chain (e.g. pre-shipment finance, distributor finance, etc.).

- Enable greater platform and ecosystem connectivity to originate transactions where customers do business (rather than customers coming direct to bank).
- Enable greater modernization to reduce cost and improve processing times.
- Improve data and reporting and to enable balance sheet velocity of documentary trade through asset distribution which is expected to grow as legacy systems are replaced or upgraded and data becomes more widely available.

The real economy impact for ICIEC member states is implicit. According to WTO estimates, Bangladesh's total exports of digitally delivered services for instance have been growing by 15% annually since 2005, compared with 11% for goods, albeit from a very low base. Bangladesh has put digitalization at the core of its development. Around 14% of the online freelance global workforce originates and resides in Bangladesh, making it the top supplier of the online workforce in creative and multimedia services. As such, business-to-customer e-commerce is expected to grow by 18% per cent annually.

Digitisation has also been enabled by growth in platform-based trade, where FinTechs and challengers are innovating on new ways to capture market share and scale. Many banks are now participating in digital trade platforms, e.g., for e-invoicing, payables automation, supply chain financing and working capital management. These platforms vary by geographic reach, product and client focus, and underlying technology, but the market has been somewhat bifurcated.

### Growth of digitally delivered services exports, 2005-22

Annual % change



Source: WTO (2023b).

Note: Digitally delivered services include General Agreement on Trade in Services (GATS) mode 1 exports of financial, insurance, telecommunications, computer and information services, charges for the use of intellectual property, and most other business services and personal, cultural and recreational services in the balance of payments.

“While digitization supports the shift to open accounts through the development of new products, it also improves the efficiency and security of documentary trade, underpinning its continued importance in the product mix. Moreover, digitization not only facilitates broad industry growth but also supports inclusive growth. It is seen as key to reducing the “trade finance gap” for SMEs, which has widened recently due to higher interest rates,” maintains BCG.

### **Advances in Electronic Trade Documentation**

The three major and potentially game-changing developments in the electronic trade documentation architecture are the Electronic Trade Documents Act (ETDC) 2023 in the UK receiving Royal Assent from King Charles III on 20 July becoming legally effective on 20 September in an effort to make Global Britain's trade with partners all over the world more straightforward, efficient and sustainable, the enhancement of the Model Law on Electronic Transferable Records (MLETR), and the WTO's initiative in including work on trade-related aspects of e-commerce as part of the organization's Joint Statement Initiative (JSI) on E-commerce in future WTO negotiations.

On 15 April 2024, Lloyds Bank in the UK used for the first time an electronic Bill of Lading (eBL) on the WaveBL electronic trade documentation platform – to support a British company in a trade deal with an Indian supplier. The operational impact of the deal revealed enormous cost and time-reduction implications, which the industry would not be able to ignore as the various platforms take off and mature.

According to Lloyds Bank, eBL reduced transaction completion times from 15 days to just over 24 hours, which in turn reduced working capital costs and, together with the use of a digital promissory note (dPN), made the trade deal entirely paper-free. The WaveBL network boasts members in 136 countries and includes four of the world's ten largest container shipping carriers.

Perhaps the biggest potential leap change in the near-to-medium term may come in digital underwriting and digitalization in commercial insurance lines using targeted Generative AI, according to Swiss Re. It is important in the current climate of AI hype not to over-think nor over-talk the significance of AI to facilitate an orderly transformation to this very disruptive and yet inevitable technology.



**While digitization supports the shift to open accounts through the development of new products,** it also improves the efficiency and security of documentary trade, underpinning its continued importance in the product mix. Moreover, digitization not only facilitates broad industry growth but also supports inclusive growth. It is seen as key to reducing the “trade finance gap” for SMEs, which has widened recently due to higher interest rates,” maintains BCG



“Along with the use of big data,” says Swiss Re, “AI is expected to be eventually used widely in risk assessment and underwriting. Given the level of confidence needed to deploy new technologies in underwriting, fully digitalized/automated AI and Machine Learning (ML) enabled systems are still not accurate enough for use at scale. This also means that algorithms cannot be relied on to fully replace traditional risk assessment, except in simpler lines of business such as motor. This said, digitalization can complement existing processes, including classifying and segmenting risk as finely as possible for more accurate risk pricing.”

Increasingly, commercial insurers are making use of digital technology in portfolio steering and risk selection. The benefits are important. “By leveraging third-party digital data overlaid with their own information,” stresses Swiss Re, “they can derive insights on potential risk accumulation, such as that caused by a concentration of high-value properties exposed to specific hazards. For example, the utility sectors’ liability exposure is increasing due to infrastructure that can spark fires. Utilities may operate in wildfire prone regions (such as network operators, tree cutters). Using third-party digital data on, for instance, locating sources of ignition such as power lines and rail tracks, insurers have a deeper view as to areas of potential fire risk accumulation.”

The importance of the above developments cannot be ignored. The WTO initiative for instance involves 89 (as of July 2023) member states, accounting for over 90% of global trade. These negotiations span a broad range of critical topics such as online consumer protection, electronic signatures and authentication, electronic contracts, transparency, paperless trading, open internet access, and data flows and data localization.

In this respect, the WTO Informal Working Group on Micro-and-Small-and Medium-sized-Enterprises (MSMEs) continues to discuss challenges for MSME access to digital trade, including cyber readiness, standardizing trade digitalization, and single windows (or access points) to access trade information. Recommendations like these, stressed by the WTO, will be critical for increasing the inclusiveness of the international trade environment and should also be included in discussions at the WTO and in regional trade agreements (RTAs).

The benefits are real albeit incremental and in need of urgent domestic and global trade system structural development according to the world trade body. Automation and digitalization of production processes will continue because they increase productivity, allow firms to remain competitive in international markets, improve product quality and provide greater flexibility in responding to changes in the market.

Embracing a strengthened multilateral trading system through re-globalization would support inclusiveness

by facilitating GVC-led industrialization and services-led growth. Growth in services trade, particularly digitally delivered services, needs agreements on services domestic regulation, e-commerce, and investment facilitation. WTO members can help facilitate a more inclusive global trading system by negotiating new accessions, extending their commitments, updating trade rules at the multilateral level, and working with other international organizations to ensure more people benefit from world trade.

Digitalization of trade could be a great equalizer and facilitator by providing new opportunities for those economies that have so far been left behind by allowing them to overcome some of the most important barriers to trade that they face, such as transportation costs and institutional disadvantages.

More importantly, it would also provide new opportunities for small firms, people living in remote areas, and women. Digital trade allows people globally to directly access international markets and supply their services even if there is no longer an industry domestically. Promoting more international cooperation, however, would need to be accompanied by requisite domestic policies without compromising the ethos of individual countries’ development agendas as they play an important role in helping make globalization more inclusive.

## **ETDA’s £1.14 Billion Boost**

There is no doubt that biggest boost can come from the UK’s ETDA with the British Government’s initial estimate that the UK economy is set to receive a £1.14 billion boost over the next decade through the “innovative trade digitalization act.” With less chance of sensitive paper documents being lost, and stronger safeguards using technology, digitalizing trade documents are set to give businesses that trade internationally greater security.

“The Electronic Trade Documents Act,” says Chris Southworth, Secretary General of the UK Chapter of the International Chamber of Commerce (ICC), “is a game changing piece of law not just for the UK but also for world trade. The act will enable companies to finally remove all the paper and inefficiency that exists in trade today and ensure that future trade is far cheaper, faster, simpler, and more sustainable. This presents a once in a generation opportunity to transform the trading system and help us drive much needed economic growth.” The ICC estimates 80% of trade documents around the world are based off English law, and this act serves as the cornerstone to truly digitalizing international trade.

With English law being the very foundation of international trade, several Islamic finance contracts such as the Commodity and Syndicated Murabaha and Sukuk issuance, this act puts the UK ahead and in the lead of not only other G7 countries, but almost all other countries in the world. The UK is widely seen as a leader

in digital trade and this new act will make it easier for businesses to trade efficiently with each other, cutting costs and growing the UK economy by billions over time. "It's exciting to see the power of technology being harnessed to benefit all industries, reduce paper waste and modernize our trading laws, an approach which the rest of the world will seek to follow," he added.

Indeed, the Electronic Trade Documents Act recently implemented in the UK according to the WTO removes requirements for the majority of paper trade documentation. Varying degrees of progress are also being made towards implementation in the remaining G7 countries, with each taking unique approaches to amend and introduce legislation.

The Model Law on Electronic Transferable Records (MLETR) has already been in use since 2018 in a range of emerging markets, such as the UAE and Bahrain. The digitization of trade finance documents has the capability to improve efficiency, reduce costs, enhance security, and diminish the extensive carbon footprint of paper documentation. More broadly, progress is being made to remove legal barriers to trade in many countries, such as France, Germany, the US under the African Growth and Opportunity Act (AGOA) and the UK.

## Harnessing the Next Phase of Trade, Investment, and Insurance Digitalization

The post-COVID 19 acceleration in digitalization across economic and societal sectors presents not only a source of growth opportunities and new efficiencies, but also a spate of new risk for the insurance industry, especially the credit and investment insurance cohort. Trade, according to the WTO and industry organizations, has also become more digital, green, and inclusive. The digital revolution has bolstered trade in digitally delivered services by sharply reducing the costs of trading these services. The value of global trade in environmental goods and services has increased rapidly, outpacing total goods trade, and global value chains (GVCs) have expanded to encompass more economies.

The UN Global Sustainable Development Report (GSDR) 2023 similarly identifies digitalization as one of the six dynamic conditions shaping the achievement of the 17 Sustainable Development Goals (SDGs) by 2030 to which ICIEC is committed to helping its 49 member states progress towards achieving the goals in their development agenda through its financing, credit enhancement and risk mitigation solutions. The other five conditions include climate change, biodiversity and nature loss, demographic change, and inequality, all of which are also embedded in the policies and services offered by ICIEC.



The post-COVID 19 acceleration in digitalization across economic and societal sectors presents not only a source of growth opportunities and new efficiencies, but also **a spate of new risk for the insurance industry, especially the credit and investment insurance cohort**





As great as digitalization is as a game-changing disruptor and a perceived force for socio-economic good given the latest 'advancements' in terms of Generative Artificial Intelligence (AI), Data Analytics, Blockchain, Internet-of-Things, Electronic Trade Documentation and so on, the reality of a digital divide between advanced economies and low-and-medium-income-countries (LMICs) is similarly evident.

### Digitalisation as a Double-Edged Sword

But digitalisation like any other societal phenomenon can also be a double-edged sword. As such it needs careful and proactive harnessing, articulation, monitoring, regulation, and enforcement, especially in the multi trillion-dollar finance, insurance, trade, and investment universe. Inaction, delays, and lack of adequate oversight could be costly and impact negatively on the global trade and investment ecosystem which would give succour to disguised protectionism, unfair trade and investment terms and conditions which would exacerbate entrenched existing inequalities.

Digital value creation, says Swiss Re Institute (SRI), has led to an increase of insurance firms' intangible assets, including digital data. At the same time, increased dependency on digital infrastructure makes such assets more vulnerable, for example to business interruption

and continuity, online fraud, and scams, and malicious cyberattacks.

In a recent report titled "The economics of digitalization in insurance", SRI found that potential benefits across countries and throughout the insurance value chain are far from exhausted. Take for instance Continental Africa, where some 27 IsDB member states are located, the 2023 WTR Projections based on the WTO Global Trade Model suggest that digitalization has the potential to increase African exports of services by over 7% per year or an aggregate US\$74bn from 2023 to 2040.

"Africa has been increasingly active in various joint initiatives undertaken by large groups of WTO Members," explained WTO Deputy Director-General Angela Ellard in a recent speech. "Around 20 African members participate in our new investment facilitation for development agreement, designed to make developing countries more attractive for investment. Several African countries participate in discussions on e-commerce, and many are engaged in our e-commerce work program designed to bridge the digital divide and use digital trade as an engine for development. African countries are deeply engaged in discussions about how trade can contribute to economic sustainability. Today 40% of funds under the WTO's flagship Aid for Trade program go to Africa."

The challenges for insurers in general and credit and investment insurers in particular are clear and present. For ICIEC, uniquely the only Shariah-based multilateral insurer in the world, there are additional layers of compliance and operational risk metrics in play.

### Digitalisation in Insurance

Swiss Re Institute (SRI) in "The economics of digitalization in insurance" report rightly stresses that digitalization enables insurers to monitor, mitigate and price risks more efficiently, allowing for more tailored insurance solutions that can help close insurance protection gaps. Hence its call for "insurance innovation" and warning against any complacency and orthodoxy. In this respect, insurers are targeting a 3–8 percentage point improvement in loss ratios and savings of 10–20% in other parts of the value chain through digital transformation.

In the report, SRI in fact introduced the Insurance Digitalization Index (IDI), which tracks the progress made in 29 sample countries with respect to the digitalization of their insurance markets. South Korea came out on top of the index, followed by Sweden, Finland, and the US. "While advanced markets with strong physical infrastructure and high internet access rates have made most progress in digitalizing their economies and insurance sectors, emerging markets should benefit from faster catch-up growth, because they can jump straight into adopting newer digital technologies rather than transitioning from legacy systems," stressed the report.



Another initiative aimed at bridging the gap between standards and adoption within the supply chain finance and insurance industry is the recent launch in Dubai by the International Chamber of Commerce (ICC) UAE Chapter of the ICC Digital Standards Initiative (DSI) as part of its expanded digital standards recommendations under its current Key Trade Documents and Data Elements (KTDD) practice.

“The DSI’s continued efforts to expand the understanding of digital standards in international trade,” according to Robert Beideman, Vice-Chair of the ICC DSI Industry Advisory Board, “represent a significant step forward in streamlining global commerce. By promoting data reusability and consistency across supply chains, we are facilitating more efficient and secure transactions for businesses across the globe.”

Despite the rapid digital transformation of the insurance industry, accelerated by recent advancements in cutting-edge technology, the consensus is that there are still significant potential and growth opportunities to make insurance more accessible and affordable for consumers, which requires insurance providers and guarantors to continue investing in innovative solutions and adapting to emerging risks.

For consumers, says the SRI, online marketplaces lead to greater price transparency, present multiple insurance products and providers in a single place and allow customers to seamlessly complete the onboarding process online, making insurance more accessible and affordable. Aside from distribution, investments in insurance technology have shifted towards efficiency gains and improving underwriting and claims.

### Resilience as a Function of Digitalisation

According to Jerome Haegeli, Group Chief Economist at Swiss Re, that there is a positive correlation between resilience and digitalization. For society, he adds, digitalization is a force for giving more people access to insurance and thereby closing protection gaps. For insurers, gains from better underwriting, risk mitigation and risk measurement from digitalization of insurance improve the quality and efficiency of their work.

Digitalization of the wider economy will also create new risk pools, opening opportunities for insurers especially in sharing-economy business models, which have resulted in fundamental shifts in operational risks and liabilities that require innovative insurance risk transfer solutions. With the shift from producing physical goods to providing information and services, the global value of intangible assets of listed companies has increased fivefold over the past 20 years, to US\$76 trillion in 2021. Close to 80% of that value remains uninsured.

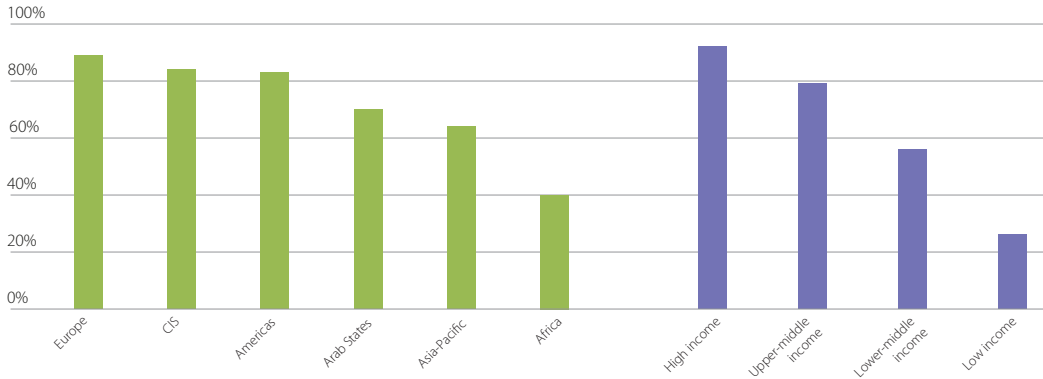
As such, insurers will need protection against digital risks, for example business interruption and cyber risks, as

well as the emerging liability risks related to AI. Cyber security, says Swiss Re, is a key concern for businesses globally, as reflected by the rapid growth in demand for cyber insurance. Swiss Re Institute estimates global cyber premiums will reach US\$16 billion in 2023, up 60% from 2021, and US\$25 billion by 2026.

Some key takeaways for insurers according to Swiss Re Institute as they develop their digitalization strategies going forward include:

- The impact of digitalization is mis-measured which gives an underreporting of product structures, pricing, progress, challenges and market awareness and penetration.
- While workplace technology in general improves productivity by saving labor input, for example through automation, the socio-economic costs can be huge. This raises the prospect of “technological unemployment”, which could put strains on existing unemployment insurance and worker’s compensation schemes.
- The correlation between introduction of digital technology and disinflationary impact, although increasing digitalization does not necessarily mean general deflation.
- Typically, countries that are more digital show greater resilience to health, mortality, natural catastrophe, and agriculture, which affect LMICs disproportionately.
- The high value of intangible assets in business today are significantly uninsured: just an estimated 16.6% of intangibles are insured, compared with 58% of tangible assets. Digital transformation has given rise to new types of business models, most notably the sharing economy. Businesses will need more protection against the risk that intangibles pose.
- Digitalization has reshaped market dynamics, creating concentration risks. Dependencies on critical digital infrastructure create supply-chain risks. Many insurers themselves are exposed to digital infrastructure risks, although multilateral insurers such as ICIEC can mitigate these through reinsurance treaties and their special status with the ministries and agencies of member states.
- The first wave of digitalization made the value chain more efficient. The next wave will better connect critical processes and improve digital connectivity across the processes, and thus increase operational efficiency, which potentially can reduce claims costs by 3-8%.
- Technology applications have enabled insurers to bring products significantly more quickly to the market.
- Insurtechs, technological innovators in the processes of insurance business, are a good place to observe digitalisation trends in the industry’s value chain.

### Internet access as a % of population across geography and income groupings



Source: International Telecommunications Union, Swiss Re Institute

### A Changing Global Landscape

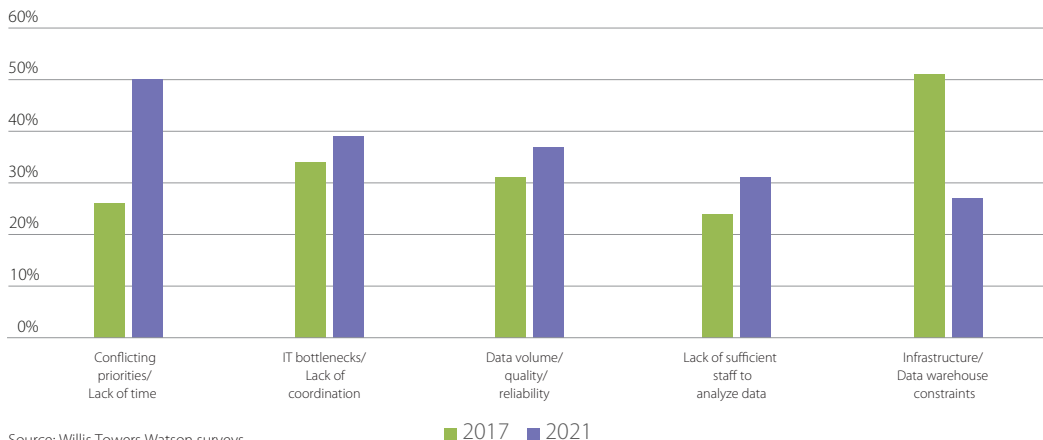
The global trading landscape keeps evolving with advances in technology and science. Trade of tomorrow will be green and digital, and we need to make sure that our member states are able to transition smoothly to this new reality. ICIEC’s various policies, services and programs offer an opportunity to build stronger partnerships for food security, digital connectivity, just transition to clean energy, and mainstreaming trade and investment.

Digital technology allows insurers to gather and process large sets of data using connected devices, data analytics and machine learning. This will allow more holistic and accurate risk assessments and better pricing of risks. Digital solutions can also automate standardized tasks, such as data collection and analysis for underwriting, driving down costs and ultimately leading to lower premiums.

An important component of this transition includes capacity building of member states, their agencies, financial and insurance institutions, and market players on the pivotal role of information sharing, business intelligence, digitalization, and automation in supporting trade and investment decisions.

This initiative comes under the widely acknowledged capacity-building program for users of the OIC Business Intelligence Centre (OBIC), whose thrusts are i) How digitalization and business intelligence can support trade and investment and the transformative potential of digitalization for economic growth and investment promotion utilizing digital transformation roadmaps for SMEs, and the digitalization of investment promotion services, ii) The importance of reliable credit information, reporting and sharing, and of digital IDs in fostering financial inclusion and trade promotion, and iii) The value of efficient utilization of statistical sources of information on credit, trade, and investment.

### Biggest challenges preventing insurers from becoming more data-driven, 2017, 2021



Source: Willis Towers Watson surveys



## Addressing the Digital Divide

While the pandemic did give rise to an unprecedented acceleration in digitalization of goods and services including in the use of mobile telephony in e-commerce and payments where Africa is leading the world, all stakeholders especially governments, multilaterals, banks, insurers trade bodies, and digital and technology enablers and facilitators must never lose sight of the reality on the ground where, according to the International Telecommunication Union (ITU), although 66% of the global population or 5.3 billion people used the Internet in 2022, up from 54% in 2019, some 2.7 billion people globally have yet to access the Internet, including SMEs and the self-employed – often the backbone of LMICs economies.

“They are missing out on vital services provided digitally. Adequate and resilient infrastructure is a prerequisite for all the SDGs and even before the pandemic, infrastructure was far from adequate. Some 1 billion people live more than a mile from a road and 450 million live beyond range of a broadband signal. With fiscal tightening and the end of low borrowing costs, infrastructure updates and investments are likely to be below what is needed. The war in Ukraine and the subdued economic growth in China is expected to continue to dampen the slow investment recovery following the pandemic,” emphasized the UN GSDR study.

As such one way in which emerging markets can begin to close their digital divide with advanced markets at a structural level are through investments in internet accessibility. And here the role of all stakeholders including insurers is not only their immediate area of business such as underwriting and providing guarantees as in the case of entities such as ICIEC, but also in supporting the harnessing of the wider digitalization ecosystem which primarily includes accessibility and infrastructure investment.

The good news is that digital transformation remains high on the insurance industry agenda. The initial focus was on distribution, seemingly to good effect. Insurers are experimenting with digitalization across the value chain for efficiency gains. Today 31 of the 50 largest re/insurers invest in Insurtech in pursuit of first-mover advantage!

## ICIEC Engagement with Digital UAE

Artificial intelligence, with its advanced algorithms and machine learning capabilities, is revolutionizing governmental processes. Tasks are not only automated but optimized for precision, enhancing the overall efficacy of public service delivery. Concurrently, the integration of blockchain technology ensures the security and integrity of critical government data. Its decentralized nature creates an immutable ledger, instilling a new level of trust and setting unprecedented benchmarks for data reliability and security.

This digital evolution is not confined to efficiency gains alone, it is reshaping the very essence of governance by fostering transparency and accessibility. By making information readily available to the public, according to the UAE is setting new standards for open governance, where citizens can scrutinize government actions, fostering a culture of accountability.

As ICIEC actively collaborates with government entities, ICIEC's mission according to Raphael Fofana, Acting Head of the UAE office of ICIEC in Dubai, harmoniously aligns with the UAE's vision, contributing to an ecosystem where advancements in e-Government become catalysts for economic growth and robust investment protection.

### Insurtech Revolution

The UAE's unwavering commitment to technological innovation is notably evident in the insurance sector, where the convergence of insurance and technology, commonly referred to as Insurtech, is orchestrating a transformative shift. Insurtech has emerged as a dynamic force, reshaping the traditional landscape by integrating advanced technological solutions. Key among these advancements is the utilization of data analytics, which empowers insurers with the tools to conduct precise risk assessments.

This analytical prowess enables a more nuanced understanding of potential risks, enhancing decision-making processes and ultimately fortifying the resilience of the insurance sector in the face of evolving and complex risks.

Moreover, the adoption of blockchain technology within Insurtech initiatives brings an additional layer of security and transparency to insurance transactions. Blockchain ensures the integrity of contracts and facilitates secure, tamper-proof record-keeping, thereby fostering trust among stakeholders. In this landscape of rapid technological evolution, Insurtech stands as a strategic frontier, embracing innovation to streamline operations, improve efficiency, and offer tailored solutions to the dynamic needs of businesses and individuals alike.

As a pivotal player in the realm of investment insurance, ICIEC is acutely aware of the transformative role technology plays in the de-risking process. Embracing these technological advancements aligns with our mission of supporting sustainable economic development by providing robust insurance solutions. In recognizing the synergies between Insurtech and investment protection, ICIEC continues to contribute significantly to the resilience and innovation of the insurance sector within the UAE and beyond.



The UAE's unwavering commitment to technological innovation is notably evident in the insurance sector, where the convergence of insurance and technology, commonly referred to as Insurtech, is orchestrating a transformative shift. Insurtech has emerged as a dynamic force, reshaping the traditional landscape by integrating advanced technological solutions. **Key among these advancements is the utilization of data analytics, which empowers insurers with the tools to conduct precise risk assessments**

### Government Agencies, SWFs, and Development Banks

The UAE's strategic vision extends beyond individual efforts to encompass a collective, collaborative approach that actively engages government agencies, sovereign wealth funds (SWFs), and development banks. This concerted effort reflects a commitment to fostering an environment conducive to growth and innovation. The collaboration between these entities forms a synergistic alliance, pooling resources, and expertise to drive transformative initiatives that propel the nation forward.

In this collaborative landscape, government agencies play a pivotal role in setting the strategic direction, crafting policies, and providing regulatory frameworks that facilitate innovation and sustainable growth. Sovereign wealth funds, as strategic financial vehicles, contribute substantial resources to fuel economic development projects. Development banks, with their focus on financing initiatives that promote long-term economic growth, complement this synergy by providing crucial funding and expertise.

ICIEC actively participates in and mirrors this collective effort through collaborative endeavors with government bodies. The Corporation's collaboration aligns seamlessly with the overarching national strategy,



**The digitization of credit and investment insurance processes introduces unprecedented efficiencies.** By automating and optimizing workflows, insurers can provide quicker, more responsive services, reducing turnaround times and enhancing the overall customer experience



working hand in hand to safeguard investments and encourage economic development. By forging these partnerships, ICIEC contributes to the nation's economic resilience, fostering an environment where collective innovation and collaboration lay the foundation for sustained growth and prosperity. This collaborative model not only amplifies the impact of individual initiatives but also exemplifies the UAE's dedication to a holistic and inclusive approach to national development.

The alignment of ICIEC's mission with the UAE's financial sector transformation is palpable. As a key player in investment insurance, ICIEC recognizes the symbiotic relationship between its mission and the ongoing digitalization in banking, which contributes significantly to the de-risking of financial transactions, introducing sophisticated risk management mechanisms that bolster the security and integrity of investment activities. In turn, this proactive embrace of technology within the banking sector promotes investment protection, aligning seamlessly with ICIEC's commitment to facilitating sustainable economic development through robust insurance solutions.

### **Credit and Investment Insurers in the Digital Era**

Within the intricate fabric of the economic resilience framework, credit and investment insurers emerge as pivotal players actively harnessing the power of digitalization. This strategic integration of advanced technologies is instrumental in reshaping traditional approaches, focusing on streamlining processes, enhancing risk assessment methodologies through

data analytics, and ensuring agile responses to the ever-evolving challenges within the dynamic economic landscape.

The digitization of credit and investment insurance processes introduces unprecedented efficiencies. By automating and optimizing workflows, insurers can provide quicker, more responsive services, reducing turnaround times and enhancing the overall customer experience. The utilization of data analytics amplifies risk assessment capabilities, enabling a more nuanced understanding of potential risks and allowing for tailored, data-driven solutions that resonate with the specific needs of businesses and investors.

In this digital era, where economic landscapes are characterized by rapid changes and uncertainties, the commitment to innovation is paramount. ICIEC exemplifies this commitment by mirroring the industry's embrace of digitalization. We actively engage in providing comprehensive insurance solutions that align seamlessly with the digital aspirations of our stakeholders. Through technology-driven initiatives, ICIEC not only fortifies its role as a key player in investment insurance but also contributes to shaping a resilient economic environment that thrives amidst the complexities of the contemporary business landscape. The synthesis of innovation and digitalization within the realm of credit and investment insurance lays the foundation for a more adaptive, responsive, and robust economic framework.

Supply chain optimization, facilitated by digital technologies, ensures a more streamlined and



responsive flow of goods and services. Businesses leverage data analytics, artificial intelligence, and blockchain to enhance the visibility and efficiency of their supply chains, thereby reducing costs and minimizing disruptions. Simultaneously, the incorporation of technology in customer engagement strategies enhances communication, personalization, and overall satisfaction, fostering lasting relationships and loyalty.

As a strong supporter of international trade and investment, ICIEC recognizes the strategic importance of a digitally empowered corporate sector in achieving sustained economic sustainability. The digital transformation of businesses not only aligns with ICIEC's mission but also plays a crucial role in fostering an environment where international trade and investment can flourish. Through its commitment to providing comprehensive insurance solutions, ICIEC actively contributes to the resilience and growth of the digitally empowered corporate landscape, ensuring a sustainable and dynamic economic future for the UAE.

The Digitalization and Technology Adoption Strategy of the UAE creates an environment that acts as a magnet for foreign direct investment (FDI). By leveraging advanced technologies, the UAE positions itself as an attractive destination for global investors seeking a dynamic and digitally mature ecosystem.

In this transformative landscape, the role of ICIEC is paramount, maintains Mr. Fofana. The Corporation acts as a crucial facilitator, providing insurance solutions that align seamlessly with the digital ambitions of investors.

By mitigating risks associated with investments, ICIEC contributes significantly to sustainable economic development and resilience. As a strategic partner in this digital journey, ICIEC plays a pivotal role in ensuring that the benefits of the UAE's Digitalization and Technology Adoption Strategy are not only realized but also safeguarded, fostering a robust and secure investment environment that propels the nation toward enduring economic prosperity.

By doing so, ICIEC fulfils its pivotal role in providing a secure environment for investments, reassuring stakeholders that their ventures are shielded against the complexities of the ever-evolving digital risk landscape. In this commitment to risk mitigation, ICIEC not only safeguards investments but also contributes to the overall resilience and sustainability of the UAE's digital ambitions.



By leveraging advanced technologies, the UAE positions itself as an attractive destination for **global investors seeking a dynamic and digitally mature ecosystem**

# Epilogue

---



## ➤ Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

# ICIEC's Climate Change Policy and ESG Framework Charting a Post- COP28 Climate Action Pathway

*The Corporation's Green Leap Forward*





Given that Baku is the host city for COP29 at the end of 2024, the focus for the third consecutive Conference of the Parties (COP) under the aegis of The UN Framework Convention on Climate Change (UNFCCC) converges on Azerbaijan, the newest ICIEC accession Member Country, following in the footsteps of Sharm El Sheikh for COP27 and Dubai for COP28.

In the UAE, ICIEC unveiled its much-anticipated bespoke Climate Change Policy and Environmental, Social, and Governance (ESG) Framework on 2 December 2023 on the side lines of COP28 in Dubai.

The landmark launch was witnessed by Dr. Muhammad Sulaiman Al Jasser, the President of the Islamic Development Bank and Chairman of the Board of Directors of ICIEC, Mr Francesco La Camera, the Director-General of International Renewable Energy Agency (IRENA), and Mr. Oussama Kaissi, the CEO of ICIEC.

The ICIEC Climate Change Policy, according to Mr. Kaissi, reinforces the Corporation's unwavering commitment to combatting climate change and serves as a blueprint for ICIEC's to increase its intervention in sustainable projects and programs. Anchored on this policy, ICIEC pledges to upscale its support to initiatives aimed at reducing carbon emissions, safeguarding nature, and fostering sustainable economic growth. To advance the role of climate action, ICIEC commits to assisting Member States in meeting their obligations under the Paris Agreement and champion investment and trade opportunities that enhance resilience and increase adaptability to climate change, he emphasized.

The ICIEC ESG Framework, added Mr. Kaissi, "is a holistic tool showcasing our strong dedication to ESG principles. The framework emphasizes embedding ESG principles to ICIEC's operations, developing ESG-centric products and services, incorporating ESG imperatives into risk assessment and underwriting. Measures are implemented to promote sustainability throughout internal processes, including sourcing and resource usage practices. The launch of our Climate Change Policy & ESG Framework reflects ICIEC's commitment to sustainability. We aim to drive positive change, contribute to global climate objectives, and set new benchmarks for ESG excellence in insurance and development."

Climate change represents a threat to global stability, security, and prosperity, and it is one of the most significant challenges of modern times. Addressing climate change is a priority to ensure sustainable development and economic growth, both fundamental to ICIEC's mandate.

The Corporation aims to fully integrate considerations on the impacts of climate change into its operations and to adapt its operating model. In doing so, it may better support its clients, Member States, and their societies. It

will also adopt new policies and approaches to reorient its business model in a manner that is coherent with the policies and practices of the whole IsDB Group, fully integrated into the ecosystem, and in line with the principles set forth under the Paris Agreement and the MDB Framework Alignment.

Crucially, ICIEC also commits to incentivizing climate change actions and investment initiatives, and to decreasing the climate footprint of its operations, including offsetting emissions in travel, and to mobilize climate finance up to 35% of its underwriting and activities within the next 5 years.

The rationale of the Climate Change Policy includes incorporating climate change principles into all ICIEC activities, prioritizing the needs and aspirations of its Member States, supporting national climate ambitions and sustainable development agendas, increasing its financing capacity for higher positive climate impact, sharing, and promoting knowledge and awareness and assist Member States to embrace modern climate practices.

ICIEC will also support the decarbonization and increased adoption of technologies to facilitate trade and reduce costs to both producers and consumers through collaboration with industry peers and Member States. The Corporation's Climate Change Policy incorporates three operational objectives, namely supporting Member States, alignment with the IsDB Group, and engagement with Financial Institutions.

Similarly, the ICIEC ESG Framework is a comprehensive strategy that reflects the organization's strong commitment to ESG principles. It is designed to integrate ESG values into every aspect of ICIEC's operations and decision-making.

At the core of ICIEC's Climate Action Policy are the importance of partnerships and the recognition that export credit and political risk insurance are essential tools to bridge the Climate Action finance gap by de-risking investments and access to capital goods and green technology. ICIEC's innovative solutions provide protection against nonpayment risks associated with international trade transactions, while also providing support for green investments in renewable energy projects, low-carbon transport systems, clean technology transfers and other sustainable initiatives. Its underwriting has been directed towards various sectors over the years, with US\$2.35bn going specifically into clean energy initiatives such as solar energy systems and wind farms.

"Our Climate Change Policy solidifies our commitment to combat climate change by intensifying support for sustainable projects and reducing carbon emissions. The ESG Framework showcases our dedication to embedding ESG principles into our operations, products, and risk assessments," concluded Mr. Kaissi.



Given the fluidity and volatility in the current global climate discourse, it is only understandable that every Climate Change, Sustainability and ESG policy and framework is subject to continual revision, updating and where relevant change. ICIEC's Climate Change Policy and ESG Framework are no exception.

## Rationale, Objectives and Pillars

The rationale of the Climate Change Policy include:

- Incorporating climate change principles into all ICIEC activities.
- Prioritizing the needs and aspirations of its Member States, supporting national climate ambitions and sustainable development agendas.
- Increasing and innovating its financing capacity for higher positive climate impact.
- Sharing and promoting knowledge and awareness and assisting Member States to embrace modern climate practices.
- ICIEC will also support the decarbonization and increased adoption of technologies to facilitate trade and reduce costs to both producers and consumers through collaboration with industry peers and Member States.

The ICIEC Climate Change Policy establishes to:

- Support Member States to meet their commitments under the Paris Agreement, particularly their Nationally Determined Contributions (NDCs).
- Promote investment and trade opportunities that support resilience, playing a pivotal role in reducing greenhouse gas emissions and enhancing adaptability to climate change.
- Be aligned with The IsDB Group's by guaranteeing projects and investments that are in line with the Group's climate action objectives.
- Engage with Financial Institutions to promote business models and investments that are focused on renewable, energy-efficient, natural capital, among other environmental themes, aligning with the broader transition towards the low-carbon economy.

### Stepwise Approach

Through a stepwise approach ICIEC set up a Taskforce dedicated to Climate Action and implemented the screening of Political Risk Insurance projects for Climate Risks. ICIEC staff were trained in Climate Change Fundamentals, whilst existing partnerships were steered towards addressing common objectives around sustainability and climate change, and new partnerships were forged, such as ICIEC's membership of the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions in 2022.

In 2023, a total business insured target of 10% was dedicated to Climate Action and this target was reached and surpassed. In 2024 the target for total business insured for Climate Change projects and transactions was increased to 13%.

## Climate Change Policy

ICIEC Climate Change Policy serves as a testament to our dedication to addressing climate change head-on. It is our blueprint for a greener, cleaner, and more sustainable world. Through this policy, we outline our commitment to reducing carbon emissions, protecting our planet's invaluable natural resources, and promoting sustainable economic growth.

### The ICIEC Climate Change Policy establishes to:

- Support Member States to meet their commitments under the Paris Agreement, particularly their Nationally Determined Contributions (NDCs).
- Promote investment and trade opportunities that support resilience, playing a pivotal role in reducing greenhouse gas emissions and enhancing adaptability to climate change.
- Be aligned with The Islamic Development Bank Group by guaranteeing projects and investments that are in line with the Group's climate action objectives.
- Engage with Financial Institutions to promote business models and investments that are focused on renewable, energyefficient, natural capital, among other environmental themes, aligning with the broader transition towards the low-carbon economy.

### ICIEC Climate Change Policy

Internal Operations	Insurance and Reinsurance	Risk Management	Contribution to Capacity Building	Communication
Operationalization of climate change management across ICIEC internal operations focusing on decarbonization initiatives, policies, and plans to manage the organization's own carbon footprint.	Opportunities for ICIEC to incentivize and contribute to scaling up climate agenda across member countries.	Approach to climate-related risks in Risk Management	Integration of climate change in ICIEC capacity building support and engagement with member countries.	Development of climate change specific reporting at the level of the organization and its development impact intervention in member countries.

## ESG Framework

The ICIEC ESG Framework is a comprehensive strategy that reflects the organization's strong commitment to Environmental, Social, and Governance (ESG) principles. It is designed to integrate ESG values into every aspect of ICIEC's operations and decision-making.

### Key elements of the ICIEC ESG framework include:

- The framework underscores the importance of embedding ESG principles at the core of ICIEC's operations.
- ICIEC's governance structure ensures oversight of ESG initiatives and their integration into the overall business strategy.
- ICIEC focuses on developing ESG-centric products and services while incorporating ESG criteria into risk assessment and underwriting.
- ICIEC implements various measures to promote sustainability throughout its internal processes, from HR to supply chain management and policies.
- ICIEC actively aligns with global sustainability objectives and collaborates on initiatives that contribute to these goals.
- ICIEC's framework includes a robust ESG reporting mechanism that promotes transparency and accountability, ensuring stakeholders are informed about ICIEC's ESG performance.



Similarly, the ICIEC ESG Framework is a comprehensive strategy that reflects the organization's strong commitment to Environmental, Social, and Governance (ESG) principles. It is designed to integrate ESG values into every aspect of ICIEC's operations and decision-making.

ICIEC's Climate Change Policy and ESG Framework mark the commencement of a transformative results-oriented process where ICIEC's operations, insurance, de-risking, physical assets and human capital and focus are addressing the Climate Crisis at their core, based on the needs of ICIEC's member states, IsDB Group synergies, the role of the private sector in climate finance and industry best practice. 2024 sees the second phase of the Climate Change project which is dedicated to screening, monitoring and evaluation based on practical, achievable and industry benchmarked parameters that take all ICIEC's business lines into account.

At the institutional level, the year 2024 will witness the responsibility for Climate Change and ESG being housed in a dedicated Function whilst capacity building continues to be offered to all operations staff who will

have specific climate change specific KPI's. Staff who are trained in climate change are naturally better equipped to proactively seek out transactions and projects that contribute towards climate change mitigation, adaptation and/or resilience. A stock take of ecological consumption versus potential savings will take place on ICIEC's physical premises with clear environmentally friendly recommendations made and implemented, and travel mission carbon footprints will be mitigated through investment in certifiable carbon sink schemes in ICIEC member states.

### Collaboration & Smart Partnerships the Key

At the core also of ICIEC's Climate Action Policy are the importance of Partnerships (UN SDG 17 – The Importance of Partnerships in Achieving the SDGs) and the recognition that export credit insurance and political risk insurance are essential tools to bridge the Climate Action finance gap by de-risking investments and access to capital goods and green technology. The Corporation is committed to helping our 49 Member States achieve their development goals, including resilience, mitigation and adaptation to the threats posed by climate change.

Collaboration and smart partnerships remain at the heart of ICIEC's Climate Action strategy as the global climate funding gap continues to grow whilst climate disasters proliferate. Through smart partnerships, ICIEC has signed several MoUs with technology and industry leaders such as GE Vernova, multilateral institutions focused on designing climate-based solutions such as the Global Green Growth Institute and export credit agencies (ECA's) whose portfolio of transactions and supported companies are predominantly renewable energy based, such as EKF of Denmark.

Closer to ICIEC Headquarters, outreach is underway with the Saudi and Middle East Green Initiatives to tap into the value chains of carbon sequestration and the circular economy. A methodological approach to partnerships has ICIEC member states' National Determined Contributions and National Adaptation Plans at its core.

Due to its proximity to its member states, ICIEC, through the Member Country Partnership Strategy of the IsDB Group, remains cognizant of the priority areas of respective member states for climate action. This know-how is invaluable to financial institutions that have financing targets and that need ICIEC's de-risking and insurance support to access new markets and to expand their footprint in existing ones.

Furthermore, specialized companies in member states that produce goods or services that contribute towards climate action are continuously identified with a view to assisting their activities in other ICIEC member states and beyond.

ICIEC joined ETAF, the Energy Transitional Accelerator Financing Platform, and toolkit of the International Renewable Energy Agency (IRENA) at COP28 in Dubai in December 2023 in recognition of the need to bring diverse, effective partners (including the private sector, multilateral lenders, and renewable energy industry leaders) around the same table to support the rollout of renewable energy projects to the amounting to US\$4bn by 2025.



Closer to ICIEC Headquarters, outreach is underway with the **Saudi and Middle East Green Initiatives to tap into the value chains of carbon sequestration and the circular economy.** A methodological approach to partnerships has ICIEC member states' National Determined Contributions and National Adaptation Plans at its core



ICIEC, as a member of the International Union of Credit and Investment Insurers (the Berne Union), which celebrates its 90<sup>th</sup> anniversary this year, has been invited to join the Berne Union Climate Working Group and shall bring the perspective of the Economic Global South and 49 member states in the search for export credit and insurance-based contributions and solutions to the climate crisis.

As a founding member of the AMAN Union of Commercial and Non-commercial Risk Insurers and Reinsurers in member states of the Organization of

Islamic Cooperation (OIC) and the Arab League, ICIEC strives to provide climate leadership and assistance to sister ECA's in member states as the common challenges posed by the climate crisis invariably provide opportunities for growth in new economic sectors.


### Azerbaijan's Competitive Green Advantages


Since COP26, two COPs have fortuitously been hosted by ICIEC member states, COP27 in Sharm El Sheikh, Egypt, whose focus was on adaptation, and COP28 in Dubai, in the UAE with COP29 being hosted by ICIEC's newest member


## Partnership


ICIEC is proud to announce the signing of several key partnerships to provide a framework for joint action in promoting climate action, green projects, extending training and capacity-building opportunities, and organizing joint seminars and workshops. These collaborations will enable us to better understand our shared challenges related to climate change mitigation efforts as well as help create a more sustainable future for all. We are confident that these initiatives will bring positive changes both locally and globally by providing access to resources that can help reduce emissions while also creating jobs through green investments.




 ICIEC has been working diligently to help the OIC member states meet their climate agenda goals. One of the innovative initiatives taken by ICIEC is its Green Sukuk Insurance Policy, which provides a unique way for Sukuk issuers to attract capital for green projects.

 ICIEC is taking steps towards a greener and more sustainable financial future. It has proposed the establishment of a Climate Action Finance Trust Fund with institutional partners, which will offer discounted insurance premiums for financing Climate Action projects in below-investment-grade Member States.

 ICIEC joined the InsuResilience Global Partnership for climate disaster risk finance and disaster solutions, thereby positioning itself at the forefront of its industry peers in order to meet the Climate Action needs of its Member States.

 ICIEC has signed an agreement with "Aware for Projects", a landmark online climate risk screening software solution. This new tool will help the Corporation identify potential climate change risks and develop a consistent approach to assessing them.

 ICIEC is developing a Climate Change Policy and ESG Guidelines to institutionalise its Climate Action and Green Finance commitments.



country Azerbaijan. Azerbaijan is one of the oldest and most pioneering oil producing countries in the world, with drilling and extraction activities dating back to at least the 1800's.

According to Salih Suwarelzahab, Senior Legal Counsel and Climate Action Team Lead at ICIEC, few countries reflect energy transition in a similar manner to Azerbaijan with a commitment to produce 30% of energy from renewables by 2030 and with the potential to be a green hydrogen hub and key supplier to the European Union, capitalizing on 23,000 MW of solar power potential, 800 MW of wind energy power, 520 MW of hydropower energy and 800 MW of geothermal energy.

In a geopolitical energy ecosystem rife with uncertainty and volatility due to the conflict in Ukraine, if implemented correctly, Azerbaijan's hydrogen potential can provide the ultimate win-win scenario and playbook, clean fuel for the European Union (EU) market in line with EU pledges, legislation and taxonomies, and a new and profitable global export for Azerbaijan.

One of Azerbaijan's competitive advantages for green hydrogen export is the existing pipeline infrastructure that was designed and built to export hydrocarbons. Across ICIEC's 49 member states whilst the severity of the climate crisis continues to become more manifest, innumerable opportunities for green growth emerge that are spurred on by innovation, technology and enterprise.

Climate Action encompasses the range of vital value chains that span the Water- Energy-Food cycle as relates to climate change resilience, mitigation, and adaptation, which is reflected in the range of projects and interventions that ICIEC continues to support in its Member States.

ICIEC's innovative solutions provide protection against nonpayment risks associated with international trade transactions, while also providing support for green investments in renewable energy projects, low-carbon transport systems, clean technology transfers and other sustainable initiatives. Its underwriting has been directed towards various sectors over the years, with US\$2.35bn going specifically into clean energy initiatives such as solar energy systems and wind farms - assisting with their importation and use in national infrastructure projects. With this commitment to ICIEC Member States' development goals, we strive to help mitigate threats from climate change so that all may benefit from a better future together.

In recent months ICIEC has signed several key partnerships to provide a framework for joint action in promoting climate action, green projects, extending training and capacity-building opportunities, and organizing joint seminars and workshops. To underscore its commitment to the Climate Action cause, ICIEC has become a part of the InsuResilience Global Partnership, aiming for climate disaster risk finance and solutions. This move solidifies ICIEC's position as a pioneer among its industry contemporaries. Presently, ICIEC is in the negotiation phase for MoUs with GGGI, Boskalis, and Atradius.

Towards a sustainable financial horizon, ICIEC has proposed the idea of a climate-centric fund in collaboration with institutional partners. This fund is poised to offer discounted insurance premiums for financing Climate Action initiatives, especially in the Least Developed Member States. Additionally, ICIEC is dedicated to capacity building, hence, Climate Change training for its staff is set to commence accordingly.

# Epilogue

---



## Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

## The Future of Intra-OIC Trade Traction or Conundrum?







One of the core mandates of COMCEC, the OIC and the IsDB Group specifically requires all three institutions to promote intra-OIC trade and foreign direct investment (FDI) flows in their Member States. In fact, COMCEC has set an IsDB Group target of reaching 25% of intra-OIC trade by 2025.

The IsDB marks its 50<sup>th</sup> Anniversary and ICIEC its 30<sup>th</sup> Anniversary in 2024. The fact that intra-OIC trade and investment has not even hit 25% of their total exports and imports and FDI flows suggests what an uphill struggle it remains for Member States to upscale their bilateral and multilateral trade and investment flows.

The reasons are manifold. There is a fundamental mismatch and dissonance between the OIC economies, ranging from the wealthiest nations in terms of GDP per capita to some of the poorest nations on earth, especially in Sub-Saharan Africa and South Asia.

The huge economic disparities between the various segments of OIC cohorts exacerbates a multitude of challenges of which intra-OIC trade and investment is high on the agenda.

ICIEC serves its mandate by providing risk mitigation and credit enhancement solutions to Member States' exporters selling to buyers across the world, and to investors from across the world investing in Member States. ICIEC also supports international exporters selling to Member States if the transactions are for capital goods or strategic commodities.

In this context, ICIEC's intervention through provision of export credit and political risk insurance including de-risking and credit enhancement solutions, was more crucial than ever to support our Member States in securing strategic commodities and fostering cross-border trade and investments.

Underdeveloped latest data sets on OIC trade and investment flows are hard to get, including from the very gatekeeper organizations such as the IsDB Group, COMCEC and SESTRIC.

According to the ICIEC 2023 Annual Report, intra-OIC trade increased from US\$4,370m in 2019 to US\$4,461m in 2020, reaching US\$5,365m in 2023. Similarly, intra-OIC investments increased from US\$1,047m in 2019 to US\$832m in 2023.

Given that the intra-OIC trade and investment base is very low, the pathway to increased intra-OIC trade and investment flows concomitantly assumes even greater challenges. The IsDB Group, including ICIEC with its risk mitigation and credit enhancement tools, can only contribute measuredly to boosting OIC trade and investment, given that the Group must contend with competing priorities and demands on their finite resources.

**Intra-Trade and Intra-Investment Facilitated for OIC Member States During 2019 to 2023 (USD million)**



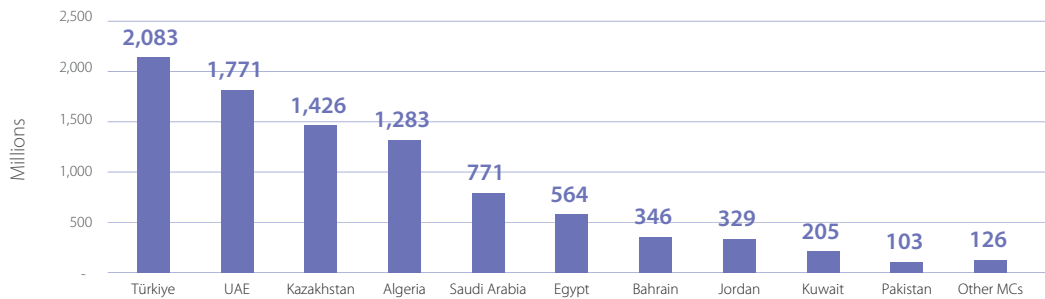
Governments, corporates, banking, and credit insurers can do much more to give intra-OIC trade and investment traction and a boost by ensuring their regulations, their seamless strategies, trade, and investment incentive packages are in place, beyond the traditional bilateral and multilateral MoUs, and cooperation agreements.

The usual caveats are the low sovereign credit rating, poor or non-existent regulatory frameworks, the lack of facilitating

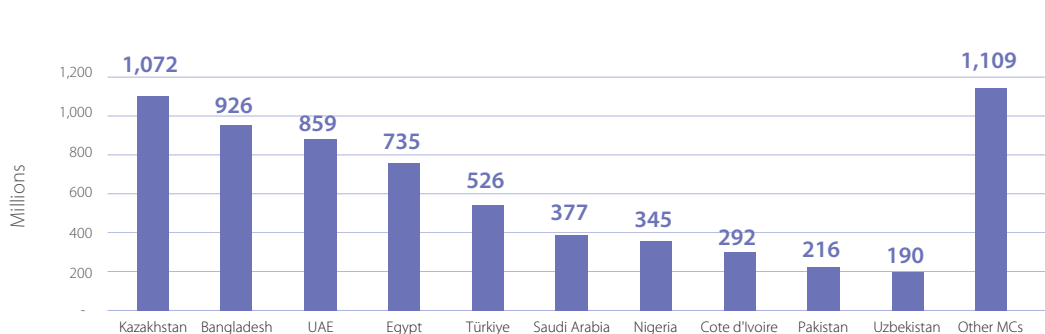
institutions and qualified human capital, a lack of credit insurance market awareness and education, in conjunction with increased geopolitical risks including conflict, climate change, governance issues and natural disasters.

The question remains how to mitigate this huge disequilibrium in OIC economies, their natural resource and commodities strengths and weaknesses, and a spate of associated metrics.

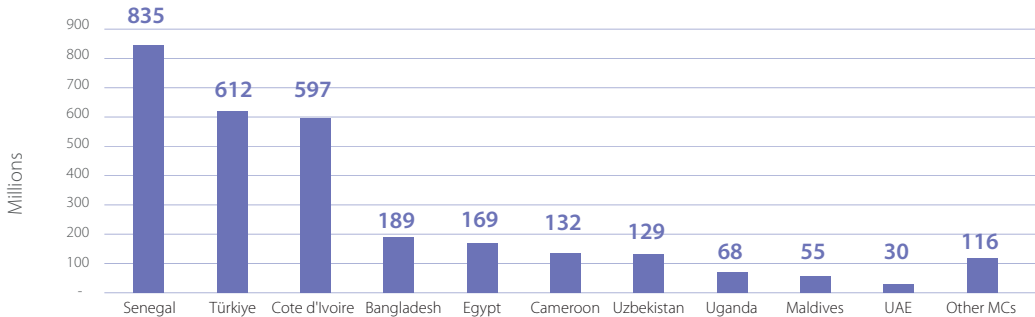
**Major Member States by Export Business Facilitated in 2023 (USD Million)**



**Major Member States by Import Business Facilitated in 2023 (USD Million)**



### Major Member States by Inward Investment Facilitated in 2023 (USD Million)



ICIEC's involvement in intra-OIC trade and investment is commendable – facilitating US\$51bn in intra-OIC trade and investment since inception. But the latest data for FY2023 shows that there is much room for improvement despite the various barriers to boost such facilitation.

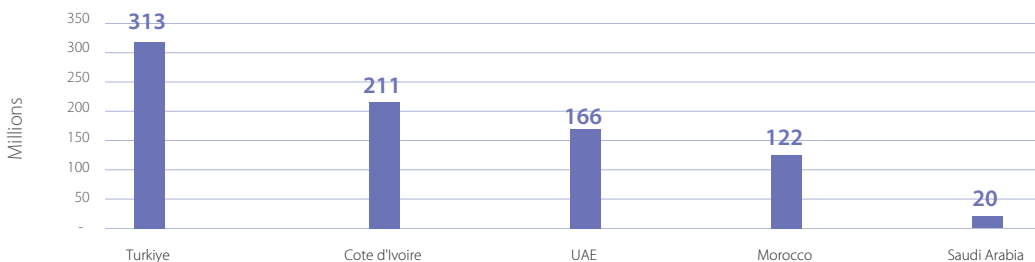
Most of the export business facilitated in 2023 came from six countries - Türkiye, UAE, Kazakhstan, Algeria, Saudi Arabia, and Egypt, with Türkiye alone accounting for US\$2,083m.

Intra-OIC trade and investment have the potential to be a game-changer facilitator to lead the OIC economies into recovery from the impacts of the post-pandemic era, the subdued global economic recovery, and the vagaries of geopolitical tensions and their impacts on commodities price volatility, sovereign indebtedness, a global cost-of-living crisis and a break on reaching the UN SDG and Paris Net Zero targets – all of which affect developing countries including the IsDB ones disproportionately.

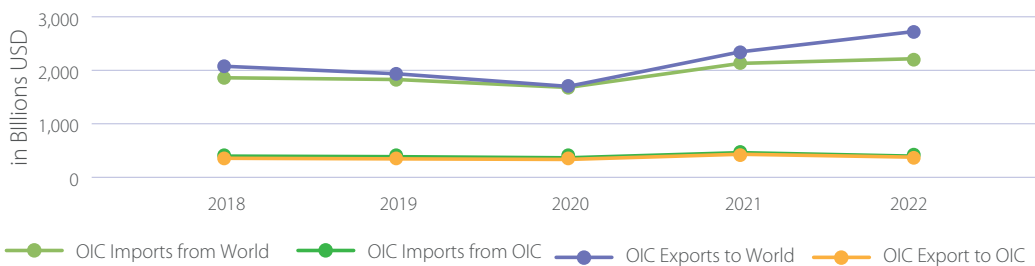
According to the ICIEC 2023 Annual Report, a deeper dive into intra-OIC trade dynamics reveals an intriguing paradox. While 2021 marked a zenith for intra-OIC imports at 436.0 billion, a subsequent contraction to 365.4 billion in 2022 raises pertinent questions about the internal trade synergies and potential barriers within the OIC ecosystem. Similarly, the export narrative mirrors this trend, with intra-OIC exports peaking in 2021 but retracting in 2022. The retraction, however, is almost certainly due to the pandemic, the Ukraine conflict disruptions, and the slow global economic recovery.

It is time for a rethink and reset of the strategies to boost intra-OIC trade and investment flows, but this time with the active participation of more stakeholders across the development spectrum to ensure that the holy grail of intra-OIC trade and investment at least reaches parity at 50% of the total collective trade and investment pool by the same 2030 dateline as many of the individual Visions of several Member States.

### Major Member States by Outward Investment Facilitated in 2023 (USD Million)



### OIC Trade Snapshot 11



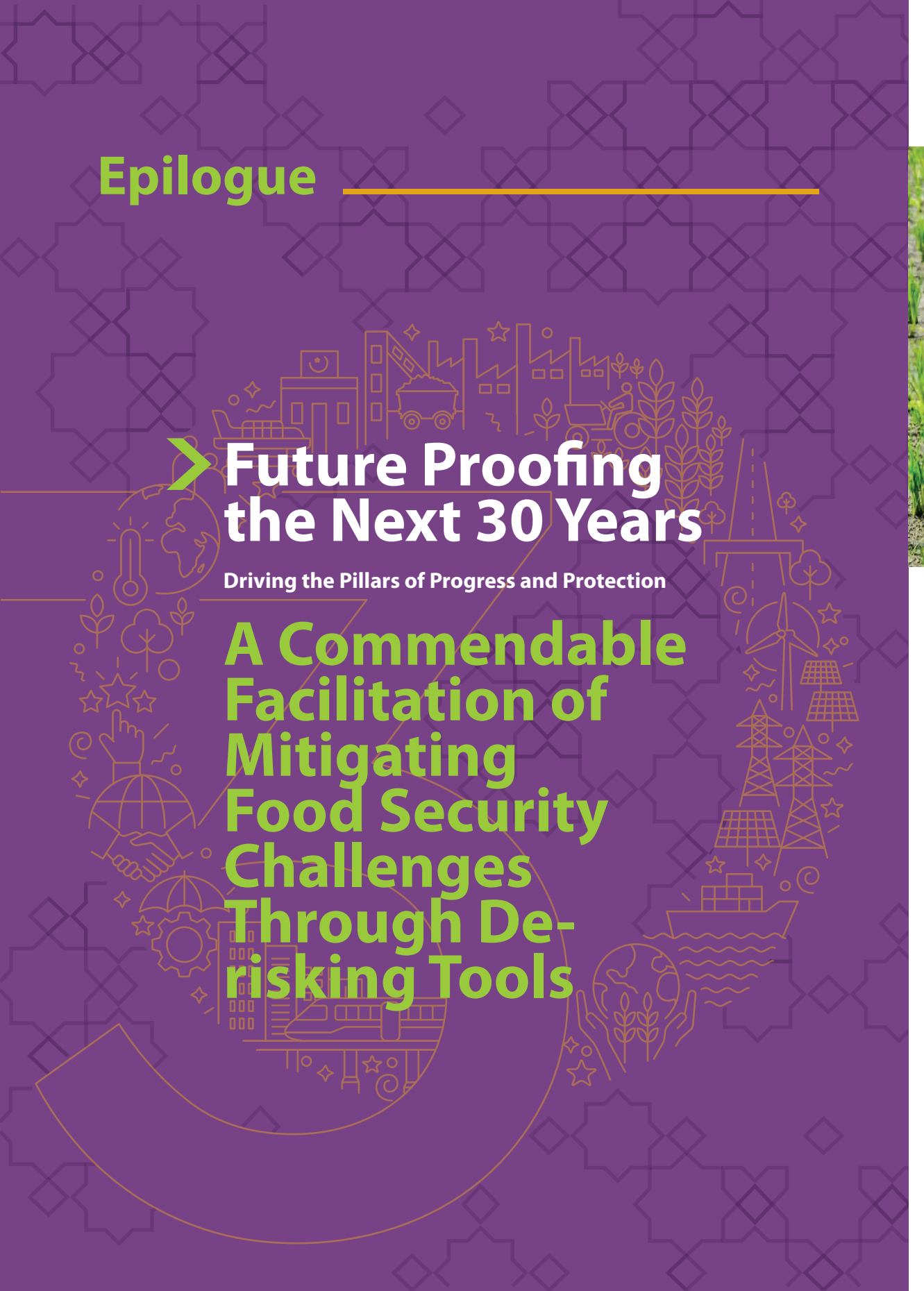
# Epilogue

---

## ➤ Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

**A Commendable  
Facilitation of  
Mitigating  
Food Security  
Challenges  
Through De-  
risking Tools**





ICIEC's involvement in helping vulnerable Member States mitigate the effects of supply chain disruptions, food shortages due to drought, crop failures and the ongoing devastating impacts of the pandemic has been commendable.

In line with SDG 2 (Zero Hunger), ICIEC has dedicated itself to enhancing food security, supporting US\$1.5 billion in agriculture sector since inception. In 2023, the Corporation forged several partnerships to support Member States' food security programs and operationalized the Arab Africa Guarantee Fund (AAGF) which incorporates a food security component.

To address global food security challenges, ICIEC had surpassed its initial pledge by approving US\$788m by the end of 2023 as part of the IsDB Group's US\$10.5bn Food Security Response Program (FSRP), which was launched in 2022. This comprehensive program, backed by the IsDB Group, addresses the ongoing food crisis, and aims to bolster resilience against future food security shocks. ICIEC has shown unwavering support with an initial commitment of US\$500m in PRI and credit insurance.

In 2022, according to the World Trade Organization (WTO) in its World Trade Statistical Review (WTSR) 2023, world trade lost momentum, largely due to the supply chain disruptions due to the Ukraine conflict and global economic shocks including high inflation, monetary tightening, and widespread debt distress. In volume terms, world merchandise trade rose by 2.7% in 2022, well below the 12.4% growth in value terms. Trade in goods

and services amounted to US\$31 trillion in 2022, a 13% rise year-on-year. The latest State of Food Security and Nutrition in the World (SOFI) report published by five UN specialized agencies, reveals that 735 million people are currently facing hunger, compared to 613 million in 2019 – all highly pertinent to ICIEC member states.

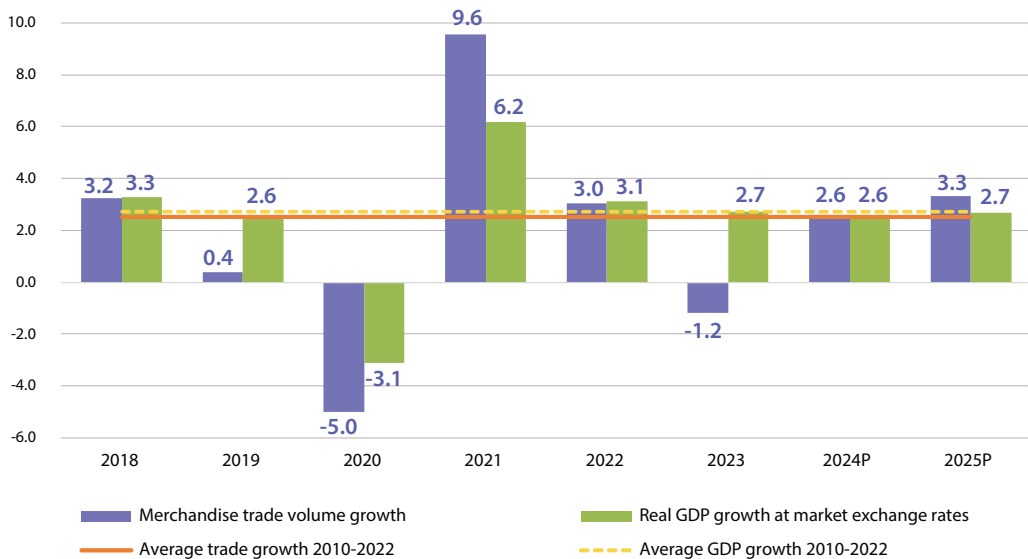
In the latest "Global Trade Outlook and Statistics" report, WTO economists note that inflationary pressures are expected to abate this year, allowing real incomes to grow again — particularly in advanced economies — thus providing a boost to the consumption of manufactured goods. A recovery of demand for tradable goods in 2024 is already evident, with indices of new export orders pointing to improving conditions for trade at the start of the year.

WTO Director-General Ngozi Okonjo-Iweala stressed at the launch of the Report: "We are making progress towards global trade recovery, thanks to resilient supply chains and a solid multilateral trading framework — which are vital for improving livelihoods and welfare. It's imperative that we mitigate risks like geopolitical strife and trade fragmentation to maintain economic growth and stability."

High energy prices and inflation continued to weigh heavily on demand for manufactured goods, resulting in a

## World merchandise trade volume and GDP growth, 2018-2025

Annual % change



Note: Figures for 2024 and 2025 are projections. Merchandise trade grew 2.5% per year on average between 2010 and 2023 while GDP growth averaged 2.7%.

Source: WTO for merchandise trade volume and consensus estimates for GDP.

1.2% decline in world merchandise trade volume for 2023. The decline was larger in value terms, with merchandise exports down 5% to US\$ 24.01 trillion. Trade developments on the services side were more upbeat, with commercial services exports up 9% to US\$ 7.54 trillion, partly offsetting the decline in goods trade.

Both the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) have raised significant concerns regarding the impending food security landscape. Their projections indicate a potential exacerbation of food security challenges in 18 critical hunger regions, spanning 22 countries, for the period of June to November 2023.

The ongoing conflict in Ukraine emerges as a significant variable with potential ripple effects on global markets. The intensification of this conflict could further amplify prices across key sectors, notably food, fuel, and fertilizer. The recent halt of the Black Sea Grain Initiative underscores these concerns. Such supply disruptions may have uneven impacts across nations, leading to varied inflation trajectories and expectations. This, in turn, could result in a spectrum of policy reactions and further currency fluctuations.

In the wake of the pandemic, many developing nations

redirected crucial funds from climate-centric endeavours to immediate recovery measures as highlighted by IRENA and CPI3. The subsequent surge in inflation, coupled with interest rate hikes aimed at its containment, has significantly tightened global financial conditions, thereby impeding clean energy investments. This monetary constriction further narrows fiscal avenues and elevates private investment costs. As borrowing becomes more expensive, developing nations, especially the least developed countries (LDCs), grapple with escalating debt service obligations, further limiting their ability to amplify energy investments.

The Black Sea Grain initiative provides respite to OIC countries spanning Africa, the Middle East, and select regions of Asia. These countries have traditionally depended on Ukrainian exports like wheat, barley, and vegetable oil, among other cost-effective food staples. This reliance becomes even more pronounced in the face of adversities like drought. While the initiative has been instrumental in moderating prices of key food commodities, notably wheat, over the past year, domestic food price inflation remains elevated in several of these nations. Upon evaluating the global landscape, several regions and nations emerge as focal points of heightened concern. Afghanistan, Nigeria, Somalia, South Sudan, and Yemen persistently remain at the apex of this list. It is also

noteworthy that Sudan, and the Sahel region, particularly Burkina Faso and Mali, have now ascended to this tier of utmost concern, warranting increased attention and strategic intervention while Pakistan, and Syria are of extremely high concern.

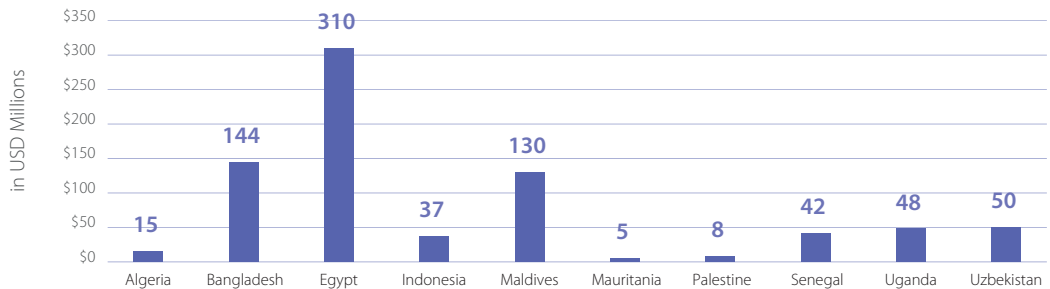
From the very inception of ICIEC, the unwavering support and visionary leadership of IsDB have been instrumental in shaping our trajectory. This symbiotic relationship has borne fruit in numerous collaborative projects, with initiatives like the KENANA Sugar project in Sudan standing as a testament to our combined capabilities.

The IsDB Group Food Security Response Program (FSRP-2022-2025) epitomizes the Corporation's collective response to global food security challenges. ICIEC's commitment, which surpassed US\$788m, underscores its dedication to this cause. In the face of the COVID-19 pandemic, ICIEC and The Islamic Solidarity Fund for

Development (ISFD) synergized to ensure essential medical and commodity imports for Member States. ICIEC has been particularly instrumental in developing the initiative of ICERI with ISFD under SPRP and supporting SERVE initiative with IsDB.

Total ICIEC contribution supporting Member States' efforts combatting COVID-19 reached US\$1.4bn worth of interventions through collaboration with internal (IsDBG) and external (international) partners. ICERI initiative, which supported trade transactions worth US\$270m, exemplifies our agility and commitment during challenging times. The COVID-19 Guarantee Facility (CGF), a collaborative effort between ICIEC and IsDB, was conceived to invigorate trade and investment during the pandemic. Spearheaded by ICIEC since 2005, the IsDB Group's Investment Promotion Technical Assistance Program (ITAP) has been pivotal in enhancing the investment climate in member states, fostering

### FSRP Approvals by Country



collaborations, and enabling Member States to spotlight lucrative investment opportunities.

Under the IsDB Group Food Security Response Program, ICIEC has strategically positioned itself to offer:

- Risk mitigation solutions, facilitating both immediate food security needs, such as food imports and equipment, and longer-term investments in the agriculture sector of Member States.
- Resource mobilization from international markets, amplifying the IsDB Group's support through Quota-Share Treaties and Facultative Reinsurance.
- Leveraging successful projects in agricultural development through Reverse Linkages.

The primary focus remains on the Least Developed Member States (LDMC), with an overarching goal

of promoting intra-OIC trade and investment under the FSRP. Collaborative efforts within the IsDB Group, including partnerships with ISFD and entities like ITFC and ICD, further bolster ICIEC's initiatives.

Since its establishment, ICIEC has championed food security, supporting US\$1.5bn in agriculture and fishery products, thereby uplifting food producers, especially in least-developed regions. This commitment not only ensures sustainable development but also plays a pivotal role in poverty alleviation and economic growth.

Furthermore, ICIEC's instrumental role in the establishment of the Arab Africa Guarantee Fund (AAGF) and its three sub-funds displays its integrated approach to addressing food security, environmental sustainability, and health. ICIEC also contributed to the Arab Africa Trade Bridge (AATB) Food Security Program by insuring more than US\$75m of the export of strategic goods.

**Epilogue**

---



**> Future Proofing  
the Next 30 Years**

Driving the Pillars of Progress and Protection

**Enhancing  
Private Sector  
Engagement  
Through Bankable  
Projects**





The consensus is that ECAs are a critical link to support the rising ambition of governments and the private sector. While some ECII stakeholders have taken important steps to increase their support for the new green economy, the industry and their regulators are perceived as lacking greater ambition and action with more consistent methodologies and collaboration with the wider financial services sector.

Credit insurance acts as a catalyst that provides financing to the real economy across the globe. By protecting exporters and banks against the risk of non-payment, credit insurance enables cross-border trade and investment increasingly in climate-related business, inputs, and projects.

The availability of finance, liquidity and underwriting is not a problem. It is a question of matching the above with acceptable and bankable projects and transactions. The flipside is the inadequate action to mitigate climate change and biodiversity loss risks.

### **Growing Influence of the Private Sector Forum (PSF)**

In this respect The Private Sector Forum (PSF) is an established feature of the IsDB Group Annual Meetings in showcasing the Group's substantial contributions to advancing Public-Private Partnerships, providing a platform for business communities within our member states and partners to engage and exchange ideas.

At the 49<sup>th</sup> Annual Meetings of the IsDB Group in Riyadh at end April, the PSF once again surpassed expectations. ICIEC hosted a High-Level Panel Discussion - *"Gateway to Growth: Saudi Investment as a Catalyst for Development in ICIEC Member States,"* a topic which is highly pertinent and contextual in several respects:

- The Kingdom is the host headquarter country of the IsDB Group, and the largest equity subscriber at 22 percent to the IsDB.
- ICIEC's special relationship with Saudi Arabia is underpinned by the fact that the latter accounts for 20.22 percent of the Corporation's subscribed equity and a cumulative US\$22.568bn or 11.3% percent of business insured at the end of 2023 in favour of Saudi exporters, importers, investors, and banks.
- For fiscal year 2023 this support totalled US\$1,168bn.
- Saudi Arabia is also the largest market in which Islamic finance is of systemic importance, surpassing the 1 trillion Saudi riyal mark in 2023. In terms of assets, the Kingdom is the largest Islamic finance market in

the world, driven by demand for such products from a young demography, from a growing corporate finance market, and the emergence of Saudi Arabia as the most proactive issuer of sovereign domestic Sukuk.

- In 2022, Saudi Arabia and Kuwait, according to S&P Global data, accounted for 92 percent of growth in Islamic AUM, driven by the implementation of Vision 2030 and robust growth in the mortgage finance market.
- The Kingdom is the most proactive issuer of sovereign Sukuk. In 2023, the total volume of funds raised by the Saudi Ministry of Finance through all sovereign Sukuk issuances reached a SAR104.03bn (US\$27.73bn), of which SAR81.51bn came through domestic Sukuk issuances.

### Mixed Prospects for FDI Flows in 2024

The prospects for developing states are mixed. According to UNCTAD's January invest trends monitor Global FDI flows in 2023, at an estimated US\$1.37 trillion, increased marginally by +3 percent over 2022, defying expectations as recession fears early in the year receded and financial markets performed well. However, economic uncertainty and higher interest rates did affect global investment. The downside is that FDI flows to developing countries fell by 9 percent, to US\$841 billion, with declining or stagnating flows in most regions.

Saudi Arabia's outward FDI stock, according to UNCTAD's World Investment Report (2023), rose significantly from US\$151.5bn in 2021 to US\$167.5bn in 2022. Saudi investments within ICIEC member states are strategically placed across the Middle East, Africa, and Asia.

According to the "Annual Report on Investment Climate and Opportunities in OIC Countries, 2022," Saudi Arabia holds the third-largest share of intra-OIC inward FDI stocks, in core investment markets including Egypt, Bahrain, the UAE, Türkiye, Pakistan and Jordan. The OIC has set a target of achieving 25 percent intra-Islamic trade and investment by 2025. The Kingdom is in pole position to demonstrate its role as a key investor in boosting ties with the OIC states towards achieving the 30 percent target.

Economic diversification and international investment are core pillars under Vision 2030, led by the Ministry of Investment and the PIF, and strategically directed into sectors with global impact, including renewable energy, infrastructure, healthcare, transportation, food security, petrochemicals, and these ventures are crucial not only domestically but also for international economic partnerships, signifying a new era in Saudi economic influence.

Take renewable energy for instance. PIF-owned entity ACWA Power has three important investments in renewable projects in the Northern Cape in South Africa, not an OIC member state but with a two million plus Muslim population. However, the projects are contributing towards the greater involvement of IPPs in the energy supply mix in an economy defined by load shedding over the last three years. PIF also signed a wider cooperation MoU with the ISDB Group.

ACWA Power's African presence is a microcosm of several other initiatives, which are gaining momentum on the continent. The Kingdom hosted the Arab-Africa and Saudi-Africa Economic Summits in Riyadh last November and of the ground-breaking results was the allocation of US\$50bn by a group of Ten Development Institutions under a



Saudi Arabia's outward FDI stock, according to UNCTAD's World Investment Report (2023), **rose significantly from US\$151.5bn in 2021 to US\$167.5bn in 2022.** Saudi investments within ICIEC member states are strategically placed across the Middle East, Africa, and Asia



strategic alliance led by the IsDB and the Saudi Fund for Development in supporting investment in Sub-Saharan African (SSA) infrastructure, climate resilience and food security.

The 'Riyadh Declaration' at the Saudi-Africa Summit envisages a much stronger alliance between the Kingdom and SSA in various sectors in line with the objectives of Vision 2030. This alliance will be driven also by Saudi private sector entities partnering with SSA counterparts in search of portfolio and market diversification this reinforcing the Kingdom's commitment to economic integration and cooperative development.

ICIEC will continue to enhance its existing cooperation with the Kingdom and seek new opportunities particularly related to the inter-connectivity between the estimated US\$3.5 trillion Islamic finance industry and the wider Halal Economy, which according to a report from Frost & Sullivan will likely reach US\$4.96 trillion by 2030 from US\$2.30 trillion in 2020. Here, ICIEC can provide de-risking tools for projects, co-opt private sector capital, which would make projects bankable and more attractive to investors and contribute to food security in Member States.

The entry of the Halal Products Development Company, another PIF entity, could be a game-changer and is aimed at investing in localising the Halal manufacturing industry, promoting Saudi Arabia as a global Halal manufacturing hub and unifying global efforts in Halal certification and standards. It offers huge potential for manufacturing and processing synergies and promoting gender empowerment in the sector by targeting women-run SMEs and rural small industries.

## ICIEC's Proven Track Record

ICIEC and the credit insurance sector can leverage new business insured and guarantee opportunities in the halal economy especially trade credit and investment in manufacturing in pharmaceuticals, food and agricultural products, and renewables. This can have an important multiplier effect which could have positive impacts on job creation, import substitution, GDP growth and wellbeing of citizens.

ICIEC has a proven track record in risk absorption and mitigation. Financial risks in long-term foreign investments are a significant challenge. ICIEC, through its partnerships and engagement with banks, has played a crucial role in drawing financing from international financial institutions, thanks to its consecutive Aa3 rating by Moody's. This aids in enhancing the creditworthiness of investment projects making them bankable to investors, thereby fostering FDI into member states and contributing to their economic robustness. This support has encouraged capital flow into regions with higher return potential, despite political volatility.

As such, ICIEC, with its deep-rooted understanding of the geopolitical landscape and its implications, is well-positioned to guide its member states through their transition as per their development agendas. The Shariah-based credit and investment insurance, guarantees and reinsurance business are set for a major boost despite the underdeveloped culture and uptake of credit and political risk insurance, and the low premium income and market penetration. The credit insurance landscape however is changing, and in Saudi Arabia with its stated objective of expanding its export base especially of non-oil products, export credit insurance uptake is on a steady upward trajectory.

In this respect ICIEC has enjoyed a long relationship with the Kingdom in underwriting its export strategy - first with the Saudi Export Program and since 2021 with its successor Saudi Eximbank, and with the Saudi Fund for Development, highlighting the importance of credit and investment insurance and guarantees.

ICIEC has an exhaustive and impressive transaction record of underwriting the financing of government projects in various sectors involving regional and international banks and private sector partners. This is underpinned by utilizing the Corporation's unique suite of partnerships and affiliations.

These include the Member Country Partnership Strategy of the IsDB Group, The IsDB Strategic Realignment 2023-2025, ICIEC's Realigned Strategic Framework 2023-25, ICIEC's affiliation with InsuResilience Global Partnership and GE Vernova's Global Green Growth Institute, OIC Business Intelligence Center (OBIC) Platform, the Arab Africa Guarantee Fund, the Arab-Africa Trade Bridges Programme, of which ICIEC is the insurance pillar lead, Africa Co-Guarantee Platform (CGP), and the Energy Transition Accelerator Financing (ETAF) Platform of the International Renewable Energy Agency (IRENA).



# Epilogue

---

## ➤ **Future Proofing the Next 30 Years**

Driving the Pillars of Progress and Protection

**Engaging Sovereign  
Wealth and Pension  
Funds (SWPFs) in the  
OIC Member States  
to Increase their  
Involvement and  
Investments in the  
National and Global  
Islamic Finance and Halal  
Economy Ecosystem in  
Financing Trade and  
Investment Flows**



The involvement of SWPFs in the Islamic finance landscape has been limited and disappointing since the advent of the contemporary Islamic finance movement in 1975. SWPFs have lamented the lack of standardization, especially of Shariah governance and rules relating to Sukuk issuance, the lack of quality asset pools for securitization, the lack of engagement between stakeholders and market education, the lack of regular AAA-rated benchmark issuances, and perhaps most importantly the lack of a secondary trading market to unlock liquidity from both sovereign and corporate Sukuk transactions.

It is just over 13 years when Khazanah Nasional Berhad, the Malaysian SWF, issued the first Sukuk by a SWPF in 2011 – a RM500m (US\$107.58 million) offering. Since then, Khazanah has pioneered several Sukuk offerings including structures incorporating equity exchange options and others especially aimed at financing socially responsible, sustainable, and social projects in the education, financial inclusion, and other sectors. Very few other SWFs and pension funds have entered the Sukuk market.

The gamechanger could be the Public Investment Fund (PIF), Saudi Arabia's SWPF, which is emerging potentially as the most important quasi-sovereign Sukuk issuer in the international market.

Following on from its maiden US\$3.5bn Sukuk in October 2023, PIF issued a second Sukuk in March 2024 raising US\$2bn through a US dollar denominated international Sukuk offering. This brings the aggregate funds raised

through two Sukuk transactions in four months to US\$5.5bn, which makes the PIF the largest SWPF aggregate Sukuk issuer in the world to date.

According to PIF, this latest Sukuk offering, signifies the SWPF's continued commitment to its diversified sources of funding, which include loans and debt instruments, earnings from investments, capital injections from government and government assets transferred to PIF.

The entry of mega primary and repeat issuers such as PIF could have a profound impact in mainstreaming Sukuk as a public debt instrument as part of an evolving fund-raising strategy for development projects.

Against a background of tepid global oil prices and an extraordinarily fast pace of investment needs, especially in the NEOM giga projects infrastructure initiative, PIF Governor, Yasir Al Rumayyan, speaking at a conference

in Miami in February 2024, suggested that the SWF may increase its annual capital deployment capacity to US\$70bn from the previous US\$40-50bn starting in 2026. This means more forays into the international bond and Sukuk markets over the next three years at least.

The involvement of PIF in the Sukuk market has important wider implications, especially in a market in which a growing number of international investors, including new ones from non-traditional markets, are increasingly keen to invest in pursuit of A-rated debt papers.

PIF involvement could also spur Sukuk issuance by other SWPFs from OIC Member States as part of their sources of fund-raising diversification strategies. Of the top 100 SWFs in the world, 32 are from OIC Member States, with combined assets under management (AUM) exceeding US\$4.2 trillion.

PIF, according to SWF Institute data, is the fifth largest SWPF in the world with AUM totaling US\$925bn. Thanks to the Kingdom's aggressive investment development strategy, especially projects related to the futuristic NEOM City, PIF and its subsidiaries and joint ventures have committed an estimated US\$2.3 trillion of investment to a cornucopia of projects and initiatives over a whole spectrum of economic and social sectors, subject to the usual caveats of market conditions, the state of the global economy and commodity prices including oil and gas, and the Kingdom's capacity in consumer demand to absorb such unprecedented levels of development activity.



Thanks to the Kingdom's aggressive investment development strategy, especially projects related to the futuristic NEOM City, PIF and its subsidiaries and joint ventures have committed an **estimated US\$2.3 trillion of investment to a cornucopia of projects** and initiatives over a whole spectrum of economic and social sectors, subject to the usual caveats of market conditions, the state of the global economy and commodity prices including oil and gas, and the Kingdom's capacity in consumer demand to absorb such unprecedented levels of development activity



### TOP 32 Sovereign Wealth Funds in OIC Member States March 2024

SWF	Country	Total Assets	Date of Establishment	Ranking
Abu Dhabi Investment Authority	UAE	US\$993.00bn	1976	1
Public Investment Fund	Saudi Arabia	US\$925.00bn	1971	2
Kuwait Investment Authority	Kuwait	US\$923.45bn	1953	3
Public Investment Fund	Saudi Arabia	US\$776.70bn	1971	4
Qatar Investment Authority	Qatar	US\$501.00bn	2005	5
Investment Corporation of Dubai	UAE	US\$341.10bn	2006	6
Türkiye Wealth Fund Türkiye Varlık Fonu Yönetimi A.Ş.	Türkiye	US\$279.30bn	2016	7
Abu Dhabi Developmental Holding Co	UAE	US\$159.00bn	2018	8
National Development Fund of Iran	Iran	US\$156.50bn	2011	9
Mubadala Investment Company	UAE	US\$139.00bn	2002	10
Emirates Investment Authority	UAE	US\$87.00bn	2008	11
Dubai Investment Fund	UAE	US\$80.00bn	2001	12
Samruk-Kazyna JSC	Kazakhstan	US\$77.41bn	2008	13
Brunei Investment Agency Agensi Pelaburan Brunei (BIA)	Brunei	US\$73.00bn	1983	14
State Oil Fund of Azerbaijan	Azerbaijan	US\$56.10bn	1999	15
Kazakhstan National Fund	Kazakhstan	US\$55.80bn	2000	16
Oman Investment Authority	Oman	US\$46.34bn	2020	17
Libyan Investment Authority	Libya	US\$38.80bn	2006	18
Khazanah Nasional Berhad	Malaysia	US\$29.20bn	1993	19
Fund for Reconstruction & Development of Uzbekistan	Uzbekistan	US\$22.80bn	2006	20
Azerbaijan Holding Investment	Azerbaijan	US\$22.00bn	2020	21
Mumtalakat Holding	Bahrain	US\$17.64bn	2006	22
Fond de Regulation des Recettes	Algeria	US\$16.35bn	2000	23
The Sovereign Fund of Egypt	Egypt	US\$12.00bn	2018	24
Lembaga Pengelola Investasi (Indonesia Investment Authority)	Indonesia	US\$6.42bn	2021	25
Nigeria Sovereign Investment Authority	Nigeria	US\$2.42bn	2012	26
Sharjah Asset Management Holding LLC	Sharjah	US\$1.90bn	2008	27
Sarawak Sovereign Wealth Future Fund	Malaysia	US\$1.74bn	-	28
Fonds Mohammed VI pour l'Investissement (Mohammed VI Fund Morocco)	Morocco	US\$1.60bn	-	29
Bank of Guyana Natural Resources Fund (NRF)	Guyana	US\$1.41bn	2019	30
Palestine Investment Fund	Palestine	US\$957.10m	2003	31
Fonds Souverain d'Investissements Stratégiques S.A. (FONSIS)	Senegal	US\$846.00m	2012	32

**Source:** Compiled by Mushtak Parker from SWFI data and official sources Figures rounded up in some cases March 2024

These include several in the Islamic finance space such as the Halal Products Development Company (HPDC), The Saudi Real Estate Refinance Company (SRC), the Shariah compliant mortgage finance and securitization company, and other entities such as GIB KSA and The Helicopter Company, which are also accessing Islamic finance facilities or issuing Sukuk.

According to the SWF Institute, PIF accounted for more than 25% of the US\$124 billion invested by SWFs worldwide in 2023. The IsDB Group signed a cooperation MoU with PIF to cooperate in various fields including trade and project-related insurance underwriting.

# Epilogue

---

## ➤ Future Proofing the Next 30 Years

Driving the Pillars of Progress and Protection

**Urgent Upscale and  
Traction of ICIEC's  
Pioneering and  
Innovative Sukuk  
Insurance Policy (SIP)  
or (Sukuk Takaful) to  
Facilitate the Entry of  
OIC Investment and  
Sub-Investment Grade  
Sovereign Issuers**





Ever since the Shariah Committee of the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued its fateful Ruling on Sukuk in February 2008, the issue of guarantees and credit enhancement for such issuances have been a major talking point in the global Islamic finance industry.

Issues relating to purchase undertakings and guaranteeing of principal to Sukuk holders, depending on the Sukuk structures, assumed a controversial nature which threatened to put a brake on Sukuk origination going forward and to retrospectively affect the tradability of past issuances still outstanding. While the market debated the ensuing implications – a discourse which in some respects continues today – the Sukuk issuance market has moved on and is maturing partly also because of innovation of new structures and the entry of new issuers.

The issue of guarantees however remains pertinent, and one way of mitigating these from a Shariah point of view is for such guarantees to be given by an independent Third Party, especially with a track record of providing Shariah-based commercial credit and investment insurance.

The AAOFI Shariah Committee ruling, while prohibiting the provision of a guarantee by the originator/issuer of Sukuk, declared a Third-Party Guarantee as acceptable. The Fiqh Academy of the OIC also resolved that Sukuk certificate holders could protect their capital by an insurance instrument based on Takaful. Step in ICIEC.

Dr. Abdel Rahman El Tayeb Taha, then CEO of ICIEC, first explored the idea of a Third Party Sukuk guarantee product in a keynote address at the annual London Sukuk Summit in the mid-1990s when he proposed the idea of a pioneering Sukuk Guarantee Fund (SGF) or a Sukuk Insurance Policy.

After a couple of years of research and development of the idea and the business plan by a dedicated in-house Sukuk Insurance Team, the Corporation finally got the go-ahead to launch a 'Sovereign Sukuk Insurance Policy' from its Board of Directors at a meeting in Jeddah in April 2013, which was chaired by Dr. Ahmed Mohamed Ali, who is also the President of the IDB Group. The Business Plan stipulated that ICIEC would offer this product gradually in the market at the pilot phase and will be selective in terms of number and volume of Sukuk insurance policies to be issued to test the market appetite.

The Sukuk Insurance Policy will allow Sukuk issuers (primarily sovereign ICIEC Member States) to utilize Sukuk to tap into capital markets, with an ICIEC insurance cover providing added security to the Sukuk investors, against the non-payment risks of the Sukuk issuer/sponsor.



The key purpose of the ICIEC Sukuk Insurance Policy (SIP) is **to help ICIEC Member States to mobilize resources from international capital markets**, to realize their developmental projects consistent with their declared developmental objectives, the SDGs, or other environmental, social, and governance (ESG) factors



### Rationale

Sukuk are being widely used in several Member States of ICIEC, for various purposes including funding infrastructure and other developmental projects. The popularity of Sukuk as an asset class is such that these instruments have been issued by countries outside its traditional jurisdictions like United Kingdom, Luxembourg, South Africa, and Hong Kong for raising capital from international markets.

Sukuk, being asset backed or based, are particularly well suited for raising capital for projects and other developmental initiatives. The challenge many Member States have faced in issuing Sukuk is their credit rating. Given that many Member States do not have an investment grade credit rating, access to the capital market on favorable terms has become challenging. Here comes the role of ICIEC. While covering non-payment risk ICIEC, with its credit rating of Aa3, may provide a boost to the Sukuk issuance by most of its Member States.

To achieve the United Nations' Sustainable Development Goals (SDGs) without sacrificing financial returns, Member States have been devising means of mobilizing resources through the capital markets in addressing key developmental requirements.

The key purpose of the ICIEC Sukuk Insurance Policy (SIP) is to help ICIEC Member States to mobilize resources from international capital markets, to realize their developmental projects consistent with their declared developmental objectives, the SDGs, or other environmental, social, and governance (ESG) factors. Some countries, especially those with credit ratings equal to or better than ICIEC's credit rating, may not need ICIEC's support to mobilize financial resources.

However, the ICIEC Sukuk Insurance Policy will be very useful for Member States rated below ICIEC's credit rating (Aa3 by Moody's and in 2024 S&P's First time "AA-" Long-term Issuer Credit and Financial Strength Rating with a Stable Outlook). It will not only assist Member States rated lower than Aa3 to access the international capital markets, but it is also expected to reduce their borrowing costs.

The Policy is in line with ICIEC's mandate to facilitate the flow of investments and project finance to its Member States. As such the Corporation took the initiative to launch this innovative insurance product, which is the first of its kind in the market. It is the only Shariah-based Takaful product used as a credit enhancement in the Islamic capital and finance market and provided by a multilateral institution having a long experience in the credit and political insurance industry and enjoying a high rating by Moody's Investors Service and S&P and a high level of support from its Member States.

The SIP is aimed at helping Member States, especially those who have some difficulties to access international capital markets with reasonable cost, to raise Shariah-compliant resources to finance developmental projects.

The 'Arab Spring' countries undergoing political and economic transition have accelerated the process of launching the SIP in the market because they need to mobilize much-needed funding especially for infrastructure projects and others to generate employment, especially youth employment.

The Policy is in line with the strategy of the IsDB Group to promote infrastructure development and the expansion of the Islamic financial services industry, by offering



complementary products for Shariah-compliant financing structures.

Many IDB and ICIEC Member States have issued or are planning to issue Sukuk to raise funds to finance their infrastructure and other developmental projects. This product will enable those member states, which are rated below investment grade or are unrated, to gain access to international capital markets.

ICIEC's insurance cover, given its Aa3 rating, will serve as a strong credit enhancement mechanism, and encourage international banks and investors to participate in such Sukuk offerings, and the SIP will also help ICIEC's Member States tap international capital markets and mobilize resources by providing insurance cover to investors in sovereign Sukuk.

### A Precedent of Sorts

Danajamin Nasional Berhad, Malaysia's first and only Financial Guarantee Insurer, which was established in May 2009 and is jointly owned by the Minister of Finance Incorporated (50 per cent) and the Credit Guarantee Corporation Malaysia Berhad (50 per cent), which in turn is majority owned by Bank Negara Malaysia (the central bank), provides financial guarantee insurance for bonds and Sukuk issuances to viable Malaysian companies to enable access to the Private Debt Securities (PDS) market, and acts as a catalyst to stimulate and further develop the Malaysian bond/Sukuk market.

However, the merger between Danajamin and Bank Pembangunan Malaysia Berhad (BPMB) Group, the national development bank owned by the Malaysian Ministry of Finance focused on financing sectors

deemed strategic to national economic development, is designed to give impetus to the Third Party Sukuk/bond guarantee market especially among SMEs.

The BPMB Group is regulated and supervised by Bank Negara Malaysia under the Development Financial Institution Act 2002. The merger, finalized in April 2023 has been on the cards since 2021 with agreements signed between BPMB and Danajamin's then-shareholders, Credit Guarantee Corporation Malaysia Berhad and Minister of Finance (Incorporated) for the 100% acquisition of the financial guarantee insurer.

Since then, the merged entities have been successfully integrated, culminating in the completion of the Business Transfer Scheme exercise in March 2023 concluding with the surrendering of Danajamin's license to Bank Negara Malaysia. The integration included establishing a unified leadership team, redefining BPMB Group's purpose, aspirations and core values, and harmonizing processes and systems, as well as employee benefits.

The merger was part of the Government's medium-term plan to strengthen and align the mandates of the country's Development Financial Institutions (DFIs) to improve the national development finance ecosystem. According to BPMB Group Chairman, Tan Sri Nazir Razak "The integration of BPMB and Danajamin is the first step towards a stronger and more streamlined development financial institution sector in Malaysia, better placed to support businesses and targeted economic sectors. BPMB stands ready to move forward with further mergers, at the Government's direction."

BPMB has been providing impact capital for national development since 1973. BPMB Group total assets reached RM26.1 billion as of Q1 2022. Danajamin's financial guarantees have assisted 44 issuances, with a total guaranteed size of RM10.9 billion at its peak in FY2021/22. The total market impact of these deals, through risk-sharing collaboration with partner banks, stood at RM23.2 billion.

The key difference is that ICIEC is a dedicated Shariah-based multilateral insurer whereas Danajamin offers both conventional and Shariah-based guarantees and insurance to Malaysian issuers only.

### Singular Achievement

Nevertheless, the ICIEC Sukuk Insurance Policy is a singular achievement for the Corporation because it is the first time an Islamic insurer is offering a risk mitigation instrument for Sukuk issuances. This has created a buzz in the market, especially amongst potential sovereign issuers with an investment grade-or-below rating or with no ratings, to whom the product is initially aimed at.

Many ICIEC member states have the intention to issue Sukuk, but they suffer from low credit and sovereign rating, and some are not even rated. By late 2013, the much-awaited Sukuk Insurance Policy (SIP) was ready to roll out – a record time for such a new instrument.

The objective of targeting sovereign Sukuk al-Ijarah issuances at the outset is measured. The Sukuk Insurance Policy is restricted to sovereign Sukuk al-Ijarah (leasing Sukuk) issued by member states. It is designed to cover Sukuk certificate holders against the inability of the lessee to make regular payments of rental as stated in the lease agreement.



**ICIEC will target small issues of Sukuk not exceeding US\$300 million. ICIEC can only guarantee up to US\$125 million of an issuance,** because of its lack of capacity. However, it has reached agreement with the insurance majors to provide further capacity for sovereign Sukuk issuances

### Salient Features of the ICIEC Sukuk Insurance Policy

**Eligibility Criteria** - Only the Sukuk issued by Member States shall be eligible for cover under the ICIEC Sukuk Insurance Policy. The Member States shall be the Originators and/or Obligors under the Sukuk issuance. For the purposes of the ICIEC Sukuk Insurance Policy, the obligors whose risk ICIEC will be covering shall be confined to Sovereign Obligors.

The lessee must be a Sovereign or sub-sovereign entity. The purpose of this product is to enable member states to gain access to international capital markets and mobilize Shariah-compliant resources at a reasonable cost, using ICIEC's insurance cover as a credit enhancement tool. In addition, ICIEC will target small issues of Sukuk not exceeding US\$300 million. ICIEC can only guarantee up to US\$125 million of an issuance, because of its lack of capacity. However, it has reached agreement with the insurance majors to provide further capacity for sovereign Sukuk issuances.

The Insured Amount, however, is ultimately subject to the underwriting transaction limit. ICIEC might not be able to insure the total amount of Sukuk issue generally of large size. Thus, ICIEC will agree with the Sukuk mandated lead arranger/s to issue an 'Insured Sukuk Tranche' in which all Sukuk investors will be equally insured for their Sukuk holdings.



The Tenor of the Sukuk typically would be up to 15 years (and on an exceptional basis up to 20 years) as per the Corporation's operations regulations. The percentage of cover typically would be up to 95%, and the reinsurance percentage up to 85% from a minimum 'A' rated reinsurer. In the case of any claims, the waiting period will be up to 3 months after the due date. However, acceleration of payment due to non-payment of a periodic distribution is not covered.

The Security for the SIP includes:

- A non-objective letter from Member States.
- Subrogation of Sukuk investors rights to ICIEC.
- A recourse to underlying assets.
- A recourse to the originating Member States.
- Preferred creditor treatment by Member State.

**Scope of Cover** - The risk to be covered under ICIEC's Sukuk Insurance Policy is basically the non-payment by a Member State (the Originator of Sukuk) to the Special Purpose Vehicle (SPV) established to issue the Sukuk and pay to the Sukukholders on due dates in accordance with the Sukuk documentation. Hence, ICIEC shall cover non-payment to the Sukukholders by SPV because of non-payment by the Originator/Obligor.

This obligation should be documented through either a payment undertaking, guarantee, or any other appropriate documentation which can be enforced in a competent jurisdiction. This risk has been traditionally covered by ICIEC under several insurance instruments. ICIEC has a good track record of covering the sovereign risks of its Member States. ICIEC has never paid a claim under its policies covering sovereign risk of a Member States. Furthermore, Sukuk non-payment risk is mitigated by the existence of Sukuk assets and/or a recourse mechanism through sale and purchase undertaking.

**Policyholder** – The Policy is to be held by a Special Purpose Vehicle (SPV) which is bankruptcy-remote. The SPV shall be established by the Sukuk Originator/Obligor to issue Sukuk to raise funds for its environmental and green-labelled projects. The SPV acts as Issuer of the Sukuk and Trustee for the Sukukholders. Accordingly, the ICIEC Sukuk Insurance Policy shall be held by SPV for and on behalf of the Sukukholders.

**Conditions of the Policy** - In addition to the general terms and conditions of the policy generally attached to an insurance policy, the Sukuk Insurance Policy shall require the use of Sukuk proceeds to be strictly deployed for new developmental projects and programs in key sectors of the economy of ICIEC Member States. The Originator/Obligor is not allowed to utilize the Sukuk proceeds to cater to the budget deficit or budget support initiatives. The premium under the Sukuk Policy shall be paid by the SPV. The Insured Percentage and Waiting



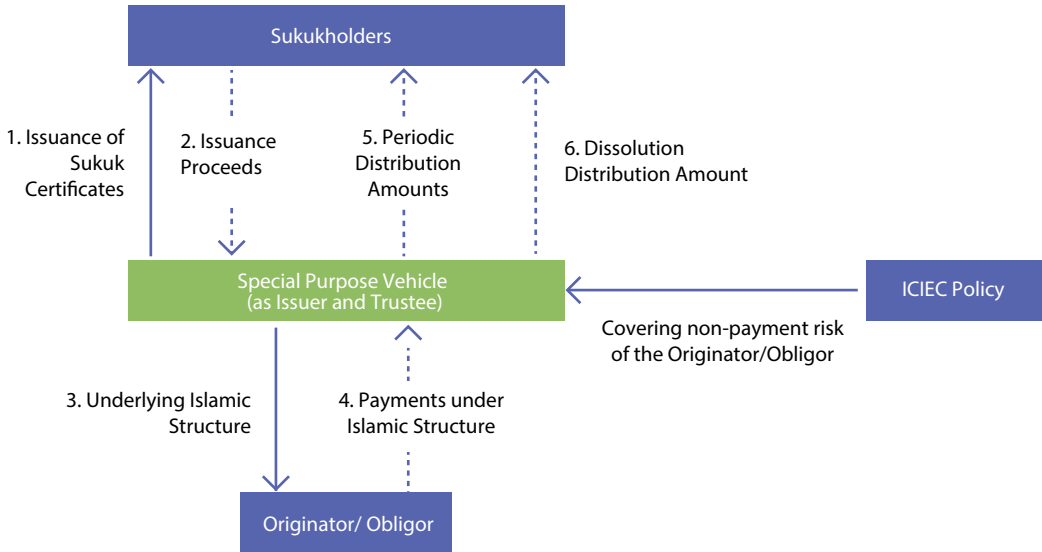
The Tenor of the Sukuk typically would be up to 15 years (and on an exceptional basis up to 20 years) as per the Corporation's operations regulations. The percentage of cover typically would be up to 95%, and the reinsurance percentage up to 85% from a minimum 'A' rated reinsurer. In the case of any claims, the waiting period will be up to 3 months after the due date. However, **acceleration of payment due to non-payment of a periodic distribution is not covered**

Period shall be negotiated with the investment banks mandated to arrange the Sukuk on case-by-case basis.

**Anatomy of Sukuk and ICIEC Insurance Policy** - Sukuk transactions are commonly structured in the following manner:

- An SPV is established to issue Sukuk Certificates to investors in return for the Sukuk Proceeds.
- The SPV acts as Issuer and as Trustee for the Sukukholders (the Trustee).
- The Trustee invests the Sukuk Proceeds with the Originator/Obligor through an Islamic structure such as Lease Financing (Ijara), Investment Agency Agreement (Wakala) etc.
- The Originator/Obligor is required to make certain periodic payments under the Islamic structure to the Trustee.
- The Trustee uses these payments to make periodic (coupon) payments under the Sukuk Certificates to the Sukukholders.
- As a result of these arrangements, by investing in the Sukuk Certificates the Sukukholders are taking the credit risk of the Obligor.
- ICIEC shall issue an insurance policy to SPV on behalf of the Sukukholders to cover non-payment risk of the Obligor towards the Sukukholders.

## ICIEC Sukuk Takaful Flow Diagram



**Credit Enhancement for Sukuk Issuance** - Sukuk generally tends to be rated and the rating assigned is based on the underlying risk taken by the Sukukholders, which in most cases is the credit risk of the Obligor. The rating of the Sukuk will have an impact on the pricing of the Sukuk Certificates. The rating of a Sukuk Certificate can be improved by incorporating credit enhancement tools into the structure. These include guarantees, security, and insurance policies. The form of the credit enhancement needs to be Shariah compliant.

ICIEC Sukuk Insurance Policy shall provide credit enhancement to Sukuk Issuances through the provision of the Policy. The Policy insures the payment obligations of the Obligor to the Trustee, up to a specified insured percentage. The Policy shall be held by the Trustee on behalf of the Sukukholders. The Policy acknowledges that the Trustee had delegated certain rights and duties to a delegate who can enforce the policy on its behalf. The policyholder makes certain representations, warranties and covenants which must not be breached for cover to be available under the Policy. ICIEC shall assume the credit risk of the Obligor and should the Obligor fail to honor its financial obligations towards the Sukukholders, ICIEC shall indemnify the Sukukholders under the Policy.

**Risk Sharing** - With the average size of each transaction under the Sukuk Insurance Policy expected to be large, utilizing risk sharing and reinsurance support tools is essential for the viability of the product. The reinsurance can be in the form of direct reinsurance or co-insurance with an equivalent or higher credit rating compared to ICIEC.

**Target/Proposed Sovereigns** - Many ICIEC Member States including Malaysia, Indonesia, Pakistan, Brunei, the six GCC states, Türkiye, Nigeria, Egypt, Morocco and several BCEAO countries in West Africa are issuing Sukuk to finance their infrastructure and developmental projects while other Member States have also indicated their intention to mobilize resources from capital markets by issuing Sukuk.

Most of the Member States have difficulty accessing the capital markets due to lack of or low ratings. ICIEC Sukuk Insurance Policy shall benefit ICIEC's Member States below the credit rating of ICIEC. In this manner, although most of the Member States may benefit from this product enabling them to raise funds from capital markets.

It is expected to assist and support Member States to access international capital market and raise funds at a better pricing as well as an improved credit rating to the Sukuk issuance. As mentioned above, ICIEC has a track record of covering sovereign and sub-sovereign risks of its Member States and when covering Sukuk, ICIEC shall benefit from its experience in dealing with such obligors.

**Work in Progress** - It is important to remember that the SIP is a 'work in progress', with huge potential. The IsDB Group, ICIEC and the Islamic capital market would ignore its logical development and expansion to include the corporate and private sector issuances at its peril.

ICIEC is fully aware about the development of the Sukuk industry and different structures in the market. It remains confident that it will roll out the product to other forms of Sukuk in due course.

Over the last few years under the leadership of CEO Oussama Kaissi, the SIP has been refined and is poised for roll out subject to market conditions. The operational and structural paradigm of SIP given the nature of the product and the market, will need constant evaluation for instance on expansion to cover other types of Sukuk depending on its capacity, risk appetite in the reinsurance market and the demand from investors and Member States. Specific products may be further designed in the coming years to insure Corporate Sukuk and other structures such as Mudharabah, Musharakah and Istisna.

The main challenge in developing the SIP and getting it to the market is the large ticket size of Sovereign Sukuk. For larger Sukuk issuances, ICIEC would guarantee a small tranche and would need to establish a guarantee fund to be able to meet the demand.

In this respect, the Corporation has already good indications from reinsurers to provide additional capacity. At a later stage and if the product takes off quickly, there will be a need to create a special fund to increase the capacity.

ICIEC has concluded that there is a big demand for the SIP. But the existing and future demand for the product exceeds the capacity of ICIEC and any other single institution. Some international banks have already been discussing with ICIEC the possibility of insuring Specific Sukuk to be issued by some member states.

In the context of COP27 and COP28, which were convened in two key Member States – Egypt and the UAE – ICIEC has introduced a Green Sukuk Insurance Policy, designed to galvanize capital for environmentally friendly projects

aimed especially at investment grade or below-investment grade rated sovereigns.

The Corporation is aware that its stand-alone capacity will not be enough to cover the large need for such Shariah-compliant insurance. Many international and multilateral reinsurers have expressed their interest to reinsure ICIEC for the Sukuk Insurance Policy and any future additional Retakaful or reinsurance wraps. This kind of reinsurance support will not differ much from the normal reinsurance support ICIEC has been getting so far for the other lines of business.

The Corporation has received strong enquiries about the SIP from several countries. These include Tunisia, Egypt, UAE, and Senegal.

However, some member states such as Saudi Arabia, a strong supporter of ICIEC and which was one of the first countries to subscribe and pay in to the Corporation's latest general and optional capital increase, advise caution against rushing into underwriting too many guarantees in this initial stage and that ICIEC take into account its technical and financial capacity when embarking on such a product in such a way as it maintains its financial soundness and avoids bringing any negative impact to bear on the IDB's credit rating.

The logical complementary to the Sukuk Insurance Policy is the launch of a Sukuk Guarantee Fund to mobilize resources from the market to support this project. This, however, is a project in progress and may take a long time to materialize. ICIEC's parent, the IsDB has indicated that it would support such a Fund, but it would depend on whether adequate reinsurance or Retakaful capacity and cover is in place.



ICIEC has concluded that there is a big demand for the SIP. But the existing and future demand for the product exceeds the capacity of ICIEC and any other single institution. **Some international banks have already been discussing with ICIEC the possibility of insuring Specific Sukuk to be issued by some member states**

# The Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC)

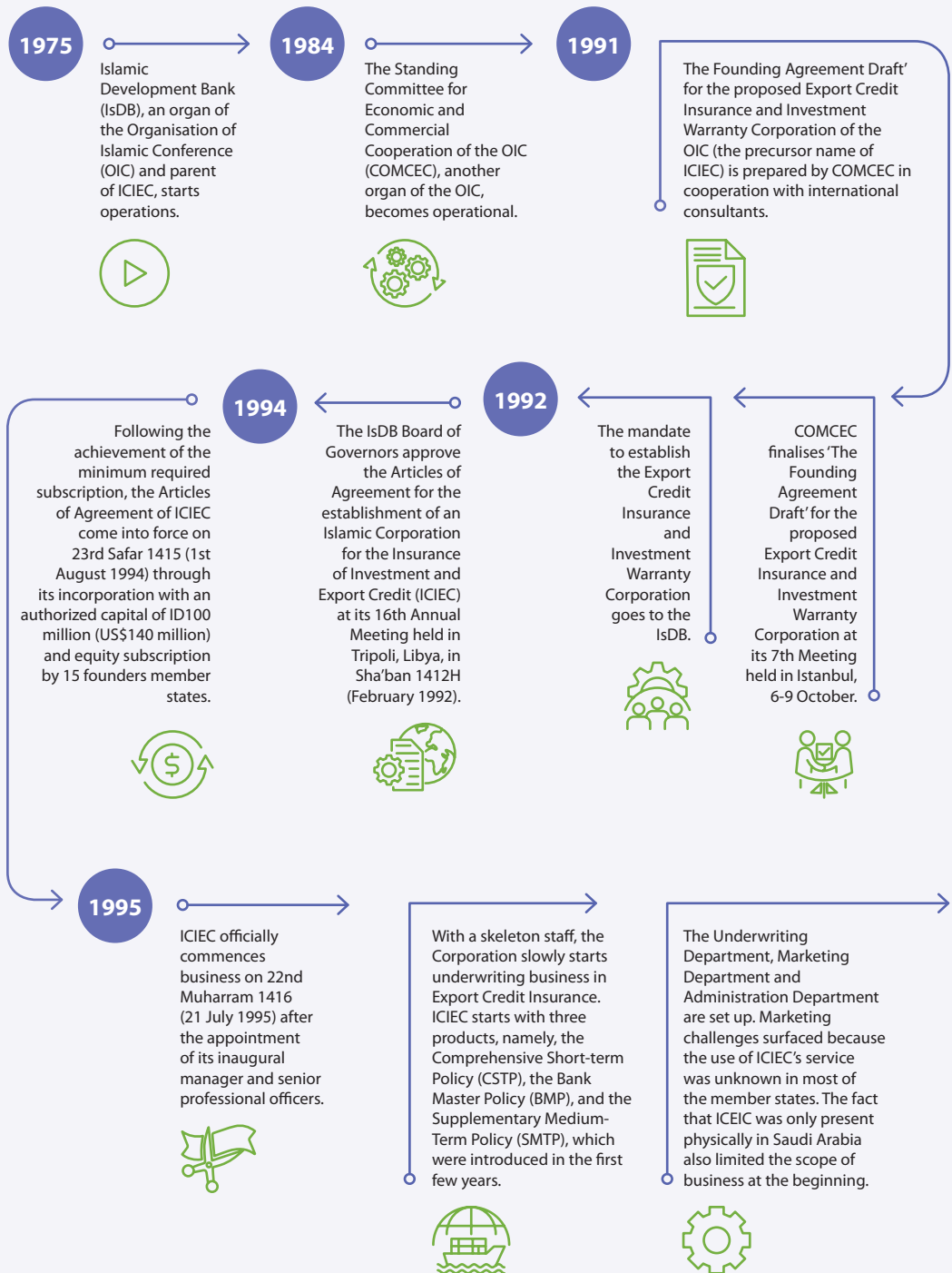
---

➔ **A 30-year  
History in  
Milestones  
1994-2024**

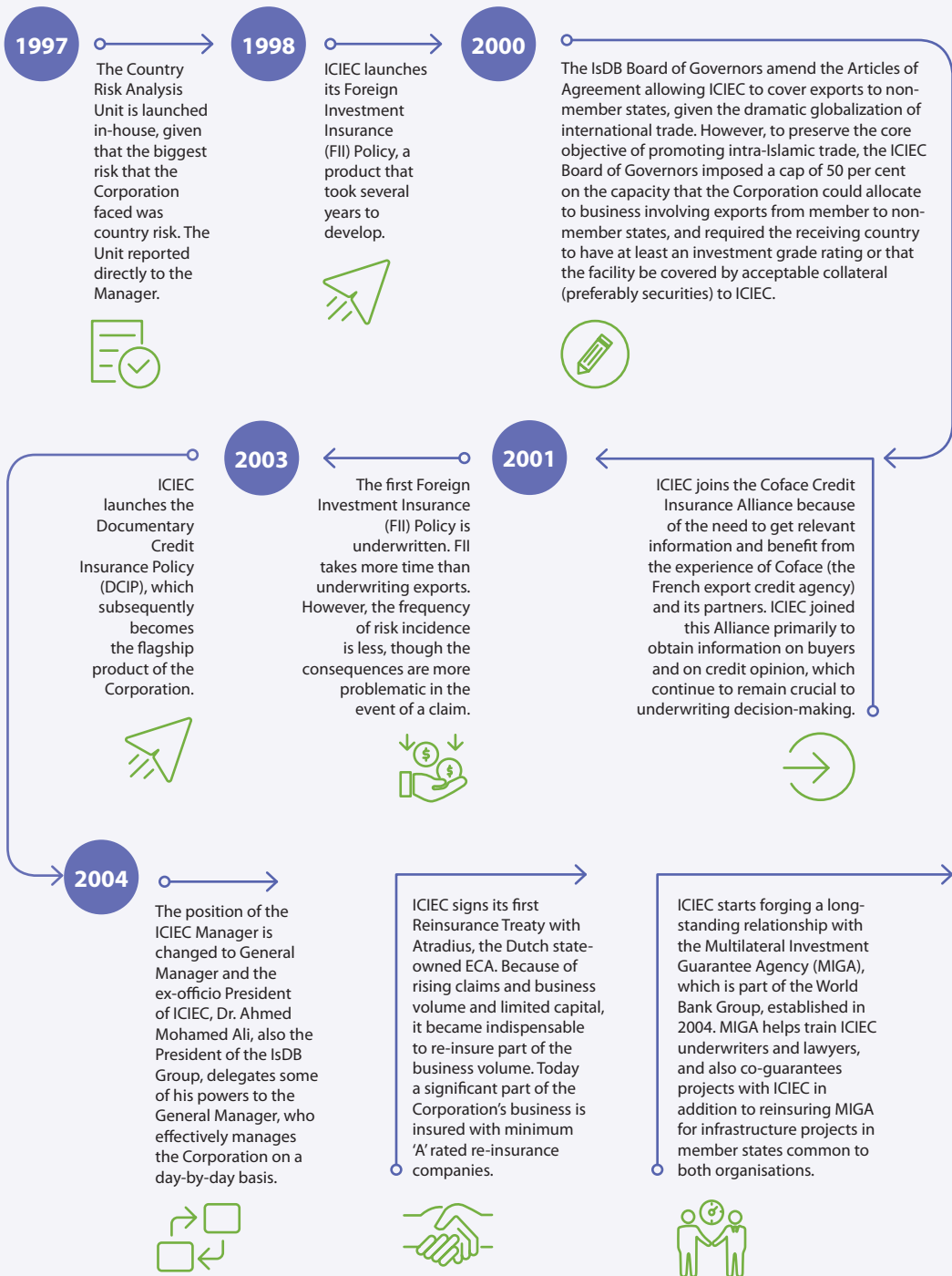




## A 30-year History in Milestones 1994-2024



## A 30-year History in Milestones 1994-2024





## A 30-year History in Milestones 1994-2024

ICIEC and the Arab Investment and Export Guarantee Corporation (Dhaman), which is the multilateral ECA set up by Arab states to promote investments and trade, together with other ECAs such as the EXIM Bank Malaysia and Eximbank of Türkiye launch the Aman Union (the Grouping of ECAs in Islamic and Arab Countries), which has broadly similar objectives to those of the Berne Union. Today, the Aman Union comprises some 22 members, including two multilaterals and 17 ECAs, and could potentially play a pivotal role in enhancing the export credit and investment insurance culture in the OIC countries.



ICIEC launches its first Representative Office abroad. The ICIEC Representative Office in Dubai is registered with the Dubai International Financial Centre (DIFC) and becomes operational. It plays a major role in promoting ICIEC services in the UAE and neighbouring countries and in sourcing medium-term and foreign investment business.



2010

Business Insured surpasses the US\$3 billion mark to reach US\$3,242 million – up from the US\$1.98 billion from the previous year.



ICIEC membership hits the 40 countries mark.



IsDB Board of Governors increase the Authorised Capital of ICIEC to ID150 million (US\$240million).



The ICIEC legal and IT departments complete building an in-house IT System called the Integrated Insurance Management System (IIMS). Although many services are now automated, which is crucial for the business of any ECA, this is still a work in progress.



The IsDB 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 (primarily strategic goods such as food and capital goods) from non-member states. ICIEC's competitors, the international private ECAs, were already doing this thus putting the Corporation at a major competitive disadvantage. However, in approving this amendment, the Board of Governors required the Corporation not to allocate more than 10 per cent of its capacity to domestic insurance business, and more than 20 per cent to exports from non-member states to member-countries.



2011

ICIEC becomes a full member of the Islamic Financial Services Board (IFSB), the multilateral prudential standard setting board of the global Islamic finance industry.



ICIEC launches Contract Frustration Policy.



IsDB Board of Governors increase the Authorised Capital of ICIEC to ID400 million (US\$613 million).



2012

As business grew, it became imperative to streamline and consolidate the various departmental reporting functions of ICIEC. This was done through the appointment of a Chief Operating Officer. As such, the functions of Sales, Distribution, Trade Credit Underwriting, Structured Finance & Political Risk Underwriting, Risk Management and Customer Relationship Management would report to the Chief Operating Officer. This change has allowed the Corporation to become more customer centric.



IsDB Subscribed Capital reaches ID231.5 million (US\$354.6 million), of which ID110.86 million (US\$169.81 million) is paid up.



2013

AMAN UNION launches its Database Center (DBC), whose ten founding subscribers include ICIEC, Dhaman, ASEI of Indonesia, ECGA of Oman, ECGE of Egypt, NAIFE of Sudan, Shiekan of Sudan, EGFI of Iran, Turk Eximbank of Türkiye and ECIE of UAE. This project consists of a data pool to share black-listed buyers, access existing credit reports in the database, order and purchase credit reports and opinions on new buyers located anywhere in the world from 18 international sources.



ICIEC closes first transaction with Sinosure (China Export Credit and Insurance Corporation), the world's single largest ECA, involving imports into Saudi Arabia.



ICIEC concludes a Master Facultative Reinsurance Agreement with Ducreire SA, the Belgium ECA and a leading European credit insurance provider, to cover larger, longer-term transactions, which the Corporation may not be able to accommodate on its own books.



ICIEC concludes a Reinsurance Agreement with Atradius, the state-owned Dutch credit insurer, to support short-term cross-border transactions involving capital goods and infrastructure projects.



Moody's Investor Services reaffirms ICIEC's Aa3 "Insurer Financial Strength" rating.



ICIEC membership reaches 42, comprising one multilateral development bank (the IsDB through its Waqf Fund), and 17 Arab countries, 15 African countries, and 9 Asian and other countries. Mozambique is the latest member country to accede to ICIEC membership.



The ICIEC IT team completes IMS remote access, allowing its staff, clients and the public, access to operations information via IMS and web portal.



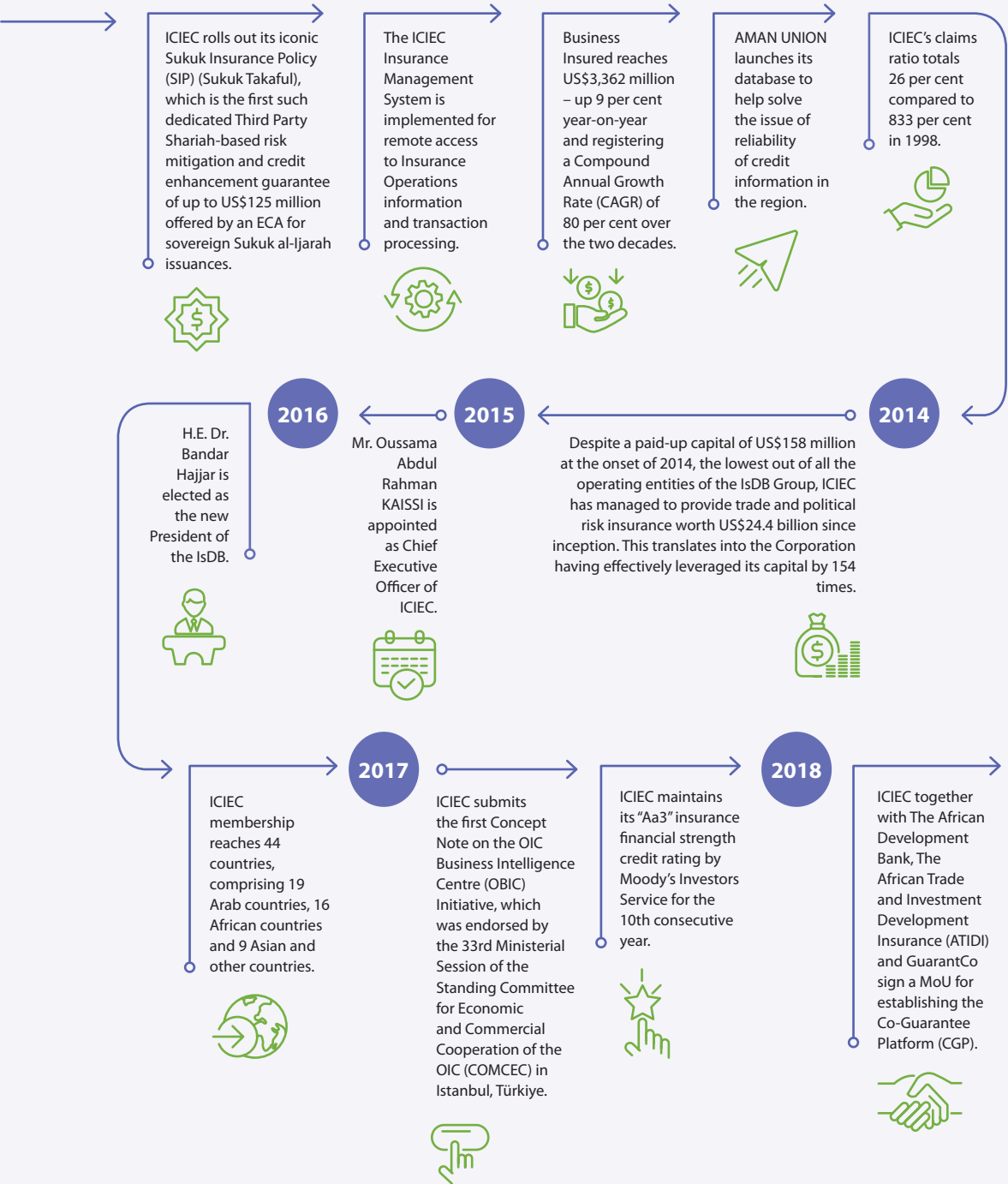
ICIEC gets the go-ahead to launch a 'Sovereign Sukuk Insurance Policy' from its Board of Directors at a meeting in Jeddah in April 2013, which was chaired by Dr Ahmed Mohamed Ali, who is also the President of the IDB Group.

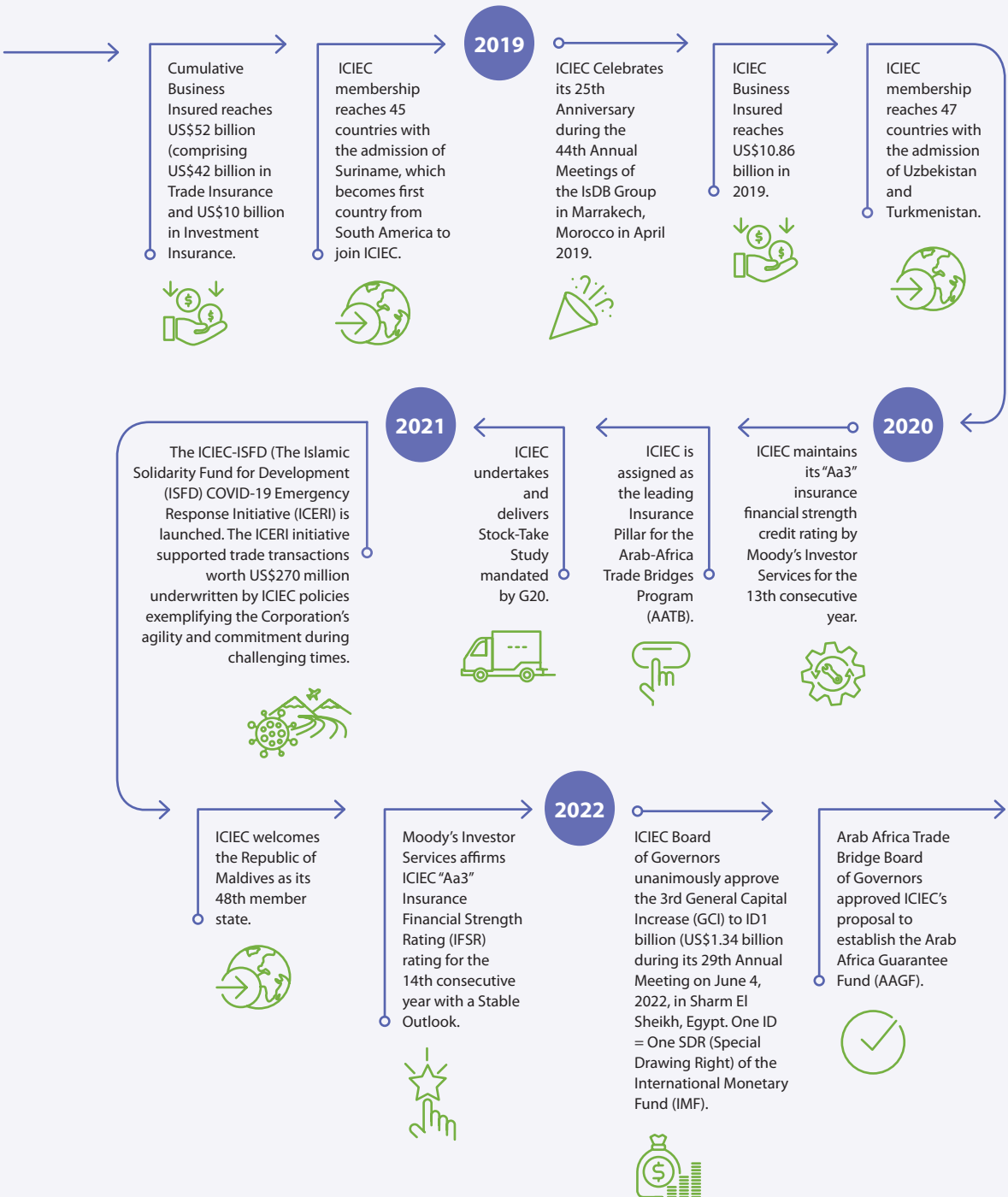


ICIEC staff reaches 62, comprising: 4 directors, 30 professionals, 20 special category personnel and 8 support staff.

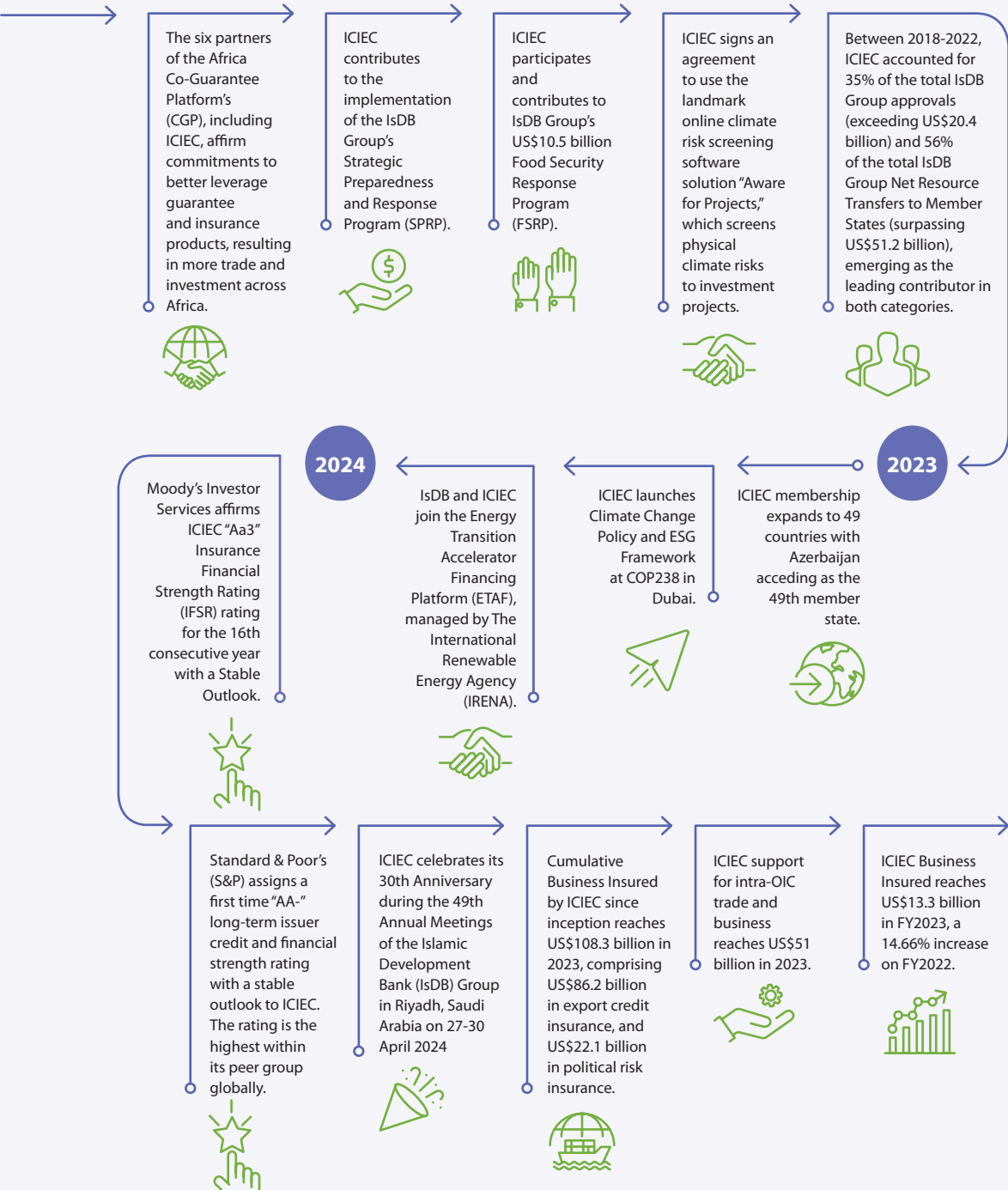


## A 30-year History in Milestones 1994-2024





## A 30-year History in Milestones 1994-2024





To optimize capital and operational excellence, ICIEC commences on refining its current economic capital model to incorporate a dynamic risk dashboard system, incorporating the Risk-Adjusted Capital (RAC) model.

ICIEC surpasses its initial pledge by approving US\$788 million by the end of 2023 as part of the IsDB Group's US\$10.5 billion Food Security Response Program (FSRP 2022/25), introduced in July 2022.

Total ICIEC contribution supporting Member States efforts combatting COVID-19 reaches US\$1.4 billion worth of interventions through collaboration with internal IsDB Group and external international partners.



Business insured by SDG impact since inception reaches US\$77.8 billion. ICIEC acts as a catalyst for private sector capital mobilization to be directed towards the achievement of the UN Sustainable Development Goals - SDG 2 (Zero Hunger) – US\$1.5 billion in agricultural trade, SDG 3 (Good Health and Wellbeing) - US\$2.6 billion in the Health Sector, SDG 7 (Affordable and Clean Energy) – US\$44.7 billion in clean energy projects, SDG 8 (Decent Work and Economic Growth) – US\$16.1 billion for exports, imports and investment in Low-Income Member States (LIMS) and US\$3.2 billion in Labor Intensive industries, SDG 9 (Industry, Innovation and Infrastructure) – US\$6.9 billion in infrastructure projects, SDG 13 (Climate Action) - US\$3 billion for trade and investments in Green Projects, SDG 17 (Partnerships for the Goals) - ICIEC has established more than 168 partnerships with national ECAs, reinsurers, banks, and other multilateral institutions.

The International Credit Insurance & Surety Association (ICISA) and the forum assembling Commercial and Non-commercial Risks Insurers and Reinsurers in Member states of the Organization of Islamic Cooperation (OIC) and of the Arab Investment and Export Credit Guarantee Corporation (DHAMAN), commonly known as AMAN UNION, sign a Joint Strategic Collaboration aimed at fostering mutual co-operation and knowledge sharing in the realm of trade and investment insurance. Mr. Oussama Kaissi, the CEO of ICIEC, is also the Secretary-General of AMAN UNION. He signed the MoU with Mr. Richard Wulff, Executive Director of ICISA on 14 April 2024. The MoU, symbolizing a pivotal step towards industry synergy and international cooperation and heralds a new era of collaborative endeavors aimed at fortifying trade and investment insurance frameworks globally.



# Endnote

## Aspiring to be the Preferred Enabler of Trade and Investment for Sustainable Socio-economic Development in Member States

Considering the latest Global and OIC outlook, it is inevitable that the pace of the global economic recovery and growth will influence ICIEC's strategies and operations. As evident by IsDB Group's Strategic Realignment 2023-2025 and ICIEC being a part of that group, the organization's ability to adapt to these trends, offer innovative solutions, and align with global priorities will determine its growth trajectory for 2024-25 and beyond.

The updated January 2024 IMF World Economic Outlook projects global real GDP growth at 3.1% in 2024 – up 0.2% on the October 2023 projection, and to 3.2% in 2025. The projections for the Middle East & Central Asia, Sub-Saharan Africa (SSA) and Low-and-Middle- Income-Countries (LMICs) which form most member states of the OIC, are encouraging, given the state of the global economy.

MENA growth for instance is estimated at 2.0% in 2023, projected to rise to 2.9% in 2024 and 4.2% in 2025. Similarly, GDP growth for SSA is estimated at 3.3% in 2023, projected to rise to 3.8% in 2024 and 4.1% in 2025. For the LMICs, which overlap with a large proportion of IsDB and ICIEC membership, the growth outlook is even more encouraging. GDP growth is estimated at 4.0% in 2023, projected to rise to 5.0% in 2024 and 5.6% in 2025.

The global policy landscape too is rapidly evolving, with a pronounced emphasis on sustainability and securing critical resources especially in the wake of the supply chain disruptions caused by the conflict in Ukraine. ECAs worldwide are responding with new product offerings and expansion of coverage, particularly focusing on "green" projects both domestically and internationally.

For ICIEC, this trend aligns with a broader vision of sustainable development and economic resilience. By supporting such projects, both domestically and internationally, ICIEC not only furthers global policy objectives but also ensures long-term economic viability for its Member States. Our soon-to-be-live ICIEC Takaful System (ITS) will help ICIEC offer seamless solutions for its stakeholders.

The post-pandemic era similarly has ushered in a wave of capital expenditure across various industries. This surge is not just a sign of economic recovery but also a testament to the mounting pressures on traditional capital sources for borrowers. For ICIEC, this presents both a challenge and an opportunity.

The challenge lies in navigating these amplified demands, but the opportunity is in positioning itself as the go-to entity for its Member States of ECA-supported financing during these transformative times. ICIEC's foresight and agility in this space will determine its influence on shaping the economic trajectories of its member nations. With the Board of Governors approved share capital increase, ICIEC is in a better position to support its Member States.

Geopolitical uncertainties are prompting a significant shift in global production strategies and leading to significant supply chain reconsiderations, with a renewed focus on reshoring. The trend towards reshoring - bringing production closer to home - is gaining momentum. Tailored ECA programs that directly support domestic exporters, especially for in-country imported goods and services, will be at the forefront of this change. ICIEC, with its deep-rooted understanding of the geopolitical landscape and its implications, is well-positioned to guide its Member States through this transition. By doing so, ICIEC can play a pivotal role in bolstering domestic economies while ensuring that they remain competitive on the global stage.

The year saw a growing interest in diversifying sources of liquidity, with both investment-grade and sub-investment grade borrowers increasingly turning to ECA finance. This trend underscores the evolving trust in ECA-backed financial instruments. For ICIEC, this trend signifies an expanded clientele base and an opportunity to further its mission. By offering tailored

financial solutions that cater to this diversifying borrower landscape, ICIEC can solidify its reputation as a versatile and reliable financial partner for its Member States for the years to come.

In an era marked by pronounced capital market volatility, ICIEC's role becomes even more pivotal. The ability to offer ECA-supported funding that remains both available and competitive, irrespective of fluctuating market "windows", positions ICIEC as a beacon of stability for its stakeholders. As global markets grapple with uncertainties, from geopolitical shifts to technological disruptions, ICIEC's resilience in this domain will be instrumental in ensuring consistent support for its Member States, and a reinforced trust in ICIEC's capabilities, even when global financial tides turn tumultuous.

## **2024 - A Momentous Year for ICIEC**

For ICIEC, the year 2024 is a momentous one. As we celebrate our 30th Anniversary this year, ICIEC aspires to reaching a new milestone of another 30 years of transformative impact through Driving Social and Economic Development in its 49 Member States.

Going forward there are several challenges for the export credit and investment insurance industry, ranging from geopolitical tensions, global, regional, and national economic metrics, rapidly evolving digitalisation, new international regulatory, disclosure, accounting and compliance requirements and standards, lack of market awareness and penetration especially in OIC member states, lack of human capital and institutional capacity, and the lack of reinsurance treaties.

Another unexpected challenge in recent months is the consequences of Red Sea shipping crisis disrupting global supply chains and increasing freight costs and drought in the Panama Canal area. Impacts could worsen should disruptions persist into the peak shipping season in the second half of 2024. Swiss Re Institute in its latest Insurance Insight, stressed that marine insurance contracts in affected areas are repricing higher or covers being adjusted, while some claims inflation is a further potential risk.

For insurers, marine has been one of the most impacted lines, as it selectively covers war and terrorism, though not delays. Covers have generally been held for travel through the Red Sea, but with case-by-case flexibility and significant increases in rates to account for the higher risk.

Port congestion creates accumulation risks, while longer transit times mechanically raise insureds' risk exposure, both factors that insurers may need to take into consideration. There are also risks to business interruption and related covers, including Credit & Surety.

ICIEC's New Realigned Strategic Framework 2023-25 and Future Outlook is driven by our aim to be recognized as the preferred enabler of trade and investment for sustainable economic development in our 49 member states, and to facilitate trade and investment between member states and the world through Shariah-based risk mitigation tools with credit enhancement benefits as well.

The IsDB Strategic Realignment 2023-2025 was implemented to overcome the setbacks to achieving the Sustainable Development Goals (SDGs) which resulted from the COVID-19 pandemic. The 3 overarching objectives of the Realigned Strategy are boosting recovery, tackling poverty, and building resilience, and driving green economic growth.

Some of the areas of development in the next two years include the ICIEC Takaful System becoming live, implementation of IFRS 17 and 9 accounting standards for insurance firms, the implementation of our Stress Test and Risk Based Pricing Framework in addition to the establishment of Sustainability Risk practices, to acclimatize for advance climate risk assessment, increased cooperation between IsDB Group sister entities under the Group's Strategic Realignment Strategy 2023-2025.

The Realigned Strategy hinges on three overarching objectives: boosting recovery, tackling poverty and building resilience, and driving green economic growth agenda. These objectives will be achieved by focusing the Bank's interventions on two key pillars over the next three years (2023-2025): (1) developing green, resilient, and sustainable infrastructure, and (2) supporting inclusive human capital development through projects and capacity development initiatives. All the above objectives are in the pursuit of ICIEC's vision of becoming the insurance facilitator and broker of choice.

Given that the culture of credit and investment insurance is still developing in the OIC countries given the low market penetration and premium income metrics, it is incumbent that ICIEC together with industry bodies such as the AMAN UNION, redouble their efforts in spreading the importance of credit and political risk insurance in trade and investment in a world of increasing risks and uncertainties.

The intertwining of geopolitics with global trade dynamics and the liberalization of global economic policy is leading to new trade patterns.

These include a shift away from dominant players to diversified trade partnerships, ensuring economic stability, the emergence of regional trade agreements which will offer solutions tailored to local challenges, fostering intra-regional trade, and market and industry pressures driving a shift towards sustainable and ethically sourced trade practices, with a focus on green supply chains.

ICIEC's unique position as the only multilateral insurance provider offering Shariah-based services gives it a distinctive edge in the market. Collaborative efforts with international insurance giants have further solidified ICIEC's standing. However, there is a pressing need for standardization in the Takaful industry, with ICIEC potentially playing a pivotal role in this standardization drive.

## **Key Lesson Learnt from the Pandemic**

For the credit insurance sector, a key lesson learned from the pandemic disruptions is building awareness about the products offered and their role in supporting trade and economic resilience during normal periods, while maintaining close contact with governments during crises so that the most appropriate policy decisions can be made in support of the real economy.

Governments can only do so much, including through state-backed reinsurance arrangements. In developing countries due to lack of resources and capacity this is often not an option. But the protection of trade receivables or guaranteeing performance of obligations becomes ever more important. The presence of such protections can significantly boost capital efficiency for those involved.

As Daniel de Burca, Head of Public Affairs at ICISA, maintains: "Trade credit insurance plays an important role in protecting one of the biggest asset classes for companies of all sizes. But its distribution is far from uniform across regions, sectors, and market segments. Trade credit insurance plays a significant role alongside other products in protecting trade globally, but there are also likely to be large volumes of trade unprotected placing strain on supply chains around the world. With most economic outlooks predicting dark clouds approaching for both trade and GDP growth, the benefit of being insured against counterparty default becomes ever more apparent."

Given that the risks insured by credit insurers and sureties tend to be under-protected even in many developed markets where they are readily available and relatively well understood, it is likely that such risks are also largely underinsured in emerging markets too, he adds.

Public and private insurers are expected to help close the gap. Ensuring access to regular, accurate and consistent data upon which to rely for underwriting decisions is crucial. Related to this is developing strong connectivity in different markets, including engaging with line ministries, and partnering with local agencies, brokers or others who have detailed knowledge of their markets.









*A Compelling Story  
of Three Decades  
of Transformative  
Social and Economic  
Development Impact  
Through Innovative  
Risk Mitigation and  
Credit Enhancement  
Solutions*

 **ICIEC Headquarters**  
7965 King Khalid Road,  
Al-Nazlah Al-Yamaniyah,  
Jeddah 22332, Saudi Arabia

 (+966) 12 644 5666

 (+966) 12 637 9755

 [iciec-communication@isdb.org](mailto:iciec-communication@isdb.org)

 **[iciec.isdb.org](http://iciec.isdb.org)**



ISSN 1658-435X