Bolstering champions' ambitions in the Middle East and Africa

Local companies growing in the Middle East and Africa need to have the right support in fulfilling their regional – and potentially global – ambitions. Two treasury experts from Citi explain the region's potential, what the needs of such companies are, and how the bank successfully combines its on-the-ground presence with global knowledge to enable such companies to become emerging market champions.

Steve Buonvino

Treasury and Trade Solutions
Corporate and Public Sector
Sales Head,
Middle East and Africa

citi

Marek Potoma

Treasury and Trade Solutions
Co-Head Middle East
and Africa

citi

The Middle East and Africa region has given rise to a number of global companies and increased connectivity in the region means many more are set to follow. Energy companies, airlines and ride-hailing super apps have blazed a trail and are examples of the explosive growth that is possible for companies from the region.

The next wave of emerging market champions will benefit from several factors that are helping intra-regional growth. In addition, those with the right treasury strategy in place will be able to scale much more effectively in the Middle East, Africa and beyond.

Steve Buonvino, Treasury and Trade Solutions (TTS), Corporate and Public Sector Sales Head, Middle East and Africa for Citi, explains how the region holds many opportunities. Africa, he points out, is the fastest-growing continent in the world, with potential that springs from it also being the second-largest continent in terms of its land mass as well as its people. Its land is resource-rich and its population young, he adds.

Increasing intra-regional cooperation

In addition, the African Continental Free Trade Area (AfCFTA) will bring more opportunities for companies doing business across the region as red tape, customs and trade tariffs will be reduced, making life easier for potential emerging market champions. According to the World Bank, the AfCFTA will be the largest free trade area in the world (by number of countries), connecting 1.3 billion people across 55 countries and a combined gross domestic product of US$3.4trn. Such trade liberalisation is an exciting prospect for many local companies.

Meanwhile, there are many other cross-border opportunities for companies, including the natural resources sector. The Middle East is well-known as an oil exporter and recent government-to-government oil purchase agreements signal increased intra-regional cooperation. Kenya has signed deals with the UAE and Saudi Arabia, and Ghana has agreed to import oil from the UAE, for example. Many countries in Africa have ageing oil refineries and it is likely there will be more such cross-border flows in the region in the future.

The promise of natural resources

The region is also appealing because of the nature of Africa's resources, says Buonvino. Aside from its gold, the continent has the majority of the world's chromium and platinum reserves. According to figures from the United Nations, Africa holds 65% of the world's arable land, and 10% of renewable fresh water sources – which creates opportunities in the agricultural sector, as well as for renewables. "There is a lot of potential in the solar and wind industries," comments Buonvino.

Meanwhile, with an increasing interest in environment, social and governance (ESG) issues, Africa's resources also offer clean tech alternatives. Reserves of lithium can be found across Africa, for example, which are used in the rechargeable batteries of electric vehicles, adds Buonvino.

Marek Potoma, TTS Co-Head, Middle East and Africa for Citi, comments that the region is planning for a sustainable future. "ESG is a major theme in the region and many companies are focused on ensuring that all aspects of their treasury operations

– and entire supply chains – are environmentally friendly and sustainable.”

A variety of expansion strategies

With so many opportunities for local companies, there are many strategies they can employ to expand in the region. Potoma explains that many companies typically start by expanding in the peripheral markets to their home base, and then go further afield to the rest of the Middle East and Africa. From there, their global expansion can depend on the industry and their target market. Some may opt for Asia, or companies from French-speaking West African countries may target France, Switzerland or Belgium, for example. Regardless of their target markets, many are choosing Dubai as a hub for their trading and treasury operations, a location that is time-zone friendly and within a six-hour flight of many cities in the region.

Having the right mindset can aid a growing company’s expansion, particularly in terms of treasury strategy. Emerging champions have the advantage of not being burdened by legacy systems and are able to embrace digital technologies from the outset. “These companies are used to operating digitally. They have never used cheques – they have always done electronic payments,” says Potoma.

Treasury needs when expanding

The treasury needs of emerging companies can be different, explains Potoma. Access to credit is more of an issue than it is for multinationals coming into the region, for example. Also, expansion brings other challenges: “As these companies expand globally, they expand their range of currencies – and risks and exposures. As they start adopting increased risks they need to start thinking about liquidity in a more scalable way,” says Potoma.

There are many other things they need to think about, and such companies rely on their banking partner to answer their questions. Also, explains Potoma, “They need to know what it is they don’t know – we often get asked ‘what are the questions I should be asking?’,” he explains.

As these companies scale and build, one of the advantages of having a global transaction bank like Citi is that they are able to benchmark their treasury performance against their regional and global peers, says Buonvino.

Buonvino comments that companies have an expectation for everything to be done instantly, with access to information also being in real-time. However, as their businesses expand, this creates the risk of information overload, explains Buonvino, and hence the need for ‘intelligent banking’. “This is where technologies like artificial intelligence (AI) can come into play. If payroll jumps from US$1m to US$10m in one month, the AI can detect this and send an automated message to check whether this is correct,” he says.

Serving clients’ needs well

Citi is well-versed in serving growing companies and enabling their growth to be more efficient. One of its clients is the regional champion Aramex, a global multinational logistics company that was founded in Jordan. Today it employs over 17,000 people across more than 600 offices in over 65 countries.

Managing treasury operations for such a company is complex, and Citi successfully provided a cash management solution that streamlined its treasury management operations that were previously spread across dozens of countries. With Citi’s cash management solution, Aramex was able to simplify its payments infrastructure, increase centralisation of its treasury activities – including cash and working capital management – and have increased visibility and control of its cash. With this came improved control and decision making.

Etihad Airways is another example of a company that has successfully expanded beyond the region and has been supported along the way by Citi. The airline, which is wholly-owned by the government of Abu Dhabi, introduced an expense management solution as part of a treasury transformation project to support the expansion and optimisation of its business. Citi became the company’s global corporate cards solution provider in over 40 countries, and the programme was managed centrally out of the airline’s head office in Abu Dhabi.

This solution was then integrated into Etihad’s expense management solution and fully synchronised with enhanced claims and settlement capabilities. The solution gave the company comprehensive and flexible reporting, and streamlined transaction and accounting processes to give Etihad increased controls as well as less paper and fewer costs related to travel and entertainment spending. Also, virtual card accounts gave flexibility so that payments could be made quickly – in an emergency, for example – and work as a replacement for physical cards and cash.

Comfort through familiarity

When companies expand rapidly, they need solutions that support their growth in an efficient way. And one of the advantages of having a global bank provider, explains Buonvino, is that they have the certainty that the solution will look and feel – and work – the same in multiple markets; they do not need to deal with multiple providers for a regional treasury solution. With each new market, there is a comfort and familiarity with their banking services being the same. “There is a comfort in knowing that the treasury and trade solutions in Dubai will be the same as those in South Africa,” comments Buonvino.

Also, explains Potoma, a bank like Citi is able to keep the client up to date with the latest treasury information they need to know, a close relationship with regulators in various jurisdictions, and also enabling access to a network and supply chain. “We are able to offer sophisticated treasury solutions that can be cut and paste for the different markets, but in a way that also accounts for the differences,” says Potoma.

Navigating the similarities and differences of the various markets is just one of the many aspects of a company’s international expansion. Also, having the right bank partner – one that combines a global network and expertise with local, on-the-ground knowledge – will also enable such companies to grasp the region’s opportunities and maybe one day become a global champion of the future. ■