

Rasheed Mohammed Al Maraj: Relationship between financial institutions and export credit and investment insurance agencies

Remarks by HE Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, at the Islamic Corporation for the Insurance of Investment & Export Credit Workshop “Relationship between financial institutions and export credit and investment insurance agencies”, Manama, 13 April 2010.

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Ladies and Gentlemen:

On behalf of the Central Bank of Bahrain, it gives me great pleasure to welcome you to this Workshop on the “Relationship between financial institutions and export credit and investment insurance agencies”. The CBB is especially pleased to be supporting this event jointly with The Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC), an agency which has pursued the objective of enlarging trade transactions and investment flows among the member countries of the Organisation of the Islamic Conference since it was established in August 1994.

It is particularly appropriate that the Central Bank of Bahrain should be a joint sponsor of this programme. In the first place, Bahrain is one of the 35 member country shareholders of the ICIEC. As a shareholder of this organisation, the Kingdom of Bahrain is strongly supportive of its central mission and recognises the valuable work that it does through its provision of export credit insurance and foreign investment insurance, and also its work in advising and providing technical assistance to the investment promotion agencies of member countries.

As a Central Bank, we also have a strong interest in promoting the work of the ICIEC. As a regulator of banks, and the financial sector more generally, the CBB aims to encourage the adoption of high standards of risk management throughout the sector. The events of recent years have served to reinforce the importance of ensuring that financial institutions can identify, monitor, and control the risks that they incur. It is also important that they make full use of all the various instruments of risk mitigation – which include the use of export credit guarantees.

The services provided by the ICIEC can serve as important risk management tools for banks, financial institutions, and their clients. The trade insurance services provided by the ICIEC cover a range of commercial, political and other risks, including the insolvency of the buyer, the failure of refusal of a buyer to pay, the introduction of restrictions on currency transfers, and the risk of civil disturbances and war. The broad range of risks covered by the ICIEC enables exporters to manage their risks and also provides additional security for their lending banks.

Having the additional security provided by export credit guarantees is particularly helpful for firms in the private sector, especially small and medium enterprises that might otherwise not be able to manage the risks of dealing with overseas buyers. It is an important part of the Kingdom’s economic vision 2030 that we develop a strong and thriving SME sector, especially one that can focus on export markets. More widespread use of export credit guarantees is, therefore, an instrument which has a particularly important role to play in the Kingdom’s economic development goals. It is this background which makes the current Workshop so important and timely.

Let me conclude by wishing you success for your discussions during the rest of this morning.