IDB convenes forum to discuss financial crisis

Editorial

As the financial crisis and the ensuing recession continue to envelop economies around the world, the role of export credit insurance is becoming increasingly evident in ensuring the smooth flow of trade and services between economies. Indeed, the Berne Union, recently, announced that collectively, the members of the Union had covered $1.3 trillion worth of trade in 2007. This is 10% of the total trade which took place during the year. There still exists considerable scope for increasing the use of export credit insurance to mitigate risks in today’s uncertain credit environment. It is the intention of ICIEC to continue growing its business volumes, with the first priority, as always, being on prudent risk management.

ICIEC has always endeavoured to maintain close working relationships with its partner Export Credit Agencies (ECAs) in member Countries. To that end, ICIEC recently signed a cooperation agreement with the Export Credit Insurance Company of the Emirates (ECIE). This agreement is the first step in building a close relationship with ECIE, since considerable synergies exist between the operations of the two institutions. ICIEC also signed an MoU with the Arab Investment and Export Credit Guarantee Corporation (Dhamaan) during the quarter, with the intention of boosting cooperation between the two sister institutions.

Dr. Abdel Rahman Taha
General Manager, ICIEC

In light of the current turmoil in the global financial markets, the Islamic Development Bank (IDB) organized a forum that attracted leaders, scholars and professionals of the Islamic financial industry. The focus of the forum was on the severe global financial crisis. The forum was held on October 25, 2008, at the IDB headquarters in Jeddah.

The event was inaugurated by Dr. Ahmed Mohamed Ali, IDB Group President, and Sheikh Saleh Kamel, the Chairman of the General Council of Islamic Banks and Financial Institutions and Chairman of the Islamic Chamber of Commerce. Both strongly expressed the need for Islamic financial institutions worldwide to collaborate on solutions to help alleviate the effects of the credit crisis.

The forum formed working groups of experts and followed up and monitored implications of the economic crisis affecting Islamic banks and the economies of member countries. The groups also sought ways on how to deal with the current crisis affecting the world.

There was a general consensus among the participants that the global financial system could learn from Islamic Banking principles and systems, and banking conducted along the lines of Islamic principles could play a key role in ensuring such crises are not repeated in the future.

Dr. Abdel Rahman Taha, ICIEC’s General Manager, who participated in the Forum, said in a statement to ICIEC News Letter, that the session on the impact on the crisis on the insurance industry was well received. He added, “the present crisis may prove to be a blessing in disguise for FDI (foreign direct investment) as funds may escape the turbulence of the international financial markets, seeking refuge in the relative security of long-term investments in developing countries and emerging markets.”

“The present crisis may prove to be a blessing in disguise for FDI”
Dr. Abdel Rahman Taha
BOD approves 1430H ICIEC’s Business Plan and Budget

ICIEC’s Board of Directors held its 54th meeting on December 22nd, 2008 at the IDB’s headquarters. The General Manager of ICIEC presented ICIEC’s 9 Month 1429H report, which highlighted ICIEC activities and results for the period. Dr. Taha noted that the period witnessed the international stagnation in trade and investments due to the financial crisis, which also impacted ICIEC’s expected results. However, ICIEC was able to manage its operations in the face of this crisis and tried to continue to build its momentum efficiently.

In addition, the Corporation presented its Business Plan and Budget for the year 1430H (2009). ICIEC maintained the high growth targets in its operations, which new commitments will increase by 25%, while the insured business and premium insurance of the Corporation are expected to increase respectively by 100% and 48%. The BOD noted all these points, and approved the proposed 1430H ICIEC’s Business Plan and Budget.

Berne Union announces $1.3 trillion in new business

The Berne Union - The organization for the world’s leading export credit and investment insurance agencies – held its annual general meeting hosted by Export Development Corporation (EDC) in Banff, Canada, between October 13-17, 2008. Dr. Abdel Rahman Taha, ICIEC General Manager, attended the meeting with Khemaiz Al-Gazzeh, ICIEC’s Short Term Insurance Director.

Discussions were dominated by the industry’s response to the global credit crisis. In 2007, Berne Union members covered over 10% of global cross-border trade. From $1.3 trillion at year-end, these levels continued to grow during the first half of 2008, Berne Union Secretary-General Kimberly Wehl explained.

ICIEC joined the Berne Union as an observer for a period of two years in October 2007. The Union will consider ICIEC’s full membership after completion of this period.

ICIEC’s holds its 3rd Consultative Committee meeting

ICIEC’s Consultative Committee (CC) held its third meeting for 1429H on December 20, 2008. The agenda of the meeting included a review of the 9 Months results of the corporation for 1429H and the impact of the financial crisis on ICIEC activities, as well as the business operation plan and budget for 1430H, and followed-up of various issues discussed in previous meetings.

As its main role as an advisory committee to the ICIEC’s President, the members of the CC agreed to submit a brief and recommendations on most important issues raised during the meeting to ICIEC’s President and will be followed by a meeting between Dr. Ahmed Mohamed Ali, ICIEC’s President and Dato’ Mohamed Fadeli Yusof, the Chairman of CC to discuss these matters.
ICIEC and the Export Credit Insurance Company of the Emirates (ECIE) signed an agreement of cooperation, and discussed various areas related to providing high quality Islamic credit insurance services to support local exporters based in the United Arab Emirates. The two organizations agreed to offer credit insurance facilities to manufacturers, trading organizations and service providers in the country by providing them insurance against export credit risks in overseas markets. SMEs in particular stand to benefit from such a credit insurance service which will free them from non-payment risks by their customers and, thereby help them enter new markets with confidence. The agreement was signed by Dr. Abdel Rahman Taha, the General Manager of ICIEC, and Eng. Saeed Al Awadi, the Chief Executive Officer of ECIE. The ceremony was witnessed by Khemais El-Gazzez, ICIEC Short Term Insurance Director, and Schuyler D’Souza, Chief Commercial Officer; Hany A Ellatif, Credit Insurance Manager; and Mohammed Feras Al-Hamwi, ECIE Sales Manager.

**ICIEC inks agency agreement with ALIF- Indonesia**

On 24 November 2008, ICIEC has created an important milestone in its endeavor to enter and penetrate Indonesian markets and the region. Taking place at Intercontinental Hotel in Jakarta, an agency agreement MOU was signed and exchanged between ICIEC and P.T Al-Ijarah Indonesia Finance (ALIF).

The MoU exchange ceremony was conducted between the Director of ALIF, Mr. Farouk Alwyni and Rahmatnor Mohamad, Head of Reinsurance Division of ICIEC. This meaningful event was also witnessed by Hon. Agus Muhammad, ex-member of ICIEC Board of Directors.

It is hoped that with the appointment of ALIF as our local agent in Indonesia, it will act as a catalyst for more business opportunities for ICIEC in Indonesia and the region.

**ICIEC & DHAMAN sign MOU**

Dr. Abdel Rahman Taha, ICIEC General Manager and Mr. Fahad Rashed Al-Ibrahim, the Director General of the Arab Investment and Export Credit Guarantee Corporation (DHAMAN), signed a Memorandum of Understanding (MoU) in November 2008 at ICIEC headquarters in Jeddah.

This MoU represents a cooperation framework of co-insurance, reinsurance and exchange of views in order to encourage investments in Arab countries. It is hoped that the MoU will lead to further investment in Arab countries.
ICIEC participates in 6th International Financial and Investment Institutions Forum in Syria

ICIEC participated in The 6th Intl’l Financial and Investment Institutions Forum, Syria in November 2008, held under the slogan “The role of financial institutions in attracting investment”. The event was held under the patronage of His Excellency Dr. Mohamed Hussein, Minister of Finance and the Governor of IDB for Syria.

Dr. Abdel Rahman El-Tayeb Taha, the General Manager of ICIEC, delivered a presentation to highlight the importance of ICIEC’s role in attracting Foreign investments into Syria. During the event, Dr. Taha announced signing of MOU between The IDB Group’s Investment Promotion Technical Assistance Program (ITAP) which is managed by ICIEC and the Syrian Investment Agency with the objective of providing Technical Assistance to improve and promote the investment climate in Syria.

Immediately after the inaugural session, H.E Dr. Mohamed Al-Hussein visited ICIEC booth at the exhibition and expressed his appreciation of the participation of ICIEC in the event and encouraged the corporation to play an active role in the Syrian financial market.

During the mission, the General Manager took the opportunity to pay a courtesy visit to H.E Dr. Mohamed Al-Hussein and briefed him on ICIEC activities and discussed various issues related strengthening the presence of ICIEC in Syria and expressed his readiness to provide ICIEC with all the support needed for achieving its objectives.

Moreover, Dr. Taha visited the Governor of the Central Bank of Syria Dr. Adib Mayaleh, and discussed how ICIEC can help the Commercial Banks in Syria in increasing their trade finance offered to Syrian exporters.

ICIEC sponsors Friends of Lebanon from Paris III to Beirut I

Under the patronage of H.E. General Michel Sleiman, President of the Lebanese Republic, the Friends of Lebanon Conference for Investment and Finance: from Paris III to Beirut I was held on November 20-21, 2008 at the Intercontinental Phoenicia Hotel, Beirut. The conference discussed the global financial crisis and its implications for Lebanon, as well as the measures necessary to face the current and future challenges. It also considered prospects for the Lebanese economy, and the necessary Arab and international support to boost its renewed take-off.

The organizers offered Dr. Abdel Rahman El-Tayeb Taha, The General Manager of ICIEC, in his capacity as a representative of IDB Group President in this event, to deliver a paper highlighting the role of IDB Group windows (IDB, ICD, ITFC and ICIEC) in supporting the Economy of Lebanon. Dr. Taha conveyed the greetings of His Excellency Dr. Ahmed Ali, IDB Group President to Prime Minister Fouad Saniora.

After his speech, Sheikh Saad Al-Hariri, visited ICIEC booth at the exhibition which was being held on the sidelines of the forum where Dr. Taha briefed him on ICIEC activities and support for the Lebanese economic sectors.

The General Manager of ICIEC took the opportunity to pay a visit to Mr Riyadh Salama, Governor of the Central Bank of Lebanon and discussed the possibility of Lebanese Banks accepting rated export credit insurance as a guarantee with 0% risk weightage. Mr Riyadh Salama expressed his support and showed interest in ICIEC services and the importance of export credit insurance as risk mitigation tools.

The Conference was organized by Al-Iktissad Wal-Amaal in cooperation with the Central Bank of Lebanon, the relevant ministries, the Investment Development Authority of Lebanon (IDAL), and leading economic authorities in Lebanon.
Enabling Trade through Risk Transfer

Consider this scenario. An exporter wins a large contract with an overseas buyer after intense negotiations. He approaches his bank to provide the necessary financing in order to complete the sales contract. All well and good, right? Wrong. As we shall see, the exporter’s troubles are only just beginning.

Firstly, the exporter is exposed to counterparty risk, i.e. he is not sure whether his buyer is going to live up to his contractual obligations or not, as small-medium size exporters do not have the necessary resources to accurately gauge the credit-worthiness and payment record of their buyers. Also, in most cases, smaller exporters cannot ask for securities like LCs, since this may lead the buyer going to another exporter offering open account payment terms.

The exporter could, of course, try and squeeze his cash-flows to the maximum in order to complete production under the contract, ship the goods, and then wait for the credit period to lapse before the payments come in. But small exporters generally do not have the luxury of tying up large amounts of cash in this way. The exporter could approach his bank, and assign receivables arising out of the contract to the bank in exchange for financing. But what appetite will the bank have for such an arrangement? In today’s uncertain environment, it is unlikely that any bank would wish to take on its books the credit risk of a buyer sitting thousands of miles away.

Many exporters and banks are familiar with the scenario described above. So what options do the exporter and his bank have?

ICIEC can help, with the aid of a simple method, called the Loss Payee Assignment.

What the Loss Payee Assignment does is very simple. The export credit insurer issues a policy to the exporter, covering the non-payment risk of the buyer. The policy covers the exporter against default by the buyer due to commercial and non-commercial reasons. Now, as described in the situation above, suppose the exporter needs financing. He can simply approach ICIEC, and request that all sums which may become payable by ICIEC to the exporter (due to potential default by the buyer) be paid to the financing bank. The bank effectively, has first lien on any claims that ICIEC will pay out.

The Loss Payee Assignment is a crucial aspect of ICIEC’s insurance policies. It allows ICIEC to step in and close the gap between the diverging needs of exporters and their financiers. It gives exporters instant access to liquidity, while providing banks the security of an insurance policy issued by an Investment Grade Aa3 rated, multilateral credit and political risk insurer.

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Loss Payee Clause Explained

1. importer
2. sales contract
3. financing
4. requests bank to be assigned loss payee
5. issues loss payee clause
6. pays claim in case of default
ITAP signs MOU with SIA

Dr. Abdel Rahman Taha receives a memorial plaque from Dr. Ahmad Abdel Aziz, the General Manager of SIA.

ITAP, MIDA host the annual training program conference on ‘Industrial Zones, keys to their success: OIC examples & best practices’

The Malaysian Industrial Development Authority (MIDA) and the Islamic Development Bank (IDB) Group Capacity Building Program in Investment Promotion Co-organized the third training program in Kuala Lumpur from October 13-17, 2008 and the main theme was “Industrial Zones, Keys to their Success: OIC Examples & Best Practices”.

During the conference, ITAP highlighted Turkey, Jordan and Gambia as three additional examples on how Industrial Zones are managed. The one week Capacity Building Conference was attended by 35 participants from over 25 Islamic countries.

It is worth mentioning that the program aims to transfer industry best practices and exchange ideas among IDB member countries, as well as to identify and learn lessons from IDB Member Countries’ successful experience in the field investment promotion.

During ICIEC mission to Syria, Dr. Abdel Rahman Taha, the General Manager of the Corporation and the Chairman of the Steering Committee of ITAP signed a Memorandum of Understanding (MOU) with Dr. Ahmad Abdel Aziz, the General Manager Syrian Investment Agency (SIA). The objective of the agreement to provide technical assistance to improve and promote the investment climate in Syria.

ITAP will seek to engage other technical assistance partners such as FIAS of the World Bank in order to improve Syria’s ranking in the “Doing Business Report”. ITAP will also establish enhanced contacts between SIA and “Invest in Turkey”, the Turkish Investment Promotion Agency.

Participants after attending annual training program of ITAP and MIDA in Malaysia.

Improving investment climate in OIC member countries

Further to the request of OIC secretariat to ITAP in 2007 to collect recommendations from regions, countries, as well as independent experts on how to increase intra-investment among member countries, a special workshop gathered by ITAP/ICIEC for this purpose in Jeddah, July 2008. ITAP presented during the 24th COMCEC meetings held in Istanbul on October 22nd, 2008, recommendations on how to attract FDI to OIC MCs.

The recommendations touched different areas, including calling on member countries to upgrade their infrastructure, improve their regulatory environment in order to invite new business creation and orient their education system to prepare the work force for the requirements of a competitive private sector.

ITAPs presentation of the recommendations was very well received by the OIC secretariat in Istanbul, COMCEC as well as member countries. After the presentation, several countries approached ITAP for technical assistance and further coordination in the area. Consequently, COMCEC decided to create an Expert Group Committee on Investments.

ITAP has been asked to coordinate the works of the committee and report on progress made next year in Istanbul during the 25th session of COMCEC meetings. The Committee will follow up on the recommendations made to MCs by the ITAP working group and make sure that all are collectively on track to accomplish them.
Credit insurance — Now is the time

The sub-prime mortgage crisis, now turned into a global financial crisis, is leaving many wondering what is next. The unprecedented levels of uncertainty have caused banks to stop financing and liquidity to dry up. Ironically, this comes after prolonged period of excess liquidity in the markets.

A remarkable feature of this crisis is that for companies, banks and some countries alike, what was initially an income statement problem (i.e., when cash flows are squeezed), has hit the balance sheet rapidly. In other words, a liquidity problem has transformed into a solvency problem.

Many policymakers are spending countless hours considering how this problem must be addressed. Some solutions are being proposed and implemented which may help, may harm or may simply be ineffective. Few people seem able to predict whether a policy action is the right or wrong one. Time will tell.

One thing however is clear — the real economy must continue to function or the financial system loses its purpose. But unlocking financial flows is also important to ensuring access to credit to facilitate trade and investment flows continue.

The role of credit insurance is all the more important today to keep trade going. At the best of times, exporters of goods and services need to care about the creditworthiness of their buyers to ensure that payments are made. Credit insurance which provides protection to exporters against non-payment by buyers is both a valuable instrument to cover this risk and provides confidence to an exporter to continue shipping to approved buyers. Credit insurers such as ICIEC do the hard work of analyzing whether the buyer is (still) creditworthy and then take a large portion of the risk. In this volatile market, when companies and countries which were highly rated only a few short months ago are now effectively bankrupt, there has never been a better time for using credit insurance.

ICIEC organizes Iftar gathering

ICIEC hosted an Iftar gathering at one of the restaurants at Corniche in Jeddah, during the 1st Week of Ramadan 1429H. The function was attended by a number of dignitaries, journalists and ICIEC’s staff, and was honored by the presence of Mr. Ferid Ben Bouzid, The Chairman of Best-Re Tunis.

Dr. Abdel Rahman Taha, the General Manager of ICIEC welcomed the guests and emphasized on the values of equality, sincerity, and brotherhood during the holy month of Ramadan. The gathering provides a good opportunities to meet and greet one another.

On this occasion Dr. Taha congratulated them on holy month of Ramadan, and said “May this month brings joy, peace and prosperity to you, and your families”.

Amir joins ICIEC

Amir Maqsood Ahmed joined ICIEC as Jnr. Investment Analyst in Accounting & Finance Department. He holds a BBA (Honors) in International Business from Brock University, Canada. Prior to joining ICIEC, he worked for Ernst and Young Consulting in the Transaction Advisory Services as an Executive Consultant and for a Malaysian Islamic Investment Bank called RUSD Bank in the Corporate Finance and Advisory Division.
ICIEC welcomes new Board of Directors’ members

Dr. Abdel Rahman Taha, the General Manager of ICIEC, welcomes all honorable new Executive Directors and wishes them success in their mission as representatives of their countries.

Hon. Haji Mahadi Bin Haji Ibrahim (Brunei)
Born in May 1954. He holds a Bachelor Degree in Economics and Accounting from University of Hull, England (1990); First Certificate in Purchasing (1990) and Higher National Diploma in Business Studies (1979). His current designation is Senior Assistant Accountant General, Treasury Department, Ministry of Finance. He served a member (Alternate Director) in Board of International Islamic Financial Market (Bahrain), and member in the Executive Committee of South East Asian Central Banks Research Center (Malaysia).

Hon. Nailane Mhadji (Comoros)

Hon. Hassan Hashim Abdel Hussein Al Haidary (Iraq)
Born in July 1944. He holds a Bachelor Degree in Economics (1971). His current designation is Adviser and Manger of Loans and Agreement Department in Iraq Central Bank. He is a member of Board of Directors of Iraq Central Bank and many other committees of the Iraqi Central Bank. He represented Iraq Central Bank in many international committees. He attended the 29th, 30th and 31st IDB Annual Meetings as Acting Governor for Iraq.

Hon. Bader Abdal Ali Abuaziza (Libya)
Born in 1944. His current designation is Chairman of National Commercial Bank, Libya. He represents his country in various regional and international institutions.

Hon. Farrakh Qayyum (Pakistan)
Born in September 1949. He holds a Master Degree in International Trade and Finance, Master in Economics and Bachelor Degree in Economics. His current designation is Secretary, Economic Affairs Division in Ministry of Finance. He held key posts as Secretary, Ministries of Finance, Petroleum and Natural Resources, Information Technology. He also served as Trade Minister in Pakistan Embassy in Washington. He attended many training courses in Australia, Singapore and Japan.

Hon. Hamdam H. Tagaimurov (Tajikistan)
He holds a Diploma in Economics of Enterprises and Entrepreneurship, Post Graduate Studies, Medieval Arabian Literature. His current designation is Head of Economic Reforms and Investment Department in the Executive Office of the President of the Republic of Tajikistan.

Hon. Amadou Yerima Mashoud (Togo)

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