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. Morocco & Israel Agree to Restore Diplomatic Relations

Morocco and Israel have agreed to establish full diplomatic relations, US President Trump announced on 10 December. Trump expressed satisfaction with the US’ efforts to expand the Middle East peace plan, saying today marked a “historic breakthrough.” He celebrated that the US’ two “great friends” agreed to establish full diplomatic relations.

On 22 December, the first direct commercial flight between the Israel and Morocco is due to arrive in Casablanca. The flight from Tel Aviv to Rabat is seen as highly symbolic after Morocco announced on 10 December a *resumption of relations* with Israel. The flight will also be carrying a US – Israeli diplomatic delegation as a series of agreements will be signed between Morocco and Israel.

Morocco closed its liaison office in Tel Aviv in 2000 following the beginning of the Palestinian hostilities against Israel. Indeed, Moroccans have called the new agreement merely the formalization of a *de facto* partnership between Morocco and Israel dating back 60 years. Although formal ties between the two countries were suspended in 2000, trade between Israel and Morocco was not. Between 2014 and 2017 the volume of trade exchanges stood at $149 million, according Moroccan statistics. (Various 22.12)

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1.2. Israel & Bhutan Establish Full Diplomatic Relations

On 12 December, Israel and Bhutan announced the establishment of full diplomatic relations. The agreement will open the path to greater cooperation and further strengthen relations between Israel and the South Asian kingdom, the countries said in a joint statement. Prime Minister Netanyahu welcomed the deal, saying it was an "additional fruit of the peace agreements." Israel's accord with Bhutan follows several years of secret contacts between the Jewish state and the Buddhist country with the aim of establishing relations. Bhutan relied on India for guidance on its foreign and defense policy until a friendship treaty was revised in 2007. It maintains diplomatic relations with around 53 countries. A signing ceremony was held between the Israeli and Bhutanese ambassadors to India on 12 December at the Israeli Embassy in New Delhi. (Various 13.12)

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1.3. Israel Joins Abu Dhabi-Based Group Fighting Organized Crime

Israel has officially joined an Abu-Dhabi-based group fighting organized and transnational crime, becoming its 10th member. The International Security Alliance includes the UAE, France, Bahrain, Italy, Senegal, Spain, Singapore, Morocco and Slovakia. Diplomatic sources told Israeli media that the ISA is an "important organization" and that Israel's joining it is a "very significant event."

Public Security Minister Ohana represented Israel at the organization's virtual meeting on 9 December, when UAE Deputy Prime Minister and Interior Minister Saif bin Zayed al-Nahyan welcomed him. Al-Nahyan said that Israel's addition would help strengthen the alliance while noting that international cooperation had aided in tackling major global challenges, such as the coronavirus pandemic. The ISA was founded in 2018 by the UAE and France and its role is to confront organized and transnational crime of different types, develop means of prevention, and ensure the sustainability of security and stability for these countries in their endeavors to promoting security and growth to their people. (ILH 11.12)

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1.4. Israel to Join International Energy Agency

Members of the International Energy Agency unanimously voted in favor of accepting Israel's request to join the organization on 10 December. The process to have Israel join the independent agency began in December when Energy Minister Steinitz met with IEA Executive Director Birol at the UN Climate Change Conference in Madrid in December 2019. Later on, the Foreign Ministry and Israel's mission to the Organization for Economic Co-operation and Development enlisted in efforts to have Israel join the Paris-based group. Founded in 1974 to meet industrialized nations' energy needs following the 1973 oil crisis, the IEA is a leader in international energy discourse. (ILH 11.12)

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1.5. Israel, US, UAE & Bahrain to Cooperate on Energy

The energy ministers of Israel, the United States, the United Arab Emirates and Bahrain participated on 14 December in a quadruple virtual meeting, with the goal to establish a platform for a comprehensive dialogue on energy issues. The new platform will facilitate the exchange of ideas and the creation of joint ventures in the fields of petrol, natural gas, electricity, efficient use of energy, renewable energies, research and development and more. The four ministers said they hope for other countries in the region to join the platform in the future, once these countries establish ties with Israel. They also said the group intends to work with the Palestinians to find solutions for the energy challenges they face. In particular, the four countries will study possible solutions on energy sources, electricity, infrastructure and technology.

Three months ago, Israel, the United States and the UAE agreed in principle to cooperate on energy. The Department of Energy said on 1 October that Israel, the UAE and the US agreed to encourage greater coordination in the energy sector, including renewable energy, energy efficiency, oil, natural gas resources and related technologies, and water desalination technologies. Together, they will look to leverage research and development capacities to meet the needs of current and future generations.

Energy diplomacy is becoming increasingly important for Israel. Prime Minister Benjamin Netanyahu and Foreign Minister Gabi Ashkenazi are investing considerable efforts in consolidating the strategic partnership between Israel, Greece and Cyprus, primarily in energy issues. This includes advancing the East-Med undersea pipeline project for transporting natural gas to Europe, on which the three countries dialogue also with Egypt. Israel has also been engaged for the past two months in indirect negotiations with Lebanon, mediated by the Americans, on demarking their maritime border. Unsuccessful so far, these talks revolve around the control of sea zones, where Israel and Lebanon hope to extract natural gas. (Al-Monitor 16.12)

2. ISRAEL MARKET & BUSINESS NEWS

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2.1. SAFE-T Announces Acquisition of Chi Cooked

Safe-T Group announced that its wholly owned subsidiary, Safe-T USA, acquired the entire equity interest in Chi Cooked, a Chicago based company specializing in cloud-based global IP proxy services. The transaction is expected to be immediately accretive and will be funded with internal cash resources. Chi Cooked principally operates in the field of internet data center infrastructure and IP proxy services, serving thousands of monthly paying customers. The acquisition is part of Safe-T’s strategy to become a “one-stop shop” for all proxy-related business requirements. The acquisition will complement Safe-T’s wholly-owned subsidiary, NetNut - an existing Data Center proxy network - allowing customers to choose the best fit for their needs, as well as diversify Safe-T’s revenue source generated from the combined proxy businesses.

Herzliya's Safe-T Group is a provider of Zero Trust Access solutions which mitigate attacks on enterprises' business-critical services and sensitive data, while ensuring uninterrupted business continuity. Safe-T's cloud and on-premises solutions ensure that an organization's access use cases, whether into the organization or from the organization out to the internet, are secured according to the "validate first, access later" philosophy of Zero Trust. This means that no one is trusted by default from inside or outside the network, and verification is required from everyone trying to gain access to resources on the network or in the cloud. (Safe-T Group 09.12)

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2.2. Bionic Emerges from Stealth with $17 Million to Empower Enterprises with AI

Bionic emerged from stealth with $17 million in funding and an innovative platform that gives enterprises the ability to understand and control the chaos created by the onslaught of application changes pushed to production every day. Bionic is already helping IT, operations, and security teams at global financial services and technology companies operate and protect applications more efficiently than ever before, doing in minutes what previously took days or weeks.

Bionic's application intelligence platform is the first in the industry to automatically reverse engineer applications, delivering a comprehensive inventory with architecture and dataflows, monitoring critical changes in production, and enabling developer guardrails to enforce architecture. Bionic is agentless and works across all environments, from on-premises monolithic applications to hosted cloud-native micro-services. Fully automated and deployed within minutes, even in the largest enterprises, Bionic is enabling IT and security teams to take control of application chaos.

Founded in 2019, Tel Aviv's Bionic, the leader in application intelligence, gives enterprises control over the chaos created by the onslaught of new and updated applications pushed to production every day. The company's agentless platform empowers teams to manage, operate and protect applications more efficiently than ever before, doing in minutes what previously could not be done in months. (Bionic 10.12)

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2.3. Moovex Debuts at UAE's GITEX 2020

Moovex made its debut at the 40th edition of GITEX Technology Week, which was held at the Dubai World Trade Centre. The company used the five-day show as a platform to launch its operations in the UAE and forge long-term partnerships within the region. Moovex' specialization includes a unique optimization engine with over 100 different customizable parameters. These parameters can be tailored as per the unique different needs of an operation based on where their business is. Moovex is in the process of identifying partners and potential customers in the country.

Tel Aviv's Moovex adapts next-generation fleet optimization technology to architect new business solutions for the mobility and transportation ecosystem. Their mission is artificial fleet intelligence. Moovex's Fleet Orchestration Solutions solve the complexities behind planning, managing, and scaling an efficient business while operating in some of the most complex travel environments in the world. Unique business logic is incorporated with hundreds of customizable optimization parameters to bolster essential technology for a rapidly evolving ecosystem. (Moovex 09.12)

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2.4. Israeli National Carrier Makes First Scheduled Flight to Dubai

Israel's national carrier El Al's first scheduled flight from Tel Aviv landed at the Dubai International Airport (DXB) on 13 December. El Al will operate up to 14 weekly flights between the two destinations using the Boeing 787 Dreamliner and B739 aircraft. Flydubai has been operating flights to Tel Aviv after the inaugural flight last month. The Dubai-based airline operates two daily flights to Tel Aviv.

UAE and Israeli citizens can visit each other's country without applying for visa as both countries have agreed on a visa-free travel. The UAE and Israel formally normalized relations on 15 September by signing the US-brokered Abraham Accords. (DXB 13.12)

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2.5. Ecoppia Signed Another Significant Project of 450 MW with Azure Power

Ecoppia announced another significant project of 450 MW signed in October with Azure Power, India's renowned solar energy player. The project is now reaching advanced stages, scheduled to go live on the beginning of Q1/21. Without any physical presence, Ecoppia enabled its clients across the globe to keep an optimal production while avoiding soiling losses and potential damage, delivering operation continuity even during complete lockdown. COVID-19 made it even clearer that full automation and advanced technologies are crucial in maintaining an optimal solar production. Over the last 7 years, Ecoppia has been one of the vital pillars of the solar revolution, leading the shift in the way large-scale solar sites are managed and operated, as a key for reducing LCOE.

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 14.12)

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2.6. Hunters Receives Growth Funding from Snowflake Ventures for its Open XDR

Hunters announced that Snowflake Ventures has joined Hunters' Series A investors alongside Okta and Microsoft M12 venture arm, further endorsing Hunters as a leading startup in Open XDR (Extended Detection & Response). Series A investors also include U.S. Venture Partners, YL Ventures, and Blumberg Capital. Snowflake was one of Hunters' first customers and a go-to-market partner. Given this experience, Snowflake Venture's investment strongly validates the efficacy of Hunters' open XDR platform and its potential for explosive growth in the rapidly emerging category.

The Snowflake Ventures investment comes on the heels of Gartner's recognition of Hunters in its March 2020 Gartner "Innovation Insight for Extended Detection and Response" report. According to the report, "Extended detection and response describes a unified security incident detection and response platform that automatically collects and correlates data from multiple proprietary security components."

Tel Aviv's Hunters' open XDR is built to empower SOC teams with an automated decision support system they can rely on, while making the most of the existing security stack. Hunters flexibly integrates with your security tools to extract threat signals across endpoints, cloud, email, network and more. By leveraging a proprietary knowledge graph technology, Hunters effectively contextualizes and correlates both high fidelity and low fidelity threat signals, into actionable findings. (Hunters 10.12)

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2.7. Stratasys to Acquire Origin, Bringing New Platform to Polymer Production

Stratasys signed an agreement to acquire San Francisco's 3D printing start-up Origin in a transaction for total consideration of up to $100 million, including cash and stock. The merger enables Stratasys to expand its leadership through innovation in the fast-growing mass production parts segment with a next-generation photopolymer platform. Subject to various approvals and other closing conditions, the acquisition is expected to close in January 2021.

Stratasys expects Origin's proprietary Programmable PhotoPolymerization (P3) technology to be an important growth engine for the company, adding up to $200 million incremental annual revenue within five years. The acquisition will help fortify Stratasys' leadership position in polymers and production applications of 3D printing in industries such as dental, medical, tooling, and select industrial, defense, and consumer goods segments. Origin's P3 technology, an advancement on Digital Light Processing (DLP) principles, cures liquid photopolymer resin with light. The company's first manufacturing-grade 3D printer, Origin One, precisely controls light, heat, and force, among other parameters, via Origin's closed-loop feedback software. This new technology enables customers to build parts with industry-leading accuracy, consistency, size and detail, while using a wide range of commercial-grade, durable resins.

Rehovot's Stratasys is a global leader in additive manufacturing or 3D printing technology and is the manufacturer of FDM, PolyJet Technology 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. (Stratasys 09.12)

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2.8. Xsight Labs Brings End-to-End Connectivity Vision to Cloud Infrastructure

Xsight Labs came out of stealth and announced a bold vision to re-architect the foundation of cloud infrastructure by delivering a broad portfolio of products that enable end-to-end connectivity. Cloud infrastructure is evolving rapidly with the introduction of a broad range of xPUs, storage, and ML/AI accelerators. Xsight Labs is developing a portfolio of products that will drive the seamless adoption of these innovative technologies. Xsight Labs' technology will help Cloud Service Providers accelerate their innovation velocity by maximizing the use of these added resources without additional overhead.

In addition, Xsight Labs also announced the sampling availability of X1 — the industry's first and lowest-power 25.6T 32 x 800G and 12.8T 32 x 400G data center switch with 100G PAM4 SerDes — Xsight Labs stated it has multiple products in development for the next generation of cloud service providers and hyperscale data center networks, enabling feature velocity and exponential growth in bandwidth, while lowering power and total cost of ownership.

Founded in 2017, Kiryat Gat's Xsight Labs is a fabless semiconductor company that enables end-to-end connectivity for the next generation of cloud service providers and hyperscale data center networks. Xsight Labs' technology delivers exponential bandwidth growth while lowering power and total cost of ownership. (Xsight Labs 09.12)

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2.9. Wiz Emerges from Stealth with $100 Million Financing to Reinvent Cloud Security

Wiz emerged from stealth with $100 million in Series A financing from Index Ventures, Sequoia, Insight Partners and Cyberstarts. The new financing, just nine months after the Wiz founding team wrote its first line of code, will help the company scale to meet customer demand for cloud security solutions that provide complete risk visibility and are simple to deploy at scale.

Today's cloud security suites are complex, fragmented and generate too many alerts for security teams. Having spoken with hundreds of CISOs to validate the need, Wiz designed its product from the ground up to provide unmatched visibility and risk insights to allow security professionals to focus on things that matter most. Wiz's unique architecture allows for seamless scanning of the entire cloud environment across all compute types and cloud services for vulnerabilities, configuration, network, and identity issues without agents or sidecars.

Founded in January 2020, Tel Aviv's Wiz is a fast-growing cloud security innovator that helps companies secure their cloud infrastructure at scale. Wiz provides security teams with the simplicity, visibility and risk insights they need to stay one step ahead of their business. (Wiz 09.12)

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2.10. Nym Ranked Among Top 10 Most Promising Startups of 2020

Nym Health was ranked among the Top 10 Most Promising Startups of 2020, in a list released by Globes financial newspaper. In 2020, Nym raised $16.5 million in Series A funding, led by GV (formerly Google Ventures), with the participation of Bessemer Venture Partners, Dynamic Loop Capital, Lightspeed, Tiger Global, and angel investors including Zach Weinberg and Nat Turner from Flatiron Health

Globes Business News was founded in 1995. Every year, Globes meets with fund managers, investors and heads of innovation centers run by global corporations. Nominees are selected based on set criteria. Previous startups selected by Globes include Melanox, Wix, Waze, Fiverr, Monday.com and others.

Tel Aviv's Nym Health is working to enable fully automated, efficient, and transparent revenue cycle management for healthcare providers. Nym's breakthrough Clinical Language Understanding (CLU) technology allows organizations to code claims without human intervention and achieves accuracy rates of

98% and above. Nym transforms revenue cycle management (RCM) with direct-to-billing, fully autonomous medical coding that reduces insurance denials and operational expenses, accelerates payment-cycles, and maximizes audit-readiness for healthcare providers. (Nym 09.12)

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2.11. myInterview Raises $5 Million to Bring Recruitment Process into the Video Age

myInterview announced a $5 million seed round led by Aleph, with participation from previous investors Entrée Capital and SeedIL Ventures. The funding will be used to expand the company's sales, product, and R&D teams as it continues to grow in the US and UK markets and around the world. myInterview had previously raised $1.6 million in pre-seed funding.

Video interviews enable companies to rethink how they find their most important resources: their employees. By highlighting candidates' personalities, soft skills, and workplace compatibility with company culture, myInterview enables character to feature more prominently in the application process. The platform streamlines recruitment for businesses and applicants alike by utilizing pre-recorded (asynchronous) video interviews that allow candidates and reviewers to fit the interview into their schedules.

Founded in 2016, Tel Aviv's myInterview platform was designed to be easy to use and accessible for both applicants, SMBs, and enterprises alike. It makes hiring a fully collaborative experience, allowing colleagues and managers to review the video submissions and provide feedback quickly and efficiently, leading to a 60% faster average time to hire. Powered by Machine Learning, myInterview helps talent acquisition managers optimize the applicant pool, bringing the best candidates to the top. Easy to use for both applicants and businesses, myInterview makes hiring a fully collaborative experience, allowing colleagues and managers to provide feedback quickly and efficiently. (myInterview 09.12)

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2.12. Firebolt Launches with $37 Million to Redesign Cloud Data Warehouses

Firebolt unveiled a new class of cloud data warehouse as a service and announced $37 million of financing. Firebolt delivers the fastest analytics performance – up to 182 times faster than other data warehouses – for the most challenging data requirements at the multi-terabyte and petabyte scale, enabling higher performance with fewer cloud resources. Firebolt, thanks to its groundbreaking technology, allows companies to analyze much larger volumes of data than previously possible. This dramatically improves the ROI of collecting data and enables a myriad of new data-driven use cases with real business impact. The funding included participation from Zeev Ventures, TLV Partners, Bessemer Venture Partners and Angular Ventures.

Firebolt is the first cloud data warehouse that delivers a sub-second interactive analytics experience with terabytes to petabytes of data. It enables analysts, employees and end customers to gain the insights they need without having to wait for the results or worry about costs. Firebolt delivers multiple benefits that companies with growing data need and that existing cloud data warehouses do not provide.

Tel Aviv's Firebolt is the world's fastest cloud data warehouse, purpose-built for high performance analytics. It provides orders of magnitude faster query performance at a fraction of the cost of the alternatives by combining the simplicity, elasticity and low cost of the cloud with the latest innovations in analytics. Companies that adopted Firebolt have been able to deploy data warehouses in weeks and deliver sub-second performance at terabyte to petabyte scale for a wide range of interactive, high performance analytics across analysts, employees and customers. (Firebolt 09.12)

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2.13. Foresight & University of Michigan Enhance Autonomous Vehicle Vision Systems

Foresight Autonomous Holdings announced that the company will join the University of Michigan's TechLab at Mcity 2021 startup cohort, managed by the Center for Entrepreneurship, to further develop its automotive vision system designed for Advanced Driver Assistance Systems (ADAS) and autonomous vehicles. Foresight will participate in the one-year program with a team of students from technical departments at the University of Michigan focused on the development, demonstration, and deployment of key autonomous vehicle technologies. The team will be mentored by Foresight's Head of Algorithm and leading team members.

By joining the program, Foresight will have access to a test facility in the heart of the largest automotive hub in the United States, and will be able to run short-cycle demonstrations to local prospects. Mcity's test facility mimics real communities and roadways and is focused on connected and automated testing.

Ness Ziona's Foresight Autonomous Holdings, founded in 2015, is a technology company engaged in the design, development and commercialization of sensors systems for the automotive industry. Through the company's wholly owned subsidiaries, Foresight Automotive and Eye-Net Mobile, Foresight develops both "in-line-of-sight" vision systems and "beyond-line-of-sight" cellular-based applications. (Foresight 16.12)

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2.14. Unity Acquires RestAR to Enable AI-Based 3D Capture

San Francisco's Unity, a leading platform for creating and operating real-time 3D (RT3D) content, announced the acquisition of RestAR, a Tel Aviv based computer vision and deep learning company that enables fashion brands, online retailers, and marketers to scan and render physical consumer products in high-quality 3D, using only a mobile device. Coming on the heels of the launch of Unity Forma, a new tool that allows marketers to create and publish interactive experiences from 3D data, RestAR will extend the power of interactive RT3D technology to marketers of all types by generating a digital twin of any product or object in 3D.

Creating realistic 3D models is a time-consuming, manual, and expensive process that few companies can afford. With RestAR, scans take a 1-minute video to complete, do not require technical knowledge or special hardware, and are processed and highly-compressed in the cloud using cutting-edge AI-based technology. RestAR allows online businesses and marketers to create high-quality 3D models of products easily. Today, RestAR works with leading fashion brands and e-commerce platforms such as UGG, Off-White, Wix, Dafiti, Hoka One One, Palm Angels, Heron Preston and more.

Tel Aviv's RestAR aims to change the way people interact with online products by enabling retail businesses to use AI on any mobile device to convert simple videos of their products into 3D/AR visualizations and increase revenues. RestAR won 1st place at Global Startups Competition for Retail 2020 and Rethinking Commerce 2019 competitions. (RestAR 16.12)

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2.15. Trigo Raises $60 Million to Scale Its Frictionless Checkout Grocery Platform

Trigo has raised a $60 million Series B funding round led by 83North. The latest round brings Trigo's total funding to $94 million. The new funds will be used to scale the company's ability to meet growing demand, boost R&D, and expand its global presence. Existing investors joined the new round, including Vertex Ventures Israel, Hetz Ventures, Red Dot Capital Partners, Tesco and Morrag Investments.

Tel Aviv's Trigo uses AI-powered computer vision technologies together with off-the-shelf hardware to retrofit existing stores. The company applies its proprietary algorithms to ceiling-mounted cameras which automatically learn and upload data on shoppers' movements and product choices, enabling customers to simply walk into a store, pick up their desired items and walk out without stopping at the checkout. Payments and receipts are settled digitally.

Trigo's technology has been tapped by Tesco PLC, one of the world's largest grocers with stores across the UK, Ireland and Central Europe. Tesco has been working on a trial with Trigo at a Tesco Express convenience store at its headquarters north of London. Trigo's solution is built with a privacy-by-design architecture: no biometric or facial recognition data are gathered or analyzed. Based on anonymized movement and product choice data within stores and across a chain's stores, Trigo offers grocery retailers a range of additional solutions powered by its 3D engine model called RetailOS, including predictive inventory management, pricing optimization, security and fraud prevention, planogram compliance, and event-driven marketing. (Trigo 21.120

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2.16. BIRD Energy to Invest $7.5 Million in Israel-U.S. Clean Energy Projects

The U.S. Department of Energy and Israel's Ministry of Energy, along with the Israel Innovation Authority, have selected eight clean energy projects to receive $7.15 million under the Binational Industrial Research and Development (BIRD) Energy program. The total value of the projects is $17.4 million, which includes $10.25 million in cost share from the companies selected for funding.

BIRD Energy began in 2009 as a result of the Energy Independence and Security Act of 2007. Since then, including the projects announced here, BIRD Energy has funded fifty-five (55) projects with a total government investment of approximately $42 million in addition to approximately $55 million in funds matched by the private sector. Each project is conducted by a U.S. and an Israeli partner. Selected projects address energy challenges and opportunities that are of interest to both countries and focus on commercializing clean energy technologies that improve economic competitiveness, create jobs and support innovative technologies and companies. The eight approved projects are:

• Addionics IL (Tel Aviv, Israel) and Saint-Gobain Ceramics & Plastics (Northboro, MA) will develop high-power, high-capacity solid-state batteries with novel electrode components.
• ECOncrete Tech (Tel Aviv, Israel) and LafargeHolcim (Chicago, IL) will develop an eco-engineered concrete product for structurally sound scour protection and ecological uplift of offshore wind energy infrastructure.
• Eviation Tech (Kadima, Israel) and AVL Powertrain Engineering (Plymouth, MI) will develop electric aircraft battery.
• POCellTech (Caesarea, Israel) and W7energy (Wilmington, DE) will develop a low-cost fuel cell system based on hydroxide exchange membranes.
• StoreDot (Herzliya, Israel) and Nanoramic Laboratories (Boston, MA) will develop an ultra-fast charging power bank for mobile devices.
• Tadiran Batteries (Kiryat Ekron, Israel) and Hit Nano (Bordentown, NJ) will develop silicon anode, nickel rich cathode, high-energy high-safety AA Li-Ion Cell for industrial internet of things applications (IOT).
• TurboGen (Ramat Gan, Israel) and En-Power Group (White Plains, NY) will develop next generation, heat and power solutions.
• VisIC Technologies (Nes Ziona, Israel) and Vepco Technologies (Chino, CA) will develop an 80kW Gallium Nitride (GaN) based dual motor drive power inverter for both plug-in and battery electric vehicles.

Projects that qualify for BIRD Energy funding must include one U.S. and one Israeli company, or a company from one of the countries paired with a university or research institution from the other. The partners must present a project that involves innovation in the area of energy and is of mutual interest to both countries. BIRD Energy has a rigorous review process and selects the most technologically meritorious projects along with those that are most likely to commercialize and bring about significant impact. Qualified projects must contribute at least 50% to project costs and commit to repayments if the project leads to commercial success.

The BIRD (Binational Industrial Research and Development) Foundation works to encourage and facilitate cooperation between U.S. and Israeli companies in a wide range of technology sectors and offers funding to selected projects. The BIRD Foundation supports projects without receiving any equity or intellectual property rights in the participating companies or in the projects, themselves. BIRD funding is repaid as royalties from sales of products that were commercialized as a result of BIRD support. The Foundation shares the risk and does not require repayment if the project fails to reach the sales stage. (BIRD 22.12)

3. REGIONAL PRIVATE SECTOR NEWS

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3.1. Bahrain's Gulf Air Signs Five Aviation Deals During Israel Visit

Bahrain's national airline Gulf Air signed five agreements with Israeli entities during a recent Bahraini trade visit to Israel. The Arabian Gulf state of Bahrain and Israel formalized ties in September. Gulf Air and Israeli carrier El Al signed a memorandum of understanding on 10 December. While in Israel for the signing, Bahrain's Commerce and Tourism Minister Zayed bin Rashid Al-Zayani, who also serves as the chairman of Bahrain's national carrier Gulf Air, said the company had received many inquiries into a "direct route" between Manama and Tel Aviv. Gulf Air also reached an accord with TAL Aviation Group, a travel representation company, to represent the airline in Israel.

The Bahraini airline concluded an agreement with Israel Aerospace Industries Aviation Group for maintenance of Gulf Air planes landing at Ben-Gurion International Airport in Tel Aviv. Gulf Air also signed an agreement with QAS Israel Ltd. for ground handling, cargo, and other airport services. Finally, Gulf Air and Newrest Israel signed an agreement for on-board catering. (ILH 10.12)

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3.2. Urent Raises Seven-Figure Pre-Series A Funding Round

Dubai's Urent has raised a seven-figure Pre-Series A funding round from an undisclosed serial entrepreneur, founder, and shareholder of multiple businesses in five different sectors, to accelerate growth and help penetrate different markets via the investors' vast network and experience. The funds will be used to take operations to the next level by hiring new talent to the team, as well as by making investments into its marketing throughout the UAE.

Urent is aiming to help digitize the entire vehicle rental industry in the UAE by providing a fully equipped platform that enables commercial hosts to list their vehicles via the "My Garage" section on the app, as well as set their own rules, limits, pricing, and availabilities of their fleets. Renters will then enjoy navigating via a wide range of vehicles tied to hosts, with the option of interacting with vehicle owners via the app pre-booking, as well as getting vehicles booked and delivered to their doorstep with only two clicks. Urent plans to expand its operations into Saudi Arabia in 2021. The startup's vision is to become a marketplace for all vehicles to be listed by commercial hosts for rental purposes, without having to go through the tedious experience of looking everywhere for the vehicle they desire and the price that fits them best. (Urent 10.12)

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3.3. Oman's eMushrif Raises $2.3 Million Series A Funding Round

eMushrif, an Omani company that develops IoT systems for school buses and now COVID-19 tracking devices for quarantine compliance, has secured $2.3 million in a Series A funding round, led by IDO Investments. The investment round also saw participation from Phaze Ventures, otf Jasoor Ventures, Dtec Ventures, Myrad Holding and other angel investors. The newly raised funds will support their expansion to other markets and verticals across the region.

Founded in 2016, eMushrif uses the Internet of Things (IoT) to turn regular school buses into smart buses. The startup deploys IoT devices on the buses that enable automatic attendance marking of the students. eMushrif has also built commuting management solutions for some other verticals. The company operates in Oman and Kuwait and has completed 3 acquisition deals to expand the team and explore other markets.

Additionally, during the COVID-19 pandemic, eMushrif provided the government of Oman with IoT wearables used by people in isolation connected to a mobile app and sophisticated dashboards for quarantine compliance monitoring, implementing AI and crowd GPS technologies. Along with this, they introduced a smart attendance system and advance asset tracking for post-COVID-19 work environments utilizing its IoT and edge-AI technologies. The company also operates an onboarding process at all borders providing IoT wearables to all travelers to Oman. (eMushrif 09.12)

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3.4. QVM Raises Seed Funding Round

QVM has closed an undisclosed seed round, led by Awab Holding Company with angel investors also participating. Riyadh's QVM serves parts merchants such as retailers, wholesalers, agencies, online B2C marketplaces, and more. The platform also provides services to relevant organizations, such as insurance companies, corporate maintenance workshops, and others. QVM operates as a private network to facilitate the daily operations between traders in the spare parts market of all kinds, including cars, trucks, equipment, and other vehicles. It also works to increase efficiency and productivity using technology.

The founding team started working on the technology in the spare parts industry in 2018. The platform was launched to solve the gap between the establishments working in this market, in order for the business model that combines the provision of SaaS and the marketplace to be met with great success and expansion. The platform says that today it includes a large number of parts dealers who use the platform on a daily basis, and an electronic warehouse with a total value exceeding SR1 billion in Saudi Arabia, UAE and Bahrain. This round aims to expand the platform's scope further by adding new features and services to the spare parts dealer to increase its productivity and also seeks to increase the marketplace sales within the platform. (QVM 09.12)

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3.5. Morni Raises $9.1 Million in Series B Funding Round

Riyadh's Morni has raised a $9.1 million funding round, led by GSquare Investments, with the participation of Al Turairi and other investors. The startup provides towing and roadside assistance, both on-demand and subscription-based solutions through web and mobile apps to individuals and corporates. It enables users to obtain integrated logistics services for vehicles in emergency situations. Morni also provides complete solutions, from arriving at the scene of the accident until the vehicle's delivery to the end destination.

They have provided services to over 600,000 customers in KSA with an annual membership of 490,000 and services are now available to more than 200 insurance companies and car rental agents as part of its daily services. Morni's vision is to help care for millions of vehicles across the MENA region every day and be the preferred enablement partner for automotive stakeholders in our top markets.

Morni plans to use the newly raised funds to continue expanding its vehicle logistics services to cover more cities, specifically debris management services for insurance companies and comprehensive accident solution services in various parts of the Kingdom. It also seeks to introduce new products for the owners of classic and luxury sports vehicles to provide the highest levels of preservation and accommodation through storage areas in Riyadh. (Morni 17.12)

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3.6. Source Beauty Gets Six-Figure Seed Round to Support Growth in Egyptian Market

Source Beauty, the Egypt-based e-Commerce beauty platform, has raised a six-figure Seed funding round, led by Geneva-based ACE & Company and angel investors that are renowned for investing in the beauty industry. The e-Commerce platform has increased its offering to 80 brands with more than 3500 individual products that include local and international players in the beauty industry. Source Beauty's mission to dominate the Egyptian beauty market. Earlier in the year, the startup secured Pre-Seed funding that went towards expanding the platform's marketing activities, resulting in an increase in the customer base.

Source Beauty is the first Egyptian beauty e-commerce company in the country, focused on local millennial price-friendly products that enhance natural and healthy skin. Founded in 2016, Source Beauty began as a blog to decode the often-intimidating beauty world which leaves women in a state of confusion. In 2018 we launched Source Beauty's e-commerce platform, which now showcases over 1500 products from 55 brands. (Source Beauty 09.12)

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3.7. TruKKer Raises $10 Million Venture Debt Deal with Partners for Growth

Egypt's TruKKer, the digital freight platform, signed a $10 million strategic venture debt agreement with San Francisco-based lending firm, Partners for Growth (PFG). The transaction marks the first venture-debt deal of this scale for a technology business in the Middle East, as well as the first deal for PFG in the region. The debt will be used to finance the working capital needs required for the instant payment of thousands of transporters operating on TruKKer's network. The deal follows a $23 million equity raise by TruKKer in late 2019, with participation from STV, IFC and Endeavor Catalyst, among other prominent regional and international investment funds.

Since its inception in 2016, TruKKer brings together a fleet of 25,000+ trucks and 500+ B2B customers on to its platform, including leading multinational consumer products companies. The region has complex debt issuance and recourse laws, which makes such transactions challenging for high-growth tech companies like TruKKer. The transaction is PFG's first in the region and demonstrates the quickly maturing tech ecosystem in the Middle East, which is gaining attention with international funds. The trucking industry employs thousands of entrepreneurs as owner-operator drivers across the world, with the Middle East especially seeing a significant increase in digital freight. (TruKKer 17.12)

4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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4.1. Israel is a Global Leader in Cutting Coal Consumption

Israeli Prime Minister Benjamin Netanyahu told the recent 2020 Climate Ambition Summit about the progress his government has made, and the challenges it faces, in the field of clean energy. In a pre-recorded video address, broadcast on 12 December at the virtual gathering – co-convened by Britain, the United Nations, France, Chile and Italy – Netanyahu thanked UK Prime Minister Boris Johnson for hosting the summit, and stated that, like Britain, Israel is totally committed to a successful transition from fossil fuels to renewable energy by 2050. The Israeli premier cited crucial progress in two areas: coal reduction and solar power.

Netanyahu added that by 2025, barring an emergency, Israel will no longer be burning coal, any coal. In solar energy, over the last five years, Israel has increased its generation from 2% to some 10%. By 2030, solar energy will provide over a third of all Israel's electricity.

Referring to the recent Abraham Accords between Israel and its neighbors in the Arabian Gulf, Netanyahu said cooperation in the field of solar energy is also an integral part of Israel's new cooperation with the

United Arab Emirates and Bahrain. Not only is solar energy helping eliminate dependency on fossil fuels, it is helping cement Arab-Israeli peace. (ILH 14.12)

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4.2. EU Seen Pressuring Israel on Carbon Taxation

The Bank of Israel has decided that carbon taxation is the most effective policy for reducing greenhouse gas emissions. The central bank is due shortly to publish its recommendation for the rate of a future tax. In the background is the fear that the European Union will shortly impose duties on imports from countries that have not introduced "carbon pricing" policies, a measure that is liable to harm Israeli exports to Europe, which is still Israel's main export market.

Recently, Prime Minister Benjamin Netanyahu declared that Israel "is committed to switching from fossil fuels to renewable energy by 2050." Unlike Netanyahu's non-binding declaration, in the EU reaching zero emissions by 2050 is already a binding target. The international effort to reduce greenhouse gas emissions will be renewed with extra zeal once the world stops having to deal with the COVID-19 pandemic, and after a new president takes up his post in the US. Minister of Environmental Protection Gila Gamliel supports the introduction of a carbon pricing policy, as long as it does not cause harm to economically weak sections of the population or to the competitiveness of Israeli industry. (Globes 14.12)

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4.3. Jordan Seeks to Renew Red Sea-Dead Sea Water Project

Jordan would like to renew negotiations with Israel on the Red Sea-Dead Sea Canal project, a pipeline program created to stabilize the Dead Sea water level by running water to it from the Red Sea. The subject was mentioned in a request to the Regional Development Ministry and in a meeting between Foreign Minister Ashkenazi and his Jordanian counterpart, Ayman Safadi.

According to the plan, which was first presented in 2005, hydroelectric power stations will be built between Eilat and the Dead Sea that will produce green energy that will be used to desalinate the water flowing through the pipeline. The water will be used for drinking, agriculture, and replenishing water reservoirs in Israel, Jordan and the Palestinian Authority. The cost of such a project could be as high as tens of billions of dollars. At this stage, the parties are planning to launch an experimental project costing about a billion dollars.

The International Monetary Fund and the World Bank are involved in the project, and in light of the recent normalization, Israel's Regional Cooperation Minister Akunis is also looking to involve other Gulf States. The plan was presented to Bahrain's Trade Minister Zayed al-Zayani during his visit to Israel. Akunis also spoke with European Union Ambassador to Israel Emanuele Giaufret and other prominent European leaders. The Red Sea-Dead Sea Canal project was created on account of the significant decrease of water flow in the southern Jordan River and consequently the depleted water flow into the Dead Sea caused by the increased water usage of the Jordan River. (IH 09.12)

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4.4. Egypt Refitting its Vehicle Fleet with Dual-Fuel Engines

Some 250,000 old cars will be taken off the road and outfitted with dual-fuel engines by the end of 2023 under the first phase of the government’s multi-year natural gas transition plan, which will begin at the start of 2021, Trade Minister Gamea said. The first year aims to cover 70,000 cars that have been on the road for over 20 years — including 55,000 taxis and passenger cars and 15,000 microbuses, the minister said. The two following years should get 90,000 cars each, meaning a combined 180,000 vehicles, to hit a total of 250,000 by the end of 2023. The first phase of the program will cover seven areas around Cairo, Giza, Alexandria and Qalyubia.

This three-year first phase has now been expanded to include passenger cars after having previously only targeted taxis and microbuses, following orders from President Abdel Fattah El Sisi. Dated microbus owners would receive support of EGP 20,000 and cab drivers with old vehicles EGP 12,000 to help cover the down payment for the new cars. Under a Finance Ministry proposal, owners of passenger cars will also be entitled to down payment support to make the switch, but depending on the type of their vehicle, they added. The remaining cost of the vehicle will be paid over 10-year installments at reduced rates of less than 5% under a financing program backed by the Central Bank of Egypt, Gamea had said.

Dual-fuel cars assembled locally under the plan could be in line for value-added tax and customs breaks on inputs. Gamea's ministry is preparing a draft law to hand over to the newly-elected House of Representatives after the MPs take office in January.

Currently there are several models of locally-assembled passenger cars that use natural gas, seven of which will be on display in an expo Egypt plans to hold in the second half of January 2021. Those models include locally-assembled cars by Chevrolet, Hyundai, Lada and BYD. For microbuses, there are two models, King Long and Zemex, ready to join the program. Carmakers Toyota, Foton and Jinbei are expected to begin locally assembling natgas models in 2021. Brilliance Auto Group is also in talks with its parent company, HuaChen Group Auto Holding, about potentially participating with locally-assembled microbuses. (Enterprise 17.12)

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4.5. Morocco Aims to Reduce Energy Consumption by 20%

Morocco is targeting a reduction of 20% in its energy consumption by 2030 in tandem with a plan to generate 52% of its electricity needs from renewables, according to Energy Minister Rabbah. Morocco has launched an energy transition process in 2009 to develop renewable energies and energy efficiency while strengthening regional energy integration, said Rabbah, at a meeting on energy transition convened as part of the UK presidency of the UN climate summit COP26.

Last October, the International Energy Agency said Morocco stands as a model to follow in the region thanks to its sustainable policies to bolster energy transition and investments in renewable energies. It said Morocco could exceed the 52% target to cover up to 65% of its energy needs from renewable sources thanks to steady investment and consistent policies endorsed at the highest state level. Morocco's headway with energy transition was facilitated by an investment-friendly regulatory framework allowing tendering and auctions for large-scale solar and wind projects, encouraging private investments in the sector. Despite the difficult economic context this year, Morocco successfully achieved two wind projects. (Various 07.12)

5. ARAB STATE DEVELOPMENTS

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5.1. MENA Sovereign Outlook Negative, Uncertain Recovery Ahead

On 8 December, Fitch Ratings said the economic recovery in the Middle East and North Africa (MENA) will be dampened by a weak oil demand outlook and fiscal consolidation efforts after a sharp rise in debt in 2020. Most MENA sovereigns will register improving growth and fiscal and external balances in 2021 as economies bounce back from the coronavirus shock, oil prices recover, and stimulus measures are eased. Nevertheless, balance sheets will continue to deteriorate despite efforts to mitigate the impact of the pandemic on financial sustainability, although they remain very strong for higher-rated Gulf Cooperation Council (GCC) sovereigns.

Lower-for-longer oil prices and other potential consequences of the pandemic raise questions about the GCC's long-term social and economic models. Reform is becoming a precondition for debt market access and debt sustainability for some lower-rated sovereigns. Painful fiscal adjustments and the economic dislocation from coronavirus-containment measures risk a social and political backlash in 2021 in the absence of economic opportunities and improved living standards to satisfy still rapidly growing, young and under-employed populations. Meanwhile, entrenched regional conflicts and rivalries are in the background and there may be renewed attempts at resolution under a Biden administration in the US.

Five of the 15 Fitch-rated MENA sovereigns are on a Negative Outlook, after Outlook revisions on Saudi Arabia, Oman, Iraq, Jordan and Tunisia in 2020. Fitch Ratings has downgraded Bahrain, Lebanon, Morocco, Oman and Tunisia during the year. Lebanon has been in default since March 2020. (Fitch Ratings 08.12)

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5.2. Middle East Banks' Asset Quality Pressured while Capital & Liquidity Stable

Announce on 9 December, Fitch Ratings' 2021 sector outlook for Middle East (ME) banks is stable, reflecting a modest expected economic recovery. Credit growth will remain soft in most countries. Fitch expects continued asset quality and profitability pressures, while liquidity should remain strong, and capital buffers should remain adequate for the risks.

Fitch has Negative Outlooks on 37% of rated banks in the ME. These are mostly in Saudi Arabia, Oman and Jordan. Saudi Arabia and Oman's break-even oil prices remain well above current oil prices and near-term oil price expectations, and are a threat to the banking systems given reduced government spending and sovereign ability to provide support. In Jordan the Negative Outlooks predominantly relate to pressure on the operating environment.

The impact of asset-quality deterioration following the economic downturn due to the coronavirus and lower oil prices will become more visible in 2021 following the cessation of loan deferral programs and regulatory flexibility for banks to recognize impairments. Some deterioration in asset quality will be masked by increased restructuring. Pressures in the real estate sector due to oversupply, but also in contracting, retail, hospitality, transport and aviation, will continue. Stage 2 loans ratios vary across ME banks, but some reach 20% and above, indicating potential for high asset-quality pressure. Credit concentration remains the main risk. Banks' profitability will continue to be hit by lower interest rates, subdued business volumes and higher loan impairment charges. (Fitch Ratings 09.12)

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5.3. TÜV Rheinland Named Only Certification Body for Imports into Iraq

Germany's TÜV Rheinland has said it has been named as the only certification body for Iraq's new "Certificate of Registration (CoR)" procedure. The company said all manufacturers and suppliers who export goods to Iraq will in future require a registration certificate, which was issued in accordance with the new procedure. The certificate is therefore a mandatory requirement in order to receive an import license for Iraq.

The authorities in Iraq have been gradually implementing the CoR process since 1 October 2020, depending on the product category. The aim of the CoR process is to screen manufacturers and suppliers before they are granted an import permit for Iraq. This preliminary check is intended to protect end users and at the same time reduce the risk for importers and dealers. As a certification body, TÜV Rheinland carries out the verification process for manufacturers and suppliers who export to the country as part of the procedure and issues the registration certificate. (TUV Rheinland 08.12)

►►Arabian Gulf

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5.4. Abu Dhabi Approves $142 Million in Farming Projects as Part of Agricultural Push

The Abu Dhabi Agriculture and Food Safety Authority (ADAFSA) has approved five investment projects worth $142.6 million to establish fish, vegetable, fruit, cattle and poultry farms. The projects will be built on a total land and sea area of approximately four million sq. m. and will be developed by private sector companies as part of ADAFSA's efforts to increase farming projects and achieve sustainable agricultural development in Abu Dhabi. ADAFSA said it has signed two Musataha contracts with Aqua Fishers Company and Mirak Agricultural Services Company.

Aqua Fishers Company will establish a fish farm to produce 5,000 tons of seabream, seabass, grouper, red snapper and shrimp at a total cost of AED110 million. Fishponds will be built at sea while administrative offices, fish handling and packaging facilities and laboratories will be established on Delma Island. The second Musataha agreement signed with Mirak Agricultural Services Company is to establish a farm to produce vegetables and fruit using advanced technology for growing plants in controlled environments, including hydroponics at a total cost of AED140 million.

Another three projects were awarded to Alfafa Company, Al Nahdha Farm and Emirates National Poultry Farms. Alfafa Company will establish a farm to grow plants, including hybrid seeds, using a drip irrigation system and the latest farming techniques at a cost of AED38 million while Al Nahdha Farm has secured approval for a new farm for breeding calves to market their meat locally. The project will increase the farm's production of calves from 3,500 to 20,000 heads, raising its production capacity by 470% at a total cost of AED 86 million. Emirates National Poultry Farms also secured ADAFSA's approval to establish a poultry farm and slaughterhouse with a production capacity of 30,000 birds per day in Al Dhafra region, costing AED150 million. (AB 15.12)

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5.5. Abu Dhabi's ADX Signs an MOU with the Tel Aviv Stock Exchange

On 16 December, the Abu Dhabi Securities Exchange (ADX) and the Tel Aviv Stock Exchange (TASE: TASE) signed a memorandum of understanding (MOU), the first time an Arab exchange has entered into a commercial relationship with the state of Israel. The MOU will facilitate the development of channels of communication to foster co-operation between the two exchanges, and contribute to the growth of the capital markets in the United Arab Emirates and Israel.

One of the key purposes of the MOU between ADX and TASE is to explore potential opportunities for collaboration, including: the cross listing of securities; mutual trading by each exchange's respective members; facilitating investor access to each other's markets; creating new fintech and other market infrastructure technologies; and sharing data and other information to enable the development of new products. These activities aim to facilitate easy access between the two capital markets. It will also offer an attractive marketplace to all key stakeholders including listed companies, investors, and brokers as well as providers and consumers of information.

Abu Dhabi Securities Exchange (ADX), established in November 2000, is a market for trading securities; including shares issued by public joint stock companies, bonds issued by governments or corporations, exchange traded funds, and any other financial instruments approved by the UAE Securities and Commodities Authority (SCA). ADX is the second largest market in the Arab region and its strategy of providing stable financial performance with diversified sources of incomes is aligned with the guiding principles of the UAE "Towards the next 50" agenda.

The Tel Aviv Stock Exchange (TASE) was established in Israel in September 1953 and it is a TASE traded public company. TASE is the only exchange in Israel and plays a central role in the Israeli economy. TASE is the "home court" for Israeli companies seeking to raise capital. In so doing, TASE contributes significantly to Israel's economic growth and employment. As a vertically integrated platform that is a "one-stop-shop" for clients across asset classes, TASE's wholly-owned subsidiaries include the Tel Aviv Stock Exchange Clearing House, the MAOF Clearing House (derivatives) and the Tel Aviv Stock Exchange Nominee Company, which provide the only clearing and settlement infrastructure in Israel and securities registration services. (TASE 16.12)

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5.6. Dubai Launches Free COVID-19 Vaccination Campaign on 23 December

Dubai will begin offering free coronavirus vaccines to the public starting from 23 December, the emirate's Supreme Committee of Crisis and Disaster Management announced. Vaccination will use Pfizer-BioNTech's vaccine and is free of charge," Dubai's Media Office quoted the committee as saying. BioNTech's vaccine, which was developed together with US pharmaceutical company Pfizer, has been authorized for use in more than 45 countries including Britain, the United States and the EU.

Earlier this month, the UAE opened several locations where residents and nationals could receive the Sinopharm COVID-19 vaccine voluntarily. Initially launched in Abu Dhabi, the campaign was extended to include all of the country's emirates. The vaccine - developed by China's state-owned Sinopharm - was approved after it showed 86% efficacy in trials, according to regulators.(Al-Arabiya 22.12)

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5.7. Oman to Phase Out Water and Electricity Subsidies in Five Years

Oman plans to phase out water and electricity subsidies starting from January 2021 until 2025. The decision comes as part of an initiative to reorient electricity and water subsidy, which is one of the initiatives of the Fiscal Balance Plan (2020-2024) that seeks to lay grounds for the Sultanate's financial sustainability and upgrade the efficiency of government spending and the social security system. Through this plan, segments of subscribers will be categorized, endorse tariffs structure, reinforce the social security system and reorient subsidy to beneficiaries in the electricity and water sectors.

New tariffs will be applied for electricity and water services gradually over the forthcoming years till the stage of non-subsidized tariffs that tally with the economic cost of electricity supply by 2025. The new tariffs structure includes Large Consumers Category (or all segments of subscribers, except the Residential Category) among those who consume 100 megawatts/hour and more. The CRT applies to all subscribers of this category.

To ensure that the subsidy will reach the beneficiaries, the government developed the National Subsidy System (NSS), which subsidizes fuel, electricity and water consumption of eligible segments of citizens who are more vulnerable to financial impacts of the State's Budget. The NSS provides direct social protection to citizens. It constitutes 33% of the bill within limited consumption of 4,000 k/h a month for electricity while for water a similar mechanism will apply over the next stages. (ONA 20.12)

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5.8. Saudi Cuts Spending as Budget Deficit from Corona Rises Sharply

On 16 December, Saudi Arabia projected its 2020 budget deficit will soar to around $79 billion, as the country suffers from low oil prices and a coronavirus-led economic downturn. Passing its budget for 2021, the kingdom also announced it was slashing government spending in a bid to reduce the shortfall during the year ahead, as it faces an eighth consecutive annual deficit.

Saudi Arabia expects to post a deficit of $79 billion this year – 12% of GDP – but expects it to fall next year to $37.6 billion – 4.9% of GDP, the finance ministry announced. The latest projection for the 2020 deficit dwarfs the $50 billion that the kingdom had originally forecast going into this year – and the estimated $35 billion recorded in 2019.

The kingdom projects its economy– will grow by 3.2% next year, largely recovering from a projected 3.7% contraction this year. The International Monetary Fund expects the kingdom's economy to shrink by 5.4% this year. Saudi Arabia has failed to balance its books since the oil price rout of 2014, prompting the petro-state to borrow heavily and draw from its reserves to plug the shortfall. The recently passed fiscal plans indicate a hard road to recovery for the kingdom. (AFP 17.12)

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5.9. Saudi's BRJM & KAEC Sign $2.66 Million MoU to Support Entrepreneurs

Within the framework of promoting the mutual cooperation, Bab Rizq Jameel Microfinance (BRJM) has signed a Memorandum of Understanding with King Abdullah Economic City (KAEC) to provide financing services and solutions that would help entrepreneurs establish and develop their own projects at the city. The agreement includes allocating an amount of SR10 million to support entrepreneurs and home businesses at King Abdullah Economic City, with the aim of improving the entrepreneurship environment, following up the entrepreneurs of both genders and considering the possibility of supporting them with expertise and consultations. It also contributes to providing various services such as business incubators and accelerators, guidance and professional services, facilitating access to investment opportunities, business development and providing integrated government services for entrepreneurs.

Since the establishment in April 2018 till the month of November 2020, Bab Rizq Jameel Microfinance managed to provide around 17,000 job opportunities with 7,302 beneficiaries in total financed via Group Finance program, which enables productivity in households. (SG 09.12)

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5.10. More Egyptian Military Companies Up for Privatization in Historic Economic Shift

Three more military-affiliated companies will open up to private ownership in 2021, Sovereign Fund of Egypt CEO Soliman announced. The three unnamed companies join Wataniya Petroleum and the National Company for Producing and Bottling Water (Safi), which Soliman said will be open for full private ownership as early as Q1/21. Planning Minister and SFE Chairman El Said said earlier that Safi and Wataniya Petroleum are the first two subsidiaries of the army's National Service Products Organization (NSPO) that the SFE will shop to private investors as part of a wider privatization plan that will see the companies ultimately listed on the EGX.

Local and foreign investors will for the first time get a chance to own up to 100% of military-affiliated companies. The SFE could still acquire minority stakes of 20-30% in both Safi and Wattaniya Petroleum, and offer the rest to private investors, Soliman separately said in a Zoom interview with Hapi Journal. EFG Hermes will act as financial advisor on both potential sales

There have so far been few indications about the size of the stakes on offer or the timeline for pressing ahead. Last February, the SFE and NSPO signed a cooperation agreement to open up the latter's subsidiaries for investors, after President El Sisi said twice that stakes in army-owned companies and assets could be sold on the EGX as part of the state privatization program. The fund was looking at 10 of NSPO's subsidiaries to offer them up for co-investment as an initial phase. (Enterprise 15.12)

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5.11. Suez Canal Reduces Fees and Will Add Art for Cruise Ships

Egypt's Suez Canal Authority (SCA) has halved transit fees for cruise ships that dock for a minimum of 48 hours in at least two Egyptian ports as the country promotes tourism. The SCA is seeking to add several tourist attractions to the Egyptian tourism map, namely the Suez Canal International Museum, scheduled to open next year, Saint Agatha's Church and the Dome Building in Port Said. The SCA will also put up murals on both sides of the canal illustrating its various historical stages, which will add aesthetic value to sailing through the Suez Canal.

The Suez Canal, considered the fastest sea corridor for trade between Asia and Europe, is one of the main sources of foreign currency for the Egyptian state. The canal's revenues have slightly decreased during FY 2019/2020 at $5.72 billion, compared to $5.75 billion in FY 2018/2019. The decrease was a result of the COVID-19 outbreak, which caused a slowdown in global trade movement by 18.5% in the second quarter of 2020. (Al-Monitor 12.12)

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5.12. Egypt Concerned that Russia is Considering a Grain Tax

Egypt's largest wheat supplier is planning to impose a temporary tax and maximum quota on grain exports in a bid to boost local supply and stabilize prices, sources close to Russian government discussions told Reuters. The tax could be between $ 27-30 per tonne of wheat, and it could be applied alongside a quota on exports of wheat, rye, barley and maize. The quota could be set at 17.5 million tonnes for all grains, a source suggests to the newswire.

Egypt has made record purchases of Russian wheat since the start of the pandemic to ensure its strategic stockpile and curb any possible wheat shortages. Russian wheat constituted 80% of Egypt's wheat purchases last season, with 2.5 million tonnes bought as of August and more expected to come.

The tax might not necessarily translate into a considerably higher final price per tonne, which will limit its impact on Egypt. If anything, the increase might prompt the Finance Ministry to take out hedging contracts and guard against rising grain prices. The government is mulling purchasing derivative contracts to protect against rising grain prices, alongside hedging against rising oil prices, Egyptian Finance Minister Maait recently said. This option had been floated several times in recent years due to Egypt's heavy dependence on wheat imports. Wheat futures are currently trading at $210.7 per metric ton, slightly above the $199.5 price assumed in the state budget. (Enterprise 14.12)

6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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6.1. Cyprus' Budget Defeat Setback for COVID Recovery Plan

Cypriot Finance Minister Petrides on 18 December said parliament's 2021 budget rejection came at the worst possible time, putting the brakes on government fast-tracking economic recovery from COVID-19. Although the government is preparing a new budget to present before parliament in January, Petrides argued that the rejection is also a blow to state support for businesses, employees and social welfare.

Until the Finance Ministry prepares a new budget, the state will have to run on what is known as 'twelfths', equal to one-twelfth of the previous year's budget, meaning that expenditures cannot exceed the spending of the same month of 2020. The state can do this for two months until March. Petrides said that voting down the budget translates into a cut of €2.91 billion in social benefits and of €1.1 billion in health. This is the largest amount concerning the welfare state ever provided in a state budget in Cyprus.

On 17 December, Cyprus' parliament rejected the 2021 state budget by 29 votes against to 24 in favor with DIKO votes joining those of AKEL, the Greens and Independent Anna Theologou. For the budget to pass

50% of the votes cast among the 55 MPs is needed. Essentially DIKO made good on its threat to take matters to the extreme and veto the budget because the government would not grant the Auditor General access to files relating to the controversial citizenship-by-investment scheme. (FM 18.12)

7. GENERAL NEWS AND INTEREST

***ISRAEL:**

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7.1. Fourth Time the Charm - Israel Heading to the Polls in March

At midnight on the night of 22 December, the Knesset was automatically dissolved, since the Likud and Blue & White coalition partners could not reach an agreement to extend the deadline for passing the state budget. New elections have been set for 23 March 2021, Israel's fourth election campaign in two years. This date is exactly 90 days after the Knesset dissolved as required by law.

The inability of the coalition partners Likud and Blue & White to pass a budget had been expected after a bill to extend the deadline to do so until 31 December fell, as rebel lawmakers from both parties defeated the motion, voting 47 in favor versus 49 against. Passing a biennial state budget for 2020 and 2021 was part of the coalition agreement signed by Likud and Blue & White, but had become a contentious issue for months. Likud had demanded to pass the 2020 and 2021 budgets separately while Blue & White insisted Netanyahu adhere to the deal reached after the March 2020 elections.

While stormy negotiations brought agreement near, Blue & White leader Gantz issued new demands, and then rebels in both parties prevented the bill from passing in dramatic fashion. Prime Minister Netanyahu said that the Likud did not want new elections, reiterating that they had reiterated their adherence to the rotation in the Prime Minister's Office before Blue & White reneged on their deal. Under the coalition agreement, Gantz assumed the new role of alternate prime minister and was assured he would trade places with Netanyahu next November in a rotation agreement halfway through their term.

The latest polls forecast that the upcoming elections will be devastating for Blue & White, which will be virtually decimated in March. Leading polls gave the Likud a significant majority over the New Hope Party, formed by Likud rebels and other opposition parties. A plurality of voters (40%) still feel that Netanyahu is most fit to be prime minister. (Various 23.12)

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7.2. Fast of the 10th of Tevet

The tenth of Tevet (*Asarah BeTevet*), the tenth day of the Hebrew month of Tevet, is a fast day in Judaism. Falling this year on Friday, 25 December, it is one of the minor fasts observed from before dawn to nightfall. The fasting commemorates the beginning of the siege of Jerusalem by Nebuchadnezzar II of Babylon, an event that eventually culminated in the destruction of Solomon's Temple (the First Temple) and the conquest of the Kingdom of Judah (today in southern Israel). It is also the only Jewish fast day observed on a Friday.

***REGIONAL:**

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7.3. Lebanon Passes Law Criminalizing Sexual Harassment, Amends Domestic Violence Law

On 21 December, Lebanon's parliament passed a landmark bill criminalizing sexual harassment and amended a controversial domestic violence law, in a move rights groups criticized as incomplete. The new law "criminalizes sexual harassment, especially in the workplace", the official National News Agency reported.

Per the law, perpetrators can be sentenced to up to two years in prison and fined up to 20 times the value of the minimum wage, which stands at 675,000 Lebanese pounds ($450 at the official exchange rate but less than $100 on the black market), according to Lebanese rights group Legal Agenda. Maximum penalties are reserved for harassment in the work place, public institutions or educational facilities.

However, Legal Agenda said the legislation fails to protect victims of harassment. They say the law only allows for victims to make use of the criminal justice system and not the civil courts, "which means the case will be public". Another problem is that the law places on the victim the burden of proving the harassment and its consequences, rather than requiring the perpetrator to prove his or her innocence.

Parliament also expanded the scope of a law penalizing domestic violence. The legislation has been in force since 2014, but rights groups have censured it for defining domestic violence too narrowly and failing to specifically criminalize marital rape. On 21 December, parliament broadened the law so that it now penalizes economic and psychological violence. Though praised, the move does not lay down penalties for marital rape. (Al-Arabiya 21.12)

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7.4. Lebanon is Changing its Phone Codes

The number “0” in area codes for landline subscribers on the new IMS network in Lebanon will be replaced with “2,” the Ministry of Telecommunications announced in a new decision. With this decision, landline phone calls within Lebanon on the IMS network will, for instance, start with “21” instead of “01,” “27” instead of “07,” “29” instead of “09,” and so on for the remaining area codes. Similarly, inbound international calls to landline numbers will start with “009612.” Apart from the replacement of “0” with “2”, the logical distribution of the codes across the various areas will remain unchanged.

According to the decision, all new landline numbers will be programmed on the IMS network with the code switch implemented, and the number groups currently allocated to landline subscribers will be used for this purpose. Regarding numbers registered on the old network, they will not be changed, and they will continue to have “0” at their beginning (01, 07, 09, etc.…) until they are transferred to the IMS network, upon which they will be affected by the code switch. The migration of the currently registered lines to the IMS network will be done gradually, the Telecommunications Ministry noted in the decision.

The ministry said the move comes after the success of the experiments conducted by the Technical Directorate on all operating platforms and with the two cellular networks, Touch and Alfa, to pass telecommunications to and from the IMS network. (The961 20.12)

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7.5. Oman Praises Israel-Morocco Relations

Oman has praised the newly established relations between Morocco and Israel. The Omani Foreign Ministry said in a statement that it hopes the agreement will “further endeavors to achieve a comprehensive, just and lasting peace in the Middle East.”

Oman has long stayed neutral in regional politics and has avoided overt involvement the Saudi-Qatar dispute as well as the conflict with Iran. Israeli Prime Minister Benjamin Netanyahu visited Oman in 2018, but the two countries have yet to officially establish bilateral relations. The Omani government came out in support of the UAE’s normalization with Israel in August. This prompted speculation that Oman would soon follow suit. The state-run Oman News Agency reported on the agreement between Israel and Morocco, but did not provide information on Oman’s position. (Al-Monitor 11.12)

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7.6. US Rescinds Sudan's Terror Sponsor Designation, But Hurdles Remain

The United States has rescinded its designation of Sudan's government as a state sponsor of terror, the State Department announced on 14 December, following months of negotiations with the Trump administration that culminated in Sudanese leaders expressing openness to recognizing Israel in October. This announcement, which was met with high hopes in Sudan, will further open the country's path to international investment and development after decades of economic mismanagement and international isolation. Still, obstacles remain before Sudanese officials' bilateral agreement with the Trump administration can be completed and before Khartoum can qualify for debt relief from the International Monetary Fund.

The US government designated Sudan a state sponsor of terror in 1993. The regime of former dictator Omar al-Bashir, who was overthrown following popular protests last year, once harbored Abu Nidal, Carlos the Jackal and Osama bin Laden. The Trump administration has been in negotiations with Sudan's unelected interim civilian-led government for several months over the rescission. As part of the agreement, Sudan was asked to pay $335 million into an escrow account to settle lawsuits put forth by families of victims of the 1996 twin US Embassy bombings in Kenya and Tanzania and the USS Cole bombing in 2000.

The administration has also asked the Senate Appropriations Committee to approve more than $220 million to begin relieving Sudan's debt, including debt to the IMF, according to people familiar with the matter. Khartoum currently owes $1.4 billion to the IMF and still must meet additional requirements in order to qualify for debt relief. (Al-Monitor 14.12)

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7.7. US Adopts Map of Morocco that Includes Western Sahara

The United States has adopted a "new official" map of Morocco that includes Western Sahara, the American Ambassador David Fischer announced. He then signed the "new official US government map of the kingdom of Morocco" at a ceremony at the US embassy in the capital Rabat. The move came two days after Morocco became the fourth Arab state this year, after the United Arab Emirates, Bahrain and Sudan, to announce it had agreed to normalize relations with Israel. US President Donald Trump in turn recognized Morocco's sovereignty in Western Sahara. (Various 14.12)

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8.1. Sight Diagnostics Expands to the Arabian Gulf via Partnership with Phoenix Capital

Sight Diagnostics announced a distribution partnership with Phoenix Capital to extend Sight's footprint in the Middle East. Through the partnership, Sight will provide OLO analyzers – the company's decentralized, lab-quality diagnostic technology – to medical centers across the Middle East to help providers make quick and informed treatment decisions.

Phoenix Capital will first distribute Sight OLO to the nine medical centers it owns across the United Arab Emirates. Over the next year, Sight will work with Phoenix Capital to start expanding OLO's install base in the rest of the Gulf Cooperation Council region. This distribution partnership follows a recent investment partnership between Phoenix Capital and OurCrowd, one of Sight's longtime investors that recently participated in the diagnostic company's $71 million Series D funding round. Notably, the news also follows a historic normalization agreement between Israel and the United Arab Emirates, signaling the countries' progress in sharing resources and technology to improve healthcare together.

Founded in 2011, Tel Aviv's Sight Diagnostics aims to transform health systems and patient outcomes through accurate and pain-free blood diagnostic testing. Sight's latest blood analyzer, Sight OLO, performs a Complete Blood Count, the most commonly ordered blood test, in minutes. Sight OLO creates a digital version of a blood sample by capturing more than 1,000 highly detailed images from just two drops of blood obtained from a finger prick or venous sample. These images are then interpreted by proprietary and fully automated AI algorithms. (Sight Diagnostics 09.12)

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8.2. SoniVie Receives FDA Designation for TIVUS System for Renal Artery Denervation

SoniVie has been granted Breakthrough Device Designation from the U.S. FDA for the TIVUS System for renal artery denervation for the treatment of resistant hypertension, which is defined as blood pressure that remains above 140/90 mmHg despite use of three antihypertensive medications of different classes at the best tolerated doses, one of which must be a diuretic. Millions of people world-wide suffer from resistant hypertension which substantially increases the risk of heart attack, stroke and kidney failure.

Breakthrough Device Designation is a special regulatory status granted to medical devices that provide a more effective treatment for life-threatening or irreversibly debilitating diseases. The goal of the Breakthrough Devices Program is to provide patients and health care providers with timely access to these medical devices by speeding up their development, assessment, and review, while preserving the statutory standards for premarket approval, 510(k) clearance, and De Novo marketing authorization. The Company previously received Breakthrough Device Designation for the TIVUS System in the treatment of pulmonary arterial hypertension (PAH) in September 2019.

Rosh HaAyin's SoniVie is a medical device company developing the TIVUS Ultrasonic Denervation System, the only platform denervation technology with active development programs in three therapeutic areas: pulmonary artery denervation for pulmonary hypertension, renal artery denervation for resistant hypertension, and total lung denervation for chronic obstructive pulmonary disease with chronic bronchitis. These diseases affect millions of patients in the United States and Europe. The TIVUS procedure is performed during a standard right-heart catheterization procedure and has shown encouraging results in first-in-human clinical trials in Group 1 PAH patients. (SoniVie 09.12)

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8.3. Entera Bio Announces FDA Approval of IND Application for EB613 for Osteoporosis

Entera Bio announced that the U.S. FDA has reviewed the company’s Investigational New Drug (IND) application for EB613, orally delivered human parathyroid hormone (1-34), or PTH and informed Entera that it may proceed with its initial U.S. clinical trial. EB613 is positioned as the first potential drug candidate that could provide a patient friendly, once daily, oral, bone building (anabolic) treatment for osteoporosis patients.

As part of the IND filing, Entera provided to the FDA data from a total of more than 70 subjects from two previously completed Phase 1 trials conducted in Israel during the development of EB613 and from an additional 35 subjects that participated in Entera’s EB612 studies in Israel, including a 4 month hypoparathyroidism trial. EB613 is currently in a dose-ranging, placebo-controlled study in postmenopausal female subjects with osteoporosis, or low BMD, that is being conducted at four leading medical centers in Israel. EB613 is an orally delivered human parathyroid hormone (1-34), or PTH, drug candidate positioned as the first potential once daily, oral, bone building (anabolic) treatment for osteoporosis patients.

Jerusalem's Entera is a leader in the development of orally delivered large molecule therapeutics for use in areas with significant unmet medical need where adoption of injectable therapies is limited due to cost, convenience and compliance challenges for patients. The Company’s proprietary, oral drug delivery technology is designed to address the technical challenges of poor absorption, high variability, and the inability to deliver large molecules to the targeted location in the body through the use of a synthetic absorption enhancer to facilitate the absorption of large molecules, and protease inhibitors to prevent enzymatic degradation and support delivery to targeted tissues. (Entera Bio 10.12)

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8.4. Kitov Announces Name Change to Purple Biotech

Purple Biotech announced that it has changed its corporate name from Kitov Pharma Ltd. to Purple Biotech Ltd. The name change will be effective for trading purposes on the Tel Aviv Stock Exchange (TASE) and the NASDAQ Capital Market (NASDAQ) as of market open on 22 December 2020. At that time, the Company’s ordinary shares and American Depositary Shares (ADSs) will begin to trade under the new ticker symbol, “PPBT,” on the TASE and NASDAQ, respectively. The Company’s ordinary shares will continue to trade on the TASE and its ADSs will continue to trade on NASDAQ under the ticker symbol “KTOV” through market close on 21 December 2020.

Purple Biotech is a clinical-stage company focusing on advancing first-in-class therapies to overcome tumor immune evasion and drug resistance, to create successful long-lasting treatments for people with cancer. The Company’s oncology pipeline includes NT219 and CM24. NT219 is a small molecule targeting the novel cancer drug resistance pathways IRS1/2 and STAT3. The Company is currently advancing NT219 as a monotherapy treatment of advanced solid tumors and in combination with cetuximab for the treatment of recurrent or metastatic squamous cell carcinoma of head and neck cancer (SCCHN) in a phase 1/2 study. (Kitov Pharma 10.12)

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8.5. Inspira Technologies' AXT - Directly Oxygenates Blood for Respiratory Care

Inspira Technologies revealed its revolutionary respiratory support system, the AXT, the world's first technology to directly oxygenate blood and stabilize patient oxygen levels, preventing the need for mechanical ventilation. Inspira also announced that it filed a patent application for its new AXT system, as a preventive treatment to avoid the use of invasive mechanical ventilation. Inspira is now revealing the AXT system as the world's first system to directly oxygenate blood and remove carbon dioxide, all while leaving a patient awake, alert, and breathing to their capacity - which can all be done outside of the ICU.

The AXT system is five times smaller than invasive mechanical ventilation machines and allows, for the first time, mobility, simplicity, and flexibility. Beyond its advanced look and feel, the AXT system is highly functional and easy to use, allowing deployment in numerous configurations and settings. The system has a broad range of oxygenation ability, however, for most patients, the system's full capabilities will not be required. The frame is made of medical grade aluminum and magnesium, making it highly durable. The disposable components of the system are provided as a single combined set, which is connected in a "Plug & Play" fashion to the system. The system's smart and beautifully lit touchscreen is divided into three main operational zones: the patient's vital signs, the system controls and various data collected from the patient's surrounds. A user-friendly operational dial is conveniently located below the screen. The AXT system also has built-in self-initiation technology developed by the Company, which eliminates the need for specialized technicians or medical staff for its operation.

Ra'anana's Inspira Technologies is an innovative medical technology company in the respiratory support space. The Company has developed a breakthrough respiratory support system, the AXT, which directly oxygenates blood and immediately elevates and stabilizes patient oxygen levels. The AXT system is a preventative alternative to highly invasive mechanical ventilation systems, preventing the need for medically induced comas and intubation. The technology solution lowers the risks and costs of existing ventilation systems by allowing patients to remain awake and mobile during treatment, and the simple system design allows for broader medical use. (Inspira Technologies 10.12)

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8.6. Atox Bio Gets FDA Acceptance for Reltecimod to Fight Flesh-Eating Disease

Atox Bio announced that the U.S. FDA accepted to file the New Drug Application (NDA) for reltecimod with a Prescription Drug User Fee Act (PDUFA). The proposed indication is for the treatment of suspected organ dysfunction or failure in patients ≥12 years of age with NSTI, in conjunction with surgical debridement, antibiotic therapy, and supportive care. If approved, reltecimod could advance the standard of care for patients with NSTI by providing a novel treatment option for these patients.

Based on discussions with FDA, Atox Bio submitted an NDA under the Accelerated Approval Program. The Company believes reltecimod meets Accelerated Approval criteria as it treats a serious condition, provides meaningful therapeutic benefit over existing treatments, and demonstrates an effect on an intermediate clinical endpoint; resolution of organ dysfunction, that is reasonably likely to predict the clinical benefit of improved long-term survival.

Reltecimod is a small synthetic peptide that is host-oriented and pathogen-agnostic. With its novel mechanism of action, reltecimod leads to resolution of organ dysfunction or failure by attenuating the dysregulated immune response frequently seen in patients with NSTI. It binds to the dimer interface of CD28 expressed on T-cells, thereby modulating the acute inflammation that leads to systemic organ failure. By acting on this early step in the host immune response, reltecimod avoids the ongoing concerns about bacterial resistance and is active independent of the pathogen type. NSTI (Necrotizing Soft Tissue Infections), commonly referred to as "flesh-eating disease" or "flesh-eating bacteria" is a rare, life-threatening disease that can travel quickly from the infection site and requires frequent, rapid surgical intervention to remove dead and infected tissue to stop further progression and the need for amputation.

Ness Ziona's Atox Bio is a late stage clinical company that develops immunotherapies for critically ill patients. The ACCUTE study was funded in whole or in part with Federal funds from the Department of Health and Human Services; Office of the Assistant Secretary for Preparedness and Response; Biomedical Advanced Research and Development Authority (BARDA). Major investors in the company include SR One, OrbiMed, Lundbeckfonden Ventures, Arix Bioscience plc and Adams Street Partners. (Atox Bio 10.12)

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8.7. CollPlant to Supply rhCollagen for Use in a Broad Range of Cell Culture Applications

CollPlant and Vancouver's STEMCELL Technologies, Canada's largest privately owned biotechnology company, which develops cell culture media, cell separation systems, instruments, and other reagents for life sciences research, jointly announced they have entered into a product manufacturing and supply agreement. CollPlant will sell its proprietary recombinant human Type I collagen (rhCollagen), the world's first plant-based rhCollagen, to STEMCELL Technologies, which will incorporate CollPlant's product into cell culture media kits.

The recently signed agreement follows the companies' established business relationship, which started in 2014 when STEMCELL began purchasing and incorporating CollPlant's rhCollagen into some of its cell culture expansion and differentiation media kits. To date, hundreds of companies, as well as research and academic institutes, have used these kits for research and development projects. STEMCELL will distribute the kits globally for use in the regenerative medicine research market.

Ness Ziona's CollPlant is a regenerative and aesthetic medicine company focused on 3D bioprinting of tissues and organs, and medical aesthetics. Their products are based on our rhCollagen (recombinant human collagen) that is produced with CollPlant's proprietary plant based genetic engineering technology. Their flagship rhCollagen BioInk product line is ideal for 3D bioprinting of tissues and organs. (CollPlant 10.12)

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8.8. Vertical Field to Provide Vertical Farms to Israel's Largest Supermarket Chain

After a successful pilot, Ra'anana's Vertical Field has signed an agreement with Israel's largest supermarket chain, Rami Levy. As part of the multi-million dollar agreement, Vertical Field will install vertical farms at dozens of locations over the course of five years, enabling the supermarket chain to sell lettuce and other produce that grows vertically inside the company's proprietary geoponic (soil-based) container technology.

The produce sold is grown in a sterile indoor environment without the use of chemical pesticides or fertilizers. Furthermore, it is grown in controlled conditions, which ensures a consistent and predictable yield throughout the year with no seasonality or weather effects. The crops include lettuce, basil, parsley, kale, mint and more, and will be sold at competitive prices.

Vertical Field's innovative solution is called a "vertical farm" and has been developed at the company's research headquarters in Ra'anana, Israel. Produce inside the farm grows vertically on the container's walls on a proprietary platform that is uniquely designed for vegetables to grow on a bed of nutrient-rich soil; the methods used increase efficiency, minimizing both water consumption and use of soil. Furthermore, the farms are maintained by regional farmers in order to strengthen the local agricultural sector. The produce will be sold daily directly to clients after it has been harvested. Customers will have the option of purchasing the produce with the soil bedding that it was grown in, allowing the customers to enjoy all the nutritional benefits of a freshly harvested crop and a longer shelf life. (Vertical Field 09.12)

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8.9. MediWound Agreement for NexoBrid in UAE with Ghassan Aboud Group

MediWound has further expanded its NexoBrid global presence and entered the Middle Eastern markets with the signing of a distribution agreement granting Ghassan Aboud Group (GAG), an international conglomerate based in the UAE, an exclusive right to market and distribute NexoBrid in UAE for the treatment of severe burns. Commercialization of NexoBrid in the UAE will commence upon securing regulatory approval, which is expected within a year.

NexoBrid (concentrate of proteolytic enzymes enriched in Bromelain) is a topically administered biological product that enzymatically removes nonviable burn tissue, or eschar, in patients with deep partial and full-thickness thermal burns within four hours of application without harming viable tissue. NexoBrid is approved in the European Union and other international markets and has been designated as an orphan biologic drug in the United States, European Union, and other international markets.

Yavne's MediWound is a fully-integrated biopharmaceutical company focused on developing, manufacturing and commercializing novel therapeutics based on its patented proteolytic enzyme technology to address unmet needs in the fields of severe burns, chronic and other hard-to-heal wounds. MediWound's first innovative biopharmaceutical product, NexoBrid, non-surgically and rapidly removes burn eschar without harming viable tissue. MediWound's second innovative product, EscharEx® is a topical biological drug candidate for the debridement of chronic and other hard-to-heal wounds using the same proteolytic enzyme technology as NexoBrid. (MediWound 14.12)

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8.10. AgPlenus Reaches Lead Stage in its Novel Herbicide Program

AgPlenus has reached the 'Lead' stage in its novel Mode-of-Action (MoA) herbicide program. The achievement of this milestone follows the conclusion of field tests that demonstrated that product candidate APH1, at commercial dose rates, effectively controlled a broad panel of weeds, including weeds that are known to have resistance to existing herbicides. These results were confirmed in independent field tests conducted by SynTech Research, an agricultural R&D contract research organization located in California.

AgPlenus' herbicide program focuses on the discovery and targeting of new MoAs to overcome herbicide resistance issues. Herbicide candidate APH1 is the first chemical compound addressing a novel MoA from this program to reach the 'Lead' stage. APH1 is a broad-spectrum herbicide candidate that has been shown to be effective against highly-resistant grass and broadleaf weeds.

Weed control was statistically significant (compared to untreated controls) and in the range of 70%-100% in 6 out of 9 commercially important weed species. Additionally, in greenhouse tests conducted in post-emergence applications, APH1 demonstrated efficacy against several key resistant weeds, including glyphosate resistant weed strains. In addition to efficacy against a broad panel of weed species, APH1 also exhibited crop selectivity; corn and cereals showed inherent tolerance to APH1. A patent application has been filed for this candidate. The next steps in the further development of APH1 are expected to include field trials and safety studies to reach the stage of an 'Optimized Lead'.

Rehovot's AgPlenus is designing effective and sustainable crop protection products by leveraging predictive biology and chemistry. The Company aims to develop crop protection products: herbicides, insecticides, fungicides and crop enhancers. AgPlenus has ongoing collaborations with industry leaders such as BASF and Corteva. AgPlenus is a subsidiary of Evogene. (AgPlenus 15.12)

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8.11. Sheba Signs Agreement with Iguazio to Deliver Real-Time AI for COVID-19 Treatment

Iguazio it is working with the Sheba Medical Center's ARC innovation complex to deliver real-time AI across a variety of clinical and logistical use cases in order to improve COVID-19 patient treatment. Sheba is the largest medical facility in Israel and the Middle East and has been ranked amongst the Top 10 Hospitals in the World by Newsweek magazine. Iguazio was selected to facilitate Sheba's transformation with real-time AI and MLOps (machine learning operations) in a variety of projects. One of these projects is optimization of patient care through clinical, real-time predictive insights. Using the Iguazio Data Science Platform, Sheba is incorporating real-time vital signs from patients by utilizing the patient's medical history to predict and mitigate complications such as COVID-19 patient deterioration or to aid decision making during surgery.

Another project optimizes the patient's journey with smart mobility, from the moment of the patient's arrival to Sheba as well as their departure after treatment. The patient's entire journey is orchestrated with AI, including: parking allocation, shuttle arrival times, patient routing and waiting, with times optimized using real-time data to ensure optimal patient care and satisfaction. This also enables the management of patient flow to comply with COVID-19 social distancing regulations. The Iguazio Data Science Platform enables enterprises to develop, deploy and manage AI applications at scale.

With Herzliya's Iguazio, enterprises can run AI models in real time, deploy them anywhere (multi-cloud, on-prem or edge), and bring to life their most ambitious AI-driven strategies. Enterprises spanning a wide range of verticals, including financial services, manufacturing, smart mobility, telecoms and ad-tech use Iguazio to solve the complexities of MLOps and create business impact through a multitude of real-time use cases such as fraud prevention, predictive maintenance and real-time recommendations. (Iguazio 16.12)

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8.12. MDClone & VHA Innovation Ecosystem to Provide Better Healthcare to U.S. Veterans

MDClone and the VHA Innovation Ecosystem, a division of the United States Department of Veterans Affairs (VA) announced a partnership to democratize data at the Veterans Health Administration (VHA). The partnership will provide unprecedented, secure access to clinical data to better understand and improve the health of the more than nine million veterans it serves.

The VHA Innovation Ecosystem aims to empower a wider network of VHA clinical and operational staff to explore data and discover insights which can be used to impact the lives of veterans nationwide. MDClone worked closely on this initiative with Dr. Amanda Purnell, Senior Innovation Fellow at the VHA Innovation Ecosystem, who is part of the Care & Transformational Initiatives (CTI) in the VHA Innovation Ecosystem. This program is specifically focused on testing and refining innovative care models and transformational initiatives that can be meaningfully scaled to impact Veteran care.

By implementing the MDClone platform, non-technical users can quickly ask important questions, find answers, and take action - dramatically shortening timelines for quality improvement, innovation and grass roots clinical research. The initial collaboration with MDClone will center on suicide prevention, chronic disease management, precision medicine, health equity, and COVID-19. For example, practitioners can tackle issues like suicide by identifying leading indicators and proactively intervening with patients most at risk.

Founded in 2016, Beer Sheva's MDClone democratizes data, empowering clinicians, researchers, and executives to explore, discover, and collaborate to improve patients' health. With MDClone, any user can ask and answer any question in real time. This paradigm shift is made possible by MDClone's unique technology for organizing, accessing, and protecting the privacy of patient data. (MDClone 16.12)

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8.13. OCON Healthcare Completes Funding Round

Modiin's OCON Healthcare, a women's health company which develops, manufactures and commercializes innovative 3D intrauterine devices based on its patented IUB (Intra-Uterine Ball) platform, completed a

USA-focused funding round led by Rhia Ventures, to bring its IUB Ballerine contraceptive and IUB SEAD point-of-care therapy for Abnormal Uterine Bleeding (AUB), to the US market, and to expand Phase II clinical trials for the IUB SEAD.

The 2020 investment round included new and existing investors such as Rhia Ventures, Pontifax VC and US based fund Astia Angels, as well as grants from the Israeli Innovation Authority. OCON expects another funding round in 2021. OCON's flagship product, the IUB Ballerine, is commercially available in 30 countries with over 100,000 women using it to date. IUB Ballerine's unique shape reduces irritation to the endometrium with fewer malpositions and perforations, which are significant drawbacks associated with current T-shaped IUDs. (OCON Healthcare 21.12)

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9.1. Gilat Receives Order for a US Department of Defense Tactical Communications Program

Gilat Satellite Networks announced that its subsidiary Wavestream received a multi-million-dollar order from a customer in support of a military communications program run by the US Department of Defense (DoD). New generation of Wavestream Block Upconverters (BUCs) successfully meet DoD program's requirement for interoperability on multiple satellite constellations at multiple frequencies. Wavestream's newly redesigned Matchbox 20W Ka-band BUC is the most compact outdoor-rated Ka-band BUC ever developed by Wavestream. This unit rounds out Wavestream's Ka-band Matchbox product portfolio as a small but powerful BUC capable of connecting to multiple Low Earth Orbit (LEO) and Geostationary Orbit (GEO) satellite constellations in multiple Ka-band frequency lineups.

Additionally, the brand new MicroStream 20W Ku BUC is designed to be tightly integrated within the electronics enclosure of the terminal and has been specifically developed with size, weight and power (SWaP) in mind. It is indicative of the incredibly flexible capability set that Wavestream offers its customers when it comes to deeply integrated RF solutions.

Wavestream, a Gilat subsidiary is the industry leader in the design and manufacture of next generation satellite communications high power transceivers for In Flight Connectivity, Ground Mobility and Gateway markets. Since 2001, they provide system integrators with field-proven, high performance Ka, Ku and X band Solid State Power Amplifiers (SSPAs), Block Upconverters (BUCs), Block Down Converters and Transceivers. Petah Tikva's Gilat Satellite Networks is a leading global provider of satellite-based broadband communications. With 30 years of experience, we design and manufacture cutting-edge ground segment equipment, and provide comprehensive solutions and end-to-end services, powered by their innovative technology. (Gilat 08.12)

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9.2. Rail Vision Enters Electrically Powered Light Rail Vehicle Market with Knorr-Bremse

Foresight Autonomous Holdings announced that its affiliate, Rail Vision, received an order from Knorr-Bremse Systeme für Schienenfahrzeuge, an affiliate of Knorr-Bremse, for two samples of their light rail vehicle (LRV) system. In addition, Knorr-Bremse has ordered customization of Rail Vision's LRV system features according to Knorr-Bremse's requirements. Revenue from this order is expected to total approximately €400,000. Knorr-Bremse, a $17-billion European-based group, recently invested $10 million in Rail Vision. Foresight owns 19.36% of Rail Vision's outstanding share capital.

The global market for light rail estimated at $8.6 billion in 2020, is projected to reach a revised size of $10.8 billion by 2027, according to a recent market report by Global Industry Research. Rail Vision's system for the LRV segment detects and classifies obstacles at a range of up to 200 meters in all weather and lighting conditions and generates real-time alerts in case of obstacle detection within the predefined area of interest.

Rail Vision's system is based on electro-optic sensor technology combined with artificial intelligence and deep learning capabilities.

Ness Ziona's Foresight Autonomous Holdings, founded in 2015, is a technology company engaged in the design, development and commercialization of sensors systems for the automotive industry. Through the company's wholly owned subsidiaries, Foresight Automotive and Eye-Net Mobile, Foresight develops both "in-line-of-sight" vision systems and "beyond-line-of-sight" cellular-based applications. Foresight's vision sensor is a four-camera system based on 3D video analysis, advanced algorithms for image processing, and sensor fusion. Eye-Net Mobile's cellular-based application is a V2X (vehicle-to-everything) accident prevention solution based on real-time spatial analysis of clients' movement. (Foresight 11.12)

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9.3. SuperCom's Cyber Security Division Selected by Israeli Agency for a $1.2 Million Program

SuperCom announced that its cyber security division, Safend, a data protection and cybersecurity company, has been selected for a 5-year End Point Cyber Security Protection program, with a budget of approximately $1.2 million, by an Israeli Government Security Agency. Safend provides government agencies and enterprise organizations a broad range of competitive and well-known encryption and data protection solutions. This program is expected to include up to approximately 40,000 end-point machines, as well as integration with existing government infrastructure and systems. The Safend Protection Suite modules Protector and Encryptor will be included in this offering. Safend expects that program launch will begin by the end of January 2021.

Safend Protector controls endpoint devices and data flow by automatically detecting, permitting, restricting files and encrypting external media devices. Safend Protector is intuitive and complies with major international standards. Providing transparent full-disc data encryption, Safend Encryptor offers at-a-click company-wide data security. Requiring negligible IT maintenance, Safend Encryptor balances employee productivity with computer performance without interfering with daily activities.

Herzliya's Safend is a leading developer of information security solutions for organizations that provide extensive protection of sensitive corporate information found in the computers of the organization. Safend's product suite includes encryption of computer drives, removable storage devices and CD / DVD precise control over the physical and wireless ports and devices connected to them, and control and supervision of the placement and transfer of sensitive content.

Since 1988, Tel Aviv's SuperCom has been a global provider of traditional and digital identity solutions, providing advanced safety, identification and security solutions to governments and organizations, both private and public, throughout the world. Through its proprietary e-Government platforms and innovative solutions for traditional and biometrics enrollment, personalization, issuance and border control services, SuperCom has inspired governments and national agencies to design and issue secure Multi-ID documents and robust digital identity solutions to its citizens and visitors. (SuperCom 11.12)

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9.4. Safe-T and Accenture Spain Launch Secure Remote Access Managed Security Service

Safe-T Group launched a joint secure remote access managed security service (MSS) with Accenture S.L., Sociedad Limitada. With the introduction of Zero Trust strategies, the enterprise market has started slowly shifting from legacy network designs and remote access solutions, where organizations have little to no visibility or control regarding who accesses the network and corporate resources, to Zero Trust architectures and methodologies. However, not all organizations have the knowledge and IT capacity to take the necessary measures to shift to Zero Trust Access.

Understanding this problem rising within organizations, Accenture Spain decided to help organizations deploy a secure and agile Zero-Trust Network Access (ZTNA) solution, to control who can access internal and cloud services and how such access is granted. After thorough market research, Accenture chose to partner with Safe-T to launch a secure remote access managed security service. The new MSS is based on Safe-T ZoneZero, Safe-T's ZTNA solution, and will be offered to Accenture's top-tier customers in various sectors, such as banking, insurance, industrial and others in Spain, Portugal and Israel.

Herzliya's Safe-T Group is a provider of access solutions which mitigate attacks on enterprises' business-critical services and sensitive data, while ensuring uninterrupted business continuity. Safe-T's cloud and on-premises solutions ensure that an organization's access use cases, whether into the organization or from the organization out to the internet, are secured according to the "validate first, access later" philosophy of zero trust. This means that no one is trusted by default from inside or outside the network, and verification is required from everyone trying to gain access to resources on the network or in the cloud. (Safe-T Group 15.12)

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9.5. Tower Semiconductor & OPIX Develop World Class Platform for 3D Imaging

Tower Semiconductor and China's OPIX, an innovative supplier of 3D Time-of-Flight (ToF) image sensor solutions, announced the successful development of a world class iToF technology platform for 3D imaging and face recognition, featuring multiple depth sensing and distance measurement applications for a broad range of markets, based on Tower's state of the art, pixel level wafer stacking BSI technology.

The newly developed technology is implemented in a high-end image sensor product that is being integrated into a 3D camera module in partnership with a global industry leader of 3D cameras and imaging systems for mobile applications. This three-party collaboration produced a unique sensor product that is perfectly suited to serve a wide variety of fast-growing markets such as mobile, AR/VR, retail, robotics, automation, and industrial inspection. Utilizing TOWER's 65nm leading pixel-level stacked BSI CIS technology fabricated in its Uozu, Japan facility, as well as Tower's vast expertise in development of iToF image sensor technology, provided an outstanding platform for the design of this cutting-edge performing product, a first in a series of iToF products.

Migdal HaEmek's Tower Semiconductor is a leader in high-value analog semiconductor foundry solutions, provides technology and manufacturing platforms for integrated circuits (ICs) in growing markets such as consumer, industrial, automotive, mobile, infrastructure, medical and aerospace and defense. (Tower Semiconductor 15.12)

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9.6. Elbit Systems to Supply the E-LynX Mobile Radio Network to Switzerland

Elbit Systems was awarded an approximately $338 million contract by the Swiss Federal Department of Defense, Civil Protection and Sport, to provide the Swiss Armed Forces with an army-wide tactical mobile Software Defined Radio (SDR) network solution under the Telecommunications Armed Forces (TK A) digitization program, Ersa mob Komm. The contract will be performed over a period of six years.

This contract award follows more than three years of extensive and competitive technical as well as field evaluations conducted by the Federal Office for Defense Procurement and the Swiss Armed Forces. The digital mobile network solution to be provided is based on the E-LynX family of open architecture SDR, enabling fast, reliable and secure communication across the Swiss Armed Forces.

Haifa's Elbit Systems is an international high technology company engaged in a wide range of defense, homeland security and commercial programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance (C4ISR), unmanned aircraft systems, advanced electro-optics, electro-optic space systems, EW suites, signal intelligence systems, data links and communications systems, radios, cyber-based systems and munitions. (Elbit Systems 17.12)

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9.7. VisIC Unveils New 8mOhm Power Switch for EV Inverters

VisIC Technologies announced its new low resistance product for EV Inverter application that will improve efficiency and manufacturing cost of electric cars. The new 8mOhm product is another step in the ongoing effort to support our customers and improve the power conversion systems. The new product is rated at 8mΩ, 650V, 200Amp and provides significantly lower switching losses versus comparable IGBT or SiC devices for the same current range. Customers can integrate the new die into both discrete packages and power modules with a variety of interconnect options. This new technology enables power loss savings particularly in drive cycle tests for high current Electric Vehicle inverter systems.

The challenge of manufacturing a single die with a high current is a known challenge for wide band gap technologies (WBG), such as SiC and GaN, vs ubiquitous Silicon dies. The breakthrough of 200A GaN dies has been made possible due to the thoughtful design of the D3GaN platform and manufacturing excellence of TSMC, the manufacturing partner of VisIC. This breakthrough will enable Electric Vehicles to benefit from the high-efficiency technology of GaN. This will lead to more cost-effective EV cars, for a greener and cleaner planet.

Ness Ziona's VisIC Technologies is a world leader in GaN electronics for xEV applications, focused on high-power automotive solutions. Its efficient and scalable products are based on deep technological knowledge of gallium-nitride and decades of experience. VisIC is committed to providing a step function improvement in terms of size and cost of energy conversion systems and is dedicated to high-quality customer support at all development phases. VisIC offers high power transistor products based upon compound semiconductor Gallium Nitride (GaN) material aiming to provide products for cost-effective and high-performance automotive inverter systems. (VisIC Technologies 16.12)

10. ISRAEL ECONOMIC STATISTICS

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10.1. Israel's CPI Falls by 0.2% in November

The Central Bureau of Statistics announced that Israel's Consumer Price Index (CPI) fell by 0.2% in November, in line with the pundits' forecasts. The rate of inflation since the beginning of the year is negative 0.6%. For the past twelve months to the end of November, it also stood at minus 0.6%.

There were significant price falls in November in fresh fruit and vegetables (3.2%), furniture and household equipment (0.9%), and communications (0.7%). There were significant price rises in November in clothing and footwear (4.2%). The home prices index, which is separate from the CPI, resumed its rise in the period September-October, in comparison with August-September, climbing by 0.4%. Housing prices have risen 2.5% over the past 12 months. In comparison with August-September this year, prices in September-October rose 0.9% in Tel Aviv, 0.6% in Jerusalem, and 0.1% in Haifa. (CBS 15.12)

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10.2. Israel's Economy Shrank by 2.8% During the First 9 Months of 2020

The Central Bureau of Statistics announced that the damage done to Israel's economy by COVID-19 has been far less than in most other developed countries. The latest revision of figures by the Central Bureau of Statistics shows that the economy shrank by 2.8% in the first three quarters of 2020, compared with the corresponding period of 2019. In the initial estimate the Israeli economy contracted by 3% between January and September 2020. The damage done to Israel's economy by the crisis has been far less than in most other developed countries, in part because of the strong showing by Israeli exports this year, led by the tech sector.

While COVID-19 hit hard in the first half of the year, Israel staged a strong recovery in the third quarter with the economy growing at 38.9% between July and September, revised up from 37.9% in the initial estimate. According to the latest Ministry of Finance forecast, Israel's economy is expected to contract 4.2% in 2020, a rosier prediction than its previous estimate of a 4.8% contraction.

In the third quarter private consumption jumped 42.3%, exports rose 41.6% and imports fell 1.8% compared with the previous quarter of 2020. In the third quarter of 2020, exports of goods and service rose 4.9% compared with the corresponding quarter of 2019. In quarterly terms, the Israeli economy grew by 8.6% in the third quarter of 2020, slightly below the OECD average of 9.1%. However, compared with the corresponding period of 2019, the Israeli economy shrank by only 1.1%, a small contraction than any other OECD country, except for Ireland. (CBS 16.12)

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10.3. PwC Israel 2020 Report Finds Exits Down 25% but Worth 55% More

Globes reported that according to the PwC Israel report on tech exits for 2020, there were far fewer deals, only 60 compared with 80 in 2019, but their cumulative value rose 55% to $15.4 billion, from $9.9 billion in 2019. PwC Israel noted that the average deal size increased by 207% to $257 million (excluding follow-on deals in both years).

PwC Israel said that 2020 was a record for IPOs with 19 IPO, up from 13 in 2019. In addition, the share of IPOs in the total value of deals surged to $9.3 billion (or 60% of total deal value), compared with $2.2 billion in 2019 (or 22% of total deal value). The average value per IPO also rose sharply from $169 million in 2019 to $489 million in 2020, mainly led by Lemonade, JFrog and Nanox in the US, and Ecoppia and Aquarius Engines in Israel. The share of large deals remained high in 2020, PwC Israel added. There were six deals larger than $500 million (total value of $9.4 billion) compared with 4 such deals in 2019 (total value of $3.7 billion). There were 24 deals of over $100 million in 2020, the same number as 2019.

The computing and software sector continued to lead the exits, with total value of deals reaching $7.4 billion. Other sectors, which showed significant growth included the Internet and life sciences sectors.

The biggest story of 2020 is the rebound of tech companies in the IPO market. The end of 2020 would probably have been different without the surge in the number and value of IPOs by Israeli tech companies in the US and Israel. The resurgence of tech companies in the equity market has several reasons, including low interest rates, a larger monetary base, more government incentives and other capital directed to tech companies. There is even a psychological shift in the Israeli capital market that makes investors gravitate towards tech, which generates a positive environment for IPOs and value creation. (Globes 22.12)

11. IN DEPTH

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11.1. JORDAN: IMF Concludes First Review Under Jordan's EFF Arrangement

On 14 December, the Executive Board of the International Monetary Fund (IMF) completed the first review of Jordan's performance under the program supported by the Extended Fund Facility (EFF). Jordan's four-year EFF of SDR 926.37 million (about $1.3 billion, equivalent to 270% of Jordan's quota in the IMF), was approved by the IMF's Board on March 25, 2020.

The IMF has enhanced the built-in flexibility in the program to accommodate spending needed to prevent, detect, control, treat, and contain the spread of COVID-19 pandemic, as well as additional social protection spending. In competing the review, the IMF Executive Board approved the waivers of non-observance on the performance criteria on the central government primary deficit and the combined public deficit (both excluding grants). The Board also approved the modification of targets going forward, and rephasing of structural conditionality, as well as the authorities' request to rephase access under Jordan's EFF arrangement by bringing forward about $150 million in Fund disbursements into 2021–22 to support near-term financing needs emerging in the aftermath of COVID-19. The completion of the review will make SDR 102.93 million (about $148 million) immediately available. This brings total IMF disbursements to Jordan in 2020 to SDR 497.41 million (around $689 million) including an SDR 291.55 million (about $401 million) purchase in May under the Rapid Financing Instrument.

COVID-19 has taken a toll on the economy with unemployment rising to record high and fiscal and external deficits widening. The Fund's financial support will help Jordan meet these challenges and catalyze support from other development partners.

Following the Executive Board discussion of Jordan's economic program, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"The impact of COVID-19 on the Jordanian economy has been sizable, but the authorities have responded with timely and targeted measures to protect lives and livelihoods, while also preserving debt sustainability and market access. Despite sizeable challenges, the authorities remain committed to gradually rebuilding policy buffers and arresting the rise in public debt; preserving the credibility of the peg; accelerating electricity sector reforms; and enhancing labor market, business climate, and governance reforms to promote higher and more inclusive growth.

"In the near term, fiscal policy continues to focus on supporting the economy, with enhanced flexibility in the program to accommodate unanticipated spending related to the pandemic, as well as additional social protection spending. High quality fiscal measures should underpin a gradual fiscal consolidation as the recovery takes hold. In this regard, the authorities' strategy should focus on broadening the tax base through both tax policy and tax administration reforms; eliminating pressures from public utilities and public-private partnerships; and improving the fairness, efficiency, and transparency of public finances.

"Monetary policy should remain supportive given the still-fragile economy, while safeguarding the peg. The financial system is sound, but continued efforts will be needed to preserve its stability and promote financial inclusion. The Financial Sector Assessment Program update in 2022 will provide a timely and comprehensive diagnostic and help lay out a roadmap for medium-term financial sector reforms.

"Sustained efforts are needed to achieve durable, inclusive, and jobs-rich growth. Reforms should focus on improving the business climate, reduce unemployment, particularly among women and youth, enhancing competitiveness, and strengthening governance. On the latter, the in-train amendments to the illicit gains law, publication of details of COVID-related spending, and initiation of a review of the most significant power purchase agreement, are welcome steps.

"While the COVID-19 outbreak continues to pose significant risks to program implementation, these are mitigated by the authorities' strong commitment to the program. This, together with stepped up financial support from development partners, especially in the form of grants, will help Jordan achieve program objectives, build a stronger economy, and support refugees." (IMF 14.12)

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11.2. IRAQ: IMF Staff Completes 2020 Article IV Mission with Iraq

The IMF announced on 12 December that a team held a virtual mission with the Iraqi authorities from 11 November to 10 December to conduct discussions for the 2020 Article IV consultation with Iraq. At the end of the virtual mission, the IMF issued the following statement:

"The fallout of the COVID-19 pandemic and the sharp decline in oil prices and output have aggravated Iraq's economic vulnerabilities. Real GDP growth is expected at -11% in 2020, reflecting a contraction of oil output and an interruption of non-oil economic activity. The sharp decline in oil revenue is expected to widen the fiscal and external current account deficits to 20 and 16% of GDP respectively.

"A decisive recalibration of near-term economic policies will be critical to ensure macroeconomic stability and protect the vulnerable. Overcoming the health crisis is the highest priority. The next phase of the pandemic will require additional fiscal resources, including to acquire and distribute widely a viable vaccine, supported by a strong governance framework. A comprehensive policy package to reduce fiscal and external imbalances will be critical to relieve financing constraints and ensure debt sustainability, while safeguarding international reserves. In this context, fiscal efforts in the 2021 budget should target key areas of fiscal vulnerability, notably reversing the unsustainable expansion of wage and pension bills, reducing inefficient energy subsidies, and raising non-oil revenues. Protecting the vulnerable will be of paramount importance and requires boosting significantly the targeted cash transfers and expanding their coverage, as well as improving targeting of other parts of the social safety net.

"Achieving durable and inclusive medium-term growth amid formidable challenges and vulnerabilities will require sustained implementation of wide-ranging structural reforms. These reforms should aim at strengthening public finances to enable critical health and social expenditure needs, reforming the electricity sector, fighting corruption and expanding institutional capacity. Uncertain medium-term oil market prospects and strong population growth further raise the urgency of advancing the reform agenda.

"Continued strengthening of public finances over the medium term would create much-needed fiscal space for development and social protection. A comprehensive civil service reform would strengthen the effectiveness of the public sector while reducing fiscal costs. Recalibration of the pension system is needed to ensure its sustainability. Stemming the electricity sector's mounting financial losses and reforming the sector will enhance service provision and ensure its financial viability. Overhauling the tax and customs policy and administration will help diversify fiscal revenues. These efforts should be combined with improvements in public financial management and reforms to minimize fiscal risks stemming from government guarantees and other contingent liabilities.

"Addressing governance weaknesses and reducing corruption will be vital for Iraq's future economic development. Simplification, digitalization and greater transparency of key public services and institutions would reduce corruption risks, especially in public procurement. Alongside, strengthening audits, improving legal and regulatory frameworks in line with international standards and conventions, expanding capacity for risk-based supervision and enforcing compliance with AML/CFT rules will help strengthen public trust and investor sentiment.

"A decisive strategy to reform the large state-owned banks and level the playing field in the financial sector will enable private sector development and secure financial stability. In addition to strengthening control over these banks' governance and enhanced supervision, it will be important to perform an international audit of the large state-owned banks to inform options for their restructuring.

"The team exchanged views with senior officials of the Central Bank of Iraq (CBI) and the Ministry of Finance, members of the Parliamentary Finance Committee, as well other ministries, government agencies, and representatives from the civil society. (IMF 12.12)

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11.3. QATAR: IMF Staff Concludes Virtual Visit with Qatar

An International Monetary Fund (IMF) team held virtual meetings from 6-14 December discuss recent economic and financial developments and outlook in Qatar. At the end of the visit, the IMF issued the following statement:

"The swift response in implementing containment measures helped limit the health impact of the Covid-19 pandemic. The authorities' swift response —with strict prevention and containment measures and one of the highest per-capita testing rates in the world— allowed the country to resume all economic activities since September. Qatar has also provided medical and financial pandemic relief to many other countries around the world.

“The authorities’ policy response has mitigated the economic impact of the shocks. The policy response was centered on a QR75 billion package to support the economy. A key part of the package, the Qatar Central Bank’s (QCB) zero-percent repo facility (QR50 billion) facilitated ample liquidity in the banking system which, together with QCB’s lowering of its policy rates, has supported credit to the private sector. A credit guarantee scheme—totaling QR5 billion and administered by the Qatar Development Bank—has provided direct support to small and medium enterprises (SMEs) and protected jobs. Households and businesses were allowed to defer loan repayments until the end of the year and benefited from a waiver of rental and utility fees. These measures, along with others to ensure salary payments and/or basic allowances to workers and to reduce custom tariffs on critical supplies (all totaling QR2.1 billion), helped sustain economic confidence, dampen the impact of the shocks on businesses and households, and sustain the healthcare response.

‘The economy is projected to contract by about 2.5% in 2020 due to a lower global demand for hydrocarbons and subdued domestic activity during the lockdown in the spring. With lower hydrocarbon exports, the current account balance is forecasted to turn into a deficit of about 1.5% of GDP this year. Sizable financial inflows allowed for a buildup in international reserves.

“The proactive reprioritization of spending helped limit the fiscal deficit to a projected 2.5% of GDP in 2020. Postponing unawarded contracts on non-core, non-World Cup related investment projects and savings in operating spending helped to mitigate the impact from the lower oil price and a slowdown in economic activity. The $10 billion international bond issuance in April attracted significant investors' interest and allowed Qatar to preemptively cover its external financing needs.

“A gradual recovery—with real GDP growth projected at 2.7% in 2021—will be supported by increasing gas production and the rebound in domestic demand. Risks to the outlook are mainly driven by the global outlook and titled to the downside. They stem from uncertainty about the global growth recovery, success and speed of vaccination and pandemic resolution, and oil prices, whose outlook depends on the global recovery. Upside risks to the outlook arise from a successful resolution of the regional diplomatic rift and a stronger-than-envisaged global growth rebound.

“The 2021 budget projects a deficit of around 6% of GDP, maintaining support to the economy. According to the published extended budget statement, revenues are budgeted to decline by 24% with respect to the 2020 budget due to a delayed pass-through from oil to gas prices, lower corporate tax receipts, and a prudent oil assumption. Expenditures are projected to decline by 8% mainly driven by lower capital spending (a 20% decrease compared to 2020) as World Cup-related projects near completion. As the recovery consolidates, the efforts to mobilize non-oil revenues and optimize expenditures should continue. A gradual fiscal consolidation would help preserve net public sector wealth.

“According to latest financial soundness indicators, the banking sector remains well-capitalized and liquid. While the moratorium on loan repayments provides an opportunity for banks and businesses to adjust to the new environment, the continued proactive monitoring of credit portfolio risks will support banks’ role in the economic recovery. We welcome the continued cooperation across financial sector regulators to strengthen the regulatory and supervisory frameworks.

“The ambitious structural reform agenda underpins Qatar’s economic diversification efforts to enhance long-term potential growth. The abolishment of the Kafala sponsorship system and strengthening labor protection are welcomed steps in facilitating labor mobility and spur productivity. These measures along with the new real estate and public-private partnerships (PPP) laws should help Qatar to improve its competitiveness. Reforms towards strengthening minority investors' protection, contract enforcement, and insolvency resolution will further improve Qatar’s business environment, mobilize foreign direct investment and support economic diversification.

"The IMF team met with Minister of Finance H.E. Ali Shareef Al-Emadi, Governor of the Qatar Central Bank H.E. Sheikh Abdulla Bin Saoud Al-Thani, other senior officials, and representatives of the private sector. We look forward to continuing the dialogue ahead of the 2021 Article IV Consultation." (IMF 19.12)

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11.4. UAE: UAE on 'Learning Curve' Amid Closer Ties with Israel

Patience will be key to building a long-standing relationship between the UAE and Israel, according to Hamad Buamim, the president and CEO of Dubai Chamber of Commerce and Industry. Since the historic Abraham Accords agreement was signed in September to normalize relations between the two countries, both the UAE and Israel have penned treaties on direct flights and visa-free travel, along with deals on investment protection, science and technology. Early estimates indicate that the move could soon see bilateral trade in excess of $6 billion.

However, Buamim urged caution. He said: "I believe it's a learning curve. First of all, we welcome everybody to come to Dubai. I think the current (COVID-19) restrictions that maybe limited people from travelling to the rest of the world, Dubai is more open than other places…But we encourage them to be patient. To come, learn, use our institutions and agencies to verify things, but not to rush into jumping into agreements and deals. I believe it's better to look into long-term than a very short-term gain because what we are trying to achieve over here can be of great value, if we plan it right."

According to a joint study from Dubai Chamber of Commerce & Industry and the Federation of Israeli Chambers of Commerce, export opportunities from Dubai to Israel surround aluminum, ceramics, cement, rapeseed oil and raw beet sugar. While import opportunities include, electrical machines and apparatus, optical instruments, computer tomography apparatus, bromides and orange juice.

Dr Ron Tomer, president of the Manufacturers Association of Israel, said there had also been interest from the UAE around technology and communications, food tech, agri-tech and pharmaceutical health. "From our side we have the innovation side, we have this nature where sometimes we are too pushy and we agree we need to relax it a bit and to build a sustaining partnership we need to make it step by step, a knowledgeable and educated one, not just rushing out," he said.

The signing of the Accords saw the UAE become the first Gulf nation to normalize its relations with Israel and only the third Arab nation to do so, alongside Egypt (1979) and Jordan (1994). The UAE was followed by Bahrain in a similar deal which was brokered by US President Donald Trump. (AB 08.12)

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11.5. EGYPT: Egypt's Macro Picture in 2021, According to Beltone Financial

The coming 12 months will be characterized by solid economic growth, low inflation and strong investor appetite for Egyptian debt, Beltone Financial said in its annual Macro and Strategy research note. Stimulus measures pushed out by the central bank and the Finance Ministry in response to the pandemic will help normalize business conditions in 2021, resulting in improved PMI readings, more private sector investment, and stronger FX inflows, it said.

The economy is expected to grow 3.5% this fiscal year, down only slightly from 3.6% in FY2019/20, but two percentage points below pre-COVID levels. Beltone's forecast is close to the government's recent upward revision for FY2020/21 growth, and is in line with forecasts from the IMF and Deutsche Bank. Fitch Solutions, meanwhile, expects Egypt's GDP to grow at a 3.2% clip in calendar year 2021 before accelerating to 5.6% in 2022. The research firm now forecasts a quicker-than-expected global economic recovery in 2021 as the covid-19 vaccine is distributed, according to Ahram Online. The government forecast a growth rate of 2.8-4% in FY2021/22.

Egypt's current account deficit will continue to widen in FY2020/21 on the back of a $5 billion drop in tourism revenues, which will remain weak as the second wave continues to take hold in Europe. The bank expects the deficit to reach $12.6 billion in FY2020/21, up from $11.2 billion over last fiscal year.

The budget deficit will increase only marginally this fiscal year to 8.2% of GDP from an estimated 7.9% in FY2019/20. "Fiscal buffers have provided economic stimulus with a minimal impact on the budget" and the government "remains broadly on track" to meet its deficit reduction targets, it said. Finally, Beltone sees Egypt's debt-to-GDP at 90.3% in FY2020/21, up from 80.5% two years earlier.

Inflation will remain below the central bank's 9% (+/- 3%) target range, averaging 4.8% throughout the remainder of the fiscal year and rising only as we enter into FY2021/22 and as the CBE further cuts interest rates, Beltone said. "Record low international commodity prices, a stronger EGP, and base effect throughout 2020 have all provided a buffer to domestic inflationary pressure," Beltone says, noting that price growth could begin to pick up in Q3/21 due to the global vaccine rollout and higher commodity prices that could accompany a potential detente between China and the incoming Biden administration.

With low inflation, Beltone believes the CBE will cut rates by at least 100 bps next year. Despite this, sovereign treasury yields will stabilize "at a premium" to the lending rate, keeping yields attractive to foreign investors, the investment bank added. The EGP looks set to remain strong, stabilizing at EGP 15.78 to the greenback in 2021 and growing stronger over the next five years.

Government-led and central bank support, coupled with reduced natural gas prices, will promote a recovery in capex by the end of 2021, the investment bank said. A recovery in capex lending will need private demand to continue growing, as this remains key to unlocking Egypt's capital spending potential, it added.
)Enterprise 10.12)

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11.6. EGYPT: Is Egypt on its Way to Becoming a Data Hub?

Enterprise reported that establishing Egypt as a data hub is a major government priority. In 2018, then-CIT Minister Yasser El Kady hinted at a national strategy for this, after state-owned Telecom Egypt said it wanted data centers to account for 25% of its revenues within five years. Egypt's total IT spending was projected to increase at a compound annual growth rate (CAGR) of 18.6% to EGP 87.7 billion over 2019-2022, and big investments in data centers are underway. But to be a hub, Egypt must improve cost-effectiveness and infrastructure, and attract big players, say sources.

Government strategy is more data centers and investment in Egypt: The CIT Ministry's strategy involves attracting more investment into Egypt's data center industry and bringing more global data centers here, El Kady announced at the 2018 Future of Data Centers summit.

What exactly do we mean by data centers, anyway? A data center is a physical facility used by organizations to house critical applications and data, according to Cisco. Enterprise data centers are built, owned and operated by data-producing organizations, on their premises. Managed services data centers are managed by a third-party, with the data-producing organizations leasing equipment and infrastructure. Colocation data centers house data for multiple data-producing organizations, providing power, cooling and security to host hardware and servers. Cloud data centers host data and applications using cloud service providers like Amazon Web Services (AWS), Microsoft (Azure) or IBM Cloud.

How do we know how much demand there is for more data centers in Egypt? We don't, Amr Farouk, who heads up the FDC summit, tells Enterprise. "Substantial investment in hardware and software to build data centers here shows demand is high, but that's currently the only measuring tool we have." An overview of total demand would be valuable market research, he believes. Investment in Egypt's data center market in the last two years might total $1 billion, from the government and many private sector players, Farouk adds.

Egypt is one of several countries driving regional growth: Africa's data center market revenue is expected to grow at a CAGR of over 12% from 2019-2025, crossing $3 billion. By 2025, total investment on data center infrastructure may be around $7 billion. Egypt — along with South Africa, Kenya, Morocco and Nigeria — is driving this growth. But the starting point is low: Africa has 69 colocation data centers in 13 countries, the Middle East 135 centers in 16 countries, compared to 1257 centers in 23 countries in Western Europe and 1974 centers in North America.

Egypt is strategically positioned to lead the African and Middle East data center markets, says Sherif Elmasry, managing director of US-based tech company Cornet Elevated. "Video content being streamed in Africa currently comes from either Europe or Asia, meaning the data has to travel from there. Egypt's geographical positioning in the middle means putting data centers here cuts the time — and cost — of data travel, almost in half. A skilled market, the availability of green energy, and the limited number of data centers in the region all make this a promising field for Egypt," Elmasry adds.

Egypt's 13 colocation data centers are mainly concentrated around Cairo: Owners and operators of these centers include Telecom Egypt, Egypt for Information Dissemination (EGID), ECC Solutions, Link, Egypt Network, Raya, Life, GPX, CityNet and Etisalat.

How are organizations choosing their data centers? Organizations choose their data centers based on need, says Youssef Amin, market data director at EGID, which owns and operates one of the 13 colocation centers. EGID hosts approximately 150 terabytes of data and serves approximately 120 organizations. Banks and other large institutions often prefer colocation centers because they need reliable infrastructure and space for their equipment, says Amin. As they work with sensitive information, data privacy fears may also make them wary of using cloud storage, he adds.

SMEs, with fewer resources, tend to prefer managed hosting: SMEs are more likely to use virtual machines, provided by data centers or cloud hosting, because their capacity requirements are less, says Amin. The data center manages everything — from physical server management to connectivity and power — then provides access to the server.

For data-driven companies like Arqam FC, cloud storage hits the mark for accessibility and cost-effectiveness: Arqam FC stores almost all of its data with Amazon Web Services (AWS), located in the EU, says CEO Ali ElFakharany. This comprises some tens of terabytes of stored data, the amount increasing by the second. The company spends six figures in $ on data storage every year, but the cost is well worth it, he says. When choosing a data storage provider, they prioritized data accessibility, cost and community support: "We want to be able to access our data 100% of the time. Cost is an important factor. And we need a reliable and well-known community provider we can depend on for tools and documents."

While multinationals might make use of different services, depending on infrastructure and design: Some might host everything on the cloud, others may have minor servers in Egypt and abroad, says Amin. "But it depends on their applications as well. If they're primarily hosting things like email, these can be in the cloud. But if they have sophisticated applications they want to host locally, they may choose a local data center in Egypt," he adds.

It's reasonable to imagine that many homegrown Egyptian companies generally use their own data storage, says Elmasry. "The fact that there aren't many data centers logically means that organizations must have their own."

The sector is still too small to be a data hub: Egypt's existing colocation centers are relatively small, each one providing up to 250 racks for server storage — approximately one MW of electricity, a source tells Enterprise. Most are 15-20 years old. Hyperscale data centers, needed for cloud and big data storage, require at least 1000 racks (approximately four megawatts of electricity), the source adds. "To be a data hub, Egypt needs hyperscale data centers that allow rapid scaling up. Cloud Service Providers (CSPs) and OTTs — who own and create the internet traffic and content — wouldn't be interested in small size data centers," says Elmasry.

So major investments in new data centers are underway: Liquid Telecom is looking to grow its data center arm in Egypt, two years after announcing a three-year $400 million Egypt investment plan. TE has announced the construction of Egypt's largest international data center facility in Smart Village — aiming to house up to 2000 racks — presumably part of the EGP 17 billion investment it announced in 2019 and plans to build 4-5 data centers. It's expected to host Nokia's Internet of Things platform by the end of the year, and is working to host Microsoft's cloud network. Another major data center, built and operated by Orange for five years with a contract value of $135 million, is opening in the new capital.

While some say the ideal is to move everything to the cloud, ultimately, everything hinges on better infrastructure and cost-effectiveness, say sources. (Enterprise 10.12)

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11.7. EGYPT: IMF Completes First Review under the Stand-By Arrangement

The Executive Board of the International Monetary Fund (IMF) completed on 18 December the first review of Egypt's economic reform program supported by a 12-month Stand-By Arrangement (SBA). The completion of the review allows the authorities to draw the equivalent of SDR 1,158.04 million (about $1.67 billion), bringing total disbursements under the SBA to SDR 2,605.6 million (about $3.6 billion). The 12-month SBA in the amount equivalent to SDR 3,763.64 million (about $5.2 billion at the time of approval, or 184.8% of quota) was approved by the Executive Board on 26 June 2020 to support the authorities' economic reform program during the COVID-19 crisis.

Following the Executive Board's discussion on Egypt, the IMF issued the following statement:

"The Egyptian authorities have managed well the COVID-19 pandemic and the related disruption to economic activity. The proactive measures taken to address health and social needs and to support the sectors most directly affected by the crisis have helped mitigate the economic and human impact. The growth slowdown has so far been less severe than expected with Egypt expected to be among the few countries with positive growth rate this year. External market conditions have also improved with a strong return of portfolio inflows.

"There are still risks to the outlook particularly as a second wave of the pandemic increases uncertainty about the pace of the domestic and global recovery. The high level of public debt and gross financing needs also leave Egypt vulnerable to volatility in global financial conditions. Continued strong policy implementation will further strengthen resilience and help maintain investor confidence.

"Budget execution is on track to achieve the program target for FY2020/21. The existing budget envelope provides sufficient flexibility to accommodate any additional support for vulnerable groups in the event of a second wave of COVID-19, while maintaining the program's fiscal objectives. The envisaged economic recovery should allow public debt to resume its downward trajectory from FY2021/22, and the continued shift toward longer-term debt issuance could mitigate rollover risks. Continued progress on fiscal structural reforms is critical to ensure additional space for high priority spending on health, education and social protection.

"The Central Bank of Egypt's (CBE) data driven approach to monetary policy has been instrumental to anchor inflation expectations and achieve low and stable inflation. Monetary easing in recent months should further support economic activity and ease appreciation pressures from large capital inflows, which has had a dampening effect on inflation. Two-sided exchange rate flexibility is essential to absorb external shocks and maintain competitiveness.

"The banking system has been resilient thus far, having entered the crisis well-capitalized and with ample liquidity. The CBE's initiatives have helped ensure continued access to credit through the crisis; ongoing financial sector supervision will be critical to maintain the resilience of the banking sector as crisis initiatives begin to expire.

"The government's structural reform agenda is appropriately ambitious. Sustained progress on structural and governance reforms is essential to foster higher, greener, and more inclusive private-sector-led growth. The government's ongoing initiatives to support a green recovery are welcome. Continued focus is needed on reforms to enhance the transparency of state-owned enterprises and to facilitate trade. Timely finalization of a restructuring plan for the National Investment Bank is important for reducing fiscal risks. Finally, ensuring a level playing field for all economic agents and removing bureaucratic obstacles to private sector development will lead to durable improvements in the investment climate and governance." (IMF 18.12)

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11.8. TUNISIA: Qatar-Tunisia Ties Spur Competition with Gulf Arab Neighbors

Anna L. Jacobs posted on 14 December in the Arab Gulf States Institute in Washington that as regional competition intensifies across the Middle East and North Africa, Tunisia is likely to become another strategic fault line.

On 14 November, Tunisian President Kais Saied arrived in Qatar for 3-day talks with Emir Tamim bin Hamad al-Thani. The Qatari emir was the first head of state to visit Tunisia's new president after his October 2019 election; Tamim traveled to Tunis in February for joint talks on "domestic, bilateral, Arab and regional issues." That visit to Tunisia was Tamim's fourth in four years, highlighting the strategic weight of the Tunis-Doha bilateral relationship. The meetings advanced plans for significant investment projects in Tunisia, increasing trade volume and a free-trade agreement, and partnering on international initiatives including a "Western-Islamic conference." One of the top foreign policy issues discussed was the deteriorating security situation in Libya, a conflict that has intensified regional instability and threatens to spill over across Tunisia's eastern border. As regional competition intensifies across the Middle East and North Africa, Tunisia is likely to become another strategic fault line as efforts to increase strategic ties between Qatar and Tunisia spur competition with Gulf Arab state rivals Saudi Arabia and the United Arab Emirates.

Tunisia's Political Crises and Economic Woes

The talks between Saied and the Qatari emir took place against the backdrop of a global economic recession, severe polarization in Tunisian domestic politics, deepening regional instability and geopolitical competition in the Mediterranean among European powers, Russia, Turkey, Gulf Arab states, the United States and China.

Tunisia's economy is shrinking due to structural weaknesses, such as a bloated public sector and high unemployment, exacerbated by the economic consequences of the coronavirus pandemic, declining oil prices, and, by extension, dwindling foreign investment and aid. Investment and aid from Europe, the United States, and Gulf states is a lifeline for Tunisia. Tunisia's gross domestic product growth averaged only 1.5% between 2011 and 2019. The International Monetary Fund projected that Tunisia's economy will contract by 4.3% in 2020, the worst recession since Tunisia's independence in 1956.

The meeting also took place during a year of political turmoil in Tunisia. The 2019 elections put a political outsider with no formal party affiliation, Saied, in the Palace of Carthage, and resulted in a severely fractured Parliament led by Ennahda, a Tunisian political party with Islamist roots whose leader, Rachid Ghannouchi, was elected speaker of parliament. It took weeks for Prime Minister Elyes Fakhfakh to garner enough support to form a government, and then, after fewer than five months in office, he was forced to resign due to corruption allegations, igniting a political crisis. The landscape has stabilized since Prime Minister Hichem Mechichi won parliamentary approval for his technocratic government, but tensions persist between Saied and the Ennahda-led parliamentary majority. In Tunisia's system, presidential authority for domestic policymaking is limited, giving Ennahda's coalition in Parliament a more sizable role.

As the head of Parliament and the Ennahda party, Ghannouchi made a controversial visit to Turkey in January as well as telephone calls to foreign leaders like the head of Libya's Government of National

Accord, Fayez al-Serraj. These contacts with foreign leaders led to widespread criticism from opposition members of parliament and even calls for Ghannouchi's resignation. Seven Tunisian political parties issued a joint statement after this call, arguing that Ghannouchi was trying to "bypass state institutions and drag the country into the Libyan conflict, in support of the Muslim Brotherhood and their allies."

Concerns were raised about who was really leading the country and Ghannouchi was nearly removed from power in a no-confidence vote. Saied, in what was widely perceived as a rebuff of Ghannouchi's encroaching influence over Tunisian domestic and foreign policies, gave a speech asserting that "Everyone must recognize that there is only one Tunisia and one president both nationally and internationally."

Gulf Arab Ties and Influence

Since 2011, Tunisia has been a battleground for Gulf Arab states seeking to shape the domestic and foreign politics of the small, but strategic, North African country. The main cleavage is over the role of Islamist-associated parties in domestic politics, as well as Tunisia's position on key regional issues such as foreign intervention in Libya's war and regional competition between the bloc led by Turkey and Qatar on the one side and the UAE and Saudi Arabia on the other.

Tunisia's uprising was the spark that ignited the 2011 Arab Spring protests. Ennahda has solidified its place as one of the most popular political parties in Tunisia since the protests, positioning it as the principal victor of Tunisia's democratic experiment. Some Gulf Arab states, particularly the UAE, believe Ennahda is seeking to proliferate political Islam across the region through alliances with Emirati rivals, Qatar and Turkey. Consequently, Abu Dhabi views Islamist electoral legitimacy as a threat to regional stability as well as to its own regime at home. In contrast, Qatar maintains strong links with Ennahda and other Islamist-affiliated parties like Turkey's Justice and Development Party, or AKP. Tunisia also shares a border with Libya, where proxy wars among major regional powers (including Gulf Arab states, Turkey and Egypt), European powers (especially France and Italy), and Russia, are aggravating the security landscape in North Africa. This has placed Tunisia in the center of geopolitical power struggles over the strategic Mediterranean.

As the birthplace of the Arab Spring protests, Tunisia has symbolic value as perhaps the only success story of democratization in the Arab world. Many countries closely watch Tunisia's political and economic trajectories and aim to cultivate closer ties with Tunis. Gulf Arab states have offered investment and support to varying degrees since 2011, often funneling diplomatic and financial support to specific political parties and actors with which they share strategic interests. There are ferocious propaganda battles over Tunisian politics in Gulf media outlets and across social media. Gulf media outlets, including Al Jazeera, Al Arabiya and Sky News Arabia, often give platforms and more favorable coverage to their preferred Tunisian politicians and parties. For its part, Tunisia has maintained official neutrality since Saudi Arabia, the UAE, Bahrain, and Egypt imposed a boycott on Qatar in 2017, echoing the positions of other Maghreb states like Morocco and Algeria. However, it struggles to assert its independence from the real and perceived influence of Gulf states, upon which Tunisia's struggling economy remains dependent for crucial foreign aid and investment.

Prior to 2011, under the regime of Zine el-Abidine Ben Ali, the UAE and Saudi Arabia were among Tunisia's top trading partners in the region. After the 2011 protests and overthrow of Ben Ali, as well as the rise of the Ennahda-led coalition, Qatar-Tunisia economic ties flourished as Doha directed its attention toward propping up the country's weak economy. In 2012, Qatar agreed to give Tunisia a $1 billion loan and pledged employment opportunities for 20,000 Tunisian graduates. Half of the loan went toward shoring up the Tunisian central bank's assets (Qatar subscribed to $500 million in 5-year Tunisian treasury bonds at 2.5%) and the other half was earmarked for infrastructure investment. Qatar also promised to invest $2 billion in a refinery project for Libyan oil on Tunisia's Gulf of Gabes coast, though this was canceled in 2014 due to concerns over Libya's fluctuating oil supply. Officially, Qatar maintains an investment portfolio worth more than $3 billion spread across Tunisia's tourism, banking and telecommunication sectors. Additionally, the Qatar Friendship Fund, Qatar Fund for Development, and Silatech Foundation provide funding for development projects, especially for Tunisia's unemployed youth.

Qatar is now the top Arab investor in Tunisia and the second highest foreign investor after France, but overall Gulf investment continues to be crucial to the country's strategy to combat its economic woes. Varying levels of Gulf investment in Tunisia, as well as diplomatic support for Tunisia's government, reflect much about Gulf state foreign policy priorities in North Africa. As American Enterprise Institute resident scholar Karen Young argues in Al-Monitor, "Intra-Gulf conflicts affect investment flows within the region … And their political interests will create priorities abroad for both foreign investment flows as well as aid and financial intervention in the form of central bank deposits."

For example, at the Tunisia 2020 investment conference in November 2016, many noted a "weak Emirati attendance" in contrast to Qatar's $1.25 billion financial package, Saudi Arabia's pledge of $725 million and Kuwait's promise of $500 million. Tunisia analyst Yousef Cherif pointed out that "Tunisia 2020 looked like Qatar's response to the UAE-organized Egypt Economic and Development Conference (EEDC) in March 2015, which had allowed the UAE to expand its influence in that country." At this time, Tunisia was led by a consensus-government that joined Ennahda and Nidaa Tounes as governing partners, a move that Abu Dhabi considered anathema to its strategic interest in curbing the influence of Islamist parties. Even if the UAE's preferred Tunisian party, Nidaa Tounes, was also in power at the time, the partnership with Ennahda was a source of concern because of its Islamist roots and ties with Qatar and Turkey. This investment conference also potentially reflected diverging strategies pursued by Saudi Arabia and the UAE. Abu Dhabi's foreign policy is more guided by combatting what it views as Qatari, Turkish and Islamist regional influence, whereas Saudi Arabia appears more preoccupied by encroaching Iranian regional power. As Cherif contended, the different investment strategies pursued by Saudi Arabia and the UAE in Tunisia hint at other policy disagreements over relations with Qatar and Turkey as well as conflicting approaches to Yemen, Syria and Libya.

In November 2018, Tunisia was an important stop for Saudi Crown Prince Mohammed bin Salman in his first foreign trip across the Arab world in the aftermath of the killing of Saudi journalist Jamal Khashoggi in the Saudi Consulate in Istanbul. Soon after this, King Salman bin Abdulaziz announced an $850 million financial aid package ($500 million for the budget and $230 for foreign trade) during Prime Minister Youssef Chahed's visit to Saudi Arabia in December 2018.

Saudi investment and aid in Tunisia have remained largely stable despite the continued presence of Ennahda in Tunisia's government. However, Emirati investment and aid for Tunisia have ebbed and flowed but have remained more limited as Ennahda continued to perform well in elections and as links with UAE rivals, Qatar and Turkey, expanded.

However, the global economic recession stemming from the coronavirus pandemic, coupled with low oil prices, is leading to significant declines in foreign investment, including from Gulf states. Carnegie Senior Fellow Sarah Yerkes argues that a decline in Tunisia's Gulf investment is likely, and could even create space for global powers like China to fill the vacuum. The Tunisian Investment Authority has already announced that foreign direct investment declined by more than 14% in the first half of 2020 and that the economy shrank by more than 20% by the end of the second quarter.

Gulf Tensions Over Tunisia?

Tunisia increasingly represents a strategic corridor for geopolitical realignments in the Mediterranean. As the UAE increases its efforts to shape the outcome of the Libyan war, Turkey is not only expanding its military presence in Libya but also its economic and defense ties with Tunisia and Algeria, to such an extent that the UAE has threatened sanctions against Algeria for cooperating with "anti-Emirati lobbies."

Given Ennahda's continued influence over Tunisian politics, as well as growing Qatari investment over the last decade, it may seem like Tunisia is more aligned with the Qatar-Turkey sphere of influence, as opposed to the Emirati-Saudi orbit, but there are many domestic political actors vociferously fighting this trend, symbolized most powerfully by the rise of Abir Mouissi, a counterrevolutionary figure who was a party official in Ben Ali's regime and now leads the Free Destourian Party. She calls for Ennahda to be banned and regularly castigates Islamist parties as terrorists. Despite only holding 17 out of 217 parliamentary seats, her party is currently leading in opinion polls. This likely points to an opening for the Emiratis and an opportunity to cultivate opposition to Ennahda in domestic politics and, by extension, a potential bulwark against Qatari and Turkish influence in North Africa.

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11.9. TURKEY: Turkish Defense Industry Risks Big Damage from US Sanctions

Metin Gurcan observed in Al-Monitor of 16 December that US sanctions targeting Turkey's defense industry agency may be seen as rather mild by some observers, but they threaten to deprive Turkey of key military technology should they last more than a year.

The new US sanctions against Turkey over its purchase of Russian air defense systems stand to inflict heavy damage on the flourishing Turkish defense industry unless Ankara moves to compromise with Washington to limit the duration and impact of the penalties.

The sanctions, based on the Countering America's Adversaries Through Sanctions Act (CAATSA), were announced on 14 December, more than a year after Turkey took delivery of the S-400 systems from Russia. President Donald Trump — long under fire for going easy on his Turkish counterpart Erdogan — actually surprised Ankara by greenlighting the sanctions weeks before his term expires.

The decision made Turkey the first NATO ally to face sanctions under CAATSA and the second country after China to be penalized for purchasing the S-400s, sending a strong signal to other countries that have shown interest in the S-400s such as India and Qatar. Secretary of State Mike Pompeo said Washington has demonstrated its resolve to "fully implement CAATSA" and "not tolerate significant transactions with Russia's defense sector."

The sanctions include a ban on US export licenses to Turkey's Presidency of Defense Industries (SSB) — the government agency in charge of military procurement and exports and the development of the local defense industry — as well as an asset freeze and visa restrictions on the SSB's president and three senior officials.

Two diverging views have emerged in Ankara on how the sanctions will affect the country's defense industry. The first is prevalent in pro-government and nationalist quarters, which are putting on a brave face. They argue that the sanctions amount to an embargo, but similar moves in the past have served to strengthen national spirit and invigorate the country's defense industry. The nation has nothing to worry about, they say, as Turkey's defense industry is stronger than ever today and the army is well stocked thanks to long-term planning. The pro-government media is actively propagating those arguments, though the reality is a bit different.

The second view is that the sanctions will badly hurt the Turkish defense industry in the medium term of two or three years, although their short-term impact over the next year might be limited. Turkey's defense industry remains reliant on imports from the United States, as evidenced by the 2019 performance report of the Defense and Aerospace Industry Manufacturers Association. The industry's $1.4 billion in purchases from the United States, mostly raw materials and semi-processed products, account for 45% of its total imports, which were worth nearly $3.1 billion last year, according to the report. The breakdown shows that $648 million worth of imports were destined for the Turkish air force, $564 million for civil aviation and $107 million for land systems.

The sanctions do not directly target state-owned military companies and the private sector, and a US source familiar with the decision told the Financial Times that the scope was limited to avoid hurting the extensive ties between the US and Turkish militaries. Still, the sanctions stand to effect roughly 40% of Turkey's defense industry imports from the United States and could have a devastating impact should they continue for two or three years, a Turkish defense expert told Al-Monitor on the condition of anonymity.

Air force equipment and land systems stand out as the most vulnerable areas. For the Turkish air force, crucial aspects include the modernization and maintenance of its F-16 fighter jets, the TF-X national combat aircraft project and Turkey's reliance on foreign-made aircraft engines. In terms of land systems, the sanctions threaten to undermine the operational efficiency of radars, command-control systems and armored vehicles, among others. The air force has already taken a severe blow from Turkey's expulsion from the F-35 joint strike fighter program last year — Washington's initial retaliation to the S-400 purchase.

The SSB is currently running about 700 projects worth up to TL 70 billion ($9 billion), including many that involve export licenses. A series of national projects rely on hundreds of US-made systems and sub-systems. Looking from this perspective, the sanctions threaten to choke the Turkish defense industry in the long term. Moreover, the sanctions are likely to discourage third parties from collaborating with the SSB, the defense expert said. Such risks would hover over Turkey's tank and aircraft engine needs as well as a series of national projects on key equipment such as the T70 general-purpose helicopter, the TF-X combat aircraft, the HurJet training aircraft and the MILGEM combat ship and the export of the T129 attack helicopter.

In the past several years, the United States and European countries have already imposed partial *de facto* embargoes on Turkey amid myriad political rows. A case in point is the T129 helicopter gunship, which Turkey has sold to Pakistan but failed to deliver due to Washington's reluctance to issue export licenses for the US technology, namely the engines, used to make the helicopter. The problem has jeopardized the deal, forcing Pakistan to extend the delivery deadline.

Some in Ankara are floating a bypass to circumvent the sanctions — a legal amendment to transfer certain projects back to the Defense Ministry's foreign procurement department, which was responsible for them until a few years ago. Such a move, however, might trigger additional US measures, as Washington appears determined to enforce the bans.

In the best-case scenario, the sanctions would force a comprehensive structural overhaul in Turkey's defense industry as they hit procurements from the United States and hamper weapons development projects in the short run. Turning the crisis into an opportunity, Turkey could develop a strategy to achieve domestic production of key components in the long term, or so optimists hope.

In the worst-case scenario, the sanctions would remain in place under the upcoming Biden administration and largely discredit the Turkish defense industry in a couple of years before it has matured enough to sustain its growth and become globally competitive. Critics of Erdogan's government see little chance of a sound strategy to minimize the fallout of the sanctions, convinced that rational thinking is long gone in Ankara.

Moreover, further sanctions under the Biden administration cannot be ruled out and the European Union could follow suit. German Chancellor Angela Merkel said recently that the EU wants to discuss arm exports to Turkey with NATO allies and coordinate its actions with the Biden administration. She spoke after EU leaders agreed to outline limited sanctions over Turkey's gas exploration row with Greece and Cyprus, but deferred any harsher measures until March.

In its initial reaction to the sanctions, Ankara said it "stands ready to address this issue through dialogue and diplomacy," but also threatened to "retaliate in a manner and timing it deems appropriate." Ankara's response to the current and any further sanctions could range from token or mild measures to escalatory moves such as activating the S-400s, shutting the US military base in the southern town of Incirlik or the NATO early-warning radar station in the eastern province of Malatya, further rapprochement with Russia and a fresh military operation against the Syrian Kurds.

Does Ankara have the will and the capacity to resolve the crisis? The government's foreign policy record in recent years leaves little room for optimism. Moreover, the S-400s are increasingly becoming the subject of domestic politics at a time when Ankara is scrambling to divert public attention from grave economic woes. The Kremlin is, no doubt, closely watching Ankara. (Al-Monitor 16.12)

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