**The FORTNIGHTLY**

A Review of Middle East Regional Economic & Cultural News & Developments

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## 1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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### 1.1. Israel's Fiscal Deficit Reaches 11.1% of GDP

The Ministry of Finance announced on 6 December that Israel's fiscal deficit rose to NIS 151.3 billion in November, amounting to 11.1% of GDP. The figures relate to the twelve months to the end of November. According to the Ministry of Finance's projections, the deficit will reach 13% for 2020.

The Ministry of Finance has spent NIS 59.4 billion on aid to deal with the economic consequences of the coronavirus pandemic, out of a total of NIS 101.4 billion injected into the economy from various sources, the main one besides the Ministry of Finance being the banks, through credit to businesses.

In November alone, the Ministry spent NIS 8.2 billion on coronavirus-related aid, slightly more than in the two previous months (NIS 7.8 billion in October and NIS 7.5 billion in September). Still, for 2020 as a whole the ministry was due to inject some NIS 82 billion through aid budgets, so that it is already clear that, at the end of the year, NIS 10-15 billion will remain undistributed. (Globes 06.12)

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### 1.2. Israel Said to Plan Using Corona Vaccine Even Without FDA Approval

It was widely reported at press time that Israeli health authorities have approved a coronavirus vaccine for use – even though the vaccine has yet to be cleared by the US FDA. Citing officials at Ichilov Medical Center in Tel Aviv, Channel 13 has reported that Health Ministry Director-General Levy has granted the hospital permission to use the newly developed coronavirus vaccine created by Pfizer and BioNTech.

The vaccine has yet to be approved by the FDA for use in the US, though Britain has begun using the vaccine as part of its mass immunization campaign, which launched a day after the first doses were administered. According to the report, the Israeli Health Ministry granted approval to use the vaccine, based on Britain's decision to permit its use, despite the FDA not yet ruling on Pfizer's request for emergency approval. Israel has ordered eight million doses of the vaccine from Pfizer, enough to vaccinate four million people with the two-dose vaccine. The first doses of the vaccine are expected to arrive on 10 December, with 100,000 doses to be flown in via Ben Gurion International Airport. It is unknown when the doses will start to be administered. (Arutz Sheva 08.12)

## 2. ISRAEL MARKET & BUSINESS NEWS

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### 2.1. SavorEat Raises NIS 42.6 Million in TASE IPO

SavorEat announced that it has raised NIS 42.6 million (about $13 million) in a first of its kind IPO within the food-tech industry and will be traded in the Tel Aviv Stock Exchange. This is an opportunity for a special thanks to our investors and partners, who have expressed complete confidence in the company's vision and technology. The IPO is another and crucial step towards fulfilling their vision to offer better, tastier and personalized food for a better future. The offering attracted large demand from investors, including Gemel and Meitav Dash and Gemel Pensions.

Ness Ziona's SavorEat has developed technology for producing meat alternatives, which combines ingredients from an innovative plant based formula, a smart robot that allows producing meat alternatives using 3D printing, and roasting the product using advanced cooking methods. The company can produce and cook products that imitate the taste and texture of meat (including fat, sinew and fibers). SavorEat has filed a patent claim for its 3D food printing manufacturing method. SavorEat believes that the important advantages offered by its technology include supply chain efficiency and the personal adaptation of products to the individual consumer's preferences, untouched by human hands. The company's first product focuses on the development of a plant based hamburger and the technology that the company has developed should allow potential for other sustainable products.

SavorEat is the first portfolio company of the Millennium Food-Tech R&D Partnership, which invested $2.5 million. Millennium Food-Tech has recorded a quick profit with its holdings estimated at more than three times the value of its investment. The total capital raised by the company before the IPO amounted to $5.5 million, of which about $3 million was by the Mor and Meitav Dash investment houses. (Various 25.11)

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### 2.2. Al Dahra & Watergen Sign Strategic Partnership in Water Security

Al Dahra Holding Company, an Abu Dhabi-based producer of essential animal feed and food products, signed a strategic partnership agreement in the area of water security with Watergen, developer of water-from-air solutions. The agreement, signed in Abu Dhabi, aims to establish a strategic partnership between the two sides to produce water from the air, creating a renewable source of pure water for human and agricultural consumption.

The two sides agreed to establish a permanent center in Abu Dhabi for manufacturing and distributing drinking and irrigation water production equipment. Watergen developed a pioneering technology to produce water from the air and patented the world's most energy-efficient atmospheric water generator, AWG. The agreement was concluded after the UAE company delegation visited Israel in October 2020, following the peace accord between the UAE and Israel, to encourage cooperation and strategic partnerships between the two countries.

Petah Tikva's Watergen has three main atmospheric water generators, AWGs, depending on the requirements of the situation. Each unit contains an internal water treatment system and can operate without any special infrastructure, which only require an electricity source except a source of electricity. The large scale AWG is an industrial scale atmospheric water generator designed for towns, villages, factories, off-grid settlements and rural communities, which can produce up to 5,000 liters of water per day.

They can also be installed on rooftops, helping to decentralize the supply of safe-drinking water in municipalities that have insufficient water infrastructure. (WAM 26.11)

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**2.3. Ecoppia Announces IPO After Successfully Completing Its Public Tender Phase**

Ecoppia Scientific launched an initial public offering (IPO) on the Tel Aviv Stock Exchange (TASE), after successfully completed the public tender phase. Ecoppia secured $82.5 million from leading institutional investors with a company valuation of $300 million. During the public tender phase, Ecoppia marked yet another meaningful achievement as public demand reached $76.74 million, despite the fact that the company offered shares for just $1.5 million. During the institutional tender, Ecoppia received $144.7 million in demand, yet accepted only $83.3 million. Discount Capital Underwriting along with Barak Capital and Orion led the initial offering.

Despite the unique challenges of the ongoing COVID-19 pandemic, Ecoppia has secured over 10GW of new projects over the last four quarters alone, maintaining a CAGR of booking of over 200% in the past six years. Last July, CIM Group, the US-based investment firm, invested $40 million in Ecoppia's shares, with $20 million directly into the company.

With over 16GW of signed agreements, Herzliya's Ecoppia is a pioneer and world leader in robotic solutions for photovoltaic solar. Ecoppia's cloud-based, water-free, autonomous robotic systems remove dust from solar panels on a daily basis leveraging sophisticated technology and advanced Business Intelligence capabilities. Remotely managed and controlled, the Ecoppia platform allows solar sites to maintain peak performance with minimal costs and human intervention. Ecoppia's proprietary algorithms and robotic solutions make day-to-day O&M at solar sites safer, more efficient and more reliable. (Ecoppia 01.12)

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**2.4. MySize Granted US Patent for MySizeID Smart Measurement Solution**

My Size was granted a patent from the United States Patent & Trademark Office for its application, titled: "System for and a method of measuring a path length using a handheld electronic device." With this latest patent MySize has nine total issued/allowed patents and 10 patent applications pending worldwide. The patent covers the methods and systems for measuring a body part of a user using a handheld electronic device, which is part of MySizeID's foundational technology. MySizeID's proprietary algorithms utilize a smartphone's sensors combined with anthropometric data to provide customers highly accurate sizing information for specific brands, based on the users' exact measurements.

Airport City's My Size has developed a unique measurement technology based on sophisticated algorithms and cutting-edge technology with broad applications, including the apparel, e-commerce, DIY, shipping, and parcel delivery industries. This proprietary measurement technology is driven by several algorithms that are able to calculate and record measurements in a variety of novel ways. (My Size 01.12)

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**2.5. Zion Oil & Gas Receives New Oil & Gas Exploration License from Israel**

On 3 December, Zion Oil & Gas announced a new license agreement – "New Megiddo 428" – granted over the previous Megiddo-Jezreel license area in northern Israel. The term of the new license agreement has been granted for six months. Similar to previous Zion license agreements Israel's Petroleum Commissioner has the authority to grant the New Megiddo 428 license. The New Megiddo 428 license may be extended for an additional six months for a total license period of twelve months.

All necessary drilling equipment and supplies have either arrived at the rig site or are in port going through final clearance procedures. The drilling crew is working diligently to assemble the rig in time for Israeli governmental inspections. Zion Oil & Gas, a public company, traded on OTCQX Best Market, explores for oil and gas onshore in Israel on their 99,000-acre Megiddo-Jezreel license area. (Zion Oil & Gas 03.12)

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### 2.6. Salt Security Raises $30 Million in Series B Funding

Salt Security has raised $30 million in Series B funding led by Sequoia Capital, with participation from existing investors Tenaya Capital, S Capital VC, and Y Combinator. This latest funding round, which follows closely on the heels of a $20 million Series A raise in June, cements Salt Security as the leader in the API security market. The additional funding will enable the company to accelerate its business in 2021 more rapidly, with a focus on investing in product development, sales and marketing, and customer acquisition. To date, the company has raised a total of $60 million in equity financing.

Named a 2020 Cool Vendor in API Strategy by Gartner, Inc. and providing the only patented API security solution for every stage of the API life cycle, Salt Security supports more use cases and environments than any other offering. To accelerate its development and market-leading position, the company has grown its executive leadership team in recent months.

Tel Aviv's Salt Security protects the APIs that form the core of every modern application. Its API Protection Platform is the industry's first patented solution to prevent the next generation of API attacks, using machine learning and AI to automatically and continuously identify and protect APIs. Deployed in minutes, the Salt Security platform learns the granular behavior of a company's APIs and requires no configuration or customization to pinpoint and block API attackers. (Salt Security 08.12)

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### 2.7. UAE Businessman Purchases 50% Stake in Beitar Jerusalem

United Arab Emirates businessman Sheikh Hamad bin Khalifa Al Nahyan has bought a 50% stake in Israeli soccer club Beitar Jerusalem. The team's owner, high-tech entrepreneur Moshe Hogeg, signed the partnership agreement in Dubai on 7 December. After protracted negotiations Sheikh Hamad bin Khalifa agreed to invest more than NIS 300 million in the team over the next 10 years.

Beitar said that the money will be invested in the club's infrastructure, youth team, and buying players with potential for development. Sheikh Hamad's son Mohammed bin Khalifa Al Nahyan will join the club's board of directors and be the owners' representative in all matters relating to the club. (Globes 07.12)

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### 2.8. SeeTree Completes $30 Million Series B to Expand Tree Intelligence Service

Tel Aviv's SeeTree Systems has raised $30 million in a series B funding round led by the International Finance Corporation (IFC), the private-sector arm of the World Bank Group. Other investors in the round include Orbia Ventures, which owns 80% of the shares of Netafim (jointly with Kibbutz Hatzerim; Citrosuco, one of the world's largest orange juice producers; and Kubota, a Japanese manufacturer specializing in tractor and agricultural equipment. Existing investor Hanaco Ventures, which led the company's series A round, participated in the recent funding as well.

SeeTree's system identifies the health and growth rates of every tree in a farmer's grove and enables the creation of personalized cultivation plans for each tree or cluster of trees. SeeTree collects ultra-high-resolution images captured by drones and multi-spectral sensors, tree and soil samples and analyzes the data through the platform's machine-learning algorithms. Ultimately farmers receive an easy-to-use product with features such as tree health, pest, and disease tracking. The company was founded in 2017 and has raised over $45 million from leading venture capital firms. (SeeTree 08.12)

## 3. REGIONAL PRIVATE SECTOR NEWS

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### 3.1. Etihad Airways Joins New Israeli Program to Foster Travel Tech

Arieli Capital, a holdings and investment company, said that Etihad Airways, the national airline of the United Arab Emirates, will be a partner in a new Israeli accelerator program focused on fostering startups in the field of tourism. The $3 million program, called OnBoard, seeks to help fledgling Israeli and international firms in the field of travel technologies link up with travel giants and develop business relationships with them, enabling travel firms to tap into the latest technologies. The program will be managed by Arieli Capital in partnership with Booking.com, Spain's travel firm Amadeus and Etihad Airways. These partners will help select the startups for the program, mentor them and link them up with strategic opportunities in the sector.

Startups that will be selected for the accelerator program will get help in business plan development, creating connections to markets and customers, recruitment assistance, business cooperation, access to infrastructure and marketing tools. Each company will receive an assistance package of a variety of services worth $250,000. As they grow their technologies the partners in the accelerator will also mull investments in the firms. The first group of startups, both from Israel and globally, is scheduled to begin in Q1/21. (Arieli Capital 01.12)

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### 3.2. AHOY Secures $2.2 Million Seed Funding Round

Dubai's AHOY, an e-commerce logistics startup, has concluded its seed funding round of $2.2 million from GCC based corporate venture capital and family office investors. The round follows an angel round in Q4/18.

AHOY is an unconventional e-commerce logistics company that owns its own routing, address, mobility tech, IoT tech and provides companies with a turnkey solution through additional added value services such as payments, first and last mile, communication and engagement tools, retention tools, and much more. AHOY helps hundreds of companies and many thousands of e-commerce retail customers get the best UX, products, and value at the same day of purchase at a very small cost. AHOY helps companies scale without cost and achieve a 100% national TAM without any investment in new locations, warehousing nor people; utilizing AHOY's tools for fulfillment planning and predictive APIs, web-hooks, SDKs, and UI tools such as address tool for checkout. AHOY serves companies in every vertical and is helping hundreds of companies get their products to customers every day, the same day. The new funds will help AHOY continue the aim of growth within the UAE and intends to expand into the Saudi market in 2021 as well as other GCC countries. (AHOY 30.11)

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### 3.3. Quiqup Raises $5.5 Million in a Series B Funding Round

Dubai's Quiqup, the UAE-based on-demand and same-day delivery tech startup, has raised over $5.5 million in its latest Series B funding round. The round was led by Delivery Hero and supported by strategic shareholders, Cedar Mundi, JOBI Capital, and Transmed.

Launched in 2017, Quiqup was established as a tech scale-up building a decentralized, AI-powered, last-mile logistics infrastructure to offer on-demand and same-day delivery services for retailers and restaurants of all sizes. The problem Quiqup is committed to solving is to offer quicker and more efficient delivery with its network of professional couriers. The company is currently working with more than 800 brands. This year, the startup saw trends move in its favor, accelerating the company's development and helping to double the size of its business in 2020.

The company witnessed a significant expansion in the UAE where a young and digital-savvy population is driving the exponential growth of the e-commerce sector – which is poised to triple in size from $8 to $28B over the coming three years according to Bain & Company, a yearly growth rate of more than 28%. Quiqup anticipates that consumers will maintain their new digital purchasing habits regardless of the long-term side effects of the pandemic. The startup is now gearing up for a new phase of expansion to champion on-demand and same-day urban delivery across the GCC region. The company will use this capital to further expand its AI-driven logistics infrastructure that enables all businesses to offer best-in-class, fast delivery services to their customers. (WAYA 24.11)

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### 3.4. tabby Raises $23 Million in Series A Round

tabby, the UAE and KSA-based Buy Now, Pay Later provider, has raised a $23 million Series A round led by Arbor Ventures and Mubadala Capital, with participation from STV, Raed Ventures, Global Founders Capital, JIMCO, Global Ventures, Venture Souq, Outliers VC, MSA Capital, HOF and Arab Bank.

Founded in 2019, tabby partners with retailers to offer their customers online or in-store the ability to defer paying for their purchases for up to 30 days or to pay in 4 equal monthly installments at zero cost to the consumer. Today, tabby's customers are able to use its service across more than 500 integrated merchants, including leading global brands like IKEA, Toys R Us, and Ace Hardware and regional retail giants including Al Futtaim Group, Landmark Group, and Apparel Group.

tabby integrates directly into merchant checkouts or POS systems, instantly providing consumers a way to pay for their purchases with only 25% of the transaction value paid at the time of purchase and the remainder automatically charged over 3 monthly installments. tabby does not charge its customers any interest or fees as long as they pay on time and monetizes primarily by charging merchants a commission on sales generated via its platform.

The company says the integration of its payment service can increase conversion rates by over 20% and boost transaction sizes anywhere from 30 to 85%, by providing consumers with access to zero-cost, real-time credit. Moreover, tabby says it has also helped online retailers convert a growing share of their customers from paying in cash to paying digitally due to the value proposition of interest-free installments. (tabby 08.12)

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### 3.5. Salla Raises $8.5 Million in a Series A Funding Round led by STV

Mecca's Salla, MENA's fastest-growing e-commerce enabling platform, has closed an $8.5 million (~SAR 32 million) Series A funding round led by STV. The round also included participation from existing investors Raed Ventures and Vision Ventures. The company will invest in developing its product and expanding its geographical footprint within Saudi Arabia and the wider MENA region.

Founded in 2016, Salla allows anyone to easily set up an e-commerce store in Arabic, among the first to do so in the region. The startup processed 8 million orders and over ~$533 million in gross merchandise value (GMV) through the 10,000+ online stores on its platform – a number that is the highest in the region and rapidly growing. With the e-commerce market growing quickly in Saudi Arabia and MENA, many offline businesses are looking to expand their scope and start offering e-commerce solutions to their customers. For certain companies, including startups and SMEs, this can be a challenge, as many aspects need to be taken into account, including inventory management, delivery, payments, and analytics.

Moreover, unlike some other e-commerce enablers in the same space, Salla does not charge the store owners for every order they receive. Instead, the company offers a freemium subscription model with three tiers. Accordingly, small businesses can set up their operations free of charge, and upgrade their subscription based on their needs and requirements. (STV 24.11)

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### 3.6. Saudi Arabia's MiSK Foundation Acquires 33.3% of Japanese Gaming Company

The Prince Mohammed bin Salman bin Abdul Aziz Foundation (MiSK) announced a strategic investment of $216.5 million, acquiring 33.3% of Japanese video game hardware and software company SNK. This purchase came with the stipulation that the Saudi foundation would buy another 17.7% of SNK shares in the future, raising its share of investment in the company's ownership to 51% and making the Saudi crown prince the majority shareholder of SNK once the deal is finalized.

The investment is part of the foundation's commitment to developing the skills of young men and women in Saudi Arabia, MiSK said. The decision will also enhance the capabilities of SNK, which has many innovative intellectual properties in the gaming sector. While MiSK owns several patents in the gaming sector, the formation of a deal with one of the leading companies in the field will help the foundation to promote its presence within the industry while enabling it to achieve partnerships with both local and international organizations in various fields. (MiSK 03.12)

## 4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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### 4.1. Alcazar Energy Begins Operations at its Wind Farm in Jordan

Dubai's Alcazar Energy, backed by Mubadala Investment Company, announced on 23 November that it began the commercial operation of its wind farm in Jordan. The 45 MW Shobak project, located in the southern Jordanian governorate of Ma'an, was developed in partnership with Chicago, Illinois' Hecate Energy, a renewable energy company. The project can power more than 30,000 homes in the country every year, Alcazar Energy said.

The wind farm is jointly financed by the European Bank for Reconstruction and Development (EBRD), the Islamic Corporation for the Development of the Private Sector (ICD) and the Europe Arab Bank. Alcazar did not disclose the total investment in the project.

Alcazar Energy, which has its headquarters at Dubai International Financial Centre and two regional offices in Jordan and Egypt, is owned by BluStone Management, Dash Ventures International and Mubadala Infrastructure Partners. The IFC and the IFC Asset Management Company, both part of the World Bank Group, also have a stake each in the firm. The Shobak wind project represents Alcazar Energy's third fully operational renewable energy project in Jordan and supports the kingdom's National Energy Strategy to achieve 20% of its energy needs from renewable resources by 2025, the statement said. The company also operates six other renewable energy projects across the Middle East, Africa and Turkey (META) region. (The National 23.11)

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### 4.2. Climate Change Performance Index Ranks Morocco 4th Best Country Worldwide

Morocco has ranked fourth in the world in terms of its efforts to combat climate change, according to the 2021 Climate Change Performance Index. The index positioned Morocco seventh globally, but only three countries scored better than the Kingdom: Sweden, the UK and Denmark. The top three spots of the index are vacant because "no country is doing enough to prevent dangerous climate change."

Compared to the 2020 Climate Change Performance Index, Morocco fell one rank due to the United Kingdom's improved score. The European country overtook Morocco and Denmark this year, climbing from the fourth position globally (seventh according to the index) to the second (fifth in the index). The Climate Change Performance Index measures the climate mitigation efforts of 57 countries around the world, which make up 90% of global greenhouse gas (GHG) emissions.

The index gives each country a score on a scale from 0 to 100 based on four main criteria: GHG emissions, renewable energy, energy use, and climate policy. Morocco earned an overall score of 67.59. The country scored best in energy use (16.06 out of 20), GHG emissions (29.35 out of 40), and climate policy (14.1 out of 20). Meanwhile, the Kingdom ranked 22nd globally (25th according to the index) in the renewable energy criterion, with a score of 8.08 out of 20.

Egypt ranked 22nd according to the index and Algeria 43rd. Turkey ranked 42nd with a "low" score. Meanwhile, Iran and Saudi Arabia ranked 59th and 60th, with a "very low" score. (CCPI 08.12)

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### 4.3. Cyprus Welcomes 40% Maritime Emission Reductions by 2030

Cyprus has welcomed new regulations drafted by the IMO's Marine Environment Protection Committee to drastically reduce greenhouse gas emissions by existing ships once these are implemented in about six months. The target is to cut the carbon intensity of international shipping by 40% until 2030, compared to 2008 levels. The Deputy Ministry of Shipping hailed the MEPC decision.

The draft amendments of MARPOL Annex VI, scheduled for formal adoption in June 2021, relate to mandatory goal-based technical and operational measures to reduce carbon intensity, including a review clause for the evaluation of the measures in the near future. The shipping ministry, responsible for environmental issues, said that this was a two-step procedure, initially approved during the MEPC75 meeting, followed by adoption six months later, to coincide with the next MEPC meeting in June. With the implementation of emission cuts getting underway, the results of these reductions may appear sooner than 2030.

The 75th session of the International Maritime Organization's MEPC environment committee approved the amendments to cut ship emissions and agreed on the terms of reference for assessing the possible impacts of the new requirements on states, in particular Small Island Developing States (SIDS) and least developed countries (LDCs). The draft amendments to the MARPOL convention would require ships to combine a technical and an operational approach to reduce their carbon intensity. (FM 26.11)

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### 4.4. Cyprus Airports Reducing Plastic Waste By Staff

Cyprus airports operator Hermes Airports has a strategy to reduce its carbon footprint has provided its staff with eco-friendly items for everyday use. As part of its Green commitment, the company said it has issued staff with a tote bag, a reusable thermos, a reusable bottle and two stainless steel straws to help minimize their consumption of single-use plastics. In 2019 more than 2,500kg single-use plastics were used by Hermes Airports staff, said the company.

It claims that environmental awareness is created and enhanced by simple initiatives such as this one. Over 10 million passengers travel through Larnaca and Paphos airports every year. It is estimated that for every additional flight arriving at Cyprus airports, creates 100 additional jobs. (FM 30.11)

## 5. ARAB STATE DEVELOPMENTS

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### 5.1. Lebanon's Inflation Rate Hits a Record High of 136.8% in October 2020

According to the Central Administration of Statistics (CAS), Lebanon's monthly inflation rate surged from 10% in January 2020 to reach a dramatic 136.8% in October 2020. This is a result of the accelerating economic, financial and political crises, recording the highest inflation rate since the aftermath of the country's civil war. In fact, for more than 20 years, the fixed exchange rate helped Lebanon to maintain average annual inflation at about 3%. However, since the start of year 2020, Lebanon's currency depreciated sharply and made imports much more expensive. Lebanon's average inflation rate in the first ten months climbed to 73.2%, up from lows of 2.47% registered by October last year. Accordingly, all sub-components of Lebanon's consumer price index (CPI) increased over the studied period.

Specifically, the average costs of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.4% of the CPI) added a yearly 5.98% by October 2020, such that Owner-occupied rental costs (13.6% of Housing and utilities) rose by 5.02% year-on-year (YOY) while the average prices of water, electricity, gas, and other fuels (11.8% of Housing & utilities) increased by 7% YOY. Moreover, average prices of Food and non-alcoholic beverages (20% of CPI) surged by 220.19% by October 2020. In fact, Lebanon's currency depreciation made imports more expensive, driving half of the population into poverty; struggling to provide their basic needs; as estimated by United Nations agency. In turn, the average prices of Transportation (13.1% of the CPI), Health (7.7% of the CPI) and Education (6.6% of CPI) all recorded upticks across the board, increasing by an annual 67.66%, 8.61% and 4.81%, respectively, over the period despite lower oil prices. The average prices of Recreation, amusement, and culture (2.4% of the CPI) remarkably increased by 20.4% from month of September to reach 240.26%.

The prices of Communication (4.5% of the CPI) dropped by 0.5% to reach 124.40% by October 2020. Notably, the average costs of Clothing and Footwear (5.2% of CPI) surged by 252.46% by October 2020 down from 562.05% by September 2020. Similarly, average prices of Furnishings and household equipment (3.8% of CPI) and Alcoholic beverages and tobacco (1.4% of CPI) increased by 334.92% and 220.19%, respectively, by October 2020. (CAS 01.12)

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### 5.2. Amman Approves Inclusion of Tour Guides in Central Bank's Loan Program

On 6 December, the Jordanian Council of Ministers approved the inclusion of tour guides in the Central Bank's loan program to support small and medium-sized businesses in light of the coronavirus crisis. Through the program, tour guides will be given JOD 5,000 each, like other members of the tourism sector, provided that these loans are disbursed in installments. These payments aim to combat the negative effects of the COVID-19 pandemic.

The Council of Ministers also agreed to amend its previous decision related to group and individual loans, and reschedule individual loans provided by the Development and Employment Fund. Some categories will be exempt from remaining profits and other loans will be rescheduled, in an attempt to reduce the financial burden on citizens in light of the coronavirus crisis. (Roya News 06.12)

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### 5.3. UAE Central Bank Launches FinTech Office to Develop Industry Ecosystem

The UAE Central Bank has launched FinTech Office to develop a mature industry ecosystem within the UAE and position the nation as a foremost FinTech hub regionally and globally. The Governor of the Central Bank of the UAE added that the office will allow the UAE to accelerate the transformation of digital payments and support financial inclusion. In addition, the Central Bank's FinTech Office is mandated to execute the UAE's FinTech Strategy which is centered on innovation and collaboration. The Office was launched at FinTech Abu Dhabi 2020, MENA's FinTech Festival, which is co-hosted by CBUAE and Abu Dhabi Global Market. Furthermore, the Office will be supporting in attracting international and regional FinTech companies and providing a platform for all market participants to collaborate and innovate. The

Office's objectives are to put in place effective and balanced regulations and robust digital infrastructures. (KT 25.11)

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**5.4. UAE Healthcare Receipts Set to Hit $10.7 Billion in 2021 Amid Privatization Push**

Revenue generated from sales within the UAE healthcare sector is forecast to grow at a compound annual growth rate (CAGR) of 7.5% over the over the next five years, according to new research. Sales are expected to reach $10.7 billion in 2021, according to the Dubai Chamber of Commerce and Industry, amid growing momentum behind private spending, privatization and preventative care within the market.

The findings, which are based on data from Euromonitor, shows that private sector healthcare sector spending is set to outpace public sector healthcare spending over the next five years, due to increasing market activity driven by compulsory health insurance, privatization of hospitals, a growing occurrence of lifestyle diseases such as diabetes or obesity and better awareness of preventive care among UAE residents. Healthcare expenditure will likely see significant growth in the UAE in 2021 as additional resources are required to reboot infrastructure for the return of elective procedures following temporary suspension of these services due to Covid-19-related restrictions.

Dubai Chamber's report said the UAE government's implementation of precautionary measures and smart technologies to reduce the spread of COVID-19 will also accelerate a rebound in medical tourism and attract international visitors to Dubai who are seeking treatment. It said these efforts should result in a positive impact on medical tourism sales in the country which are projected to reach AED8.4 billion in 2021 and grow by a CAGR of 17.1% between 2021 and 2025.

Although telehealth services were offered in the UAE prior to the COVID-19 outbreak, the pandemic has accelerated the growth of this market segment. Today, telehealth and tele-radiology services are prevalent among leading healthcare providers across the UAE. Recent Google trends data also show that in online searches for telehealth services reached a peak point in April. Several healthcare service providers in the UAE reacted quickly by providing telehealth services to patients during the lockdown. Lifestyle disorders, aging population and rising demand for personalized patient care as well as self-health management tools will continue to drive the telehealth market in the UAE. (DCC 28.11)

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**5.5. UAE Hopes Easing of Alcohol & Gender Restrictions Will Boost Economy**

Recent reforms in the United Arab Emirates affecting everything from women's rights to alcohol sales are a sign the majority-expat country sees liberalization as key to its economic prosperity. The move to reform a series of laws governing individual freedoms and social mores comes as the country of nearly 10 million people and a $524 billion economy struggles with a plunge in oil prices and the coronavirus pandemic. Nearly 90% of the population of the young Gulf state, which is just shy of 50 years old, are foreigners, many of them migrant workers in construction, domestic or service jobs.

The changes, which came into effect on 7 November, include introducing tougher laws against the harassment of women, an overhaul of how divorce and separation proceedings are decided, changes to the division of assets and the decriminalization of alcohol consumption. In the eyes of the state, the aim of the reforms is to boost the country's economic and social standing and consolidate the U.A.E's principles of tolerance.

The sweeping changes mean that individuals no longer have to buy a special license to purchase or consume alcohol as long as they are 21 or older. In the past, Muslims were banned from obtaining such licenses, which is no longer the case. Under updated inheritance laws, assets and estates of non-Emirati citizens will no longer be divided under *Sharia*, but according to the laws of their country of citizenship — regardless of religion. The moves are in line with new divorce proceedings, which allow non-Emirati couples who divorce in the U.A.E. to have the law of the country where the marriage took place enforced. Previously, non-Muslim expats had to petition for the application of their home country laws. The reforms reflect a series of secular-leaning concessions for the oil-dependent Gulf state and a shift in cultural attitudes, which some observers say could help the country's financial situation. (CBS 29.11)

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**5.6. UAE's Barakah Unit 1 Reaches 100% Power Capacity**

The Emirates Nuclear Energy Corporation, ENEC, has announced that its operating and maintenance subsidiary, Nawah Energy Company, Nawah, has successfully achieved 100% of the rated reactor power capacity for Unit 1 of the Barakah Nuclear Energy Plant. This major milestone brings the Barakah plant one step closer to commencing commercial operations, scheduled in early 2021. It means that Unit 1 is generating 1400MW of electricity from a single generator connected to the UAE grid. This milestone makes the Unit 1 generator the largest single source of electricity in the UAE.

The Barakah Nuclear Energy Plant is the largest source of clean baseload electricity in the country, capable of providing constant and reliable power in a sustainable manner around the clock. This significant achievement accelerates the de-carbonization of the UAE power sector, while also supporting the diversification of the Nation's energy portfolio as it transitions to cleaner electricity sources.

Nawah is responsible for operating Unit 1 and has been responsible for safely and steadily raising the power levels since it commenced the start-up process in July, and connection to the grid in August. Achieving 100% power is one of the final steps of the Power Ascension Testing (PAT) phase of the start-up process for Unit 1. Nawah's highly skilled and certified nuclear operators will carry out a series of tests before the reactor is safely shut down in preparation for the Check Outage. During this period, the Unit 1 systems will be carefully examined, and any planned or corrective maintenance will be performed to maintain its safety, reliability and efficiency prior to the commencement of commercial operations.

The Barakah Nuclear Energy Plant, located in the Al Dhafra region of the Emirate of Abu Dhabi, is one of the largest nuclear energy new build projects in the world, with four APR-1400 units. Construction of the plant began in 2012 and has progressed steadily ever since. Construction of Units 3 and 4 are in the final stages with 93% and 87% complete respectively, benefitting from the experience and lessons learned during the construction of Units 1 and 2, while the construction of the Barakah Plant as a whole is now more than 95% complete. Once the four reactors are online, Barakah Plant will deliver clean, efficient and reliable electricity to the UAE grid for decades to come, providing around 25% of the country's electricity and preventing the release of up to 21 million tons of carbon emissions annually – the equivalent of removing 3.2 million cars off the roads each year. (WAM 07.12)

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**5.7. Saudi & UAE Central Banks Work on Joint Digital Currency Plan**

On 29 November, the central banks of Saudi Arabia and the UAE announced plans to jointly develop a new digital currency. The Central Bank of the United Arab Emirates (CBUAE) and the Saudi Central Bank (SAMA) launched the 'Aber' project, which seeks to evaluate the feasibility of issuing a digital currency for use between the two central banks. The aim is to develop a cross-border payment system that will reduce transfer times and costs between banks in the two Gulf states. The banks plan to develop a technology, such as distributed ledgers, which can be used to manage digital currencies between the two central banks and banks participating in the initiative in Saudi Arabia and the UAE. (AN 29.11)

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**5.8. Saudi Arabia Officially Approves Israeli Flights over its Airspace**

On 30 November, Saudi Arabia announced that it has officially given approval for Israeli airlines to fly over the country's airspace, dramatically shortening flying times to the east and finally allowing Israeli airlines to offer direct flights to Dubai.

In September, Saudi Arabia declared that it will be allowing all foreign civilian flights to fly over its airspace, following a request by the UAE, in order to allow passage over the kingdom's airspace for flights reaching the UAE and departing from it. However, the message didn't specifically mention Israel, which raised concerns with Israeli aviation officials in recent weeks. With flights already full, Israeli airline companies Israir, Arkia and El Al are prepared to fly thousands of Israelis to Dubai during the month of December. They now know that the flights will be carried out as planned. (CUFI 30.11)

**►►North Africa**

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### 5.9. Egyptian Remittances Grow to $8 Billion in First Quarter of FY 2020/21

Egyptian expat remittances witnessed an increase in the first quarter of the current FY2020/21 (July-September) to reach $8 billion, up from $6.7 billion in the same quarter of FY2019/2020, the Central Bank of Egypt (CBE) announced. The remittances rose by $1.3 billion, with an annual growth rate of 19.6%. Preliminary data released by the CBE showed that workers' remittances in September 2020 grew by an annual rate of 16%, recording $2.7 billion, up from $2.3 billion in September 2019. From January to September 2020, remittances jumped to $22.1 billion, up from $19.8 billion in the same period of 2019, with an annual rate of 11.6%, according to the CBE.

On 6 December, the CBE revealed that Egypt's net international reserves (NIRs) stood at $39.2 billion at the end of November, the same level it reached in October. In the beginning of November, the CBE announced that Egypt's NIRs witnessed a slight increase in October to reach $39.2 billion, up from $38.4 billion recorded in September. In September 2019, Egypt's NIRs recorded an all-time high of $45.117 billion; before witnessing a significant drop in March 2020, reaching $40 billion, driven by the unprecedented blow to global financial markets arising from the COVID-19 pandemic.

COVID-19 has caused the sharpest portfolio flow reversal on record from emerging markets, including the Egyptian market, according to the CBE. In December, the International Monetary Fund's (IMF) Executive Board is expected to consider the first review of Egypt's stand-by agreement that the IMF's staff team had conducted with the Egyptian authorities in November. If approved, Egypt will receive about $1.6 million as a second tranche of a $5.2 billion loan that the IMF approved for Egypt in June. Under the 12-months SBA loan program, Egypt obtained the first tranche of the loan, worth $2 billion, in June. The second and final SBA loan review for Egypt will be conducted between May and June that will allow Egypt, if approved, to get the remainder $1.6 billion of the loan. (CBE 07.12)

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### 5.10. Egypt's Budget Deficit Falls as Remittances Rise

Egypt's budget deficit shrank to EGP 134.9 billion, equivalent to 2.1% of GDP in Q1/2020-2021 compared to 2.3% during the same period last year, according to a Finance Ministry report. The report attributes the narrowing deficit to an 18.4% y-o-y uptick in state revenues to EGP 204.7 billion, which was partially driven by a 14.1% hike in tax revenues. On the flipside, state spending was up 11% y-o-y to EGP 336.8 billion in the quarter. Finance Minister Maait said last month based on preliminary figures that the budget deficit had narrowed to 2.6% of GDP during the first four months of FY2020-2021, compared to 3.1% over the same period last year.

Spending on civil servants' salaries and compensation rose 5.1% to EGP 78.7 billion, while spending on pension funds increased by EGP 22.5 billion to EGP 28.5 billion. The government had approved a 14% rise in pensions as of the beginning of the current fiscal year. State spending on healthcare and medicines increased 2.3%, reaching EGP 1.2 billion, while subsidies for essential goods hit EGP 12.4 billion. The state dished out EGP 1.7 billion on export subsidies, up from EGP 900 million during the comparable period a year earlier.

Fitch solutions' monthly MENA report in November forecast a budget deficit of 10% on average between now and 2024, while the IMF's October Fiscal Monitor Report forecast the deficit widening from 7.5% to 8.1% by the end of the current fiscal year, before rapidly narrowing to 5.2% in FY 2021-2022 and 3.8% by FY2024-2025.

Remittances from Egyptians living abroad shot up 19.6% y-o-y in Q3/20 to $8 billion from $6.7 billion over the same period last year, according to the Central Bank of Egypt. Remittances from Egyptians abroad increased by 11.6% in 9M/20 compared to the same period the year before, hitting $22.1 billion. Though remittance inflows were rising steadily when the covid-19 pandemic began, they took a 10% dip in Q2/20. The World Bank predicted last month that remittances from Egyptians abroad could slow down next year if GCC economies continue to come under pressure from low oil prices and slow economic growth, hampering Egyptian expats' earnings. (Enterprise 08.12)

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### 5.11. Pandemic's Heavy Burden on Egypt's Current Account

Egypt's current account deficit more than tripled to $3.83 billion in Q4/FY2019/20 from $1.09 billion the year before as the pandemic dealt a heavy blow to the country's sources of hard currency. Tourism revenues collapsed by more than 90% to just $305 million, having brought in $3.18 billion in Q4/FY2018-2019. The industry came to a near standstill in the fourth quarter of the government's fiscal year as international flights were grounded to prevent the spread of the virus. The Tourism Ministry said last month that the sector has brought in just $80-150 million each month on average this year, an 85-92% drop from the $1 billion average last year.

Falling exports resulted in the trade deficit widening to $8.41 billion from $8.29 billion during the quarter, even as imports dropped by 12% to $13.83 billion. Exports fell almost 30% y-o-y to $5.42 billion from $7.58 billion in 4Q FY2018-2019 thanks to the global economic slowdown. Egyptian expats sent $6.21 billion back home during the three-month period, down 10% from the $6.94 billion in Q4/FY2018-19. Many Egyptians are employed in Gulf Arab states, where oil revenues have declined. Suez Canal revenues fell slightly to $1.34 billion from $1.46 billion in Q4/FY2018-19, as the pandemic took its toll on global trade.

Net foreign direct investment (FDI) fell to $1.52 billion from $1.71 billion during the quarter, after being on the uptick in the first half of the year, increasing by nearly 20% to $5 billion. Net portfolio investment tanked almost 80% to $636.8 million from $3.18 billion the year before as investors scurried to pull their money out of emerging markets. (Enterprise 01.12)

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### 5.12. Egypt Replicates High Dam Experience in Tanzania

Egypt is trying to recreate the Aswan High Dam experience by building a similar dam in Tanzania. On 8 November, Egypt's Minister of Housing Asim al-Gazzar and Minister of Electricity and Renewable Energy Mohamed Shaker attended a ceremony, in the presence of Tanzanian Prime Minister Kassim Majaliwa and representatives of the Egyptian Armed Forces Engineering Authority, Arab Contractors and Elsewedy Electric, as well as Egyptian banks, to celebrate the completion of the first stage of the construction of the first dam on the Rufiji River. After completing the diversion of the river course, work on the main bridge of the dam has now started. The dam is part of the Julius Nyerere dam and hydropower station, which will be the largest in Tanzania.

In December 2018, the Tanzanian government announced that Egypt's largest companies in the construction sector — Arab Contractors and Elsewedy Electric — won a bid to build the dam at a cost of

$2.9 billion. The project is expected to be completed and inaugurated in 2022. The dam is being built on the Rufiji River, which is approximately 600 kilometers long, originating in southwestern Tanzania, and flowing into the Indian Ocean, about 200 kilometers south of Dar es Salaam. The dam will contain nine turbines, with a production capacity of 2,115 MW, at a rate of 235 MW per turbine. Although Tanzania is one of the countries of the Nile Basin, the dam is not built on any source of the Nile River.

The project includes the construction of a dam on the Rufiji River, with a hydroelectric power station. The station is located on the Rufiji River in the Selous Game Reserve in the Morogoro region, southwest of Dar es Salaam. The station will be the largest in Tanzania with an electric capacity of 6,307 MW per hour annually and the generated energy will be transmitted through the electricity transmission lines of 400 kilovolts to a substation, where the generated electrical energy will be integrated with the public electricity network. (Al-Monitor 27.11)

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### 5.13. World Bank Approves $400 Million Loan to Morocco

The World Bank has approved a $400 million package to support Morocco's social protection system, as part of the Kingdom's sweeping reforms to strengthen its social safety nets. The World Bank believes that Morocco has reacted decisively and swiftly to support the most vulnerable during the COVID-19 pandemic and is now accelerating reforms to strengthen its social protection system that the World Bank supports.

The COVID-19 Social Protection Emergency Response Project will support poor and vulnerable households during the pandemic and strengthen their resilience to future shocks. The program will also finance social assistance to vulnerable groups while building the capacity of the poorest to overcome the crisis. This support covers both the emergency cash transfers provided through Morocco's COVID-19 Special Fund as well as those to be channeled through existing social protection programs, the statement said. (Yabiladi 04.12)

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### 5.14. Morocco to Improve Health Sector & Expand Healthcare Access in 2021

Moroccan Minister of Health Khalid Ait Taleb vowed that Morocco will improve its health sector in 2021, reconstructing a set of health facilities to expand access to healthcare. Ait Taleb said that his department is planning new hospital projects for 2021 that will have an additional bed capacity of 2,260 beds. The program to improve health facilities will cover the Ibn Sina Hospital and University Center (CHU) in Rabat and include the construction of eight provincial hospitals. Ait Taleb added that the project will also cover the construction of a regional hospital in Oujda, along with 11 local health facilities. The minister said the project will also include the expansion of basic medical coverage, with the aim of strengthening national health programs in the face of epidemics.

Morocco’s government is to allocate a budget of MAD 19.774 billion ($2.17 billion) in 2021 for the health sector projects. This budget represents an increase of MAD 1.090 billion ($120 million) in Morocco’s health sector budget. The budget will also enable the ministry to increase its capacity to monitor the epidemiological situation, health security, and disease prevention.

The minister also spoke about healthcare in Morocco, saying that 60% of the Moroccan population benefited from basic health coverage as of 2019. He said the Medical Assistance Plan (RAMED) covered more than 16.5 million people until September 2020. (MWN 29.11)

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### 5.15. Morocco Raises Chocolate Tariffs but US Imports Remain at Zero Duty

On 13 November 2020, the Government of Morocco approved the 2021 finance bill (PLF 2021), increasing import duties for chocolate and food preparations containing cocoa from 17.5 to 40%, effective 1 January 2021. The tariff increase applies to products originating from all origins, with the notable exception of those trade partners benefitting from a Free Trade Agreement (FTA). The U.S.-Morocco FTA permits U.S. exports of goods under these tariff lines at zero duty, providing a potential opportunity for U.S. exporters. Morocco mainly imports chocolate from Europe, Egypt, Switzerland and the United Arab Emirates. (FAS 19.11)

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### 5.16. Ukraine Intends to Negotiate Free Trade Agreement with Morocco

Ukraine recently confirmed its plans to begin Free Trade Agreement (FTA) negotiations with several countries, including Morocco. It remains to be seen whether Morocco will negotiate a free trade agreement with Ukraine. Morocco's current trade relationship with Morocco is characterized by a deficit, with its imports of Ukrainian goods exceeding its exports to the country. Morocco's imports from Ukraine amounted to $351.07 million in 2019. Dominant imports include cereals, reaching $321.5 million in 2018.

Moroccan producers have experienced setbacks from FTAs with other countries, particularly Turkey. In January, Moroccan Minister of Trade Moulay Hafid Elalmy expressed concerns regarding Morocco's FTA agreement with Turkey. He said that the North African country loses $2 billion annually due to its trade deal with Turkey. In addition to Turkey, Morocco has more than 54 FTAs with several partners, including the US. The concerns with the impact of Turkish goods on Moroccan producers triggered discussions between officials from Morocco and Turkey to review their FTA. (MWN 02.12)

## 6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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### 6.1. Turkish Inflation Rises Higher as Central Bank Pressed to Act

Turkey's annual inflation rose higher than expected in November, climbing to 14.03% according to data released on 3 December by the Turkish Statistical Institute. Up from 11.89% in October, inflation surged 2.14% in November to its highest level in over a year. The rise was credited to growing consumer prices resulting from the Turkish lira's devolution this year and puts pressure on the nation's new Central Bank Governor Agbal to impose tight monetary policies.

The latest inflation figures reflect an increase in food and non-alcoholic drink prices, which rose 21.08%, along with an 18.67% increase in transportation costs due to higher oil prices. Many Turkish citizens have bought dollars and gold to protect their savings when the lira made gains last month, signaling lack of faith in a new economic growth strategy Turkish President Erdogan has promoted in recent speeches.

In November, following the replacements of Finance Minister Albayrak and Central Bank Governor Uysal, Erdogan pledged to establish greater economic stability by restoring credibility in Turkish institutions among international investors. The new economy team has since lifted restrictions preventing speculators from betting against the lira, and Central Bank policy-makers raises interest rates by 475 basis points last month, the highest increase in over two years in an apparent return to mainstream economic policies.

The state's year-end inflation target for 2020 remains at 10.5%, though the rate has stubbornly remained in double digits for most of the year. While Agbal raised a key interest rate to 15% in his first rate meeting last month, the latest inflation data leaves Turkey's interest rate at about 1% when adjusted for inflation. Agbal and Central Bank policy-makers will likely face renewed pressure to further raise interest rates as a result of growing inflation in the next rate meeting, scheduled for 24 December. The developments come as Turkey's economy registered a higher-then-expected 6.7% growth rate in the third quarter, aided by a credit boost that helped markets rebound from a slump following the initial impacts of the pandemic. (Al-Monitor 08.12)

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### 6.2. Cyprus' Unemployment Increases to 8.2% in Third Quarter

Cyprus' unemployment rate in the third quarter reached 8.2% compared to 6.7% in the same quarter of 2019. The labor force in Q3/20 amounted to 452,154 or 62.9% of the population (males 70%, females 56.4%) compared to 447,206 persons (63%) in Q3/19, according to CyStat. The number of those employed was 414,920 and the employment rate 57.7% (men 64.5%, women 51.5%) from 417,118 (58.7%) in the same quarter of 2019. The number of unemployed amounted to 37,234 and the unemployment rate was 8.2% of the labor force (men 7.9%, women 8.6%) from 30,088 (6.7%) in Q3 2019.

The employment rate of people aged 20-64 was 74.5%. The rate for men was 81.4% and for women 68%. In the same quarter of 2019, the rate was 75.7% (men 82.6%, women 69.2%). For the age group 55-64 the employment rate was 61.9% from 61.7% in 2019. The biggest employment sector was in services (77.3%), followed by manufacturing (19.8%) and agriculture (2.9%). For Q3/19, percentages were almost the same: services 78.8%, manufacturing 18.9% and agriculture 2.3%. The share of part-time employment to full-time work was 10.2% or 42,481, last year it was 10.6% (men 7.8%, women 13.9%). (FM 26.11)

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### 6.3. Greece's Economy Contracts by 11.7% in Third Quarter

The blow to Greece's tourism this year from the effects of the COVID-19 pandemic has left a deep scar on the third-quarter's economic activity, which posted a year-on-year contraction of 11.7%, according to the official estimates released on 4 December. On a quarterly basis, gross domestic product expanded by just 2.3% – i.e. a feeble rebound due to the increase in consumer spending after the second-quarter lockdown. Throughout the first nine months of the year the picture has remained as previously described by the government, if not slightly better, following the upward revisions to the first two quarters by the Hellenic Statistical Authority (ELSTAT).

The latest ELSTAT estimates speak of a 0.4% GDP expansion against a previous assessment for a 0.5% decline, while in Q2 the contraction stood at 14.2% and not 15.2%. The third quarter's performance was the worst among the 27 European Union member-states. The Eurozone flash estimates for the third quarter showed a contraction of 4.4% from Q3 in 2019. On a quarterly basis, the July-September period showed a 12.6% rebound. In Greece consumer spending increased in Q3 by 1.6% on an annual basis and by 14% from the second quarter, while exports fell 44.9% year-on-year due to tourism, and investments eased 0.3%. (ELSTAT 05.12)

## 7. GENERAL NEWS AND INTEREST

***ISRAEL:**

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### 7.1. Hanukkah Holiday to be Celebrated Starting on 10 December

Israel and the Jewish world will celebrate the Hanukkah holiday, which begins this year on the evening of Thursday, 10 December and end on the evening of Friday, 18 December. Hanukkah, which is Hebrew for "dedication," is the festival commemorating the rededication of the Second Temple in Jerusalem at the time of the Maccabean Revolt against the Seleucid Empire. It is also known as the Festival of Lights.

Hanukkah is observed for eight nights and days, starting on the 25th day of Kislev according to the Hebrew calendar, by lighting the candles of a candelabrum with nine branches, called a *hanukkiah*. One branch is typically placed above or below the others and its candle is used to light the other eight candles. This unique utilitarian candle is called the *shamash*. Each night, one additional candle is lit by the *shamash* until all eight candles are lit together on the final night of the festival. The miracle of Hanukkah is the military victory of the Seleucids. Some also consider that the miracle occurred when only one vial of sacred oil was found in the Temple. It held just enough oil to illuminate the Temple lamp for one day, and yet it lasted for eight full days.

Even though work is allowed on the holiday (unlike the Sabbath, Rosh HaShana or Passover), many will leave work early to light the Hanukkah lights with family and friends at nightfall. Many special foods made with oil are consumed, such as potato pancakes and jelly donuts.

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### 7.2. Czech Republic to Open Diplomatic Office in Jerusalem

The Czech Republic announced on 2 December that it would open a diplomatic office in Jerusalem. The Czech government's decision joins a wave of similar decisions to establish embassies and diplomatic offices in Jerusalem taken by various countries over the past three months, such as Kosovo, Serbia, the Dominican Republic and Malawi. Israeli Foreign Minister Ashkenazi spoke with his Czech counterpart, Petříček, and thanked him for the Czech government's decision.

The Czech Republic is the second European Union member-state, after Hungary, to open an official mission in Jerusalem. The decision goes against EU guidelines that forbid its members from recognizing Jerusalem as the Israeli capital in any way. The Foreign Ministry has expressed hopes that this decision will pave the way for other European countries to follow suit. (Israel Hayom 03.12)

***REGIONAL:**

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### 7.3. Morocco to Adopt Free COVID-19 Vaccine Campaign for All Moroccans

On 8 December, King Mohammed VI ordered Morocco's government to ensure that all Moroccans can receive a COVID-19 vaccine for free. The King's decision is in line with the directives to launch an intensive vaccination process against the virus in the coming weeks. The campaign seeks to "provide the vaccine to all Moroccans as an appropriate means of immunization against the virus and controlling its spread" to ensure the gradual return to normal life in peace and safety. The campaign will cover citizens aged 18 and over and aims for an 80% vaccination rate. Health authorities will schedule two separate injections for the beneficiaries.

The campaign will prioritize frontline workers, including medical staff, public authorities, security officers, and education staff. The elderly and people with chronic diseases will also be a priority during the program. The government signed a few agreements with international partners, including Sinopharm, a Chinese pharmaceutical company. Health Minister Khalid Ait Taleb later said that Morocco will use Sinopharm's vaccine. The vaccine will not be obligatory, but the minister warned that people who travel abroad will need a COVID-19 vaccination passport. (MWN 08.12)

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### 7.4. Morocco Cites Decline in Violence Against Women Over Past 10 Years

Violence against women has experienced a downward trend over the past ten years, according to the High Planning Commission (HCP). The number of victims who experienced at least one act of violence fell from 63% to 57% between 2009 and 2019, considering the 2009 target population of women aged 18 to 64 years and without taking into consideration electronic violence.

This development is contrasted by form of violence, the HCP says, noting that although psychological and physical violence have decreased compared to 2009 by 9 and 2 points respectively (from 58% to 49% and from 15% to 13% respectively), the sexual and economic forms have, on the other hand, recorded significant increases from 9% to 14%, and from 8% to 15%, respectively. The same trends are noted in urban and rural areas, except for physical violence which has increased in rural areas, from 9% in 2009 to 13% in 2019.

The conduct of the 2019 national survey on violence against women and men contributes to Morocco's efforts in monitoring the implementation of the 2030 Agenda, and more particularly SDG 5, dedicated to gender equality. This survey was carried out with the support of UN-Women, between February and July 2019, on 12,000 girls and women and 3,000 boys and men, aged between 15 and 74, representing various social backgrounds and the different regions of the country. (Yabiladi 08.12)

## 8. ISRAEL LIFE SCIENCE NEWS

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### 8.1. Stratasys Enhances Digital Anatomy 3D Printer for Functional Bone Models

Stratasys has enhanced its J750 Digital Anatomy 3D printer with advanced bone capabilities that don't just look real but are actually biomechanically realistic, backed by clinical research. The software upgrade enables the systems to mimic porous bone structures, fibrotic tissue, and ligaments so medical professionals can create models that behave just like human bone.

The Digital Anatomy printer was first introduced a year ago, with an initial focus on mimicking soft cardiology tissues, such as hearts and blood vessels, using powerful Digital Anatomy software and materials like GelMatrix and TissueMatrix. The technology has helped healthcare providers improve surgical preparedness and medical device makers to conduct testing and train medical professionals on new devices. BoneMatrix material with the enhanced software capabilities extends those benefits to orthopedic applications.

Rehovot's Stratasys is a global leader in additive manufacturing or 3D printing technology and is the manufacturer of FDM®, PolyJet™, and stereolithography 3D printers. The company's technologies are used to create prototypes, manufacturing tools, and production parts for industries, including aerospace, automotive, healthcare, consumer products and education. For more than 30 years, Stratasys products have helped manufacturers reduce product-development time, cost, and time-to-market, as well as reduce or eliminate tooling costs and improve product quality. The Stratasys 3D printing ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production. (Stratasys 02.12)

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### 8.2. Therapix Biosciences & University of Calgary Examine THX-160 for Pain

Therapix Biosciences announced a collaboration between the company and The University of Calgary to further evaluate the analgesic effect of Therapix's CB2R agonist proprietary drug candidate, THX-160. This collaboration is expected to facilitate the further development of THX-160 for the treatment of pain, following efficacy pre-clinical studies that demonstrated the analgesic advantages of THX-160 over control. Moreover, THX-160's anti-analgesic effects, in these studies, were comparable and even greater in some instances over high-dose morphine analgesic effects.

Givatayim's Therapix Biosciences is a specialty clinical-stage pharmaceutical company led by an experienced team of senior executives and scientists. Their focus is creating and enhancing a portfolio of technologies and assets based on cannabinoid pharmaceuticals. With this focus, the Company is currently engaged in the following drug development programs based on tetrahydrocannabinol (THC) and/or non-psychoactive cannabidiol (CBD): THX-110 for the treatment of Tourette syndrome and for the treatment of obstructive sleep apnea; THX-160 for the treatment of pain; and THX-210 for the treatment of autism spectrum disorder and epilepsy. (Therapix Biosciences 02.12)

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**8.3. PixCell Medical to Enhance NSW Health Pathology's Point-of-Care Testing Service**

PixCell Medical announced that NSW Health Pathology, the provider of public pathology services for the New South Wales (NSW) government, will deploy PixCell's HemoScreen hematology analyzer for rapid, lab-accurate Complete Blood Count (CBC) testing, accessible at the point of care. PixCell has worked closely with NSW Health Pathology over the past year to evaluate the HemoScreen and they are now in the position to pioneer the use of this innovative POCT technology in facilities across the state.

HemoScreen will enable true point-of-care testing (POCT) in terms of operation, electronic result delivery through an Internet of Things approach, ease-of-use, and transportability, while still providing core lab quality results. Outside of Sweden and Denmark, Australia will be the first country to get HemoScreen devices, which will soon be implemented throughout NSW.

The collaboration includes the installation of a large number of HemoScreen devices that provide the full 5-part differential CBC test with comprehensive abnormal cell flagging. In this initial deployment, NSW Health Pathology will implement HemoScreen devices within small labs, in large emergency departments without onsite labs, and to upgrade some existing technology. The devices will then be further assessed for utility in oncology clinics and other settings.

Yokneam Elite's PixCell Medical provides the first truly portable point-of-care blood diagnostic solution. Leveraging the company's patented Viscoelastic Focusing technology, along with AI-powered machine vision, PixCell's FDA-cleared and CE-approved HemoScreen diagnostic platform shortens diagnostic results delivery from days to minutes. With just one drop of blood and within six minutes, PixCell delivers accurate readings of 20 standard blood count parameters, saving patients, clinicians and health systems significant time and costs. (PixCell Medical 02.12)

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**8.4. Biosight Closes $46 Million Series C Financing to Advance Clinical Oncology Programs**

Biosight announced the deferred closing of its Series C financing, raising an additional $27 million to the $19 million announced earlier this year for total proceeds of $46 million. The round was led by Israel Biotech Fund (IBF) with participation from new investors, The Phoenix Insurance Company and Migdal Insurance Company, two of Israel's leading institutional investors, and Biotel, as well as existing investors including Arkin Bio Ventures and Primera Capital. These additional proceeds will be used to advance the clinical development of Biosight's lead asset BST-236 (aspacytarabine), currently being investigated in a multi-center Phase 2b study in the U.S. and Israel as a single-agent, first-line treatment of acute myeloid leukemia (AML), and soon to be expanded to two additional Phase 2 trials, one in Europe and another in the U.S., to evaluate BST-236 in relapsed/refractory myelodysplastic syndrome (MDS) and AML.

BST-236 was granted Fast Track Designation and Orphan Drug Designation from the FDA, which entitles Biosight to seven years of market exclusivity upon BST-236 marketing approval for the treatment of AML.

Airport City's Biosight is a private Phase 2 clinical stage biotech company developing innovative therapeutics for hematological malignancies and disorders. Biosight's lead product, BST-236 (aspacytarabine), is an innovative proprietary anti-metabolite which addresses unmet medical needs by enabling high-dose chemotherapy with reduced systemic toxicity. BST-236 is currently being investigated as a single agent in a Phase 2b for first-line treatment of acute myeloid leukemia (AML), following completion of a Phase 1/2a study which demonstrated tolerability with promising efficacy in the challenging population of AML patients unfit for standard of care chemotherapy. (BioSight 02.12)

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### 8.5. Voiceitt Makes Alexa Accessible for People with Disabilities

Voiceitt announced that people with speech impairments will be able to use the Voiceitt mobile app to access and interact with Amazon's Alexa. Voiceitt was founded with the mission to apply its machine learning and speech recognition technologies to help people with speech disabilities relating to stroke, degenerative disease, or developmental disorders communicate and be understood. Supported by $15 million in government grants, corporate prize competitions and equity investment, Voiceitt built its speech recognition algorithms and expansive voice database by learning from people with atypical speech.

Leveraging the growing popularity of voice services and smart speakers, Voiceitt recognized the opportunity to expand its technology offering to facilitate not only in-person communication but also interaction with voice activated and controlled devices. Voice services, like Alexa, and smart home devices have increasingly demonstrated their ability to help people with disabilities rely less on the people around them. However, commercially available solutions do not always work well for people with speech impairments who may need them the most.

Voiceitt's first commercial product is a mobile app that facilitates in-person communication for people with severe speech impairments. It has been validated in several languages and with a wide variety of underlying conditions affecting speech. When the Voiceitt app is downloaded on a mobile device, Voiceitt offers an intuitive and highly personalized onboarding experience designed to accommodate the unique needs of consumers with dexterity or mobility impairments. Voiceitt is providing its product to a limited number of organizations and individuals through its Community Release, a program it launched in preparation for its commercial product launch in Q1/21.

Founded in 2012, Ramat Gan's Voiceitt's mission is to increase independence and quality of life for people with speech and motor disabilities. Its proprietary automatic speech recognition (ASR) technology enables people with speech impairments to access voice-activated smart assistants and to communicate and be understood by voice. (Voiceitt 03.12)

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### 8.6. Ibex Medical Analytics Partners to Improve AI-Powered Breast Cancer Detection

Ibex Medical Analytics and Institut Curie, France's leading cancer center, announced a research partnership aimed at improving diagnosis of breast cancer with AI. This research partnership, the first of its kind, will include a rich dataset of breast biopsy slides, digitized using a digital pathology scanner and analyzed for cancer detection by Ibex's Galen Breast solution. Independently, multiple pathologists from Institut Curie will diagnose the slides, followed by blinded analysis of the AI-solution's performance. Galen Breast, the first AI solution used for detection of breast cancer in pathology, was developed utilizing state-of-the-art AI and machine learning techniques, and trained on hundreds of thousands of image samples. The solution is already deployed at the pathology institute of Maccabi Healthcare Services, Israel's second largest HMO, where it is used as a second read application.

Tel Aviv's Ibex uses AI to develop clinical-grade solutions that help pathologists detect and grade cancer in biopsies. The Galen Prostate and Galen Breast are the first-ever AI-powered cancer diagnostics solutions in routine clinical use in pathology and deployed worldwide, empowering pathologists to improve diagnostic accuracy, integrate comprehensive quality control and enable more efficient workflows. Ibex's solutions are built on deep learning algorithms trained by a team of pathologists, data scientists and software engineers. (Ibex 03.12)

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### 8.7. OTV Announces Close of $170 Million Venture Fund for Digital Health Growth

OTV (formerly Olive Tree Ventures), Israel's 'digital health first' venture capital firm, announced the closing of a fund with a total value of $170 million. OTV also announced their new name and the appointment of a new Head of Asia Pacific to spearhead the fund's expansion into the region's market.

OTV is the only venture capital fund in Israel whose primary focus is digital health, specializing in supporting their portfolio companies reach maturity, refine execution, tackle regulatory hurdles and ensure a global imprint on validated products. Over the course of the past five years, OTV has prioritized investment in digital health companies that develop cutting-edge solutions to today's most pressing healthcare problems. OTV's portfolio includes some of the world's highest-profile digital health leaders, including TytoCare, Lemonaid Health, Emedgene, Scopio and Donisi Health.

OTV (formerly Olive Tree Ventures) is Israel's only 'digital health first' venture capital fund. Founded in 2015, OTV specializes in guiding digital health startups through go-to-market strategies as well as late-stage funding rounds and facilitating their global expansion through M&A and IPO. OTV is committed to investing in innovative digital health startups focused on providing tech solutions which strengthen the world's health and wellbeing infrastructure. (OTV 03.12)

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### 8.8. Sol-Gel Gets FDA Acceptance for Twyneo for the Treatment of Acne Vulgaris

Sol-Gel Technologies announced that its New Drug Application (NDA) for Twyneo (benzoyl peroxide and tretinoin), an investigational proprietary fixed-dose combination of 3% encapsulated benzoyl peroxide and 0.1% encapsulated tretinoin cream for the treatment of acne vulgaris, has been accepted for filing by the U.S. FDA.

The NDA filing is based on two positive pivotal Phase 3 randomized, double-blind, multicenter, 12-week, clinical trials that evaluated the safety and efficacy of Twyneo compared to vehicle in patients 9 years of age and older with moderate-to-severe acne vulgaris (N = 858). In both trials, Twyneo demonstrated statistically significant improvement in all co-primary endpoints in the treatment of patients with acne vulgaris of (i) the proportion of patients who succeeded in achieving at least a two grade reduction from baseline and Clear (grade 0) or Almost Clear (grade 1) at Week 12 on a 5-point Investigator Global Assessment (IGA) scale, (ii) an absolute change from baseline in inflammatory lesion count at Week 12 and (iii) an absolute change from baseline in non-inflammatory lesion count at Week 12. The most common adverse events were local reactions, such as pain, dryness, exfoliation, erythema, dermatitis, pruritus and irritation, with nearly all adverse events (AEs) being mild or moderate in severity and no treatment-related serious AEs.

Acne vulgaris is a multifactorial disease that is often treated with a combination of drugs. Twyneo combines two active ingredients that have a complementary mechanism of action in a compelling once-daily treatment.

Ness Ziona's Sol-Gel is a clinical-stage dermatology company focused on identifying, developing and commercializing branded and generic topical drug products for the treatment of skin diseases. Sol-Gel leverages its proprietary microencapsulation technology platform for the development of Twyneo (benzoyl peroxide and tretinoin) cream, under investigation for the treatment of acne vulgaris, and Epsolay, under investigation for the treatment of papulopustular rosacea. (Sol-Gel 07.12)

## 9. ISRAEL PRODUCT & TECHNOLOGY NEWS

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### 9.1. PointMe Enables Pointing and Clicking in the Physical World

Founded in 2019, Beer Sheva's PointMe is transforming the way we interact with objects around us in the physical world. PointMe, a portfolio company of Incubit Ventures, Elbit Systems' deep-tech incubator, developed a solution that is based on an innovative LBS (localization based services) technology which can transform any object in the physical world into a clickable one - billboards, screens, buildings, statues, restaurants and more.

In consequence, consumers will be able to enjoy a new kind of online customer experience, pointing and clicking with their mobile device to interact with objects in the real world. Service providers using the PointMe solution benefit from deeper customer engagement, accurate data analytics, and novel guiding capabilities. The solution can be used in various industries and applications, chief among them: retail, OOH (out of home) advertisement, smart cities, access control (entering parking lots, toll roads), museums, etc.

The company is currently conducting a POC with a European leading museum, jointly with AcousticGuide, an award winning provider of interpretive services for immersive content and multimedia solutions, working with over 600 tourist attractions worldwide such as the Statue of Liberty, The Metropolitan Museum of Art, the Tower of London and many more. Partnering with PointMe will enable AcousticGuide to offer various clients more solutions, such as auto-trigger, video synchronization, navigation and positioning. It will also enable AcousticGuide and PointMe additional fields of activity such as sports stadiums, trade shows, as well as merchandise purchasing (pre-, during, and post visit). (PointMe 02.12)

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### 9.2. Deci Collaborates with Intel to Achieve 11.8x Accelerated Inference Speed at MLPerf

Deci announced its inference results that were submitted to the open division of the MLPerf v0.7 inference benchmark (full results here). On several popular Intel CPUs, Deci's AutoNAC (Automated Neural Architecture Construction) technology accelerated the inference speed of the well-known ResNet-50 neural network. It reduced the submitted models' latency by a factor of up to 11.8x and increased throughput by up to 11x - all while preserving the model's accuracy within 1%.

According to MLPerf rules, Deci's goal was to reduce the latency, or increase throughput, while staying within 1% accuracy of ResNet-50 trained on the Imagenet dataset. Deci's optimized model improved latency between 5.16x and 11.8x when compared to vanilla ResNet-50. When compared to competing submissions, Deci achieved throughput per core that was three times higher than models of other submitters. MLPerf gathers expert deep learning leaders to build fair and useful benchmarks for measuring training and inference performance of ML hardware, software, and services. The models submitted were optimized using Deci's AutoNAC technology and quantized with Intel's OpenVINO to 8-bit precision.

Givatayim's Deci is ushering in a new AI paradigm by using AI to build and operate AI models. Deci's deep learning platform enables data scientists to transform their AI models into production-grade solutions on any hardware, crafting the next generation of AI for enterprises across the board. Deci's proprietary AutoNAC (Automated Neural Architecture Construction) technology autonomously redesigns an enterprise's deep learning models to squeeze the maximum utilization out of its hardware. (Deci 01.12)

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### 9.3. Nova Introduces a New Breakthrough Materials Metrology Platform

Nova announced the launch of Nova ELIPSON, a revolutionary materials metrology solution. The new in-line standalone metrology platform is designed to measure materials properties such as stress, strain and surface for both Memory and Logic applications. Built from the ground up, combining breakthrough capabilities, Nova ELIPSON delivers new materials information and characteristics unmatched by any other in-line materials metrology system. Nova ELIPSON is already installed at several customer sites and the Company expects to recognize initial revenue in Q4/20.

Nova ELIPSON utilizes advanced Raman Spectroscopy technology for Optical Materials Metrology (OMM) to extract materials properties of in-die structures by fast and non-destructive means. Since its discovery, Raman Spectroscopy has been increasingly adopted for research and diagnostics in laboratory environments.  However, the exceptionally tight requirements on accuracy, stability, and reliability prevented adoption in semiconductor fabrication facilities.  Nova has taken this technology to the next level, offering high metrology performance, field-proven reliability and an advanced algorithm suite, making this versatile metrology solution highly suitable for in-line high-volume manufacturing.  Nova ELIPSON has been demonstrated on a rich portfolio of applications across all semiconductor segments.

Rehovot's Nova is a leading innovator and key provider of metrology solutions for advanced process control used in semiconductor manufacturing.  Nova delivers continuous innovation by providing state-of-the-art high-performance metrology solutions for effective process control throughout the semiconductor fabrication lifecycle.  (Nova 01.12)

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### 9.4.  New Orbotech Flex PCB Manufacturing Enables Advanced Electronics

Orbotech announced two new roll-to-roll (R2R) manufacturing solutions for flexible printed circuit (FPCs), enabling the design and mass production of new generations of electronic devices, including 5G smartphones, advanced automotive and medical devices.  Orbotech's innovative roll-to-roll solutions for direct imaging (DI) and UV laser drilling overcome many of the yield, throughput and quality challenges inherent in flex material manufacturing.  Leveraging newly developed and field-proven technologies, the solutions facilitate high quality, cost-effective mass production of ultra-thin flexible printed circuits that are critical in advanced electronics.

The two new series of solutions are the drum-based Orbotech Infinitum for R2R direct imaging, and the Orbotech Apeiron for flex R2R and sheet-by-sheet panel UV laser drilling.  New and future advanced electronics with their light weight, smaller form factor and higher functionality increasingly employ delicate flex materials.  Both of Orbotech's new solutions optimize the handling of the most delicate flex materials during direct imaging or UV laser drilling and provide more flexibility to increase production with options for roll widths of 260mm and up to 520mm.

Yavne's Orbotech, a KLA company, is a leading global supplier of yield-enhancing and process-enabling solutions for the manufacture of electronics products.  Orbotech provides cutting-edge solutions for use in the manufacture of printed circuit boards (PCBs), flat panel displays (FPDs) and more.  Orbotech's solutions are designed to enable the mass production of innovative, next-generation electronics and improve the cost effectiveness of existing and future electronics production processes.  (KLA Corporation 01.12)

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### 9.5.  Rookout’s Debugging Platform Brings Server Performance Metrics to Developers

Rookout announced it will bring server performance metrics directly into the debugging workflow for the first time.  Traditionally, telemetry related to CPU spikes, memory leaks, and disks filling up were prioritized solely by IT Operations teams using traditional monitoring and APM tools.  However, with the shift-left DevOps movement, it’s critical that software developers understand how their code is impacting production and that they care about metrics such as uptime.

The idea for a more seamless debugging workflow came back in February, at the AppDynamics global event Transform 2020.  It was there that Rookout announced a formal integration with AppDynamics called Deep Code Insights, which allowed IT Operations teams to notice a performance issue, such as a CPU spike or memory leak, and then leverage Rookout’s technology to click directly into the application code, in order to pinpoint and diagnose the root cause.

Tel Aviv's Rookout is a live debugging solution that provides an unparalleled ability to collect any piece of data, from the deepest levels of live code, on-demand.  This empowers engineers to find the data they need instantly and deliver it anywhere, in order to understand and advance their software.  With Rookout, software teams save hours of work and reduce debugging and logging time by 80% — with zero friction, overhead or risk. (Rookout 07.12)

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### 9.6. New Sensil WaterCare Conserves Water and Reduces Pollution

The traditional textile dyeing wet process is a water-intensive operation that often relies on century-old technology that guzzles water and energy. Some 20% of global industrial water pollution can be attributed to textile dyeing and treatment. New Sensil WaterCare offers water-conscious brands, retailers, and consumers a more sustainable choice to conserve precious resources and reduce water pollution, all while enjoying apparel that is as richly beautiful as it is responsible.

NILIT, a global leader in sustainable premium Nylon, introduces Sensil WaterCare as part of the company's comprehensive Planet Promise textile sustainability commitment. Sensil WaterCare is pre-dyed so fabric and apparel makers can save 100% of the water, energy, and chemicals involved in the traditional coloration process. Plus, Sensil WaterCare significantly reduces processing time, water treatment costs, and the risk of pollution to rivers, lakes, and oceans.

New Sensil WaterCare is spun-dyed. Environmentally responsible pigments such as charcoal and coffee bean shells, among others, offer sustainable coloration that reflects the natural world. Color is embedded in the yarn as it is produced resulting in exquisite, uniform color depth and luster that won't wash out, even at high temperatures. Garments resist fading so they last longer and dyes do not wash out in the laundry.

Migdal HaEmek's NILIT is a leading global producer of premium, sustainable Nylon 6.6 fashion and performance fibers. Sensil is NILIT's sustainable premium Nylon 6.6 brand for apparel. Crafted by masters of precision, it is the new standard of quality for intimate apparel, legwear, activewear, denim, outdoor wear, and other products. (NILIT 08.12)

## 10. ISRAEL ECONOMIC STATISTICS

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### 10.1. Israel's Composite State of the Economy Index for October 2020 Increased by 0.06%

The Bank of Israel's Composite State of the Economy Index for October remained stable (an increase of just 0.06%), compared with the persistent increases in the months following the first lockdown. This change attests to the effect of the tightening of the second lockdown on economic activity. The second lockdown, which began in mid-September as a "breathing lockdown", was tightened toward the end of September, and continued as a full lockdown until mid-October. The gradual exit from the lockdown began on October 18. Since most of the data for compiling the Index are obtained with a lag, the index for October still does not reflect most of the change in economic activity resulting from the second lockdown. The stability of the Composite Index in October reflects an increase in two of the Index's components, a decline in two others - particularly in consumer goods imports - and stability in the remaining three components that were reported for September–October.

A revision of the data for previous months shows that economic activity between May and September was significantly greater than previously reported, and that in the third quarter as a whole, there was an increase in activity. These revisions are due to the Central Bureau of Statistics' return to calculating seasonally adjusted data for most series, and to the built-in statistical smoothing in the calculation of the Index.

In view of the uniqueness of the crisis and the resulting measurement difficulties, the intensity of the changes in the Index should not be used as an indicator of the precise intensity of changes in economic activity, and particularly not regarding the relative intensity between various months. )BoI 26.11)

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### 10.2. Bank of Israel's Foreign Exchange Reserves Increase in November 2020

Israel's foreign exchange reserves at the end of November 2020 stood at $166.948 billion, an increase of $6.2 billion from their level at the end of the previous month. The reserves represent 41.9% of GDP. The increase was the result of foreign exchange purchases by the Bank of Israel totaling $1.867 billion and a revaluation that increased the reserves by approximately $4.324 billion. There were also private sector transfers of approximately $109 million. In contrast, the increase was partly offset by government transfers to abroad totaling approximately $100 million. (BoI 07.12)

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### 10.3. Israel Named Best Country in World for Women Entrepreneurs

The 2020 Mastercard Index of Women Entrepreneurs Has named Israel as the best country in the world for women entrepreneurs. The report found that Israel is a prime example of gender-specific support mechanisms having swift and significant results. Israel was in fourth place in 2019, but its recent success was driven by a focused institutional backing for SMEs, as well as a concerted effort to double the number of female entrepreneurs.

The report also said that Israeli women are more driven (by 2.3% on average) than Israeli men to pursue business opportunities and gain independence and economic self-reliance. The coronavirus pandemic has impacted businesses all over the world, and women have been disproportionately impacted, according to the MIWE. The disproportionate damage done to women in the workforce can be seen in Israel in unemployment rates, according to the report. Despite nearly equal numbers of men and women in Israel's workforce, 56% of the newly unemployed during the pandemic were women. This disproportionate impact on women is partially due to their overrepresentation in the hardest hit sectors; the digital gender gap that is particularly impactful as the pandemic increased virtual activity; and childcare responsibilities that have also been intensified by the pandemic.

However, the MIWE also reported that women in business are successfully adapting to new circumstances despite "extensive barriers to success. The index draws on data from organizations like the OECD and the International Labor Organization to highlight the socio-economic contributions of women entrepreneurs around the world, which it says are vast. (JP 24.11)

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### 10.4. OECD Sees Israel's Economy Recovering Only in 2022

The OECD's latest economic forecast sees Israel's economy contracting 4.25% in 2020, with only 2.25% growth in 2021 and 4.25% growth in 2022. While the expected contraction this year is in line with Bank of Israel and Ministry of Finance forecasts, both are predicting 5% growth next year. In explaining its forecast, the OECD says, "Growing unemployment and the likelihood of a rise in insolvency cases following the second lockdown will weigh on the recovery in consumption and in investments despite government support for households and businesses."

The OECD's forecast takes into account a slower recovery of the economy from the second lockdown than from the first. The OECD sees external demand and exports picking up in the second half of 2021 when the impact of the Covid-19 vaccination begins to take effect. Unemployment will continue falling but will remain at higher levels that before the crisis through to the end of 2022.

The OECD added that macroeconomic policies must remain supportive and prepared for changing circumstances. Extending exceptional supportive means through to mid-2021 would be most welcomed and received but must also be back up by training and assistance seeking employment that will help the unemployed move to new jobs. Increased investment in infrastructures and early childhood education can strengthen the recovery and help in reducing socio-economic gaps. (Globes 01.12)

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### 10.5. Israeli Startups Raised over $900 Million in November

IVC-ZAG announced that Israeli startups raised over $900 million in November. The figure may actually be higher as some companies prefer to remain in stealth and sometimes do not publicize the investments they have received. November's high figure follows the record one-month raise of over $1.1 billion in September by Israeli startups, which was the first time that more than $1 billion was raised in a single month.

Israeli tech companies raised $8 billion in the first nine months of 2020, according to IVC-ZAG, nearly equaling the record $8.3 billion raised in 2019, which easily surpassed the record $6.4 billion raised by Israeli tech companies in 2018, and $5.24 billion in 2017. 2020 began strongly with $5.25 billion raised in H1/20. November's returns of over $900 million raised by startups already surpasses last year's record amount, despite the COVID-19 crisis. In some instances, financing rounds by tech companies that facilitate remote working and healthcare and cybersecurity, have been boosted rather than hampered by the pandemic.

Three companies were responsible for more than half of the amount raised in November. Cybersecurity company SentinelOne raised $277 million, enterprise network and security company Cato Networks raised $130 million, and ecommerce fraud detection company Forter raised $125 million. There were other major financing rounds from AI-based transcription and captioning company Verbit, which raised $60 million, Percepto Autonomous Solutions, which raised $45 million, and data driven telemedicine company K Health, which raised $42 million. (Globes 01.12)

## 11. IN DEPTH

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### 11.1. JORDAN: Moody's Affirms Jordan's B1 Ratings, Maintains Stable Outlook

On 26 November, Moody's Investors Service affirmed the Government of Jordan's B1 issuer and senior unsecured ratings and maintained the stable outlook.

The coronavirus shock has aggravated Jordan's credit challenges, in particular the government's elevated debt burden and social pressures stemming from weak growth and high unemployment. However, the decision to affirm the ratings takes into account credit supports such as the government's sustained commitment to economic reforms and to medium-term fiscal consolidation, namely in the context of the new IMF program. Furthermore, it reflects the broad-based international commitment to support Jordan's economic, financial and social stability agenda through budgetary grants and concessional lending, and the pre-pandemic structural improvements in Jordan's current account, which reduced its external vulnerability.

The stable outlook reflects Moody's expectation that government debt (excluding liabilities to the state-owned Social Security Investment Fund, SSIF) will peak below 90% of GDP in the next few years, mainly as a result of expenditure control, improvements in tax compliance and administration, and gradually improving growth dynamics. The stable outlook recognizes downside risks that the government's fiscal consolidation efforts may fall short of eventually reversing the debt increases expected in 2020-21, possibly due to higher spending in response to increased social pressure. However, the stable outlook balances those downside risks against longer-term upside risks to growth, which could accelerate more than Moody's currently assumes as a result of the ongoing structural reforms. It also takes into account Jordan's institutional capacity and demonstrated track record of implementing large fiscal adjustments in the past, notwithstanding fiscal slippage during 2018-19.

Jordan's country ceilings are unchanged. The foreign currency bond ceiling remains at Ba1/NP, the foreign currency deposit ceiling at B2, and the long-term local currency bond and deposit ceilings at Ba1.

**RATINGS RATIONALE: Rationale for Affirming the B1 Ratings**

**Coronavirus Shock Amplified Long-Standing Credit Challenges**

Jordan's long-standing credit challenges, including high government debt and social pressures stemming from weak growth and high unemployment, have been aggravated further by the coronavirus shock. Moody's expects that in the coming years these challenges will continue to constrain Jordan's creditworthiness, although the government's commitment to structural reforms, its medium-term fiscal consolidation plan, and the steady international support for Jordan offer a prospect that many near-term negative trends will reverse over the next few years.

Moody's expects that Jordan's economy will contract by around 3% in 2020. Although this will be the first contraction in more than three decades, it comes on the heels of already subdued growth of only 2% during 2015-19, which was significantly below the population growth rate and insufficient to arrest a steady rise in unemployment. The unemployment rate had breached 19% even before the coronavirus shock, spiking to 23% during the second quarter of 2020 and Moody's estimates that youth unemployment is close to double that figure.

Moody's also expects that weak growth, a contraction in imports and increased spending to accommodate higher health costs related to the pandemic will lead to a significant widening of the fiscal deficit in 2020 to around 8.6% of GDP (including the central government deficit and the net financing needs of state-owned electricity and water utility companies) from 6% of GDP in 2019 and will push up government debt to nearly 87% of GDP (excluding SSIF holdings of central government debt) from 78% of GDP in 2019. Including all central government debt, the ratio will likely increase to around 109% of GDP from 97.4% of GDP in 2019.

**Structural Reforms Implementation to Lift Jordan's Growth Potential**

Near-term growth and fiscal risks are skewed to the downside in view of a second wave of the pandemic, which gathered momentum in September and saw a very significant increase in new daily cases in Jordan compared to a very subdued first wave. However, Moody's expects that Jordan's recovery during 2021-22 and its growth trend in the medium-term will benefit from the ongoing implementation of the government's comprehensive economic reform agenda and could lift the potential growth rate by at least one percent relative to the pre-pandemic average.

The structural reform agenda, dubbed the Five-Year Reform Matrix, was launched in early 2019 and is focused on reducing the cost of doing business, strengthening governance and regulatory predictability, increasing labor market flexibility while also encouraging formality and gender equality, improving access to credit, and enhancing the overall competitiveness and efficiency of Jordan's private sector. Nearly half of all 256 regulatory and legislative reforms planned under the Reform Matrix have already been implemented and Jordan's progress has been captured by its large jump in the World Bank's 2019 Doing Business Report to 75th from 104th place (out of 190 countries) with the prospect of stronger growth trend, enabled by these reforms, supporting medium-term fiscal consolidation.

**New IMF Program Anchors Medium-Term Fiscal Adjustment**

The new four-year arrangement under the IMF's Extended Fund Facility, which was signed in late March 2020 at the expiration of the previous program, provides an effective policy anchor that will support the government's implementation of structural reforms and the fiscal adjustment planned for the next four years. The program was updated in May, in the context of Jordan's request for additional funding under the IMF's Rapid Financing Instrument to accommodate additional spending and policy constraints due to the pandemic, and in late October the government and the IMF reached a staff-level agreement on the first review of the program.

The program is aimed at stabilizing the government's debt-to-GDP ratio in the next couple of years and reducing it below 80% of GDP (excluding SSIF holdings) by 2024-25 through a combination of expenditure control, improvements in tax administration and tackling of tax evasion and tax avoidance, and through enhancing efficiency of public spending.  To this end the government has already taken a number of policy actions, including a cabinet decision to prohibit the use of treasury cash resources other than for budgeted allocations, a temporary freeze on public sector wage increases, introduction of a single window for customs clearance to eliminate loopholes, the launch of a major anti-tax evasion campaign during 2020, and passage of the new Public-Private Partnership Law and the new Public Investment Management framework.

**International Support Helps to Mitigate Government Liquidity and External Vulnerability Risks**

Moody's expects Jordan to continue benefitting from strong and broad-based international donor support in the coming years.  This support derives from Jordan's unique geopolitical position in a volatile region and has come in the past mainly in the form of budgetary grants (averaging around 3% of GDP in the past five years) and bilateral and multilateral concessional lending (constituting around 50% of the government's total external debt in 2019).  Jordan has also been the recipient of extra-budgetary aid, including technical assistance grants and project-based assistance related to its hosting of a large number of Syrian and other refugees.

While budgetary grants will support the government's fiscal position (accounting for more than 10% of total government revenue in 2019), Moody's also expects that the budget-support loan disbursements in the pipeline for 2021 will more than cover next year's scheduled redemptions of government external debt ($1.6 billion), reducing government liquidity risk and contributing to the funding of next year's current account deficit.

Although the coronavirus shock has led to a sharp drop in Jordan's tourism revenues and has contributed to a large current account deterioration during 2020, this deterioration follows a significant structural current account improvement during the past two years.  Jordan's current account deficit narrowed to 2.7% of GDP in 2019 from 10.6% of GDP in 2017, despite an increase in oil prices during the same period.  Moody's expects that this structural improvement, driven by a decline in imports but mainly strong growth in exports, will re-emerge over the next couple of years with the recovery of global demand, including eventually in the tourism sector, and support a reduction of Jordan's current account deficit towards 4% of GDP by 2022 from an expected 6.5% of GDP in 2020.

**Rationale for the Stable Outlook**

The stable outlook balances the risk that the government's fiscal consolidation efforts fall short of eventually reversing the debt increases expected in 2020-21 against longer-term upside risks to growth.  A weaker implementation of the planned fiscal adjustment than Moody's currently expects could result from higher nominal spending increases in response to rising social pressures.  The upside growth risks, relative to Moody's baseline scenario in which trend growth accelerates to around 3% in 2022-25 from 2% during 2015-19, stem from the potential that would be unlocked by the ongoing structural economic reforms.

Reducing government debt below 80% of GDP by 2024/25 implies a cumulative fiscal adjustment of around 5% of GDP.  While an adjustment of this size is very ambitious and undoubtedly subject to implementation risks in the context of Jordan's existing social pressures, Jordan has a track record of implementing similar large adjustments, namely during 2005-16 when it reduced central government spending by around 10% of GDP.  This spending reduction in turn helped to reduce government debt to less than 60% of GDP in 2010 (excluding SSIF holdings) from 74% of GDP in 2005 and nearly 100% in 2000.

**Environmental, Social & Governance Considerations**

Jordan is exposed to environmental risks because of the country's inadequate water supplies due to high population growth (including the influx of refugees in recent years), an ongoing depletion of nonrenewable groundwater aquifers, and a very hot and arid climate with limited rainfall, a situation that is likely to be exacerbated by the impact of climate change.  Water scarcity remains an important problem and will require public investment into water infrastructure to reduce significant technical losses during water transmission, and increase the use of reclaimed water through building of wastewater treatment plants. The current per capita water supply in Jordan is only around 200 cubic meters per year which is close to one-third of the global average.

Social risks mainly relate to high unemployment, which increased to 23% as of the second quarter of 2020). Popular protests occurred during 2018-19, partly in response to fiscal consolidation reforms, including fuel and electricity price hikes, low and stagnant wages and lack of employment opportunities. Furthermore, the large influx of refugees from neighboring countries over the past decade has increased Jordan's population by 35%, putting strain on infrastructure, public services, and the labor market.

Governance risks in Jordan are relatively contained, reflecting the country's ranking in the 50-60th percentile amongst Moody's rated sovereigns on institutional governance factors, as measured by the Worldwide Governance Indicators included in Moody's methodological scorecard, and the government's relatively strong track record of reform implementation and fiscal policy effectiveness. (Moody's 26.11)

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### 11.2. JORDAN: Jordan’s 2021 Budget is a Harbinger of Worse Things to Come

Al-Monitor said that the Jordanian government approved the 2021 draft state budget and the draft law governing the budgets of independent public institutions on 28 November and referred them to the newly elected parliament for debate and approval. King Abdullah II issued a decree on 2 December calling on the legislature to meet in an extraordinary session beginning on 10 December. Lawmakers are expected to dedicate most of their upcoming sessions to discussing the draft state budget, which is expected to pass.

In a press conference held on 30 November, Minister of Finance Mohamad Al-Ississ said the $11.1 billion budget will be primarily financed from an estimated $10.29 billion in public revenue with a deficit of $2.89 billion after foreign aid — expected to be around $798 million. Ississ added that projected public expenditure for 2021 will be around $13.2 billion, an increase of 6% compared with the 2020 budget.

The minister said that public payrolls (civic and military) and pensions comprise nearly 65% of the state’s 2021 spending, while public debt service will have a 17% provision. Capital spending is forecast at $1.66 billion, up by 24.5% from the 2020 budget. Independent government institutions will have a deficit of $828 million. Ississ said the government will not increase current tax rates or introduce new ones, but he said he expected the gross domestic product (GDP) to grow by 2.5% compared to a negative growth of 5% this year. A sum of $232.7 million has been provided to finance health care costs to fight the coronavirus.

Business editor at the daily Addustour Khaled al-Zubaidi said the draft budget law raised more questions than answers and lacked transparency. He told Al-Monitor that the increase in current and capital expenditures by 6% compared to last year cannot be justified. “The devastating effects of the coronavirus on the economy should have urged the government to be more prudent in its expenditure so as to rein in the budget deficit and reduce public debt, which is now projected to jump to 112% of the GDP,” Zubaidi said. “The increase in capital expenses is a positive thing only if we know where the money is going and how productive these projects will be,” he said. “In past budgets, funds provided for capital expenses were transferred to current expenses provisions, thus failing to create new projects."

Economic analyst Adli Qandah wrote in the daily Al-Ghad on 2 December that the new state budget will only add to the kingdom’s economic woes next year. He said the proposed budget offers no solutions to the spike in poverty and unemployment rates, nor does it help those who had to close their businesses as a result of the lockdowns this year. “The government is competing with the private sector for bank loans and social security funds as it relies heavily on domestic borrowing,” he said. “The government is expected to borrow $6.6 billion locally in 2021.”

Qandah said the interest on debt will rise to reach $2.1 billion next year, which is one-fifth of the public revenue. New capital investments set in the new budget are modest in size at a time when much more is needed to stimulate a struggling economy, he said. “Public expenditure constitutes 88% of the total budget, and that is a staggering figure that points to a nonproductive economy."

It is worth noting that the unemployment rate had risen to 23.9% in the third quarter of this year — an increase of 4.8% from the same quarter of last year. Another indicator of a sluggish economy is the decrease in government revenues from taxes on oil products by 25.5% by the end of September compared to the same period of last year. (Al-Monitor 08.12)

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### 11.3. UAE: Breakfast Cereals Market Growth, Trends and Forecasts

The "United Arab Emirates (UAE) Breakfast Cereals Market - Growth, Trends, and Forecasts (2020 - 2025)" report has been added to ResearchAndMarkets.com's offering.

ResearchAndMarkets believes the United Arab Emirates breakfast cereal market is growing at a CAGR of 2.8% during the forecast period (2020 - 2025). The growth of the market is mainly driven by the changing food habits and influence of western culture on dietary patterns of consumers, as it provides a convenient solution to readily accessible food that optimizes the ease of consumption without further preparation.

Also, an increase in health awareness among people globally, making consumers preferring towards highly nutritious food on a regular basis is further fueling the market. Also, the robust growth of convenience stores that promotes brand visibility is driving the growth of the breakfast cereals market. However, the market is stagnated due to the consumer's equal inclination toward traditional breakfast foods, which is therefore restraining the growth of the market.

**Key Market Trends**

**Rising Demand for Convenience Food in the Region:** The demand for convenience food is growing at a faster pace due to changes in social and economic patterns, as well as an increase in urbanization, buying power and awareness on healthy foods, changes in meal patterns and existing food habits, and desire to taste new products. They are becoming extremely popular, especially among working-class people, teenage children, people living in hostels, bachelors and so on.

Furthermore, recent innovations have led to the use of many traditional technologies like fermentation, extraction, encapsulation, fat replacement and enzyme technology to produce new healthy breakfast cereals products and reduce/remove undesirable food components and add specific nutrients.

**Convenience Stores Sales to Drive the Regional Market:** Convenience stores led the sale with a value share of 40%, which is followed by supermarkets/hypermarkets. Online retail sale constitutes a very small share in the market but is growing at a steady rate. Organic, natural and health claim on breakfast cereals offer a potential future for baked products. Furthermore, the expansion of retail distribution channels is another factor for rising sales in rural and tier-II cities. However, increased competition from artisanal, food service offering varieties of fresh breakfast affected the packaged breakfast cereals market sale in the region.

**Competitive Landscape**

The UAE breakfast cereals market is highly fragmented, owing to the presence of large regional and domestic players in different countries. Emphasis is given on the merger, expansion, acquisition and partnership of the companies along with new product development as strategic approaches adopted by the leading companies to boost their brand presence among consumers. Key players dominating the UAE market include Bobs Red Mill, Nestle, and Keya Foods, among others. (R&M 02.12)

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### 11.4. OMAN: Fiscal Plan Faces Large Implementation and Funding Risks

On 2 December, Fitch Ratings noted Oman's economy and public finances are likely to underperform significantly against the fiscal consolidation targets set out in the government's new medium-term fiscal plan (MTFP). Partly as a result, we expect asset drawdowns and external support to play an important role in assuring the country's continued smooth funding.

Many of the policies set out in Oman's new MTFP are in line with the assumptions that we made when we downgraded Oman's rating to 'BB-' from 'BB' with a Negative Outlook in August 2020. These include the introduction of VAT, income tax and subsidy reform.

Nonetheless, we expect the fiscal deficit to double to 18% of GDP this year, narrowing only to 7% of GDP by 2024. This is a more pessimistic outlook than that in the MTFP, which projects a deficit of 2% of GDP by 2024, with non-oil revenue 23% higher than our forecast in 2024 and oil revenue 12% greater.

The divergence appears to be driven primarily by more optimistic economic assumptions. The MTFP projections imply a nominal GDP of about OMR32 billion in 2024 – 10% above our forecasts. By contrast, the plan's oil price expectations appear close to our long-term Brent oil price assumption of $53/bbl.

We believe there is a real prospect for substantial fiscal reform under Sultan Haitham; the new VAT law, for example, was published in October 2020 and will take effect in April 2021. Nevertheless, the security and social stability concerns that constrained fiscal consolidation in the past remain, and there remains a risk that the authorities will not be able to carry out in full the rapid, large-scale reforms envisaged.

We estimate that large fiscal deficits and a steep maturity schedule will keep government funding needs at about $14 billion per year in 2020-2022 and $8 billion per year in 2023-2024. We believe this will be too large to meet with market issuance, domestic funding or asset drawdowns alone, given the weakened state of Oman's balance sheet. We see Oman's government debt rising to nearly 80% of GDP and Sovereign Net Foreign Assets (SNFA) dropping to -16% of GDP in 2020. Net issuance remains small so far this year; most of the recent $2.5 billion international bond issue was used to repay an earlier bridge loan.

More explicit support from Oman's allies will be important for its access to debt market. We expect this to be forthcoming. Recent unconfirmed media reports of a $1 billion deposit from Qatar in the Central Bank of Oman (CBO) followed an increase in CBO's external liabilities and earlier reports of high-level discussions between Oman, Qatar and Kuwait. Like Bahrain, Oman also received commitments of $10 billion in grants for development projects in 2011 from other GCC countries, and has so far used only $1.8 billion from Kuwait and less than $100 million from Saudi Arabia. In addition, partners outside the GCC could have a role to play. Most of the debt maturities in 2022, for example, relate to a syndicate of Chinese banks and could be rolled over, in our view.

We expect asset drawdowns will be more important to funding than assumed in the MTFP. The government still has some usable foreign assets to help it survive a period of restricted market access, despite negative SNFA. These are primarily the foreign assets of the former State General Reserve Fund, which stood at $16 billion in April 2020. CBO foreign reserves were steady at $17 billion in September, but these are important to sustain confidence in the country's US dollar exchange-rate peg, which may limit the authorities' ability to use them as a funding source. (Fitch 02.12)

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### 11.5. TURKEY: A Difficult Cycle Exacerbating Growth & Presenting Monetary Challenges

Bank Audi observed that 2020 has been a tough year for Turkey amid negative real output growth, worsening external vulnerabilities, eroding fiscal buffers and rising financial risks amid a partial depletion of foreign exchange reserves, negative real interest rates, and a sizeable current account deficit, partly fueled by a strong credit stimulus. In its World Economic Outlook issued in mid-October, the IMF has forecasted real GDP growth at -5%, mainly driven by the first half real sector weaknesses, bearing in mind that conditions improved in the second half-year as witnessed by the partial recovery of a number of real sector indicators since the third quarter, such as capacity utilization, industrial output, manufacturing PMI and cars sales.

**Current account swinging back into deficit in 2020**

The increasing current account imbalance amid currency pressures have raised Turkey's overall external vulnerability in 2020. In fact, the current account deficit reappeared noticeably between March and August this year, through mainly a considerable deterioration in trade deficit, on the back of the collapse in global demand, which took a toll on Turkey's merchandise trade, along with a net contraction in tourism receipts amid ongoing global mobility restrictions as a result of COVID-19. As such, the current account balance is likely to post a deficit of 3.7% of GDP in 2020, against a surplus of 1.5% of GDP in 2019.

**Fiscal imbalances growing amid pandemic challenges**

Turkey's fiscal imbalances, financed mostly through domestic borrowing, have grown rapidly between March and September this year when the effects of the pandemic peaked. That being said, the central government budget deficit (on a cash basis) has increased by 39.9% over the first ten months of 2020, reflecting sluggish economic activity and moderate counter-cyclical fiscal measures. Within this context, the general government budget deficit to GDP is projected to exceed 7% in full-year 2020, the highest since 2003, up from 5.6% in 2019.

**Currency depreciation amid dwindling FX reserves prompting a reversal of monetary policy**

The year 2020 was an erratic year for Turkey's monetary sector, as it saw a sharp fall in the Turkish lira against the US dollar, dwindling foreign currency reserves and stubbornly high inflation rates. This required a major shift into a contractionary monetary stance starting September 2020 and prompted the Turkish government to form a new economic growth strategy and start a new era for the improvement of the country's investment climate. Following five consecutive rate cuts delivered over the first five months of 2020, the Central Bank one-week repo rate was raised in September and November 2020 by a total of 675 bps to reach 15.0%, versus 12.0% at end-December 2019.

**Comfortable capital buffers at banks to weather arising financial risks**

Turkish banks witnessed an expansion in activity in the first nine months of 2020, on the back of higher liquidity channeled towards more lending amid supportive measures on behalf of Turkish authorities in the face of the COVID-19 pandemic. While currency depreciation and other macroeconomic induced challenges are major downside risks to the domestic banking sector, Turkish banking institutions maintain adequate financial standing and comfortable capital buffers on the overall to weather the difficult operating conditions. Measured by the aggregated assets of banks operating in the country, total sector activity grew by 33.7% in local currency terms and by 2.5% when expressed in US dollar terms in this year's first nine months.

**Recovery expected in 2021, though subject to downside risks**

Looking forward, following the 2020 net contraction in real output, the Turkish economy is expected to grow by 5% in 2021 according to the IMF projections in its Global Economic Outlook published mid-October, due mainly to a low base effect. That said, the biggest downside risk to such a forecast stems from the uncertainties related to the Pandemic in addition to FX volatility. (Bank Audi 02.12)

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**11.6. TURKEY: Cash-Strapped Turkey Relies on Qatari Investments**

Al Monitor reported on 6 December that scrambling to draw foreign investors to ease Turkey's hard currency crunch, President Erdogan's government has once again turned to its closest ally, Qatar. The two sides announced a recent raft of agreements, including fresh Qatari acquisitions, with Ankara eager to convey a semblance of renewed foreign capital flows to its crisis-hit economy. Government opponents, who charge that Ankara's economic bonds with the Gulf monarchy are politically motivated and lack transparency, however, meet Qatar's investments with suspicion.

The latest deals, announced during Emir Sheikh Tamim bin Hamad Al Thani's 26 November visit to Ankara, include Qatar's purchases of a stake in Istinye Park, one of Turkey's largest shopping malls, and a 10% share in the Istanbul stock exchange. The European Bank for Reconstruction and Development had previously bought the 10% Borsa Istanbul stake, but divested it last year, irked by Ankara's appointment of Hakan Atilla — a Turkish banker who served jail time in the United States for helping Iran evade US sanctions — as the CEO of Borsa Istanbul.

Turkey's trade volume with tiny Qatar is no more than $1.5 billion, but Erdogan's government has been keen to draw chunks from the wealthy emirate's capital surplus to Turkey. The new agreements, which followed some controversial deals in previous years, triggered political wrangling at home, as opposition parties blasted Ankara for mismanaging the economy and then "selling off everything to Qatar." Is it so? What is the actual scale of Qatari investments in Turkey?

Although Qatar's territory and population amount to only 1.5% and 3.5% of those of Turkey, respectively, the emirate boasts more than $80,000 in gross domestic product per capita, compared to only about $9,000 in Turkey. Typically, Turkey posts a current account deficit of $25 billion to $30 billion a year, while gas- and oil-rich Qatar enjoys a current account surplus of up to $25 billion, which allows it to invest copiously abroad, mainly through the Qatar Investment Authority.

The foreign direct investment (FDI) stock in Turkey stands at about $150 billion as of last year, with the bulk — $101 billion — belonging to European investors, according to Central Bank data. The Netherlands is the leader with about $33 billion, followed by Qatar with some $22 billion.

Intriguingly, however, the Dutch investments — represented by giants such as Unilever, Shell, Philips and ING Bank — date back to the 1940s, while the Qatari ones have accumulated in the past five years of the Justice and Development Party's 18-year rule. The said period has seen a growing rapprochement between Ankara and Doha, including the deployment of Turkish troops in Qatar before and after the blockade that Gulf neighbors imposed on the emirate in 2017. With more than seven decades of investment history, the Dutch companies' share in the FDI stock in Turkey amounts to 22%, while the Qatari one has reached nearly 15% in only five years and is likely to swell further, given the ample collaboration appetite of both Ankara and Doha.

Still, Turkey is not the top destination of Qatari foreign investments. According to Qatar's Planning and Statistics Authority, the Qatari direct, portfolio and credit investment stock abroad totaled nearly 410 billion Qatari riyals (some $117 billion) in the first quarter of 2019. Direct investments amounted to $44 billion, or 38% of the total. The Turkish Central Bank puts Qatari direct investments in Turkey at $22 billion, which suggests that Turkey is the recipient of roughly half of Qatar's direct investments abroad. Yet the report of the Qatari authorities says that 34% of Qatari direct investments are in European Union countries, 24% in Gulf countries and 14% in other Arab countries. This discrepancy remains a big question mark.

Another puzzling aspect is the sharp rise in Qatar's direct investments in Turkey. In 2015, they totaled less than $1 billion before increasing to nearly $5 billion in 2016, nearly $6 billion in 2017 and $6.2 billion in 2018. How they jumped to $22 billion in 2019 is hard to fathom. One possible explanation is the extraordinary increase in the market value of the Qatari-owned QNB Finansbank. While less than 1% of the bank's shares are publicly traded, its market capitalization has exceeded $40 billion, outstripping by some $10 billion the combined value of Turkey's six largest private lenders and reaching some 20% of the total value of the Istanbul stock exchange. Such extreme surges are deemed unhealthy by market watchers.

Other major Qatari acquisitions in Turkey include ABank and Digiturk, the country's largest pay-TV operator. The Qataris have put money also in armored vehicle maker BMC, the ATV-Sabah media group, poultry producer Banvit, retailer Boyner and hotels in the resort town of Marmaris. The most controversial handover was that of Turkey's top tank factory last year. The 25 year operational rights of the factory in the northwestern province of Sakarya were transferred by a presidential decree to BMC, a joint venture between the Qatar Armed Forces Industry Committee and a Turkish businessman close to Erdogan.

The Qatari direct investments involve also purchases of real estate, including posh mansions on the banks of the Bosporus as well as land purchased by the emir's mother, Sheikha Moza bint Nasser, on the route of Canal Istanbul, a planned artificial waterway to link the Black and Marmara seas.

Besides direct investments, Qataris have put money also in stock shares and government bonds in Turkey, but no statistics are available on those sums.

More importantly, Qatar has rushed to aid Turkey's Central Bank, offering a currency swap line to bolster the bank's depleted foreign reserves and help stabilize the nosediving Turkish lira. In May, Qatar tripled the limit of the swap deal to the equivalent of $15 billion. Though the arrangement is not a lasting remedy, it has provided the Central Bank with a peg leg for a while.

Ultimately, Qatar's willingness to be Turkey's Johnny-on-the-spot has to do with its need for military support in a hostile neighborhood led by Saudi Arabia. By granting Turkey a military base on its soil, the emirate has effectively received Ankara's word of protection. Its investments in and financial assistance to Turkey are largely seen as quid pro quo. (Al-Monitor 06.12)

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### 11.7. GREECE: IMF Concludes Second Post-Program Monitoring Discussions

On 20 November 2020, the Executive Board of the International Monetary Fund (IMF) concluded the Second Post-Program Monitoring Discussions with Greece.

**The pandemic interrupted a modest recovery.** The government's early implementation of travel restrictions, a ban on public events, and other social distancing measures helped contain the initial outbreak. GDP contracted by 7.9% in h1/20, moderately better than the Euro Area weighted average (-9%) and a further hit is expected in Q3, the peak of Greece's tourism season. Overall, the economy is expected to contract sharply in 2020, before gradually recovering over the medium term, supported by a recovery in private consumption, investment linked to privatization and the first tranches of Next Generation EU (NGEU) grants, and higher goods exports.

Greece's public debt remains sustainable over the medium-term with the pandemic-induced rise in debt vulnerabilities largely mitigated by a sizable cash buffer and NGEU funds, resulting in an adequate repayment capacity. Nonetheless, COVID-19 brings unprecedented uncertainty and downside risks to all sectors of the economy, amplified by Greece's crisis legacies. The main risks arise from a prolonged pandemic that would derail the anticipated rebound in tourism and a significant deterioration of bank balance sheets. Staff will reexamine its long-run debt sustainability assessment during the next Article IV Consultation, which is envisaged to take place in the first half of 2021.

**Executive Board Assessment**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities' policy response to the pandemic, which has been swift, sizable, and appropriately targeted at hard-hit households and businesses. Noting that substantial uncertainties and downside risks remain, they urged the authorities not to withdraw policy support prematurely.

Directors recommended maintaining targeted fiscal accommodation and making good use of fiscal space in the near term, while safeguarding medium-term sustainability. They encouraged frontloading fiscal support next year ahead of Next Generation EU (NGEU) grant disbursements, and ensuring effective use of these resources. Directors also underscored the importance of prioritizing health care spending, better targeting social support, and enhancing public investment execution. They welcomed the authorities' intention to rely progressively on viability assessments as the basis for targeting fiscal support to firms, debtors, and workers.

Directors noted that Greece's medium-term public debt repayment capacity remains adequate, but that it could be impacted if severe downside risks materialize. They highlighted that fiscal prudence, growth-friendly reforms, and continued regional support would be essential for long-term debt sustainability.

Directors agreed that the measures taken to cushion the pandemic's impact on banks should be gradually replaced by more tailored solutions to debtors in distress. They recommended a comprehensive approach to addressing long-standing weaknesses in banks, and a cost-benefit analysis of the asset management company under consideration to tackle non-performing loans. Directors stressed that effective implementation of the new insolvency code will be critical to facilitate debt restructuring while minimizing moral hazard.

Directors commended the authorities for advancing structural reforms despite the pandemic. They welcomed in particular progress in the areas of labor market flexibility and modernization, the business climate, digitalization, and green growth. Directors encouraged further efforts to facilitate re-skilling of the labor force, boost female labor force participation, and continue product market liberalization. (IMF 30.11)





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