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المؤسسة العربية لضمان
الإستثمار وائتمان التجارة
The Arab Investment & Trade
Credit Guarantee Corporation



Non-Honoring of Sovereign Financial Obligation (*NHSFO*) *Service Guide*



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WHO WE ARE

The Arab Investment & Trade Credit Guarantee Corporation (Dhaman) is a multilateral credit and political risk insurer owned by 21 Arab countries and 4 pan-Arab financial institutions. Established in 1974 and headquartered in Kuwait, Dhaman is the first multilateral investment insurance provider globally.

Dhaman's mission is to support Arab international trade and to promote foreign direct investment (FDI) into Arab countries by mitigating credit, political, and non-commercial risks for exporters, investors, lenders, and financial institutions worldwide.

OUR RATING

Dhaman is rated A+ (Stable Outlook) by S&P Global Ratings, reflecting:

- Strong financial risk profile
- Exceptional liquidity
- Robust enterprise risk management
- Extraordinary shareholder support

OUR MEMBER COUNTRIES

Algeria, Bahrain, Djibouti, Egypt, Emirates, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, and Yemen.

WHAT WE COVER

The **Non-Honoring of Sovereign Financial Obligation Service (NHSFO)** protects insured parties against losses resulting from the failure of a sovereign, a sub-sovereign entity, or a state-owned enterprise in an Arab member country to make a payment when due under an unconditional and irrevocable financial payment obligation or guarantee.

NHSFO is a credit enhancement solution designed for financial institutions, contractors, and insurers exposed to public sector entities through the financing or delivery of infrastructure and other productive investments.

ELIGIBILITY CRITERIA

To qualify for NHSFO coverage, the underlying transaction must meet Dhaman's eligibility criteria, including the following:

Eligible Insured Parties:

- Commercial banks, development finance institutions, and other financial institutions financing, or holding obligations guaranteed by, public obligors.
- Contractors and exporters holding contracts with sovereign or sub-sovereign entities, or state-owned enterprises, backed by an unconditional payment obligation or guarantee.
- Credit and political risk insurers and reinsurers seeking reinsurance or coinsurance from Dhaman for their NHSFO exposures.

All insured parties must be based in a country other than the host country.

Eligible Obligation:

- An unconditional and irrevocable financial obligation to pay a specified or determinable amount on a specified date or upon demand, undertaken or guaranteed by a sovereign (e.g., Ministry of Finance), sub-sovereign entity (e.g., regional or municipal authority), or eligible state-owned enterprise (case by case) (the "public obligor").
- Not subject to any defense other than payment.
- Payable to the insured, or to another eligible beneficiary whose rights under the financial obligation have been validly assigned to, or are enforceable for the benefit of, the insured.
- Legally valid and enforceable, supported by a legal opinion acceptable to Dhaman.

Eligible Project¹:

- Infrastructure, public investment programs, and other productive investments of public sector entities in Arab member countries.
- Financially viable and economically sustainable projects, with identified cash flows to service the obligation.
- Projects aligned with host country development objectives.

¹ Projects in the defense industry, casinos, spirits, etc., are not eligible for insurance.

- Compliance with environmental and social regulations, where applicable.

Eligible Structures:

- Direct loans to a sovereign or sub-sovereign borrower.
- Loans to eligible state-owned enterprises (SOEs), including corporate and project finance facilities, with or without a sovereign guarantee, subject to eligibility.
- Loans to public-private partnership (PPP) vehicles backed by an unconditional and irrevocable government payment guarantee.
- Contracts with public entities backed by an unconditional payment obligation or guarantee.
- Reinsurance or coinsurance of NHSFO exposures of other insurers.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) COMMITMENT

Dhaman embeds ESG considerations at the core of its underwriting and risk assessment through a robust Environmental and Social Management System (ESMS). All projects undergo screening, due diligence, and monitoring to effectively manage environmental and social risks throughout their lifecycle.

Aligned with international standards, including the IFC Performance Standards and the UN Sustainable Development Goals (SDGs), Dhaman supports sustainable, inclusive, and responsible investments.

This approach strengthens risk management, ensures compliance, and enhances long-term resilience and value for insured parties and stakeholders.

INSURED RISK

Non-Honoring of a Sovereign Financial Obligation

The failure of the public obligor (sovereign, sub-sovereign entity, or state-owned enterprise) to pay an amount due under a sovereign financial obligation or guarantee. A loss occurs when both of the following events take place and remain uncured for the duration of the waiting period specified in the insurance contract:

- i. The insured fails to receive a scheduled payment on its due date; and
- ii. The public obligor fails to pay the amount due under the sovereign financial obligation.

PAYMENTS COVERED

Scheduled payments of principal and contractual interest or profit due under the insured financing, or other eligible scheduled payments under the insured financial obligation.

DURATION OF COVERAGE

- Long tenors of up to 15 years, and up to 20 years on a case-by-case basis.
- Aligned with the tenor and payment schedule of the insured financing or contract.
- Standby coverage for future disbursements, where applicable.
- Non-cancellable by Dhaman except in case of non-payment of premium or breach.

KEY BENEFITS

To the insured parties:

- Credit enhancement of sovereign, sub-sovereign, and state-owned enterprise exposures.
- Potential regulatory capital relief for banks through eligible credit risk mitigation under Basel III, subject to applicable regulatory requirements.
- Increased lending and business capacity in Arab member countries.
- Protection against both inability and unwillingness of the public obligor to pay.
- Clear, time-bound claims process.

To the host countries and public borrowers:

- Access to long-term commercial financing for infrastructure and development priorities.
- Lower borrowing costs and longer tenors.
- Mobilization of private capital alongside public resources.

DEVELOPMENT IMPACT

Beyond risk protection, Dhaman's NHSFO serves as a catalyst for sustainable economic development across Arab countries. By enhancing the credit profile of public sector obligors, it mobilizes long-term commercial financing for infrastructure in sectors such as renewable energy (SDG 7 – Affordable and Clean Energy), clean water and sanitation (SDG 6), transport, and resilient infrastructure (SDG 9 – Industry, Innovation and Infrastructure).

Through its Development Impact Framework, Dhaman systematically evaluates the contribution of insured transactions to growth, job creation, infrastructure, and regional integration.

WHY CHOOSE DHAMAN?

Insuring sovereign financial obligations in Arab countries with Dhaman offers insured parties a unique set of advantages:

- Over 50 years of experience in Arab markets
- Multilateral status and strong backing from member states
- A+ rated insurer (S&P Global Ratings)
- Conventional and Sharia-compliant solutions
- Fast and efficient underwriting process
- Competitive, risk-based pricing
- Flexible coverage adjustments over time
- Enhanced recovery prospects due to Preferred Creditor Status (PCS)
- Proven track record of claims recovery

Key Strength: Preferred Creditor Status (PCS)

Dhaman benefits from a unique legal status that significantly enhances recovery prospects and protects the interests of insured parties.

INSURANCE PROCEDURE

- Preliminary Application (free and confidential)
- Non-Binding Indication (NBI) of scope and pricing

- Final Application & Documentation (financing agreement or contract, sovereign obligation or guarantee, payment schedule, legal opinion)
- Due diligence
- Host country approval / No-Objection Letter (NOL)
- Policy issuance and signing

COST OF INSURANCE

- Application Fee
- Due Diligence Fee (credited if policy is issued)
- Premiums
 - Risk-based pricing
 - Determined according to the obligor, country, tenor, and transaction structure
 - Premium calculation and payment terms agreed on a transaction-specific basis
- Standby Option Fee on undisbursed amounts (if applicable)

CLAIMS & COMPENSATION²

- Compensation for insured scheduled payments in default, up to the agreed percentage of cover.
- No requirement for an arbitral award or court judgment to establish non-honoring.

CONTACT

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² This guide is for general and illustrative purposes only; only the terms and conditions of the insurance contract signed between Dhaman and the insured are binding.

KEY FACTS & FIGURES

PCS

Legal
Preferred
Creditor Status

100%

Recovered
political risks
claims

A+

Outlook stable
by S&P Global
Ratings

50+

Years
of
experience

operations@dhaman.org



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