

DIGITAL TRANSFORMATION: A POWERFUL TOOL FOR GROWTH IN THE MIDDLE EAST

MARKET ANALYSIS THOUGHT

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Trade and economic activity are advancing at a rapid pace across the Middle East. With this comes the need for new technologies and systems to support and enable fluid growth. How are governments across the region evolving and harnessing opportunities to enable high-speed economic activity?

With the IMF recently upgrading their 2021 economic forecasting to a real GDP growth of 4%, up from the previous projection of 3.2%, the financial outlook for the Middle East and North Africa is overall heading in a positive direction. For a few countries in the region, the impacts of COVID were minimal, with some avoiding long-term lockdowns or disruption to development projects and economic activity.

While the outlook varies between countries, the drive of several nations to embed innovative technology is seeing huge benefits for cooperation, investment, and trade across the region. The increased investment in emerging technologies is surfacing as a key priority for several Middle Eastern countries. As a result, the region is forming a strong ability for governments to address challenges via transformational solutions, accelerating and future-proofing resilient growth economies.

An evolving trade credit ecosystem

The past few years have seen a significant change in the trade credit outlook in the Middle East. The exit of the major private insurers from the region

due to perceived political and economic risks has left a sizeable gap in the provision of trade credit. This opened up opportunities for governments to take the place of private insurers and has brought about an emerging trend in the transformation of trade credit insurance. While traditionally export credit agencies partner with local exporters, governments are finding innovative ways to transform the function of their public service by offering much-needed trade credit solutions for the domestic market as well as importers and foreign investors, and in doing so, facilitating vital trade for economic growth.

Take a look at the United Arab Emirates, where government agency Etihad Credit Insurance (ECI) has paved the way in the region for the transformation of trade credit, seeing the trade finance gap as a major risk to business, as well as an opportunity to provide solutions to strengthen economic activity at all levels.



*New sophisticated technologies
are giving ECAs the ability to
deliver scalable, market-ready
Takaful trade credit.*

In October 2020, they launched ECI Islamic, a suite of Shariah-compliant trade credit and export finance products, aimed at diversifying the local economy by creating opportunities for partnerships with banks, investors, large corporates and SMEs. Their solutions include trade credit insurance, letter of credit confirmation insurance, Islamic export finance, foreign investment insurance and surety bonding.

UAE companies are already reaping rewards from ECI's support, through improved competitiveness and greater access to international markets. This ties in with the UAE Cabinet's priority of increasing non-oil exports, targeting a 50% growth in trade, which already sits at over 1.5 trillion Dirhams. Their focus is already paying off, with non-oil trade making a significant contribution to ECI's business performance.

ECI's offering is driving industrial growth and resilience, with solutions that support local manufacturers to develop a larger export market for their locally produced products. Filling the finance gap for local SMEs, ECI has created a user-friendly, customized online offering, providing critical support to facilitate international business growth. SMEs in the region are no longer limited by letters of credit or cash payment terms and are now able to trade confidently and competitively in a global marketplace.

ECI is also providing support for UAE companies undertaking foreign projects, through significant project finance for sectors such as infrastructure and tourism. In addition, they are helping facilitate foreign investment in domestic projects including renewables, waste management and greenfield projects.

Elsewhere, Egypt's diversified economy and political stability are seeing payment risks and liquidity issues become a thing of the past. Egypt has reinvented its Export Credit Guarantee of Egypt (EGE), opening up a suite of new services for foreign and domestic trade credit, as a way of maximizing opportunities for trade and investment. This strategic expansion from a traditional offering has already resulted in significant benefits for the local economy. In 2020, EGE enjoyed a spectacular take-off in its activity in multiplying by 10 in only one year its former GWP. With an ambitious target of building Egyptian exports to USD \$100 billion over five years, EGE's exponential increase is promising.

Egypt is experiencing a phase of accelerated growth, with the availability of inexpensive energy thanks to

its natural gas windfall, paving the way for substantial industrial projects. The country is on the road to urban expansion, planning affordable housing, expanding cities, and building its new administrative capital. Egypt's growing role as a regional energy and technology hub and a stable leader in the Arab world is attracting solid investment from other regional partners such as Abu Dhabi and Saudi Arabia.

What we are witnessing in the region is a model of sustainable support through the transformation of the role of government export credit agencies. No doubt, other forward-thinking governments across the Middle East and North Africa are looking to the UAE and Egypt. It is highly likely that there will be further development of export credit agencies in the region as more countries aspire to support their economies with guarantees not only for their large exporters but also for SMEs, banks, and foreign suppliers. In doing so they will be supporting necessary growth for their economies.

Artificial Intelligence as a tool for growth

Once seen as a risk to security, artificial intelligence (AI) is now working hand in glove with some of the most forward-thinking governmental policies across the region. We see this evidenced in the UAE, where the National Artificial Intelligence Strategy 2031 aspires to position the UAE as a global leader in AI, developing integrated systems to embed AI in all vital areas in the country. With goals such as boosting governmental efficiency and performance at all levels, creating new economic markets, and building quick, efficient solutions, the strategy is the first of its kind in the region.

Considered in the context of international trade opportunities, there is no doubt that AI and transformational technology can and will support the UAE's goals for growth. With optimized supply chains, paperless processes and accurate, fast intelligence all considered key success factors, AI will come into its own to support growth ambitions, providing an unparalleled benefit across private and public sectors alike.

Egypt is planning one of the most significant IT infrastructures in the broader region, using digital innovation and artificial intelligence for smart infrastructure in the completion of the country's new administrative capital. Set to be Egypt's first Smart City, the new capital has been built from the ground



Middle Eastern ECAs have dramatically created confidence and competitiveness for regional SMEs.

The market will see an increasing need for stronger, faster, more intuitive solutions from embedded technology, to reduce turnaround time and increase market penetration. With export credit agencies in the region starting to see this as a benchmark requirement rather than an added bonus, the opportunities are limitless. ■

up, promoting a national model for innovation. The city is part of Egypt's roadmap for the future of connectivity. Planning to go live in 2022, the system will digitize all ministries, launching an end-to-end, automated e-government system.

Re-imagining solutions for trade credit

Thanks to a bigger focus on non-oil trade and a growing global Islamic population with an increased demand for halal products, the support of inclusive trade to capture business at all levels makes a lot of sense. With this comes the need for scalable, fast trade credit solutions with the ability to provide automated, embedded systems and an optimized customer experience.

Along with a growing need for Shariah-compliant trading terms, new sophisticated technologies are helping export credit agencies to adapt and customize every element of their offering, giving them the ability to deliver scalable, market-ready Takaful trade credit. As a result, governments are creating more opportunities to partner with local and regional businesses and banks, and provide an unparalleled end-to-end, inclusive user experience, benefiting from local risk knowledge while fully respecting Shariah obligations.

High-speed economic activity across the Middle East brings with it the need for new ways to support it. As export credit agencies evolve, so too will their demand for intelligent, transformative technology solutions. New ways of thinking, demanding embedded digital frameworks is bringing with it huge benefits for scalability, and ease of trade across the region. Outdated paper and spreadsheet legacy systems are unable to keep up with the pace of transactions in this new era, slowing down trade and putting operating costs at a competitive disadvantage.

About Tinubu

Tinubu is the business facilitator and exchange enabler that delivers fluidity and simplicity to the insurance industry by using the strength of collective performance.

Our company is an alliance of technology software and insurance expertise offering the best combination to its clients. It covers the entire value chain of credit insurance & surety with one end-to-end platform, connecting every part of your business with one digital highway.

Established in 2000 and headquartered in Paris, France, Tinubu is an independent software provider and employs 170 people, located in Paris, London, New York, Orlando, Singapore, and Montreal. Its clients represent 30 of the top 60 Credit & Surety underwriters worldwide.

About the Authors

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Emmanuel joined Tinubu Square in 2008. His knowledge of international relations and multilingual skills make him a key player in the global development of Tinubu Square, particularly in the Middle East and Africa thanks to his experience in this region.

Before joining Tinubu, Emmanuel had a career as a journalist and wrote for Le Figaro, AFP, An Nahar. He published five essays and surveys, including "Affaires douanières" (Customs affairs, Grasset 1995) in collaboration with Pierre Barette.

Emmanuel has studied Arabic language (classic and Syrian Lebanese) and Civilization at the National Institute for Oriental Languages and Civilizations or Inalco.

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