

# Managing cash, liquidity and supply chains in the Middle East and North Africa

Effective liquidity management helped companies to stand fast during the global financial crisis and COVID-19 pandemic, and can provide the resilience required to weather an uncertain future in the face of geopolitical and economic headwinds

In a rapidly changing world, treasurers across the Middle East and North Africa (MENA) region are looking for solutions to their working capital and liquidity challenges, while also increasingly seeking to contribute to their companies' environmental, social and governance (ESG) agendas.

While some Middle Eastern countries and states have seen revenues increase in line with oil prices, net purchasers in North Africa and Pakistan have faced soaring costs. Rising interest rates that have been neutral or even negative for more than a decade are pushing up the cost of borrowing at a time when companies' liquidity may be squeezed, and/or they are seeking to invest in transition projects to support their net zero and sustainability objectives.

Treasurers are therefore looking to their banks to help support changing liquidity dynamics and provide ESG-friendly products on both sides of the balance sheet. This has been a major focus for Citi. For example, Citibank NA Abu Dhabi Global Market (ADGM), a branch of Citibank NA, offers clients a unique location for sustainable friendly investments with attractive interest rates.

## Balancing cash, funding and ESG objectives

"Treasurers need innovative, flexible payments and cash management solutions across the company's regional – and often global – footprint," says Steve Buonvino, Citi's corporate and public sector sales head for MENA. "Furthermore, many corporations in MENA are expanding their business models to operate direct-to-consumer, and therefore need to

leverage emerging digital and real-time payments in MENA as efficiently as possible to support customers' need for real-time fulfilment, streamline processes and, crucially, contribute to healthy working capital dynamics."

For example, countries such as Egypt and the UAE have emerged to become world leaders in e-commerce. Use of digital wallets is expanding quickly, and through its UAE Payment Gateway, Citi has been one of the first banks to support clients operating as merchants; likewise, the bank was an early adopter of Instant Payments in the UAE (UAEIP). Clients such as flydubai have benefitted from this significantly by enabling customers to pay for tickets electronically, including those without a credit card. flydubai has reduced its collection costs, while providing a better service to customers.

Citi has also further cemented its digital collections offering in the Middle East by integrating with multiple electronic bill presentment and payment local market platforms such as Jordan's eFAWATEERCom, Bahrain's Fawateer and IBILL in Pakistan. Citi Jordan also supports direct debits and instant payments, enabling clients to improve working capital and cash-flow forecasting.

Contributing to the achievement of ESG objectives continues to climb treasurers' agendas and is becoming a key consideration as they ponder their cash and liquidity strategies.

Citi recently announced the launch of new deposit products designed to assist clients in investing excess cash as part of their sustainability agenda. The two new deposits – Sustainable Time Deposit

and Sustainable Minimum Maturity Time Deposits – are designed to help deliver competitive yields and are based upon Citi's green and social bond frameworks, seeking to support the UN Sustainable Development Goals.

Leading the way in the adoption of this ESG-linked solution in MENA was Etihad Airways<sup>1</sup>, as it became the first client to sign on to Citi ADGM's Sustainable Deposit Solution.

## Increasing supply chain resilience

As companies look ahead to an uncertain future, they are looking to building liquidity and risk resilience, including ESG risks, both in their own business and across their supply chains. Supply chain resilience has become a key focus not only for many organisations but governments as well, as disruption has increased. Resilient supply chains help procurers to mitigate risk by seeking to anticipate and address issues proactively, and by seeking to quickly adapt to disruptions while seeking to mitigate increasing operating costs.

This is also an area with significant potential for ESG impact. Supply chain finance (SCF) programmes can offer an effective means of encouraging suppliers to embrace environmental audits, and the usage of automated SCF platforms can provide greater efficiencies in terms of reducing manual intervention thereby reducing the risk of fraud, but also reducing the usage of paper while providing benefits such as assigning individualised pricing per supplier.

"Over the past year, Citi has further expanded its supply chain and working capital finance activities to enable clients to incentivise sustainable business practices across their supply chain and extended the reach of its programmes to new suppliers, including multi-tier financing, to reflect the depth and complexity of clients' supply chains and support grass roots producers," says Yusuf Ali Khan, Citi's head of trade and working capital solutions for MENA. "Citi has also extended its automated trade products by offering an Electronic Trade Loans platform in Egypt, Jordan, Lebanon and the UAE, enabling rapid digital access to trade loans to facilitate global trade and manage working capital."

## Supporting regional and global growth

Treasurers are keen to ensure that they can support the business growth strategy through the right cash management and funding capabilities, while

centralising visibility and control over liquidity and risk. In addition to cash, liquidity and ESG products, many companies are seeking advisory services as they grow into new markets, particularly those with geopolitical challenges, such as Lebanon, Pakistan, Egypt and Tunisia, or currency and capital restrictions.

Few local and regional banks combine the strength of balance sheet, expertise, commitment to ESG-linked borrowing and investment solutions, and ability to support real-time and digital payments across corporates' required footprint. Citi has a presence in 11 markets in the Middle East and North Africa: Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Pakistan, Qatar, Tunisia and the UAE, as well as a representative office in Iraq. These offices provide comprehensive cash, liquidity and risk management solutions across multiple currencies and countries, and connect seamlessly into the bank's global network covering 95 countries.

"Economies in the Middle East are going through one of the most transformational periods in recent history, with exponential growth in e-commerce, ongoing economic diversification and an increasing focus on ESG issues," says Jagadeshwaran Kothandapani, Citi's cash management and interim head of treasury and trade solutions for MENA. "Treasury, finance and commercial teams are having to adapt their activities at speed to help meet these new challenges, with new payment and collection methods, centralised cash and liquidity management, and digitisation more important than ever. Citi plays a unique role in helping clients to adapt and thrive during this period of dynamic change, through our global network, local presence and close regulatory relationships." 

1. citigroup.com/citi/news/2022/220726a.htm



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