Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)

Improving the Role of Eximbanks/ECAs In the OIC Member States

COMCEC COORDINATION OFFICE
March 2015

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Abbreviations:

AU	Aman Union
COMCEC	Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation
ECA	Export Credit Agency
EXIM	Export-Import Bank
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
L/C	Letter of Credit
MLT	Medium/Long-Term
OECD	Organisation for Economic Cooperation and Development
OIC	Organization of Islamic Cooperation
QST	Quota Sharing Treaty
SME	Small and Medium-Sized Enterprises
ST	Short-Term
WTO	World Trade Organization

Executive Summary

The Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) Coordination Office has commissioned this study which is aimed at increasing awareness of the role of Eximbanks and Export Credit Agencies (ECAs) in supporting exports. The study also aims to contribute to improvements in the efficiency of these entities in member states.

ECAs and their role in Trade

ECAs are financial institutions or facilities established by governments to support exports and investments by providing a range of financing services. An ECA's basic mandate is to support and encourage exports and outward investment by providing financial services in support of international trade and investment transactions. The driving force of any such entity is to grow and/or expand the export sector or specific exports, promoting trade and ultimately contributing to a strong economy. In doing so, the focus is on diversification of a country's export base and supporting new and existing exporters in developing their businesses.

An ECA's intervention in the export market aims to meet the financing needs of exporters. Depending on the business model of the ECA, it may provide financing directly to exporters, or indirectly through guarantees issued to commercial banks who lend to exporters, and/or credit insurance to exporters and banks. ECAs may also provide support to importers to facilitate their payment obligations to exporters. Business models, status, objectives, institutional arrangements, and government involvement vary widely from country to country, reflecting their own unique national circumstances.

In a global context, ECAs also play a role of central importance in international trade and investment flows. In 2013 alone, the members of the Berne Union, the International Credit and Investment Insurance Association (including both public and private institutions), insured USD 1.9 trillion in credit and investment, the equivalent of more than 10 percent of world trade.

Rationale for Establishing an ECA

There are essentially two main motivations for a government to establish an ECA. The first reason that governments set up ECAs is for the purpose of diversifying a country's export base and export markets. As part of the export promotion policy to broaden their export base beyond a certain sector or export product, and seek to expand their export markets beyond traditional buyers, the establishment of an ECA can be an important took to achieve these objectives. The second reason ECAs are established are to fill market gaps and address market disruptions. The "market gap" is defined as the part of the market that is not served effectively by the private sector sources of finance or risk mitigation. As a result, the range of products and support available from a given ECA usually will depend on what other institutions are able to provide to the market and where these market gaps occur. Market gaps may occur because there is insufficient profit or excessive risk to attract private sector financial institutions. Information gaps and a poor understanding of institutional context are frequently behind these perceptions of risk.

ECAs in the OIC Member Countries

The OIC countries are relatively new in the business of export credit support, as compared with the OECD countries. Out of the 57 member countries, only 23 have ECAs, Eximbanks or similar programs. Among these, Egypt, Indonesia and Iran have both an insurance and lending agency,

bringing the total number of entities in the region to 26. When analysed by region, a significant number of countries from the OIC's Arab and Asian groups have ECAs, compared to only two African countries. Some of these countries however are also members of regional entities such as the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and Arab Investment and Export Credit Guarantee Corporation (DHAMAN).

The characteristics of ECAs among OIC member countries vary. The majority has mixed state and private ownership and over a third are fully government-owned entities. There are a few government programs and funds, and one active private insurer in Lebanon (where there is no official ECA). Moreover, the role of governments varies significantly across OIC countries, as reflected in varied levels of ECA ownership, involvement in policy, finances and governance. OIC ECAs' scope of operation also varies with a majority providing insurance and less than half providing direct financing or guarantees, and only 4 out of 26 ECAs offering Islamic finance and insurance instruments. ECAs also vary in the scale and reach of their operation, as evidenced by the difference in staff size and business volumes.

Lessons for the Government and for Existing and New ECAs

There are a number of examples in OIC member countries of well-conceived, well-designed and well-executed ECA programs from which lessons can be drawn. These lessons can be applied to both the government policy-makers and shareholders, as well as the ECAs themselves. For those countries without an ECA but looking to establish such facilities, there are a number of factors that should be considered.

As for the Government, it is recommended to:

- Give the ECA a clear mandate, statutory functions and a sound governance structure
- Define the nature and extent of government financial support, and properly plan for this in the national budgeting process
- Constantly monitor and review the ECA's activities and portfolio
- Circumscribe the role of the government in the ECA's activities
- Undertake regular, external independent evaluations

For Existing ECAs, it is recommended to:

- Establish a clear vision and mission to define a market space in which to focus
- Understand not only the nature of the market gaps but why they exist
- Understand the export market and exporters' contribution to global supply chains
- Conduct extensive research to ensure up-to-date knowledge about the needs of national industries and evolving trade flows, in order to design the products and facilities that best suit the export landscape
- Consult with the private sector sources of finance and insurance with a view to maximizing their contribution
- Create links to international partners and players
- Seek client input and feedback
- Continuously review and improve internal technical and management systems
- As a financial institution, ensure financial sustainability through robust planning and risk management

For New ECAs, prior to their establishment, it is recommended to:

- Conduct research and undertake consultations
- Define and analyze the market gap
- Validate analysis and identify policy options
- Consider a variety of business models and the fiscal and financial implications
- Consider options for the preferred corporate form and related governance arrangements
- Develop a business plan
- Establish a detailed implementation plan

1. INTRODUCTION

1.1 Background

For nearly 100 years, governments around the world have established financial institutions or facilities to support exports and investments. These institutions take the form of Export-Import Banks (known as "Eximbanks") which provide lending and other facilities in support of exports, either directly to exporters or to foreign buyers to purchase national goods and services. In some cases, governments establish Export Credit Insurance Agencies to insure commercial or political risks in countries to where their companies are exporting. A number of countries also have specialized development banks that are focused on international trade and investment. These are often called Export Development Banks and, are similar to Eximbanks in terms of their structure, status and facilities offered.

The more general term to describe the institution, which provides types of a range of financial services – insurance, guarantees, financing - in support of trade and investment is an Export Credit Agency (ECA). Eximbanks are therefore one of a variety of ECAs.[1]

The first ECA was established in 1919 in the UK, the Export Credits Guarantee Department (ECGD). By the 1970s, nearly all OECD countries had such schemes (with the exception of Ireland) and, by the turn of the century, many emerging markets had also established their own export credit insurance or export finance facilities. The history of such institutions within the OIC countries is more recent. The first OIC ECA was established in 1984 in Tunisia.

This report, commissioned by the Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC), examines the ECAs in the OIC Member States with a view to assessing and identifying ways of improving their role in increasing exports in these countries. The objective of the report is also to help COMCEC in designing its programs, projects and activities, as well as to provide a practical guide to ECAs, and to governments wishing to establish ECAs. Specifically, the report:

- Discusses of the role of ECAs in promoting exports
- Defines of the success factors for the ECAs in promoting exports;
- Analyzes the effectiveness of the ECAs of the OIC Member States and assess opportunities and challenges; and
- Presents practical recommendations for the Member States on improving ECAs

This report is organized as follows:

The introduction section of this study defines the role of ECAs as well as the importance of these entities in promoting international trade and cooperation. The section also discusses governments' reasons for establishing ECAs and reviews key features of ECAs, noting the variations in operating models, product offerings and relations with government, which are all influenced by a country's unique political, economic and social context.

[1] For the purposes of this report, the more generic term "ECA" is used to mean both Eximbanks and Export Credit Insurance agencies.

Chapter 2 describes ECA facilities and features, discussing the typical risks and financing needs within a typical export transaction and the range of instruments and facilities provided by ECAs.

Chapter 3 provides a general overview on the landscape of ECAs or similar programs in OIC member countries. Because ECAs may share the same mandates, but have different operating models and structures, this chapter provides an analytical framework for how an export credit system can be evaluated, looking at the entire ecosystem of export credit support. For those OIC countries with such entities, a description and assessment of the individual OIC ECAs is presented.

Chapter 4 presents an analysis of various features of the OIC ECAs, comparing their date of establishment, mandate, relationship with government, business models, facilities offered, levels of activity and cooperation.

Chapter 5 provides more in-depth case studies of eight well-conceived, well-designed and well-executed ECA programs sampled from OIC and non-OIC countries. These case studies are chosen based on certain notable features of these ECAs. Following the case studies, a series of best and worst practices of ECAs is presented. The section also highlights some common success factors and challenges.

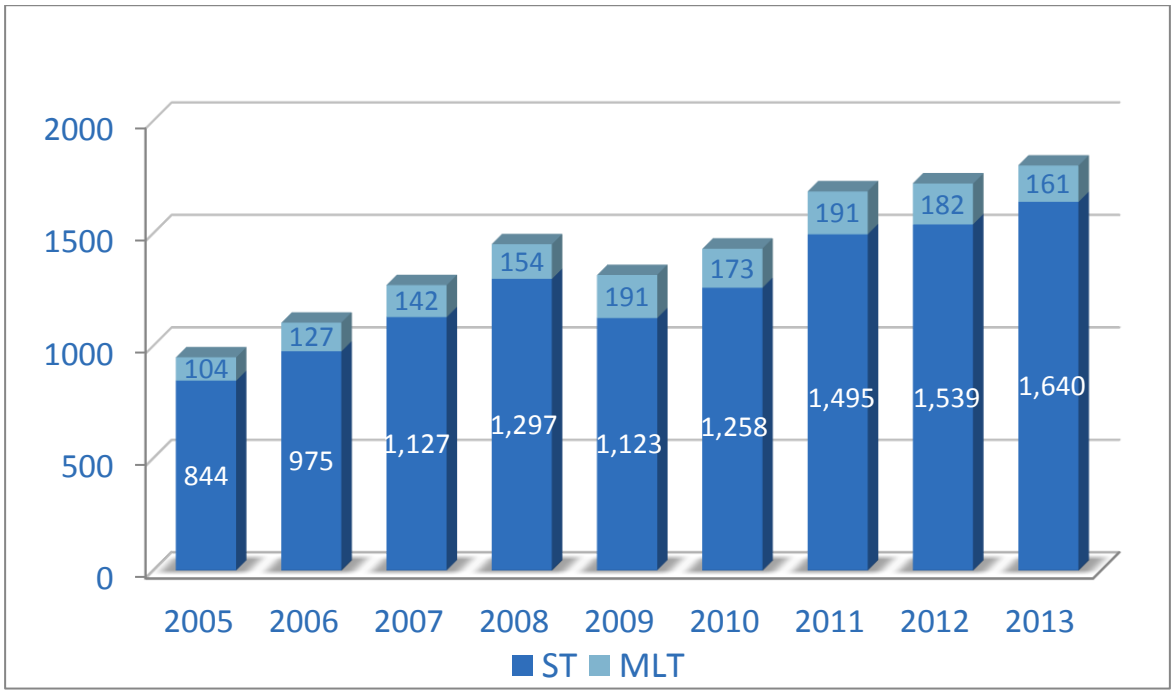
The final chapter presents key findings on lessons learned and practical recommendations to both the governments and the ECAs themselves on improving existing and new ECAs.

Annex A sets out a Glossary of Terms. Annex B is a membership list of the OIC ECAs in various associations. Annex C provides an Export Credit Health Assessment for two countries. Annex D lists ECA data sheets and Annex E is a Step-By- Step to setting up an ECA.

1.2 The Importance of ECAs in International Trade

In a global context, ECAs also play a role of central importance in international trade and investment flows. In 2013 alone, the members of the Berne Union, the International Credit and Investment Insurance Association (which includes the activities of both public and private insurers) insured USD 1.9 trillion in credit and investment. Figure 1 shows the trend in new business volumes for the Berne Union membership between 2005 and 2013.

Figure 1: Berne Union New Business - Yearly (in Billion USD)



Source: Berne Union 2014

As Table 1 below shows, world exports have continued to grow steadily in the last five years. By comparison, while merchandise exports of OIC countries surpassed USD 2.2 trillion in 2011 for the first time in their history, they have been relatively flat in the subsequent years. OIC countries' share of world trade reached its peak in 2012 (11.5%). In terms of intra-regional trade, volumes are still negligible, since they represent only 18.7% of OIC total exports.[2]

Table 1: Total Exports in USD Billions

	2009	2010	2011	2012	2013
World	16,092.07	18,032.63	19,147.48	19,726.98	20,357.48
OIC Countries	1,329.35	1,680.77	2,122.48	2,261.77	2,215.79
OIC intra-regional	207.93	257.71	325.41	362.1	381.77

Source: World data from OECD Statistics[3] and OIC data from ICDT-OIC.[4]

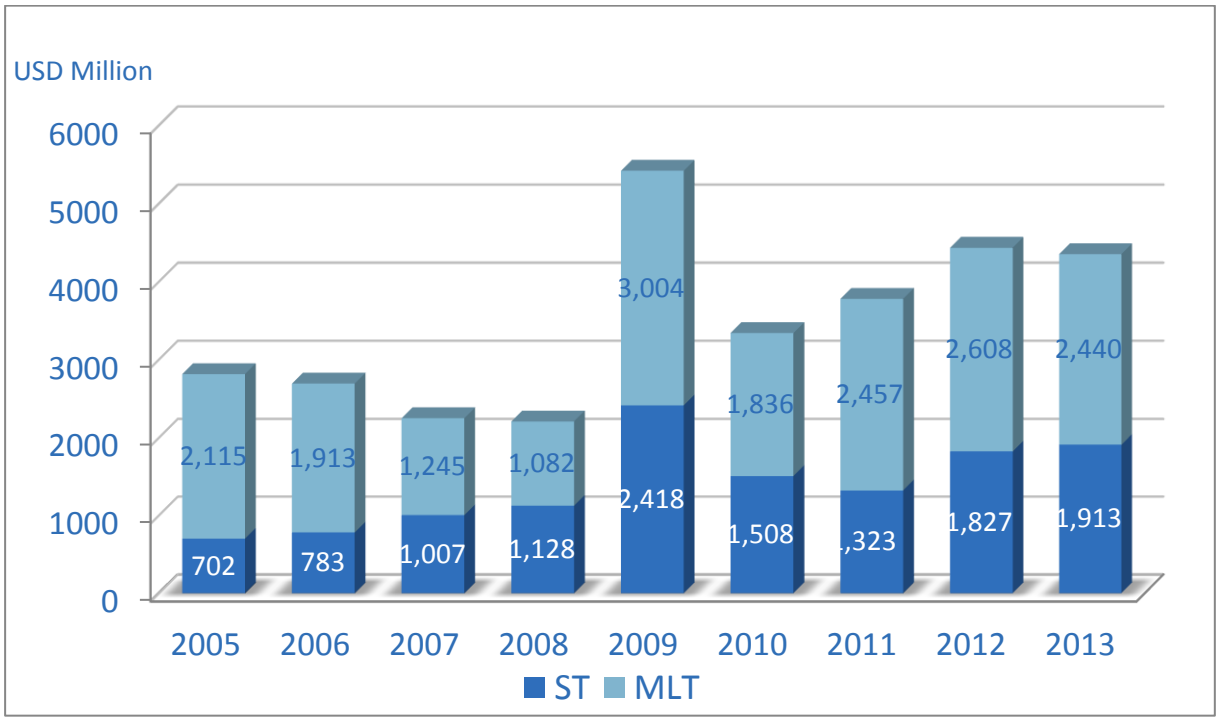
The Berne Union business volumes (which include the substantial business volumes of the private sector insurers) typically are equivalent to around 10 percent of world trade. A traditional "rule of thumb" for the amount of business volumes relative exports of ECAs in the OECD countries is between 4-6% of exports. According to the Aman Union of OIC export credit

[2] Intra-regional trade is measured by a country's imports from other OIC countries.
[3] World export data source is OECD Statistics.
[4] Export data source is Islamic Centre for Development of Trade (ICDT-OIC).

insurers, the OIC countries reportedly insured USD21.9 billion in 20135, which is less than 1% of total exports from these countries.

The role of ECAs is especially important during market downturns, such as occurred during the Global Financial Crisis. The Berne Union data in Figure 2 illustrates the importance of ECAs in addressing the market disruptions that occurred during the period 2008-2009, during which time claims on non-payment of trade credit jumped significantly.

Figure 2: Berne Union Claims Paid on Non-Payment of Trade Credit (in Million USD)



Source: Berne Union

1.3 Rationale for Establishing an ECA

There are essentially two main motivations for a government to establish an ECA: one proactive and one reactive. The proactive drivers for establishing ECAs are related to a desire by a government to promote the growth and/or expansion of the export sector or specific exports, which are in turn expected to strengthen an economy and improve growth prospects by developing its trade capabilities. The reactive drivers include a policy desire to respond to market gaps. These are presented as follows:

A. **Diversify a country's export base and export markets:** The need to diversify a country's export base, which may be restricted to one sector or product, is a key driver

[5] Aman Union, 2013 Performance Report. Note that financings are not included in the Aman Union figures

for the establishment of an ECA. For instance, in the case of oil-producing countries, governments may see the value in establishing an ECA as part of a number of support mechanisms to help develop new industries and sectors. Often, the dominant sector is government-owned and the ECA is mandated to support new businesses, which are usually small and medium-sized enterprises (SMEs). These SMEs need access to financing and have information on buyers and countries. ECAs are also useful for helping existing exporters expand into new, unfamiliar markets, where the buyers and risks are unknown to exporters and banks.

A government may establish an ECA to support exporters including those in the SME sector, in expanding their exports and growing their businesses. These may be intended to provide insurance coverage against commercial and non-commercial risk including non-payment of customers or political unrest and to improve the credit environment for SMEs via credit and loan guarantees.

B. Filling market gaps and addressing market disruptions

Another reason to establish an ECA is to address the unmet needs of exporters or the existence of certain "market gaps" that exist within a country's finance system. While ECAs cannot solve all the problems facing exporters and their banks, they can play an important role in filling certain gaps and acting as a catalyst to the private sector.

The "market gap" is defined as the part of the market that is not served effectively by the private sector sources of finance or risk mitigation. As a result, the range of products and support available from a given ECA usually will depend on what other institutions are able to provide to the market and where these market gaps occur.

Market gaps may occur because there is insufficient profit or excessive risk to attract private sector financial institutions. Information gaps and a poor understanding of institutional context are frequently behind these perceptions of risk. As a general rule, government-backed ECAs take a different view of the risk/reward ratio than the private sector. ECAs are often willing to take more risk than the private sector, since they are able to take a longer-term perspective of the risk profile and often have a superior ability to recover debts given their sovereign status. On the reward side, ECAs look beyond financial return and usually are prepared to accept a lower financial return in exchange for other public policy benefits. However, market conditions can change, so it is crucially important that ECAs not create market gaps by crowding out the private sector banks.

Many ECAs see their role as working in partnership with private sector financial institutions – banks, credit and political risk insurers - in order to help them take risks that they would otherwise not be willing to take. An ECA can be an effective catalytic financial instrument to draw in existing commercial banks to fund export transactions and to share risks. The advantage in such a strategy is that not only does the ECA fill an existing market gap, but it also facilitates the private sector to develop and become more able and willing to meet the needs of the market in the future. However, some ECAs compete head-on with the private sector.

An important distinction should be made between market gap which is defined as a systemic and an on-going lack of the availability of financing or insurance, and **market disruption** which is temporary withdrawal of support by the private banks or insurers

such as what occurred during the Global Financial Crisis of 2008-2009. This was particularly the case during that period when commercial banks were unable to maintain their trade credit lines with many emerging markets, creating significant unmet demand. In situations like this, having a viable ECA entity as vital lifeline to be used immediately to establish a new instrument and program is an important competitive advantage.

However, it is important to note that the issue of market disruption resulting from the Global Financial Crisis is largely a Western phenomenon. Most OIC countries were not directly affected by the crisis as they were less integrated in the global economy.

The evaluation of the existence of market failure – either gap or disruption – is far from straightforward and easy. Markets, and accordingly failures, are very dynamic and context-specific and so ECAs have a responsibility to stay abreast of the changes to the private market's appetite and capacity to serve the export sector. However, a market gap may exist for a very good reason, namely that the risks involved are just too high and for, even the ECA, it would be imprudent to address them.

1.4 ECA Competition and International Rules

ECAs do not compete among themselves; it is rather exporters that compete, each with the backing of their own ECA. However, a subsidized financing package may facilitate a company to lower its overall costs and help to be more competitive internationally. For this reason, the OECD established a set of rules for ECAs providing support, to avoid the inevitable "race to the bottom" of subsidized financing packages, so that exporters could compete on the basis of price and quality of their products or service and not on the price of their financing.

While OECD countries and a number of other countries have adopted the OECD Arrangement terms and conditions, other countries (e.g. China) have not, which can lead to an unlevelled playing field in terms of the financing.

1.4.1 The WTO and the OECD Arrangement on Export Credits

For WTO members, government-backed financial assistance to national exports would, in most cases, be considered illegal export subsidies. Other WTO members damaged by such subsidies are entitled to take trade actions against the country found to be providing the subsidy.

WTO laws are created to promote free and fair trade. Yet ECAs, by their very nature, are created for the purpose of benefitting national exports, and exporters, and hence would appear to be fundamentally at odds with international laws created to avoid subsidy competition between governments. So how do the ECAs of WTO member states conform to their trade obligations while supporting national exports?

1.4.2 The OECD Arrangement and the "safe haven"

An annex to the WTO Agreement on Subsidies and Countervailing Measures deals with this question in an "Illustrative List of Export Subsidies". Specifically, item (k) of Annex 1 states:

> The grant by governments (or special institutions controlled by and/or acting under the authority of governments) of export credits at rates below those which they actually have to pay for the funds so employed (or would have to pay if they borrowed on international capital markets in order to obtain funds of the same maturity and other credit terms and

denominated in the same currency as the export credit), or the payment by them of all or part of the costs incurred by exporters or financial institutions in obtaining credits, in so far as they are used to secure a material advantage in the field of export credit terms.

The text goes on to clarify an exception to this export subsidy principle for export credit practices which conform to the provisions of a separate "international undertaking on official export credits". Specifically it states that:

"... an export credit practice which is in conformity with those provisions shall not be considered an export subsidy prohibited by this Agreement."

WTO jurisprudence has established that the OECD Arrangement on Export Credits is such an international undertaking. Hence, export credits that conform to the OECD Arrangement are understood to be in conformity with WTO member states' obligations. Such export credits are therefore not subject to WTO trade remedies. This "safe haven" holds for all WTO member states, not just members who are Participants in the OECD Arrangement.

1.4.3 Implications for countries with high financing costs

In principle, the safe haven offers some advantage for countries with relatively high funding costs. Paragraph 1 of item (k) says a subsidy would be found if an ECA grants credits at rates below the government's own costs; i.e. a country with high financing costs would be required to pass on those high costs to its exporters. However, the "safe haven" effectively levels the playing field by allowing ECAs to provide export credits on terms and conditions which conform to internationally agreed rules (for practical purposes, the OECD Arrangement), ***even when those credit terms are more favorable than those available to the government itself.***

In recognition of these principles, Participants in the OECD Arrangement have adopted transparency measures to allow all WTO member states to conform to Arrangement rules and thereby benefit from the "safe haven".

1.5 ECA Cooperation

1.5.1 Strategic Cooperation

Because of the nature of international trade, where supply chains may involve value-added inputs from a range of countries and – to put simply - transactions have sellers from one country and buyers from another, ECAs are naturally driven towards collaboration with each other. There are a number of ways in which this happens at a strategic level, at a market level and at a transaction level. At the strategic level, there are several associations promoting cooperation amongst ECAs with similar mandates. Membership in these organizations by OIC ECAs is listed in Annex B.

Berne Union

http://www.berneunion.org/about-the-berne-union/

The Berne Union was founded in 1934 by private and state export credit insurers from France, Italy, Spain and the UK.

The aims of the Berne Union have remained consistent since then:

- To actively facilitate cross-border trade by supporting international acceptance of sound principles in export credits and foreign investment.
- To provide a forum for professional exchanges amongst our members.

With 79 member companies from around the world (as members of the Berne Union and the Prague Club), it is the leading global organization for the export credit and investment insurance industry.

Prague Club

http://www.berneunion.org/?s=prague+club

The Prague Club, which is a subsidiary organization to the Berne Union, is an information exchange network for new and maturing insurers of export credit and investment. The first official meeting was held in Prague and the group was named after the city of the inaugural meeting.

Aman Union

http://www.amanunion.net/

The Aman Union is a professional forum assembling commercial and non-commercial risk insurers and reinsurers in OIC Member Countries. The Aman Union was launched in 2009 following an agreement between the Arab Investment and Export Credit Guarantee Corporation (DHAMAN) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) to join their efforts for establishing a union for credit insurers and reinsurers in their respective Member Countries, all of which are OIC members. The objectives of the Aman Union are the:

- Development of established National Export Credit Agencies and creation of new ones in Member Countries.
- Encouragement of exchange of information, technical assistance, expertise and consultation among Members.
- Development of credit information agencies as well as development of debt-collection agencies, training centers and other institutions that contribute to the progress of export credit insurance industry in Members Countries; and
- Carrying out studies and research, issuance of bulletins and publications and, organization of forums and conferences relevant to the union purposes.

G-NEXID

http://www.gnexid.org/aboutus.asp

The Global Network of Export-Import Banks and Development Finance Institutions (G-NEXID), is a network of 24 lending institutions whose objective is to support increasing trade between developing countries with expanded financial services that can spur and stabilize economic growth. The Global Network is seeking to improve cooperation and assistance, and facilitating

the exchange of experiences among specialized institutions involved in trade and project financing, particularly EXIM Banks and DFIs, at regional and global levels.

Asian EXIM Banks Forum

http://www.asianeximbanks.org/

The AEBF was conceived and initiated by Export-Import Bank of India in 1996 for Asian ECAs to exchange information and share ideas in a structured manner. The Asian ECA forum's principle task is to develop and enhance regional cooperation and forge stronger link among its member institutions, thereby fostering a long term relationship within the Asian ECA community.

COFACE Partner Network

http://www.partner.coface.com

Coface is a French company established in 1946 to specializing in export credit insurance and since 2006, it is a wholly-owned subsidiary of Natixis, the financing, asset management and financial services arm of the French Banking Group BPCE. In 1992, Coface created the Coface Partner Network, a worldwide network of private and public institutions operating in the trade credit insurance sector. This includes insurance companies, business information agencies, multi-line insurance companies, factoring companies and ECAs. Through such partners. Coface is able to provide credit insurance to a global clientele. The network currently includes over 60 partners in Europe, Asia Pacific, America, Africa and the Middle East.

1.5.2 Transactional Cooperation

Apart from the more strategic co-operation that has developed through membership in the above associations, there have been two main areas of transactional co-operation amongst ECAs that have been observed: a) debt collection and buyer information; b) reinsurance on multi-sourced transactions.

In the first instance, many ECAs will offer services to their "sister" ECAs on information about companies within their own countries, as well as perform debt collection services on a fee basis. This is a common practice within countries where credit information on local companies is limited and has been a source of fee income for the local ECA. The Aman Union has created a database of buyers from member countries to facilitate this exchange of information.

In the second instance, where production may be in one country and the supply of inputs can come from many countries, this can mean that exporters or contractors have to negotiate financing with a range of ECAs to put together a multi-sourced package. Over the past many years, the OECD ECAs have recognized this difficulty and have agreed to a series of co-operation/reinsurance agreements between themselves. This means that one agency will be nominated as Lead ECA (usually the one from the country where the main contractor resides and /or which will supply the largest portion of the contract). The financing package on offer will be in the form of that usually offered by the Lead agency. As a result it will be broadly equivalent to having sought support from each agency, but the administration will be much more straightforward.

As an example, an exporter or project sponsor may wish to procure 35% of the project supply from Country A country, 30% from Country B, and 35% from a range of other countries. In this

case, Country A's ECA could take the lead and offer its full guarantee or financing for the whole deal, and obtain reinsurance from Country B. Where there are multi-sourced deals involving multiple countries and ECAs, the lead ECA will be looking to other ECAs to reinsure their country's portion. Without such an ECA program facility available, there is a risk that the sourcing would go to another country which has these facilities.[6]

The OECD ECAs have been actively engaged in using these multi-sourcing co-operation agreements since the late 1990s. Most of the large power projects that have been built in the last decade or so have involved multiple ECAs, under a single umbrella policy, simplifying the process for the financing banks and project sponsors. An example is the Qatargas 2 project in 2009 which involved two OECD ECAs, US EXIM and SACE of Italy, each providing insurance cover USD 400 million and USD 405 million, respectively, related to the value of exports from their countries.

The trend towards this kind of cooperation is increasing as global value chains proliferate. Such cooperation models could serve as inspirational examples for the OIC Member States. In reality, however, there have been a number of examples of such reinsurance arrangements of OIC ECAs with ICIEC but not between national OIC ECAs. For example, while Türk EXIM has co-operation agreements with 17 ECAs, specific transactions supported with other OIC countries have been very limited. OIC members of the Asian EXIM Bank Forum are also seeking similar opportunities to collaborate on individual transaction in this manner, but to date there has been limited experience.

[6] For a practical discussion of multi-sourcing arrangements and how they work from the German ECA, see: http://www.agaportal.de/pdf/hds/e_hds_multisourcing.pdf

2 ECA FACILITIES AND FEATURES

ECAs are mandated to help facilitate export transactions. As such, they design products targeting certain risks and obstacles that exist in undertaking international trade. This chapter discusses these risks and typical array of products that ECAs offer.

2.1. Risks in Export Transactions

Exporting presents a range of risks, many of which do not exist in domestic sales. These risks exist whether goods and services are sold for cash or on credit. In other words, as soon as a company begins to produce for export, there is a risk that events may arise which either prevents the export of the goods or services, or prevent their import into the buying country, or a risk that the buyer may cancel the order. There is also a range of risks which can occur after the goods have been shipped or accepted by the buyer and which prevent the exporter from receiving timely payment.

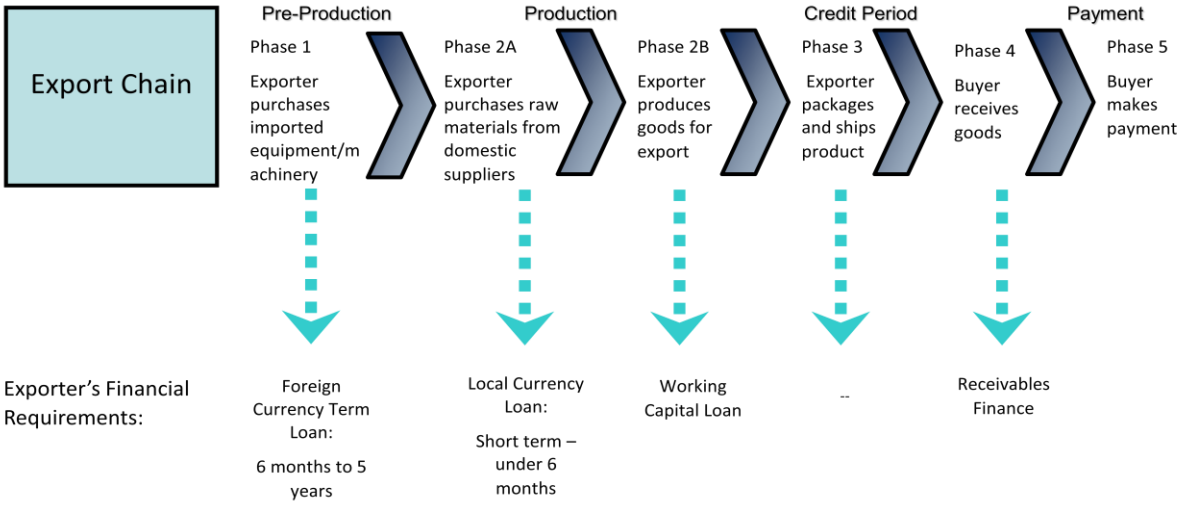
Thus, even though the bulk (over 90%) of world trade may take place on the basis of cash or very short credit terms, this does not mean that exporters are not faced with risks. When exporters ship on deferred credit terms, they are effectively financing the buyer, an entity in another country. A single bad debt is very frequently the cause of a company becoming insolvent.

Moreover, companies must be able to access finance for both the production for export and for any credit while they wait to be paid. In other words, it is very rare for exporters to be paid in cash with the order.

As a basis for comparison of different export credit and export finance products and services that are offered by ECAs, it is helpful to develop a common language or understanding of what these facilities are meant to address.

For exports, consider the export cycle from the point at which an exporter decides to purchase equipment to expand its operations and raw materials to meet an export order. During the production phase, the exporter produces the goods for export then ships them abroad and then awaits payment. During the entire export process, the exporter has financial requirements. The diagram below illustrates the various financing and facility requirements of an export transaction at each stage for exporters. Annex A provides a glossary of terms.

Figure 3: Financing Requirements of an Export Transaction



Source: Author

2.1.1 Transactional Cooperation

During the pre-production phase, exporters may have a requirement to import certain raw material or machinery, as well as spare parts and new technologies to produce goods for export. Some exporters have difficulty financing their imports of goods required for export production. Exporters may also need to purchase new equipment from abroad requiring longer-term foreign currency loans not available from local commercial banks.

In a number of countries, the lack of availability of import finance can exist for a variety of reasons. It is therefore important to examine the underlying cause for this lack of import finance. The key question to be explored is whether local banks are reluctant to extend import finance (e.g. opening Letters of Credit or L/Cs) for the benefit of foreign suppliers.

2.1.2 Phase 2: Export Production

Similarly, exporters may need to purchase local materials as input into their export product. Exporters need cash to pay for these inputs, sometimes long before they have received payment for the final exported product.

During the production phase and prior to shipment, exporters themselves need working capital to be able to produce the goods to meet their export order. Normally, working capital finance is provided by a commercial bank, but often banks are reluctant to provide any (or additional) finance without additional collateral. These means that the exporter must often tie up the cash it needs as security.

2.1.3 Phase 3: Pre-Shipment

Even before the exporter ships his goods and once production has begun, the exporter is subject to both commercial and political risks that could result in the contract being cancelled, or the buyer becoming insolvent.

2.1.4 Phase 4: Credit Period

Once the goods have been shipped, exporters face certain political and commercial risks that their foreign buyer will not pay. Political risks include cancellation of an import/export license, war/civil war, inability to transfer or convert proceeds into hard currency. Commercial risks are the risks of the buyer repudiating the contract after the goods have been shipped, insolvency or protracted default of the buyer.

2.2. Export Credit and Export Finance Products

There are a variety of ways in which ECAs can satisfy the needs of exporters in a trade transaction. Financing can be extended directly by the ECAs themselves or indirectly through insurance or guarantees issued to commercial banks. Exporters can be provided with export credit facilities or importers in other countries can be provided with direct loans, in order to facilitate payment to local exporters.

To address an exporters needs throughout this Export Chain, the main facilities, schemes and services offered by ECAs can be grouped into five broad categories:

i. Financing Facilities;

ii. Guarantee Facilities;

iii. Insurance Facilities;

iv. Bonding Facilities;

v. Advisory and Other Services.

The first three categories refer to the risks relating to trade transactions as defined in Figure 3.

2.2.1 Financing Facilities

Financing facilities are short-, medium-, and long-term loans provided directly by an ECA to an agent (such as an exporter, importer or bank) involved in a trade transaction. They mainly take the form of direct loans to overseas buyers for the purchase of exports from a local company, or loans to local companies for importation of equipment for production or for working capital to produce the goods relating to a specific export order.

Short-term financing (credit that is extended usually for less than 180 days but can be up to two years) can be to finance working capital expenditures of exporters. Working capital is the financing required by an exporter to start or to continue to operate and to produce goods and services to be exported. The lack of working capital can prevent exporters from entering into viable export contracts simply because they cannot access the capital needed to carry out the production of the goods and/or services to be exported. As a general rule, it is very difficult for an exporter to ask their buyers to pay cash in advance, as this will normally make them uncompetitive with competitor exporters in other countries. As a result, the exporter frequently needs access to short-term financing.

Working capital facilities can therefore be an important part of the product offerings of the ECA. While some ECAs are involved in the provision of working capital by offering guarantee facilities

to the banks, other ECAs, operating as Eximbanks, may directly provide working capital loans to exporters. Many Eximbanks also issue letters of credit (L/Cs) on behalf of local importers.

Medium/long-term (greater than 2 years) direct financing facilities are typically provided to local importers needing to purchase capital equipment or issued to the foreign buyer, extending credit to purchase the exporter's goods or services. This involves not only a contract between an exporter and a buyer, but also a parallel loan agreement between a bank in the exporting country and a borrower in the buying country. For OECD ECAs, medium/long-term export credit is bound by the OECD rules (as described in section 1.4.2) that dictate minimum interest rates, premium rates and maximum repayment terms.

In addition, financing facilities are sometimes provided for overseas investments or overseas projects. Equity participation is also included in this category as it represents a direct disbursement of funds, but in practice very few ECAs have such facilities.

2.2.2 Guarantee Facilities

The provision of guarantee facilities by ECAs aims to encourage private sector participation in the above lending activities by sharing the risks involved in international trade and investment transactions. Guarantees are provided to lending institutions to extend loans to local importers, working capital to exporters or to lend to buyers.

Box 1: Guarantees vs. Insurance

ECAs rarely issue unconditional, on-demand guarantees and so it is important to note that the terminology used for this kind of insurance can be confusing. In many jurisdictions (including Europe), these insurance facilities are also called "guarantees", even though they are conditional upon certain agreed events taking place before a claim will be paid.

Working capital guarantee facilities can be issued to banks and other financial institutions to support working capital loans. In most instances, the provision of working capital to exporters or working capital facilities to financing banks would be done in respect of a specific export transaction: the exporter has an export contract and needs working capital in order to meet the order, or the exporter has already shipped goods and has an outstanding export receivable. It is also worth noting that the ECA giving the guarantee is in part doing so because there is a sale to a creditworthy insurable buyer, from the ECA's perspective. Because of this, the ECA, along with the bank is only taking incremental performance risk of the exporter, associated with its ability to complete the contract.

2.2.3 Insurance Facilities

Credit insurance

Credit Insurance is insurance against a range of risks that result in non-payment by the buyer. In an export transaction, credit is extended by an exporter/supplier to the overseas buyer/importer, and the terms of the credit are set out in the export contract. Credit insurance protects the insured party in exchange for a premium. Sometimes, it is referred to as "accounts receivable" insurance. It does not protect against a commercial dispute, or an exporter not meeting the specifications of an export order and the buyer refusing to pay.

Domestic credit insurance covers non-payment on sales within a country. In domestic cover, only commercial risks are involved; in export credit cover, both political and commercial risks are covered.

Traditionally, these risks were divided into two categories, namely commercial risks and political risks. Political risks are the risk of non-payment on an export contract or project due to action by an importer's host government. Such action may include intervention to prevent the transfer of payments, cancellation of a license or acts of war or civil war. Commercial risks arise primarily as a result of non-payment by a private buyer, commercial bank or a public buyer, due to default, insolvency or bankruptcy or failure or unwillingness to take delivery of the goods (i.e. repudiation).

The basic insurance will apply to risks which can arise after shipment/delivery of the goods and services but can also apply to risks which can arise in the period between signing of contracts and shipment/delivery; these risks are normally called pre-credit risks. Sometimes separate insurance policies are issued for the two periods and almost always separate premiums are charged for the two periods.

The traditional credit insurance product has been a framework or umbrella policy which will embrace all or an agreed part of the exports of the insured party over an agreed period (normally one year), referred to as a Whole Turnover policy. Individual transactions are handled under separate credit limits on individual buyers which can either be set by the insurer or agreed by policyholders under arrangements for discretion given by the insurer. The insurance can be provided to the exporter/supplier and can be a useful security for companies seeking finance from their banks.

A rejection of a credit limit on a foreign buyer by an ECA is one of the best services an export credit insurer can offer an exporting company, who will typically be carrying 10% of the risk under the insurance policy, which may amount to the profit on the transaction. ECAs understand the particular payment risks associated with export sales and can help exporters avoid costly mistakes.

There are two main kinds of medium- and long-term credit insurance in relation to exports. Supplier credit refers to cases where the length and terms of credit are set out in the exporter's contract (e.g. payment will normally be made by means of Bills of Exchange or Promissory Notes over five years from delivery/completion). However, the most common form of medium- and long-term credit in use today is buyer credit, in which insurance is provided to the bank against non-payment of the export finance loan issued to an overseas buyer.

Investment Insurance

Unrelated to trade transactions, investment insurance is also provided by many ECAs and traditionally has covered only political risks arising from equity investments as well as loans in support of overseas projects. Since commercial risks have not been covered, some refer to investment insurance as political risk insurance. The insurance covers the three standard risks – expropriation & nationalization, war & insurrection and transfer & inconvertibility.

Increasingly, investment insurance is used to cover risks beyond the original three risks referred to above. In particular, cover is provided against the risk of host Governments violating undertakings of various kinds with respect to projects as well as other political events which could lead to non-payment of an insured project loan.

Banks, in particular, have shown a great interest in using investment insurance to cover the political risks involved in lending into project finance structures.

2.2.4 Bonding Facilities

For some guarantees, the direct beneficiary of the guarantee is the buyer, especially for overseas projects which require bonds in the form of bid, performance, retention and advance payment guarantees. Most ECAs provide cover to a commercial bank that issues a bond facility to a buyer on behalf of an exporter. The bonds or letters of guarantee can be tender, advance payment, bid, performance or retention. A performance bond, for example, is a guarantee of the bank that the exporter will meet the terms of its contract with the buyer.

A call on the bond will result in a claim paid by the ECA and, if the call on the bond is rightful, the ECA will seek indemnification from the exporter. Alternatively, ECAs will provide insurance to the exporter against unfair or wrongful calling for political reasons of these bonds or rightful calling, covering the performance of the exporter.

2.2.5 Advisory and Other Services

Beyond financial services, most ECAs offer some form of advisory or information services. These are especially relevant with regards to capacity building for new and inexperienced exporters. These services range from overseas market information and country/buyer risk assessment to general export-readiness guidelines for small and medium sized enterprises (SMEs). A few ECAs also have fairly extensive research units and offer consultancy services to other similar official trade and investment promotion institutions.

In addition, many ECAs offer buyer credit information on their local companies to other credit insurers.

3. ECAs IN THE OIC MEMBER COUNTRIES

3.1 Introduction

Relative to other parts of the world, the OIC countries are relatively new to the business of export credit support and many OIC countries have no facilities at all. From the 57 OIC countries, fewer than half have facilities. Within the OIC, 23 countries have a total of 26 facilities/institutions providing export credit and/or export finance.

This chapter looks at each of the 26 facilities/institutions and, where the information is available, presents data on:

- Status of institution
- Year of establishment
- Corporate form
- Profitability and size of balance sheet
- Products and services, including Islamic finance instruments
- Business volume/level of activity

In addition, analysis is provided on:

- Rationale for intervention in national economy/sector focus
- Relationship with government
- Co-operation with other entities, such as national ECAs, international ECAs, other Eximbanks, commercial banks (domestic and international) and IFIs etc.)
- Key features of the institution
- Effectiveness

3.1.1 OIC Countries with ECAs

The table below indicates those countries with export credit or finance facilities and the related institution, agency or program.

Table 2: OIC Countries with ECA Facilities and Corresponding Entity

Country	Entity Providing Facilities
Nigeria	Nigerian Export-Import Bank (NEXIM)
Senegal	Société Nationale d'Assurance du Crédit et du Cautionnement (SONAC)
Algeria	Compagnie Algérienne Assurance et de Garantie des Exportations (CAGEX)
Bahrain	Export Credit Guarantee Programme under Bahrain Development Bank
Egypt	Export Development Bank of Egypt (EDBE)
	Export Credit Guarantee Company of Egypt (ECGE)

Jordan	Jordan Loan Guarantee Corporation (JLGC)
Lebanon	The Lebanese Credit Insurer (LCI)
Morocco	Société Marocaine d'Assurance à l'Exportation
Oman	Export Credit Guarantee Agency of Oman (ECGA)
Qatar	Qatar Export Development Agency (TASDEER/QDB)
Saudi Arabia	Saudi Export Program (SEP) under the Saudi Fund for Development (SFD)
Sudan	National Agency for Insurance and Finance of Exports (NAIFE)
Tunisia	Compagnie Tunisienne pour l'assurance du commerce extérieur (COTUNACE)
United Arab Emirates	Export Credit Insurance Company of the Emirates (ECIE)
Albania	Export Credit Guarantee Fund under Albania Investment Development Agency (AIDA)
Bangladesh	Sadharan Bima Corporation's Export Credit Guarantee Department (ECGD)
Indonesia	Asuransi Ekspor Indonesia (ASEI)
	Indonesia Eximbank
Iran	Export Development Bank of Iran
	Export Guarantee Fund of Iran (EGFI)
Kazakhstan	Export Credit Insurance Corporation (KazExportGarant)
Malaysia	EXIM Bank of Malaysia (MEXIM)
Pakistan	Pakistan Export Finance Guarantee Agency Ltd
Turkey	Export Credit Bank of Turkey (Turk EXIM bank)
Uzbekistan	National Export-Import Insurance Company (UZBEKINVEST)

Source: Author

Almost 50 percent of countries in the Arab group have an ECA or similar program, compared to 40 percent of countries in the Asia group and about 10 percent of countries in the Africa group.

3.1.2 OIC Countries without ECAs

There are more Member Countries than not within the OIC without such institutions devoted to financing or insuring exports. The reasons for this may vary from country-to-country, but are likely to fall into one or more of the following five categories.

A. There may not be a need for ECA facilities or there is lack of demand

The economic context of the country and export profile is such that commercial banks are able to meet the needs of exporters and exports are to low risk markets. This has been the case for Singapore, which has not established an ECA largely because of the nature of their trade flows and the sophistication of their banking system.

B. The needs of exporters are being met by other national entities

It could also be the case that other institutions are sufficiently covering the needs of exporters. This would include entities such as the National Development Bank, which lends to all companies, including exporters, and does not distinguish between exports and domestic companies.

C. There are needs, but there is lack of awareness on the part of exporters, banks and the government

Exporters may have traditional buyers to whom they sell their products on open account terms and are not concerned about the potential risks of non-payment. Banks have insisted on cash collateral against with to lend working capital and have not asked for guarantees or pledging of accounts receivables insurance as alternative collateral. And, the government has not sought to understand the dynamics of trade finance and potential gaps and opportunities that could be usefully covered.

D. There is lack of financial resources from the government to set up a new institution/facility

Or, it could be that the need is great, but the government does not have the financial resources or ability to capitalize a new institution or set up a new facility, without significant donor funds.

E. There may have been an ECA facility in place in the past, but it expired or failed

Some countries may have experimented with having ECAs in the past and either the pilot was not renewed, funding dried up or the experience failed because it was improperly conceived and implemented, and the government may have suffered significant financial and economic costs as a result. Although there is a need, the government is unwilling to contemplate the possibility again or look at a new design or structure.

3.2 Analysing the Performance of OIC Export Credit Systems

There is no single perfect model for an ECA. Each must be considered within its own national context. All ECAs share common features and a basic mandate to help facilitate exports and investments, but there are different means to achieve the same ends.

The definition of success therefore is different, depending on the unique country circumstances. For example, for an ECA whose objective is to increase non-oil exports and diversify the export base, the number of SME export clients might be its most important Key Performance Indicator (KPI). For an ECA with an objective to help exporters expand their export markets – regardless of their size – might choose to measure business volumes as their main KPI. One ECA might seek to maximize business volume, while another might seek to maximize the number of export clients. So, caution is required to establish a set of common benchmark indicators for evaluating individual ECA effectiveness, as what is important in one country may not be important in another country.

Moreover, to be an effective ECA is more than being operationally effective. It means balancing a range of stakeholder needs, including the government, exporters and private sources of financing and insurance. For example, an ECA that only focuses on its own interests and strengths without regard to the needs and interests of other stakeholders, such as commercial banks who are important partners and whose trade finance activities could be displaced by an ECA, cannot be considered effective.

Therefore, it is important to consider more broadly what constitutes a "healthy" export credit system and this is much more than simply operational effectiveness. It implies that the ECA itself is well managed, but also that it is working with the existing private sources of finance and insurance. In addition, as a public policy vehicle on behalf of the government, the ECA must strike a balance between – at times – conflicting objectives, i.e. meeting policy and developmental objectives and being financially sustainable.

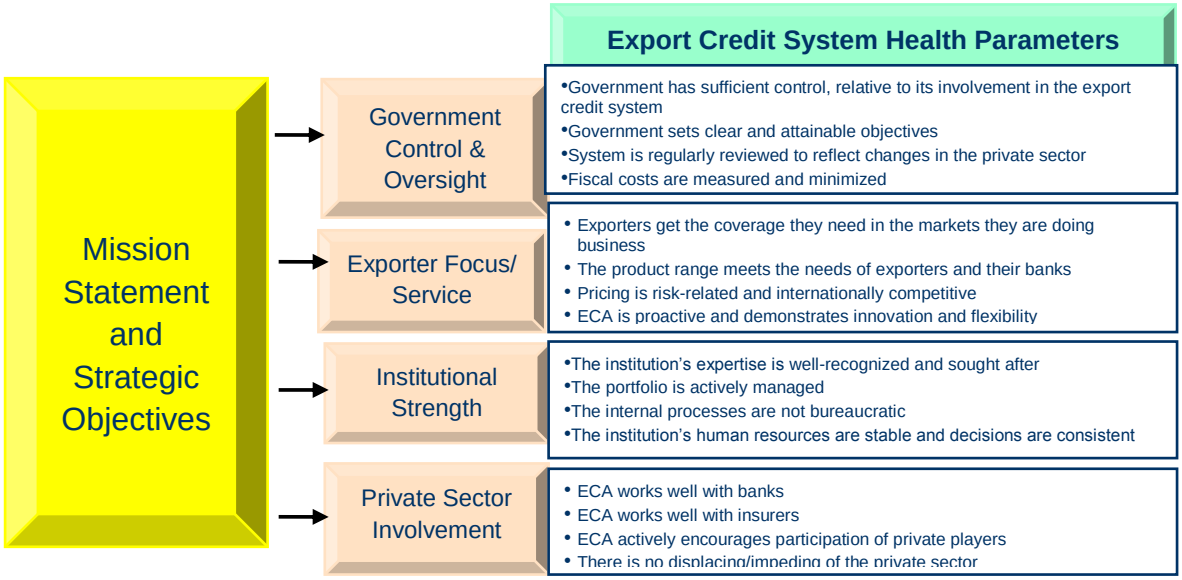
So, while all ECAs are different, it is possible to make meaningful and valid assessments of *export credit systems*. In particular, four main common parameters that make up an export credit system:

a) Government Control and Oversight
b) Exporter Focus/Service
c) Institutional Strength
d) Private Sector Involvement

The Export Credit System Health measures the overall health of a national system. Within each of the four parameters, four key dimensions were developed which further defined each parameter. Each of these dimensions is a positive value statement intended to define what "health" means for each area.

In general, a healthy system is one that effectively balances various stakeholder needs and interests, while accomplishing the ultimate goal – providing exporters with the support they need to be internationally competitive.

Figure 4: A Healthy Export Credit System



Source: Author

3.2.1 Government Control and Oversight

For Government Control and Oversight, the question that is considered is the extent to which the government both has the appropriate level of control relative to its involvement and is providing the ECA with the necessary guidance to ensure that public policy objectives are being met. Moreover, this area looks at whether there are controls – adequate or otherwise – over the fiscal costs of providing export credit support.

The key dimensions of health for this dimension are:

1. **Fiscal costs are measured and minimized**
   This area considers whether the government either directly or the ECA on its behalf, takes account of the true costs, including cost of capital, and risks assumed. For each ECA under examination, the question is whether the scheme is run on "commercial principles" and is fiscally prudent and whether provisions are made against risks taken.

2. **The government has sufficient control, relative to its involvement in the export credit system**
   The term "control" refers to the level of government's oversight of, and participation in, the activities of the ECA. In some countries, this may involve participating directly in transaction decisions. Alternatively, in other countries the government may have fairly strong control in a legal sense, but, in reality, may have relatively less influence over the activities of the ECA.

3. **The government sets clear and attainable objectives**
   This relates to the degree to which the government effectively sets clearly defined objectives for its ECA and related institutions. For example, the government may annually dictate clear strategic and operational targets and priorities for the ECA and require the agency to report

back on how it is performing against these targets/priorities. To be clear, this dimension does not attempt to place a judgment on the appropriateness of the objectives. In some countries, for instance, fiscal control and integrity may be strongest priority for the government, despite the fact that some stakeholders view other potential objectives (e.g., promoting the interests of industry) as being more important.

4. **The system is regularly reviewed to reflect changes in the private-sector**
   This area encompasses regular reviews (both formal and informal) of the evolving activities and facilities of private insurers and banks, as well as of the changing needs of exporters to ensure that the level of government intervention and involvement is appropriate and useful.

3.2.2 Exporter Focus/Service

For Exporter Focus/Service, the issue is whether exporters are receiving the support they need to be internationally competitive. In particular, this area examines the extent to which the kind of facilities, risk appetite and capacity are being made available to exporters for the markets in which exporters are doing business and at an all-in price which is internationally competitive. Moreover, the question is considered whether the ECA is being proactive for and on behalf of exporters and is demonstrating flexibility and innovation, for the purposes of helping make exporters more competitive.

The key dimensions of health for this area are:

5. **Exporters get the coverage they need in the markets they are doing business**
   This relates both to number of countries for which cover is available from the ECA, as well as the aggregate exposure limits in countries where the ECA is open for business. In addition, it considers the "quality" of the cover.

6. **The product range meets the needs**
   This deals with both the range and variety of export credit support available to exporters from the ECA and other sources, as well as any conditions relating to the availability of such support. It also includes an examination of the degree to which market gaps are addressed by ECAs, or whether there are certain gaps left unaddressed compared to other countries.

7. **Pricing is risk-related and internationally competitive**
   This dimension considers how the ECA prices its products, whether loans or insurance. More medium/long-term transactions, under the OECD Consensus, the pricing of export credit facilities must be above the minimum agreed levels. However, some ECAs will charge higher pricing for some transactions to cover capital allocations, beyond the credit risk of the borrower.

8. **ECA is proactive and demonstrates innovation and flexibility**
   This dimension examines the degree to which the ECA is more demand-driven or more pro-actively seeking business. In addition, it relates to the speed with which innovative or responsive services are developed and provided to customers.

3.2.3 Institutional Strength

For Institutional Strength, the question being considered is from the perspective of the ECA as an organization and whether it is being operated on a viable and sustainable basis.

The key dimensions of health for the institution are:

9. **The institution's expertise is well-recognized and sought after**
   This relates to the market status and recognition of the national ECA and related institutions. For example, within a country context, this would mean that the ECA is called on by the government and other agencies as a knowledge centre on risks and opportunities for export promotion.

10. **The portfolio is actively managed**
    This focuses on the degree of active portfolio management by the ECA, as well as the ECA's creativity in managing single obligor, sector and country concentrations (e.g., reinsurance, asset sales and swaps, securitizations, etc.).

11. **The internal processes are not bureaucratic**
    This deals with the speed and quality of the processes (both formal and informal) for reviewing and approving transactions, as well as the degree of authority delegated to the ECA.

12. **The institution's human resources are stable and decisions are consistent**
    An important element is the degree to which the ECA can develop and retain experienced staff and executives. Moreover, this dimensions relates to a dynamic working culture in which staff feel confident in the decision-making and direction of the executive management team.

3.2.4 Private Sector Involvement

Another crucial area in determining the overall health of the export credit system is the extent to which the private sector is actively engaged in providing export credit facilities. Specifically, this area considers whether the ECA is promoting and facilitating their involvement or whether it is displacing or impeding the private sector, either as a result of its actions, or as a result of a deliberate policy. Both private insurers as well as the banking sector are considered.

The key dimensions of health for private sector's involvement are:

13. **The ECA works well with banks**
    A key issue here is the degree to which the ECA and other related institutions are perceived to be cooperating or competing with domestic or international banks, particularly in respect of medium and long-term capital goods and project business.

14. **ECA works well with private insurers**
    An important aspect is the ECA's ability to work with and complement the activities of private insurers in all areas of business: short-term credit insurance, medium and long-term

credit insurance and investment insurance. Critical factors in working well with the private sector in the credit risk area are the number of private insurers active in the national market, the level of engagement between the ECA and the private insurers and the types of risks that the ECA is prepared to consider.

15. ECA actively encourages participation of private players

This deals with the ECA's areas of focus in relation to where private-sector banks and insurers may be, or wish to be, active. It also deals with the incentives provided by the ECA to encourage private-sector participation.

16. There is no displacing/impeding of the private sector

This focuses on the degree to which ECA activities have the effect of encouraging or displacing or competing with the private sector sources of finance and insurance.

It is important to recognize the crucial inter-relationships/inter-dependence between the four common parameters and among the key dimensions. Trying to effect positive changes on one dimension (or parameter) could have unexpected short- and long-term consequences for other dimensions.

Moreover, it is not enough to be very strong in one area or parameter. One stronger area does not necessarily offset a weaker area. The healthiest systems are those that find a balance between all four parameters. For a strong and healthy export credit system, the harmony or balance among the four common parameters, and the four key dimensions with each parameter, is as important (if not more important) than the absolute strength of individual dimensions or parameters.

In order to assess properly the overall health of an export credit system, primary research would be required that includes detailed interviews with ECAs themselves, as well as government authorities, multinational and local banks and exporters. For the purposes of this study, two OIC countries (Turkey and Malaysia) have been selected to be assessed within this framework. While the scope of work for this study did not contemplate in-country visits to undertake such rigorous primary research, the framework has been applied based on telephone interviews with these two ECAs. The results of this analysis are provided in Annex C.

On the basis of the assessments made using the research and available information (noting that no other stakeholders but the ECA were interviewed), both countries have relatively healthy and robust export credit systems. The main challenges in Turkey relate to how the government interacts with the ECA, particularly with respect to its guarantee of political risks and, for Malaysia, the focus going forward should be the role the ECA plays in helping involve and develop the private sector sources of finance and insurance.

The following three sections present the 26 institutions within OIC member countries. This analysis is supplemented by Annex D which sets out the datasheets for each entity. It should be noted that for many countries, it is difficult to draw any meaningful conclusions about the entity given lack of publicly-available data. In some instances, data is not available as the corporate form is a privately owned company. In many other cases, despite being government-owned, there is an absence of published annual reports or audited financial statements. The Aman Union provides some annual performance reporting, from which certain figures can be drawn, but this only covers a portion of OIC ECAs and only insurance activities.

3.3 Country Summaries: African Group

3.3.1 Nigeria

Nigerian Export-Import Bank (NEXIM)

http://www.neximbank.com.ng/

Description

The Nigerian Export-Import Bank (NEXIM) was established in 1991 as an ECA, replacing the Nigerian Export Credit Guarantee and Insurance Corporate of 1988. NEXIM's objective is to support the non-oil export sector and its statutory functions include providing finance, risk-bearing facilities as well as trade and market information and export advisory services to the Nigerian export community. With oil and gas accounting for more than 97% of total exports, the focus on diversification of the export base is pertinent.

NEXIM's strategy is driven by government policy, namely the Economic Transformation Agenda of President Jonathan, which highlights the importance of diversifying the country's economy. Based on this agenda, NEXIM selected four sectors of focus for providing support through its facilities (manufacturing, agro-processing, solid minerals and services, referred to as MASS).

In line with being a policy-driven bank, the Bank's Board of Directors consists of six members, four of which represent the Federal Government (Central Bank, Ministry of Finance, and Ministry of Trade), one from the private sector and NEXIM's managing director who took over in August 2009. The Board was dissolved and completely renewed in 2011.

With a staff of only 64 (2010) and offices in Abuja (headquarters) and three regional offices (Lagos, Calabar and Kano), NEXIM offers a full range of export credit insurance, guarantee and finance facilities. The Bank offers export credit guarantees (short term) to Nigerian banks and credit insurance facilities (against political and commercial risks in the event of non-payment by foreign buyers). In addition, NEXIM offers financing in local currency as well as foreign currency (short and medium term). NEXIM issues Letters of Credit in favour of local importers. A key service of NEXIM is the provision of trade information to exporters. The Bank also serves as the government's national guarantor as in the case of the ECOWAS inter-state Road Transit program, among other functions. Apart from its own operations, NEXIM also manage funds on behalf of Government for AfDB Export Stimulation Loan which was established in 2010 for N2.5 bn (USD 15.9 million).

At the time the current Managing Director assumed his position in 2009, the financial and operational performance of the Bank had deteriorated significantly. The Bank's capital was nearly depleted, income was low and expenses were escalating. A number of factors contributed to this, including a lack of a risk management framework, corporate governance failures, and activities that were inconsistent with the Bank's core mandate.

In the last 5 years, since the current management team was appointed, it is reported that NEXIM has seen a turnaround of profitability, payment of dividends, decrease in non-performing loans and increased business volumes. This has been driven by a transformation agenda set out in a 5-Year Strategic Plan which covered a number of key areas, such as marketing and business development targets; corporate governance and risk management architecture/frameworks in

line with international best practice; organization-wide KPIs and scorecards; revamping of policies, processes and procedures and an IT transformation. The Bank is considering raising money from the international market or floating a bond and is currently seeking a credit rating.

Between August 2009 and December 2013, the Bank has supported Nigerian exporters, mainly SMEs in the MASS sectors for a total N30.99 billion (USD 200 million), and issued Guarantees valued at USD 27.3 Million. Its Servicom Charter, promising defined response times for customers, has been an important contributor to NEXIM's success.

NEXIM is internationally connected. It has opened L/Cs in favour of EXIM Bank of India, Afrexim, ECOWAS Bank of Investment and Development and has also partnered with AfDB and IsDB in various sectors, including developing more targeted programs for SMEs. In 2014, NEXIM signed a USD 100 Million line of credit agreement with EXIM Bank of India, for the financing of three energy projects in the provision of electricity transformers to solar electrification in rural areas. It is engaged in developing relationships with entities such as Export Development Canada (EDC) and US Exim. In addition, NEXIM is a member of the G-NEXID.

Analysis

By most standards, NEXIM appears to be a well-functioning ECA. It was declared in 2013 the best performing Development Finance Institution in Africa by the Association of African DFIs. Under the current leadership, NEXIM has become a much more focused organization, following a working 5 year strategic plan which has covered the period 2010 to 2015 that has put greater emphasis on its public policy mission to support the non-oil sectors of Nigeria's economy. NEXIM turned around its financial position significantly to generate a profit and has opened up funding lines with international DFIs. The objective to seek an international credit rating will further leverage its balance sheet and increase its access to international funding, thus allowing an expansion of its business.

However, until a few years ago, it did not have an operational export credit insurance system. An MOU was signed with ICIEC to help design and implement the system, but the MOU was not implemented. Additional areas for future focus include ensuring annual reports are publicly available and audited financial reports are up-to-date. As for products, NEXIM has focused mostly on exporting SMEs providing both domestic and foreign currency loans, but there is some consideration to set up a buyer's credit program which could be very important in regional trade to support Nigerian exports into neighboring African markets.

3.3.2 Senegal

http://www.sonac.sn/

Description

SONAC S.A. (The National Company for Credit Insurance and Guarantee) was established in 1997 for the purpose of promoting trade by providing domestic and export (accounts receivable) credit insurance and guarantees that aim to reduce credit risk faced by exporting companies and lending banks. It replaced ASACE (the Senegalese Agency for the Insurance of International Trade) which was established in 1981, but privatized by the government.

SONAC S.A. has a capital base of 1.5 billion CFA Francs (USD 2.6 million) after a second capital injection in 2008 and its shares are held by Group SONAM (private insurance company with 65%

of shares), the Senegalese government (with 25% of shares), and a regional reinsurer for CFA Franc zone, called CICA (International Conference of Insurance Controls (with the remaining 10% of shares). Therefore, as a majority privately-owned insurance company, SONAC operates independently from government, but manages a political risk guarantee fund on behalf of the State of Senegal.

For its surety business, a main focus for SONAC is guaranteeing performance of contractors for civil works. It provides a financial guarantee against calling of bonds for 100% of the value of the bond. Regarding the insurance activities, SONAC offers credit insurance to both companies and banks. Under its credit insurance program towards companies, it provides risk coverage against non-payment by foreign buyers for political risk up to 75% of the debt and commercial risk for 90% of the claim. As well, it offers domestic trade credit insurance covering the risk of default by borrowers (local companies) for 85% of the claim. SONAC also offers credit insurance cover to banks and funds to protect against risk of non-payment by borrowers.

SONAC S.A. is a member of the Aman Union and partners with the ICIEC. For its partner organizations, it offers commercial information on the Senegalese market, as well as debt collection services.

Analysis

As a majority privately-owned company, information on SONAC is limited. No annual reports are published on the website. While SONAC does administer a fund on behalf of the State, no information is available on how this fund is set up and managed.

SONAC is a small operation in a country whose exports are largely commodities such as agriculture and chemicals, which are normally sold on short term. Senegal exports its goods and services to a wide variety of foreign markets and therefore the risks exporters face are diverse and broad. SONAC takes non-payment risk of foreign and domestic buyers.

From a public policy perspective, a key question for the government is the extent to which Senegalese exporters have the facilities they need and are able to access the financing they need from commercial banks to undertake and expand their export activities. Given the government's minority ownership of SONAC, it is unlikely that the company could be directly influenced to play a greater role in facilitating exporters' access to such financing, should this be identified as a key area for increased government intervention. However, in SONAC's role acting as agent for a government fund, there is scope for a more targeted policy initiative.

3.4 Country Summaries: Arab Group

3.4.1 Algeria

http://www.cagex.dz

Description

CAGEX was established in 1996 as a state corporation to promote Algerian exports and particularly targeting SME clients. It provides export credit insurance covering commercial, political and natural disaster-related risks of non-payment or loss of production. Such coverage is expected to improve exporters' access to credit and financing from local banks. CAGEX also

provides debt recovery assistance to its clients. CAGEX's shareholders comprise of state-owned banks and insurance companies.

CAGEX operates as a private insurance company, providing insurance on its own account, as well as on behalf of the State. The business it insures on behalf of the State is driven by government policy on export development.

CAGEX offers standard specific transaction insurance, as well as Whole Turnover insurance. In addition, it offers Fairs and Exhibitions Insurance to cover exporters engaging in trade fairs, exhibitions and other business events worldwide against risk of non-transfer of equipment and exhibits, non-transfer of funds from the sale of products. It also offers a variety of guarantees to companies and banks, in addition to specific services for rating of companies. It also offers debt collection services.

Analysis

CAGEX is an active insurer and a well-managed ECA. As Algeria is dependent on oil exports the ECA has been focusing more on domestic credit insurance. It has a successful reinsurance program with ICIEC.

CAGEX partners with global insurance companies such as COFACE and Atradius to access their global databases of buyers worldwide. In 2014, it set up a special arrangement with the state-owned banks sharing its risk rating system in order to help improve their risk assessment of borrowers. Occasionally, CAGEX collaborates with the national export promotion agency (l'Agence nationale de la promotion du commerce extérieur). However, it appears to have no direct input from the ministry.

3.4.2 Bahrain

http://www.bdb-bh.com/index.php?page=events

Description:

The Export Credit Guarantee Programme of Bahrain was established as a facility under the Bahrain Development Bank (BDB) in 2011. Working with COFACE, BDB signed an export credit guarantee agreement with COFACE to implement the program.

The scheme which was to be managed by COFACE features key components, particularly the export credit services available in global markets, and the required procedures for exporters, importers and investments. In addition to providing technical services for the bank, COFACE trained a group of BDB employees on export credit insurance. The program is focused on SME businesses to promote their competitiveness and encourage young entrepreneurs towards boosting the volume of exports in world markets. The program aims also at promoting the volume and quality of exports and set up a comprehensive export credit guarantee database for the bank.

The product is currently not featured on the BDB's website.

Analysis:

A very clear message from the Central Bank of Bahrain is that they consider ICIEC (of which Bahrain is a member/shareholder) as their ECA[7] and this may be the main reason why the export credit product locally has not been an important priority or focus. The attitude of the Central Bank makes a lot of sense since ICIEC provides insurance cover for major industries (i.e. oil & gas, and metals) and the largest exporters and banks in the country. The key export sectors are destination is Saudi, so there is logic to this approach.

However, other countries in the region have more actively set up ECAs seeking to shift their export profile, so further consideration of developing a Bahraini export credit program would be useful. The program run by the Bahrain Development Bank is more suitable to cater for the needs of SMEs and so if diversification is a priority for the government, this warrants a renewed focus.

3.4.3 Egypt

Egypt has two entities providing export credit facilities: Export Development Bank of Egypt and Export Credit Guarantee Corporation of Egypt, which is a majority owned subsidiary of EDBE.

Export Development Bank of Egypt

http://www.ebebank.com/EN/Pages/Default.aspx

Description:

EDBE was established as an Eximbank and commenced operations in 1985. As a Joint Stock Company, EDBE has a minimum 75% public sector ownership and the top two shareholders are public sector banks owned by the government. In the event of financial difficulties, the government is expected to intervene to ensure the sustainability of the Bank. The Bank's Board is comprised of 13 members, representing both public and private shareholders. The Bank has 15 subsidiaries and 25 branches around the country. It is listed on the stock exchange.

In terms of facilities offered, EDBE provides a range of typical commercial bank trade finance products including: receivables and Inventory Finance, Import financing (documentary credit or collection), Export Finance (pre- and post-shipment), as well as medium and long term loans to exporters, import substitution projects and special financing scheme for SME exporters. Over the years, the Bank has expanded its scope in terms of sectors of focus (such as agriculture) and types of financing it provides (such as financing of working capital). It does not offer any contingent liability products such as guarantees or insurance, nor any Islamic finance instruments.

Given the nature of the Bank's business, it has a strong network of correspondent banks, which includes banks in the UK, Switzerland, Germany, Japan, Norway, Saudi Arabia and USA among others.

[7] http://www.cbb.gov.bh/page-p-iciec_workshop_speech.htm

Analysis:

The rationale for government involvement in this area was driven by the drop in oil revenues in the 1980s. EDBE's law of establishment and articles of association stipulated that one of its main purposes is *"to establish and implement a system to secure Egyptian exporters against commercial and non-commercial risks caused by factors other than the exporter's own errors, whether these risks would be evoked pre- or post- shipment."*

Although EDBE was established to serve as the government's 'financing arm' in promoting Egyptian exports and enjoys the government's financial back-stop, its role as a public policy bank is limited by its commercial focus. EDBE operates like a full-fledged deposit-taking commercial bank, offering full range of banking products, including consumer loans.

EDBE has, however, used its power to invest in other entities, as majority shareholder in Export Credit and Guarantee Company of Egypt (ECGE).

Export Credit and Guarantee Company (ECGE)

www.ecgegypt.net

Description:

One of EDBE's 15 subsidiaries is Export Credit and Guarantee Company (ECGE) which was established in 1992, as a joint stock company. The purpose of ECGE is to increase the government's support to exporters by providing insurance to ensure against commercial and non-commercial risks, thereby enabling exporters to gain access to credit and venture into new markets. The company issues insurance policies covering up to 80% of losses.

With authorized capital of 500 million Egyptian Pounds and paid-in capital of 250 million Egyptian Pounds (USD 72.8 million and USD 36.4 million, respectively), EDBE is the largest shareholder with a stake of 70.55%. National Investment Bank (which owns more than 40% of EDBE) has the remaining ownership. Of the 10 Board members, 5 come from EDBE and two from NIB.

ECGE offers standard export and domestic credit insurance (whole turnover and single risk) as well as a policy towards banks for unconfirmed letters of credit. Subsequently, the government reinsures all of ECGE's operations. It also provides a number of advisory services such as information reports for buyers and debt recovery.

ECGE's vision is "to be the internationally recognized Export Credit Agency supporting the National Exports and [a] first class Export Credit Insurance Agency and Factoring Company staffed with first class professionals".

ECGE is a member of the Aman Union and the Prague Club. In addition, ECGE is a member of the COFACE Partners network.

Analysis:

ECGE has a very critical link to the government through reinsurance of ECGE's insurance activities. As such ECGE can be considered an important public policy tool. ECGE assesses the

country's various sectors for export development and identifies specific medium term operations with the best prospects for further support in the form of ECGE guarantees.

However, the extent of the government's active involvement in linking ECGE's activities to the overall trade strategy appears to be weak. The Ministry of Trade and Industry (MTI) has no representation on the board nor do they have any direct initiatives involving to ECGE, such as directing exporters to ECGE, except through their Egyptian International Trade Point web portal, where ECGE is listed as one of many insurers, rather than being highlighted as a specialist in export credit. Moreover, ECGE has not managed to promote itself among large Egyptian exporters giving room to ICIEC and Dhaman to fill the gap.

3.4.4 Jordan

Jordan Loan Guarantee Corporation (JLGC)

http://www.jlgc.com

Description:

The Jordan Loan Guarantee Corporation (JLGC) was established in 1994 as a public shareholding company initially to provide guarantees for SME loans. In 1997, JLGC took on the function of Export Credit insurance and its capital was increased to JD 10 million (USD 14 million).

Its current mission is to enhance sustainable economic growth in Jordan by improving the credit environment for economically viable SMEs and national exports by providing credit and loan guarantees.

The Board of Directors is composed of seven members who serve for a period of four year after which a new Board is elected. The Central Bank of Jordan (CBJ) appoints two of the members, of whom one will be Chairman, as long as CBJ's contribution to JLGC's capital remains above 45%.

JLGC develops its own strategic plan, independent of the government. It approved a five-year strategic plan in 2012 which outlines its medium term goals, of which one of the aims is to "increase the company's efficiency in loan and export credit guarantees, and to improve underwriting systems and risk assessment, pricing and safe distribution of credit portfolios".

In terms of its ECA business, JLGC offers some short-term (maximum 6 months) export credit insurance and domestic credit insurance (in addition to its original programs providing SME loan guarantee). Both export and domestic insurance provides 90% coverage. JLGC is also able to insure L/Cs, which are issued in favour of Jordanian banks, allowing local banks to confirm L/Cs with higher limits for Jordanian exporters so that they can export to new markets.

JLGC signed an Agency Agreement with ICIEC in October 2013 to make JLGC a fronting partner to promote and introduce ICIEC's export credit insurance products. In addition, JLGC signed a co-operation agreement with Türk Eximbank in November 2014 for the purposes of developing commercial co-operation as well as designed to help JLGC upgrade its knowledge and technical skills.

Analysis:

As an ECA which developed out of a domestic loan guarantee scheme, JLGC history and culture is different than most other ECAs which were established at the outset to support foreign trade. Its culture and focus is providing guarantees to SMEs, housing and personal loans, and export credit is a single department with its own underwriting and marketing. The challenge for JLGC is that the client base for the export credit business is different than their traditional clients. For the credit insurance business, the main clients are exporters which seek to insure their accounts receivables, whereas loan guarantees are in supporting of the banks. With a small staff of 37 overall, this makes it all the more challenging to develop the ECA business.

JLGC's business model focusing on providing export finance to SMEs does not enable to develop and grow its credit insurance business. An earlier cooperation agreement with COFACE did not help as it tended to treat JLGC as a front office for COFACE with marketing and underwriting controlled from Paris. A current cooperation agreement with ICIEC has a better chance of success as it has the development of in-house underwriting capacity in JLGC as its ultimate objective.

To increase the reach of JLGC and the profile of this product offering, Jordan Enterprise Development Corporation (JEDCO) has become an agent of JLGC. This relationship with the trade promotion agency is an excellent delivery channel and further collaboration should be encouraged.

3.4.5 Lebanon

The Lebanese Credit Insurer (LCI)

http://www.lci.com.lb

Description:

The Lebanese Credit Insurer s.a.l. (LCI) was established in 2001 as a joint venture between Atradius –one of the largest credit insurers in the world – and a group of local and regional insurance companies and private holding companies. It is the first independent specialized Credit Insurance Company in Lebanon and the Middle East and aims to support SMEs in business expansion and sales growth within the MENA region by covering them against the risk of non-payment by their customers.

As a privately owned company, LCI is not directly influenced by the government, nor does the government does have any role in the governance structure of LCI. Unlike other models for insurance within the OIC countries and globally, LCI does not offer any facilities on behalf of the government in exchange for a fee nor does it enjoy any backstop from the government. LCI is reinsured by reinsurers specialized in credit and bonds reinsurance.

The Ministry of Economy and Trade does offer a program called "Kalafat" http://www.economy.gov.lb/index.php/subSubcatInfo/2/97 which offers loan guarantees in support of banks that lend to SMEs, but this is not export related.

LCI's insured turnover is in excess of USD 1.4 billion while its actual outstanding exposure is in excess of USD 618 million.

LCI provides a wide range of solutions focusing on domestic and export trade credit insurance (trade receivables insurance) including shot-term and medium-term trade credit insurance, credit information and rating, debt collection, credit management support and other advisory services/consultancy. In addition, LCI is a 50% owner (with FIMBank) of a factoring company, Levant Factors.

LCI is a member of the Prague Club (which is currently being chaired by the CEO of LCI).

Analysis:

As a private company, LCI is a highly unusual credit insurance company within the OIC region and, without any sort of government ownership or support, it cannot be called the Lebanese ECA. However, it serves the Lebanese export market, among other regions. Apart from the Kalafat program, the government has no facilities directed at exports or exporters.

According to the analysis undertaken by LCI[8], there is a significant market gap that is currently not being filled by LCI, due to risk and capacity constraints. LCI covers only 1% of the main exports of the country. In that respect, the government should consider whether Lebanese exporters are not getting the kind of support they need and whether there is a clear role to play in filling these gaps – by either providing some sort of reinsurance back-stop for LCI or having LCI run a separate fund on behalf of the government, as is more common.

3.4.6 Morocco

Société Marocaine d'Assurance à l'Exportation (SMAEX)

http://www.smaex.com

Description:

SMAEX (Moroccan Export Insurance Company) was established in 1992 in order to provide insurance services to support the Moroccan export market with the explicit aim of contributing to the growth of exports and promoting trade. The agri-food sector accounts for 40 per cent of its turnover, followed by the textile industry and then pharmaceuticals.

SMAEX has mixed ownership with both government and private shareholders, including Attijariwafa Bank, among others. The government owns a significant number of shares and actively participates in the strategic direction of the company including policy setting and operations, through its participation on the Board of the company.

The SMAEX offers two types of export credit insurance: one product on its own account ("market credit insurance") and another product on behalf of the State ("public credit insurance"). Market credit insurance covers 90 per cent of the risk of non-payment, while public export insurance covers political risks and medium-term commercial risks. It has a dedicated online service to allow client to consult and manage their credit insurance contract and submit their claims.

[8] LCI, Lebanon Statistics, 2014

SMAEX also offers a special insurance product on the state account for the exploration of new markets/clients, which provides the exporter, who is seeking new opportunities, a refund up to 50% of all expenses directly related to the prospecting (e.g. studies of markets, travel and stays abroad of the company delegates, participation in events, fairs or exhibitions, representation abroad, communication and advertising, creation and promotion of a Web site) if the result of the efforts to expand proves unsuccessful or insufficient. The insurance contract is established on the basis of the estimated exploration budget which is validated by the SMAEX and approved by the interministerial Commission.

SMAEX is also a 25% shareholder of a credit information company, RECOURS, created in October 1993, which is owned also by COFACE (35%), BP GROUP (15%), BMCE Bank (15%) and Société Générale (10%). It collects economic and financial information into a database covering millions of Moroccan companies in several industries. In addition, SMAEX offers debt collection and regular training of exporters.

Analysis:

As a credit insurer, SMAEX appears to generate profits on its commercial operations. It works with the government, running the State Account business. Significant effort is given to offering seminars and training for Moroccan exporters, regularly holding events, with a variety of partner organizations, including the Moroccan Chambers of Commerce, the Moroccan trade promotion agency and banks. Moreover, SMAEX offers some innovative products to exporters to share the costs of participating in trade fairs and undertaking new business development.

There is limited up-to-date information available on SMAEX's website, although product information and its on-line client portal are well-maintained. It is not clear to what extent SMAEX works with banks, either with banks as direct policyholders, or with banks accepting their exporting clients' policies as collateral.

3.4.7 Oman

The Export Credit Guarantee Agency of Oman S.A.O.C. (ECGA)

http://www.ecgaoman.com/home.html

Description:

The Export Credit Guarantee Agency of Oman S.A.O.C. (ECGA) is a national ECA and an independent legal entity, which was established in 1991 to provide export credit insurance, guarantee and financing facilities to Omani exporters, particularly those in the non-oil sectors. ECGA aims to protect against both commercial and non-commercial risks associated with the buyer (insolvency and failure to pay) and other conditions in the country (foreign exchange transfer delay, cancellation of import license, war, etc.).

ECGA is 100% government owned and, as a government agency, ECGA's mandate is designed to promote government economic policy, specifically with respect to promotion of non-oil exports. While it was initially fully funded by the government, ECGA is currently self-sustaining but will rely on the government for assistance if faced with financial difficulties. For the previous 4 years until 2010 (after which no figures have been made available) ECGA ran a net profit, even during the global financial crisis of 2008.

The range of products includes post-shipment financing of exports through bills discounting with the commercial banks at concessional interest rates. In addition, ECGA offers guarantees to commercial banks for pre-shipment financing to exporters for working capital requirements so as to meet and enhance the opportunity for their export sales. ECGA also offers the standard export and domestic credit insurance products, as well as debt recovery services and credit information advice.

ECGA is a member of the Prague Club and the Aman Union and benefits from sharing experiences with other ECA members. In addition, the Agency has also signed a number of Memoranda of Understandings (MOUs) with many ECAs to promote cooperation through information exchange, training and reinsurance. ECGA has two reinsurance treaties with international reinsurers: quota share with Namur Re and excess of loss by Coface.

Analysis:

EGCA is a well-run and well-respected ECA. The reinsurance treaties is has in place are a testament to its professionalism and quality of underwriting, as such arrangements suggest that the reinsurers have confidence in the entity's ability to assess and handle the business. (Unlike facultative reinsurance which is single transaction insurance, wherein the reinsurer relies more on the transaction risk, treaty reinsurance must put more confidence in the primary insurer's own systems and track record).

3.4.8 Qatar

Qatar Export Development Agency (TASDEER)

http://www.qdb.qa/English/Products/Exporting/Pages/default.aspx

Description:

The Qatar Development Bank (QDB) launched the TASDEER program in 2011 with the objectives of to developing and promoting exports from Qatar in international markets and providing export credit guarantees and financial products and solutions to mitigate the risks imposed on local exporters.

Export development and promotion services include developing the Qatar export strategy for non-oil products, identifying products and target markets and providing trade information about foreign markets and market entry studies for target markets. Moreover, TASDEER supports participants in international and regional trade fairs.

All Qatari exporters are eligible for TASDEER support, regardless of the size of their export contracts, the sector they represent and their turnover. However, TASDEER is particularly focused on non-oil exports, helping them to improve their export performance and ultimately increase national exports.

As an agency under QDB, TASDEER's strategic direction comes from the Bank's Board of Directors which consists of seven members. Board members are representatives from government departments and ministries with relevant experience in developing non-oil sectors and are nominated by the Emir of Qatar.

TASDEER provides both pre-shipment and post-shipment export credit insurance to protect Qatari exporters against commercial and political risks imposed by overseas. Both instruments cover 90% of the value of goods. Pre-shipment credit insurance protects exporters against loss (direct or indirect), or when an order is cancelled before the goods are shipped. This facility is particularly useful for exporters producing custom-made products that may not be resalable, especially when production may be discontinued due to political or commercial risks. Post-shipment credit insurance protects against the risk of an overseas buyer failing to pay for goods received on credit and applies to transactions with repayment terms not exceeding 24 months. In 2013, TASDEER also launched a Whole Turnover policy as well as a takaful Shariah-compliant credit insurance.

In addition to its credit insurance offerings, TASDEER provides export development and promotion services including developing Qatar's export strategy for non-oil products, identifying products and target markets, conducting market entry studies for target markets, providing trade information about foreign markets through tools like 'Trade Map' and 'Market Access Map', and supporting participants in international and regional trade fairs.

Since its inception, its portfolio has been growing steadily, reaching QAR 260 million (or USD 71.2 million) in 2013.

Analysis:

TASDEER got off to a fast start in 2011 and has since quickly ramped up its business activities, introducing Whole Turnover policies and Shariah-compliant insurance in 2013. It relied on outside expertise from an existing credit insurer to launch its new business line. This significantly accelerated the introduction of the products into the Qatari export market and allowed QDB to focus on its marketing and business development activities. TASDEER works hard to understand the exporting sector – their needs and priorities.

The business model of an ECA embedded in a national development bank benefits from special synergies, particularly in relation to customer outreach. Additional synergies with the Qatari Ministry of Business and Trade might also be beneficial – both ways – given TASDEER's direct business dealings with exporters.

3.4.9 Saudi Arabia

Saudi Export Program (SEP)

http://www.sep.gov.sa

Description:

The Saudi Export Program (SEP) was established in 1999 under the Saudi Fund for Development (SFD), to promote the export sector and diversify the national economy away from fossil fuels.

To this end SEP provides financing, guarantees and insurance facilities (in Saudi Riyals or USD) that help to increase competitiveness and mitigate risks associated with international trade transactions which exporters may face, in particular, when entering new markets. SEP also organizes export promotional activities such as seminars and exhibitions, and publishes brochures providing information on national exports.

SEP supports exporters (including SMEs) selling their products in international markets by establishing lines of financing in favour of foreign banks, foreign financial institutions and foreign large importing firms. SEP also offers financing facilities including pre-shipment financing. In the insurance line, SEP provides two products that aim to reduce exporters' risk of non-payment due to commercial or political risk by covering 90% of said risk: Whole Turnover and Specific Transaction.

Based on the application of specific criteria to each export transaction including a minimum 25% Saudi domestic value added for any product and a minimum SR 100,000 value (USD 27,000) for any transaction, SEP supports up to 100% of the value of an eligible export transaction.

As of the end of 2013, SEP had provided USD 3.2 billion in direct financings, USD 866 million in lines of credit with several foreign banks and USD 4.6 billion in guarantees and insurance to 46 beneficiary countries.

SEP, through SFD, has forged partnerships with international and regional institutions including JBIC, IADB, KfW, Islamic Development Bank and West African Development Bank, and engages in technical cooperation, joint financing and reinsurance arrangements in order to improve its own offerings to local exporters. SEP is a member of the Prague Club, the Aman Union and G-NEXID.

Analysis:

SEP offers both financing and insurance products to address the market gaps that exist. A guiding operating principle is that, as a lender, it complements the commercial banks and does not compete with them. As such, SEP seeks to understand the trade and finance flows, and tailors its focus and ECA products towards facilitating Saudi non-oil exports to compete globally. Its outward focus, as demonstrated by membership in various international fora, has been beneficial to this end.

The Saudi program which is organized within the Saudi Development Fund and directly controlled by the Ministry of Finance is the best capitalized ECAs in among the OIC member states. Existing within an economic development funding agency with no relation to the international trade business has potentially hampered its development into a full-fledged ECA. One noticeable area of relative weakness is SEP's credit insurance capability.

3.4.10 Sudan

National Agency for Insurance and Finance of Exports (NAIFE)

http://www.naife.org/

Description:

The National Agency for Insurance and Finance of Exports was established in 2005 under a specific law with ownership comprised of entities from both the public and private sector.

NAIFE's objective is to promote the development of Sudanese exports to help them expand into new markets and to new buyers. NAIFE provides credit, guarantees, insurance and reinsurance facilities as well as technical assistance through the provision of market research and information to exporters. This is expected to increase exporters' competitiveness in international

markets. As one of the criteria for supporting a transaction, NAIFE has a minimum threshold for Sudanese value-added.

The law specifies the functions and objectives of NAIFE, as well as the governance arrangements, authorities and financial requirements. According to the law, the Board of Directors must have representatives from the private sector owners, as well as from the Ministry of Commerce, the Ministry of Finance, and the Central Bank. The law also stipulates a minimum 25% government ownership.

The Board of Directors has a number of responsibilities, including the authority to set the maximum amount of contingent liability that the Agency can assume. The law also requires NAIFE to submit annual reports for approval by the Board.

Analysis:

NAIFE provides the full range of financial facilities in support of exports: financing, guarantees, export credit insurance, marketing research and studies and trade promotion. As a full-service ECA, it can tailor solutions to the needs of specific export transactions.

NAIFE has a very solid governance structure in law, which ensures important linkages between the government's policy direction and NAIFE's objectives. However, despite its model governance arrangement, there is very limited information on its level of activities to be able to judge the effectiveness of the agency.

3.4.11 Tunisia

Tunisian Foreign Trade Insurance Company (COTUNACE)

http://www.cotunace.com.tn/content/pages/rubrique.php

Description:

Established in 1984, COTUNACE is one of the oldest insurance companies in the region and has extensive knowledge of export credit risk assessment. ISO 9001 certified, COTUNACE aims to provide top-tier specialist service to Tunisian exporters particularly with respect to evaluating and monitoring risks related to overseas customers. It offers insurance products to protect Tunisian companies against commercial and non-commercial risks such as non-payment risks and market disruption.

Its shareholders are the Government of Tunisia (32.46%), the Arab Investment and Export Credit Guarantee Corporate in Kuwait (DHAMAN) (23.18%), Banks (21.32%) and Insurance & Reinsurance Companies (23.04%).

COTUNACE also manages two programs of behalf of the state:

- Export Risk Guarantee Fund – an insurance product which covers non-commercial risks and extraordinary commercial risks (including natural disasters and political risks) which are difficult to insure in the private market, which are beyond the capacity of COTUNACE and concern transactions of national interest.

- DHAMEN Finance Guarantee Fund – DHAMEN is a guarantee fund under the Export Development Program, which was jointly established by the Tunisian Government and the World Bank and promotes pre-shipment export funds for SMEs through financial institutions.

On its own account, it also offers:

- Standard Commercial Credit Insurance which covers non-payment losses due to commercial risk (although there is possibility of extending coverage to non-commercial risks),
- Multiple Risk Export Insurance Contract which also provides protection against non-payment and loss of market and also provides financing for the export.

COTUNACE offers a Simplified Credit Insurance facility for SMEs.

COTUNACE has signed several bilateral cooperation agreements with other insurance companies including: ATRADIUS (Belgium); COFACE (France - Coface Services and Coface RBI); COFACE UK (G.B); CAGEX (Algeria); ECGE (Egypt); ICIEC (Saudi Arabia); CIAGI (Kuwait); SMAEX (Morocco); HBOR (Croatia); EGFI (Iran). It also partners with Tunisian banks and reinsurers, giving it access to databases containing information on millions of businesses around the world.

Analysis:

COTUNACE is a model for a successful and effective export credit insurance agency serving the national economic agenda. It has developed a strong underwriting capacity with a flexible business model designed to be in tune with national economic strategy. It enjoys government support and close relations with the banking sector.

COTUNACE has also a strong commercial orientation. It has generated a consistent profits in recent years, a reflection of its operational strength and good management. It is a well-regarded company amongst its peers and has built a strong active network of partners on which it relies to supply information on international buyers and commercial opportunities. It has developed strong international relations as reflected in its quota share treaty (QST) which features major credit reinsurers in addition to ICIEC.

The government has set up two programs through COTUNACE to support its public policy aims; the financial results of these programs are not folded into COTUNACE's financial position, as they are on the state's account, but COTUNACE manages these as an agent. This is an arrangement that benefits from COTUNACE's expertise in credit assessment and client reach.

3.4.12 United Arab Emirates

Export Credit Insurance Company of the Emirates (ECIE)

http://www.ecie.ae/

Description:

ECIE was established in 2008 under the Dubai Export Development Corporation (DEDC) and is the only trade credit insurer with local presence. ECIE serves as an ECA, supporting UAE-based

companies (local and their global subsidiaries) in expanding their exports by providing risk coverage from non-payment of buyers.

ECIE is directly funded by the government and is governed by the UAE Insurance Authority.

ECIE offers a comprehensive Short Term Policy providing credit insurance coverage against non-payment of their customers for products or services sold on credit terms of up to 180 days. Payment terms of up to 360 days may also be considered, as well as a Single Risk policy. ECIE also provides debt collection and business information services.

DEDC complements the company's insurance offerings providing a) Partner Export Services, in which exporters receive support and guidance when establishing or expanding their export businesses including market intelligence and concessions on-the-ground assistance in overseas markets; b) Dubai Export Academy which was established to enhance the skills and success of UAE businesses looking to expand or enter into foreign markets by providing essential information on foreign markets, export management, trade data and policy analysis; c) Export Assistance Program (EAP) providing financing to SMEs for export operations in international markets and to enhance the capacity of manufacturers and service providers in key industry sectors and d) Export Resource Centre which assistance to businesses launching or expanding their export operations.

ECIE is part of the COFACE global network.

Analysis:

ECIE is essentially a provincial ECA with ambitions to become a national agency. Efforts to bring in Abu Dhabi to increase the capital of ECIE and to create a national ECA have been undertaken but no progress has yet been made.

ECIE, as part of Dubai's export promotion agency, has an unusual business model for an ECA. However, this arrangement has significant merit for exporters, given that ECIE's approach is driven by government policy on export promotion and SME development and is directly related to DEDC's mandate.

Another unusual feature of ECIE is that it is licensed by the insurance authority of the UAE which requires it to meet certain solvency requirements, come under the supervision of the authority and to undertake external audits.

3.5 Country Summaries: Asian Group

3.5.1 Albania

Export Credit Guarantee Fund (ECGF)

http://wbc-inco.net/object/organisation/8830

Description:

In October 2007, an Export Credit Guarantee Fund scheme was launched by Albinvest with an initial capital of ALL 200 million (USD 1.9 million) from the Government to run for 6 years. The

fund's management shifted to the Albanian Investment Development Agency (AIDA) which was established in 2011. The agency's objectives include attracting foreign investment, increasing the competitiveness of the Albanian economy by supporting SMEs, particularly in providing assistance on exports of goods and services and promoting innovation.

The purpose of the fund was to reduce the credit risk of the exporter, covering 85% of the working capital requirements for a minimal cost (0.25%). ECGF was designed to improve commercial lending to enterprises by providing collateral required by lending institutions to increase access to finance for enterprises so they can expand exports and increase their competitiveness in global markets. This Fund can be accessed by both Albanian SMEs seeking to enlarge their export markets, and foreign SMEs searching for local partnerships in the country. To complement this product offering, AIDA also provides free support through a variety of services, including market analysis, and networking among others.

AIDA undertakes all policy decisions within ECGF. Under the National Strategy for Development and Integration 2007-2013, the agency has the mandate of promoting private sector development and improving the business climate. ECGF is under the purview of AIDA's Board of Directors, which is composed of 10 members with six government ministers, four from the private sector and chaired by the Prime Minister.

Analysis:

In the early 2000s, there had been some desire to consider converting the Albanian Guarantee Agency into an ECA. However, the World Bank had previously financed the AGA and did not endorse the proposal.

The possibility has also been raised that, in the long term, the ECGF could become an independent ECA. However, the ECGF expired in 2013 and has not been renewed. The concept was under consideration in 2012 by AIDA's Management Board, but the fund was not recapitalized or extended.

3.5.2 Bangladesh

Sadharan Bima Corporation Export Credit Guarantee Department (SBC)

http://www.sbc.gov.bd/sbc_service.php

Description:

Established in 1973, Sadharan Bima Corporation (SBC) is the only state-owned General Insurance Corporation operating under the direct control and supervision of the Ministry of Finance. The initial concept was for SBC to deal with all classes of general insurance & re-insurance business emanating in Bangladesh. After acting as the sole insurer of general Insurance until 1984, Bangladesh government allowed private sector firms to enter the market. SBC is currently the largest insurer in the country, with a market share of over 20% of the total premium income of the insurance market of Bangladesh.

The main pillar of the SBC is insurance and reinsurance. SBC is entitled to 50% of public sector business in Bangladesh. SBC operates under the direct control and supervision of the Ministry of Finance. Its Board of Directors is composed by 7 members from private sector, as well as members 7 from the government (Ministry of Finance).

In 1978, SBC launched an export credit insurance program, offering pre-shipment and post-shipment insurance on both a Whole Turnover and single risks basis. The Scheme was established at the initiative of the Export Promotion Bureau and the Ministries of Commerce, Industry and Finance.

Analysis:

The Bangladeshi export credit scheme has been subject to some review over the last ten years. A 2003 ADB project was undertaken to look at export development services to SMEs. This project considered the role of SBC as the Bangladeshi export credit insurer and made a recommendation that the export credit program of SBC be re-launched as the Bangladeshi ECA, but this recommendation was not implemented. The Islamic Development Bank noted in its report of 2013, that the export credit insurance industry in Bangladesh is under-developed as this product line is an ancillary function of SBC and not given the attention required to meet the needs of exporters and banks.

SBC has never had a proper focus on the ECA part of their business, which has been overshadowed by its other insurance activities. As a result, Bangladesh does not have an ECA or an export credit insurer that can provide the specialized support to exporters.

3.5.3 Indonesia

Indonesia Eximbank (Lembaga Pembiayaan Ekspor Indonesia or LPEI)

http://www.indonesiaeximbank.go.id/

Description:

After the Asian financial crisis of the 1990's, the Indonesian government instituted policies to promote exports and established the predecessor to Indonesia EXIM, PT Bank Ekspor Indonesia (Persero) in 1999, initially as a state owned bank, to provide various forms of financing products for export activities. Due to some limitations in Indonesian's banking system in2009, the government established the Indonesia Eximbank as an ECA and Indonesia Eximbank assumed all BEI's assets and liabilities as well as legal rights and obligations.

Indonesia Eximbank is 100% owned by government, established by a special law. The Bank's Board of Directors, appointed by the Minister of Finance, is comprised of 10 people with 6 government officials (three in charge of fiscal matters and the rest for trade, industry and agriculture each), three from outside Eximbank and one internal. The Board of Directors formulates its policies and supervises operations. However, as a government institution, its mandate is tied to the national policies and priorities.

Indonesia Eximbank's primary functions are to support the general advancement of Indonesian exports. Eximbank is mandated to support national export programs and boost national export performance in specific industries by providing financial tools including financing, guarantees, insurance and advisory services aimed at encouraging SMEs to develop export-oriented products. The government has identified priority sectors for Indonesia Eximbank to target, specifically crude palm oil, coffee, rubber, fishery, shrimps, textiles, food processing, cocoa and footwear and overseas construction.

Indonesia Eximbank is expected to help provide funding in those market segments that are currently not being served by commercial banks or financial institutions or where there is a lack of capacity by these institutions to provide competitive financing.

Indonesia Eximbank was initially capitalized by the Government with IDR 5 trillion (about USD 400 million) which has since grown to IDR 7.9 trillion (equivalent to USD 650 million). In the event that the capital of Indonesia Eximbank falls below IDR 4 trillion, the Government also has the obligation to cover any capital deficit. As a result of its strong relationship with the Government, by virtue of its legal status, financial backing of the Government and the appointment of the Board by the Minister of Finance, Moody's rates Indonesia Eximbank as Baa3.

With a staff of 312 in 2013, Indonesia Eximbank offers the full range of export credit and export finance services, including Shariah-based financing instruments. It also has a special SME Financing program in which it provides financing to SMEs engaged in exporting including its supporting ventures. SME Financing is divided into domestic and overseas financing through conventional or sharia based principles.

Indonesia Eximbank also provides Consultancy Services to exporters and producers of export commodities, as well as other parties such as banks or financial institutions. Consultancy Services include the provision of guidance and training on a wide range of topics related to export activity.

Eximbank partners with PT Permodalan Nasional Madani and Venture Capital corporations around the country in order to improve access to financing for SMEs. It has also established partnerships with foreign banks. In 2013, it signed MOUs with Russia's State Corporation Bank for Development and Foreign Economic Affairs (Vnescheconombank) and Banco Nacional de Comercio Exterior (Bancomext) of Mexico. Indonesia Eximbank is also a member of the International Development Finance Club (IDFC), a multilateral forum of development banks and agencies supporting energy efficiency projects and climate finance. The Bank also partners with the Asian Development Bank and KfW Germany to provide competitive financing for energy efficiency projects, as well as through its membership in G-NEXID.

Analysis:

Indonesia Eximbank has focused on its mandate and ensured a product offering that meets the needs of clients, including Shariah-based financing instruments. Its partnerships locally and internationally are purpose-driven, whether to support Indonesian SMEs, or to be active in climate finance as a member of IDFC.

The Bank has managed significant growth in its business activities and balance sheet in recent years, even as it operates in higher risk and new market areas that commercial banks and financial institutions are unwilling to support. Operating in markets which commercial banks are unwilling to operate while maintaining financial sustainability is an impressive achievement by any standards.

Asuransi Ekspor Indonesia (ASEI)

http://www.asei.co.id

Description:

Asuransi Ekspor Indonesia (PT ASEI) was established in 1985 to provide export insurance and export credit guarantees. PT ASEI's purpose, as stated in its revised Articles of Association dated 10 November 2008, is to "support the enhancement of non-oil and gas export and non-export activity, including but not limited to export insurance and credit insurance."

PT ASEI states that it is the sole ECA of the Republic of Indonesia for non-oil and gas commodities, and is wholly-owned by the Republic of Indonesia through the Minister of State Owned Enterprises. Its mission is to promote Indonesian exports and support the competitiveness of Indonesian goods and services in the international market.

PT ASEI has staff of 429 employees (2012), 19 branches and 16 marketing offices and works with a number of banks across the country as delivery channels for its products.

ASEI's governance structure consists of a Board of Directors responsible for management and a Board of Commissioners, which supervises and advises the Board on behalf of ASEI's sole shareholder, the government of Indonesia. As a state-owned enterprise, ASEI is subject to an annual audit of its assets, liabilities and business results, which is undertaken by a public accountant appointed by the General Meeting of Shareholders. The Indonesian State Audit office is also authorized to conduct audits on state-owned enterprises, including ASEI. ASEI's annual budget is approved in the Indonesian House of Representatives as part of the country's annual budget hearings during which documentation on past financial and business performance is presented by ASEI management, as well as a proposed annual budget and business plan.

ASEI's business volume has been growing in the last few years, while its expense ratio has fallen from 21.37% to 12.30% in 2012 and claims ratio from 13.5% to 9.26%. Overall, net profit has grown from 37,130 millionn RP (USD 3.5 million) in 2009 steadily to 92,799 million RP (USD 8.9 million) in 2012. Fitch Ratings set ASEI's credit

ASEI offers a typical range of export credit products, as well as some general insurance products – both conventional and Islamic insurance (e.g. for property). In addition, it offers guarantees and surety bonds to suppliers of goods and services to Indonesian-based projects, including export oriented projects, to encourage sales of goods and services to these projects by reducing counterparty payment risks. The types of products offered include bid bonds, performance bonds, maintenance bonds, customs bonds, contra bank guarantees, excise bonds and payment bonds.

ASEI works with foreign reinsurers (Swiss Re, Malaysian Re, Hannover Re, Trust International, Atradius Re and Nationale Borg) to reinsurer its portfolio. ASEI has been a member of the Berne Union since 1999.

Analysis:

ASEI has a long history of being a well-run insurer with a strong risk management culture and good corporate governance practices. This includes a commitment to transparency and accountability. Its annual reports are published and up-to-date.

ASEI is one of the oldest OIC ECAs and the one of two OIC country members of the Berne Union along with ICIEC. In recent years ASEI has been expanding and has been financially successful.

This, however, appears to be emanating from its new strategy of focusing on domestic credit insurance and general insurance so as not to compete with Indonesia Eximbank.

3.5.4 Iran

Export Development Bank of Iran

http://www.edbi.ir/

Description:

Export Development Bank of Iran (EDBI) was established in 1991 as a specialized bank, fully owned by the Central Bank of the Islamic Republic of Iran. Its mandate is to promote non-oil exports and promote relations with all Iran's current and prospective trading partners. Currently EDBI is the country's Eximbank and provides financing facilities and banking services (including deposit-taking) to exporters and the importers of Iranian goods and services and promotes these products in international markets.

The Board of Directors comprises 5 members who are appointed by the Bank's General Assembly and chaired by the Ministry of Finance and Economic Affairs. The Supreme Council of the Banks, led by the Governor of the Central Bank of Iran, provides recommendations to the Board of Directors. The Central Bank regulates EDBI as part of its mandate to oversee operations of banks as well as setting interest and exchange rates. In an effort to strengthen its financial standing, EBDI has improved its financial structure and liquidity management and utilized risk management tools and strict internal control policies to mobilize and allocate resources for improved financial performance.

The Bank has a staff of 1,905 (in 2013) and 34 local branches (5 branches in Tehran and 29 branches in main provinces), one Representative Office in Kazakhstan, a wholly owned bank in Venezuela (Caracas), and a subsidiary partially owned bank in Belarus (Minsk). It offers a range of financing products, including Buyer's Credit, Supplier's Credit, investment financing, credit lines to foreign banks, working capital and import financing. It also offers guarantees to banks and other beneficiaries.

The Bank is also forming partnerships with international banks and other financial institutions to increase its access to international financial resources. EDBI has partnered with Islamic Development Bank (IDB) and its affiliated institutions including International Islamic Trade Finance Corporation (ITFC) to support Iranian importers and exporters. IDB approves applications for finance through issuance of L/Cs and guarantees and ITFC has also provided several credit lines. ICIEC has also provided insurance coverage for financing operations and confirmation for import L/Cs.

Analysis:

As a deposit-taking institution, EDBI is under the supervision of the Central Bank of Iran. Relative to staff size and capital base, its business volumes are relatively small. Its ownership of banks in Venezuela and Belarus is not obviously in support of its mandate.

Export Guarantee Fund of Iran (EGFI)

http://www.egfi.org/index.aspx?siteid=81

Description:

The Export Guarantee Fund of Iran was initially established in 1973 as the first state-owned export credit insurance entity. The decline in oil revenues in the early 1970s was preceded by the devaluation of the US dollar and led to the establishment of EGFI, which aimed at covering Iranian exports against political and commercial risks. Once oil prices recovered in the mid-70s resulting in an increase in oil revenues, the EGFI was no longer relevant and was inactive for a decade. In 1994, EGFI was revamped as an independent legal, financial and administrative entity affiliated to the Ministry of Commerce to increase non-oil exports and to support local exporters in building their businesses.

EGFI has a General Assembly which includes the Minister of Commerce, Minister of Finance, Minister of Foreign Affairs, Minister of Industries, Head of the Plan and Budget Organization, President of the Central Bank of the Islamic Republic of Iran, President of the Iran Export Development Center and two members of Islamic Consultative Assembly. It also has a Board of Directors comprised of five people who serve for five years and a Managing Director (proposed by the Ministry of Commerce and approved by the General Assembly). The General Assembly selects one of two principal inspectors and alternates for one-year period. EGFI implements policy proposed by the supervisory body, the Ministry of Commerce, and approved by the Council of Ministers.

One percent (1%) of CIF value of the goods from all private importers is collected in a contingency reserve account, and the balance amount of the contingency reserve along with annual net profit serve as source of funds for EGFI. If a deficit occurs, this is included in the annual budget of the country. In fiscal year 2013-2014, EGFI received a capital increase from the government of USD 200 million to help cover the significant claims that EGFI had to pay out.

EGFI offers standard Whole Turnover and single risk insurance to exporters and an L/C policy to banks, as well as investment insurance in support of Iranian foreign investors and banks. It also offers a range of guarantee products, in addition to consultancy services in law, international sales contract conclusion, market research, countries or banks risk, foreign buyers' creditworthiness assessment, trade techniques and connecting exporters to the related local & international export entities. In 2003, an investment department was established to invest in companies registered at Tehran's Stock Exchange and in projects abroad, invest in non-oil export promotion (including industry, agriculture, mines and services) in line with non-oil export promotion and form partnership with banks in reinsuring credits.

EGFI has actively cultivated relationships with international groups with the purpose of exchanging information and expertise with the Prague Club and Berne Union, participating in COFACE's Credit Alliance Network, preparing for membership in Aman Union and reinsuring part of the Fund's risk portfolio with ICIEC. In late 2014, EGFI signed a cooperation agreement with EXIAR, the Russian ECA.

Analysis:

Since its re-launch in 1994, EGFI has a sought to become an active export credit insurer. The latest figures available are from 2010, when EGFI insured USD 3.2 billion of new business, nearly

5% of Iranian exports. There is no information published since then but the Aman Union reports EGFI's business volume to be more in the USD 1 billion range in 2013. The capital injection in 2014 should position EGFI to be able to underwrite additional business in the coming years.

3.5.5 Kazakhstan

JSC Export Credit Insurance Corporation (KazExportGarant)

http://www.kecic.kz/en/

Description:

KazExportGarant was initially established as JSC State Insurance Corporation for insurance of export credits and investments in 2003 to provide insurance and reinsurance. It aimed at supporting the development of export-oriented industries in the manufacturing sector. In 2010, it became JSC Export Credit Insurance Corporation (a subsidiary of JSC National Management Holding Baiterek) and as of June 2013, has an authorized capital of almost USD 73 million.

Established as development institution, 100% owned by government, KazExportGarant plays a crucial role in the implementation of the government's strategy to promote the development of Kazakhstan's export-oriented industries in the manufacturing sector of the economy.

KazExportGarant offers various insurance policies. It provides credit insurance to Kazakhstani exporters of non-primary goods, works and services (for up to 80% of the loss) incurred due to either political or commercial risks). In 2010, the company developed a new program of insurance cover to an exporter's bank that serves as confirming bank to protect against commercial and political risk (up to 100% of the letter of credit amount). KazExportGarant also offers investment insurance to Kazakhstani investors against the risks of a political nature in the country for investment for political risks - up to 90% of the amount of loss incurred. Commercial risks are not covered.

KazExportGarant is a member of the Prague Club since 2004 and the COFACE Partner alliance.

Analysis:

KazExportGarant has many strong features which support its operations. It received a KazExportGarant rating of Baa2, and enjoys a strong link to the government in terms of both financial backing, as well as in terms of strategic policy implementation works with trade promotion agencies. KazExportGarant is licensed and supervised by the insurance authority and has strong conflict of interest and compliance rules and an internal audit function.

Published financial statements are fairly up-to-date but the last audited financial statements are from 2011. However, there are no recent annual reports available and no information is provided on actual business volumes.

3.5.6 Malaysia

Exim Bank of Malaysia (MEXIM)

http://www.exim.com.my

Description:

The Export-Import Bank of Malaysia Berhad (MEXIM) was established in 1995 as a government - owned development financial institution and a subsidiary of the Ministry of Finance Incorporated to promote trade and diversification of exports. Subsequently, it was also tasked with facilitating the entrance of Malaysian firms into new markets, especially in non-traditional markets. In 2005, MEXIM absorbed the insurance business managed by its former sister company, Malaysia Export Insurance Berhad, becoming the country's sole ECA.

Although a government owned entity, the Board has the independence to set strategic plans and to review financial performance. MEXIM's Board of Directors is comprised of seven 7Directors, five of whom are independent Non-Executive Directors, one is a non-independent Non-Executive Director (nominee of Minister of Finance Incorporated) and one is an Executive Director (Managing Director/Chief Executive Officer). The Board considers and approves the annual financial statements including interim and final dividend to shareholders.

In 2013, MEXIM paid a final ordinary dividend totaling RM21.7 million (USD 6 million).

As a full-service ECA, MEXIM offers a complete range of products – both conventional and Islamic versions. Given the nature and characteristics of the export sector, MEXIM focuses on both medium/long-term export and project finance transactions, as well as short-term credit insurance. MEXIM provides financing and guarantees for trade activities in Malaysia and projects abroad and insurance facilities to address sovereign and commercial risks of foreign governments and companies respectively. It has financed and insured transactions in power generation and distribution, maritime, infrastructure, construction, telecommunications, agriculture, housing developments, tourism as well as oil and gas.

MEXIM is a member of the Berne Union, Asian EXIM Banks Forum, the Aman Union, Association of Development Financing Institutions in Asia and the Pacific and has a reinsurance facility agreement with ICIEC. It also signed cooperation agreements with ECAs in Turkey, Emirates and Oman as well as for improved exchange of information and technical assistance on credit insurance and reinsurance in the region.

MEXIM also works closely with local agencies such as Ministry of International Trade and Industry (MITI), Malaysia External Trade Development Corporation (MATRADE), Malaysian Industrial Development Authority (MIDA), Small and Medium Enterprise Corporation Malaysia (SMECorp) and Construction Industry Development Board Malaysia (CIDB).

Analysis:

MEXIM is a leading example of a full-fledged ECA, offering the range of both conventional and Islamic products, balancing myriad stakeholder needs and interests and delivering solid financial results. Among other features, it has very clear vision and mission statements underpinned by a solid corporate governance and accountability structure. It was designated by HR Asia one of the Best Employers to Work for, thus ensuring a stable and professional workforce. Its client chart promises prompt responses within well-defined turnaround times for each facility offered. MEXIM has been rated A3 by Moody's and A- by Fitch, which was the basis for issuing a US dollar-denominated sukuk of USD300mn, for the purposes of expanding its Islamic banking portfolio.

Although overall a successful ECA, MEXIM is a case where the credit insurance business is marginalized in favour of the mainline finance activities. The short-term export credit insurance business seems to have been left to foreign providers. There may be a logic behind this strategy, since the private market insurers are normally catering to the demand for short-term cover. So, it makes sense for NEXIM to focus on providing cover for exports of medium-term nature. However, this may leave SMEs without insurance support, as the foreign insurers tend not to focus on this segment.

3.5.7 Pakistan

Pakistan Export Finance Guarantee Agency Ltd (PEFG)

http://www.sbp.org.pk/

Description:

Various credit facilities are available in Pakistan through State Bank of Pakistan. These include inter alia Export Finance Scheme under which short term credit is provided by the banks and refinanced by the State Bank to support exports from Pakistan, medium and long term financing for purchase of machinery and credit facility for export sales on down payment in foreign currency. An Export Credit Guarantee Scheme was introduced in March 1962 to underwrite the exporter's financial risk to the extent of 75 per cent of loss sustained on commercial risks and 85 per cent on the political risks. These risks were not covered by normal insurance guarantees and hence the security provided by the Scheme would encourage exporters to explore new markets. In 2000, Asian Development Bank established Pakistan Export Finance Guarantee Agency which was unsuccessful according to ADB's project completion report.

In Trade Policy 2002-03 it was highlighted that the existing Export Finance Scheme has certain unavoidable limitations like asset based collateralization, short tenor etc. Credit sale was increasingly becoming norm in the international trade. Pakistan did not have a proper supplier's credit scheme to cater to these requirements. The need for an EXIM Bank, perhaps with built-in credit insurance system, appeared imminent. Accordingly work was started on setting up of EXIM Bank immediately. After much deliberations, discussions and on the advice of the ADB it was decided that instead of a new institution such as EXIM Bank the ADB-assisted Pakistan Export Finance Guarantee Agency (PEFGA) to be converted into an Export Credit Agency (ECA) with fresh injection of capital and change in the ownership structure. The name PEFG was retained afterwards.

The Pakistan Export Finance Guarantee (PEFG) agency was aimed at improving small, medium and emerging exporters' access to bank credit by providing cover pre-shipment performance risks and issue bankable collateral to SME exporters. The original objective of ADB's investment was to help in the overall development of Pakistan's export sector.

These guarantees were to provide coverage of 80% of the loan amount. PEFG charged a premium of 1 – 4% for each transaction, depending on the service obtained and the risk assumed as well as an additional fee of 0.25% for each transaction, not exceeding 10,000 Rupees. There was also consideration to provide export credit insurance, including both pre-shipment and post shipment, to exporters.

The company is dormant since 2009. According to the ADB in its Project Completion Report, the project did not meet success, based on a number of factors that did not materialize. The Agency

relied on *"a high level of business reciprocity from all the shareholder banks; the early introduction of a good range of export product offerings, most with positive profit profiles; the creation of a governing council advisory body, to permit the government to have a participatory role in the agency's development. None of these have been introduced nor established at the level or in the form anticipated in the original proposals. In the absence of the above expectations, PEFG has been unable to establish a profitable business from start of operations up to the present time."* As the ADB notes, the current PEFG core (and only) product, (guarantees) targets solely SMEs, is by nature high risk and expensive to implement and therefore market prices cannot recover its cost.

In the Strategic Trade Policy Framework (STPF) 2012-15, the Government of Pakistan approved the establishment of EXIM Bank. Subsequently the Finance Minister was pleased to announce the establishment of EXIM bank in the Budget Speech for Financial Year 2014-15. The aim is to reduce cost of borrowing for exporting sectors on long term basis and help reduce their risks through export credit guarantees and insurance facilities. The Bank will provide liquidity to exporters. Its authorized Capital will be Rs. 10 billion while the initial paid-up capital will be Rs. 6 billion. The Bank will be established as a DFI. The work is in progress and the establishment of EXIM Bank is likely soon.

Analysis:

Pakistan is a case where there is a large market gap for ST credit insurance, which PEFG failed to cater for due to a wrong business model. The gap is partially filled by SBP and ICIEC catering for the needs of major textile exporters, but only a full-fledged EXIM Bank supported by the government can do the job.

3.5.8 Turkey

Export Credit Bank of Turkey (Türk Eximbank)

http://www.eximbank.gov.tr

Description:

Turkey adopted an export growth strategy in the early 1980s, which shifted the focus of exports from agricultural goods to industrial goods, thereby increasing the financing needs of exporters and putting pressure on commercial banks to provide this financing. In this context, Export Credit Bank of Turkey (Türk Eximbank) was established in 1987 as an ECA to promote export development by supporting foreign trade and Turkish contractors and investors abroad. The Bank currently has a Moody's credit ratings of Baa3.

Türk Eximbank supports Turkish exporters, contractors and investors through various credit, guarantee and insurance programs. The Bank does not compete, but works closely with commercial banks encouraging them to increase their support for the export sector. As well as providing direct lending, the Bank also provides insurance and guarantees to Turkish commercial banks to encourage them to finance export transactions backed by sales made on deferred payment terms. In this way, Türk Eximbank channels some portion of commercial banks' funds into export financing. Likewise, Türk Eximbank, using credit from international sources, such as the World Bank and EIB, lends at below market rates to SMEs with bank guarantees.

Türk Eximbank is 100% owned by the Undersecretariat of Treasury. The policy direction of Turk Exim is based on the export-led growth strategies of the government and particularly the 5-year development plans and Annual Programs, which include strategies on trade. Turk Exim representatives also contribute to the formulation of these plans. The scope of the annual operations of the Bank is determined by the Annual Program that is approved by the Supreme Advisory and Credit Guidance Committee (SCLGC), chaired by Prime Minister or the Minister, with whom the Bank is affiliated, and other members are the executives of related government departments. Loans are extended under various credit programs within the framework of the authority given to the Board of Directors by the SCLGC, for the realization of the Bank's objectives set by the annual programs.

With a staff complement of over 500 (in 2014) and a capital base of USD 3.9 billion, Türk Eximbank supported more than USD 28 billion in 2013, of which loans accounted for 70%. This amounts to more than 18% of total Turkish exports. The ratio is even higher in 2014.

As a full-service ECA, the Bank provides financing, guarantees and insurance to exporters, investors and banks. It is also a member of the Berne Union, a founding member of the Aman Union and part of the Working Group on Export Credits and Credit Guarantees (in which Turkey has a membership) and the Participants Group (in which Turkey has an observer status) of the OECD. It also maintains close working relations with other ECAs as well as international financial institutions, the WTO and the EU.

Analysis:

Türk Eximbank has a number of special features. It is active in all lines of business, especially lending to Turkish export companies, but it is also active in providing MLT buyer credit facilities. Its adherence to the OECD guidelines, which apply to the MLT business, is also notable, levelling the playing field for Turkish exporters against their OECD competition. The nature and arrangement of the government's guarantee for certain political risks is also unusual in that the government compensates the Bank for losses, rather than take the risks directly, and the Bank then faces a waiting period for payments from the Treasury once a loss has been registered. This arrangement is more burdensome on the Bank than an arrangement whereby the Bank manages the state account business for a fee.

Türk Eximbank is required to complement the banks in its operations. Under such a system, depending on how formalized, this could be understood to mean that a case-by-case analysis of potential bank involvement is undertaken, or that a regular (annual or semi-annual) evaluation of the changing commercial bank capacity and appetite in all areas of operations is conducted. Without these regular market checks, complementarity with banks cannot be assured, but there is not apparently significant friction with the banks at this point.

3.5.9 Uzbekistan

National Export-Import Insurance Company (Uzbekinvest NEIIC)

http://en.uzbekinvest.uz/

Description:

Initially established as National Insurance Company in 1994, Uzbekinvest was restructured and renamed National Export-Import Insurance Company In 1997. Owned jointly by the Ministry of Finance (83%) and National Bank for Foreign Economic Activity (17%), it is a government entity and has an authorized capital of USD 60 million.

The mission of the company is to contribute to development of insurance in Uzbekistan through creation and implementation of effective and workable insurance protection, and positioning the company as reliable insurer. Its objectives in meeting this mission include: protection for economic interests of the national exporters abroad against political, commercial and entrepreneurial risks preventing foreign partners from realization of taken obligations; providing insurance guarantees to commercial banks which finance the exportof technologies, goods and services in accordance with international principles of export credit insurance; providing marketing analysis for trade promotion of technology, goods and services in international markets, as well as providing comprehensive insurance protection for property and individual interests of foreign investors investing into economy of the Republic of Uzbekistan

Uzbekinvest offers a variety of insurance products aimed at exports and investments, as well as providing a wide range of general insurance products across in 17 insurance classes.

Since 2009, the company has received a Moody's rating of B1.

Through its 100%-owned subsidiary, Uzbekinvest International Insurance Company Limited (UIIC), it offers political risk insurance to encourage new foreign investment in infrastructure, natural resource development and industrial production into Uzbekistan. It provides insurance for foreign investments against political risks in Uzbekistan. All business insured by UIIC is accepted on its behalf by an underwriting agency – AIG Uzbekinvest Limited, established for this purpose, which is a member company of AIG.

Uzbekinvest is a member of the Prague Club. It also works closely with Exim banks such as the Export-Import Bank of Romania as well as partners including AIG, which provides it with underwriting and other insurance expertise as well as Korea Trade Insurance Corporate K-Sure.

Analysis:

Uzbekinvest has a very different mandate to other ECAs, as its focus is general insurance. Via its subsidiary, UIIC, it promotes inward investment into Uzbekistan, by providing political risk coverage against specific risks, over which its government owner has certain control. It also offers a broad range of general insurance cover.

3.6 Multilateral ECAs serving OIC Member Countries

In addition to the national ECAs, within the OIC region there are two multilateral ECAs which serve member countries.

3.6.1 Islamic Cooperation for the Insurance of Investment and Export Credit

www.iciec.com

ICIEC is an international organization, which was established in 1994 based on an agreement among members of the Organization of the Islamic Cooperation (OIC) and as a member of the Islamic Development Bank (IDB) Group. The main objective of ICIEC is to provide investment and export credit insurance based on Shariah principles, also known as Takaful Insurance. ICIEC's activities are expected to boost exports and promote foreign direct investment within individual member countries and ultimately contribute towards strengthening economic relations among OIC countries.

As per the guiding principles of Takaful insurance, ICIEC maintains two funds for its operations: a policyholders' fund which is used for financing operational expenses and into which insurance contributions and recoveries from paid claims are placed; and the shareholders' fund which includes paid-up capital and accumulated reserves and out of which deficits in the first fund can be financed through a non-interest loan. Other governing principles include the distribution of surpluses after accumulated reserves are five times the subscribed capital, and the exclusion of insurance cover for goods prohibited under Shariah.

In 2013, ICIEC's total exposure was USD 1,358 million, an 8 percent increase over the previous year and almost double 2009 levels. While there was a slight decline in levels from 2009 – 2010, which may be attributed to the Global Financial Crisis, the data shows an instant and significant increase in 2011 exposure levels.

In 2013, ICIEC's authorized share capital was over USD 600 million, while its capital base during the same year was Islamic Dinar 144.9 million (equivalent to USD 217 million)[9]. ICIEC has 42 shareholders including the IDB and 41 member countries of the OIC. ICIEC's governing structure is closely linked with the IDB – the IDB's Board of Governors, also serves as the governing board for ICIEC. IDB's Shariah committee, which is responsible for ensuring operational compliance Shariah principles, is also responsible for supervising the operations of ICIEC.

ICIEC's received Aa3 (stable) insurance financial strength rating (IFSR) in 2013.[10] Factors that contributed to this rating include shareholders' ability and willingness to provide financial support when needed, the entity's unique insurance and reinsurance products, which are Shariah-compatible, its regional expertise and experience and the management support it receives from IDB.

ICIEC partners with a wide range of ECAs, private insurance companies, associations in export credit insurance such as Aman Union, Berne Union and Prague Club, associations in Islamic finance as well as multilateral and regional institutions including DHAMAN and Asian Development Bank.

ICIEC provides various types of products that are tailored for a wide range of clientele including trading institutions, investors, banks and financial institutions and ECAs. These products are provided through four different programs:

i. Trade Credit Insurance Program: Through this program, export credit insurance and reinsurance for OIC exports is provided, covering against non-payment due to commercial (buyer insolvency and refusal to pay) and non-commercial (currency

[9] Annual report 2013.
[10] Moody's affirms ICIEC's Aa3 IFSR with a stable outlook.
http://www.iciec.com/sites/default/files/files/Mody's%20ICIEC%20PR%20050213.pdf

transfer restriction and expropriation) risks. Products have tenors ranging from 1 – 7 years and include comprehensive short-term policy, specific transaction policy, documentary credit insurance policy and bank master policy.

ii. Foreign Investment Insurance Program: Through this program investment insurance is provided for foreign investment into OIC countries against risks of exchange transfer restriction, expropriation, war and civil disturbance and breach of contract by governments. Products have tenors of up to 20 years and include policies on equity investment, financing facility, guarantees and non-honoring of sovereign obligations.

iii. Reinsurance Program: Through this program, two types of reinsurance products are provided to ECAs. Quota Share Treaty covers risks in trade credit insurance and has a tenor of either less than 360 days, or between 360 – 720 days while Reinsurance Facility Agreement covers risks of all products insured by ECAs that are compliant with ICIEC principles and has varying tenors.

iv. Other Services: ICIEC also provides technical assistance on investment promotion, credit information and advisory services in collaboration with its partners.

As of 2013, ICIEC has 64 staff and is head quartered in Saudi Arabia with regional offices in UAE and Senegal.

3.6.2 Arab Investment and Export Credit Guarantee Corporation (DHAMAN)

http://www.iaigc.net/

DHAMAN is a regional organization established in 1974 by a group of Arab countries and financial institutions. It is headquartered in Kuwait and has a regional office in Saudi Arabia. Its objective is to promote investments in member countries and export development in the region by providing guarantees that protect local and foreign investment in member countries against non-commercial and commercial risks.

In 2013, DHAMAN's total credit risk exposure was 52.5 KD million (Kuwait Dinars – USD 187.5 million), a 50 percent increase over the previous year and the first sign of recovery since a downward trend began in 2010. This trend is likely to be attributed to the global financial crisis of 2008/2009, which affected credit risk exposure significantly. As of 2013, DHAMAN has a capital base of KD 106.8 million (USD 381.4 million). DHAMAN's shareholders include 21 Arab governments and four Arab pan-regional and sovereign-owned funds. Member states of the Gulf Cooperation Council hold 22 percent of shares while the funds have over 50 percent of the shares.[11] Each member country elects one representative to the Shareholders Council which serves as the main decision making body of the entity. Members may also nominate a Director-General who will be selected the council. In 2012 DHAMAN's received a rating of AA (stable) from AA- in 2008 in view of its strong capitalization and good balance sheet levels. The

[11] Supranationals Special Edition 2012. Standard and Poors.
http://www.standardandpoors.com/spf/upload/Ratings_EMEA/Supranationals_2012.pdf

institution is also considered to play a significant political and economic development role in the region due to its ownership, which includes a significant number of governments from the region. DHAMAN partners with insurance companies such as Garant and African Trade Insurance. It is also a member of Prague Club.

DHAMAN provides both guarantees and insurance products. Its guarantees protect Arab and non-Arab investments in member countries against non-commercial risks such as nationalization, civil disturbances and breach of contract, which may result in loss of investments including capital and expected earnings. The insurance program covers both commercial and non-commercial risks in the form of five products including:

i. Export credit insurance – Provided to Arab exporters to support expansion to both Arab and non-Arab markets
ii. Domestic credit insurance – Provided as a complement to an export credit insurance policy
iii. Factoring insurance – Provided to factoring companies and resulting in factor transferring credit risk of account debtors to Dhaman,
iv. Lease insurance – Provided to Arab companies that lease assets
v. Bank insurance – Provided to Arab banks to protect against risks associated with importers, issuing banks and borrowers

DHAMAN is headquartered in Kuwait and has a regional office in Saudi Arabia.

4. MAIN FEATURES OF ECAS IN THE OIC MEMBER COUNTRIES

Within the OIC ECA community, there are a variety of business models, types and sizes of ECAs, each with features that reflect the unique local circumstances and organizational competencies and limitations. Some play a dominant role in their economies, while others are less active. While the mandates are generally consistent – to support and promote their country's exports – the operations can differ significantly.

4.1 Date of Establishment of OIC ECAs

Some ECAs have been established for many years, while others are new.

Although Bangladesh was the first OIC country to offer export credit insurance, Tunisia was the first ECA set up in 1984. A few other ECAs were established prior to the 1990s including, Asuransi Ekspor Indonesia ASEI (1985), Export Development Bank of Egypt (1985) and Turk Eximbank (1987).

New entrants over the past few years include Indonesia Eximbank (2009), Bahrain's Export Credit Guarantee Program (2011), Qatar's Export Development Agency TASDEER (2011), and Albania's Export Credit Guarantee Fund (2011).

Figure 5: Year of Establishment for OIC ECAs

Source: Author

4.2 Mandates and Operating Principles of OIC ECAs

The date of establishment of most of the entities in the OIC countries reflects the economic context facing the country at the time, driven an increasing interest by governments to support export development.

Most of the Arab economies such as Oman, Qatar, Iran and Saudi Arabia, which are highly dependent on oil exports, recognized the need to diversify into non-oil sectors. Countries such as Algeria, Jordan, Lebanon, Nigeria and Senegal aimed to increase their national exports and to promote trade relations with new markets in the region and globally. In this context, Indonesia, Kazakhstan, Turkey and Malaysia adopted a sector-focused approach by singling out such sectors as coffee, rubber, manufacturing, industrial goods and other non-traditional markets in their respective economies for export promotion, while others such as Pakistan and Albania identified SMEs as instruments for expanding exports and aimed to improve access to SME credit through their ECAs.

Some of the ECAs receive their mandates via their constitutive documents or Articles of Association, while others infer their mandates from shareholder directives. Those with clear legal mandates tend not to lose focus and become involved in extraneous activities, which distract from the business of providing export credit facilities. A focused mandate with clear operating principles provides a sound footing for the ECA to build its business.

A number of ECAs have a requirement not to compete with private sector sources of finance and insurance – either explicitly in their constitutive documents, or as guiding principles. This is primarily the case with the lenders within the ECA community, such as Turk Eximbank, Nigeria EXIM, Malaysia EXIM, SEP of Saudi Arabia, and Indonesia Eximbank, which have specific requirements not to compete with banks. It also applies to ASEI, the Indonesian insurer, but this is more related to their general insurance business, for which competition exists. In some cases, the ECA's focus avoids catering to those markets of primary interest to commercial banks, i.e. targeting instead the SME market segment, which is high cost and may be higher risk. In the case of Indonesia, while there is not to be competition with the private sector, both Eximbank and ASEI offer some overlap in their export credit insurance products.

The issue of competition is also relevant with regards to the multilaterals ECAs (ICIEC and Dhaman) wherein some markets such as Jordan and Egypt, some large exporters felt that they cannot be properly served by the national ECA, hence they sought help from one of the two regional multilaterals. Or, indeed they resorted to the major international providers who are very active throughout the OIC region and are becoming an important factor affecting the marketing strategy and even the business model of many ECAs in the region.

Whether this non-competition requirement is theoretical or a practical point may differ by institution. If practical, how this requirement gets operationalized by these ECAs is not clear, as it would require a process of conducting regular market soundings to gauge the changing appetite and capacity of the private sector. Moreover, an ancillary objective to not competing should be to collaborate with commercial banks or private insurers, either through co-financing or provision of guarantees, which help catalyse commercial bank involvement.

Although not typically embedded in statutes or legislation, a number of ECAs have some form of a client service agreement, such as a charter, offering maximum response times.

4.3 Status and Corporate Form of OIC ECAs

ECAs vary across OIC member countries with respect to their status and corporate form, ranging from privately owned companies with no government ownership and those with state/private ownership with government holding majority or minority shares to fully government owned companies, agencies and programs.

Table 3 below provides the status and corporate form for each entity as defined by their respective jurisdictions.

Table 3: Status and Corporate Form of ECAs

COUNTRY	ECA	STATUS	CORPORATE FORM
Nigeria	Nigerian Export-Import Bank (NEXIM)	100% government ownership	State-owned Company
Senegal	National Co. for Credit Insurance and Guarantee (SONAC)	Government and private (majority) ownership	Public Company
Algeria	Compagnie Algérienne Assurance et de Garantie des Exportations (CAGEX)	Public and private ownership	Public Corporation
Bahrain	Export Credit Guarantee Programme under Bahrain Development Bank	Program under Bahrain Development Bank	Other – Program
Egypt	Export Development Bank of Egypt (EDBE)	Public and private ownership	Joint-Stock Company
	Export Credit Guarantee Company of Egypt (ECGE)	Public (majority) and private ownership	Joint-Stock Company
Jordan	Jordan Loan Guarantee Corporation (JLGC)	Government and private ownership	Public Shareholding Company
Lebanon	The Lebanese Credit Insurer (LCI)	Private ownership	Private Company
Morocco	Société Marocaine d'Assurance à l'Exportation	Public and private ownership	Mixed Company
Oman	Export Credit Guarantee Agency of Oman (ECGA)	100% government ownership/governm	Closely-held Company

		ent agency	
Qatar	Qatar Export Development Agency (TASDEER/QDB)	Agency under Qatar Development Bank	Closed Shareholding Company
Saudi Arabia	Saudi Export Program (SEP) under the Saudi Fund for Development (SFD)	Program under Saudi Fund for Development	Other – Program
Sudan	National Agency for Insurance and Finance of Exports (NAIFE)	Government	Public Corporation
Tunisia	Compagnie Tunisienne pour l'assurance du commerce extérieur (COTUNACE)	Government and private ownership	Public Company
United Arab Emirates	Export Credit Insurance Company of the Emirates (ECIE)	100% government ownership	State-owned Company
Albania	Export Credit Guarantee Fund under Albania Investment Development Agency (AIDA)	Fund under Albania Investment Development Agency	Other – Fund
Bangladesh	Sadharan Bima Corporation's Export Credit Guarantee Department (ECGD)	100% government ownership	State-owned Company
Indonesia	Asuransi Ekspor Indonesia (ASEI)	100% government ownership	State-owned Company
	Indonesia Eximbank	100% government ownership	State-owned Company
Iran	Export Development Bank of Iran	100% government ownership	Government's Bank (State-owned Company)
	Export Guarantee Fund of Iran (EGFI)	100% government ownership	State-owned Company
Kazakhstan	Export Credit Insurance Corporation (KazExportGarant)	100% government ownership	Joint-Stock Company

Malaysia	EXIM Bank of Malaysia (MEXIM)	100% government ownership	Public Limited Liability Company
Pakistan	Pakistan Export Finance Guarantee Agency Ltd	Private ownership	Private Limited Company
Turkey	Export Credit Bank of Turkey (Turk EXIM bank)	100% government ownership	Joint-Stock Company
Uzbekistan	National Export-Import Insurance Company (UZBEKINVEST)	100% government ownership	State-owned Company

Source: Author

The level of government ownership is related to the corporate form, as categorized in Table 4 below.

Table 4: Categorization of ECAs

Summary	
Corporate Form	**Total # of Entities**
State-owned Corporation or agency (100%)	12
Mixed State/Private Company – majority government ownership	3
Mixed State/Private Company – minority government ownership	6
Private Ltd Company	1
Other	4

Source: Author

The definition of a corporate form in an OIC member country is likely to vary from one jurisdiction to another. For the purposes of this report, all entities have been grouped into the following categories, based on ownership.

4.3.1. State-Owned Corporations

This category includes entities that are fully owned by the government and have a public mission and function and undertake business activities to fulfil their mandates. The majority of ECAs within the OIC fall into this category. This includes ECAs from: Nigeria, Oman, UAE, Bangladesh, Indonesia (both Eximbank and ASEI), Iran (both EDBI and EGFI), Kazakhstan, Malaysia, Turkey and Uzbekistan.

While their corporate form may differ (e.g. Turk EXIM and KazExportGarant, as joint-stock companies, Malaysia's MEXIM is a public limited liability company) they are all 100% government-owned.

Government ownership can be realized through a number of different vehicles, regardless of degree of control. In some instances, it is the Central Bank that owns the shares. In other countries, it is the Ministry of Finance or the Ministry of State-Owned Enterprises. In Nigeria, the Central Bank and the Ministry of Finance have equal shareholding. In Indonesia, Eximbank is under the Ministry of Finance, whereas ASEI is under the Ministry of State-Owned Enterprises. Malaysia Exim and Turk Eximbank are also under their respective the Ministries of Finance (or Turkish Treasury, specifically). In the case of Uzbekinvest, the Ministry of Finance holds 83% of shares, while a government-owned bank holds 17%.

4.3.2. Mixed State/Private Company – Majority Public Sector

This category includes all companies with shareholders that include government, public and private entities, but whose majority shareholder is the government either directly or through its own state companies or financial institutions, combined with private sector shareholding. There are two OIC countries with this model: Egypt and Jordan. In the case of Egypt, the Export Development Bank of Egypt is a minimum 75% owned by the government via state-owned banks. EDBE is the major shareholder in the export credit insurer, EGCE. In the case of Jordan, ownership is about 42% non-government, in the hands of commercial banks, private companies and individuals.

4.3.3. Mixed State/Private Company – Majority Private Sector

The model most seen in French speaking OIC countries with ECAs – namely Senegal, Algeria, Morocco and Tunisia – is a mixed model with minority government ownership. The private owners tend to be insurance companies or banks. In Algeria, Morocco and Tunisia, the ECAs run their own business, as well as a state account business, which is administered on behalf of the government for a fee, but the risks and profits are directly assumed by the government. The Sudanese and Pakistani ECAs also have majority private sector owners.

4.3.4. Private Ltd Company

This category includes entities whose ownership is purely private and there is no direct government ownership. There was only one such entity – the Lebanese Credit Insurer – whose shareholders include an international credit insurer and a group of local and regional insurance companies and private holding companies.

4.3.5. Other Arrangements

A few OIC member countries also have programs and funds, rather than stand-alone legal entity that operates in the sphere of export credit and export finance. These activities always fall under an existing agency or bank, are treated as a component of its operational portfolio and are overseen by the agency/bank's management. These make up 15 percent of all entities and include the following:

- Export Credit Guarantee Program under Bahrain Development Bank
- Qatar's TASDEER, as a program under the Qatari Development Bank

- Saudi Export Program under the Saudi Fund for Development
- Export Credit Guarantee Fund under Albania Investment Development Agency

4.4 Relationship with Government

Most ECAs have a complex relationship with their governments. There are a number of "touch points" in which an ECA interacts with the government. These include:

- Financial
- Participation in governance
- Policy direction

4.4.1. Financial

There are a number of ways OIC governments provide financial support to their ECAs. In a state-owned entity, the government plays a critical role in capitalization and thereafter, to ensure the financial sustainability of the entity.

There are various modalities of capitalization by the government. In most cases, this is a single capital injection at establishment and, in some cases, the government may make additional injections over time, or if the entity is profitable, the ECA will pay a dividend out of retained earnings, as Malaysia EXIM and Nigeria EXIM have done recently. In a mixed state/private company, a government may be involved in initial capitalization and subsequently withdraw as shareholder or continue to maintain shareholder status (with majority or minority shares). In the case of Algeria's CAGEX, the government provided the initial capitalization and withdrew, allowing public and private entities to acquire shares in the company.

Another way in which the government may provide financial support is to fund, guarantee or reinsure certain transactions, as is the case for Turk EXIM and Egypt's ECGC. This allows the ECA to support projects or transactions that it would otherwise not have the capacity or appetite to support.

A third way is for the government to facilitate borrowings of the ECA, by either lending direct to the entity, or as a backer/guarantor of the ECAs' borrowings. In the latter case, this is either explicit, in that the entity borrows in the name of the government, or there is a government guarantee, in the event the entity defaults.

A number of ECAs have obtained international credit ratings from Moody's or others which helps them be able to borrow in the international capital markets, including Indonesia Exim, KazExportGarant, Turk Exim, and Uzbekinvest.

A final means for the government to provide financial backing to an ECA is through budgetary support of their operations. For instance, in the case of Indonesia Eximbank, the government has the obligation to cover any capital deficit above a certain threshold, while any deficit in Iran's EGFI's budget is absorbed by the national government. Some entities are capitalized in the form of grants and loans, while others such as Indonesia ASEI's budget is set by parliament as part of the country's annual budget.

4.4.2. Governance

Sound governance arrangements are vital to the success of the ECA. Similar to its financial relations, an entity's relationship with the government in the governance sphere is influenced by the shareholding status of the government.

A government's role in these entities varies depending on the entity's corporate form and its shareholding status. In the case of fully and partially government-owned ECAs, governments are typically represented on the entity's Board of Directors and play a significant role in governance and, sometimes, in the general management of the entity.

Mixed state/private companies, corporations and variations of these entities may have direct or indirect government ownership, as well as Board membership and a substantive role in the governance of the entity. The degree of government influence, however, may vary. In the case of Jordan's JLGC, the Central Bank of Jordan is only able to appoint two members to the board (including the Chairman) as long as its capital contributions remain above 45 percent. Malaysia's MEXIM, a public limited liability company, only has one nominee of the Ministry of Finance Incorporated among its Board members, the majority of whom are independent individuals with no government affiliations.

The majority of state-owned corporations are governed by Boards that are entirely made up of representatives from government agencies as in the case of UAE's ECIE, whose governance is overseen by the prime minister of UAE and the Ruler of Dubai. Others may include Board members from the private sector. Nigeria's NEXIM has one representative from the private sector, while Turk Eximbank, Indonesia's EXIMBANK and Bangladesh's SBC have several independent members sitting on their respective Boards.

There are some ECAs that operate as programs and funds under a specific government agency and, as a result, the agency's management oversees its governance. These agencies may, in some cases, include representatives from the private sector to sit on the Board of these entities, as in the case of Saudi Arabia's SEP which fall under the Saudi Fund for Development and Albania's ECGF which has been managed by Albania Investment Development Agency.

In terms of governance structures, some ECAs are under the banking or insurance supervision of their countries, requiring them to be compliant with capital adequacy and solvency requirements as any commercial bank or insurer. EDBI of Iran and EDBE of Egypt, as both deposit-taking organizations, are under the supervision of their Central Banks, while ECIE of the UAE and KazExportGuarantee are under the supervision of the insurance authority.

A key element of sound governance is a requirement for the ECA the publication of annual reports and financial accounts on a timely basis. While the privately held companies may not publish their accounts, there is mixed experience amongst the government backed ECAs. Some simply have no information available on their performance, while others maintain regular quarterly updates, such as Malaysia EXIM. By contrast, Nigeria EXIM has not updated its information since 2010. Sudan's NAIFE has a sound governance model but scant information available to assess the impact of this on the business.

4.4.3. Policy

Governments create ECAs for public policy purposes and may wish to exercise direct and indirect influence over the policy decisions and operations of their ECA. The policy relationships

between entities and their respective governments can generally be viewed as a continuum. This continuum is illustrated and further discussed below.

Figure 6: Policy Relationship with Government

Source: Author

Direct adoption of government policy as an institutional mandate signals a strong government-ECA relationship. This is evident in the majority of entities including those in Egypt, Morocco, Oman, Qatar, Saudi Arabia, UAE, Albania and Iran. A few also are also indirectly influenced by government objectives and establish their strategic priorities to address these government goals. These entities include Nigeria's NEXIM, Turk EXIM and Kazakhstan's KazExportGarant. A weaker relationship is manifested in an entity's ability to establish an institutional policy focus independently of their respective governments. The Maghreb ECAs and Jordan's Loan Guarantee Corporation are examples if this. Lebanon's LCI as a private company has no government policy involvement.

4.5 Business Models of OIC ECAs

Among the OIC ECAs, there are broadly 4 categories of business models. There is no single, perfect model. Each has been chosen to reflect the unique circumstances within the country.

1. **Full service ECA:** This institution provides lending, insurance, and other products – conventional and Islamic - under one roof. Turk Exim, Malaysia EXIM, Indonesia EXIM, Saudi Export Program, Sudan's NAIFE and Nigeria EXIM could be classified in this category. In many of the full service ECAs, the insurance business is given less attention than the lending business which will tend to earn more profit from Treasury activities. For example, in the case of MEXIM, it could be argued that short-term export credit insurance has been somewhat marginalized after the absorption of MECIB – the independent export credit insurance agency. However, Turk Exim shows that a proper balance can be struck between the finance and insurance functions of an ECA.

2. **Insurance only ECA:** This category of entity provides on contingent liability products such as insurance or guarantees and do not direct lend. Examples of this type of ECA include Oman, Senegal, Morocco, Tunisia, Algeria, Jordan, Uzbekistan, Kazakhstan, UAE, Qatar and Bangladesh. Some of the insurance ECAs, such as Uzbekinvest and ASEI of Indonesia offer other lines of insurance than export credit and investment insurance.

3. **Insurance and Lending in two separate entities:** In Egypt and Iran, there are two agencies – one Eximbank and one export credit insurer – providing facilities. In the case of Indonesia, while ASEI provides insurance only, Indonesia Eximbank can provide both insurance and lending products. The Indonesian case indicates that the division of labour between Exim and the ASEI had not been well defined when the former was created. The competition between the two seems to be pushing ASEI gradually out of the export credit insurance business into domestic and general insurance.

4. **Pilot ECAs:** In Albania and Pakistan, pilot programs were initiated but later discontinued as a result of a lack of adequate funding, and/or operational success.

4.6 Facilities Offered by OIC ECAs

Depending on their mandate, economic sectors of focus, export destinations and types of buyers, sophistication of banking systems, as well as their business models and governance structures, OIC ECAs provide a wide range of facilities, serving a wide range of exporter and bank needs.

As in Figure 3 in Chapter 2, OIC ECAs offer products which are designed to address all parts of the export transaction cycle. These products are summarized below into six categories, addressing all phases of export transaction cycle:

4.6.1. Financing facilities

A number of OIC ECAs offer direct funding for pre-production costs, for example to allow the exporter to purchase capital equipment etc. either domestically or from abroad. Nigeria EXIM, Turk EXIM and Indonesia EXIM offer both a foreign input facility, as well as a local currency facility that helps exporters finance capital purchases.

In Phases 2A and B during the pre-shipment phase, some ECAs provide financing for purchase of raw materials and inputs locally and internationally. This includes Nigeria EXIM, which also has an inventory finance program, Indonesia EXIM that provides warehouse receipt financing and Sudan's NAIFE also offers credit to exports to finance necessary inputs. Some of the lending ECAs (e.g. Turk EXIM) offer special facilities financing for SME exporters which have streamlined application processes.

Nigeria EXIM, Indonesia EXIM and EBDI of Iran offer classic trade finance products, which are typically available from commercial banks. Turk EXIM provides discounting of L/Cs.

In some cases, ECAs will provide receivables finance from existing export sales (i.e. Phase 4 accounts receivables) using these as forms as collateral, for working capital loans for new production. Many ECAs, including the Nigeria EXIM offer these facilities. In addition, some ECAs offer factoring or receivables discounting, including a number of ECA insurers, such as ECGE of Egypt, LCI of Lebanon (through its subsidiary Levant Factors), etc.

A few ECAs offer upstream financing for future exports/exporters, such as Nigeria EXIM's Start-Your-Own-Business Programme.

Some ECAs offer refinancing facilities for commercial banks, which in turn provide finance in support of exports, so as to provide banks with access to liquidity at affordable rates.

A number of the lending ECAs offer classic buyer's credit facilities to overseas buyers of their country's exports. This includes Saudi Arabia's SEP, Malaysia EXIM, Turk EXIM, Indonesia EXIM and EDBI of Iran. Turk EIXM and MEXIM both offer Project Finance facilities.

4.6.2. Guarantees

Most of the lending ECAs/EXIMs (Turk EXIM, NEXIM, SEP, MEXIM, Indonesia EXIM), apart from EDBI of Iran and EDBE of Egypt) also offer guarantees to commercial banks for the same kinds of transactions described above. From the exporter's perspective, the financing product is the same regardless of the funding agent. Both approaches can support direct financing in both local and foreign currencies. The guarantee programs of Jordan, Albania and Pakistan focus on offering guarantees to banks.

The range of guarantees offered by OIC ECAs include export credit guarantees (pre and post shipment), domestic credit guarantees, export working capital credit guarantees, as well as international guarantee to foreign/local banks Includes buyer credit guarantees.

4.6.3. Insurance facilities

Insurance facilities of ECAs are the most common ECA product offering. All countries which have export credit entities in the OIC offer traditional export credit insurance – either on a whole turnover basis, or specific transaction basis. A number of ECAs offer insurance on domestic sales as part of the whole turnover policy, notably Senegal, Egypt's ECGE, Jordan, LCI, and Oman. The only entities not offering this credit insurance product in the region are those with "sister agencies", such EDBI in Iran and EDBE in Egypt, as well as PEFG in Pakistan, although that product was envisaged to be introduced. Some ECAs also offer banks a credit insurance product to cover documentary credits. This includes SEP, KazExportGarant and Malaysia EXIM.

Fewer ECAs offer foreign investment insurance. The ECAs of Indonesia, Kazakhstan, Malaysia offer this product. Uzbekistan offers inward investment insurance.

4.6.4. Bonding facilities

ECAs offer bonding facilities, in support of bonds or guarantees such as tender, advance payment, performance bonds etc. These can include insurance against unfair or wrongful calling of bonds, covering essentially the political risks associated with the instrument, or can be guarantees against any calling of the bond – wrongful or rightful. A few ECAs have such facilities available, including those from Senegal, Algeria and Bahrain (through the Bahrain Development Bank), Iran, Malaysia, Turkey and Uzbekistan.

4.6.5. Islamic finance and insurance instruments

A small number of entities provide Islamic finance and insurance instruments, namely Qatar's TASDEER, Indonesia's Eximbank and ASEI as well as Malaysia's MEXIM.

Indonesia EXIM and Malaysia EXIM offer Islamic versions of their conventional financing offerings. TASDEER and MEXIM offers Shariah-compliant credit insurance, while ASEI offers Shariah-compliant general insurance. Business volume from these activities is very limited, with almost all entities merely indicating the types of instruments offered rather than the amount. MEXIM had more comprehensive figures on its Islamic Finance portfolio which is presented in Table 5 below.

Table 5: MEXIM's Islamic Finance Activities in USD Million

	2013
Islamic Banking Assets	410
Credit Takaful Business – Insured Exports	236.4
Credit takaful business – Premium Contributions	0.328
Comprehensive Takaful Insurance	42.2
Supplier Financing – i	119.7
Term Financing – i	120.1
Overseas Contract Financing – i	4.2
Overseas Project financing – i	170.6
Malaysian Kitchen Financing Facility	5.8

**Source: Malaysia Eximbank Annual Report. 2013*

There is ample research more generally on the global Islamic finance sector. In 2012, total Islamic finance assets reached USD 1.35 trillion with banking assets amounting to USD 985 billion[12]. This amounts to 1.2% of global banking assets, which were estimated to be USD 123.7 trillion. The top five Islamic finance markets in the same year were Malaysia, Saudi Arabia, Iran, UAE and Kuwait and together amount to USD 1.06 trillion.

Table 6: Islamic Finance Assets in USD Billion

	2012
Islamic Finance Total	1,354
Islamic Banking	985
Takaful (Insurance)	26
Sukuk (Bonds)	251
Islamic Microfinance	0.628
Islamic Funds	44

Source: State of the Global Islamic Economy. 2013. Thomson Reuters

While the current reach of Islamic finance in general is limited, the potential universe of Islamic banking assets – expected to reach USD 4.1 trillion in 2013 – suggests the demand for Shariah-compliant instruments from ECAs and Eximbanks operating in OIC countries will only increase.

4.6.6. Advisory or other services

Most OIC ECAs also offer a variety of professional services to supplement their financial product offerings.

[12] State of the Global Islamic Economy. 2013. Thomson Reuters.

These include:

- commercial, economic and financial information on local/foreign markets.
- marketing assistance, advisory services for trade promotion
- debt collection services/export debt recovery
- data and financial ratings of local companies
- consultancy services in risk assessment, claims, reinsurance, etc., and
- training for business skills enhancement

In table 7 below, a simple matrix of 26 entities, noting those that offer the abovementioned facilities is provided. Financing is broken down into three categories: domestic short-term, domestic medium-term and foreign buyer credit. Similar categorization is given to guarantees. Insurance is divided between export credit and investment insurance, noting export credit insurance includes: short-term single risk, Whole Turnover policies (both export and domestic), as well as medium/long-term supplier and buyer risk. Investment insurance is the special category covering political risks relating to foreign investment transactions.

Table 7: Entities and Facilities Provided

Country/Entity	Facilities									
	Financing			Guarantees		Insurance		Bonding Facilities	Islamic Facilities	Advisory or other services
	ST	MT	For	Dom	For	Exp Credit	For Inv't			
Nigeria - NEXIM	x	x		x		x				x
Senegal - SONAC						x		x		x
Algeria - CAGEX						x				x
Bahrain - ECGP						x				x
Egypt - EDBE	x	x	x							x
Egypt - ECGE	x					x		x		x
Jordan - JLGC				x		x				
Lebanon - LCI	x					x				x
Morocco - SMAEX						x				x
Oman - ECGA						x				x
Qatar - TASDEER						x			x	x
Saudi Arabia - SEP	x	x	x	x	x	x				x
Sudan - NAIFE	x	x		x		x				x
Tunisia - COTUNACE						x				x
UAE - ECIE						x				x
Albania - ECGF				x						
Bangladesh SBC						x				
Indonesia - EXIM	x	x	x	x	x	x	x	x	x	x
Indonesia - ASEI				x		x		x	x	
Iran - EDBI	x	x	x	x	x			x		
Iran - EGFI			x	x		x	x			x
Kazakhstan - KazExportGarant						x	x			x

Malaysia - MEXIM	x	x	x	x	x	x	x	x	x	x
Pakistan - PEFG				x						
Turkey - Turk EXIM	x	x	x	x	x	x		x		x
Uzbekistan - UzbekInvest							x	x		x

Source: Author

The choice of product offerings stems typically from the business model adopted by the entity. In addition, a number of OIC ECAs have strong product development focus (such as Turk EXIM and Malaysia EXIM), introducing facilities that are tailored to the specific needs of their exporters.

4.7. Business Volumes of OIC ECAs

The published data from the OIC ECAs of their respective business volumes shows the relative sizes of the programs, as well as their "contribution" to national exports. Only 15 entities publish this data, and many of these published figures are significantly out of date. Those which are members of the Aman Union provide their business volumes for the insurance market (but some entities do not report their lending numbers in their submissions, e.g. Turk EXIM). Some caution should also be exercised with this Aman Union insurance data as it includes domestic credit insurance and other unrelated products.

Notwithstanding these limitations, the available figures can give a certain idea of the relative magnitude of each ECA's business activities.

Table 8: Business Volumes of Select OIC ECAs[13]

Country – Entity	Business Volumes		Total Exports	BV as a % exports
	USD million	Year	USD million (2013)	
Nigeria - NEXIM	49.3	2010	98,334	0.05%
Senegal - SONAC	N/A		1,205	
Algeria – CAGEX*	1,095	2013	65,884	1.64%
Bahrain - ECGP	N/A		10,811	
Egypt - EDBE	1,850	2013	29,807	6.21%
Egypt - ECGE	N/A		29,807	

[13] Business Volume data was obtained from ECA Annual Reports, Aman Union Performance Report 2012 and Aman Union Performance Analysis of Member ECAs for 2013 and other documents. Export data was obtained from UNCOMTRADE.

Jordan - JLGC	132.4	2013	5,487	2.41%
Lebanon – LCI*	1,314	2013	2,826	46.5%
Morocco - SMAEX	443	2010	23,547	1.88%
Oman - ECGA	287	2009	50,961	0.56%
Qatar - TASDEER	50	2013	129,032	0.04%
Saudi Arabia - SEP	8,654	2013	362,049	2.39%
Sudan - NAIFE	N/A		4,212	
Tunisia – COTUNACE*	876	2013	17,131	5.11%
UAE/Dubai– ECIE*	776	2012	232,956	0.33%
Albania - ECGF	N/A		2,435	
Bangladesh SBC	N/A		31,428	
Indonesia - EXIM	4,118	2013	201,118	2.05%
Indonesia – ASEI*	1,095	2013	201,118	0.54%
Iran - EDBI	2,205	2012	63,157	3.49%
Iran – EGFI*	1,095	2013	63,157	1.73%
Kazakhstan - KazExportGarant	N/A		64,000	
Malaysia - MEXIM	1,650	2013	278,048	0.59%
Pakistan - PEFG	N/A		21,158	
Turkey - Turk EXIM	28,100	2013	125,537	22.38%
Uzbekistan - UzbekInvest	24	2013	6,040	0.40%
OIC ECA AVERAGE				5.48%
ICIEC	3,504	2013		
DHAMAN	1,533	2013		

*Source: Author, *ECAs whose Business Volume data was derived from Aman Union Reports 2012 and 2013*

It may be somewhat misleading to compare an ECA's business volumes directly to a country's exports and then suggest that there is a direct correlation or attribution that can be drawn between the two indicators. For example, not all ECA business is truly incremental; some export transactions will occur even without ECA participation. Notwithstanding, an ECA's share of national exports is frequently used as "rule of thumb" to give an indication of the importance of the ECA to the national economy.

For those OIC ECAs whose business volumes are published, the average business volumes to exports is 5.48%, which is on par with the world average for OECD ECAs. Taking out Turk EXIM (which includes a significant lending portfolio) and the private insurer, LCI, which includes all of its private insurance business, the ratio of Business Volumes/Exports falls to 1.84%, which is low by international standards.

4.8. Cooperation with Other Entities

OIC ECAs are generally well positioned with the international community for co-operation on transactions and capacity building. Most ECAs have established sound working relations with other ECAs, domestic and international commercial banks, insurance/reinsurance companies, and regionally and global development banks. Some ECAs are also members of associations and networks such as Berne Union, the Prague Club and Aman Union, which promote exchange of information and technical assistance among members.

Entities such as Export Development Bank of Egypt work closely with a network of correspondent banks based in Europe and North Africa, while Jordan's JLGC has also signed loan guarantee agreements with banks and private companies. Algeria's CAGEX, Lebanese Credit Insurer and Tunisia's COTUNACE all partner with regional and international insurance companies such as COFACE (France), CAGEX (Algeria) and HBOR (Croatia).

Many OIC ECAs have signed cooperation Memorandum of Understandings (MOUs) with other ECAs, DFIs and MDBs including Germany's DFI KfW, Islamic Development Bank, African Development Bank and Asian Development Bank.

A number of ECAs also avail themselves of domestic networks, such as national development banks and trade promotion agencies, as a way to access clients. Examples are CAGEX of Algeria, Nigeria EXIM, JLGC, SMAEX of Morocco, KazExportGarant and ECIE, which is part of Dubai's export promotion bureau.

The role played by ICIEC is vitally important to the OIC ECAs. For ICIEC, supporting and helping the development of the credit insurance industry in OIC member countries is part of its mandate. Towards that end, it has developed products designed to support new ECAs such as the Facultative Reinsurance Agreement which offers 85% reinsurance cover in addition to underwriting support. ECIE of the Emirates, JLGC of Jordan and NAIFE of Sudan have all benefited from this arrangement. Other ECAs, such COTUNACE, CAGEX, and Turk Exim have quota sharing agreements (QSTs) with ICIEC. Many other ECAs benefit from ICIEC's capacity and expertise in MT project finance to do facultative reinsurance. Prominent among these are SEP, MEXIM, COTUNACE, EGFI of Iran. An interesting and unique case in this regard is when ICIEC assisted COTUNACE to insure a MT project finance offered by a Tunisian company to the Government of Rwanda. ICIEC was able to bring in DHAMAN and Africa Trade Insurance (ATI) to participate in the underwriting process and share in covering the risk.

As for the Aman Union, two major initiatives to facilitate greater cooperation have been implemented. The first is the AU Credit Information database, launched in 2013 in which the majority of AU members have joined. The Database is designed provide and electronic forum for the collection and sharing for credit information on their local companies by members. Another important initiative by the AU is the annual technical training offered to member ECAs. An example of such training in the program on Claims and Recovery Management carried out by a specialized company in collaboration with LCI in Beirut.

5. BEST PRACTICES OF ECAs

5.1. Introduction

This chapter discusses some best practices examples from the OIC ECAs and presents case studies for five successful OIC ECAs. In addition, three non-OIC countries' ECAs are also reviewed.

The case studies below have been selected based on certain features of their operations and approaches that are particularly noteworthy which are best practices within the OIC community and globally that could serve as important lessons for other countries looking to enhance or develop their ECAs.

5.2. OIC Case Studies

Within the OIC countries there exist some good examples of well-conceived, well-designed and well-executed ECA programs. The following section provides five case studies from OIC countries from which lessons can be drawn. The OIC case studies are Nigeria, Malaysia, Turkey, Indonesia and Lebanon.

This section also looks at three OECD countries, New Zealand, Canada and Finland, each with important experiences from which OIC countries can learn. These countries were selected as they represent different business models, different operating philosophies and have features which can usefully be adapted to OIC ECAs. New Zealand was chosen as it is a relatively new ECA that adopted a "go-slow" and step-by-step approach to its establishment. The Finnish ECA was chosen as it has a focused and disciplined approach to identifying and meeting the demands of the market. The Canadian model is a sophisticated ECA offering all products and it offers lessons for the more mature and well-managed OIC ECAs.

5.2.1. Nigeria

Sharp Focus On Specific SME Export Market

Nigeria's economy is oil dependent, with over 97% of exports comprised of oil & gas and the country's main trading partners in order of importance are India, USA and Brazil followed by Europe. Collectively the top three trading partners account for over 37 percent of total exports.

The needs of Nigeria's export sector are predominantly serviced by the country's banking sector. Nigeria's financial sector, includes bank and non-bank financial institutions such as micro-finance banks, finance companies and development finance institutions. The banking sector is dominated by 21 domestic commercial banks and several international banks including Citibank, Stanbic IBTC and Standard Chartered Bank. There are also a few global credit insurance companies including Coface, which provide trade credit insurance. These existing financial services entities are focused on supporting corporates and do not cater to the country's SME sector which has the potential to drive export development. Most banks are more involved in import loans and not exports.

Exporting SMEs in Nigeria face numerous growth constraints including those related to access to finance. Most commercial banks are unwilling to service smaller clients, even for good risks, given that the cost of administering loans, relative to the income, is high.

The Nigerian Export-Import Bank (NEXIM) has been specifically mandated to focus on non-oil exports in different segments of the market as compared to conventional banks. NEXIM does not compete with commercial banks but seeks rather to complement and work with them for the development of the economy. The areas of focus are usually virgin segments of the market, which commercial banks are not structured to service, and NEXIM's role is to help structure the appropriate financing for such markets, either singly or with other commercial banks or financial institutions through syndication.

Since 2009, under the direction of a new MD, there has been greater focus on this market segment. After some years of loss-making and obscurity, NEXIM has a higher profile, with strengthened operational processes, corporate governance, and risk management and turning a profit of 189 million Naira (USD 1.2 million) in 2010, after a loss the previous year of 5,460 billion Naira (USD 34.7 million). In addition, NEXIM has partnered with national agencies such as National Export Promotion Council, the government agency tasked with promotion of non-oil exports through utilization of policy tools including establishing incentives for the stimulation of export oriented activities.

NEXIM is only one of Nigeria's Development Finance Institutions, which are also active in the SME space and include Bank of Agriculture (BOA) and Bank of Industry (BOI). Such institutions in the past have served as solid instruments for impacting the growth and development of SMEs. NEXIM plays a crucial role in providing access to financial instruments to SMEs, including credit or insurance services that promote SME lending.

As part of its efforts to improve its offerings to SMEs, NEXIM has partnered with the African Development Bank for the design and delivery of a technical assistance program, specifically targeting the SME sector. This is expected to strengthen risk management in SME financing and contribute to the development of innovative SME products by SME lenders.

NEXIM has clearly articulated its vision and mission. Its vision is of being the 'leading African Export Development Bank.' NEXIM serves as both lender and insurer and has a well-defined policy mandate, which is captured in its mission - 'to become a first class institution promoting a diversified export base through the provision of finance, risk-bearing and advisory services in line with government trade policy'.

As captured in NEXIM's Servicom Charter, the Bank prioritizes customer service at all stages of service provision by establishing open lines of communication with all its clients which include banks, exporters, importers who produce exporters, government ministries such as Central Bank of Nigeria and Federal Ministry of Commerce as well as the institution's clients. This is ensured through access to relevant information on the bank's website, customer surveys on staff performance which are conducted regularly and continual engagement with clients on their needs and relevant business solutions.

NEXIM has had a significant impact on its stakeholders through its various Corporate Social Responsibility programs, which include financing healthcare initiatives, providing educational materials to schools, supporting sports development, promoting entrepreneurial skills and exports financing for SMEs and sponsoring associations that support people with disabilities.

NEXIM is the right fit for the Nigerian economy where the majority of exports are financed by a sophisticated banking sector while a minority remains unserved. Hence, NEXIM's success is due to its design, which is intended to complement commercial banks by supporting non-oil SME exporters that commercial banks are not able to serve. It has tailored products to target market,

providing facilities that are fit for the SMEs' needs including short and medium/long term financing in local and foreign currency and applicable to both exporters and manufacturers of exportable goods who wish to import raw materials.

There are certain useful lessons to be learned from Nigeria's example:

- **Identify comparative advantage and build knowledge.** NEXIM's main purpose is to promote SME-led export development in non-oil sectors in Nigeria, a space that commercial banks are unwilling and unable to occupy due to the risks or costs issues. To this end, it is critical that the entity has full knowledge of the local market including existing financing gaps, exporters' needs and the type/features of facilities that will meet these needs.

- **Establish a clear vision and mission to define a market space in which to focus**: NEXIM has a clearly defined vision and mission statement which relates directly to its role and mandate. It is not seeking "to be all things to all people" but rather is very targeted in its market space and seeking to be a first class institution in that role. It is seeking outside support (via AfDB) to help improve and position itself.

- **Ensure good, up-to-date and reliable information is available.** NEXIM has made available information on its products and services, lending and insurance processes including timeframes for processing client requests and general guidelines for prospective and existing clients on its website. By doing so, the institution aims to promote transparency and efficiency for its clients.

5.2.2. Malaysia

Linking Local Businesses to Global Markets with a full product offering

Malaysia's export base is dominated by machinery and oil & gas (almost 70%) while the rest is comprised of vegetables, chemicals, plastic/rubber and metals, and the country's main trading partners in order of importance include China, Singapore, Japan and USA. Collectively the top four trading partners account for over half of total exports.

Malaysia's thriving financial sector includes various types of banks and insurance companies that provide international and Shariah-compliant products and services. These include commercial banks, local and international Islamic banks, investment banks, general business insurance and reinsurance companies as well as takaful and retakaful operators. The banking sector also includes international banks such as BNP Paribas, Citibank, Deutsche, HSBC, J.P. Morgan Chase, Standard Chartered, Bank of Nova Scotia and Royal Bank of Scotland as well as few global insurance companies including AIG.

Development finance institutions such as MEXIM also occupy an important segment of the financial market and exercise their mandate on a select clientele – export oriented businesses and entities. While initially established to provide financing, MEXIM was merged with the government export credit insurer and is now tasked with developing insurance and guarantee facilities in order to provide full service to its clientele.

MEXIM's vision is to be the 'leading financial institution for Malaysia's cross-border ventures' while its mission focuses on serving the country's export oriented businesses, particularly those in non-traditional sectors, in their expansion to new regional and global markets. The bank is not designed to compete with commercial banks but rather to focus on supporting the export sector by creating niche products and services, which are otherwise unavailable in Malaysia's financial market. These include over 40 products in conventional and Islamic banking as well as credit insurance and takaful provided to all types of clients such as large corporations, SMEs, foreign government and foreign companies working in all sectors including manufacturing, infrastructure and trade.

The bank has attained financial success despite challenging domestic and global financial conditions. By end of 2013, MEXIM's exposure covered 106 countries in Asia, Europe, Middle East, Oceania, Africa and American ranging from 75% of total exposure in Asia to 1% in America. Its total assets remained healthy at RM 8.1 billion (USD 2.6 billion), and its Islamic banking assets increased by 189% reaching RM 1.5 billion (USD 476 million) while net profit increased by almost 17% amounting to RM 144.7 million (USD 45.9 million).

MEXIM has been lauded for its successful business practices, strong corporate governance and its impact in the country's business sector – both exporters and offshore businesses and projects. The bank invests in the skills development of its own staff to ensure it stays abreast of innovations in the financing and insurance spheres. It also continues to improve its credibility globally as evident in the oversubscription to its newest Shariah-compliant USD Sukuk issued in February 2014.

MEXIM has enshrined a client-focus in its business practices via its 'client charter,' which has improved the quality of its products and services. The charter highlights the institution's commitment to timely responses to client queries, to abide by publicly disclosed processing of applications for products and services, and to protecting clients' accounts and information. The Bank also undertakes targeted marketing activities in order to support existing and well-performing clients in launching or expanding their cross-border ventures.

MEXIM provides information on eligibility criteria for financing/coverage and details on the tenors and fees associated with facilities on its website. This enables prospective clients to make informed choices and to be aware of their rights and privileges when obtaining products and services from MEXIM.

MEXIM has established partnerships with various entities in order to expand its sector reach. By partnering with Construction Industry Development Board and Multimedia Development Corporation, it aims to support businesses in construction and information and communication technology (ICT) sectors to expand their exports by providing financing and advisory services. This is in line with the entity's mandate to promote local businesses' access to global markets across all sectors.

MEXIM has also successfully diversified its clientele by forming partnerships with entities such as the Malaysian Franchise Association. Through this partnership, MEXIM reaches out to SMEs franchise players who wish to launch operations abroad and design appropriate products and services to support their expansion into new markets. The bank has also developed innovative products tailored to its SME target group through its vendor development programs.

MEXIM continues to improve the quality and variety of its product and service offerings. Through its partnership with ICIEC, MEXIM has reinsured its business, thereby protecting its

clients and itself against certain risks. Through its partnership with Garant, a European company providing coverage against credit and political risk globally for trade and investment, it also provides export credit and political risk to investment projects while benefiting from exchanges of commercial information and technical support from Garant.

The Malaysian example offers some significant lessons to be learned:

1. **Have a defined mandate, design niche products and invest in staff:** While MEXIM may be serving a wide range of clients in various sectors, its mandate is very much limited to support export-oriented business in Malaysia as well as Malaysian-owned offshore businesses and projects. It has successfully developed a suite of products and services that are appropriate for the local and global market, and invests in staff skills development to ensure a malleable and creative workforce exists to services its current and future clients.

2. **Establish a Client Charter**: MEXIM's Client Charter is designed to help the Bank monitor and improve its interactions with existing and prospective clients through the use of queries. The Bank also promotes transparency by making information on its business processes publicly available.

3. **Form smart partnerships:** MEXIM has been effective in partnering with local and global entities in all aspects of its business. This includes partnerships aimed at expanding its clientele, partnerships that are product-oriented and focus on the introduction or improvement of its offerings, as well as partnerships that are focused on provision and receipt of technical support.

5.2.3. Turkey

ECA with government back-stop

Türk Eximbank is a fully state-owned bank acting as the Turkish government's major export incentive vehicle in Turkey's sustainable export strategy. As Turkey's official ECA, Türk Eximbank has been mandated to support foreign trade and Turkish contractors/investors operating overseas through various credit, guarantee and insurance programs similar to export credit agencies of developed countries.

Türk Eximbank is one of the oldest ECAs within the OIC member countries and a leading example. It operates in line with the best practices of OECD ECAs, following the OECD Consensus on Officially Supported Export Credits as an observer.

However, Türk Eximbank stands out amongst its peers in a number of ways:

- It is one of the few ECAs in the world which engages in direct lending activities funded by an in-house treasury operation which is active in the international and domestic capital markets
- It is one of the relatively few ECAs in the world that offers lending, as well as insurance and guarantee schemes "under one roof" within the same institution

- Its business volumes relative to the size of the Turkish economy are large, equal to more than 20% of exports, compared to an average in OECD countries traditionally around 5 to 6%
- It is classified by the national bank supervisor as a development and investment bank, subject to the government's rules on capital adequacy and is in the process of implementing Basel II guidelines. Other Eximbanks globally (e.g. in the US or Canada) are not subject to these same rules in their countries.

As a company owned by the Turkish Treasury, it also has a unique feature in terms of the manner in which the government provides financial backing. Any loss incurred under the credit, guarantee and insurance programs due to political risks are covered by the Turkish Treasury and compensated appropriately (although with a delay likely greater than if the business had been reinsured by the private market). In other countries, with similar corporate forms, the institution's reserves and capital are usually the first buffer against such loss, except if there is a specific program or national interest account that takes exceptional risks. The logic behind this arrangement is that the fundamental collateral of the foreign country credits is the sovereign guarantee of the counterpart country which is in the purview of the Treasury.

The limits of foreign country loans are set by the Annual Programs within the foreign economic policy of the Turkish Republic by the Supreme Advisory and Credit Guidance Committee (SCLGC) and approved by Council of Ministers. Individual country credits are granted with the approval of the Board of Directors and the approval of the Minister. The Board of Directors has authority to approve transactions with credit periods of 2-year or longer for up to USD 20 million.

Türk Eximbank has a long history of working with Turkish and foreign banks. Its current strategy is to focus more on the Medium- and Long-Term Trade and Project Finance Programs and Export Credit Insurance/Guarantee Programs, playing an active role as a catalyst with other financial and related institutions to reach Turkey's goal of exports of USD 500 bn by 2023, the centenary anniversary of the Turkish Republic. Türk Eximbank, in line with its new vision and strategy, will concentrate on guarantee and insurance programs and medium and long-term credits, shifting its focus to be more like the Europe ECAs, which provide insurance to banks to lend, rather than lending directly.

Türk Eximbank's example has certain features which can be a good model to adapt to other OIC countries:

1. **Nature of government support:** Government support to an ECA on certain types of risks is helpful as it frees up the entity's reserves and capital in the event of a loss. Similarly, the Turkish Treasury covers political risks on Türk Eximbank programs and provides compensation in the event of related losses.

2. **Partnerships to benefit clients:** The Bank prioritizes partnerships as an instrument to further its main objective, which is to support Turkish exporters. Hence it has forged relations with peer institutions and international financial institutions aimed at promoting the financing of projects involving local businesses and foreign entities, both within Turkey and abroad.

3. **By participating in international groups, monitor and follow other ECAs to diversify its products and to develop new ones with an innovative approach:** Within the framework of a more and more integrating global business environment, to address the evolving financial needs of exporters and to equip them with the strategic tools, not only financial but also technical, Türk Eximbank monitor and cooperate closely with the international groups as well as their members. After analyzing the programs of leading ECAs, and adapting them to the unique needs of Turkish exporters and their foreign buyers, the Bank has widened its product portfolio in recent years. As an example, throughout newly developed "The Bill Of Exchange and Letter of Credit Discounting Program", the Bank has provided support to the export of buses to France in 2014.

5.2.4. Indonesia

A Flexible Business Model for Today's Markets

Indonesia's export base is dominated by oil and gas, mineral fuels and oils, fats and waxes and electrical equipment and machinery, which collectively make up over 50% of total exports. Most of these exports are destined for Japan, China, United States and India.

Indonesia has an active banking sector supporting export industries, comprised of over 100 banks, including state-owned banks, commercial banks, regional banks, Islamic banks as well as a significant number of global banks such as Bank of America, Royal Bank of Scotland, Citibank, Deutsche, JP Morgan Chase and Standard Chartered.

Indonesia also has two government agencies operating in the export market, Indonesia Exim Bank and Asei Re, which provide overlapping products including export credit insurance and guarantees. Such competition between two entities is likely to have positive outcomes since they operate in the non-oil and gas export sectors, which is under-served by the conventional banking and insurance players, and the availability of different offerings helps to promote export development in these sectors.

Indonesia Exim has the mandate of 'boosting national export performance' and its mission includes supporting Indonesian exporters locally and overseas to break into non-traditional markets as well as a focus on assisting SMEs. Asei Re, Indonesia's export credit insurance agency, is also tasked with operating in the export market but focuses on addressing gaps in specific non-oil and gas exports markets through the provision of export insurance and export credit guarantees. Both entities are expected to fill gaps in the banking and insurance sector rather than to compete with the private sector.

Indonesia Exim provides both conventional and Shariah-compliant products and services to exporters to enable them to access global markets in priority sectors. In doing so, Indonesia Exim is fully supported by the Indonesian government and specifically the Ministry of Finance, which serves as its lender of last resort, providing unsecured loans in the event that the Bank faces financial difficulties.

Indonesia's Exim has identified a critical market gap in the export sector, namely local commercial banks' reluctance to provide overseas financing or financing to non-residents, particularly for exports in non-traditional markets such as in Africa, Eastern Europe, Latin

America and Middle East. Hence, one of its success factors is its ability to finance overseas buyers in purchasing Indonesian goods.

Aside from expanding into new markets, Indonesia Exim also continues to expand its export sector. Guided by its mandate and based on existing financing demand, it has ventured into construction, commodities including cocoa, coffee and rubber as well as seaweed, infrastructure and the manufacturing sector.

Asei Re's sensitivity to market needs and continuous innovation in filling these gaps is one of its success factors. While it was initially created to provide export credit insurance, it has expanded its product offerings to address existing market gaps without competing with the private sector. Its current product offering includes different kinds of insurance such as property insurance, liability insurance, oil and gas insurance, aviation insurance and personal accident insurance.

Asei Re has also established a Shariah Unit to meet the growing Islamic finance needs in the market and has formed partnerships with BNI to cooperate in this area. It has adopted a flexible business model and currently provides products and services not only for export-oriented activities, but also for non-export related activities and is also supporting small businesses by providing coaching services.

Asei Re, noting the demand for reinsurance services by general insurance companies who supply non-oil and gas export and non-export activities, has already started to strengthen and expand its reinsurance business to take advantage of the existing demand. From 2008 – 2013 alone, premium received for such services increased from RP 9.02 billion (USD 5.98 million) to RP 180.8 billion (USD 120 million).

Through effective partnerships, Asei Re is also expanding its client base and its operations. One such partner is the state-owned PT Asuransi Jiwasraya (Persero), with whom ASEI Re intends to launch credit insurance products and marketing campaigns aimed at increasing their collective market share. Asei Re is also partnering with international and domestic reinsurers as well as peer ECAs such as Korea's KSURE, which is providing reinsurance support to ASEI for its Korea-affiliated companies selling products in the domestic market and exporting to the global market.

There are significant lessons to be drawn from the Indonesian examples.

1. **Give the ECA a clear mandate**: Indonesia's government institutions have been clearly mandated to support export development without competing with private sector entities active in the market. As a result, both institutions have focused on identifying and addressing market gaps.

2. **Flexible business model and innovative new products for new/existing clientele:** By adopting business models that are sensitive to market needs, both entities have successful designed products that meet the needs of their existing or new clientele. Indonesia Exim has focused on supporting exports to non-traditional markets in various regions of the globe, providing credit facilities to non-residents who are not by commercial banks and supporting exports in new sectors. Similarly, Asei Re has responded to market needs in the insurance and guarantee space by developing new products (shariah-compliant facilities and reinsurance) and catering to new clientele (SMEs).

3. **Strong government backing:** The government of Indonesia serves as the lender of last resort for Indonesia Exim during times of financial stress. This has a positive impact on the Bank's clients who feel protected and are likely to engage in the export sector as a result.

4. **Sound underwriting processes:** Asei Re partners with overseas credit information agencies such as Coface InfoAsia and Sinotrust to ensure sound due diligence is conducted on all its clients. This improves the overall quality of the entity's portfolio.

5.2.5. Lebanon

Export Credit Services Delivered Exclusively by the Private Sector

Lebanon's trade deficit is one of the most pronounced with exports in 2013 amounting to over 1/5 of imports, which can be attributed to its service-based economy, specifically tourism. The small export base is dominated by jewels and precious stones, as well as machinery.

Lebanon has a strong, active and very liquid banking sector with over 100 well-capitalized local banks that have experience in trade. These banks have good relations with international banks such as Citibank, HSBC, Commerzbank and JP Morgan Chase who support their trade business. The local banks have also successfully expanded their presence in the Middle East region. Aside from these entities, there are also state-owned banks and foreign-owned banks that are active in the sector. The country also has a competitive insurance sector with over 50 players of varying sizes, which predominantly focus on providing general insurance services.

Lebanese Credit Insurer (LCI), a private insurance company, is the only player addressing this export market. LCI was established in 2001 by private entities including Atradius, local and regional insurance companies, and private holding companies, without any government involvement. It is the first independent specialized insurance company of its kind in Lebanon.

With the vision to become 'a driving force in trade facilitation in the MENA region,' LCI is focused on supporting SMEs in engaging in in domestic and cross-border trade. It owes its success to providing a critical product that has been lacking in the Lebanese market – domestic and export trade credit insurance protecting businesses against the risk of non-payment of their customers. LCI currently has an outstanding exposure of over USD 600 million.

Another success factor is LCI's holistic support to businesses through its subsidiary LCI Services. Aside from its standard products, it also provides complementary products that may be required by businesses. This includes debt collection assistance whereby LCI takes responsibility for a client's bad debt, thus saving the client valuable time and resources and directly engaging in negotiations with the client's non-paying buyer. The company's provision of credit management and credit protection services is benefiting its clients by improving their financial sustainability.

Taking advantage of its expertise in the trade credit insurance cycle, LCI disseminates know-how in areas such as marketing, underwriting, claims, reinsurance and IT, thereby contributing to strengthening the insurance sector and improving understanding of insurance products and services among stakeholders.

LCI is reinsured by reinsurers that specialize in credit and bonds reinsurance. Its partnership with regional insurance companies is also enabling information exchange and adding to the company's credibility in the market.

However, according to a study conducted by LCI, of Lebanon's annual exports of USD 4 billion, 60% are "uninsurable" in the private market. This means that reinsurance would not be available to cover these transactions – either due to the nature of the export or the export destination. Most Lebanese exports are sold on the basis of an L/C, which means that trade transactions are bank-intermediated and therefore more expensive than a competitor who is selling on open account terms.

While Lebanon has a thriving banking and insurance sector, there is no official ECA that could help drive export development, support the growth of SMEs and provide back-stop products such as credit guarantees to banks and reinsurance to LCI take more risks.

There are some lessons that can be drawn from the Lebanese example.

1. **Private sector has significant capacity to insure exports but cannot meet all the needs:** LCI has shown that a private entity can play a significant role in effectively addressing some of the needs of exporters in Lebanon and doing so on a financially sound basis by expanding into other markets. However, there are significant export transactions which cannot be placed in the private market and that go uninsured – or do not happen at all – for lack of options.

2. **Holistic support to clients:** LCI provides optional complementary services to its clients. This includes providing critical inputs in the form of information or technical support that is intended to positively affect clients' financial health and the decisions they make with respect to their business growth and expansion.

5.3. Non-OIC Case Studies

5.3.1. New Zealand

The Pragmatic Go-Slow Approach

The New Zealand ECA was only recently established in 2001. In the early 1980s, during a period of fiscal crisis and government spending reforms, the government-backed credit insurer EXGO was privatized, leaving no government financial backing to support and promote New Zealand exports.

In 2000, after much clamouring from exporters, the New Zealand government issued a call for proposals to conduct research on the market gaps and potential role an ECA could play. In the Request for Proposals, it noted "*attention has been drawn by a number of exporters to an apparent failure in the export financing market. Some exporters believe that the lack of certain products is hampering their export development. The Government wishes to explore in detail these alleged market failures and consider possible solutions*."

A research study was undertaken surveying exporters, banks and insurance players on what were the market gaps, looking at what exporters needed to expand their exporting business and to be internationally competitive against their counterparts from other countries which had ECA backing. The conclusion of the report was that there were specific unmet needs that an ECA could usefully fill.

Following that study, the New Zealand Government made a policy commitment to establish an ECA as an office within the Treasury, setting out a series of specific operating and institutional parameters. It was also decided that, rather than building up underwriting expertise in-house, the government would outsource the running of the scheme to international experts. Treasury would manage the overall portfolio and decide on cases, with input from a Technical Advisory Committee, but the actual risk assessment would be done by the outsourced party. The Danish ECA (EKF) initially won the tender to undertake this business and after three years, when it was retendered, the Swedish ECA (EKN) took on the role. Meanwhile, New Zealand Trade and Enterprise (NZTE), the Government's international business development agency, was the "front office"/sales arm for the new facility.

The New Zealand Export Credit Office (http://www.nzeco.govt.nz/about) took over the full responsibility of the management and functioning of the ECA in 2007 but still works closely with EKN. Its mandate is to help grow New Zealand exports by providing specialized financial guarantees and services that complement those available in the private sector and which assist New Zealand exporters to:

- manage risk;
- access trade finance; and
- secure international contracts.

NZECO is currently located in the Treasury and obligations to third parties are guaranteed by the New Zealand government through the Minister of Finance. A letter of delegation from the Minister of Finance delegates the Secretary to the Treasury with the responsibility of operating the NZECO. The Secretary provides final approval of all export credit guarantees. The Government's maximum liability under the scheme is NZD 740 million (USD 607 million).

NZECO receives policy direction from the government and is seen as a major contributor to meet the government's goal of increasing exports as a percentage of GDP from 30% to 40% by 2025, and to its Business Growth Agenda designed to create the conditions that assist businesses connect to international opportunities and become more productive and internationally competitive.

NZECO works closely with other New Zealand Government and international agencies, as well as the private sector partners, to leverage their knowledge and resources in support of New Zealand companies. NZECO's products are intended to extend the capacity of facilities in the private sector.

NZECO has demonstrated a role for its services and products. Since its establishment, NZECO has issued a total 440 policies to 116 exporters, supporting NZD1.8 billion (USD 1.475 billion) worth of export transactions into 74 countries.

As an organization set up in response to specific complaints from exporters, NZECO regularly undertakes customer surveys (http://www.nzeco.govt.nz/news/17oct14/nzeco-survey-findings-2014.pdf) in order to keep abreast of changes in the market and stay relevant.

Although the New Zealand case recommends itself for adopting a go-slow and careful approach and relying on outsourcing the technical management of the entity, an ECA under the direct supervision of the Secretary of the Treasury may have certain limitations that make the model unsuitable for emulation. Nevertheless, there are important features of the New Zealand model from which important lessons can be drawn.

1. **Start slow:** before investing in the full set up costs of "bricks and mortar" to establish a new entity, it might be worthwhile going in stages as business demand builds over time.

2. **Listen to the exporters:** they know better than anyone what challenges they face. Regular consultations and formal feedback via surveys is critical to keep the institution updated on what exporters need.

3. **Outsource to the experts:** when setting up a new program, facility or institution, it often less expensive for an organization not to "reinvent the wheel" but rely on experts who have done it before in other contexts.

4. **Create synergies with other parts of government**: ECAs are part of a government policy infrastructure and while being experts in foreign risk assessment, they may find that other government agencies are better suited to be on the front lines with exporters. Relying on trade promotion and training arms of government to bring awareness of an ECA's product offering can be very effective.

5.3.2. Finland

A Key Player when the Market is Disrupted

Finnvera (http://www.finnvera.fi/eng) is Finland's ECA. It also is the Finnish SME Development Bank, serving domestic small business financing needs. As a state-owned specialized risk-financing company Finnvera provides financial support for the start-up, growth and internationalization of SMEs and, as well as, guarantees and financing against risks related to exports. As a public limited company completely owned by the State of Finland, Finnvera is administered and governed by the Ministry for Employment and the Economy (MEE).

Finnvera (or its predecessors) began its export credit functions in 1963. In 2005, Finnish Export Credit Ltd (FEC) which was the export financing arm of government became a subsidiary of Finnvera and since the beginning of 2012, the activities and staff of FEC have been absorbed into Finnvera. FEC enjoys a special withholding tax exemption in the tax treaties the government has signed with over 20 countries.

Finnvera offers the usual range of contingent liability products, including short-term export credit insurance, Medium &Long-term Export Credit Guarantees, (specific transaction) Working Capital Guarantees, Political Risk Insurance and a range of bonding facilities. For the export and special guarantees business, Finnvera has access to the State Guarantee Fund to cover losses. The State Guarantee Fund had cash reserves of €312 million. This means that, if Finnvera's export credit guarantee business makes a net loss exceeding the equity in Finnvera's balance sheet allocated to this business area, the Fund will cover the loss in excess of the equity. The Fund is repaid by Finnvera from future profits. The profits from the domestic financing and export

financing are transferred to separate funds on the parent company's balance sheet. The state is responsible for the losses if they cannot be covered from these funds.

As a small ECA, Finnvera must strike the balance between remaining profitable and ensuring that its pricing does not make Finnish exporters uncompetitive relative to other countries. It has a very strong focus on filling the market gaps – both systemic and temporary. As a result, the total number and value of guarantees granted vary greatly between 2007 and 2013 as a resulting of the increased demands for cover during the global financial crisis in 2008 and 2009 as is depicted in Table 9.

Table 9: Finnvera's Export Credit Business Volumes (2007-2013)

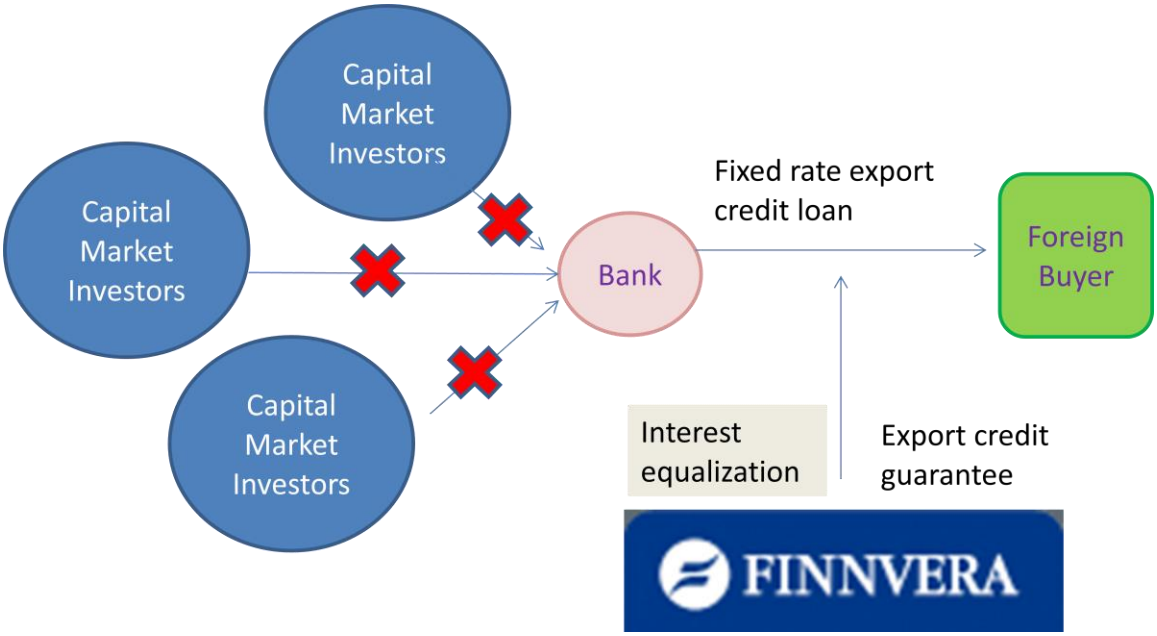
	2007	2008	2009	2010	2011	2012	2013
Export credit guarantees and special guarantees offered (€ mn)	1816.1	6300.8	4449.7	2379.6	3795.7	5351.0	3397.5

Source: Finnvera's Annual Report, 2014

During the global financial crisis, Finnvera sought and obtained from the European Commission a waiver to offer short-term credit insurance to what had previously been classified as "marketable risk" countries but had seen the private credit insurers pull their credit limits leaving exporters without options. Finnvera was able to ramp up its program quickly and offer exporters the cover they needed to continue to ship to markets that had been prohibited but that are the major export markets for Finnish exporters.

Meanwhile, on the medium/long-term export finance side, during the Global Financial Crisis, banks who had previously been able to provide long term loans to foreign buyers in support of export transactions by virtue of their ability to borrow in the capital markets, found themselves unable to access liquidity in the market.

Figure 7: Market Disruption during the global finance crisis in 2008-2009



Source: Evaluation of Finnvera Plc (www.tem.fi/files/33486/TEMjul_28_2012_web.pdf)

The temporary funding scheme which was introduced in 2009 and a more permanent scheme was put in place using FEC which then refinances commercial banks and offloads the asset into the capital markets using securitizations.

There is no doubt about the effectiveness of Finnvera and its ability to identify and meet the demands of the market, particularly during the Global Financial Crisis. Finnvera's business activities – focusing mostly on large capital goods exports and working capital for shipbuilding – have little in common with OIC ECAs. However, its analytical approach can be applied in any context and as a result, there are some useful lessons to be drawn from the Finnish example.

1. **Understand not only the nature of the market gap but why it is there:** there could be a myriad of reasons why banks do not lend; they could be uncomfortable with the borrowers' creditworthiness, they could have reached internal risk limits on certain types of risks, they might have sufficient exposure in a particular sector. Or, as was happening in Finland and the rest of Europe during the global financial crisis, banks simply could not borrow to lend. Finnvera understood the problem and developed a solution that specifically addresses the need.

2. **Price to risk, but consider exporter competitiveness:** understanding the impact of pricing on exporters balanced against an ECA's own risks and costs is a critically important function. Trade-offs need to be made.

5.3.3. Canada

An ECA that Makes Exports Happen

Export Development Canada (EDC) was established (as a predecessor organization) in 1944 and is Canada's official ECA. EDC is financially self-sufficient and operates much like a commercial institution, and pays dividends to the government out of its profit. Aside collecting interest (from loans) and premiums (from insurance), EDC has a treasury department that issues bonds and raises money in global capital markets.

EDC is 100% owned by the Government of Canada and reports to Parliament via the Minister of International Trade. Although it has a completely private sector Board (apart from the CEO), it must submit annual corporate plans for approval to the Ministers of Finance and International Trade, which includes a borrowing limit approved by the Department of Finance. In addition, EDC operates the "Canada Account", which is Canada's National Interest Account, for transactions too risky or large to take on the corporation's balance sheet.

EDC is a full service ECA, offering the range of export credit and financing products. In addition to loans, guarantees and insurance, EDC has an equity program, which is geared towards investing in Canadian export companies which face a shortage of private equity as well as in private equity funds both in Canada and in emerging markets.

ECAs typically look at national benefits to determine eligibility of their support, usually in the form of value-added national content in the exports they support. EDC takes a much broader view of its mandate, referring to "integrative trade", which they refer to as "the expansion of the traditional export model to include direct investment abroad, the integration of imported inputs into exports and the establishment of foreign affiliates". With the support of the government, EDC's broader definition of eligibility, along with its financing powers, thus permits it to lend to or invest in companies, projects or funds which may have downstream Canadian benefits.

Consistent with the strategy to support integrative trade, EDC employs a "pull strategy" in which it lends to borrowers or project, or invests in funds where there is a possibility of influencing the procurement towards Canadian goods and services. For example, EDC has invested in private equity funds in China, whose Chinese investee companies have then been introduced to Canadian technologies. Or, EDC has participated in a syndicated bank loan to a large foreign corporate, dealing with the CFO for the financing but introducing the company to what Canada has to offer in terms of expertise. EDC has 16 international offices, with nearly 40 staff working on the ground and works closely with the Canadian Trade Commissioner Service.

Unlike many OECD ECAs, whose mandates are focused on "market gaps", EDC is a competitive player. Although Canada's financial system is generally very robust and active (showing their resilience during the global financial crisis), the Canadian commercial banks are less involved in export finance for large capital goods exporters, unlike their counterparts in the US and Europe, as this is still largely the domain of EDC, which can lend directly. Meanwhile, in the short-term credit insurance market, the Big 3 are active in Canada, but EDC remains the largest player in the market and is highly competitive.

The US is Canada's largest trading partner, with 73% of exports destined to the US. Oil & gas contribute 29% of the value of exports, with transportation equipment and machinery combined at 26%. As a commercially-oriented player, EDC is active in this market and these sectors.

EDC's commercial approach is a key success factor. If competition with the private market is not concern for government, it is an appealing business model, provided highly skilled staff can be retained. Moreover, giving the entity certain autonomy to make its decisions about what transactions to support, independently of any government influence, provides a better basis for a viable business. This, combined with access to a national interest account as a "safety valve" for certain types of transactions, gives the corporation a means to protect its balance sheet.

The EDC model is sophisticated and may not have relevance to the majority of ECAs in the OIC region. Nonetheless, the mature and well-managed OIC ECAs may look up to emulate EDC in the future. Some of the lessons to be drawn from the Canadian example include:

1. **Benefits of a commercially oriented ECA:** while this can impede the growth of the private market sources of finance and insurance, such a focus does allow the ECA the opportunity to maximize profits and even pay dividends to its shareholder.

2. **Competition with the private sector is not necessarily a bad thing:** EDC seeks to play in the same space as commercial banks and insurers. It is unapologetic in this role and has no specific mandate to complement or catalyze the private market.

3. **The role of government should be carefully circumscribed and defined:** In the case of Canada, government involvement is limited to ownership, approval of annual plans and limits on borrowings. No government officials are represented on the Board and there is no risk of political interference.

4. **Innovations in product offering and approach come from thinking about global supply chains and how national companies fit:** EDC understands how trade is evolving and the importance of global supply chains. It no longer narrowly defines what is an "export" and therefore eligibility for EDC financing and instead creates financing solutions to maximize the downstream Canadian benefits.

5.4. Best and Worst Practices of ECAs

Analyzing best practices can be highly informative and helpful to learn how and in what ways other countries' ECAs have been successful. However, a critical mistake can be made in simply "cutting and pasting" initiatives that were successful in one country and applying this to another country and context.

Differing approaches to public finance, national accounting practices, financial systems, regulations, governance arrangements, variations in domestic economic conditions and export market requirements all have a role to play in establishing what may be viewed as an appropriate export credit business model. For example, one oil-producing country that has significant depth within its financial institutions, and strong history of good public-sector management and governance will have a different export credit system than another oil-producing country with a less mature enabling environment.

Therefore while lessons can be learned from best practice examples, applying these lessons must be done with care. Equally – and sometimes even more so – are lessons that can be drawn from

failed attempts. Worse practices can help inform what not to do when considering how a country can develop its export credit system.

5.5. What Makes an ECA Effective?

An ECA is just one instrument of government policy. To be effective, the ECA needs to be well-integrated into the government's policy objectives, decision-making processes, and fiscal and borrowing plans. The ECA needs integrity in its governance arrangements, with clear lines of responsibility for goal setting and accountability for the achievement of goals.

The best ECA is one which strikes an appropriate balance between a) minimizing the risk position of the government; b) optimizing the involvement of the commercial banks and private financiers and c) meeting the needs of exporting companies.

Sound governance is the single most important factor in the success or failure of an ECA. Like all financial institutions, ECA financing has embedded risks to the government which need to be recognized, understood, and managed effectively. Fiscal surprises due to unanticipated losses, or surpluses, which carry through to the government's bottom line can be disruptive to anticipated outcomes for the government's economic and financial performance more broadly.

For government sponsors of ECAs, the question is how to structure the relationship in a manner which manages these risks effectively, and efficiently, while ensuring the ECA has the tools and incentives to deliver on its export promotion mandate.

The ECA must also seek to work very closely with the banks and other financial institutions and maximize the involvement of these other players to ensure its position in the market and facilities are applied in an optimal manner.

ECAs are also designed to serve the needs of exporters by focusing on understanding the nature of these needs and subsequently providing business solutions to meet these needs. Simultaneously, an ECA must not seek to subsidize exporters, but create an enabling environment that promotes export growth and development. This also means understanding the role of and collaborating with private sector commercial players including banks and insurance companies in the market. As a result, ECAs play a critical role in the export ecosystem, ensuring all players are effectively engaged and where applicable, supported by the institution.

Among other objectives such as to diversify the export base in terms of sectors, markets and types of exporters, ECAs are intended to fill gaps that would otherwise go unaddressed in a market including those related to financing and insurance needs. This entails ensuring private players are not crowded out by ECA activities but are instead enabled and complemented. To this end, ECAs must undertake extensive market gap analysis upon which strategic and operational decisions about what, when and where interventions are conducted.

As government/quasi government institutions, ECAs are expected to establish appropriate risk management systems to establish and monitor risk limits. This is particularly critical to ensure pricing to risk that would fulfill the institution's financial sustainability requirements while providing a risk-weighted price on financing intended to make exporters competitive.

There is a tension to manage between being a last resort insurer or lender only filling gaps and, on the other hand, breaking even and avoiding losses. Doing only what others will not do means not only a very limited and poor spread of risk and extreme difficulty in breaking even, but also

an unreliable and irregular level/source of premium income which makes it very hard for an ECA to keep any kind of infrastructure in place.

5.6. What Makes an ECA Ineffective?

There are some features that can be crippling to ECAs. ECAs, as government/quasi-government institutions, may be unduly influenced by political interference. Even national government policy or directives which translate into ECA being pressured to support specific exports in certain sectors and taking unjustified risks can result in an ECA unable to function effectively. In general, governance that is too public sector focused and lacking inputs from private sector players contributes to the ineffectiveness of an ECA.

Therefore, an important factor, if not the most important, that leads to the success or failure of an ECA, is having the right governance structure and business model. Cases in point where the wrong structure led to the ineffectiveness and ultimate failure of the ECA are the Bangladesh and Pakistani cases. In the former case, housing the ECA within an entity having other priorities and a risk averse attitude rendered it ineffective, while in the latter case, creating an institution which was not focused on exporters, but on guaranteeing banks, led to its failure and ultimate demise.

Whether through government interference or general policy and operational mismanagement, ECAs may make unsound decisions that lead to running unsustainable deficits or result in crowding out the private sector. The latter includes subsidizing exports or interfering in markets where commercial banks and private insurers have the capacity to provide commercial solutions such as assuming credit risks or direct lending to exporters.

In the absence of detailed market knowledge and customer feedback, ECAs run the risk of offering products that are not suitable to the needs of exporters and do not contribute to export growth and development.

Finally, the inability or reluctance of the shareholders to provide the necessary financial backing when needed is a critical factor in the success or failure of an ECA.

5.7. Common Challenges and Common Success Factors

The discussion in the previous section highlighted specific characteristics of ECAs that positively or negatively affect the effectiveness of ECAs. This section provides a general overview of common exogenous and endogenous obstacles that ECAs may encounter and the common success factors that should be kept in mind.

Some of the main common strategic challenges that ECAs face are:

1. the need to balance operating within the "market gap" ***while*** and also promoting the involvement of the private banks or non-bank financial institutions to finance and support trade

2. the need to maintain a flexible organizational structure so as to be able to step into or out of a particular market segment ***while*** maintaining the expertise and keeping current with modern banking practices

3. the need to be financially self-sustaining ***while*** at the same time only serving areas of the market that the private providers deem too risky or where costs cannot be fully recovered from the client

4. the need to be staffed with individuals who have the requisite public and/or private sector oriented expertise and meet other relevant criteria, ***while*** having to follow civil service hiring requirements and restrictions

5. the need to operate independently from the government ***while*** still being subject to various forms of government/political guidance to take a certain piece of business which otherwise would fall outside of normal lending criteria

6. the need to nurture clients through subsidized technical assistance, training and advisory services ***while*** also acting as a catalyst by facilitating the direct involvement of private financiers

7. the need to use resources efficiently, prudently and transparently ***while*** being accountable to the shareholder/taxpayer.

These challenges are often contradictory and pose important dilemmas. More often, management is given little guidance about how to deal with competing priorities or policy dilemmas. For example, if a product can make money, then in theory it should be attractive to the private sector. On the other hand, if the ECA is offering programs that the private financiers are not willing to do, by definition it is difficult to cover costs (much less earn a surplus to be able to provide other services which produce little or no income).

A key dilemma for most (if not all) ECAs is the inherent motivation to "grow the business", simply measuring success by how much additional business volume is supported. However, it is important to note that this may not be an appropriate strategic objective in itself for a development bank; rather the goal could be to develop the business to the point at which it becomes a commercially attractive product line where demand and market awareness have been fostered.

ECAs can provide to the private market players a "demonstration effect", i.e. showing that a particular product can earn a commercially attractive rate of return, thus encouraging the private sector to enter into these segments of the market. Often, the issue is that the perception of risk by the commercial banks is too high. This however does not mean that ECAs should necessarily charge a subsidized price, but rather demonstrate to commercial banks that an acceptable rate of return is possible for the risks involved. The special challenge for ECAs is recognizing when the demonstration effect has been successful and the time is right to retrench from this particular market segment.

Some common success factors to ensure that the ECA is on the right path include:

1. **Sensitivity to the capacity and evolving needs** and aspirations of exporters and market players (banks, insurers, etc.) combined with awareness of government priorities must influence ECA policy design and its interactions with both public and private sector players.

2. The **effective management of internal operations** is reliant upon the existence of sound systems, availability of appropriate management and staff and the ability of an ECA to exercise autonomy when it comes to policy design and operations management.

3. A critical factor that is likely to affect ECAs is **the nature of relations with the government**. When an ECA is unduly influenced by national government in the arena of policy-making, determining its business approach or overall management, the institution is unable to serve its clients (exporters) or contribute to equilibrium with a specific market.

4. The financial instrument used by ECAs, namely the explicit or implicit guarantees of the national government, is reliant upon **the acceptance of the ECA's credit rating** in the market. Without this, an ECA is unable to influence conditions in the market and address existing market gaps.

5. The raison d'être of ECAs is to **identify and address market gaps and needs**. Thus, a disconnect with market conditions which is manifested in the nature of an ECA's approach and product offerings compromise the institution's ability to exercise its mandate and achieve its objectives.

6. RECOMMANDATIONS AND CONCLUSIONS

6.1. Lessons Learned

Within the OIC countries, there is a wide range of experiences with ECAs. Many members have no facilities at all; some members have very well developed schemes, refined over 30 years. Most are in the early to mid-stages of development as institutions and have potential to improve their performance, better align their efforts and expand their reach.

There is no debate on the need of some form of government involvement in providing or supporting the provision of export credit finance or insurance for the purpose of enhancing competitiveness of exports, access to finance for exporters and promoting growth and diversification in certain export sectors. Even the most advanced economies have an official ECA and face market gaps which the private sector sources of finance or insurance cannot fill. This is especially the case when there is a temporary market disruption, such as occurred in 2008-2009 during the Global Financial Crisis.

Nearly every developed country has an official ECA. Each has been tailored and adjusted over time to its own particular national circumstances. Few now occupy the dominant place in their national trade finance schemes, but all have been deemed to play a legitimate and necessary role as facilitators of international trade. More and more emerging markets are putting in place such facilities.

How should the government support its ECA? Or, where no ECA exists, in what circumstances and in what form should the government provide support for the establishment of an ECA? The key factor in the success of an ECA is that it works with the grain of a country's trade and finance system, which can vary from country to country. There are no perfect models to be followed. Indeed, in the face of ongoing and seemingly accelerating changes to the global economic and trade system, constant review of the market needs is necessary if an ECA is to operate effectively.

However, ECAs are not free goods; they raise complex cost and governance issues that need to be managed carefully. Moreover, to be effective, ECAs must recognize their role in the context of economic needs and conditions, and the government's broader economic policies and strategies.

There is danger in trying to copy others. The most successful ECAs have been – and still are – those whose facilities and status/structure most precisely and cost effectively meet the changing and, often, particular needs of their exporters and, importantly, of their banks and financing institutions. Lessons can certainly be learned from the experiences of other countries – both on what to do and, just as important, on what not to do - but this is very different from simply copying or seeking to reproduce or transplant. Instead, adapting lessons from other countries can be of significant value.

This section draws some important lessons learned from the existing ECA models within the OIC and non-OIC countries and sets out some guidelines for how these lessons can be applied. There are lessons both for governments in considering their support for an ECA, as well as for ECAs themselves, to enhance and increase their effectiveness.

6.2. Applying Key Lessons For The Government

A government that sets up an ECA - and then ignores it – is as unhelpful as a government that sets one up and intervenes in its operations. The government must understand the role of an ECA as a critical public policy tool to promote and enhance exports. But, it must also know that the ECA is a financial institution that takes risks and must be professionally run.

- **Give the ECA a clear mandate, statutory functions and sound governance structure**: It is essential that the ECA is given a very clear mandate which covers not only the objective to support and promote exports, but should also outline whether or not the institution works with private sector sources of financing and insurance active in the market. In the case of Indonesia, this dual mandate is well defined. In other countries, such as Nigeria and Canada, promoting the involvement of commercial banks or private insurers is a secondary consideration. Either way, the ECA should know whether its role is to play strictly within the market gap, or whether actively competing with the private sector is acceptable.

- **Define the nature and extent of government financial support and properly plan for this in the national budgeting process:** There are many ways the government can provide financial backing for its ECA. In the first instance, share capital is the most basic support, wherein the government either wholly owns or partially owns the institution. Secondly, there are countries (such as Turkey) in which the government provides guarantees for certain risks/compensation for losses relating to specific transactions. Thirdly, ECAs can borrow on the domestic and international capital markets with full faith and credit of the government, such as Canada, with some strict borrowing limits. Finally, the government can act as a provider of direct loans to the ECA, such as in the case of Indonesia EXIM where the government is the lender of last resort. Defining the extent of government backing is necessary for the ECA itself, as well as for its creditors, clients and international partners.

- **Constantly monitor and review the ECA's activities and portfolio:** Depending on the nature of government backing, it is advisable for the government to keep a close watch on the potential financial implications of the ECA's activities on the national accounts to avoid any surprises. Annual corporate plans should be submitted which outline the ECA's maximum contingent liabilities and financial position.

- **Circumscribe the role of the government in the ECA's activities:** Apart from the financial backing, the government can have additional avenues of involvement with an ECA's activities and it is important that these are well defined. If it is normal practice within statutory corporations or state-owned enterprises for a government Ministry to be represented on the Board of Directors, then the government representatives need to consider carefully whether they are representing the government as "owners" (such as might be the case for officials from Ministries of Finance) or as an official from the line ministry, i.e. Ministry of Trade, who might be representing the trade interests of the country. In this latter case, the Ministry of Trade needs to be careful not to blur lines between its role on the Board and its role as the Ministry responsible for the national

trade strategy. How the ECA contributes to the national policy should ideally be a separate and distinct process with the Board playing the role of approving the strategic plan that has been developed based on the directives from the Ministry.

- **Undertake regular, external independent evaluations**: Upon establishment, any ECA will have specific objectives and goals, which will be used to develop key performance indicators and corresponding targets and milestones. An independent body is then assigned to undertake periodic evaluations on relevance of the institution's operations, whether targets have been met, obstacles in this process (if any) and recommendations for next steps. This will allow the institution to take corrective action or sustain its current approach, where applicable. Such periodic assessments will enable management and operational staff to re-evaluate policies, approaches and offerings to effectively serve exporters.

6.3. Applying Key Lessons for Improving Existing ECAs

Having been given a clear mandate and operating principles from the government, an ECA must seek to operationalize this at both strategic and technical levels.

- **Establish a clear vision and mission to define a market space in which to focus**: Stemming from a clear mandate, an ECA should have a clearly defined vision and mission statement that relates directly to its role and mandate. If the role of the ECA is to help promote diversification of the economy (away from non-oil exports, as an example), then identifying this target in a well-articulated vision and mission statement is very helpful.

- **Understand not only the nature of the market gaps but why they exist:** An ECA which is mandated to focus on market gaps needs to understand the reasons for the existence of these gaps in the provision of private sector finance and insurance. For example, there may be several reasons why banks do not lend to exporters or to support export transactions: a) they could be uncomfortable with the borrowers' creditworthiness or the type of risks involved; b) they could have reached internal risk limits on certain types of risks; c) they might have sufficient exposure in a particular sector; d) the costs of serving a certain market segment is not profitable (e.g. SMEs); or e) as was happened during the global financial crisis, banks simply could not borrow in the capital markets to on-lend. Gaps are also the result of inadequate information, uncertainty on risks (e.g. including legal, institutional context), and the inability to assess market potential. The nature of the gap will determine the type of solution the ECA should offer.

- **Understand the export market and exporters' contribution to global supply chain:** The successful functioning of an ECA relies not only on the institution's awareness of the exports market and its role in the domestic economy, but also its linkage in global supply chains and how this can be further developed or strengthened. One way of doing so is to understand the financing ecosystem including the players active in upstream and

downstream financing and where the ECA fits in this landscape, to establish relations with the major players or financiers, to trace the country's value added and finally, to identify the type of financing facilities to be developed.

- **Conduct extensive research to ensure up-to-date knowledge about the needs of national industries and evolving trade flows in order to design the products and facilities that best suit the export landscape:** It is axiomatic that an ECA that offers products that match the existing and future needs of its exporting community is most effective. Before designing products and facilities, it is vital to research: a) the needs and challenges of exporters and b) the existence products and facilities already being offered by banks or other financial institutions. Defining the size and nature of the market gap that exists is a task which should be conducted prior to designing products and facilities. This type of research will identify areas of focus - whether this is in handling corporate risk or developing other products that allow commercial banks and credit insurers to extend products and services to exporters. In doing so, the new facilities will be helpful in supporting private sector players in the market to better serve their exporter clients. For example, in an economy which has significant cross-border construction and engineering opportunities bonding products may be very relevant. Or, for an economy that sells agricultural products into Europe, accounts receivable insurance may be most suitable. As needs change and economies transform, so must the ECA's product mix evolve to ensure the suite of products and services continue to be appropriate for the local and global market.

- **Consult with the private sector sources of finance and insurance with a view to maximizing their contribution:** Better private sector knowledge of market opportunities may also help address "market gaps". Understanding possible alternative methods/products to address the problem may suggest potential for partnering with the private sector. If so, consulting with them throughout project design and preparation is needed in order to develop a structure that will maximize their involvement and best leverage official resources, as well as meet exporter needs.

- **Create links to international partners and players:** A national ECA is part of a global "family" of ECAs, whether linked officially through membership in the Berne Union, Prague Club or Aman Union, or not. Within this global network, ECAs can find opportunities to learn from each other and to generate business through information exchange and specific transaction risk-sharing. Analyzing the work being done by ECAs around the world – including the objectives, approaches and products and facilities offered to exporters – is another key lesson for new institutions. By reviewing, and where applicable, carefully adapting best practices to the particular context in which it operates, a new ECA may be able to avoid some inherent obstacles that characterize these institutions. Moreover, joining groups such as the Prague Club (for new ECAs) and Aman Union (for insurers and reinsurers in OIC member countries) or other ECA/Eximbank fora will create more opportunities for learning and collaboration.

- **Seek client input and feedback:** Many of the most effective ECAs have a two-way relationship with clients. Clients are promised specific response times to their queries or applications. On the other hand, clients' feedback is regularly sought to understand their evolving needs and as well as to obtain feedback on the ECA's performance. Directly surveying clients on the type, quality and effectiveness of product offerings and incorporating this feedback into design and operational aspects is another tool that ECAs should use to ensure the needs of their clients are being met. There is no substitution for regular surveying and customer feedback.

- **Continuously review and improve internal technical and management systems:** ECAs are designed to take risks, usually beyond what the private sector sources of finance and risk mitigation can do. Hence, these entities must ensure that they exercise their mandate – which mainly focuses on supporting exporters and contributing to the growth of the export sector – while simultaneously instituting sound risk management systems and frameworks to govern their operations in accordance with good governance principles and financial sustainability. In addition to an up-to-date risk management framework, ECAs need to ensure an effective organization structure, a talent management system capable of attracting and keeping a well-trained and motivated work force, and an efficient and up-to-date IT system.

- **As a financial institution, ensure financial sustainability through risk management and robust planning processes:** ECAs are, above all, financial institutions with balance sheets that must be preserved and enhanced. As with any financial institution, the drivers of costs and revenues must be managed with great care and discipline. ECAs must price to risk, which is in itself a significant challenge, but also – as a public policy tool – be aware and sensitive to the impact of its pricing on exporters' competitiveness.

6.4. Applying Key Lessons To The Establishment Of New ECAs

There are a number of important stages which should be completed before any new schemes or institutions are announced.

1. **Conduct research and undertake stakeholder consultations:** An important early platform of facts and figures on which to build future work is required to review the level and composition of exports, both past and present and best estimates of future trends. This should include not only the categories/components of goods and services being exported but also the buyers and markets/countries to which they are being sold. It is also important to collect data on the companies making the exports by size, status and location within the exporting country. Also important is to try to assemble information on prospects for increasing the various categories of exports and on potential restraints and impediments on achieving any increases.

   Another vital research area relates to financing, e.g. the payment terms most commonly used (cash or credit and, if credit, what lengths of credit) and what methods of payment

are used (open account or letter of credit). A key point will be which banks or financial institutions are involved and the nature and extent of each of the major financing players (e.g. are they local or foreign banks). Are factoring, invoice discounting or forfaiting used and to what extent?

It is also vital to collect information and details of the extent to which exporters and banks are using credit insurance and on who supplies this insurance.

Another area will be to establish clearly what the government via all its entities and agencies is already doing to support, promote, encourage and to finance/subsidize exports either directly or indirectly e.g. via tax concessions.

Much of this work will involve consultations with exporters, trade associations, chambers of commerce and with banks and financial institutions involved in financing trade and, in addition, with insurance brokers and with credit insurers operating locally in the country.

2. **Define and analyze the market gap:** This implies a comprehensive understanding of a country's whole trade cycle, and all those who play in it whether private or public sector and whether they are potential users or partner/counterpart/competitor. Appropriate roles for each player (local banks and other private sector financial institutions, host government, IFIs, etc.) need to be considered. Successful programs are built from the bottom up; they have tended to be the result of an internal momentum to address a specific gap in support or a specific problem. A survey of potential users of the programs (i.e. exporters) is necessary to clearly understand their needs and to develop a strong database of prospective clients for future marketing once the program is up and running.

   The challenge therefore is not only to diagnose accurately the problem (the reason for the gap), but also to target the solution (product) and its delivery mechanism so that it hits its mark. And it is only by having a very clear objective that success of the scheme can be assessed.

   Inherent in this research and analysis will be trying to establish with as much precision as possible whether problems exist – e.g. is shortage of working capital a problem - and the nature and extent of problems. One exporter's difficulty in obtaining export financing on desired terms is not, by itself, evidence of a financing gap, or a problem that needs fixing. The analysis should look for systemic failures or gaps which can reasonably be addressed through public policies or institutions.

   The end result of this analysis should be to establish with as much detail and clarity as possible:

   a. The nature and extent of the current and future needs/requirements of exporters in terms of finance and credit insurance

b. The ability and willingness of banks and other financial institutions and credit insurers to meet these needs and requirements.
c. And so, the nature and extent of gaps existing between what exporters, large and small, need and what is currently available from banks, financial institutions and credit insurers.

3. **Validate analysis and identify policy options:** When the analysis has been completed, further consultations will be necessary in order to test, review and validate the nature and extent of the gaps which have been identified. Moreover, an important part of this second phase of consultations will be to collect views on what the various parties, private and public, believe government should do – and, importantly, should not do – in order to fill or help to fill these gaps, what the potential role for new government actions might be and what might be the potential costs.

   It is inevitable that some gaps will have been identified but it should be recognized that this does not automatically mean that it is appropriate or desirable that any or all of such gaps should be filled by government. For example, there is no value in government encouraging exporters to sell to buyers or to countries which are very unlikely to pay for them.

4. **Consider a variety of business models and their fiscal and financial implications:** Depending on the defined market segment, it may not be cost effective or sensible to set up a brand new institution. It may be that an existing entity can be instructed to take on these tasks under a specialized program. Or, it may be preferable to set up at the outset a new institution, with a clear vision and mandate, proper capitalization to support the expected business volumes, suitable governance structures and appropriate government financial backstopping. Solutions proposed should:
   a. target the problem explicitly;
   b. minimize the fiscal risk to the government – including the potential variability of any fiscal cost;
   c. minimize the risk that the program will crowd out existing private providers of export financing products or hinder future development of export credit products;
   d. minimize the likelihood that the proposed program will distort exporter behaviour by encouraging them to divert resources to higher risk activities;
   e. draw on existing support mechanisms within Government and avoid duplication with other business assistance programs;
   f. balance any compliance costs against achieving the program's broad outcomes, while maintaining the capacity of the managing agency to monitor the program, commensurate with the risk to the Government;
   g. include clear eligibility criteria, which avoid undue administrative discretion;
   h. include a process for public reporting of the outcomes achieved and;
   i. include a provision for independent, periodic review.

Even if it is, initially, felt that government involvement might be appropriate, an early decision for government to take is whether it wishes **only** to become involved in strictly the areas of perceived gaps or whether it would prefer to consider operating a little more widely.

Obviously, it will be more difficult for any government entity or facility to avoid overall losses or to break even if it only operates in areas where banks or insurers are currently unwilling to provide facilities. Put another way, that it will only become involved in areas or cases where banks and insurers regard the risks as unacceptably high. In other words, the questions should be asked: is the government willing to compete with banks and insurers or to duplicate some of their activities, recognizing that, if it does so, it will get a better and diversified portfolio of risk and improve the prospects of avoiding overall losses? It should be noted that the wider the spread of risk, the easier it will be to consider taking on the more difficult risks. Or, since private banks and insurers are unlikely to welcome new competition, the government might prefer only to complement and co-operate with existing suppliers of finance and credit insurance.

So the key initial decisions are first, whether the government is willing to become involved at all in filling identified gaps and, second, whether it would prefer to operate on a strictly "gaps only" basis or more widely, in order to get better/higher income and a wider spread of risk.

5. **Consider options for the preferred corporate form and related governance arrangements:** Having taken these fundamental decisions, the next stage will be to develop options for government involvement which will need to review the corporate form – be it 100% government owned, reporting to a Ministry or the Central Bank, or a joint stock company with shareholdings from banks, insurers or others. Corporate status and form (e.g. a new organization or a new function for an existing body and, if a new entity, whether it should be a government Department or a government-owned company or corporation. Should it be wholly government-owned or some kind of joint venture?)

When decisions are being considered and taken on the provision of any financing or insurance facilities by any new government entity and on what form or status the organization providing the facilities should best have, then one relevant issue will be the way in which Government delivers other public policy facilities. For example:

- Are there already a number of government companies or corporations and are these wholly or partly owned by government?
- Do any existing organizations provide a model for a new entity?
- Could the new facilities in fact be provided by an existing government-owned or linked company or corporation?

A vital point for early resolution is the extent to which the full faith and credit of the government will be behind the operations of the entity providing the insurance and financing and/or of the facilities it provides, and what powers the entity will have to borrow, if any.

In the case of insurance, the rating of the insurer is of central importance – this is especially relevant when the insurance facility is being used by the insured party as security or to obtain financing. It is similarly vital when facilities are being issued to banks – what will the status be of issued facilities in the context of Basel III and banking supervision requirements?

6. **Develop a business plan:** A 5-10 year business plan needs to be drawn up which covers a number of key areas such as:
    a. The facilities which should be offered, broken down clearly between financing and insurance
    b. Estimated demand for each product
    c. Pricing and revenue estimates
    d. Best guess for bottom line out-turn over a 5-10 period
    e. Capital/capitalization requirements
    f. Budgetary implications for Government over a 5-10 year period
    g. Possible partners, both local and foreign
    h. How any new body would fit in with existing public and private entities

7. **Establish a detailed implementation plan:** Annex D provides detail on an implementation plan. There are many steps to implementation, but it is important to note that it is very desirable that, before any public announcements or implementation, clear decisions are taken on what any new body will do and what its status will be. This may seem obvious, but premature announcements have happened many times in the past which have made subsequent actions very much more difficult.

6.5. Conclusions

It is widely accepted that international trade and investment contribute directly to a country's economic and social development. ECAs are vital instruments to support these activities by providing a variety of financial products to support exporters to expand their international business. The driving force of any such entity is to grow and/or expand the export sector or specific exports and ultimately contributing to a stronger economy. In doing so, the focus is on diversification of a country's export base and supporting new and existing exporters in developing their businesses. ECAs help exporters by financing their production and working capital, assuming the non-payment risk of their buyers and financing their buyers. ECAs help banks by guaranteeing the risks of exporters and their buyers.

ECAs are important public policy tools for the OIC member countries to be able to fulfil COMCEC's strategy for building an interdependent Islamic world, helping to expand intra-OIC trade as well OIC exports more broadly to increase OIC's share of global trade. This report examines the role of OIC ECAs can and do play in supporting and expanding exports. As a knowledge piece, this report seeks to achieve the objectives of COMCEC, i.e. to produce and disseminate knowledge, to share experiences and best-practices, to develop a common language and understanding and to approximate policies.

In general OIC ECAs' contributions to national exports are still below international standards. Out of the 57 OIC member countries, only 23 have some form of ECAs, Eximbanks or similar programs. Within this group of entities, there are a range of practices and experiences. While the region hosts some very strong institutions from which important lessons can be learned, there is

a significant need for capacity building and institutional strengthening both for those OIC countries with ECAs, as well as those without such facilities that seek to establish them. There is significant scope for improving governance (one of COMCEC's main trade outcomes) of existing ECAs to create more efficient, transparent, inclusive and accountable institutions. In this regard, initiatives such as Aman Union for OIC insurers have played an important role in facilitating training and information exchange. Focused support from COMCEC could be of significant benefit towards supporting these efforts.

Targeting technical assistance to OIC member countries to build their export credit systems warrants consideration. The use of a technical partner to help set up and manage the new ECA in its early years is of crucial importance. A solution could be a technical cooperation partnership between new ECAs and more advanced, such as ICIEC or Türk Exim, which have the model and experience to do it. Alternatively it could come from externally in the form of funded technical assistance from European or other donors.

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http://www.eximbank.gov.tr/

Export Credit Guarantee Agency of Oman (ECGA)
http://www.ecgaoman.com/home.html

Export Credit Guarantee Company of Egypt (ECGE)
http://www.mfti.gov.eg/english/affiliates/foreign/eceg/EcEg.htm

Export Credit Guarantee Fund
http://wbc-inco.net/object/organisation/8830

Export Credit Guarantee Scheme (Pakistan Reinsurance Corporation)
http://www.pakre.org.pk/ms/index.php?option=com_content&task=view&id=31&Itemid=145

Export Credit Insurance Company of the Emirates (ECIE)
http://www.ecie.ae

Export Credit Insurance Corporation (KazExportGarant)
http://www.keg.kz

Export Development Bank of Egypt (EDBE)
http://www.edbebank.com/en/pages/default.aspx

Export Development Bank of Iran
http://en.edbi.ir

Export Finance Scheme (State Bank of Pakistan)
http://www.sbp.org.pk/incentives/faq.htm

Export Guarantee Fund of Iran (EGFI)
http://www.egfi.org/index.aspx?siteid=81

Indonesia Eximbank
http://www.indonesiaeximbank.go.id

Jordan Loan Guarantee Corporation (JLGC)
http://www.jlgc.com

Lebanese Credit Insurance Corp/ The Lebanese Credit Insurer (LCI)
http://www.lci.com.lb

National Agency for Insurance and Finance of Exports (NAIFE)
http://www.naife.org/

National Co. for Credit Insurance and Guarantee (SONAC)
http://www.sonamassurances.sn/?SONAC-SA

National Export-Import Insurance Company (UZBEKINVEST)
http://en.uzbekinvest.uz

Nigerian Export-Import Bank (NEXIM)
http://www.neximbank.com.ng

Qatar Export Development Agency (TASDEER/QDB)
http://www.qdb.qa/English/Products/Exporting/Pages/default.aspx

Sadharan Bima Corporation Export Credit Guarantee Department (ECGD)
http://www.sbc.gov.bd/ins_export_credit.php

Saudi Export Program (SEP)
http://www.sep.gov.sa/webcenter/faces/oracle/webcenter/page/scopedMD/s496069c3_e35f_448c_8a0a_0c2ed8086bcf/Page27.jspx?_afrLoop=294943166632609&_adf.ctrl-

Société Marocaine d'Assurance à l'Exportation
http://www.smaex.com

The Arab Investment and Export Credit Guarantee Corporation
http://www.dhaman.org

The Islamic Corporation for the Insurance of Investment and Export Credit
http://www.iciec.com

ANNEXES:

Annex A: Glossary of Terms Commonly Used In Export Credit

This glossary is not intended as a general dictionary of economic and commercial terms. Rather, it has been prepared from the standpoint of an ECA, and so the terms are defined and explained primarily in a practical way and with reference to how they are used by, in, and between ECA. (Source: Malcolm Stephens, *"The Changing Role of Export Credit Agencies"*, IMF Publication, 1999)

Advance payment bond, advance payment guarantee — A bond or guarantee issued, usually by a bank, on behalf of an exporter or export contractor in favor of an importer or buyer, to protect the latter against the risk that, having made a down payment or deposit or progress payments on a contract, the exporter may not meet the terms of the contract. If this happens, the bond or guarantee may then be called (i.e., payment required) by the importer. These bonds are usually conditional in the sense that they cannot be called unless the exporter is, or can be shown to be, in breach of the contract. The terms and conditions vary from bond to bond and from country to country. Some export credit agencies will consider issuing such bonds themselves, and others will provide insurance against their unfair calling for political reasons.

Berne Union — The International Union of Credit and Investment Insurers. Established in 1934, this organization now has the largest export credit agencies and investment insurers among its members. Institutions, not their governments, are members. The Union works for the acceptance of sound principles of export credit and investment insurance and the exchange of information and experience. It also has adopted a series of agreements and understandings by which members undertake to abide by certain maximum credit terms and terms for goods. The secretariat is in London, and members hold two general meetings each year as well as specialist seminars and workshops.

Bid bond — A bond or guarantee, normally issued by a bank on behalf of an exporter in favor of a buyer that provides that if an exporter submits a bid or tender and is awarded the contract, but then fails to conform or to comply with the terms of its tender, the bond may be called. A bid bond gives the buyer some financial assurance that bidders will comply with the terms of their bids. In theory, the calling of the bond should compensate the buyer for the costs of the aborted tender and of retendering and re-awarding the contract. A few export credit agencies are prepared to issue such bonds, which are normally conditional; others will insure the risk of their unfair calling for political reasons. Sometimes also called tender bonds, bid bonds do not normally have the format of demand bonds, which are largely unconditional and so rather dangerous.

Buyer For export credit agencies this can be a very important and rather technical area. Risks on buyers (e.g., default and insolvency) are commercial risks that export credit agencies normally insure. Buyers are normally divided into categories. Private buyers have to be underwritten on the basis of their own financial strength and track record (or guarantees or security must be sought). Public buyers may not have private shareholders but can nevertheless be sued and made bankrupt. They therefore must be underwritten individually in their own name. Sovereign buyers are those able to commit the full faith and credit of their governments and cannot be made bankrupt or insolvent. Most export credit agencies are now much more cautious about accepting buyers as sovereign buyers, for which they sometimes give lower premium rates and wider forms of cover.

Buyer credit An arrangement in which an exporter enters into a contract with a buyer, which is financed by means of a loan agreement between a bank in the exporter's country and a bank in the buyer's country. Such arrangements are most frequently used to finance capital goods or projects on a medium- or long-term basis. The export credit agency in the exporting country typically provides its facilities to the lending bank. The exporter can draw on the loan as the work is done and accepted (these disbursements are called loan drawings or progress payments). Interest on the loan is payable during the drawdown period, but repayments on principal do not normally begin until the project is completed and the loan fully drawn. Some export credit agencies are also willing to provide a separate facility to the exporter against risks that could arise during the construction period and where the exporter could face losses on costs incurred, but that cannot not, for various reasons, be drawn from the loan. A line of credit is a variation of the buyer credit technique. In another variation, the importer or buyer pays the exporter directly but can then be reimbursed from the buyer credit loan (a reimbursement credit). An important feature of buyer credits is that the borrower must repay all drawings from the buyer credit loan, irrespective of what may have happened on the contract or project being financed. Thus, any failure on the part of the exporter to meet the terms of the contract does not provide grounds for defaulting on the loan; rather, the exporter must be pursued by the legal remedies provided for in the contract.

Claim A request for payment by an insured party that believes it has suffered a loss covered by the policy. When an export credit agency has issued cover to an exporter or bank, and appropriate premiums have been paid, if the insured exporter or bank then does not receive payments or repayments covered under the policy, it will submit a claim to the export credit agency. The claim is then examined against the insured causes of loss set out in the policy, and if ascertainment of loss is possible (i.e., if the claim is valid), the export credit agency will pay the exporter or bank, after the appropriate a claims waiting period. The export credit agency and the exporter or bank will then cooperate to try to obtain recoveries from the buyer or borrower or its government. Until recovery is made, the claim is regarded as an unrecovered claim, and if all or part of it is eventually written off, it is classified as a loss. In some countries, claims are also referred to as indemnities, and the payment of claims as indemnification.

Cofinancing Joint or parallel financing, normally of a project, where part I of the financing involves export credit agency support and the rest comes from another source or sources, such as bilateral loans or grants, an international financial institution, or a commercial bank. Whatever the other source, there will almost always be at least two separate financing streams.

Coinsurance Normally joint (but sometimes parallel) insurance on a project or contract involving two or more insurers, one of which is an export (credit agency and the other usually another export credit agency but could be a private insurer.

Commercial risk One of the two main categories of risk insured by export credit agencies (the other being political risk). The term applies primarily to the risk of nonpayment by a private buyer or commercial bank or a public buyer due to default (protracted or otherwise), insolvency or bankruptcy, or failure or unwillingness to take delivery of the goods (i.e., repudiation). Usually excluded are cases where there are disputes between exporter and importer about product quality, delivery dates, performance, and the like. Claims will generally not be considered until these disputes are resolved. Also usually excluded are commercial risks on sales from exporters in one country to their subsidiaries in other countries.

Comprehensive facility (1) An export credit facility that embraces both political risk and commercial risk.

(2) The preference of export credit agencies, in their short-term business, to diversify or balance their risk, or agencies' requirement or preference that exporters take out insurance for exports to a range of countries and buyers. This is done to try to reduce the risk that the exporters or their banks will select against the export credit agency, insuring only what they perceive as the worst risks.

Confiscation, expropriation, and nationalization (CEN) A major category of risks covered by insurers, especially investment insurers. The common factor in these risks is that they involve assets being taken over by the host government without appropriate compensation.

Cover The insurance provided by an export credit agency. Thus, for example, if some insurance facilities are available from such an agency for country X, that agency is "on cover" for that country. Conversely, where no insurance facilities are available, the agency is said to be "off cover." An agency's underwriting policy on a particular buying country is usually referred to as its cover policy for that country. But the term "cover" is also used more loosely, to embrace insurance against both political and commercial risks.

Credit insurance The principal product of an export credit agency. However, the term can include both export credit insurance and domestic credit insurance (i.e., insurance on sales within a country). Credit insurance protects the insured party (normally the seller), in exchange for a premium, against a range of risks that result in nonpayment by the buyer. In domestic cover, only commercial risks are involved. In export credit cover, both commercial and political risks are normally involved.

Credit limit The maximum amount of credit that an export credit agency will insure on an individual buyer. The setting of credit limits is the basic technique that export credit agencies use to control, measure, and manage risk in issuing their short-term facilities. Exporters apply for such limits on individual importers. When a credit limit is approved by the underwriters, it normally includes the maximum exposure to the buyer to which the exporter may agree, whether any security such as a letter of credit will be required, the maximum maturity of the credit (normally 180 days), and whether limits may be used once only or on a rollover basis. In order to underwrite credit limits in a manner and on a time scale acceptable to exporters, an export credit agency needs information on huge numbers of buyers in other countries. The sheer volume of the resources (e.g., for information technology) required to obtain such information and keep it up-to-date is a significant barrier to new entrants to this kind of insurance.

Credit terms The terms or main features relating to the repayment of credit, including the length of credit, the repayment profile, the interest rate, the amount of any down payment, and so on.

Demand bond, demand guarantee A bond or a guarantee that can be called by the holder on demand at any time and without any reason given. Both are, therefore, very dangerous from the point of view of exporters or those on whose behalf they are issued. Demand bonds can be issued in the form of advance payment bonds, bid bonds, or (most frequently) performance bonds. Banks issuing these bonds normally do so either on the basis of cash deposits lodged with them by exporters or on the basis of a "clean" counterguarantee from the exporter that any sum paid out as a result of the bond call can be immediately recovered from the exporter. In theory, the bank need not tell the exporter that a bond call has been received (and paid). But these bonds are, by the same token, cleaner and easier for buyers or importers than bonds or sureties that require the holder or recipient of the bond to prove default of some kind before the bond can be called. These bonds are more common in some parts of the world than others. Historically, they are a result of the strong position in which many buyers found themselves during the 1970s, especially in the oil producing countries. Many export credit agencies cover the risks of bonds being called unfairly, that is, for political reasons.

Direct lender An export credit agency (especially an eximbank) that may lend directly to overseas buyers or borrowers and therefore does not issue buyer credit guarantees to lending banks. Direct lending by export credit agencies is still subject to the terms of the OECD Arrangement. Agencies that may lend directly include the Export Finance and Insurance Company of Australia, the Export Development Corporation of Canada, and the Export-Import Bank of the United States.

Domestic credit insurance Credit insurance on transactions between sellers and buyers within the same country.

Eximbank A type of export credit agency that normally not only issues insurance but also lends directly. Some eximbanks also act as borrowers for import finance. There is no single or perfect model, and an eximbank's organization, status, and functions usually differ from country to country.

Export credit, export credit The main type of facility offered by an export credit agency. The term describes a range of facilities and can mean different things in different contexts. Strictly

insurance speaking, export credit refers to the credit extended by exporters to importers (supplier credit) or the medium- and long-term loans used to finance projects and capital goods exports (buyer credit). It includes credit extended both during the period before goods are shipped or projects completed (the preshipment period or precredit period) and the period after delivery or acceptance of the goods or completion of the project (the postshipment period or credit period).

Export credit agency An institution providing export credit insurance facilities. All export credit agencies were at one stage government owned or controlled or, if they were private companies, operated on government account. This is no longer the case, because the position is now rather more complicated, and so there is today probably no single meaning for the term "export credit agency." It is probably best to define it in terms of the functions of the organization rather than its status. There is, in any case, no single model for an export credit agency. Their organization, function, status, and facilities differ between countries. Ideally, the structure and function of an export credit agency should reflect the conditions in and the needs of the country in which it operates. These can change as time passes, even within the same country. Attempts to transfer one model from one country to another without appropriate adaptation nearly always cause more problems than they solve. Most export credit agencies belong to the Berne Union, except for those that are too new or too small to meet its membership criteria.

Facility A generic term referring to a policy or other product issued by an export credit agency. It can refer either to the categories of cover the agency provides (e.g., pre shipment cover or investment insurance) or to individual policy documents issued to an exporter or a bank.

Factoring A trade finance mechanism whereby an exporter sells its export receivables (bills of exchange or promissory notes, or simply issued invoices, which the exporter is selling on an open account basis) at a discount. The company purchasing the receivables is called a factor. Factors are normally specialized financial services companies, but many are owned by banks. Normally, after the factor has purchased a receivable, the importer or buyer pays the factor directly. Some factors actually issue the invoices to buyers and, in effect, operate the exporter's sale ledgers. Some factors operate on a non-recourse basis (i.e., they assume the risk of nonpayment). Less frequently, the factor will take recourse to the exporter for all or part of the sums involved in the event of nonpayment or delayed payment by the buyer. Some export credit agencies have special policies or facilities for factors to cover both political risk and commercial risk.

Foreign goods, foreign content Goods and services included under export contracts that originated elsewhere than in the exporting country. Traditionally, export credit agencies have mainly supported the export of goods and services from their own countries. In the area of short-term business, however, the national origin of covered goods has become increasingly blurred, especially as many export credit insurers and many large multinational companies operate in and out of a number of countries, and as more business is done on an own-account basis with private market reinsurance. Rules governing foreign content are applied more carefully in the area of medium- and long-term credit, where the conventional guideline is that such goods may be covered up to a maximum of 15 percent of the total national exported amount. But special arrangements apply within the European Union, and some agencies enter into reciprocal arrangements with other export credit

agencies to cover each other's goods and services.

Guarantee Most commonly, a type of facility or policy issued by an export credit agency. For example, an insurance policy issued to an exporter in respect of short-term export credits might be called a short-term guarantee, and a policy issued to a bank in respect of a medium-term loan to finance a project might be called a buyer credit guarantee. The term can also refer to the facilities issued by banks to overseas buyers in respect of contract performance (e.g., performance guarantees). See also advance payment bond, bid bond. In addition, many export credit agencies will stipulate a repayment guarantee as underwriting security: for example, a credit limit might be issued on an overseas buyer subject to a payment guarantee being obtained from a bank or from a parent company. Export credit agencies almost never issue unconditional guarantees.

Guarantor The provider of a guarantee of repayment. This can be a government, a bank, a parent company, or an individual. The guarantee will be in respect of repayment of a debt obligation under a contract or loan agreement.

Insurance The main business of export credit agencies. These agencies issue insurance policies of various kinds in respect of a range of risks against payment of a premium. For export credit insurance the risks embrace both political and commercial causes of loss, which may arise in the precredit period (before shipment), or during the credit period (after shipment). Policies may be issued to exporters (supplier credit) or to banks engaged in financing trade (buyer credit). For investment insurance the risks are restricted to political risks. In both export credit and investment insurance, the insurance is against specified risks or classes of risk and is therefore conditional, although individual policies may be loosely referred to as guarantees.

Investment insurance Insurance issued to an investor against loss in another country due to confiscation, expropriation, or nationalization by the host government; to war or civil war; or to inability to convert profits or dividends into other currencies or to transfer them out of the country. Unlike export credit insurance, investment insurance covers only these political risks (and not commercial risks), and for this reason it is sometimes misleadingly referred to as political risk insurance. In fact, most export credit agencies issue the bulk of their political risk insurance under their export credit policies. Some export credit agencies offer both investment insurance and export credit insurance. Some only offer export credit insurance, but three Berne Union members C&L of Germany, the Overseas Private Investment Corporation of the United States, and the Multilateral Investment Guarantee Agency (an affiliate of the World Bank Group) provide only investment insurance. Traditionally, such insurance could be applied only to equity investments and covered three types of risk, namely, confiscation, expropriation, or nationalization without compensation; loss due to war or civil war; and inability to convert profits and dividends into other currencies and transfer them abroad. Investment insurance can now, however, be obtained for loans into projects, and some insurers will look at extended political risks such as the breach of host government undertakings in project financings (sometimes treated as creeping expropriation).

Letter of credit A document issued by a bank guaranteeing payment on behalf of one of its clients when all the conditions stated in the letter have been met. This is a very important mechanism of world trade, including for export credit agencies both

in their short-term business and, less frequently, in their medium-term business. Letters of credit can take a variety of forms, but essentially they are a means of payment between an importer and an exporter via their banks. The importer is sometimes called the opener, and the importers bank the opening bank (or sometimes the issuing bank). The bank in the exporter's country is called the advising bank, and the exporter is called the beneficiary. A letter of credit may be revocable, which means that it can be canceled or modified by the importer or the importer's bank without prior approval from the beneficiary. Thus, a revocable letter of credit offers little security to exporters. The more commonly used irrevocable letter of credit (ILC) cannot be modified without the prior approval of the beneficiary. Unless the letter of credit is conditional, the bank issuing it effectively assumes the risk of default by the importer, provided that the terms and conditions of the letter of credit are fully met. The advising bank, on the other hand, is not required to pay the beneficiary unless and until it receives the funds from the issuing bank. Thus, even ILCs do not provide full protection to exporters. Letters of credit can also be confirmed. This is done either on an open confirmation basis, in which case the issuing bank is aware of the confirmation, or on a silent confirmation basis, in which case the issuing bank and the importer or buyer may not be aware. Confirmed letters of credit reduce certain risks for exporters, for example the risk that the issuing bank may fail or be unable to transfer foreign exchange. But a key point is that when the exporter seeks payment from the advising (or confirming) bank, it must meet all the terms of the letter of credit. Thus, it is vital that exporters carefully read all the conditions and requirements, as these can sometimes be onerous and may contain provisions that significantly reduce their benefit from the transaction. As many as 40 percent of applications from exporters for payments under letters of credit are rejected because of mistakes in documentation and the like. Obviously, this leads to payment delays. But even under a confirmed letter of credit an exporter may be exposed to risks, for example those that arise before the letter of credit is opened. Letters of credit are subject to widely accepted practices and procedures under the International Chamber of Commerce's Uniform Customs and Practices for Documentary Credits.

Line of credit A kind of buyer credit in which a bank in the exporting country lends to a bank in the buying country money to be used to finance one or more contracts. Lines of credit are most commonly used for medium- and long-term business. But in certain circumstances they can be used for short-term business (e.g., where it is difficult to underwrite individual buyers). In a project line of credit, the contracts being financed are for a single project. In a general purpose or shopping list line of credit, the contracts to be financed may be varied, provided they meet the eligibility criteria set out in the loan documentation.

Local costs The cost of goods and services purchased in the importing or buying country, typically as part of a project financing. Thus, these arise most often in the context of medium- and long-term business. An export credit agency may agree to cover or finance such costs up to some maximum percentage (normally 15 percent, and subject to the OECD Arrangement) of the exported value of the contract.

Long-term business Traditionally, insurance or financing applied over a period of more than five years. But there is no generally accepted or precise division between long-term and medium-term business.

Maturity The entire period during which an export credit agency is at risk with respect to a guarantee or loan (i.e., both the precredit period and the credit period). The term usually arises in the context of medium- and long- term business and thus normally is synonymous with horizon of risk.

Multisourcing Procurement of goods and services from a number of countries, typically for a large project. The decision to multisource is usually a matter of commercial and industrial considerations (e.g., seeking out the best or cheapest or most easily available source of supply), but it can also be part of a policy of spreading risk. Multisourcing has caused export credit agencies to take a closer look at easier and more flexible cooperation arrangements, not only for covering and financing foreign goods and services, but also for closer cooperation on coinsurance and reinsurance arrangements.

OECD Arrangement Formally known as the Arrangement on Guidelines for Officially Supported Export Credits, a framework of rules or "soft law" among participating members of the Organization for Economic Cooperation and Development that seeks to provide an institutional framework for an orderly export credit market involving official intervention. The arrangement came into being in 1978 and was originally called the Gentlemen's Agreement, then the Consensus, and later the Guidelines. It has grown in importance, coverage, and scope since its early days. The arrangement applies to all credits of over two years' duration issued by an export credit agency based in a participating OECD member country. Its original intention was to prevent an export credit subsidy war between OECD member countries, for which their taxpayers would ultimately pay the price. To this end it sets minimum rates of interest, called commercial interest reference rates, on export credit facilities. It also sets minimum down payments (15 percent), maximum lengths of credit (normally 8 or 10 years, depending on the buying country), and standard repayment terms (equal half-yearly payments of principal beginning not more than six months from the appropriate starting point of credit). The arrangement also sets limits on local costs (normally 15 percent of the value of the contract) and rules on mixed credits (including their grant elements and concessionality levels). It also sets minimum premium rates for commercial and political risk cover. Some flexibility, subject to prior notification of other OECD members, is now possible for project financings. There are also provisions for derogation from the requirements of the arrangement, subject to notification and reporting to other OECD members.

Open account, open account business Trade finance business whereby goods are shipped and delivered and payment is made on the basis of invoices, usually in cash. There are thus no bills of exchange or promissory notes, and the exporter relies on the importer to pay in accordance with the invoice or terms of the contract. Open account business is thus most commonly used where seller and buyer have a good, long-standing trading relationship. Export credit agencies are prepared to cover open account business if they are content to underwrite the buyer.

Organization for Economic Cooperation and Development (OECD) An organization, with headquarters in Paris, of mostly high income countries that provides their governments a setting in which to discuss, develop, coordinate, and perfect their economic and social policies. These exchanges may lead to agreements such as the Arrangement on Guidelines for Officially Supported Export Credits (the OECD Arrangement).

Percentage of cover The share of the risk or the contract value of a transaction or project that an export credit agency is willing to cover. In short-term business, export credit agencies never insure 100 percent of the risk or the contract value. Normally they will cover 80 to 90 percent of the commercial risk and 85 to 95 percent of the political risk. Some agencies will not allow insured parties to pass on this residual risk to other parties (e.g., banks or other insurers). For medium- and long-term supplier credits, broadly the same arrangements apply. But for buyer credits, some agencies will insure 100 percent of the credit (i.e., 100 percent of the 85 percent of the contract that is financed, excluding the 15 percent down payment under the terms of the OECD Arrangement). Most agencies, however, will not do so, preferring the exporter or bank to carry some of the risk, even if only 5 percent or less. This difference in approach often makes coinsurance or multisourcing more complicated.

Performance bond, performance guarantee A facility normally issued by a commercial bank to a buyer, in effect to guarantee that the exporter will meet the terms of its contract with the buyer. The bond or guarantee will normally be for only part (say, 10 percent) of the contract value. Performance bonds and guarantees are normally conditional; that is, they can usually only be called if the buyer can demonstrate (in accordance with the terms of the facility) breach of contract by the exporter. However, sometimes these bonds are unconditional (see demand bond). Many export credit agencies will provide cover against the unfair calling for political reasons of these bonds

Policy (1) A facility issued by an export credit agency, whether for short- term or for medium- or long-term business.

(2) The document establishing such a facility.

Policyholder The insured party in an export credit facility, normally an exporter or a bank.

Political risk The risk of nonpayment on an export contract or project due to action by an importer's or buyer's host government. Such action may include intervention to prevent the transfer of payments, cancellation of a license, or acts of war or civil war. Nonpayment by sovereign buyers themselves is also a political risk. Political risk is one of the two main categories of risks insured by export credit agencies (the other being commercial risk). Some export credit agencies cover political risks in their own countries, especially the cancellation of export licenses. In recent decades the most common political risk claims have been due to inability to convert and transfer foreign exchange, but in these circumstances buyers must first have made local currency deposits. See also investment insurance.

Postshipment cover Insurance of risks arising during the postshipment period. Sometimes called credit cover.

Postshipment period The period from the date on which goods are shipped or accepted until the last payment has been received. Sometimes called the credit period.

Precredit cover See preshipment cover.

Premium The sum paid by an insured party (usually an exporter or a bank) to an export credit agency for its facilities. Cover will usually not be fully effective until the premium has been paid. Apart from recoveries, premiums are usually the main source of income for export credit agencies most do not have significant amounts of investment income, unlike other insurance institutions. Premiums are normally calculated on the basis of the exposure, length of credit, and the riskiness of doing business in the buying country.

Premium income Revenues accruing to an export credit agency from the receipt of premiums.

Preshipment cover Insurance of risks arising during the preshipment period.

Preshipment credit Credit extended for the preshipment period.

Preshipment period The time from the date of an insured contract until the date of shipment (or of acceptance by the buyer)-in other words, the period up to the time the credit period begins. Most export credit agencies offer cover for risks arising in this period, but it is sometimes handled through a separate policy or as an addition to the policy, rather than as part of the standard policy or facility.

Private buyer A buyer that is neither a government nor a public sector agency. Most export credit agencies divide buyers into various categories, subject to differing terms of cover and premium rates. Traditionally, the two main categories have been private buyers and public buyers. Default by a private buyer is a commercial risk. See also sovereign buyer.

Public buyer A buyer that is owned wholly or in a majority or controlling part by a government but that (unlike a sovereign buyer) cannot commit the full faith and credit of the government but can be sued and made bankrupt. Some export credit agencies charge lower premium rates for public buyers. See also private buyer.

Reinsurance The practice whereby an insurer passes on to another insurer (called a reinsurer) part of the risk (and a portion of the premium income) of a policy it has written. Export credit agencies can be involved in reinsurance both as reinsurers and as reinsured parties. Export credit agencies receive reinsurance from their governments or purchase it in the private reinsurance market. These are several varieties of reinsurance (e.g., facultative, quota share, excess loss), but the basic principle is the same. Some export credit agencies (e.g., in the United Kingdom) are beginning to provide reinsurance to some private insurers on political risks in some countries.

Repayment period This refers to the length of credit, or credit period. So it will begin from the appropriate starting point of credit and end with the final payment date. See also terms for goods. The Berne Union agreements and the OECD Arrangement set maximum repayment periods for their participating members.

Repayment terms The schedule for payments due on a contract or loan insured by an export credit agency. Generally, repayment terms reflect the nature of the goods and the value of the contract. See terms for goods. The Berne Union agreements and the OECD Arrangement set maximum repayment terms for their participating members.

Retention bond A facility, normally issued by a bank that protects buyers against the risk that a plant or other expensive capital good will fail to meet full contractual specifications. If this happens, the bonds can be called by the buyer or holder of the bonds. They are an alternative to retention payments, in which the buyer withholds part of the contract price until the plant or other capital good has been in full working order for the contractually agreed period. Export credit agencies can provide cover against the unfair calling of these bonds for political reasons, or the failure of the buyer to make retention payments when due, unless such failure is in accordance with the buyer's contractual rights.

Short-term business, short-term credit Transactions involving a maximum credit period of, usually, 180 days, although under some definitions it can extend to 360 days and, in exceptional cases, to two years. For purposes of the OECD Arrangement, the medium term begins (and, by implication, the short term ends) at two years. Short-term business represents the bulk of the business of most export credit agencies and normally includes transactions in raw materials, commodities, and consumer goods. There is no universally accepted dividing line between short-term and medium-term credit.

Specific cover, specific policy Insurance underwritten by an export credit agency for a single contract, transaction, or project. Specific cover is normally written for medium- and long-term business, whereas in short-term business most export credit agencies issue framework or comprehensive policies covering the whole range of an exporter's business or an agreed portion thereof.

Stand-by letter of credit A letter of credit that provides for payment by a bank (the opening bank or issuing bank) to a beneficiary only in the event that the circumstances set out in the letter of credit come to pass at some future date. Such letters are often issued by banks in one country to beneficiaries in another and could, for example, be activated in the event of breach of contract by an exporter. Stand-by letters of credit are often used in international trade in lieu of a performance bond or performance guarantee. They are also covered by the International Chamber of Commerce's Uniform Customs and Practices Guidelines.

Supplier credit Credit extended by an exporter (supplier) to an overseas buyer as part of the export contract. Cover for this transaction may be extended by the export credit agency to the exporter. Such arrangements are much more common in short-term business. When they arise in the area of medium-term credit, the buyer normally makes a cash down payment (up to 15 percent) and then accepts bills of exchange or issues promissory notes for the balance, at some stage before final delivery or acceptance of the goods. See also buyer credit.

Surety bond Normally, a bond that gives an assurance to a buyer that a contract or project will be successfully completed either by the exporter or contractor itself or by someone else. These bonds are issued by specialist surety companies rather than by banks and are not to be confused with demand bonds.

Trade finance A catch-all term applied essentially to the whole area of short-term business, especially that involving finance provided directly by banks issuing letters of credit.

Transfer cover Insurance written to cover the risk (called transfer risk) that a buyer may make a deposit of local currency to pay for an international transaction but find itself unable to convert the local currency into foreign exchange for transfer to the exporter. A claim issued under such cover is called a transfer claim. Such inconvertibility can happen even where letters of credit exist. The risk normally arises from restrictions imposed by host governments, through laws or through regulations that have the force of law. During the last 20 years, transfer risk has been the most important political risk covered by export credit agencies. This risk is also covered under investment insurance, where investors are unable to convert and transfer profits and dividends. Export credit agencies often stipulate shortfall undertakings in transfer situations, to protect against the possibility that, even if transfer is possible, devaluation may have rendered the local currency deposit insufficient to purchase the foreign exchange necessary to effect the full transfer. Transfer risk is more complicated when a currency collapses, so that even though foreign exchange may still be available to purchase, its price will have risen sharply in local currency terms since the insured contract was signed (or the insured investment made). These events are probably best looked at case by case, but what in the past have been transfer claims may in future be default claims, where importers simply do not have sufficient local currency to purchase the requisite foreign exchange.

Unfair calling The calling of a bond or other instrument, often for political reasons, rather than because of contractual default by the exporter. This can arise in the context of bid bonds (also called tender bonds), advance payment bonds, performance bonds, or retention bonds. Export credit agencies often cover this risk. This cover can be given either to the exporter or to the bank issuing the bond. See also demand bond.

Whole turnover policy A short-term insurance policy that covers all of an exporter's export business. This is now rather an old-fashioned concept: few export credit agencies now insist that exporters insure all their export business, partly because of competition from other insurers and partly because of the risk of self-insurance. Most export credit agencies will, however, seek to spread their risk and to avoid selection against them by exporters (i.e., the possibility that exporters will insure only the very worst risks). As a general rule, the better and wider the spread of risk, the lower will be the premium rate charged by the export credit agency and the more flexible the underwriting. See also comprehensive facility.

Working capital The financing required by an exporter to start or continue to operate and to produce goods and services to be exported. Normally, export credit agencies are not directly involved in providing working capital. But many exporters offer export credit agency cover (including cover of pre-credit risk) to their banks as security for finance, including working capital. (They often accomplish this through assignment or hypothecation of the insurance policy to the bank.) A few export credit agencies are directly involved in the provision of working capital, offering either facilities or guarantees directly to banks. However, this is a difficult and high-risk area, especially if the exporter fails to perform its contractual duties and as a result is not paid by the importer. The export credit agency is then faced with the (usually politically sensitive) job of trying to recover from the exporter the money it has paid to the bank under its working capital facilities.

Annex B: Institutions with Memberships in Various Associations

Region	Name	AMAN Union	Berne Union	Prague Club	COFACE Partners
Arab Group					
Algeria	Compagnie Algérienne Assurance et de Garantie des Exportations (CAGEX)		✓		✓
Egypt	Export Development Bank of Egypt (EDBE)				
Egypt	Export Credit Guarantee Company of Egypt (ECGE)	✓		✓	✓
Jordan	Jordan Loan Guarantee Corporation (JLGC)	✓		✓	✓
Lebanon	Lebanese Credit Insurance Corp/ The Lebanese Credit Insurer (LCI)	✓		✓	
Morocco	Société Marocaine d'Assurance à l'Exportation				
Oman	Export Credit Guarantee Agency of Oman (ECGA)	✓		✓	
Qatar	Qatar Export Development Agency (TASDEER/QDB)	✓		✓	
Saudi Arabia	Saudi Export Program (SEP)	✓		✓	✓
Sudan	National Agency for Insurance and Finance of Exports (NAIFE)	✓		✓	
Tunisia	Compagnie Tunisienne pour l'assurance du commerce extérieur (COTUNACE)	✓			✓
United Arab Emirates	Export Credit Insurance Company of the Emirates (ECIE)	✓		✓	✓
Asian Group					
Albania	Export Credit Guarantee Fund				
Bangladesh	Sadharan Bima Corporation Export Credit Guarantee Department (ECGD) /				
Indonesia	Asuransi Ekspor Indonesia (ASEI)	✓	✓		
Indonesia	Indonesia Eximbank				
Iran	Export Development Bank of Iran	✓			
Iran	Export Guarantee Fund of Iran (EGFI)	✓		✓	
Kazakhstan	Export Credit Insurance Corporation (KazExportGarant)			✓	
Malaysia	EXIM Bank of Malaysia (MEXIM)	✓	✓		
Pakistan	Export Credit Guarantee Scheme (Pakistan Reinsurance Corporation)				
Pakistan	Export Finance Scheme (State Bank of Pakistan)				
Turkey	Export Credit Bank of Turkey (Turk EXIM bank)	✓	✓		
Uzbekistan	National Export-Import Insurance Company (UZBEKINVEST)			✓	
African Group					
Niger	Export Finance Fund (FADEX)				
Nigeria	Nigerian Export-Import Bank (NEXIM)				
Senegal	National Co. for Credit Insurance and Guarantee (SONAC)	✓			
Regional					
ICIEC	The Islamic Corporation for the Insurance of Investment and Export Credit		✓	✓	✓
DHAMAN	The Arab Investment and Export Credit Guarantee Corporation			✓	

Source:Author

Annex C: Export Credit Health Assessments

The following two Export Credit Health Assessments are based on interviews with the ECAs of Turkey and Malaysia, as well as secondary research. They are not reflective of broader stakeholder input which would normally be required to conduct a complete Health Assessment due to the limitations in the Scope of this study. The scores are relative to other OIC ECAs.

Government Control/Oversight

Summary Assessment:

In Turkey, the government's Treasury is involved in guaranteeing certain country risks in respect of export transactions and, therefore, these risks are borne by the government. Any loss incurred under these credit, guarantee and insurance programs due to political risks are covered by the Turkish Treasury and compensated appropriately.

Türk Eximbank operates as an autonomous agency of Government, although two senior public officials sit on its Board of Directors. Underwriting decisions are taken at the level of the Board. Individual country credits are granted with the approval of the Board of Directors and the approval of the Minister. The Board of Directors has authority to approve transactions with credit periods of 2-year or longer for up to USD 20 million.

Occasionally, for foreign policy reasons, Türk Eximbank will set up lines of credit with certain governments. The Turkish government considers Türk Eximbank to be an important economic policy tool as part of its sustainable export strategy. The limits of foreign country loans are set by the Annual Programs within the foreign economic policy of the Turkish Republic by the Supreme Advisory and Credit Guidance Committee (SCLGC) and approved by Council of Ministers. Türk Eximbank is audited by the bank supervisor.

The changing dynamics of the Turkish economy and needs of exporters are addressed at the product level for Türk Eximbank, but there is no systemic assessments undertaken by the Government to review the entity's activities to ensure they are still in line with the market needs and gaps.

Key Dimension Ratings: (1 – lowest, 10 – highest)	
Fiscal costs are measured and minimized	9
The government has sufficient control relative to its involvement	8
Government sets clear and attainable objectives	8
The system is regularly reviewed to reflect changes in the private sector	8

Exporter Focus/Service

Summary Assessment:

Given the arrangement Türk Eximbank has with the Treasury and the fact that it is a direct lender, the Turkish ECA offers good coverage to Turkish exporters. Türk Eximbank develops new products to reflect the changing needs of exporters and banks. Although it does not systematically conduct annual surveys to determine the needs of exporters, the Bank collects data from the Turkish Exporters' Association and set up a Customer Relationship Department

responsible for building relationships with exporters. The Bank responded to changing needs by widening its product portfolio in recent years, launching the bill of exchange and LC discounting products in 2014. Türk Eximbank follows the OECD Consensus rules so its pricing of MLT export credit facilities is risk-related and internationally competitive, compared to OECD ECAs. For its other products, Türk Eximbank seeks to price according to the risk. Türk Eximbank monitors and analyzes the programs of leading ECAs and adapts these to the unique needs of Turkish exporters.

Key Dimension Ratings: (1 – lowest, 10 – highest)	
Exporters get the coverage they need in the markets they are doing business	8
The product range meets the needs	9
Pricing is internationally competitive	9
ECA is proactive and demonstrates innovation and flexibility	8

Institutional Strength

Summary Assessment:

Within the OIC community of ECAs, Türk Eximbank enjoys much respect and is a highly-regarded institution. Within the global community of ECAs, as a long-established institution, Türk Eximbank is welcomed into the OECD community as a peer. Türk Eximbank does not engage in active portfolio management but works within a risk management structure where country and counterparty limits are set. To the extent that decisions are made by the Board of Directors, Türk Eximbank can execute transactions efficiently. Naturally, when decision-making involves the Council of Ministers, this takes more time. Türk Eximbank had traditionally had a very stable management team and expertise in all aspects of the business. It is considered an attractive organization within the Turkish government to be employed.

Key Dimension Ratings: (1 – lowest, 10 – highest)	
The institution's expertise is well-recognized and sought after	8
The portfolio is actively managed	8
The internal processes are not bureaucratic	8
The institution's human resources are stable and decisions are consistent	9

Private Sector Involvement

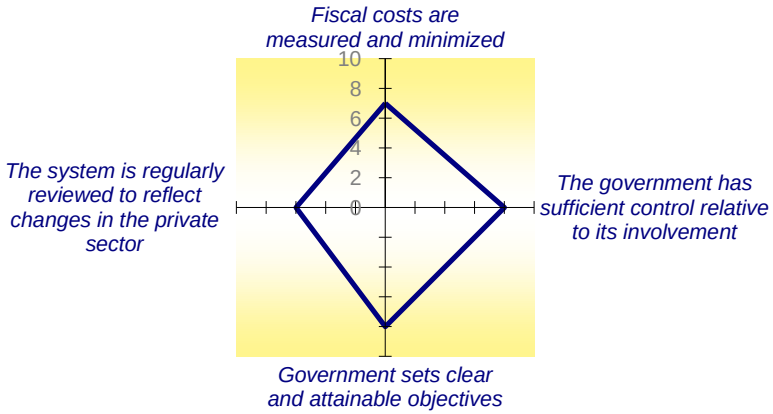
Summary Assessment:

Türk Eximbank has a long history of working with Turkish and foreign banks. Its current strategy is to focus more on the Medium- and Long-Term Trade and Project Finance Programs and Export Credit Insurance/Guarantee Programs, playing an active role as a catalyst to other financial and related institutions. Türk Eximbank will concentrate on guarantee and insurance programs and medium and long-term credits, shifting its focus to be more like the Europe ECAs, which provide insurance to banks to lend, rather than lending directly. Türk Eximbank is the major short-term credit insurer in Turkey but has been actively building up relationships with the private insurers which have a local presence. The shift to providing more MLT guarantees from being a direct lender means that Türk Eximbank is focusing more on catalyzing the private sources of commercial finance.

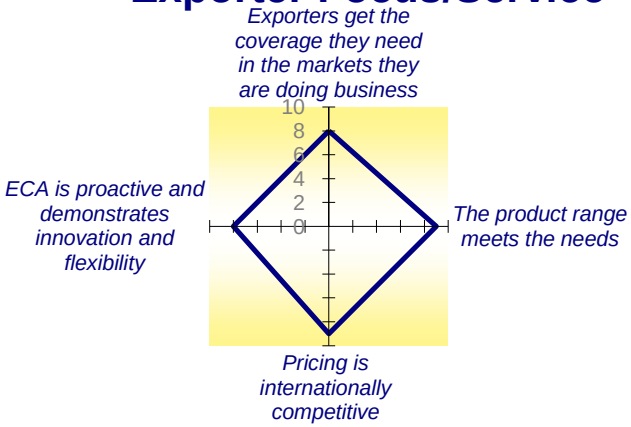
Key Dimension Ratings: (1 – lowest, 10 – highest)	
The export credit system works well with banks	8
ECA works well with private insurers	9
ECA actively encourages participation of private players	8
There is no displacing/impeding of the private sector	9

Turkey: Export Credit Health Index

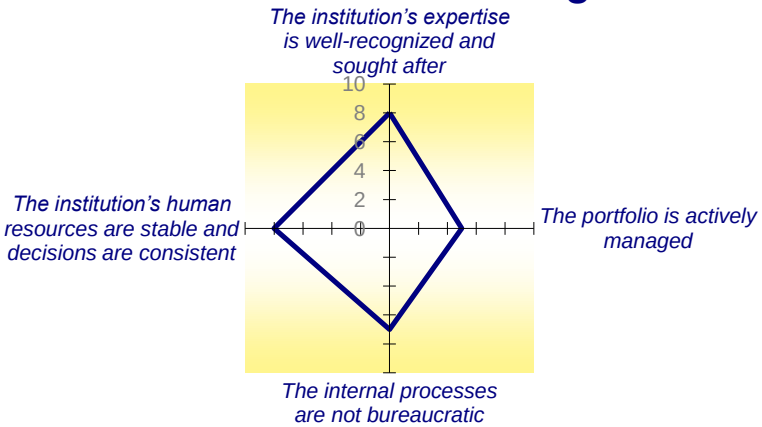
Government Control/Oversight



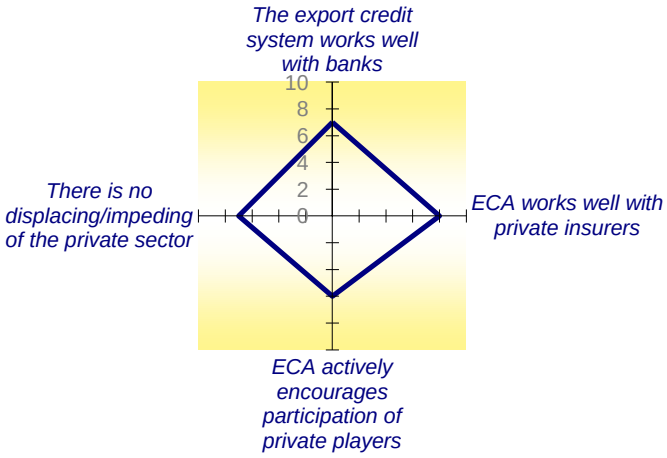
Exporter Focus/Service



Institutional Strength



Private-Sector Involvement



Malaysia

Government Control/Oversight

Summary Assessment:

Malaysia EXIM Bank is governed by a Board of Directors which includes representatives from the government shareholder, as well as related government agencies. Under supervision of the Central Bank, which has a special regulatory act for government-owned DFIs, Malaysia EXIM submits and presents its annual budget plans to the Central Bank and is required to update its performance achievement quarterly basis to the Shareholders. In addition, the Bank is tasked with undertaking specific tasks, as and when required as per the National Budget Announcement. For example, when Malaysia EXIM is directly to increase its activities towards SMES, it works closely with SME Corp, another government agency. The government stays on top of changes in the market and has struck a good balance between its oversight functions and public role, while leaving EXIM to be managed professionally. The decision to absorb MECIB into MEXIM was driven by the government's imperatives.

Key Dimension Ratings: (1 – lowest, 10 – highest)	
Fiscal costs are measured and minimized	8
The government has sufficient control relative to its involvement	9
Government sets clear and attainable objectives	9
The system is regularly reviewed to reflect changes in the private sector	8

Exporter Focus/Service

Summary Assessment:

Malaysia EXIM is very much market-driven and proactive, identifying enterprises/entrepreneurs that may be participating in the international trade and investment. This is outreach is done directly or in concert with relevant Government Agencies overseeing specific sectors. Ongoing efforts are made to ensure existing facilities offered cater the needs of business in venturing abroad, including a feedback mechanism on the website. Any new product developments are tailored towards supporting specific business needs and are developed based on the opportunity as well as engagements with related clients. Pricing is based on commercial consideration which incorporates credit, market risk as well as internal operational cost plus a margin, which can vary. New product development as the Bank' corporate KPIs every year, which in 2014 included four new Islamic products. The credit insurance product has been less of a focus in year years, since MECIB was absorbed into MEXIM.

Key Dimension Ratings: (1 – lowest, 10 – highest)	
Exporters get the coverage they need in the markets they are doing business	9
The product range meets the needs	9
Pricing is internationally competitive	9
ECA is proactive and demonstrates innovation and flexibility	8

Institutional Strength

Summary Assessment:

MEXIM has a full performance management system with Key Performance Indicators (KPIs) to measure the performance of the organization and the individuals. MEXIM measures business volumes and customer response times as part of its system.

MEXIM has a risk management framework which includes maximum exposure limits determined by a capital adequacy formula which assess the Bank's capacity to meet the time liabilities and other risks such as market or credit risk, operational risk etc. The Bank has a limit of USD200 million per transaction. The Bank also seeks some reinsurance facilities. The non-performing loan portfolio has shrunk considerably in recent years, with the focus on improved financial performance. MEXIM's financial results were impressive, leading to a dividend payment back to the government shareholder.

For an organization with less than 300 people, staff retention is very high (less than 3% leave annually) and most employees who leave end up in the banking sector.

Key Dimension Ratings: (1 – lowest, 10 – highest)	
The institution's expertise is well-recognized and sought after	9
The portfolio is actively managed	9
The internal processes are not bureaucratic	9
The institution's human resources are stable and decisions are consistent	9

Private Sector Involvement

Summary Assessment:

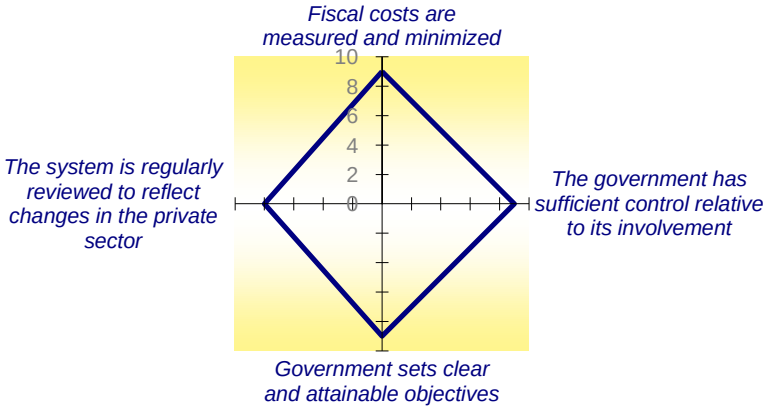
MEXIM's involvement with private sector sources of finance and insurance varies. It relies to a certain extent on commercial banks to borrow for their funding needs. In addition, banks play a role in co-financings and syndications for larger transactions. However, some competition friction may exist where MEXIM is lending to corporates that commercial banks would be willing to fund. In such cases, MEXIM makes a trade-off between only doing the higher risk "public policy" deals and generating a lower financial return, rather than participating in good transactions, for which some competition may exist.

In the credit risk area, more could be done to promote this sector. There are Credit insurance is not really visible in Malaysia. There are other international credit insurers that are somewhat active, but there is not enough attention being placed to build capacity in the country.

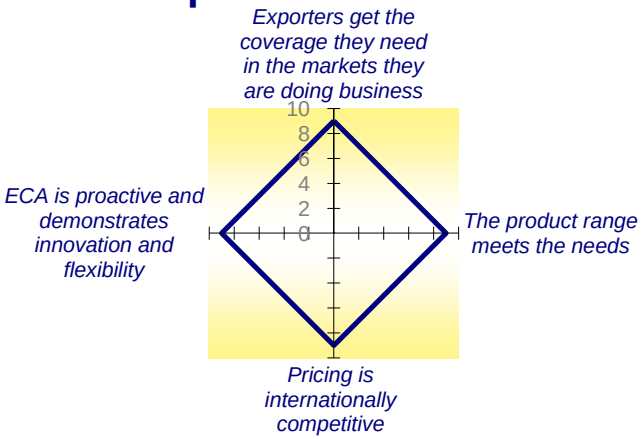
Key Dimension Ratings: (1 – lowest, 10 – highest)	
The export credit system works well with banks	7
ECA works well with private insurers	5
ECA actively encourages participation of private players	5
There is no displacing/impeding of the private sector	6

Malaysia: Export Credit Health Index

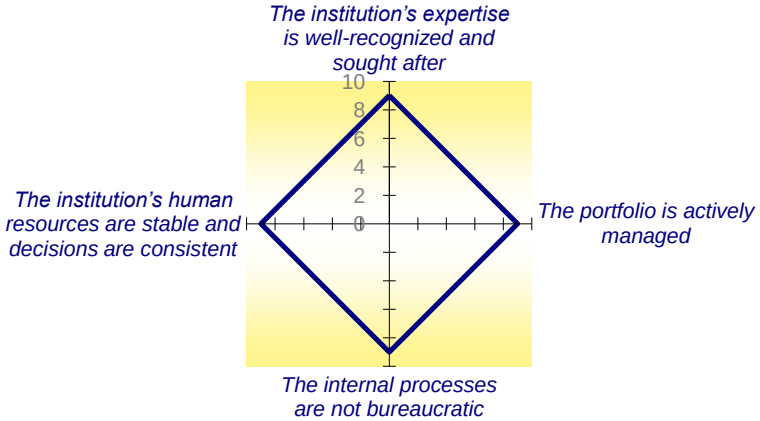
Government Control/Oversight



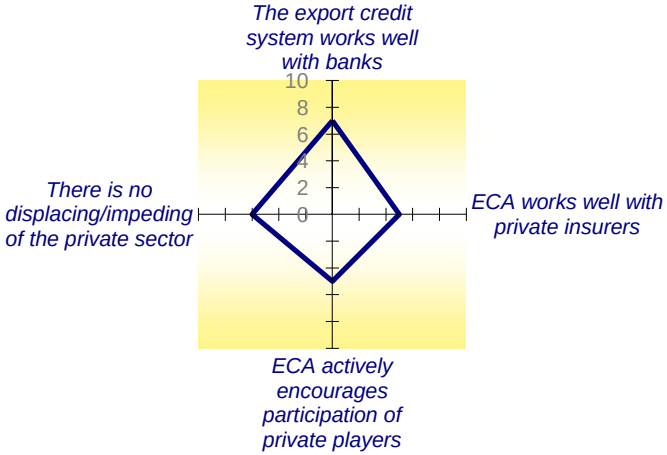
Exporter Focus/Service



Institutional Strength



Private-Sector Involvement



Annex D: ECA Data Sheets

The data sheets summarize each organization, based on publically available data. Business Volumes rely on the most recently annual reports (where available) as well as the 2012 and 2013 Aman Union performance reports from which business volumes per agency have been derived. Values in USD may vary due to exchange rates.

Nigerian Export-Import Bank (NEXIM)
http://www.neximbank.com.ng/

Name of Entity: Nigerian Export-Import Bank (NEXIM)

Status: 100% government owned (50% Central Bank of Nigeria; 50% Federal Ministry of Finance Incorporated)

Corporate Form: State-owned company

Year of Establishment: 1991

Capital: N 17.25 billion (USD 109.7 million)

Size of staff: 64 (2010)

Financial outturn: Operating profit

	2008	2009	2010
N mn	153.35	-5,460.81	189.39
USD mn	0.975	-4,713.69	1.204

Assets:

	2008	2009	2010
N bn	18.71	15.68	21.34
USD mn	118.94	99.68	135.66

Product Offerings

Financing

- Direct Lending Facility: Provides loans to exporters to fund their purchase of capital goods, raw materials, packaging materials and spare parts.
- Foreign Input Facility: Provides exporters foreign currency loans to import capital equipment, packaging and raw materials to produce finished products for export.
- Export Trade Support Facility: Medium to long-term financing facility in local currency provided to exporters to finance capital purchases and other activities that would require more than one year to repay.
- NDE Facility: Provides direct financial assistance to qualified unemployed Nigerian Graduates who have participated in the Start-Your-Own-Business Programme and completed a tutelage with established exporters.
- Rediscounting and Refinancing Facility: Provided to commercial and merchant banks who in turn provide short-term finance in support of exports, in order to reduce the cost of credit and increase competitiveness of the sector.
- Stocking Facility: Provided to manufacturing exporters as part of working capital to stock local raw materials that are mainly seasonal in nature, and achieve optimum levels of production all year round.
- Nigeria Creative Arts & Entertainment Industry Loan Scheme

Guarantee

- Export Credit Guarantee Facility (ECGF): Protects Nigerian Banks against the risks of non-payment for loans or advances granted to exporters to meet short-term export contracts.

Insurance

- Export Credit Insurance Facility: Protects exporters against non-payment risks related to exported goods.

Bonding Facilities: N/A

Advisory and Other Services

- ECOWAS Interstate Road Transit Scheme: Promotes free flow of goods among member

countries without duties, taxes and restrictions.

- Trade and market information

Islamic Finance Instruments

- None

Business Volumes:

2010	USD Mn
Financing	23.7
Guarantees	16.1

Source NEXIM Annual Report 2010

Top Exports / Export Markets

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	91,249	97.2%
16-24	Foodstuffs	810	0.9%
72-83	Metals	402	0.4%
	Others	1,452	1.5%
Total		93,913	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	India	13,759	14.7%
2	USA	11,985	12.8%
3	Brazil	9,648	10.3%
	Others	58,521	62.3%
Total		93,913	100.0%

Source: UN Comtrade

Senegal
http://www.sonac.sn/

Name of Entity: Societe Nationale d'Assurance du Credit et du Cautionnement (SONAC S.A.)		
Status: Private and Government ownership (Government, 25%; SONAM, 65%; and CICA (10%)		**Corporate Form:** Public Company
Year of Establishment: 1997	**Capital:** N/A	**Size of staff:** N/A
Financial outturn: N/A		**Assets:** N/A

Product Offerings

Financing
- None

Guarantees
- None

Insurance
- Bank credit insurance: Provided to banks and Funds to protect against risk of non-payment by borrowers.
- Domestic trade credit insurance: Provides cover against risk of default by borrowers (local companies) for 85% of the claim.
- Export credit insurance: Provided to companies to protect against risk of non-payment by foreign buyers. It covers political risk for 75% of the debt and commercial risk for 90% of the claim.

Bonding Facilities
- Provides financial guarantee against calling of bonds for 100% of the value of the bond

Advisory and Other Services
- Provides commercial information on the Senegalese market, as well as debt collection services.

Islamic Finance Instruments
- None

Business Volumes:

2012	USD Mn
ST Export Credit Insurance	18

Source: Aman Union Performance Report 2012

Top Exports / Export Destination

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
1-5	Animal	370	32.4%
6-15	Vegetable	192	16.8%
28-38	Chemicals	108	9.5%
	Others	470	41.2%
Total		1,140	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	India	126	11.1%
2	France	120	10.5%
3	Cote d'Ivoire	96	8.4%
	Others	798	70.0%
Total		1,140	100.0%

Source: UN Comtrade

Algeria

http://www.cagex.dz

Name of Entity: Compagnie Algerienne d'Assurance et de Garantie des Exportation (CAGEX)

Status: Public and private ownership (divided equally between the shareholders: five state-owned banks and five insurance companies)

Corporate Form: Public Corporation

Year of Establishment: 1996

Capital: DA 450 million (USD 5.7 million)

Size of staff: N/A

Financial outturn: N/A

Assets: N/A

Product Offerings

Financing

- None

Guarantee: None

Insurance

- Individual Policy Guarantee Policy: Covers individual contracts against credit risk and risks of marketing/manufacturing interruption.
- Buyer Credit Guarantee Policy: Issued to the exporter's bank for credit risk and issued to exporter for risk of disruption in marketing/manufacturing.
- Export Credit Insurance: Covers annual turnover export from non-payment due to insolvency of buyer, political risks, risks of non-transfer or natural disasters.
- Fairs and Exhibitions Insurance: Covers exporters engaging in trade fairs, exhibitions and other business events worldwide against risk of non-transfer of equipment and exhibits and non-transfer of funds from the sale of products.
- Co-insurance and reinsurance

Bonding facilities: None

Advisory and Other Services

- Rating of companies
- Debt collection services

Islamic Finance Instruments: None

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	164	2012
Domestic Credit Insurance	896	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	63,376	98.2%
28-38	Chemicals	490	0.8%
16-24	Foodstuffs	187	0.3%
	Others	475	0.7%
Total		64,529	100.0 %

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Spain	12,185	18.9%
2	Italy	8,332	12.9%
3	France	5,625	8.7%
	Others	38,387	59.5%
Total		64,529	100.0 %

Source: UN Comtrade

Bahrain
http://www.bdb-bh.com/index.php?page=events

Name of Entity: Export Credit Guarantee Programme (Bahrain Development Bank)

Status: Program Under BDB	**Corporate Form:** Other - Program	
Year of Establishment: 2011	**Capital:** N/A	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing
- Via BDB

Guarantee
- None

Insurance
- Export credit insurance

Bonding facilities
- Via BDB

Advisory and Other Services
- Established an export credit guarantee database for the Bank that is expected to benefit clients.

Islamic Finance Instruments
- None

Business Volumes: N/A

Top Exports / Export Markets

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	4,974	51.1%
72-83	Metals	2,682	27.5%
28-38	Chemicals	456	4.7%
	Others	1,625	16.7%
Total		9,738	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Saudi Arabia	1,688	17.3%
2	USA	666	6.8%
3	Rep. of Korea	599	6.1%
	Others	6,786	69.7%
Total		9,738	100.0%

Source: UN Comtrade

Egypt

http://www.ebebank.com/EN/Pages/Default.aspx

Name of Entity: Export Development Bank of Egypt (EDBE)

Status: Owned by public and private sector entities (National Investment Bank, 40.75 %; Banque Misr, 23.13 %; National Bank of Egypt 11.43 %; Private sector entities, 24.69%)

Corporate Form: Joint Stock Company

Year of Establishment: 1985

Capital: EGP 1.9 billion (USD 277 million)

Size of staff: N/A

Financial outturn: N/A

Assets: N/A

Financing

- Receivables and Inventory Finance
- Import financing (documentary credit or collection)
- Export Finance (pre- and post-shipment)
- Medium- and long-term loans to exporters and import substitution projects
- Special financing scheme for SME exporters

Guarantee: None
Insurance: None
Bonding Facilities: None
Advisory and Other Services: Marketing assistance to exporters
Islamic Finance Instruments: None

Business Volumes:

	2012	2013
EGP Bn	11.90	12.70
USD Bn	1.73	1.85

Source: Annual Report 2013

Top Exports / Export Markets

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	11,265	40.4%
50-63	Textiles, Clothing	3,291	11.8%
28-38	Chemicals	2,868	10.3%
	Others	10,472	37.5%
Total		27,896	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1st	Italy	2,486	8.9%
2nd	India	2,420	8.7%
3rd	Saudi Arabia	2,083	7.5%
	Others	20,906	74.9%
Total		27,896	100.0%

Source: UN Comtrade

Name of Entity: Export Credit and Guarantee Company (ECGE)

http://www.mti.gov.eg/english/affiliates/foreign/eceg/EcEg.htm

Status: Public (majority) and Private Sector Ownership (EDBE, 70.55%; National investment Bank, 21%)

Corporate Form: Joint Stock Company

Year of Establishment: 1992

Capital: EGP 250 million (USD 36.4 million)

Size of staff: N/A

Financial outturn: (Net income)

	2011	2012	2013
EGP mn	28.5	31.1 3	36.5
USD mn			5.32

Assets: N/A

Product Offerings

Financing

- Factoring including export, import and domestic factoring

Guarantee: None

Insurance

- Whole turnover policy
- Single shipment policy
- Domestic credit insurance
- Unconfirmed letters of credit policy
- Services policy
- Export, import and domestic factoring
- Insurance, finance and collection of export and domestic trade receivables on recourse and non-recourse basis

Bonding Facilities: Standby LCs - Unconfirmed letters of credit policy

Advisory and Other Services: Information reports for buyers

Islamic Finance Instruments: None

Business Volumes:

2012	USD Mn
ST Export Credit Insurance	130

Source: Aman Union Performance Report 2012

Top Exports / Export Markets

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	11,265	40.4%
50-63	Textiles, Clothing	3,291	11.8%
28-38	Chemicals	2,868	10.3%
	Others	10,472	37.5%
Total		27,896	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1st	Italy	2,486	8.9%
2nd	India	2,420	8.7%
3rd	Saudi Arabia	2,083	7.5%
	Others	20,906	74.9%
Total		27,896	100.0%

Source: UN Comtrade

Jordan
Jordan Loan Guarantee Corporation (JLGC)
http://www.jlgc.com

Name of Entity: Jordan Loan Guarantee Corporation (JLGC)

Status: Private and Government Ownership (Central Bank of Jordan, 47.75%; Commercial Banks, 18.31%; Private Companies, 5.42%; Government & Semi Government Institutions, 10.49%; Individuals, 18.03%)

Corporate Form: Public Shareholding Company

Year of Establishment: 1994

Capital: JD 14.4 million (USD 20 million)

Size of staff: 37

Financial outturn: N/A

Assets: N/A

Product Offerings

Financing
- None

Guarantee
- SME loans

Insurance
- Export Credit Guarantee Program
- Domestic Credit Guarantee Program

Bonding Facilities
- None

Advisory and Other Services
- None

Islamic Finance Instruments
- None

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	147	2012
Domestic Credit Insurance	4	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
28-38	Chemicals	1,916	36.9%
50-63	Textiles, Clothing	1,229	23.6%
25-26	Other Minerals	620	11.9%
	Others	1,432	27.5%
Total		5,197	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	USA	1,227	23.6%
2	Saudi Arabia	834	16.0%
3	India	683	13.1%
	Others	2,453	47.2%
Total		5,197	100.0%

Source: UN Comtrade

Lebanon
The Lebanese Credit Insurer (LCI)
http://www.lci.com.lb

Name of Entity: The Lebanese Credit Insurer (LCI)		
Status: Private Ownership (Atradius Participations Holding, 48.9%; Link Investments Holding, 10%; Insurance Invest. Intl. 9.9%; United Commercial Assurance, 5.5%; UCA Insurance E.C., 5.5%; Boomerang Invest. Holding, 4%; AIMS Holding, 4%; Al Mashrek Insurance Services Holding, 4%; LIA Insurance, 3%; Assurex, 3%; Associated Holding, 2%; Others 0.2%)	**Corporate Form:** Private Company	
Year of Establishment: 2001	**Capital:** N/A	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing
- Factoring is provided through Levant Factors, LCI's 50% owned subsidiary (with FIMBank)

Guarantee
- None

Insurance
- Trade Credit Insurance: Covers suppliers (manufacturers, trading companies & providers of services) against the risks of non-payment of their account receivables with local and foreign buyers.
- Extended Short-term Credit Insurance: Covers the sales or the financing of vehicles or machinery to corporates on monthly installments over a period not exceeding 36 months.
- Excess of Loss: Client retains a percentage or amount of the risk up to a limit determined in advance and the insurer pays the remaining amount of the claim above that limit up to a specific sum.

Bonding Facilities
- None

Advisory and Other Services
- Credit Information: LCI prepares a credit information report (domestic and international) that will help a client make decisions based on current and relevant information, including business expansion into new markets informed by the creditworthiness of new prospects.
- Debt Collection: LCI takes full responsibility on collecting bad debts, including verbal negotiations, correspondence, final demands, solicitor's letters and drawing up repayment plans. Each situation is analyzed individually and the best strategy for collecting receivables and recovering overdue debts locally and internationally is recommended to the client.
- LCI Watch: This online report evaluates a company's financial health and provides simulations of its future financial trends.
- Rating: LCI provides a published ranking based on detailed financial analysis of companies' financials and history. The ranking relays critical information on the company's current ability to meet debt obligations and provides recommendations on beneficial changes to the balance sheet.
- Consultancy: LCI's consultancy services are provided to existing and future LCI partners and encompass the entire cycle associated with Trade Credit Insurance, i.e. marketing, underwriting, risk assessment, claims, reinsurance and IT.

Islamic Finance Instruments
- None

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	393	2012
Domestic Credit Insurance	1,147	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

Top Exports / Export Markets

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
68-71	Stone / Glass	487	20.6%
72-83	Metals	486	20.5%
84-85	Mach/Elec	319	13.5%
	Others	1,073	45.4%
Total		2,364	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Saudi Arabia	435	18.4%
2	Switzerland	309	13.1%
3	Turkey	188	7.9%
	Others	1,432	60.6%
Total		2,364	100.0%

Source: UN Comtrade

Morocco
Société Marocaine d'Assurance à l'Exportation (SMAEX)
http://www.smaex.com

Name of Entity: Société Marocaine d'Assurance à l'Exportation (SMAEX)

Status: Public (34.98%)/private ownership	**Corporate Form:** Parastatal Company	
Year of Establishment: 1992	**Capital:** DH 37 mn (USD 3.86 mn)	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing
- None

Guarantee
- None

Insurance
- Credit Insurance
- Credit Insurance (for SMEs)
- Medium-Term credit insurance
- Insurance for exploration of new markets/clients

Bonding Facilities
- None

Advisory and Other Services
- Debt Recovery Assistance

Islamic Finance Instruments
- None

Business Volumes:

	2008	2009	2010
Dh Mn	2,810	4,034	4,159
USD Mn			443.18

Source: Annual Report

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
50-63	Textiles, Clothing	4,537	19.7%
84-85	Mach/Elec	3,656	15.9%
28-38	Chemicals	3,638	15.8%
	Others	11,211	48.7%
Total		23,041	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Spain	4,631	20.1%
2	France	4,403	19.1%
3	Brazil	1,434	6.2%
	Others	12,573	54.6%
Total		23,041	100.0%

Source: UN Comtrade

Oman
The Export Credit Guarantee Agency of Oman S.A.O.C. (ECGA)
http://www.ecgaoman.com/home.html

Name of Entity: The Export Credit Guarantee Agency of Oman S.A.O.C. (ECGA)

Status: Government owned 100% | **Corporate Form:** Closely-held Company

Year of Establishment: 1991 | **Capital:** N/A | **Size of staff:** N/A

Financial Outturn (Net Income):

	2008	2009	2010
RO th	135	716	621
USD th	356	1,883	1,635

Assets: N/A

Product Offerings

Financing: None

Guarantee

- Guarantees of Post-shipment financing of exports through bills discounting with the commercial banks at concessional interest rates
- Pre-shipment financing facilities to exporters through commercial banks against guarantees issued by ECGA for working capital requirements so as to meet and enhance the opportunity for their export sales

Insurance

- Export Credit Insurance against commercial and non-commercial risks. These include buyer's insolvency/bankruptcy, buyer's failure to pay, buyer refusing delivery of goods, foreign exchange transfer delay, import bans or cancellation of import license, payment moratorium, war, civil disorder, natural disasters.
- Domestic credit insurance services to credit insured exporters so as to cover also local sales apart from exports thus mitigating commercial risks of default and bankruptcy of the local buyers.

Bonding Facilities: None

Advisory and Other Services

- Assists and guides the exporters in recovering old outstanding and bad debts
- Advises exporters on credit-worthiness, payment records and financial position
- Commercial morality and other related information on the buyers which assist exporters in their decision to extend credit by acting prudently

Islamic Finance Instruments: None

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	211	2012
Domestic Credit Insurance	53	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	42,008	84.2%
28-38	Chemicals	3,131	6.3%
72-83	Metals	1,302	2.6%
	Others	3,425	6.9%
Total		49,866	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	21,041	42.2%
2	Japan	5,631	11.3%
3	Rep. of Korea	4,783	9.6%
	Others	18,411	36.9%
Total		49,866	100.0%

Source: UN Comtrade

Qatar

Qatar Export Development Agency (TASDEER)
http://www.qdb.qa/English/Products/Exporting/Pages/default.aspx

Name of Entity: Qatar Export Development Agency (TASDEER)

Status: Agency under QDB	**Corporate Form:** Closed Shareholding Company	
Year of Establishment: 2011	**Capital:** N/A	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing: None

Guarantee: None

Insurance

- Pre-shipment credit insurance: Also known as risk cover before consignment, this protects exporters against loss of produce (direct or indirect), or when an order is cancelled before the goods are shipped. This facility is particularly useful for exporters producing custom-made products that may not be resalable, especially when production may be discontinued due to political or commercial risks.
- Post-shipment credit insurance: Also known as risk cover after consignment, this protects against the risk of an overseas buyer failing to pay for goods (consumer goods, raw materials, semi-finished goods and spare parts) received on credit and applies to transactions with repayment terms not exceeding 24 months.
- Whole Turnover policy was launched in 2013 due to market demand for this product.

Bonding Facilities: None

Advisory and Other Services

- Export development and promotion services include developing Qatar export strategy for non-oil products, identifying products and target markets, conducting market entry studies for target markets, providing trade information about foreign markets through tools like 'Trade Map' and 'Market Access Map', and supporting participants in international and regional trade fairs.

Islamic Finance Instruments

- Takaful, Shariah-compliant credit insurance, launched in 2013.

Business Volumes:

	2013
USD Mn	50

Source: Annual Report

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	118,209	92.3%
28-38	Chemicals	4,239	3.3%
39-40	Plastic / Rubber	2,841	2.2%
	Others	2,739	2.1%
Total		128,027	100.0 %

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Japan	36,945	28.9%
2	Rep. of Korea	25,874	20.2%
3	India	14,606	11.4%
	Others	50,602	39.5%
Total		128,027	100.0%

Source: UN Comtrade

Saudi Arabia
Saudi Export Program (SEP)
http://www.sep.gov.sa

Name of Entity: Saudi Export Program (SEP)

Status: Program under Saudi Fund for Development (SFD)	**Corporate Form:** Other - Program	
Year of Establishment: 1999	**Capital:** USD 8 bn	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** USD 35 billion	

Product Offerings

Financing
- Financing for local exporters and local buyers for export purposes
- Financing importers including foreign governments, public or private sector companies
- Pre-shipment financing

Guarantee
- As required by financing banks

Insurance
- Whole Turnover: Coverage on revolving credit limits is granted on a portfolio basis and is valid for one year with automatic renewal unless one of the parties opts out.
- Specific Transaction: Coverage on credit limit is granted for a single buyer and can revolve during the period of the policy based on the nature of the transaction. Validity depends on the transaction period, which may be either short or medium term.
- Documentary Credit insurance for banks
- LC confirmations

Bonding Facilities: None
Advisory and Other Services: None
Islamic Finance Instruments: None

Business Volumes:

2012	USD Mn
Financing	2,583
Guarantees	785
Insurance	4,258

Source: Annual Report 2012

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	309,078	87.7%
28-38	Chemicals	19,515	5.5%
39-40	Plastic / Rubber	17,166	4.9%
	Others	6,806	1.9%
Total		352,565	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	53,451	15.2%
2	USA	53,098	15.1%
3	Japan	49,856	14.1%
	Others	196,160	55.6%
Total		352,565	100.0%

Source: UNComtrade

Sudan
National Agency for Insurance and Finance of Exports (NAIFE)
http://www.naife.org/

Name of Entity: National Agency for Insurance and Finance of Exports (NAIFE)

Status: Owned jointly by Ministry of Finance & National Economy, the Central Bank of Sudan, Commercial banks and Insurance companies	**Corporate Form:** Public Corporation	
Year of Establishment: 2005	**Capital:** 30 mn Sudanese Pounds (USD 24 mn)	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing
- Credit to exporters

Guarantee
- Export guarantees

Insurance
- Export credit insurance (not more than 12 months)
- Reinsurance services

Bonding Facilities
- None

Advisory and Other Services
- Marketing research and studies
- Promotion of local exports in international markets

Islamic Finance Instruments
- None

Business Volumes:

2012	USD Mn
ST Export Credit Insurance	134

Source: Aman Union Performance Report 2012

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	2,664	64.3%
6-15	Vegetable	568	13.7%
1-5	Animal	441	10.6%
	Others	472	11.4%
Total		4,145	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	2,100	50.7%
2	Saudi Arabia	520	12.5%
3	Japan	452	10.9%
	Others	1,073	25.9%
Total		4,145	100.0%

Source: UN Comtrade

Tunisia
Tunisian Foreign Trade Insurance Company (COTUNACE)
http://www.cotunace.com.tn/content/pages/rubrique.php

Name of Entity: Tunisian Foreign Trade Insurance Company (COTUNACE)

Status: Private and Government Ownership (Government of Tunisia, 32.46%; Arab Investment and Export Credit Guarantee Corporate in Kuwait/ DHAMAN, 23.18%; Banks, 21.32%; Insurance & Reinsurance Companies, 23.04%)

Corporate Form: Public Company

Year of Establishment: 1984

Capital: N/A

Size of staff: N/A

Financial outturn: net income

	2011	2012
DT Th	896	1,119
USD th	664	829

Assets: N/A

Product Offerings
Financing: None
Guarantee: None
Insurance

- Export Risk Guarantee Fund: Covers non-commercial risks and extraordinary commercial risks (including natural disasters and political risks) which are difficult to insure in the private market, beyond the capacity of COTUNACE and concern transactions of national interest.
- DHAMEN Finance Guarantee Fund: DHAMEN is a guarantee fund under the Export Development Program, which was jointly established by the Tunisian Government and the World Bank and promotes pre-shipment export funds for SMEs through financial institutions.
- Standard Commercial Credit Insurance: Covers non-payment losses due to commercial risk although there is possibility of extending coverage to non-commercial risks. Multiple Risk Export Insurance Contract:
- Provides protection against non-payment and loss of market and also provides financing for the export.
- Simplified Credit Insurance (SCI) for SMEs: Covers exports of goods or services on private purchasers payable with a credit not exceeding 180 days from exporters with an annual turnover not exceeding 400 thousands TD. It covers only commercial risks (insolvency by law or fact and outright refusal to pay the claim to the exporter).
- Deposit Insurance: Designed partially for exporting companies operating under temporary admission or bonded plant regimes. It includes the delivery by COTUNACE to the customs of a permanent and comprehensive surety bond covering all the liabilities of these companies to the Customs.

Bonding Facilities: None Advisory and Other Services: None Islamic Finance Instruments: None

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	657	2013
Domestic Credit Insurance	363	2012

Source: Aman Union Performance Analysis Report 2013 and Aman Union Performance Report 2012

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
84-85	Mach/Elec	4,465	26.6%
50-63	Textiles, Clothing	4,052	24.2%
27	Oil & Gas	2,772	16.5%
	Others	5,478	32.7%
Total		16,767	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	France	4,968	29.6%
2	Italy	3,052	18.2%
3	Germany	1,983	11.8%
	Others	6,764	40.3%
Total		16,767	100.0%

Source: UN Comtrade

United Arab Emirates
Export Credit Insurance Company of the Emirates (ECIE)
http://www.ecie.ae/

Name of Entity: Export Credit Insurance Company of the Emirates (ECIE)

Status: Government Ownership 100%	**Corporate Form:** State-owned Company	
Year of Establishment: 2008	**Capital:** 50 million AED (USD 13 million)	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing: None

Guarantee: None

Insurance

- Comprehensive Short Term Policy: Provides credit insurance coverage against non-payment of their customers and caters to businesses in which products or services are sold on credit terms of up to 180 days although payment terms of up to 360 days may also be considered
- Single Risk Policy

Bonding Facilities: None

Advisory and Other Services

- Debt collection
- Business information
- Partner Export Services: Exporters receive support and guidance when establishing or expanding their export businesses including market intelligence, concessions during the exporting process and on-the-ground assistance in overseas markets.
- Dubai Export Academy: Established to enhance the skills and success of UAE businesses looking to expand or enter into foreign markets by providing essential information on foreign markets, export management, trade data and policy analysis.
- Export Assistance Program (EAP): Provides financing to SMEs for export operations in international markets and to enhance the capacity of manufacturers and service providers in key industry sectors.
- Export Resource Centre: Provides assistance to businesses on launching or expanding export operations.

Islamic Finance Instruments: None

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	766	2012
Domestic Credit Insurance	18	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	149,505	68.1%
68-71	Stone / Glass	31,248	14.2%
72-83	Metals	12,380	5.6%
	Others	26,461	12.0%
Total		219,593	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Japan	42,528	19.4%
2	India	32,965	15.0%
3	Rep. of Korea	18,123	8.3%
	Others	125,977	57.4%
Total		219,593	100.0%

Source: UN Comtrade

Albania
Export Credit Guarantee Fund (ECGF)
http://wbc-inco.net/object/organisation/8830

Name of Entity: Export Credit Guarantee Fund (ECGF)

Status: Fund under Albania Investment Development Agency	**Corporate Form:** Other - Fund	
Year of Establishment: 2007	**Capital:** Euro 1.6 million (USD1.8 mn)	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing
- None

Guarantee
- The fund provides guarantees that cover collateral offered to lenders in order to increase exports. Equal conditions and terms of financing apply for both local and foreign exporters

Insurance
- None

Bonding Facilities
- None

Advisory and Other Services
- None

Islamic Finance Instruments
- None

Business Volumes: N/A

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	730	30.2%
50-63	Textiles, Clothing	384	15.9%
64-67	Footwear	364	15.1%
	Others	941	38.9%
Total		2,419	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Italy	1,088	45.0%
2	China	235	9.7%
3	Spain	227	9.4%
	Others	870	36.0%
Total		2,419	100.0%

Source: UN Comtrade

Bangladesh
Sadharan Bima Corporation Export Credit Guarantee Department (SBC)
http://www.sbc.gov.bd/sbc_service.php

Name of Entity: Sadharan Bima Corporation Export Credit Guarantee Department (SBC)

Status: Government Ownership (100%)

Corporate Form: State-owned Company

Year of Establishment: 1973

Capital: N/A

Size of staff: N/A

Financial outturn: N/A

Assets: N/A

Product Offerings

Financing
- None

Bank Guarantees
- None

Insurance
- Export finance (Pre-shipment) Guarantee
- Export finance (Post-shipment) Guarantee
- Whole turnover Export finance (Pre-shipment) Guarantee
- Export Payment Risks Policy

Bonding Facilities
- None

Advisory and Other Services
- None

Islamic Finance Instruments
- None

Business Volumes: N/A

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
50-63	Textiles, Clothing	28,026	90.5%
64-67	Footwear	715	2.3%
1-5	Animal	643	2.1%
	Others	1,583	5.1%
Total		30,967	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	USA	5,594	18.1%
2	Germany	4,666	15.1%
3	United Kingdom	2,913	9.4%
	Others	17,794	57.5%
Total		30,967	100.0%

Source: UN Comtrade

Indonesia
Indonesia Eximbank (Lembaga Pembiayaan Ekspor Indonesia or LPEI)
http://www.indonesiaeximbank.go.id/

Name of Entity: Indonesia Eximbank (Lembaga Pembiayaan Ekspor Indonesia or LPEI)

Status: 100% Government Ownership (under Minister of Finance)

Corporate Form: State-owned Company

Year of Establishment: 2009

Capital: IDR 7.875 trillion (USD 643 million)

Size of staff: 312

Financial outturn (Net Income):

	2011	2012	2013
IDR Mn	466	584	778
USD th	45	56	75

Assets: IDR 46.5 trillion at end-2011 (USD 3.8 billion)

Product Offerings

Financing

- Export Working Capital Credit Facility (KMKE) is based on an exporter's need for the working capital and aimed at promoting export of goods and services.
- Export Investment Credit is provided to the exporter to finance investments aimed at creating and/or improving production capacity for export activities.
- Warehouse Receipt Financing Facility is a working capital financing for the value of the goods/commodities in the warehouse provided to the exporter.
- Export Bills or Receivables Discounting is in the form of expropriation of the export invoices of the goods and services in discount with recourse.
- Trust Receipt facility is part of the import facility provided to exporters to take out the imported goods, usually raw materials, for processing and sale, after which the sales funds are used to settle obligations.
- Project Financing is provided to the Project Company, which is an entity with an export-supporting business. Financing can be domestic and overseas and in the case of the latter the company has to have a participating share by participating as a contractor or supplier through a Joint Venture of an Indonesian company.
- Buyer's Credit facility is provided to Indonesian importers of goods and/or services (which may be used in the production of exports) and aims to increase the sales of the relevant exporters.
- SME Domestic Financing: Includes Working Capital Export Financing; Investment Export Financing; Warehouse Receipt Financing; Export Bills Purchasing; Letter of Credit/SKBDN Financing; Trust Receipt; Supplier Bills Purchasing; Plasma-Farm Plantation Loan; Overseas Financing; Buyer's Credit; Overseas Investment Financing and Overseas Project Financing.
- SME Overseas Financing, including: Buyer's Credit; Overseas Investment Financing; and Overseas Project Financing.

Guarantee

- Export Working Capital Credit Guarantee (KMKE) is provided by LPEI who serves as a guarantor to a public bank to cover risk of non-payment by the exporter receiving the KMKE.
- Import L/C Guarantee Facility serves as confirmation for the L/C issued by another bank at the request of an exporter for the procurement of raw materials or spare parts to be used in the manufacturing of export goods and services.
- Guarantee for Deferment / Exemption of Excise Facilities Import Facility for Export Purpose (KITE).

Insurance

- Insurance for the risk of export failure
- Insurance for the risk payment failure
- Insurance for investment made by Indonesian companies overseas
- Insurance for any political risk in a country of destination for exports

Bonding Facilities

- Guarantee for Construction Services and/or Goods Procurement Service includes Bid / Tender Guarantee; Performance Guarantee; Advance Payment Guarantee; Maintenance Guarantee; and Payment Guarantee.

Advisory and Other Services

- Training and Provision of Information on Trade Finance: Training and guidance aimed at improving the capacity of export regulators, agents and sectors, particularly in connection with regulations international trade and export financing, and providing information for potential buyers overseas.
- Technical Assistance: Assistance provided in handling international trade, financial administration and financing, security and insurance transactions by stakeholders.
- Consultancy Services to exporters and producers of export commodities, especially Micro, Small and Medium Enterprise (MSME) sectors and Cooperates, as well as other relevant parties such as a banks or financial institutions. Consultancy services broadly include the provision of guidance and training on different topics related to export activity. This value-added service acts as a distinguishing factor that make Indonesia Eximbank as a leader in fulfilling the needs of entrepreneurs in export activities, producers of export goods or other export related business.

Islamic Finance Instruments

- Shariah Debt Shifting is the transfer of debt from the indebted party to other parties that shall bear (pay) it which can be differentiated into "Hawalah bil Ujrah" and "Wakalah bil Ujrah andQardh".
- Shariah Export Investment Financing is based on the investment needs of the exporter in the framework of the export of goods and services and applies the Shariah principle.
- Shariah-Based figure 4
- Import L/C Financing is the Import L/C Financing Facility or the Domestically Documented Letter (SKBDN) of Credit. It is the product of distributing funds in the form of financing based on Murabahah and Wakalah principles to settle the payment for the L/C or the Sight or Usance SKBDN opened in the name of the customer (applicant/Importer) for the purchase of the imported/local goods, where the goods are procured using the L/C or SKBDN payment method.
- Shariah Export Working Capital Financing: This is based on the exporter's need for working capital in the framework of export of goods and services by applying the syariah principle.

Business Volumes:

	2011	2012	2013
IDR Bn	20,928	28,301	42,786
USD Mn	2,014	2,724	4,118

Source: Annual Report

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	64,955	32.3%
6-15	Vegetable	20,800	10.3%
84-85	Mach/Elec	19,421	9.7%
	Others	95,941	47.7%
Total		201,118	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	31,424	15.6%
2	Japan	28,882	14.4%
3	USA	19,809	9.8%
	Others	121,003	60.2%
Total		201,118	100.0%

Source: UNComtrade

Asuransi Ekspor Indonesia (ASEI)

http://www.asei.co.id

Name of Entity: Asuransi Ekspor Indonesia (ASEI)

Status: Full Government Ownership (100% owned by the Minister of State Owned Enterprises)

Corporate Form: State-owned Company

Year of Establishment: 1985

Capital: IDR 857 Billion (USD 70 million)

Size of staff: 429

Financial outturn (Net Profit):

	2011	2012	2013
IDR Mn	67,944	92,799	107,336
USD th	6,539	8,932	8,798

Assets: IDR 1.9 trillion (USD 156 million)

Product Offerings

Financing: None

Guarantee

- Credit Guarantees offered to banks for non-cash loan facilities provided to credit-worthy debtors.

Insurance

- Export credit Insurance protects exporters against losses due to non-payment by counterparties due to commercial and political risks.
- Export Bill Insurance protects banks against losses due to non-payment by importers due to commercial and political risks and under bills of exchange presented by an exporter as collateral.
- Trade Credit Insurance indemnifies the seller against the risk of non-payment from the buyer due to commercial risks.
- General Insurance: This includes insurance for property, engineering, marine cargo, marine hull, money, personal accident, burglary, liability, space, aviation and oil and gas.

Bonding Facilities: Surety

Advisory and Other Services: None

Islamic Finance Instruments (only offered for general insurance)

- Asuransi Shariah
- Shariah-compliant general insurance
- Shariah Property Insurance

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	465	2012
Domestic Credit Insurance	605	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

Top Exports / Export Markets :

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	64,955	32.3%
6-15	Vegetable	20,800	10.3%
84-85	Mach/Elec	19,421	9.7%
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	Others	121,003	60.2%
Total		201,118	100.0%

Source: UNComtrade

Iran
Export Development Bank of Iran
http://www.edbi.ir/

Name of Entity: Export Development Bank of Iran

Status: Full Government Ownership (100%)	**Corporate Form:** State-owned Company	
Year of Establishment: 1991	**Capital:** USD 1.686 billion	**Size of staff:** 1,905
Financial outturn: USD 21.5 million	**Assets:** USD 5.237 billion	

Product Offerings

Financing

- Buyer's Credit: Credit provided to foreign buyers of Iranian goods and services in order to support exporters.
- Credit Line: Lines of credit provided to foreign banks to finance the purchase of Iranian goods and services and to promote banking relations with foreign banks.
- Supplier's Credit: Credit provided by exporters to foreign buyers to finance the purchase of Iranian goods and services.
- Financing Investment Schemes: Financing support provided to Iranian Investors for investing abroad.
- Working Capital scheme: Working capital provided to Iranian exporters under a pre-shipment export financing scheme for purchase of machineries, equipment, raw material and to engage in production, packaging, transportation and re-export.
- Import Financing Scheme under Resources Granted by Foreign Banks: Through financing and refinancing arrangements with foreign banks, Iranian buyers are able to import raw materials, intermediary and capital goods.

Guarantee: None

Bonding Facilities

- Tender Guarantee (BID BOND): Prevents the applicant from refusing to accept the awarded contract.
- Performance Guarantee: To ensure goods and services are delivered on time regardless of whether the contract is properly performed or not.
- Advance Payment Guarantee: To ensure an advance payment is used by the beneficiary in accordance with the terms of contract signed between the two parties.

Insurance: None

Advisory and Other Services: None

Islamic Finance Instruments: None

Business Volumes:

	2010	2011	2012
USD Mn	2,834	2,220	2,205

Source: Annual Report

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	49,396	78.2%
28-38	Chemicals	4,310	6.8%
25-27	Other Minerals	3,202	5.1%
	Others	6,248	9.9%
Total		63,157	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD	%

		Mn)	
1	China	25,390	40.2%
2	Turkey	10,383	16.4%
3	India	10,032	15.9%
	Others	17,352	27.5%
Total		63,157	100.0%

Source: UN Comtrade

Export Guarantee Fund of Iran (EGFI)
http://www.egfi.org/index.aspx?siteid=81

Name of Entity: Export Guarantee Fund of Iran (EGFI)

Status: Full Government Ownership (100%)

Corporate Form: State-Owned Company

Year of Establishment: 1994

Capital: IRR 1,978 billion (USD 201 million)

Size of staff: N/A

Financial outturn: net profit

	2009	2010
IRR mn	153	642
USD mn	15.6	65.2

Assets: N/A

Product Offerings

Financing: None

Guarantee

- Manufacturers Credit Guarantee
- Local Currency Credit Guarantee
- Foreign Exchange Credit Guarantee
- Buyers Credit Guarantee

Insurance

- Whole Turnover Policy
- Technical and Engineering Services Policy
- Specific Policy
- Investment Policy
- Export Contract Frustration Policy
- Discounting of Export Bills Insurance Policy
- At sight L/Cs Insurance Policy

Bonding Facilities: None Islamic Finance Instruments: None

Advisory and Other Services

- Consultancy services in law, international sales contract conclusion, market research, countries or banks risk, foreign buyers' creditability assessment and trade techniques and connecting exporters to the related local & international export entities Investment Operations: An investment department was established in 2003 to invest in companies registered at Tehran's Stock Exchange and in projects abroad and in non-oil export promotion (including industry, agriculture, mines and services) in line with non-oil export promotion. It also forms partnership with banks in reinsuring credits.

Business Volumes:

	USD Mn	Year
ST Export Credit Insurance	151	2012
Foreign Invest. Insurance	304	2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	49,396	78.2%
28-38	Chemicals	4,310	6.8%

MT Insurance	0	2013

Source: Aman Union Performance Report 2012 and Aman Union Performance Analysis Report 2013

25-27	Other Minerals	3,202	5.1%
	Others	6,248	9.9%
Total		63,157	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	25,390	40.2%
2	Turkey	10,383	16.4%
3	India	10,032	15.9%
	Others	17,352	27.5%
Total		63,157	100.0%

Source: UNComtrade

Kazakhstan
JSC Export Credit Insurance Corporation (KazExportGarant)
http://www.kecic.kz/en/

Name of Entity: JSC Export Credit Insurance Corporation – KazExportGarant

Status: Full Government Ownership (100%)	**Corporate Form:** Joint-stock Company	
Year of Establishment: 2003	**Capital:** USD 73 million	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings
Financing: None Guarantee: None
Insurance
- Exporters Credit insurance protects exporter against an insured accident including non-payment of buyer
- Investment Insurance
- Insurance of foreign investments (for investors) protects domestic investors against political risks in the country of investment
- Credit insurance for importer (for banks)
- Documentary Credit Insurance (for banks) protect exporter's bank (confirming) against commercial and political risks of default by issuing bank
- Bank payment guarantees insurance (for banks) provided to exporter's guarantee-issuing bank
- Bank counter-guarantee insurance provided to exporter's bank to protect against the risk of default by the counter-guarantor Bank
- Reinsurance ECA
- Reinsurance in the "general insurance" sector

Bonding Facilities: None
Advisory and Other Services
- Advisory services on insurance

Islamic Finance Instruments: None

Business Volumes: N/A

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
27	Oil & Gas	47,067	73.5%
72-83	Metals	6,836	10.7%
28-38	Chemicals	3,721	5.8%
	Others	6,376	10.0%
Total		64,000	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	16,051	25.1%
2	France	7,077	11.1%
3	Russian Federation	5,665	8.9%
	Others	35,208	55.0%
Total		64,000	100.0%

Source: UN Comtrade

Malaysia
Exim Bank of Malaysia (MEXIM)
http://www.exim.com.my

Name of Entity: Exim Bank of Malaysia (MEXIM)		
Status: Full Government Ownership (100% Ministry of Finance)	**Corporate Form:** Public limited liability company	
Year of Establishment: 1995	**Capital:** RM 2.7 billion (USD 822.79 million)	**Size of staff:** 288
Financial outturn: Net profit RM 144.7 million (USD 40.47 mn)	**Assets:** RM 8.1 billion (USD 2.27 bn)	

Product Offerings

Financing

- Overseas Project/Contract Financing: Provides financing to Malaysian owned and controlled companies and supports Malaysian investors/contractors undertaking projects overseas such as infrastructure, manufacturing and other development projects.
- Export of Services Financing: Provided to Malaysian owned and controlled companies and entails provision of working capital, guarantee or asset financing of foreign services contracts or acquisition of technology for services (including Information Technology services and Engineering Architecture) for the global market.
- Malaysia Kitchen Financing Facility: Financing to Malaysian entrepreneurs for establishing or expanding restaurants overseas.
- Buyer Credit: Financing to foreign buyers/importers to buy Malaysian goods and services produced in Malaysia or rendered in Malaysia or overseas respectively.
- Supplier Credit Facility: Pre and post-shipment financing provided to Malaysian manufactures and traders to finance working capital for production of goods and the export bill after shipment has been made, respectively.
- Import financing: Financing to Malaysian owned or controlled companies for specialized finished or intermediary goods (high-tech instruments, calibration instruments or specialized medical equipment) which are unavailable in Malaysia to be exported or sold in domestic markets.
- Export Credit Refinancing: Pre- and post-shipment financing to direct or indirect exporters (manufacturer or trading company) to promote export of manufactured products, agriculture products and primary commodities via production of eligible goods prior to shipment or financing the gap from shipment to receipt of payment of the export bill.
- ADB-EXIM Trade Finance Program: MEXIM receives a guarantee from ADB to confirm LCs issued by 78 ADB Participating Issuing Banks from 16 Asian countries.

Guarantee

- Bank Guarantee: Enables Malaysian investors to raise funds abroad and facilitates Malaysian contractors' issuance of bonds for overseas contracts.
- LC: Enables importation of goods.
- EXIM Bank Forward Forex facility: Benefits existing customers who are exposed to foreign exchange risks.
- Buyer Credit Guarantee: Provides a guarantee to facilitate access to long term financing through a lender to a buyer. This addresses the problems of buyers who rarely want to pay in cash for major transactions involving high value capital goods and services, for example, infrastructure projects or Engineering Procurement Construction (EPC) contracts or that of exporters who are unable to cope with cash flow consequences or the risks of extending long-term credit for these contracts.

Insurance

Short Term

- Exporters Trade Credit Insurance (ETCI): Covers exports to overseas importers on credit up

to 180 days as well as third country exports (exports from the supplier's countries to their destination without passing through Malaysia). There are three variations to the policy: providing cover to from the date of shipments, date of contract and date of services rendered.

- Bank Letter of Credit Policy (BLCP): BLCP covers participating banks that negotiate Irrevocable Letters of Credit (ILC) issued by foreign banks against the foreign issuing bank's failure to reimburse payment to the beneficiaries (Malaysian exporters) under the ILC. This ensures payment of the ILC to the exporter's bank.
- Multi Currency Trade Financing Scheme (MCTF): Malaysian participating commercial banks finance the production of goods and services by SMEs against ILCs issued by the overseas Issuing Banks.
- Indirect Exporters' Financing Scheme (IEFS): Benefits SMEs who are indirect exporters (sellers) by providing coverage to participating commercial banks who discount commercial documents from the supply of goods and services to direct exporters (buyers).

Medium & Long Term

- Specific Policy: Insures Malaysian exporters who undertake contracts for export of capital goods or turnkey projects, construction works or provide services abroad, against the risk of non-payment by the overseas buyer.

Investment Insurance

- Political Risks Insurance: Protects Malaysian entrepreneur's investments and profits overseas against political instability.

Bonding Facilities

- Bond Risk Insurance: Insurance for contractor (who is required to provide surety bond to its principal or contract awarder when undertaking a project overseas) covering any fair calling on the bond during the validity period. This may be a result of political events in the country where the project is located that deters the contractor from performing its duty.

Advisory and Other Services

- Advisory services on insurance

Islamic Finance Instruments

Credit

- Overseas Project/Contract Financing-i: Shariah compliant financing for Malaysian investors/ contractors undertaking projects overseas such as infrastructure, manufacturing and other developmental projects.
- Buyer Financing-i: Financing based on Islamic concepts of Ijarah, Istisna'. Murabahah or Tawarruq and provided to foreign government/foreign buyers/importers to buy Malaysian goods and services produced in Malaysia and services rendered in Malaysia or overseas respectively.
- MalaysiaKitchen Financing-i: Financing based on the Islamic concepts of Ijarah, Murabahah Istisna' Murabahah or Tawarruq provided to Malaysians venturing into the restaurant business overseas with the goal of promoting the export of Malaysian Cuisine and to develop international Malaysian restaurant franchises overseas.
- Term Financing-i: Financing based on the Shariah principle of Tawarruq provided to Malaysian owned or controlled companies to serve as working capital financing, financing overheads or non-asset based transactions in support of exports, projects or contract requirements and activities.
- Supplier Financing-i: Pre and post shipment financing (working capital for production and financing of export bill after shipment respectively) based on the principle of Murabahah and Bai Al Dayn provided to Malaysian manufactures and traders to support their export trade financing requirement.
- Import Financing Facility-i: Shariah compliant financing to Malaysian owned or controlled companies, which trade in both exports and domestic markets that demands specialized, finished or intermediary goods that are unavailable in Malaysia. Eg, high-tech instruments, calibration instruments and specialized medical equipment.

- Export Credit Refinancing-i: Shariah compliant financing that provides an alternative short term pre-and post-shipment financing to direct/indirect exporters to promote export of manufactured products, agriculture products and primary commodities that are "Halal".
- IDB Co-financing: An arrangement between EXIM Bank of Malaysia and International Islamic Trade Finance Corporation (a member of Islamic Development bank) to provide financing based on Murabahah and Wakalah to both buyers of Malaysian products and Malaysian exporters with working capital needs.

Guarantee

- Bank Guarantee-i: Facilitates the issuance of bonds for overseas contracts undertaken by Malaysian contractors and enables Malaysian investors to raise funds overseas. The subject of the facility must be for Shariah compliant purpose.
- Letter of Credit-i: Facilitates the importation of goods.
- Forward Foreign Exchange-i: Shariah compliant and based on the principle of Wa'd (promise), this is available to MEXIM's existing customers who are exposed to foreign exchange risks, both in conventional and Islamic facilities such as Overseas Project/Contract Financing-I and Buyers Financing-i.

Insurance

- Exporters Trade Credit Takaful (Export/Domestic): Covers Malaysian traders who export goods on a regular basis against the risk of default by overseas buyers or issuing banks (for exports on LC terms)

Business Volumes:

	RM Mn	USD Mn
Financing	3,910	1,070
Insurance	1,900	520
Comprehensive Insur.	219	60
Takaful Insur.	153	42
Islamic Fin-Credit Takaful	862	236

Source: Annual Report 2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
84-85	Mach/Elec	126,129	45.4%
27	Oil & Gas	64,006	23.0%
39-40	Plastic / Rubber	15,241	5.5%
	Others	72,672	26.1%
Total		278,048	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	60,153	21.6%
2	Singapore	40,829	14.7%
3	Japan	29,745	10.7%
	Others	147,320	53.0%
Total		278,048	100.0%

Source: UN Comtrade

Pakistan
Pakistan Export Finance Guarantee Agency Ltd (PEFG)
http://www.sbp.org.pk/

Name of Entity: Pakistan Export Finance Guarantee Agency Ltd (PEFG)

Status: Owned by commercial banks and the ADB	**Corporate Form:** Private Limited Company	
Year of Establishment: 2000	**Capital:** N/A	**Size of staff:** N/A
Financial outturn: N/A	**Assets:** N/A	

Product Offerings

Financing
- None

Guarantee
- pre and post-shipment export trade finance guarantees

Insurance
- None

Bonding Facilities:
- None

Advisory and Other Services
- None

Islamic Finance Instruments
- None

Business Volumes: N/A

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
50-63	Textiles, Clothing	12,946	61.2%
6-15	Vegetable	2,170	10.3%
41-43	Hides, Skins	1,149	5.4%
	Others	4,893	23.1%
Total		21,158	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	USA	3,888	18.4%
2	China	3,197	15.1%
3	United Kingdom	1,451	6.9%
	Others	12,623	59.7%
Total		21,158	100.0%

Source: UN Comtrade

Turkey
Export Credit Bank of Turkey (Türk Eximbank)
http://www.eximbank.gov.tr

Name of Entity: Export Credit Bank of Turkey (Turk EXIM bank)

Status: Government Ownership (100% Treasury)

Corporate Form: Joint Stock Company

Year of Establishment: 1987

Capital: USD 1.84 Billion

Size of staff: 483

Financial outturn (Net Income):

	2010	2011	2012	2013
TL Mn	256	230	221	246
USD Mn	135	121	116	129

Assets:

	2013
USD Bn	11.7

Product Offerings

Financing
- Pre-Shipment Export Credits
- Foreign Trade Companies Short-Term Export Credits Program
- Pre-Export Foreign Currency and Turkish Lira Credit
- Pre-Export Credit Program for Small and Medium-Scale Enterprises (SMEs)
- Rediscount Credit Program
- Post Shipment Rediscount Credit Program
- Overseas Chain Stores Investment Credit Program
- Specific Export Credit Program
- Ship-Building Finance and Guarantee Program
- EIB-Funded Investment Loan
- Export-oriented Working Capital Credit
- Export-oriented Investment Credit
- Trademark Credit Program
- The Bridge Credit Program for Overseas Contractor Services
- International Transportation Marketing Credit Program
- Tourism Marketing Credit Program
- Credit Program for Foreign Currency Earning Services
- Credit Program for Participating to Overseas Trade Fairs
- Bill of Exchange/Letter of Credit Discounting Program

Guarantee
- International Loans/Guarantees (M/L term buyer's credit for trade finance or projects).

Insurance
- Short-Term Whole Turnover Export Credit Insurance Program
- Medium- and Long-Term Export Credit Insurance Scheme

Bonding Facilities
- Letter of Guarantee Program for Overseas Contractors' Services is provided to Turkish overseas contractors (directly or through a bank) in the form of a bid bond, performance bond and advance guarantee letter covering the contractor.
- Insurance Program for Unfair Calling of Bonds

Advisory and Other Services
- Foreign Exchange Put Option

Islamic Finance Instruments
- Pre-shipment Export Credits via Participation Banks

Business Volumes:

2013	USD Mn
Financing	19,716
ST Export Credit Insurance	8,373
MT Insurance	2.6

Source: Annual Report 2013

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
50-63	Textiles, Clothing	26,924	21.4%
84-85	Mach/Elec	20,686	16.5%
86-89	Transportation	18,939	15.1%
	Others	58,988	47.0%
Total		125,537	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	Germany	16,280	13.0%
2	United Kingdom	9,113	7.3%
3	France	7,957	6.3%
	Others	92,187	73.4%
Total		125,537	100.0%

Source: UN Comtrade

Uzbekistan
National Export-Import Insurance Company (Uzbekinvest NEIIC)
http://en.uzbekinvest.uz/

Name of Entity: National Export-Import Insurance Company (Uzbekinvest NEIIC)

Status: Full Government Ownership (Ministry of Finance of the Republic of Uzbekistan, 83%; National Bank for Foreign Economic Activity of the Republic of Uzbekistan, 17%)

Corporate Form: State-owned company

Year of Establishment: 1994 | **Capital:** USD 60 million | **Size of staff:** N/A

Financial outturn: N/A | **Assets:** N/A

Product Offerings

Financing: None Guarantee: None

Insurance

- Insurance of export-import transactions / Investment insurance
- Trade and credit insurance
- Insurance against contract cancellation
- Property insurance / Ipoteca insurance
- Insurance of the electronic equipment
- Motor insurance / Medical insurance
- Insurance against infectious disease
- Accident insurance
- Civil and professional liability insurance
- Cargo insurance
- Construction and assembly risk insurance
- Aviation insurance

Bonding Facilities

- Wrongful calling on-demand bonds or guarantees

Advisory and Other Services

- While Uzbekinvest does not directly offer advisory services, it has a branch which serves as the service agency named Uzbekinvest Assistance and provides insurance services

Islamic Finance Instruments: None

Business Volumes:

	2012	2013
UZS Bn	45	53
USD Mn	20	24

Source: Annual Report

Top Exports / Export Markets:

Products Exported (2013)

HS Code	Description	Value (USD Mn)	%
50-63	Textiles, Clothing	1,406	23.3%
27	Oil & Gas	1,283	21.2%
72-83	Metals	750	12.4%
	Others	2,600	43.1%
Total		6,040	100.0%

Source: UN Comtrade

Top 3 Destinations (2013)

Order	Country	Value (USD Mn)	%
1	China	1,938	32.1%
2	Russian Federation	1,257	20.8%
3	Kazakhstan	963	15.9%
	Others	1,882	31.2%
Total		6,040	100.0%

Source: UN Comtrade

Annex E: Step-By-Step Implementation for Establishing a New ECA

a. Formation of a Steering Committee

Given the complexity of many of the issues and the number of government and public entities likely to be impacted, the very early establishment of a Steering Committee is vital.

The work cannot be left to one person or regarded as a part time role for various unidentified people in a range of Government departments or institutions.

What is needed is a small Steering Committee of named people from identified Government entities directly involved in the relevant policy areas, with an Executive Chairman and at least one full time senior executive, preferably with relevant technical or professional experience in the export finance area.

The Committee should not be too large and should meet regularly.

It may well need at an early stage to add some external specialist and professional technical adviser.

It should be made clear from the outset who the Committee is responsible to and to whom it is reporting.

The main proceedings - and especially all decisions - should be recorded in writing, together with details of who is responsible for implementing the decision and by what date.

It should be made explicit when consultations with other parties – especially in the private sector - are to take place and who is to be responsible for doing this and when and how the report back is to be made.

It is helpful for legal advice and expertise to be readily available to the Committee.

In addition, specialist financial and accounting advice and expertise and resources are vital to the work of the Steering Committee.

At all stages from the outset, clear and regularly reviewed and updated timeframes in relation to critical paths should be established.

No public announcements should be made without the prior knowledge of the Committee.

b. Drafting of Constitutive Documents

Once decisions on status have been taken and the Steering Committee established, work should begin on drafting the relevant documents required to establish the entity. Regular progress reports should be made to the Steering Committee.

c. Establishment of the Entity.

It is desirable to appoint a small number of specialist and technical staff for the new entity at an early date.

The CEO need not be the first person appointed/recruited. It is more important for the entity to assemble a small number of people with directly relevant technical and professional expertise. IT expertise is likely to be very important to the entity from an early stage.

It will sometimes be the case that it will not be clear what kind or level of CEO will be required until the position on the likely size of the organization and the nature and extent of its activities/facilities have begun to emerge.

However, it is important that the CEO should never be the last person recruited, not least since the CEO should play an important part in decisions on the final shape/structure of the organization and should be consulted on the most senior appointments.

It is important to assess and review and clarify any possible/potential conflicts of interest between the new entity and the Steering Committee and to put in place mechanisms for avoiding these.

d. External Specialist and Professional Assistance.

Since this is a highly technical and complex area, it is important that, at an early stage, professional and technical expertise and input should be put in place and so available both to the Steering Committee and to the new entity.

This could be in the form of an external expert consultant and/or seeking the loan of a specialist from an existing ECA or Eximbank.

What is probably most relevant is an on the spot expert who can access information and incremental expertise from external sources.

There are various ways of achieving this and possible options should be reviewed at an early stage by the Steering Committee and the new entity.

e. Insurance Documentation and Loan and Financing Agreements.

The new entity will not be able to operate without its own documentation. Preparation of documentation is a difficult and time consuming process, so getting started on preparation is urgent.

The Special Assistance provider (see (d) above) should be a very important input in this process.

Obviously, the range and format of documentation required will depend crucially on the extent and nature of the facilities the entity will provide, e.g. whether these will be insurance or financing or both.

Help and advice will be available externally from various sources, both from existing and similar organizations in other countries and from multinational entities like the Aman Union and the Berne Union/Prague Club. In addition, brokers and some of the larger private insurers are potential sources of help.

But how best to access and utilize such external help and minimizing work and cost to the new entity will be a difficult and expert job best carried out by a professional expert of the kind mentioned above.

Standard loan agreements and financing documentation are important to save time and effort. It is not cost effective to work with the practice of financing facilities having tailor-made or bespoke documentation on a case-by-case basis. Apart from all else, standard basic documentation should reduce the work involved in negotiating documents with local parties.

Local banks – both locally owned and branches of foreign banks - will be a good source of specimen financing documentation and the central Bank should also be a useful source of expertise and advice.

Eximbanks in other countries and ECAs who provide financing facilities will also be potentially valuable sources both of specimen documentation and technical advice on policy and practice, either direct or via the Berne Union/Prague Club.

Crucial to the work on documentation and facilities will be full consultation with potential customers in the exporting companies and banks and local brokers. Some formal committee or group for doing this could be helpful.

f. Approvals and Authorities.

A very important task which should be done as soon as decisions have been taken on the range of facilities which will be provided by the new entity is to analyze and list the approvals and authorities which will be necessary.

A first stage point is whether or not new or amended legislation or legislative approval will be required. If it is required, what is the timescale likely to be involved? Will any legislation be controversial?

Two key stages will be first obtaining the necessary approval(s) for the preparation and introduction of legislation and, second, having the legislation drafted.

At all stages of the legislative process there will be a significant amount of briefing required and also some expertise and experience in the handling of legislation.

Legislation is normally drafted by specialist lawyers – Parliamentary Counsel or Draftsmen – and again full and timely briefing will be essential. Legislation is, however, only part of the story. If the entity is to provide financing facilities either direct to companies or via banks or other financing institutions, then it may be necessary to get approval from those responsible for the registering and monitoring of financial services institutions – normally the Banking Regulator or Supervisor or Central Bank. Compliance with Basel III is of course part of this process. Any approval may come with conditions and requirements.

If the new entity is to provide insurance facilities, then similarly it may be necessary to get approval/sanction from the institution responsible for insurance regulation and supervision. Again any approval may come with conditions and requirements, e.g. in respect of reserves to be held and provisions against loss.

In some countries, Government entities are exempted from banking and insurance supervision but it is very important to get absolute and authoritative clarification on these issues at an early stage.

g. Financing.

Additional considerations in respect of possible implications arise if the new entity is to provide financing. This is the case whether or not financing is to be provided direct to companies, direct to banks or other financing institutions or to companies via banks.

Analysis of risk will arise for both insurance and financing facilities and will include appraisal of the recipient of the facility in terms of performance, status, balance sheet and financial strength and track record, whether these are companies or banks/financial institutions.

However, when financing is involved, one issue which is much more important than in the case of insurance is the availability and enforceability of security – e.g. the value of personal guarantees from owners of local companies or of parent company guarantees or letters of comfort from the parent companies on respect of their subsidiaries or of any assets pledged as security in respect of lending.

Expertise on these points should be available within existing banks or the Central Bank or Banking Supervisor.

But differences in documentation and risk appraisal (including of security and pledged asset assessment) are not the only differences between insurance and financing.

A significant factor is that an insurance entity requires funds for its own administration operations and to pay claims. But an entity providing financing must obviously have the funds to on lend.

Such funds are unlikely to be available from its own capital. So early consideration needs to be given to how and on what basis the entity will itself obtain financing for its own lending. For example, will it borrow itself locally or internationally and will this be in own name or will there be an explicit or implicit Government guarantee? Or will all borrowings be undertaken by the central Bank or by the body responsible for the Government's borrowing?

A financing institution will normally borrow wholesale and lend retail or borrow in advance of lending.

And it is very unlikely to borrow on a fully matched basis, i.e. borrow specifically to lend on a case by case basis

So, against this background, the entity will need to hold funds in advance of lending them and thus have some Treasury Management functions. These can be a useful source of income but this is a technical and specialist function. EDC of Canada for example earns valuable income from the management of funds borrowed in advance of disbursement.

h. <u>Timetable</u>

It is very important that a realistic timetable be set at an early date and that it should be subjected to regular review and that public announcements on it should be avoided unless carefully reviewed by the Steering Committee.

Drawing up the timetable and reviewing it regularly are tasks for the Steering Committee supported by the new entity.