



COMCEC

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

BANKING SERVICE



WORLD ECONOMY



IMPORT & EXPORT



COMCEC COORDINATION OFFICE
March 2015

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

The analytical study titled “*Improving the Role of Eximbanks/ECAs in the OIC Member States*” has been prepared specifically for the 5th Meeting of the COMCEC Trade Working Group, to be held on March 26th, 2015 in Ankara, with a view to enriching the discussions during the aforementioned Meeting. Key findings of the Study could be found in following paragraphs.

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.
- 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. 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. The second reason ECAs are established is 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.

ECAs in the OIC Member States

- 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

- The Study finds out following suggestions to OIC Member Countries, which either already established an ECA or planning to establish one, based on thorough analyze of the global ECA programs.

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.

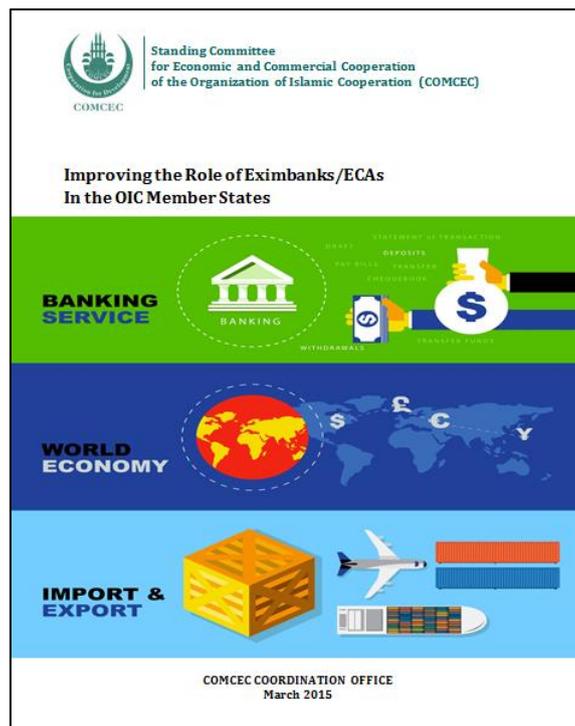
- Create links to international partners and players
- Seek client input and feedback
- Continuously review and improve internal technical and management systems
- As a financial institution, ensure financial sustainability through robust planning and risk management

For 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

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 and a detailed implementation plan



**For viewing the full report please log
into
reports.comcec.org
or
contact Nihat AKBALIK via e-mail
(nakbalik@comcec.org),
phone number (+ 90 312 294 57 49)**