



Middle East
Forbes
**Taking Steps
To Grow Stronger**

BAHRAIN LEADERS' INSIGHTS



Manama, Bahrain

Bahrain Builds Towards A More Resilient Future

Bahrain is working to reduce its debt deficit and strengthen its economy.

The Kingdom of Bahrain has achieved some key political milestones in 2021. Following Bahrain's signing of an agreement to establish normal ties with Israel in September 2020, two of Israel's largest lenders—Bank Leumi Le-Israel and Bank Hapoalim Ltd—have now signed individual memorandums of understanding with the National Bank of Bahrain to enable smooth commercial transactions between both countries according to a Bloomberg report.

At the beginning of the year, in January 2021, Bahrain resumed

air connectivity with Qatar after several Arab states lifted a three-year boycott of the country. The U.S. named both the U.A.E. and Bahrain as “major security partners,” which is the first designation of its kind. Bahrain hosts about 5,000 American troops, and is home to the U.S. Navy's 5th Fleet.

Despite these key achievements, Bahrain remains in an especially vulnerable position economically. While the COVID-19 pandemic has been challenging for numerous countries across the world, the country's accumulation of

substantial debt since the 2014-2015 oil price plunge has taken a toll on its economy. Wealthier neighbors pledged a \$10 billion bailout package for Bahrain in 2018, with a condition for fiscal reforms.

Despite a commitment to implementing the Fiscal Balance Program's reforms, in March 2021 the International Monetary Fund stated that Bahrain needed to take additional measures to lower its public debt, restore macroeconomic sustainability, and reduce its revenue dependence on oil.

ASIMS_GALLERY / SHUTTERSTOCK.COM



Jean-Christophe Durand, CEO

Innovation Front And Center

For Jean-Christophe Durand, CEO of NBB, Bahrain is home to one of the strongest financial sectors in the world, and his bank is retaining a leading position thanks to a people-centric and innovation-first approach.

You have been working in the banking field and in Bahrain for more than two decades. How has Bahrain's economy developed over the years?

Bahrain is ideally positioned as a business-friendly nation, recently topping GCC rankings on the Economic Freedom index as one of the best places to establish and develop a business. The kingdom has been focused on growth, following a clear mandate outlined in the Bahrain Economic Vision 2030, as well as multiple investments made on this front.

Bahrain's financial sector is among the strongest in the world, accounting for 17% of non-oil GDP, and it continues to grow, with the kingdom investing in creating a high-caliber workforce to drive the sector forward.

What impact do you think Bahrain Vision 2030 will have on the country's economy and what role is NBB playing in bringing the vision to life?

The economic vision outlines many aspects of development for Bahrain, namely the private sector's ability to drive economic growth. I believe that part of the

vision is already coming to life, with demonstrable positive results.

NBB is committed to promoting synergies between the public and private sectors and the bank has contributed to the kingdom's standing as a regional financial hub by elevating industry standards and helping to drive a digital economy.

How has COVID-19 affected the banking industry in Bahrain and what strategies have you put in place to achieve NBB's post-pandemic goals?

It was certainly a challenging time for the sector, but after an initial period of uncertainty, the sector quickly recovered.

NBB accelerated its adoption of a digital-first approach. We are now incorporating data-driven banking and leading digital propositions with new technology, solutions, and streamlined processes.

We are also embracing an open, innovation-first, people-centric operational model to establish the bank as a partner of choice and an ecosystem platform. Additionally, NBB wants to become a go-to employer for talent of the future, with a focus on female empowerment.

There are more than one hundred banks in Bahrain. How do you stay ahead of the competition?

As a group, we are dominant in the retail banking sector and continue to lead major government and large corporate transactions. We have introduced an array of advanced products and services that keep us in the lead, and we tailor our retail, corporate, and SME offerings to meet customer needs.

The Islamic banking market holds vast opportunities for growth, and through the integration with BisB, we hold a larger share of the local market, and can effectively capitalize on opportunities across the GCC and wider region.

Sustainability remains a core driver for the bank as we continue to adopt best-in-class ESG practices and become the sustainable banking partner of the future.



www.nbbonline.com



Central Bank of Bahrain

“The Central Bank of Bahrain issued a \$530 million Government Development Bond in April 2021, in an effort to help the government raise funds to shore up its finances.”

Economy

According to the IMF, Bahrain's economy was expected to contract by 5.4% in 2020 as a result of a 7% fall in non-oil growth. The overall fiscal deficit dropped to 18.2% of GDP in 2020, public debt stood at 133% of GDP, and international reserves declined to about 1.4 months of prospective non-oil imports, while the current account deficit widened to 9.6% of GDP.

However, Bahrain's economic growth appears to have bounced back as real GDP growth reached 5.7% year-on-year in the second quarter of 2021 while real non-oil growth hit 7.8% during the same period. Bahrain's government posted a 23% increase in net revenues in the first half of 2021, compared to the first half of 2020, to reach \$2.9 billion, bolstered by a 33% jump in oil revenues. It also posted a 35% decrease in deficit to \$1.3 billion. Overall, Bahrain expects

its economy to rebound with an estimated 5% growth in 2021. However, Bahrain is expected to grow at 2.5% according to PwC, and 2.4% according to the IMF.

Bahrain also expects a budget deficit of \$3.2 billion in 2021, as public expenditure of \$9.5 billion tops revenues of \$6.3 billion. Fitch Ratings has predicted Bahrain's budget deficit to narrow to 9.1% of GDP and 8.8% of GDP in 2021 and 2022 respectively.

Despite the economic impact of the coronavirus pandemic, Bahrain's regional trade with the GCC reached \$5.7 billion in 2020, accounting for 25% of its global bilateral trade that year, according to Bahrain's Economic Development Board (EDB). Real estate transactions in Bahrain also reached \$1.9 billion in 2020, powered by a surge in real estate deals in the second half of the year, according to the EDB.

Abu Dhabi Customs announced at the end of 2020, that the volume of non-oil trade exchange between Abu Dhabi and Bahrain through the emirate's ports amounted to \$11.3 billion from 2015 to November 2020. Dubai Customs announced that trade with Bahrain grew 170% between 2010 and 2019, reaching \$4.4 billion up from \$1.6 billion.

Financing

In 2020, Bahrain put its target of balancing its budget by the end of 2022 on hold as it focused on helping its economy recover from the pandemic and fall in oil prices. The government is taking robust measures in order to finance its rising debt and plug its deficit. For example, it carried out a government-wide spending review and created a task force to analyze the efficiency of spending.

The country's central bank offered deferral options and reduced reserve ratio requirements to ensure sufficient liquidity for banks. It also came up with salary support for citizens working in private sector companies. The country rolled out a voluntary retirement scheme for public sector workers and implemented value-added tax (VAT) in 2019 in a bid to boost non-oil revenue. Now, according to reports, Bahrain is planning to double its VAT to 10%. If amended, Bahrain's 10% VAT rate would make it the second-highest in the Gulf region after Saudi Arabia's, which stands at 15%.

The country's economy has been aided by the government's pandemic stimulus, which included measures such as doubling its liquidity support fund to \$530 million, central bank-enabled loan deferrals, lesser reserve requirements for banks, and relief on utility bills, according to Bloomberg.

IMAGE CREDIT: CENTRAL BANK OF BAHRAIN



Re-engineering B2B



Nour Suliman, CEO of DHL Express Middle East and North Africa, explains why embracing cross-border e-commerce is a must for the world of B2B.

The impact of e-commerce has exceeded expectations in terms of volumes, scale, markets, and countries, changing the face of retail and setting its path to become the largest retail channel in the world.

Recently, we have been seeing the B2B sector mimicking B2C practices to capture new markets and territories. B2B companies are using digital tools and models typically adopted by B2C e-commerce players and adapting their supply chains to provide a more flexible, agile, scalable, quicker, and mobile customer experience. This is not always easy.

Challenges surface when customers expect seamless 'Amazon-like' experiences from B2B companies. This is because there are fundamental differences between B2B and B2C transactions that necessitate a different approach.

According to a DHL study, there are six areas around which B2B businesses should be building their e-commerce offering to optimize the customer journey. This journey starts with digital infrastructure and is enhanced by five key building blocks: customer experience, customer personalization, seamless integration of front- and back-end operations, and synchronization of logistics.

Adapting certain website features and better integrating systems and logistics processes are crucial steps for B2B companies seeking to provide superior customer experience and successfully compete in the e-commerce terrain.

Effective logistics are also critical. Managing the physical movement of goods from their origin to the customer site is essential to cross-border trade. This is not just about last mile delivery, but customer satisfaction. Business customers want speed, reliability, traceability, and convenience in delivery, with an effective returns and exchange policy. Here, B2B companies need to emulate online retail platforms to increase their competitiveness by providing multiple transport and delivery options.

They can leverage the global networks of experienced logistics players to provide direct access

to overseas markets, and build operational flexibility to take advantage of the demand that arises with the launch of a new e-commerce offering. The right logistics partner can help them to win new business without the need for extensive warehousing and distribution networks, streamline their logistics processes, minimize financial risks by reducing the time spent by inventory in transit, and ensure full visibility on orders.

There are also indirect benefits such as brand credibility and trust. A company like DHL, which has been operating for over 50 years, can offer assurance that goods will be delivered on time, every time.

Investment in the digital transformation of B2B cross-border e-commerce businesses will continue to play an important role in the evolving and highly competitive business sphere. B2B cross-border e-commerce can only be implemented successfully by streamlining culture, processes, and technology. This will enable a digitally-savvy sales force and omni-channel approach to reshape the future of B2B.

As with the online retail revolution, those manufacturing, industrial, and business services companies that can take advantage of the digital age to lift customer service to a new level, are destined to see their business grow exponentially.



www.dhl.com

The Central Bank of Bahrain issued a \$530 million Government Development Bond in April 2021, in an effort to help the government raise funds to shore up its finances. The bond issue will give a fixed return of 3.6% on the Bahraini dinar per annum to investors. Bahrain may also consider selling stakes in its energy and infrastructure assets to raise new sources of income, the country's oil minister, Mohammed bin Khalifa Al Khalifa, told Bloomberg in May 2021.

Investment

Bahrain attracted \$885 million in direct investment in 2020 through new companies setting up and expanding in the kingdom, according to the EDB. These investments are expected to generate more than 4,300 jobs up to 2023.

Some major investment deals have already been made in 2021. For example, Tencent Cloud—the cloud computing unit of Chinese technology giant Tencent Holdings—announced that it is partnering with the EDB to set up its first data center in MENA by the end of 2021.

In the energy sector, Bahrain's field development company, Tatweer Petroleum, will use international oil forums in an effort to draw the attention of foreign companies to sign exploration and production sharing agreements. In a deal with Italy's energy major Eni, Bahrain's National Oil and Gas Authority (NOGA) began drilling its first exploration well in the north of the country in June 2021, spread over 2,800 square kilometers.

Bahrain awarded 1,688 tenders worth \$4.1 billion in 2020. This was 15% less than the \$4.8 billion worth of tenders offered in 2019, according to the Tender Board, the country's government procurement regulator.



“In the energy sector, Bahrain's field development company, Tatweer Petroleum, will use international oil forums in an effort to draw the attention of foreign companies to sign exploration and production sharing agreements.”

According to the EDB, Bahrain was ranked among the top 20 global economies in attracting direct investment on the Financial Times' Greenfield FDI Performance Index 2021. Bahrain ranked 15th among 84 countries from around the world that were included in the report. Bahrain also ranked second in the Gulf and third in the Middle East and North Africa. The report compares the size of the economies of countries and the direct investments that were attracted in 2020. Bahrain climbed 12 positions from its previous global rating of 27.

The latest figures released by Bahrain's eGovernment and Information Authority show that trade between the GCC and Bahrain reached a total value of nearly \$1.7 billion in Q2 2021, up

by 38% compared to the same period in 2020. Trade between Bahrain and the GCC reached around \$3.4 billion in the first half of 2021, up from nearly \$2.9 billion in H1 2020. Non-oil bilateral trade between Bahrain and the U.A.E. increased by 76% year-on-year to reach \$672 million in Q2 2021. Half of all Bahrain-GCC trade was between Saudi Arabia and Bahrain. Trade between the two kingdoms reached \$781 million, while trade between Oman and Bahrain stood at \$141 million, and trade between Bahrain and Kuwait reached \$99 million in Q2 2021. The value of Bahrain's global exports spiked by more than 70% year-on-year, reaching \$1.1 billion by the end of Q2. Import values fell by around 8% to just over \$1 billion.

IMAGE CREDIT: TATWEER PETROLEUM



Payments, Transformed.

Samer Soliman, CEO of Arab Financial Services, is focusing on a digital-first strategy, with the MSME community at its core.



As CEO of Arab Financial Services (AFS), what strategies have you adopted in driving the company's digital payments across the Middle East and Africa markets?

In a digital-first landscape, AFS supports all players in the payments ecosystem to match customer needs. Our business spans traditional card processing to merchant acquiring to Fintech products and solutions. Our digital payments strategy centers upon meaningful innovation that drives payments transformation, efficiency, transparency, economic participation, financial inclusion, and sustained growth.

Bahrain's well-structured regulatory framework and open and competitive environment push us to think outside the box, and invest in and test platforms before expanding to regional markets where we are powering

digital transaction transformation. Ultimately, we are delivering success that will extend across the GCC, Middle East, and Africa.

What is AFS Go! and how does it support Bahrain's micro, small, and medium enterprises (MSMEs)?

When I joined AFS in early 2021, there was little focus on MSMEs, despite the segment's urgent need for digital transformation. Our vision with AFS Go! is one of a digitally equipped MSME segment with dedicated financial products and services. AFS Go! is a platform we have created to address MSME needs across digital payroll and payments acceptance for online 'card present' (CP) and 'card not present' (CNP) environments. It is a bundle of tailored payments solutions that in its initial phase gives businesses access to their online customer base, supports acceptance of mobile money and digital payments, and banks unbanked employees.

Our end-to-end solution cost-effectively digitizes payments and supports every aspect of the MSME value chain, including last mile logistics fulfillment.

Beyond AFS Go!, what services do you offer to the MSME community and the underbanked segment?

One convenient and crucial solution is Al Rateb, which banks unbanked workers, giving employers the tools to pay salaries digitally and offer an efficient, digital remittance

capability. In addition, we partnered with stc Bahrain to roll out the fully integrated stc Tajer POS solution. The solution gives retail businesses and MSMEs the flexibility to process payments, print receipts, accept online orders, and manage point of sale application and e-wallets – all while lowering infrastructure investments and minimizing human error. More recently we also launched AFS Pay, an app that allows Android phones to act as smart POS terminals, specifically for the micro-SME segment.

What challenges does Fintech face in offering such new services?

The challenges for Fintechs include critical access to resources, investment, and operational and technical capability. This is where AFS comes in. AFS acts as a platform for Fintechs who can utilize our operational and payment capabilities to enable their success. AFS has historically pioneered payments evolution, pivoting from travelers checks to card processing, and now merchant acquiring and Fintech. We are always challenging traditional forms of payment and investing to deliver value to the Bahraini market, the community, and the region as a whole.



www.afs.com.bh

A Test of Mettle

When Ali Al Baqali assumed the role of CEO at Aluminium Bahrain (Alba), the COVID-19 pandemic was just beginning. Less than two years on, the company is firmly on track, focusing on safety, sustainability, and economic growth.

You took over as CEO at a time when the pandemic had disrupted the aluminum industry. What was it like assuming the lead role at such a challenging time?

When I officially assumed the role of CEO in February 2020, the COVID-19 outbreak was just beginning. A classic Black Swan event, it affected us on the corporate and personal fronts, and changed the order of world economies with commodities taking the hardest hit. This pandemic has been a true test of leadership for everyone. To me, this has been the actual test of leadership.

Protecting our people while ensuring the continuity of our operations during the COVID-19 pandemic was our top priority. Our emergency, response management, and business continuity management plans were initiated at the dawn of the outbreak and in line with Bahrain's government guidelines. Awareness sessions in multiple languages, distribution of protective kits, briefings with Alba's healthcare center, coordination with Bahrain's health authorities, and extensive sanitization were just some of the measures we put in place as early as January 2020.

Thanks to our agility, operational resilience, and the commitment of our employees and contractors' personnel, Alba has been successful in maintaining the safety of its people as well as smooth business operations.



Ali Al Baqali, CEO

I take this opportunity to express my thanks to the National Medical Taskforce for combatting the COVID-19, led by HRH Prince Salman bin Hamad Al-Khalifa, the Crown Prince and Prime Minister of Bahrain, as well as the Government of Bahrain.

Alba celebrates its golden jubilee this year. Over the years, what impact has the company had on Bahrain and how is it supporting Bahrain's 2030 Economic Vision? Alba was primarily founded to usher in a new era of industrialization in the Gulf and diversify Bahrain's

economy beyond oil production. From employment opportunities to innovation, Alba spurred the growth of the kingdom and set a transformational path on technological, environmental, and social fronts.

As a responsible corporate citizen, we are committed to the kingdom's Economic Vision 2030 and our ultimate goal is to develop young Bahraini nationals. Employee training and development has always been an essential objective for the company and we are proud to say that Alba's success is down to its 3,100-plus workforce, of which, more than 84% are Bahraini nationals.

Today, Bahrain has one of the best aluminum ecosystems in the region, with the aluminum industry contributing close to 12% of the kingdom's GDP. Bahrain's downstream cluster receives around 21% of Alba's output, which stood at a staggering 1,548,500 mtpa as of 2020.

Winning a Gold Medal Award from the Royal Society for the Prevention of Accidents (RoSPA) for the eighth consecutive year highlights Alba's employee safety record. As CEO, how have you maintained this standard? We think 'safety first and always' in everything we do. Over the years, we have maintained an excellent track record for promoting safety and health, not just with our employees but also with our contractor workforce. We believe safety goes above and beyond our workplace; it is a mindset and part of our daily lives. Winning the coveted RoSPA award for eight years in a row is a true reflection of our pursuit of safety excellence. This year's award is all the more remarkable as it recognized the intensive efforts by our human capital in maintaining safety as a priority despite the pandemic challenges.

We have continued 2021 with the same momentum. By October 9 this year, we had exceeded 17 million safe working hours without lost time injury (LTI).

Sustainable transformation is the way forward for any industry. How committed is Alba to this goal? As a blue-chip asset in Bahrain, we want to make a difference and shape the country's economy and future. We have been a forerunner in sustainability – the first guiding principle of the Bahrain Economic Vision 2030 – and have initiated numerous programs for an inclusive society.

“Bahrain has one of the best aluminum ecosystems in the region, with the aluminum industry contributing close to 12% of the kingdom's GDP.”

One of our early investments into environmental projects was the HRH Princess Sabeeka Oasis situated inside the smelter. Opened in March 2009, the Oasis is a 10-hectare green space that comprises the biggest artificial lake, which is home to many migratory birds and other aqua species, and a one-hectare garden that produces fruits and vegetables that are distributed to employees and contractors' personnel. Another achievement was our initiative in the redevelopment of Malkiya beach, which was a great example of social partnership between industry and governmental bodies. What's more, in the 1990s, Alba invested heavily in world-class systems for efficient waste management, including the building of seven fume treatment plants.

While we have achieved much, we are determined to embody the ESG change that we want to see in the world.

What have been Alba's most recent sustainability initiatives? In recent years, we have invested in major projects that will cement our journey towards a greener future. Alba invested approximately \$40 million in 2019 to build the first-of-its-kind Spent Pot Line (SPL) treatment plant in the GCC and Bahrain. To be operational in Q4 2021, this plant is a zero-waste process with a capacity to treat 30,000 - 35,000 tons of SPL a year, which will then be converted to value product for other industries. Alba also started a marine sanctuary (fish farm) near its calciner and marine plant in Sitra in

2019. The proceeds from this project will be spent on Alba's various CSR initiatives in the local community.

Furthermore, Alba and the Sustainable Energy Authority in Bahrain entered into an MoU in September 2021 to enable knowledge sharing in the areas of energy efficiency, renewable energy, decarbonization, and green initiative solutions.

Through our various initiatives, we have been an inspiring force for other industries in Bahrain, and we hope to continue paving the path for the future.



www.albasmelter.com





Scan this QR code to open the website

PROMOTION

Staying Power

CEO Hisham Alrayes explains how GFH thrived through COVID-19 and how the group is pursuing a vision to become the region's leading financial player.

As a company, how have you overcome the challenges of COVID-19 and what strategies have you put in place to achieve your vision of making GFH the region's most prominent and diversified financial group?

The pandemic has allowed GFH Financial Group to test and confirm the strength and resilience of the group's investment strategies and business model. We are proud to highlight GFH as one of a small group of GCC-based financial institutions that managed to weather the pandemic while generating a profit for shareholders. This resilience is demonstrated through continued activity across all lines of business at GFH, including commercial and investment banking, asset management, treasury, and real estate. It is also evident in our financial performance; in the first nine months of 2021, we reported a net profit attributable to shareholders of of \$60.34 million, a 160% increase on the same period in 2020.

Our strategy is based on combining defensive sectors such as healthcare, real estate, and education with growth-oriented sectors such as technology. Our investments are based on identifying opportunities with clearly demonstrable cash flows and businesses that thrive on long-term trends.



Hisham Alrayes, CEO

GFH is one of the Middle East's most highly regarded financial investment groups. What standout investments have helped you earn this status?

GFH is well-established in the Middle East and we have recently boosted our international profile following a number of investments in the U.S. and Europe.

In real estate, we have closed over \$1 billion in assets in logistics, including assets leased to Michelin, FedEx, and Amazon in both the U.S. and Spain, along with well-positioned multifamily and student housing assets in Las Vegas, Baltimore, and Florida.

One of the milestone transactions undertaken by GFH was the acquisition of Roebuck Asset Management in December 2020. Roebuck is a proven and well positioned logistics and commercial asset manager that will add

significant access and capabilities for GFH in European real estate.

Meanwhile, in July, GFH closed its fourth major technology investment offering and its second in the U.S. in under a year. Also in 2021, we have closed deals in the education sector, including securing a 70% stake in Tunisia-based Britus Education and a \$100 million acquisition of a student housing portfolio affiliated to top U.S. universities.

How is GFH contributing to Bahrain's Vision 2030?

GFH aims to be a key driver behind Bahrain's Vision 2030. As the kingdom works to develop its economy and become more self-sustaining, it is important for investment banks to back both homegrown and foreign businesses looking to set up in the country.

The sectors we tend to favor – real estate, education, healthcare, and technology – are all crucial pillars to the overall Vision 2030 strategy. By focusing on these areas, GFH is helping to stimulate growth and evolution in vital sectors in Bahrain, while at the same time delivering value and dividends to our shareholders.



www.gfh.com