



## **The FORTNIGHTLY**

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

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### **TABLE OF CONTENTS**

#### **1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS**

- 1.1. Sudan Signs Abraham Accords with Israel**
- 1.2. Israel Extends Law on Plastic Containers**

#### **2. ISRAEL MARKET & BUSINESS NEWS**

- 2.1. Paradox Acquires Spetz.io to Expand Global Client Service Capabilities**
- 2.2. TAT Technologies Signs New Strategic Contract with Honeywell**
- 2.3. SelectMedia & Protected Media Partner to Rid CTV Space of Fraudulent Traffic**
- 2.4. Wipro Signs MoU with Tel Aviv University for Quantum Computing**
- 2.5. Nexteer Invests in Tactile Mobility for Next Level "Steering Feel"**
- 2.6. ICL Completes Acquisition of Fertiláqua**
- 2.7. Longevitytech.fund Invests in Vesttoo**
- 2.8. Cappitech Acquired by UK's IHS Markit**
- 2.9. Rapyd Completes \$400 Million Funding at \$2.5 Billion Valuation**
- 2.10. BIRD Foundation to Invest \$7.45 Million in Eight New Projects**
- 2.11. Two Homeland Security Projects Get \$1.5 Million in BIRD Investments**

#### **3. REGIONAL PRIVATE SECTOR NEWS**

- 3.1. Cwallet Secures \$220,000 Pre-Seed Funding Round**
- 3.2. Access Bridge Ventures Marks First Closing of its \$25 Million Regional VC Fund**
- 3.3. Peer-To-Peer Vehicle Sharing Platform Ejaro Raises \$850,000 in Seed Funding**
- 3.4. Cassbana Raises \$1 Million in Pre-Seed Funding**
- 3.5. Nawah Scientific Closes \$1 Million in Pre-Series A Funding Round**
- 3.6. Turkey Trade Center Opens in Chicago as part of U.S. Business Drive**

#### **4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS**

- 4.1. Augwind to Build 120 MWh Electricity Storage Systems in Israeli Tender**
- 4.2. Israel to Transition to Public Buses with Zero Emissions by 2025**

#### 4.3. Wind Farm in Morocco's Midelt Completed

### 5. ARAB STATE DEVELOPMENTS

- 5.1. World Bank Predicts Fragile Recovery for MENA in 2021
- 5.2. World Bank Approves \$246 Million Project to Support Vulnerable Lebanese Households

#### ▶▶ Arabian Gulf

- 5.3. GCC Sovereigns' Negative 2021 Outlook Driven by Lower Oil Revenues
- 5.4. Bahrain Achieves Nationwide 5G Coverage
- 5.5. Abu Dhabi Launches AED2 Billion Program to Foster Innovation
- 5.6. Investments in Saudi Arabia's Economy will Reach Six Trillion Dollars
- 5.7. Prince Mohammed bin Salman Announces THE LINE at NEOM

#### ▶▶ North Africa

- 5.8. Startup Funding Increases by 31% in Egypt in 2020
- 5.9. Egypt's Annual Urban Headline Inflation Fell to 5.4% in December
- 5.10. Egypt Gets \$1.1 Billion from ITFC to Fund Petroleum & Food Commodity Imports
- 5.11. Egypt Signs Deal for \$23 Billion High-Speed Rail Link
- 5.12. Egypt's Non-Petroleum Trade Balance Falls By 17% as Imports Fall by 12% in 2020
- 5.13. US Treasury Signs \$1 Billion Loan to Clear Sudan's Debt
- 5.14. Morocco Forecasts 0.5% Economic Growth in First Quarter of 2021
- 5.15. World Bank Forecasts Morocco's Economic Growth to Reach 4% in 2021
- 5.16. US DFC to Open Africa-Oriented Branch in Dakhla, Southern Morocco

### 6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

- 6.1. Turkey's Unemployment Rate Steady at 12.7% Over the Past Three Months
- 6.2. Turkey's Current Account Deficit Surges to \$4.06 Billion in November
- 6.3. Over 33,000 Registered Unemployed in Cyprus
- 6.4. Cyprus Seeks Dialogue on Minimum Wage
- 6.5. Major Greek Investment in Power Grid

### 7. GENERAL NEWS AND INTEREST

#### \*ISRAEL:

- 7.1. Arab Sector Volunteers to the Israeli Army Double in 2020
- 7.2. New Bee Species Discovered in Israel

#### \*REGIONAL:

- 7.3. UAE Scientists Successfully Grow Rice in Remote Sharjah Desert
- 7.4. Saudi Arabia Amends Anti-Harassment Law to Name & Shame Offenders
- 7.5. Athens Sets Vaccination Target of 70% of the Population by Summer

### 8. ISRAEL LIFE SCIENCE NEWS

- 8.1. Neurolief Positive Results of Its Brain System for Treating Acute Migraine
- 8.2. Vertical Field Signs Agreement for Vertical Farms in Ukraine
- 8.3. Impact NRS & Yeda Launch Plantae to Promote Discoveries in Plant Sciences
- 8.4. Therapix & Cyntar Agree for the Distribution of TheraPEA in Canada
- 8.5. Stero Biotechs Study of CBD-Based Treatment for COVID-19 Severe Patients
- 8.6. Aleph Farms and Mitsubishi Bring Cultivated Meat to Japan
- 8.7. Simplivia Healthcare First Acquisition is Part of Growth Strategy

- 8.8. Pi-Cardia Successfully Treats First Patients with ShortCut Device
- 8.9. Teva & MedinCell Show Positive Results for Injectable Risperidone for Schizophrenia
- 8.10. CathWorks Announces \$30 Million in New Financing
- 8.11. Rambam Hospital Presents the Future of Lung Cancer Diagnosis
- 8.12. Inovytec Provides Advanced Mobile Ventilators to California Medical Professionals
- 8.13. CorNeat Vision's First Patient Regains Sight Following Artificial Cornea Implantation
- 8.14. Bazelet Medical Cannabis Oils Specially Designed for Medical Needs
- 8.15. Viridix Wins \$400,000 Grant for Precision Irrigation Improvements
- 8.16. MediWound Provides Progress Update on Its EscharEx Clinical Development Program
- 8.17. Itamar Medical Acquires Technology and Assets of Spry Health
- 8.18. Microbot Medical Positive Results of Additional Study with LIBERTY Robotic System
- 8.19. Teva Launches Generic Version of NuvaRing Vaginal Ring in the US
- 8.20. Dugri Launches Psychological PPE Mobile App for Frontline Healthcare Workers
- 8.21. RSIP Vision Versatile Medical Image Segmentation Tool
- 8.22. Biobeat Launches Health AI Hospital at Home Patient Monitoring Kit

#### 9. ISRAEL PRODUCT & TECHNOLOGY NEWS

- 9.1. Elbit Systems to Supply Tactical Computers for the Royal Netherlands Army
- 9.2. DSP Group Unveils DBM10 Low-Power Edge AI/ML SoC
- 9.3. Qamcom & Arbe Bring 4D Imaging Radar to a Wide Variety of Industries
- 9.4. Announcing VuDrive - Complete Driver Monitoring Aftermarket Solution
- 9.5. Click-Ins & Sapiens Provide AI-based Vehicle Damage Inspection
- 9.6. Camtek Inspection & Metrology Solutions Selected by a Leading Global IDM
- 9.7. Namogoo Selected by Marks & Spencer to Help Optimize Customer Journey
- 9.8. IAI Completes WindGuard Radar System Deliveries to the US Military
- 9.9. Gilat Wins Multi-Million Dollar Contract for Cellular Backhaul Project Expansion
- 9.10. Via & Sompoto to Battle Car Accidents Caused by the Elderly in Japan
- 9.11. Cipia & OmniVision Bring Industry's First Mass-Market Driver Monitoring Solution
- 9.12. EasyWay Named Best Contactless Check-in Solution in 2021 HotelTechAwards
- 9.13. Stor.ai Helps Grocers Accept Food Stamps Online

#### 10. ISRAEL ECONOMIC STATISTICS

- 10.1. Israel's Inflation Rate Falls by 0.1% in December
- 10.2. Foreign Exchange Reserves at the Bank of Israel, December 2020
- 10.3. Israel Ends 2020 with an 11.7% Fiscal Deficit
- 10.4. Ministry of Finance Forecasts Israeli Economy Likely to Grow 4.6% in 2021

#### 11. IN DEPTH

- 11.1. ISRAEL: Fitch Affirms Israel at 'A+'; Outlook Stable
- 11.2. IRAQ: Daewoo Fulfills Iraq's Faw Port Despite Obstacles
- 11.3. KUWAIT: Kuwait 'AA-' Ratings Affirmed; Outlook Remains Negative
- 11.4. QATAR: Qatari Bank Funding & Liquidity to Benefit as Saudi Blockade Ends
- 11.5. UAE: UAE Economic Report – 2021
- 11.6. UAE: The Path Toward Military Professionalism
- 11.7. EGYPT: IMF Report Card on Egypt is Released, Unlocking \$1.67 Billion
- 11.8. EGYPT: Egypt's New Private University Admissions System
- 11.9. TURKEY: Turkey's 'Wealthless' Wealth Fund a Tangle of Problems

## 1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS

[Back to Table of Contents](#)

### 1.1. Sudan Signs Abraham Accords with Israel

Sudan has officially joined the Abraham Accords, paving the way for Khartoum's normalization of ties with Israel. The African nation recently became the third of four countries to agree to establish relations with the Jewish state, following the UAE and Bahrain and preceding Morocco. Sudanese officials formally signed the deal in a ceremony in Khartoum. US Treasury Secretary Mnuchin represented the United States at the event. Nevertheless, the memorandum did not officially establish diplomatic ties between Khartoum and Jerusalem, a move that is expected to happen in the near future, at an as yet undetermined date.

Sudan announced its intention in October to join the accord as long as it was removed from the US list of state sponsors of terrorism. In return, Khartoum agreed to pay \$335 million in compensation to American victims of terrorism. The current Sudanese government, focused on reforming the economy and expanding international investment, has sought friendlier ties with Israel as a step towards improving relations with Washington. (HonestReporting 07.01)

[Back to Table of Contents](#)

### 1.2. Israel Extends Law on Plastic Containers

The Knesset's Economics Committee ruled on 1 December for the extension of the 2001 Bottle Deposit Law to also apply to large plastic bottles of 1.5 liters or more — a decision hailed by environmentalists. This means that starting in December, consumers will pay a deposit fee for large plastic bottles and will get that fee back when they return the bottles to the supermarket. Until now, the deposit mechanism was implemented only to small plastic bottles.

The battle until the 1 December decision was very long. The Israel Union for Environmental Defense — Adam Teva V'Din — has been championing the campaign for two decades now. The group explains that the original Bottle Deposit Law was implemented only on small bottles, often consumed in restaurants or at work, and less at home. In 2010, the Knesset advanced an amendment to that law to include family-size bottles, but offered a grace period of several years before the amendment would go into effect.

In fact, the Knesset put in place an automatic mechanism. The beverage companies were invited to collect large bottles voluntarily. They had until 2016 to show that they were able to collect at least 55% of all large plastic bottles purchased annually. Failure to reach this goal should have automatically launched the amendment, requiring the supermarkets to collect the bottles and pay back the deposits.

The beverage companies, the distributors and marketing corporations set up an entity to install and operate special bottle bins. But when the time came to evaluate the results, it became clear that the 55% goal had not been achieved. At the same time, Israel went into a political crisis; the Knesset was dissolved in 2017, and the minister replaced. Due to the political issue, the Ministry of Environmental Protection did not publish instructions for the amendment to be implemented. The Knesset's Economics Committee, which could have decreed further measures, was not convened. It took the arrival of Minister Gamliel to her current position for things to start moving in the right direction. (AI-Monitor 12.01)

## 2. ISRAEL MARKET & BUSINESS NEWS

[Back to Table of Contents](#)

### 2.1. Paradox Acquires Spetz.io to Expand Global Client Service Capabilities

Scottsdale, Arizona's Paradox, a conversational AI platform helping global talent acquisition teams automate recruiting tasks like screening, interview scheduling and candidate communications, announced

the acquisition of Spetz.io, an Israeli startup helping clients like EY and Sodastream modernize candidate communications. The acquisition highlights Paradox's strategic investment in global innovation and world-class client services; the Spetz team's vision, mission, and values closely aligned with Paradox.

Founded in 2017, Tel Aviv's [Spetz](#) is a messaging platform that helps companies like Sodastream and IKEA engage candidates via messaging apps like WhatsApp with simple, friendly, automated chat. From pre-screening to scheduling reminders, Spetz's bot reduces hiring friction and increases engagement. The startup has quickly developed a reputation among Israeli employers for its client-centricity and user-driven product development and design. (Paradox 05.01)

[Back to Table of Contents](#)

## **2.2. TAT Technologies Signs New Strategic Contract with Honeywell**

TAT Technologies announced that its fully owned subsidiary, TAT Piedmont Aviation, and Honeywell International entered into a 10 year agreement for an exclusive worldwide Auxiliary Power Unit (APU) rental services for OEM authorized GTCP331-500 engine. This engine is installed in all Boeing 777 aircraft around the world. Under this contract, TAT-Piedmont will offer rental services to airlines who are operating Boeing's 777 aircraft and will serve on behalf of Honeywell for any rental of Honeywell GTCP331-500 APUs to all of Honeywell's customers on an exclusive basis. As part of this agreement, TAT-Piedmont acquired Honeywell's GTCP331-500 APU rental bank for approximately \$6.5 million.

In addition, TAT-Piedmont and Honeywell entered into a binding MOU in which Honeywell committed to authorize TAT-Piedmont to provide MRO service to GTCP331-500 APU, and provide TAT-Piedmont relevant knowhow and parts, making TAT-Piedmont an authorized MRO services provider world-wide for this engine.

TAT Piedmont, having been a Honeywell channel partner for over 20 years, is engaged in the APU MRO services including for the APU GTCP331-200/250 which is mainly installed in the Boeing 767 and Boeing C-17 platforms. Three months ago, TAT Piedmont signed a 10 year agreement with Honeywell for the transfer of Honeywell's APU GTCP331-200/250 MRO contracts to TAT- Piedmont.

Gadera's [TAT Technologies](#) is a leading provider of services and products to the commercial and military aerospace and ground defense industries. TAT operates under four segments: (i) Original equipment manufacturing ("OEM") of heat transfer solutions and aviation accessories through its Gadera facility; (ii) MRO services for heat transfer components and OEM of heat transfer solutions through its Limco subsidiary; (iii) MRO services for aviation components through its Piedmont subsidiary; and (iv) Overhaul and coating of jet engine components through its Turbochrome subsidiary. TAT controlling shareholders is the FIMI Private Equity Fund. (TAT Technologies 05.01)

[Back to Table of Contents](#)

## **2.3. SelectMedia & Protected Media Partner to Rid CTV Space of Fraudulent Traffic**

SelectMedia and Protected Media are collaborating to empower publishers in CTV space — by solving ad fraud at the source. The newly formed partnership will enable SelectMedia to ensure validated high-quality traffic for publishers and advertisers, creating transparency and trust across the supply chain. Protected Media's CTV solution uses the most advanced technological stack and cybersecurity methods to guard advertisers and publishers against current and emerging CTV ad fraud threats. By working across the supply chain, on both the supply and demand ends, Protected Media develops demand side verification methodologies that are unattainable in any other way.

Tel Aviv's [SelectMedia](#) is a full-stack advertising technology solution for the online publishing ecosystem. Major publishers use SelectMedia's comprehensive suite of video, header bidding display technology, and Search in mobile and desktop to eliminate cost, maximize yield and create exposure to new demand

sources. The company provides advertisers with direct access to high quality video, display, and mobile inventory, and is historically invested in guaranteeing quality and brand safety.

Tel Aviv's [Protected Media](#) employs impression-level, tamper-proof cryptography for user & device authentication, data verification, and "bad" source take-down. The solution's patented Three-Way Handshake guarantees the validity and quality of any given transaction across the CTV supply chain by enabling anyone to easily verify and authenticate their transactions. In addition, the solution offers stronger, more proactive protection because it caters to both supply and demand, creating an internal feedback loop of cross-supply chain knowledge sharing and collaboration to effectively fight fraud. (Protected Media 05.01)

[Back to Table of Contents](#)

## **2.4. Wipro Signs MoU with Tel Aviv University for Quantum Computing**

Strengthening India-Israel scientific collaboration, Indian multinational corporation Wipro signed a Memorandum of Understanding (MoU) with Israel's Tel Aviv University for research and analysis in quantum science and technology. According to the MoU, Tel Aviv University's Center for Quantum Science & Technology (QuanTAU) faculty members will work with Wipro and its customers to analyze use cases and potential applications of quantum computing for the Indian IT major's large organizational clients. Tel Aviv University researchers and Wipro scientists will develop and study various approaches, define potential research solutions and implement these solutions.

The MoU is seen as a direct continuation of Tel Aviv University's collaboration with Wipro on machine learning through support of funded research. The variety of research areas include foundations of quantum theory, quantum information, computational methods, nano-quantum systems, quantum optics, physical quantum devices and superconductors.

Great efforts are being made around the world to develop new applications as part of the "second quantum revolution". These efforts include the establishment of large new foundations to support Quantum Space Theory (QST) activities. In view of the potential, Tel Aviv University established QuanTAU and recruited over 20 researchers who study various aspects of quantum information science to help build these capabilities. The department's goal is to support innovative research in quantum mechanics, establish international collaborations, train students at all levels, open new research directions by recruiting new faculty members, and help them establish their laboratories. (HT 07.01)

[Back to Table of Contents](#)

## **2.5. Nexteer Invests in Tactile Mobility for Next Level "Steering Feel"**

Auburn Hills, Michigan's Nexteer Automotive is expanding its growing software capabilities with an investment in Tactile Mobility. Tactile Mobility's software collects data using vehicles' built in, non-visual sensors including wheel speed, wheel angle, RPM, paddles position, gear position and then analyzes it to yield actionable insights in real-time. These insights provide a clear-cut, highly accurate description and analysis of the continually evolving state of vehicles, roads and vehicle-road dynamics.

Steering plays a unique role in giving the driver a "feel of the road." Beyond the performance aspect of a driver's road connection, this road feedback also plays an important safety-critical element in giving the driver a sense of hazardous road conditions (e.g., icy, gravely, potholes etc.). Already a leader in software-tuning for steering feel, Nexteer expects to elevate its expertise via Tactile Mobility's real-time data feeds on vehicle environments. Nexteer joins other global automotive companies collaborating with Tactile Mobility.

Haifa's [Tactile Mobility](#) is the world's leading tactile virtual sensing technology and data provider, enabling actionable insights for autonomous vehicles, municipalities, and fleet managers. Tactile Mobility's unique technology collects "first principle", crucial, anonymized real-time data generated from vehicles' non-visual,

existing sensors and turns it into actionable insights on road attributes including grades, grip and curvatures as well as vehicle attributes such as weight, tire parameters and more. Insights provided by Tactile Mobility greatly enhance vehicle intelligence and ride safety, efficiency and experience as well as empower city officials with new and much higher value data to better conduct planned maintenance and detect hazards in near real-time. (Nexteer Automotive 07.01)

[Back to Table of Contents](#)

## **2.6. ICL Completes Acquisition of Fertiláqua**

ICL completed the acquisition of Fertiláqua, one of Brazil's leading specialty plant nutrition companies, for \$122 million, which includes the assumption of approximately \$40 million of net debt. ICL expects to leverage Fertiláqua's strong market presence and distribution capabilities to increase the sales of its organic fertilizers, controlled-released fertilizers and other specialty plant nutrition products to the Brazilian market, one of the world's fastest growing agriculture markets.

Tel Aviv's [ICL Group](#) is a leading global specialty minerals and chemicals company that creates impactful solutions for humanity's sustainability challenges in global food, agriculture, and industrial markets. ICL leverages its unique bromine, potash and phosphate resources, its passionate team of talented employees, and its strong focus on R&D and technological innovation to drive growth across its end markets. (ICL 07.01)

[Back to Table of Contents](#)

## **2.7. Longevitytech.fund Invests in Vesttoo**

Vesttoo announced that Czechia's Longevitytech.fund, which invests in the most connected and prominent leaders in the longevity economy field, has joined Vesttoo as a shareholder through an equity investment. The investment demonstrates the importance of Vesttoo's technology, which harnesses the power of AI and machine learning to forecast and price long-tail risks such as longevity, excess mortality, lapse, as well as Value-in-Force (VIF) monetization and excess mortality Industry Loss Warranties (ILW) and transfer them to the capital markets.

Tel Aviv's [Vesttoo](#) specializes in data-driven risk management solutions for the P&C and L&P markets, using cutting-edge technologies to transfer general insurance, lapse, mortality and longevity risk to the capital markets, as well as VIF securitization and excess mortality ILW. The company provides insurers and pension funds with affordable, flexible and strategic risk transfer to the capital markets, while investors benefit from uncorrelated, high-yield investments with remote loss possibilities. Using its cutting-edge proprietary AI and machine learning stochastic algorithms, Vesttoo creates highly accurate risk models and forecasts. Vesttoo transforms the way securities are structured, offered, and traded, providing an accessible, flexible, scalable, and affordable streamlined alternative to traditional reinsurance.

Longevitytech.fund invests in the best of worldwide longevity-related companies based on close cooperation with top scientists in the field of longevity-related insurtech and fintech, aging research and rejuvenation, biotechnology, bioinformatics, agetech and related AI. The fund provides an active approach with entrepreneurial help, network and commercialization support. (Vesttoo 07.01)

[Back to Table of Contents](#)

## **2.8. Cappitech Acquired by UK's IHS Markit**

London, UK's IHS Markit, a world leader in critical information, analytics and solutions, has acquired Cappitech to expand its suite of global, multi-asset class transaction regulatory reporting offerings to the financial industry.

In 2019, IHS Markit selected Cappitech's platform as a key component of its SFTR (Securities Financing Transactions Regulation) solution, which is now relied upon by some of the largest financial institutions in the world. Capitalizing on the established relationship and existing integration, this latest move will deliver unified solutions to the market and solidify IHS Markit's continued commitment to providing industry leading regulatory reporting solutions. The financial terms were not disclosed.

Herzliya Pituah's [Cappitech](#) is a leading provider of regulatory reporting, best execution analysis and business intelligence solutions for the financial services industry. Cappitech's cross-jurisdiction compliance platform, fully automates the reporting process and provides a comprehensive view on a single, intuitive dashboard for reporting regimes in Europe such as EMIR, MiFID, SFTR, RTS 27/8, FinFrag as well as global regimes such as Canadian reporting, ASIC, MAS. (IHS Markit 11.01)

[Back to Table of Contents](#)

## **2.9. Rapyd Completes \$400 Million Funding at \$2.5 Billion Valuation**

On 13 January, Rapyd announced a \$400 million funding round at a valuation of \$2.5 billion. Some \$300 million were raised in a series D financing round, with another \$100 million coming in through secondary funding that will be used to purchase shares belonging to employees and company executives, as well as those of angels and shareholders who invested in the company in its early days.

The series D round was led by Coatue, which has invested in several Israeli companies recently including Gong and Cato Networks, with several new investors participating in the financing, including Spark Capital, Avid Ventures, FJ Labs, and Latitude, along with further investment from current investors General Catalyst, Oak FT, Tiger Global, Target Global, Durable Capital, Tal Capital, and Entrée Capital. Rapyd had previously raised \$260 million.

Founded in 2015, Tel Aviv's [Rapyd](#) offers payment services enabling the transfer of electronic funds across borders through various means of payment, including bank transfers, digital wallets and cash. Rapyd's platform supports 65 currencies in more than 170 countries and enables global transfers in real-time. (Rapyd 15.01)

[Back to Table of Contents](#)

## **2.10. BIRD Foundation to Invest \$7.45 Million in Eight New Projects**

During its 22 December meeting, the Board of Governors of the Israel-U.S. Binational Industrial Research and Development (BIRD) Foundation approved \$7.45 million in funding for eight new projects between U.S. and Israeli companies. In addition to the grants from BIRD, the projects will access private sector funding, boosting the total value of all projects to over \$18 million.

The BIRD Foundation promotes collaborations between U.S. and Israeli companies in various technological fields for the purpose of joint product development. In addition to providing conditional grants of up to \$1 million for approved projects, the Foundation assists by working with companies to identify potential strategic partners and facilitate introductions.

The projects approved include:

- Aero-Magnesium (Ein Harod Ihud, Israel) and Safran Seats USA (Gainesville, TX) to develop weight reduction solutions for aircraft seating applications based on magnesium technologies.
- AIO ME (Tel Aviv, Israel) and Finastra Financial Technology Corporation (New York, NY) to jointly develop a next-generation Loan-Originiation-System to automatically collect and verify customer data while maintaining regulatory compliance.
- Ayecka Communication Systems (Kfar Saba, Israel) and Envistacom (Atlanta, GA) to develop a Satellite Communication and 5G Virtual Modem Edge Device to enable waveform technologists and service providers to input digitized proprietary waveforms for wireless transmission.

- BeeHero (Tel Aviv, Israel) and Tauzer Apiaries (Woodland, CA) to develop a smart pollination platform for better crop yields.
- ContinUse Biometrics dba Donisi Health (Tel Aviv, Israel) and Dell Technologies (Round Rock, TX) to develop a miniature optical module for health parameter sensing.
- Kitov Systems (Rosh HaAyin, Israel) and Capvidia NA (Houston, TX) to develop the CAD2SCAN, a process for using the digital 3D CAD model to automate visual inspection in production.
- Marpé Technologies (Haifa, Israel) and Nortech Systems (Wayzata, MN) to develop a total-body Tele-dermatology scanning system.
- Squalus Medical (Caesarea, Israel) and Fortec Medical (Hudson, Ohio) to develop an innovative epilepsy laser treatment.

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 deadline for submission of Executive Summaries for the next BIRD cycle is 1 March 2021. Approval of projects will take place in June 2021. (BIRD 19.01)

[Back to Table of Contents](#)

### **2.11. Two Homeland Security Projects Get \$1.5 Million in BIRD Investments**

The [Israel-U.S Binational Industrial Research and Development \(BIRD\) Foundation](#) has granted funding for two homeland security projects between Israeli and American companies. The projects were selected by the U.S. Department of Homeland Security Science and Technology Directorate and the Ministry of Public Security of the State of Israel and approved by the BIRD Foundations' board of governors. This is the fifth year of the program that was initiated to develop new technologies for first responders and was expanded to respond to additional needs that will secure public safety.

The first project approved was between Haifa's Levitection and Georgia's Liberty Defense Technologies, which will develop a solution based on electromagnetic imaging and AI to spot concealed items or weapons in open areas. The second project, which involves Jerusalem's Ception Technologies and Californian company Hivemappee, expects to develop a fused air and ground 3D mapping system.

America's Department of Homeland Security and Israel's Ministry of Public Security have been partnering to fund technology collaborations since 2016 via the BIRD Foundation. Over the years, it has supported projects by providing funding of up to 50% of a project's budget that is shared between an Israeli and American collaboration. (BIRD 12.01)

## **3. REGIONAL PRIVATE SECTOR NEWS**

[Back to Table of Contents](#)

### **3.1. Cwallet Secures \$220,000 Pre-Seed Funding Round**

Doha's Cwallet has closed a \$220,000 pre-seed funding round from its founders and MBK Holding. Cwallet was founded in June 2019 and aims to disrupt the current financial landscape model in Qatar. The blockchain-powered wallet was designed and developed to be a one-stop-shop where users can get paid, spend, transfer airtime top-up from the home country, and eventually receive their salary, and send money back home. Cwallet also has a cross-border bill payment feature.

The startups' mission has always been to provide payment solutions for all users without exception; they aim to empower the unbanked community by granting them access to online payments without the use of credit cards. They are now working closely with Qatar Central Bank to obtain all the necessary licenses to launch a payroll and remittance feature in the near future.

Doha's [Cwallet](#) seeks to digitally empower and enable individuals in the region by giving solutions to low-income and unbanked migrant workers, domestic helpers and blue collar workers allowing them to access financial services that are currently unavailable to them. (Cwallet 10.01)

[Back to Table of Contents](#)

### **3.2. Access Bridge Ventures Marks First Closing of its \$25 Million Regional VC Fund**

[Access Bridge Ventures](#) (ABV), a newly launched regionally focused early-stage venture capital fund, has made a first close. The Abu Dhabi based fund, which will target a final commitment of over \$25 million, garnered commitments from leading regional institutional investors, including Mubadala Capital, Saudi Venture Capital Company, Jada and several prominent family offices, each of whom will gain access to some of the region's most transformative, home-grown tech companies.

ABV will support high-growth tech start-ups from the Saudi Arabia, UAE, Egypt, Pakistan and the wider MENA region. Working with start-ups in the early stages of their development, ABV will help build regional and international champions across numerous sectors, including health-tech, edu-tech, fin-tech, enterprise-tech and Software as a Service.

Dubai's [CedarBridge Capital Partners \(CedarBridge\)](#), a leading middle market private equity firm, has co-founded the fund as part of its mandate to partner with promising founders and management teams and help them expand their investment remit and achieve exceptional growth. (Various 11.01)

[Back to Table of Contents](#)

### **3.3. Peer-To-Peer Vehicle Sharing Platform Ejaro Raises \$850,000 in Seed Funding**

KSA-based Ejaro, the peer-to-peer vehicle sharing platform, has announced the closing of an \$850,000 seed funding round, led by Saudi Arabia-based angel investors and supported by BIM Ventures - a venture studio in the country.

Founded in 2019, Ejaro enables car owners to make money from their depreciating assets while providing those in need of a car with affordable access to one. The platform was first launched as a co-sponsor of the Riyadh Season - an entertainment and tourism event in Saudi Arabia. This opportunity was used to test the platform with early adopters to validate the model and gather feedback directly from the end-users.

Ejaro's main focus from day one was to build a trustworthy community where both hosts and renters felt safe using the platform and sharing their vehicles. The startup also launched a peer-to-peer vehicle sharing insurance policy, created in partnership with Kingdom Brokerage and MedGulf. The funds will be used to accelerate the development of additional features on the platform, to increase the hosted cars and renters' bases and to expand the team's capacity.

Jeddah's [Ejaro](#) is the first licensed peer-to-peer vehicle sharing marketplace in Saudi Arabia. They connect local vehicle owners with individuals who are looking to rent vehicles whenever and wherever they want. It empowers owners to earn extra income from their depreciating private vehicles (assets) by sharing it with Ejaro's trusted community. (Ejaro 10.01)

[Back to Table of Contents](#)

### **3.4. Cassbana Raises \$1 Million in Pre-Seed Funding**

[Cassbana](#), the Egypt-based startup that uses AI to run a behavior-based credit scoring system, has raised a \$1 million pre-Seed funding round, led by Disruptech. Other Fintech funds and angel investors participated in the round. Cassbana relies on machine learning and artificial intelligence to offer financial identities for the underserved and unbanked in the Egyptian market. The technology and data, sourced

through its Android app, offer financial institutions and companies the opportunity to create innovative lending and financial support solutions by analyzing the behavior patterns of their customers.

The company launched its services on a trial basis in June of last year, with one service provider in Cairo, and now has more than 20 service providers in Cairo, the Nile Delta, and other cities, with plans to expand to Upper Egypt this month. Cassbana aspires to reach everywhere in Egypt and to succeed in creating financial identities for one million customers before the end of 2021. Cassbana will use the funds to grow the business and expand its operations in the local market, as well as its strategic vision regionally and globally. (Cassbana 06.01)

[Back to Table of Contents](#)

### **3.5. Nawah Scientific Closes \$1 Million in Pre-Series A Funding Round**

[Nawah Scientific](#), the Egypt-based Healthtech startup, has closed a second Pre-Series A fundraise of \$1 million in a combined equity and debt capital round. The round was funded primarily by Egypt Ventures and joined by the Alexandria Fund, Cairo Angels, Alex Angels, HULT Alumni Angels, and several international angel investors.

With a mission to empower scientific research and scientists in the region, Nawah outsources scientific services and research/analytical experiments. Nawah's online platform receives experiments requests, a courier collects samples for analysis, and the team's scientists then carry out the tests and return results online. By doing so, Nawah enables scientists to conduct higher-quality research regardless of their location and owned lab facilities.

Founded in 2015, Nawah has analyzed over 50,000 samples from +3,000 clients in 9 countries. The startup is now an integral part of the Pharma industry in Egypt with hundreds of samples flowing for analysis, routine checks, or formulations requiring improvement by the Nawah pharmaceutical formulation team. During the pandemic, Nawah developed novel formulations for skin-friendly sanitizers and was awarded a grant of around \$125,000, with other partners to develop new technology for COVID-19 testing. (Nawah Scientific 07.01)

[Back to Table of Contents](#)

### **3.6. Turkey Trade Center Opens in Chicago as part of U.S. Business Drive**

The Turkey Trade Center opened in Chicago on 8 January, in a government-backed initiative to help Turkish businessmen expand in the United States. The center was opened by the Union of Commodity Exchanges of Turkey (TOBB), the country's largest business group, and is backed by the Turkish Trade Ministry. Turkey is seeking to broaden and deepen commercial ties with the United States to help boost exports and Turkish business activities in the world's biggest economy. Political relations between the two countries have soured in recent years, undermining economic cooperation, as their governments clashed over policies in the Middle East and ties with Russia. The center will provide services to Turkish businessmen including office space, storage, logistics, company formation, market entry, and sales and marketing assistance. (Dünya 07.01)

## **4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS**

[Back to Table of Contents](#)

### **4.1. Augwind to Build 120 MWh Electricity Storage Systems in Israeli Tender**

Augwind announced the winning of a sizeable governmental tender that was led in Israel by the Government's Electricity Authority, in a scale of 2.5 GWh storage. Augwind has expanded the relations with Solegreen by signing an agreement to promote and build photovoltaic power generation projects incorporating Augwind's AirBattery energy storage system.

Augwind recently announced the results of the tests performed in the proof of technological feasibility stage for the AirBattery system's efficiency, with a huge promise to the energy marketplace. The system's overall efficiency in the context of commercial facilities, with a capacity above 5 MW, is expected to be in the range of approximately 75-81%, depending on the characteristics and the various requirements of each storage project and the storage system components it comprises. The assessed results signify an astonishing breakthrough in the field of Compressed Air energy storage, positioning Augwind's solution as a natural advantageous contender with compare to alternative technologies for various energy storage applications.

Yakum's [Augwind](#) specializes in the development and installation of compressed air storage systems to increase energy efficiency (AirSmart) and for storing energy for the electricity sector and, among other things, doing so from renewable electricity generation sources such as PV or wind power, which include the storage system developed by Augwind (AirBattery). Augwind operates on two fronts: the energy storage market and the air compressor market. Both commercial verticals are based on Augwind's patented, AirX technology, proprietary underground air compression method and system that enables savings of up to 40% in the energy consumption required to compress the air at high pressure. (Augwind 07.01)

[Back to Table of Contents](#)

#### **4.2. Israel to Transition to Public Buses with Zero Emissions by 2025**

Israel's Ministry of Environmental Protection has published a "roadmap" for bus companies to transition to zero-emission buses by 2025, with the purchase of electric bus fleets. While the cost of electric buses is high, their operation and maintenance is low. Therefore, the plan is a viable one that will end up being economically worthwhile over the lifespan of the bus (about 10 years). In addition, the cost of electric buses is expected to drop in coming years, as a result of cheaper battery production; thus the cost of the MoEP's electric bus policy will decrease even further. Implementation of this plan is expected to result in economic benefits of NIS 1.35 billion for the Israeli economy by 2034.

While municipal public transportation in Israel is based almost exclusively on diesel-powered buses today, the minister's proposal would set binding targets that would require every bus that begins operating from the year 2025 to be free of pollution emissions.

The transition to the use of non-polluting buses in public transport in cities will lead to a significant improvement in air quality in city centers, as well as to reducing greenhouse gas emissions, noise nuisances, and oil imports. Ultimately, it would result in a decrease in long-term economic costs. If the proposal is fully approved, the complete transition to public electric transportation will be completed in 2035 - one decade after the ban on the purchase of diesel-powered buses would take effect. The Ministry has recently notified public transportation of NIS 47 million in new funding for the purchase of about 200 electric buses. (MoEP 10.01)

[Back to Table of Contents](#)

#### **4.3. Wind Farm in Morocco's Midelt Completed**

Morocco's National Office of Electricity and Drinking Water (ONEE) has unveiled a new wind farm near Midelt, approximately 150 kilometers south of Fez. The complex covers an area of approximately 2,300 hectares. Built over a period of 24 months and with a budget of \$284 million, the Midelt wind farm is part of Morocco's Integrated Wind Farm program. The initiative, which aims to build a wind farm network with a combined 850 megawatt (MW) capacity by 2023, also includes plans for complexes in Boujdour, Tiskrad and Essaouira. The Midelt wind farm boasts a capacity of 210 MW and is part of implementation of the Royal Vision to guarantee the security of our country's energy supply, in particular one based on renewable energy.

The Integrated Wind Program is part of Morocco's vision for the promotion of renewable energy, aiming for 52% of electrical power production in the country to come from renewable energy sources by 2030. Morocco employs wind energy as one part of a multifaceted approach to renewable energy. An energy transition leader, Morocco is home to the NOOR Solar Complex, the world's largest concentrated solar power plant. (ONEE 07.01)

## 5. ARAB STATE DEVELOPMENTS

[Back to Table of Contents](#)

### 5.1. World Bank Predicts Fragile Recovery for MENA in 2021

On 5 January, the [World Bank](#) predicted a moderate economic recovery for the Middle East and North Africa (MENA) in 2021, while highlighting the many challenges still posed by the coronavirus pandemic. The Washington-based institution said the pandemic had seen the region's economies shrink by about 5% in 2020, inflicting heavy job losses and a sharp increase in the number of people living below the poverty line of less than \$5.50 a day. Among oil exporters, growth is expected to recover to 1.8% this year, supported by normalizing oil demand, the scheduled easing of the OPEC+ oil production cuts, policy support, and the gradual phasing out of domestic pandemic-related restrictions.

Saudi Arabia, the largest economy in the Arab world, will benefit from the resumption of public projects, which had been postponed at the beginning of the crisis, and the recovery of demand after a sharp rise in VAT, reaching a 2% expansion.

Growth in other countries in the region is expected to reach 3.2% in 2021 due to the easing of travel restrictions and a slow recovery of domestic demand. However, it is expected to reach only 2.7% in Egypt, the most populous country in the region, following the collapse of various sectors, notably tourism and gas extraction. The World Bank warned that regional economies faced a variety of hurdles as they try to get back on their feet. (WB 05.01)

[Back to Table of Contents](#)

### 5.2. World Bank Approves \$246 Million Project to Support Vulnerable Lebanese Households

The World Bank approved a \$246 million new project to provide emergency cash transfers and access to social services to approximately 786,000 poor and vulnerable Lebanese reeling under the pressure of Lebanon's economic and COVID-19 crises. The World Bank added that the Emergency Crisis and COVID-19 Response Social Safety Net Project (ESSN) will also support the development of a comprehensive national social safety nets system to allow a better response to ongoing and future shocks.

Lebanon has been facing compounded and unprecedented crises. A severe economic and financial crisis led to a projected 19.2% decline in GDP in 2020, triple digit inflation and a projected increase in poverty to 45% and in extreme poverty to 22%. Approximately 1.7 million people are estimated to fall under the poverty line, of which 841,000 people will be under the food poverty line. The situation has been further compounded by the aftermath of the Port of Beirut explosion on 4 August and the repercussions of a 10 year long Syria crisis causing a severe drain on public resources. (Al-Arabiya 13.01)

#### ►► Arabian Gulf

[Back to Table of Contents](#)

### 5.3. GCC Sovereigns' Negative 2021 Outlook Driven by Lower Oil Revenues

The negative 2021 outlook for sovereign creditworthiness in the Gulf Cooperation Council (GCC) reflects the coronavirus-related fall in oil revenue which is driving this year's deterioration in fiscal strength, while

constraining government spending and slowing the economic recovery, [Moody's Investors Service](#) said in a report on 6 January.

Moody's expects that it will take 2-3 years for real GDP in GCC sovereigns to return to pre-pandemic levels, with the recovery most protracted in the more economically diversified sovereigns, where key sectors such as transportation and tourism will be slow to return to health. The lingering economic effects of the pandemic also mean that citizen employment rates are unlikely to recover soon given high targets for citizen employment in private sector industries which have been hard hit by the shock.

Moody's forecasts that GCC government debt burdens will rise on average by around 21% of GDP over 2019-21, compared with 14% on average for advanced economies. However, sovereign wealth fund buffers will mitigate the impact of higher gross debt burdens for most GCC sovereigns. Despite a significant easing in market conditions compared with the first half of 2020, Moody's expects that borrowing costs will remain above pre-coronavirus levels for less creditworthy GCC sovereigns. For the region's stronger governments, flight to quality has lowered yields to levels that will continue to allow opportunistic and long-dated borrowing. (Moody's 06.01)

[Back to Table of Contents](#)

#### **5.4. Bahrain Achieves Nationwide 5G Coverage**

Bahrain has achieved full national 5G coverage, the country's Ministry of Transportation and Telecommunications has announced, with two of the three mobile operators now covering the entire population with 5G. Authorities hope the roll-out will attract global tech firms to invest in the country to leverage the next generation technology across a wide variety of applications

Bahrain's telecoms sector attracted some BHD787m in investments (more than \$2 billion) between 2009 and 2019. In line with the kingdom's economic diversification efforts, Bahrain's ICT sector now accounts for nearly 3% of the national GDP. The Kingdom has pursued a strategy of flexible regulation to encourage investment in the telecoms sector. Bahrain was the first GCC member to open and liberalize its telecoms market and remains one of the region's only telecoms markets with no restrictions on VoIP services.

Researchers estimate that there will be more than 1 billion 5G connections by 2023, and Bahrain's nationwide roll-out places the Kingdom at the forefront of this global technological advancement for both B2B and B2C applications. (BMTT 11.01)

[Back to Table of Contents](#)

#### **5.5. Abu Dhabi Launches AED2 Billion Program to Foster Innovation**

The Abu Dhabi Investment Office (ADIO) has launched a new AED2 billion worth program to support new and innovative ideas through globally competitive rebates and grants. The Innovation Program will target innovation-led companies and startups in the financial services, information and communications technology (ICT), health services & biopharma and tourism sectors. It is conceptualized as an extension of ADIO's AgTech incentive program which resulted in partnerships with seven agriculture innovators to accelerate research and development (R&D) and the implementation of cutting-edge technology within Abu Dhabi's agriculture ecosystem.

In addition to a financial incentive pool of AED2 billion, the Innovation Program is looking to assist more established businesses and startups via non-financial incentives as well. Organized and established under the Abu Dhabi government's Ghadan 21 accelerator program, the new Innovation Program has been created with the intention to create thousands of high-skilled jobs, catalyze innovation and impactful solutions in core sectors of Abu Dhabi's ecosystem, as well as to increase opportunities for investors in the Emirate. (Entrepreneur 11.01)

[Back to Table of Contents](#)

## 5.6. Investments in Saudi Arabia's Economy will Reach Six Trillion Dollars

Saudi Arabia's Crown Prince Mohammed bin Salman says major investment opportunities in Saudi Arabia will amount to \$6 trillion over the next ten years, including \$3 trillion in investments in new projects, within the framework of the opportunities provided by Vision 2030. Saudi Arabia's Crown Prince participated in a strategic dialogue session within the activities of the World Economic Forum, in the presence of more than 160 influential international leaders and business leaders, representing 28 sectors and 36 countries.

The Crown Prince indicated that 85% of this huge economic program will be funded by the Public Investment Fund and the Saudi private sector, while the remainder will be through stimulating foreign capital from the Gulf countries and all countries of the world. He added that the investments are in line with the Saudi Arabia's intention to rise to a leadership position in renewable energy and the fourth industrial revolution, tourism, transportation, entertainment and sports.

During the strategic dialogue session held within the framework of the activities of the World Economic Forum, Crown Prince Mohammed bin Salman reviewed the achievements made by Saudi Arabia since the announcement of Vision 2030, in terms of doubling non-oil revenues, empowering women in the labor market, raising the level of competitiveness in the business environment, the significant improvement made in environmental protection, and the Kingdom's initiative regarding the circular carbon economy, which was approved by the G20 summit chaired by the Saudi Arabia. The Crown Prince indicated that the Kingdom's previous achievements in accordance with Vision 2030 came within the framework of rapid transformation and reforms in the past four years, and that these reforms will double in the next ten years. (Al-Arabiya 14.01)

[Back to Table of Contents](#)

## 5.7. Prince Mohammed bin Salman Announces THE LINE at NEOM

Mohammed bin Salman, Crown Prince and Chairman of the NEOM Company Board of Directors, announced THE LINE, a revolution in urban living at NEOM, and a blueprint for how people and planet can co-exist in harmony. THE LINE, a 170 km. belt of hyper-connected future communities, without cars and roads and built around nature, is a direct response to some of the most pressing challenges facing humanity today such as legacy infrastructure, pollution, traffic and human congestion. A cornerstone of Saudi Vision 2030 and an economic engine for the Kingdom, it will drive diversification and aims to contribute 380,000 jobs of the future and \$48 billion to domestic GDP by 2030.

THE LINE is the first time in 150 years that a major urban development has been designed around people, not roads. Walkability will define life on THE LINE – all essential daily services, such as schools, medical clinics, leisure facilities, as well as green spaces, will be within a five-minute walk. Ultra-high-speed transit and autonomous mobility solutions will make travel easier and give residents the opportunity to reclaim time to spend on health and wellbeing. It is expected no journey will be longer than 20 minutes.

THE LINE's communities will be cognitive, powered by Artificial Intelligence (AI), continuously learning predictive ways to make life easier, creating time for both residents and businesses. An estimated 90% of available data will be harnessed to enhance infrastructure capabilities far beyond the 1% typically utilized in existing smart cities. Redefining sustainability, THE LINE will comprise carbon-positive urban developments powered by 100% clean energy, providing pollution-free, healthier and more sustainable environments for residents. Mixed-use communities will be built around nature, instead of over it.

Construction of THE LINE will commence in Q1/21. THE LINE is one of the most complex and challenging infrastructure projects in the world and forms part of extensive development work already underway at NEOM. NEOM is part of the world-class, diversified portfolio of Saudi Arabia's Public Investment Fund, one of the largest sovereign wealth funds in the world. The first three characters of the projects name, NEO, are derived from the Latin word for "new," while the last character, M, is an abbreviation of the Arabic word *Mostaqbal*, meaning "future". (NEOM Company 10.01)

## ►► North Africa

[Back to Table of Contents](#)

### 5.8. Startup Funding Increases by 31% in Egypt in 2020

Egypt held the second-biggest share of venture capital investment in MENA last year, falling behind the UAE, which accounted for a whopping 56% of the total funding amount last year, according to Magnitt's MENA Venture Investment Report. Egypt's VC funding inflows jumped 31% y-o-y in 2020, helping it to increase its share of regional funding by 2% to 17%. The rise was driven by the investments in the first half of the year, with investments slowing by 58% in the second half due to the economic impact of COVID-19. Saudi Arabia came in third with 15% of regional VC funding, up from 11% in 2019.

Egypt accounted for almost a quarter (24%) of the region's VC transactions, coming just short of the UAE's 26% and ahead of third-placed Saudi Arabia at 18%. Across the region, funding was up by 13% y-o-y, though total transaction count decreased by 13% to 496. The food and beverage industry saw a tripling of funding to \$ 122 million, while health funding also tripled to \$ 72 million, and e-commerce funding increased 24% to \$ 162 million. Nearly 50% more transactions were closed in Egypt last year and that the average transaction was worth about 2x in 2020 as it was the year before. (Enterprise 13.01)

[Back to Table of Contents](#)

### 5.9. Egypt's Annual Urban Headline Inflation Fell to 5.4% in December

Egypt's annual urban headline inflation dropped to 5.4% in December from 5.7% in November, according to figures released by CAPMAS and the Central Bank. On a monthly basis, prices fell at their quickest pace since June 2019 as falling food and beverage prices resulted in 0.4% deflation following 0.8% growth in November.

Food prices fell 1.2% during the month, having edged up 3.2% in November, despite seasonal spending during the winter holidays. The price of vegetables fell 10% on average during the month, compared to the 25% price growth seen in November.

Annual core inflation — which strips out volatile items such as food and fuel — fell to 3.8% in December compared to 4.0% in November 2020. Monthly core inflation remained flat during the month from November.

Annual general inflation for 2020 came in at 5.1%, down from 8.5% in 2019. The rate, which came in below the central bank's target inflation range of 6-12%, triggered consultations with the IMF under the standby loan agreed last year. In response, the central bank has proposed that it lowers its target rate by 2% to 7% and narrows its range to +/-2%. (CAPMAS 11.01)

[Back to Table of Contents](#)

### 5.10. Egypt Gets \$1.1 Billion from ITFC to Fund Petroleum & Food Commodity Imports

Egypt will get funding of \$1.1 billion from the International Islamic Trade Finance Corporation (ITFC) to finance imports of petroleum and staple products in 2021, Egypt's petroleum ministry announced. The funds are part of a \$3 billion agreement between Egypt and ITFC signed in January 2018. The ITFC was helping to provide basic food commodities, which contributed to strengthening their strategic reserves.

ITFC said in July that it is mobilizing additional funds for Egypt's General Authority for Supply Commodities (GASC), the state grain buyer, in the coming months. Funding from the ITFC has allowed the GASC to pay for its purchases of key commodities on sight instead of using letters of credit, which guarantee payment within 180 days. Egypt is the world's largest wheat buyer. (Various 13.01)

[Back to Table of Contents](#)

### **5.11. Egypt Signs Deal for \$23 Billion High-Speed Rail Link**

Egypt signed a deal with German giant Siemens on 14 January to build a \$23 billion high-speed rail line linking the Red Sea and Mediterranean coasts. The electric railway will run for more than 1,000 kilometers from Ain Sokhna on the Red Sea to New Alamein on the Mediterranean coast, passing through a new administrative capital being built east of Cairo. Work to build the 15 stations included in the project is expected to be completed within two years.

Egyptian President El-Sisi approved the final agreement with Siemens on the project, which is expected to start immediately. The announcement of the express rail link came after El-Sisi met with executives of Siemens, together with Egyptian Prime Minister Madbouly and Transport Minister El-Wazir. Soil research, surveying and route planning has been completed and work is underway building bridges and the track. (AN 15.01)

[Back to Table of Contents](#)

### **5.12. Egypt's Non-Petroleum Trade Balance Falls By 17% as Imports Fall by 12% in 2020**

Egypt's trade balance with other global markets for non-petroleum products declined by 17% in 2020 to reach \$38.2 billion, down from the \$46.2 billion in 2019, the Ministry of Trade announced on 19 January.

Egypt's imports dropped in 2020 by 12% to record \$63.5 billion, down from \$71.8 billion in 2019. This drop was driven by moving towards manufacturing some of the industry's inputs and production supplies locally instead of importing them from external markets. On the other hand, Egypt's exports also slightly fell by 1% in 2020 to reach \$25.2 billion, down from \$25.6 billion in 2019.

Three export sectors witnessed a tangible growth in 2020, including construction materials, medical industries and handicrafts. Construction materials' exports increased in 2020 by 20% to reach \$6.1 billion, up from \$5.1 billion in 2019. The UAE was the top destination for such exports from Egypt with a total of \$2.1 billion, followed by Canada with \$632 million, then Italy with \$492 million.

For medical industries, the sector's exports rose by 1% in 2020 to reach \$548 million, up from \$540 million in 2019. Saudi Arabia ranked the top in 2020 in receiving such exports from Egypt with a total of \$84 million, followed by Yemen with \$51 million, then Sudan with \$43 million. Egypt's handicraft exports rose in 2020 to \$208 million, up from \$207 million in 2019. Turkey was the top destination for Egypt's handicraft exports in 2020 with a total of 432 million, followed by Sudan with \$24 million, and then Germany with \$24 million. Five markets accounted for 35.6% of Egypt's total exports in 2020, including UAE with \$2.8 billion, US with \$1.5 billion, Saudi Arabia with \$1.7 billion, Turkey with \$1.6 billion and Italy with \$1.2 billion.

On another side, five markets topped the importers into the Egyptian market by 41.1%, including China with \$11.5 billion, US with \$4.5 billion, Germany with \$3.9 billion, Italy with \$3.1 billion and Russia with \$2.9 billion. For imports, three sectors saw a decrease. This included ready-made garment imports that dropped by 24% in 2020 to record \$414 million, down from \$544 million in 2019, in addition to handicraft imports that receded by 21% to reach \$317 million, down from the \$401 million in 2019, as well as leather and footwear imports that fell by 20% in 2020 to record \$162 million, down from \$202 million in 2019. (MoT 19.01)

[Back to Table of Contents](#)

### **5.13. US Treasury Signs \$1 Billion Loan to Clear Sudan's Debt**

On 6 January, US Treasury Secretary Mnuchin signed an agreement to provide Sudan with a \$1 billion bridge loan to clear the \$1.2 billion it owes the World Bank in arrears, after Khartoum signed the "Abraham Accords" to normalize ties with Israel. The Secretary also discussed the economic opportunities created

through Sudan's opening of relations with Israel under the Abraham Accords. For all the latest headlines follow our Google News channel online or via the app. The bridge loan will be given to Sudan when the agreed conditions with the Bank and under the MOU are met.

Sudan's finance ministry said on 16 December that the World Bank bridge loan would allow it to access \$1.5 billion annually in funds from the World Bank's International Development Association (IDA), the lender's financing arm for the world's poorest countries. Sudan has more than \$60 billion in foreign debt. Sudan is one of four Arab countries to recently normalize ties with Israel, along with the UAE, Bahrain and Morocco. (Al-Arabiya 07.01)

[Back to Table of Contents](#)

#### **5.14. Morocco Forecasts 0.5% Economic Growth in First Quarter of 2021**

Morocco's High Commission for Planning (HCP) has said it expects the Moroccan economy to grow by 0.5% during Q1/21, taking into account a 0.5% drop in value added excluding agriculture and a 10.8% rebound in that of agriculture. Morocco's overall economic growth will accelerate significantly over the following quarters, benefiting from a base adjustment effect linked to the fall in activity during the confinement period. Non-agricultural activities should continue to recover in the first quarter this year, posting a decline of 0.5%. Meanwhile, industrial activity should recover significantly, while the construction industry will continue to suffer from weak demand for residential real estate.

The HCP notice forecasts a recovery in the electricity production in the wake of the gradual resumption of industrial activities. In the tertiary sector, the HCP predicts lukewarm activity and a moderate recovery in trade, transport, and catering. For agricultural activities, the HCP announced that the sector would experience a significant recovery under the "assumption of excess and generalized winter fall. Agricultural value added should register an increase of 10.8%, contributing to the overall economic growth by over 1.2%. The HCP acknowledged that the 2020-2021 agricultural season experienced a difficult start due to a rainfall deficit of 48% in October and November 2020.

Domestic demand is likely to continue to recover at a moderate pace. The decline in household spending should ease under the effect of the forecasted recovery in purchases of food and manufactured goods, HCP explained. The HCP also forecasts that restaurant and transport spending should increase compared to Q4/20, but at a slower pace. Expenses on non-market services, however, will remain dynamic situating the increase in public consumption at 4.3%. Meanwhile, investment efforts are set to remain relatively weak, including in construction products. (HCP 06.01)

[Back to Table of Contents](#)

#### **5.15. World Bank Forecasts Morocco's Economic Growth to Reach 4% in 2021**

The World Bank forecasts a 4% growth in Morocco's economy this year thanks to an increase in agricultural production. The World Bank also predicts 3.7% economic growth in Morocco in 2022. The 2019-2020 agriculture season experienced lack of rainfalls, which impacted the country's cereal and agriculture production. Morocco's production of the three main cereals for the 2019-2020 season stood at 32 million. The number showed a decrease of 39% compared to the previous season.

The campaign is also down by 57% compared to an average year under the ministry's signature Green Morocco Plan. The statistics from the World Bank match with earlier estimates by Morocco's High Commission for Planning (HCP). Earlier this week, the HCP said it expected the Moroccan economy to grow by 0.5% during the first quarter of 2021.

Economic activities in the Middle East and North Africa are projected to show a "modest recovery" of 2.1% in 2021 due to damages caused by COVID-19 and low oil prices, the HCP found. These prospects count on the control of COVID-19, the stabilization of oil prices, the absence of any escalation of geopolitical tensions and the development of anti-COVID vaccines in the second half of the year. The projections are

also based on the assumption that the situation will improve over a two-year period and forecasts that economic output will be still 8% below the level indicated by pre-COVID-19 estimates.

According to the World Bank, the growth rate of oil-importing countries is expected to reach 3.2 % in 2021 due to the gradual easing of travel restrictions and the slow recovery in domestic demand. For oil exporting countries, the growth rate is expected to reach 1.8% in 2021 thanks to the normalization of oil demand and the expected easing of OPEC + oil reduction quotas, as well as the gradual elimination of restrictions countries imposed to combat the pandemic. (WB 11.01)

[Back to Table of Contents](#)

#### **5.16. US DFC to Open Africa-Oriented Branch in Dakhla, Southern Morocco**

Moroccan Minister of Foreign Affairs Bourita has announced that the US International Development Finance Corporation (DFC) is set to open a branch in Dakhla, southern Morocco. The office will serve as a starting point for DFC's operations in the entire African continent. The DFC is the main US development finance institution focusing on investments in developing countries. It provides assistance to countries through loans, loan guarantees, and project insurance.

The decision confirms the American support for Morocco's territorial integrity, which US President Trump declared in a presidential proclamation on 10 December. Bourita announced the future opening of a DFC office during the visit of a senior official US delegation to Morocco's southern provinces.

The future branch in Dakhla is the second major office that the DFC intends to open in Morocco. On 22 December, the US institution selected Morocco as the host country for its North African "Prosper Africa" office. Prosper Africa is an initiative that seeks to support and promote trade between African states and the US. The future openings would strengthen Morocco's position as a gateway to African markets and as a link between Africa and the US. (Various 11.01)

### **6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS**

[Back to Table of Contents](#)

#### **6.1. Turkey's Unemployment Rate Steady at 12.7% Over the Past Three Months**

Turkey's jobless rate was unchanged at 12.7% in the three months to November compared with the month previously, the Turkish Statistical Institute announced on 11 January. Unemployment in Turkey has remained almost flat during the coronavirus pandemic after the government barred companies from firing staff. Instead, an undisclosed number of persons are on unpaid leave, or on short working weeks.

Downward pressure on employment in Turkey has been reflected in a sharp contraction in the labor market. The labor force participation rate fell to 50% of the working age population in the three months to November from 50.5% in October and 53% a year earlier, the data showed. The number of people in the labor force in Turkey dropped by 1.29 million to 31.5 million in November from a year ago.

The youth unemployment rate – defined as the proportion of people aged between 15 years and 24 years neither in a job or education – stood at 27.6%, falling from 29.1% in the three months to October. The rate stood at 26% a year earlier. (TurkStat 11.01)

[Back to Table of Contents](#)

#### **6.2. Turkey's Current Account Deficit Surges to \$4.06 Billion in November**

Turkey's current account deficit widened to \$4.06 billion in November as demand for imports such as gold persisted even after the central bank hiked interest rates. The current account gap grew from \$15 million in November last year, taking the 12-month rolling deficit to \$38 billion.

Turkey's current account gap has widened sharply, spurred on by a government-aided borrowing boom, and put pressure on the beleaguered lira, which slumped to successive record lows last year. The lira's losses and surging inflation has prompted the central bank to intervene and more than double its benchmark interest rate to 17% from 8.25% in September.

The current account deficit in Turkey is largely made up of a shortfall in exports versus imports. The country's foreign trade deficit more than doubled in November on an annual basis to over \$5 billion, according to Turkish Statistical Institute data. The November current account posted a surplus of \$632 million, when excluding gold and energy, the central bank said. That compared with a surplus of \$4.09 billion in the same month of 2019. (CBT 11.01)

[Back to Table of Contents](#)

### **6.3. Over 33,000 Registered Unemployed in Cyprus**

Registered unemployed in Cyprus spiked 32% (8,097) in 2020 compared to 2019 due to parts of the economy being shut down during the pandemic, according to official data released on 7 January. The unemployed registered at the District Labour Offices on 31 December 2020 reached 33,382. Based on the seasonally adjusted data that shows the trend of unemployment, the number of registered unemployed for December 2020 decreased to 30,746 from 31,015 in the previous month. Compared to December 2019, an increase of 8,097 people or 32% was recorded.

This was attributed to the sectors of trade (+2,197), construction (+905), professional, scientific, and technical activities (an increase of 764), manufacturing (+682), education (+574) and for newcomers to the labor market (+1,043). Registered unemployed are people aged over 15 who apply at the District and Local Labour Offices to seek employment. These persons have to be able and available for work and must be actively looking for work. The numbers do not include the self-employed or those who seek part-time employment. (FM 07.01)

[Back to Table of Contents](#)

### **6.4. Cyprus Seeks Dialogue on Minimum Wage**

Cyprus' Cabinet decided on 13 January to start a social dialogue for introducing a national minimum wage in Cyprus when unemployment drops to around 5%. The Ministry of Labor has completed all relevant studies on the issue, including ways of introducing the national minimum wage and quantitative surveys of its effects on the labor market, social policy, but also on other aspects of the economy. The studies also include evaluation mechanisms for regular adjustments of the minimum wage.

As a consequence of the COVID-19 pandemic, employment conditions have deteriorated. Before the pandemic unemployment was at 6%, which was very close to full employment conditions. Based on the latest data, unemployment now has risen to 8%, mainly due to the severe impact on the tourism sector. (FM 13.01)

[Back to Table of Contents](#)

### **6.5. Major Greek Investment in Power Grid**

The 10-year development program of the Independent Power Transmission Operator (ADMIE) contains projects budgeted at €4.1 billion. This development program provides for international power interconnections, upgrades to the national high-voltage transmission system, and carbon offsetting projects across the grid to improve its credibility at a time when renewable energy sources are becoming more widely used. Plans include improving the international interconnection of Greece with Bulgaria, Italy, Albania and North Macedonia.

The new program further incorporates ADMIE's proposals regarding pilot projects for electricity storage both on mainland Greece and the islands. It provides for energy accumulators on Naxos Island (of 7-10 MW) to be completed next year. A similar program is scheduled for Central Greece, to manage the high concentration of RES facilities there.

The targets set by the national energy and climate plan for 2030 and the long-term energy planning for 2050 have made it necessary to accelerate procedures to connect new RES units to the grid on a large scale that require significant infrastructure work for the transmission of power from areas such as the islands. (eKathimerini 07.01)

## 7. GENERAL NEWS AND INTEREST

### \*ISRAEL:

[Back to Table of Contents](#)

#### 7.1. Arab Sector Volunteers to the Israeli Army Double in 2020

In 2020, the number of Arab Israeli conscripts volunteering for IDF duty is more than twice that of previous years, and includes Muslims from areas such as Taibe, Qalansuwa and Eastern Jerusalem, Bedouins from the Galilee and Christian Arabs from the north. Alongside the overall increase in the number of new Arab Israeli troops, the number of those enlisting for combat roles has also increased. This year also saw a breakthrough in the willingness of young Druze people from the villages of Majdal Shams, Buqata, Mas'ada and Ein Kinya in the northern Golan Heights to enlist. In the past, the four villages have refrained from expressing formal identification with Israel, out of fear that the Golan Heights would eventually be returned to Syrian control.

The IDF is also preparing to open classrooms for technology studies in several Druze villages and Arab high schools, in order to help them integrate as technicians in the military and allow to acquire a profession for their civilian futures. The IDF intends to utilize some of its new Arab and ultra-Orthodox conscripts as Home Front Command forces in their respective localities or villages during emergencies, due to the understanding that they best know the local population and its needs.

Some 450 new soldiers enlisted as scouts and fighters in the Bedouin patrol unit, while dozens more have joined prominent infantry brigades such as Kfir and Nahal and others still are serving in the Border Police. The increase in conscripts can be attributed to a Manpower Directorate online initiative through which some 4,000 possible volunteers expressed their interest in joining the IDF in 2020 alone. (Ynet 03.01)

[Back to Table of Contents](#)

#### 7.2. New Bee Species Discovered in Israel

A new species of bee unique to the sand dunes of Israel's coastal plains has been identified and described by Alain Pauly, a taxonomist from the Royal Belgian Institute of Natural Sciences in Brussels. The species was named *Lasioglossum dorchini* in tribute to the Israeli bee researcher Achik Dorchin of the Steinhardt Museum of Natural History at Tel Aviv University. This new type of bee is especially exciting because a decline in the world bee population is putting crop pollination in danger. Crop pollination relies mainly on managed colonies of the domesticated honeybee. However, wild, unmanaged bees are also highly effective in pollinating natural and agricultural systems.

Israeli and Belgian researchers from the Hebrew University of Jerusalem spent the past five years studying the effect of restoration activities and specifically how they are benefiting the local bee population. It was during their studies at Alexander River National Park that they found the new wild bee species. (IH 11.01)

### \*REGIONAL:

[Back to Table of Contents](#)

### **7.3. UAE Scientists Successfully Grow Rice in Remote Sharjah Desert**

Emirati and South Korean scientists are preparing to welcome the second harvest season of rice grown in a Sharjah desert. The crop production is an agricultural milestone for the UAE, as the nation works towards ensuring food security amid rising concerns over climate change. The COVID-19 pandemic has also pushed countries across the world to become more self-sufficient. The project is part of a research project by the UAE Ministry of Climate Change and Environment, in partnership with the Rural Development Administration of the Republic of Korea. The harvest is scheduled to take place in February, followed by processing to make the rice edible.

Out of the two main varieties of rice that are being tested in Al Dhaid, the Asemi one has been the most successful. Several types of rice were first tested in South Korea, in a set up that mimicked UAE's climate. Thirty-three other types are also being tested in small patches. Asemi was developed by Korea's Rural Development Association in 2014.

Sensors spread across the fields help detect movement, cameras installed in various corners keep an eye on seed-eating birds and a nearby weather station helps keep researchers informed. The main challenge so far has been the unwanted birds that try to pick rice grains.

The UAE is one of the largest importers of rice. It also re-exports the grain. In 2019, the country imported milled rice mainly from India, followed by Thailand and then Brazil. The efforts are part of a larger plan to enhance the UAE's food security. During the height of the pandemic in Asia last year, Vietnam banned rice exports to ensure the country had enough crops for its citizens. (The National 17.01)

[Back to Table of Contents](#)

### **7.4. Saudi Arabia Amends Anti-Harassment Law to Name & Shame Offenders**

Saudi Arabia has recently amended its anti-harassment laws to include the naming and shaming of those found guilty by forcing them to publish their sentences in local media at their own expense. The changes to the rules came in a statement from Saudi Arabia's cabinet, which added a new paragraph to Article 6 of the Kingdom's Anti-Harassment Law, stating that the judgment may be summarized in local newspapers at the expense of the convicted person. The amendment also includes clauses against those who file false harassment claims. Many in the Kingdom have welcomed the news, saying it was long overdue.

The Kingdom's Anti-Harassment law which came into effect in 2018 stipulates severe penalties, including imprisonment for up to 5 years and heavy fines on convicted persons, but did not include at the time articles that allow for the naming and shaming of harassers under any circumstances. According to Saudi Arabia's Human Rights Commission, the new changes to the law allows for the publishing of sentences against convicted harassers in one or more local newspapers, or in any other means. (Al Arabiya 16.01)

[Back to Table of Contents](#)

### **7.5. Athens Sets Vaccination Target of 70% of the Population by Summer**

The Greek government was optimistic that the COVID-19 vaccinations would go according to plan, noting that Athens' goal is for 70% of the population to be inoculated against the disease by the summer in order to achieve immunity. Regarding the epidemiological situation, it has improved since the beginning of December, with active cases dropping and pressure on the National Health System (ESY) relenting.

The state digital appointments platform for vaccinations of the general population formally opened on 11 January, with citizens aged 85 and over first in line. (eKathimerini 11.01)

## 8. ISRAEL LIFE SCIENCE NEWS

[Back to Table of Contents](#)

### 8.1. Neuroliief Positive Results of Its Brain System for Treating Acute Migraine

Neuroliief announced findings of the RIME US pivotal trial that demonstrate the safety and efficacy of the Relivion, a novel external brain neuromodulation system for self-administered treatment of migraine. The study met all its endpoints with statistical significance. The Relivion, with its adaptive stimulation channels, targets major neural pathways responsible for migraine, thereby creating a synergistic neuromodulatory effect that maximizes the clinical benefits.

The Relivion enables neuromodulation of brain networks associated with control of pain and other migraine related symptoms. To do so, the device utilizes three adaptive output channels which non-invasively transfer mild electrical pulses to the brainstem via six branches of the occipital and trigeminal nerves. Combined neuromodulation of both the occipital and trigeminal nerves was previously possible only with surgically implanted devices. The Relivion is the first system to provide such combined neural activation non-invasively by the patient, without requiring surgical implantation.

Netanya's [Neuroliief](#) is creating a digital therapeutics platform of wearable clinically-proven neuromodulation solutions. This technology, which is made to be worn like a headset, is intended to offer highly-effective, safe treatment options that work with current pharmaceutical therapies or may provide an alternative to these therapies. It is designed to concurrently neuromodulate major neural pathways in the head, and thereby affect brain regions that are involved in control and modulation of mood and pain. Neuroliief's technology is currently studied for patients with migraine and major depression, and future indications may include insomnia, ADHD and additional chronic pain and neuropsychiatric disorders. (Neuroliief 06.01)

[Back to Table of Contents](#)

### 8.2. Vertical Field Signs Agreement for Vertical Farms in Ukraine

Vertical Field signed an agreement with Moderntrendo S.R.O, one of the largest agricultural distributors in Ukraine, for a promotion of nationwide deployments of vertical farms. Vertical Field will conduct an initial pilot at Varus, one of the biggest national supermarket chains in the country, in early 2021 before expanding to other chains. Varus operates 95 stores across 25 cities and attracts approximately 260,000 customers daily.

Ra'anana's [Vertical Field](#) has developed unique soil-based vertical farms in containers that produce locally sourced vegetables. These indoor farms are grow a variety of fresh vegetables via the company's proprietary technology. Vertical Field's technology is more efficient and generates less waste than conventional agriculture, utilizing 90% less water, while growing precise quantities in a controlled environment, and achieving shorter growing cycles. The company offers 365 days a year 'in season' produce regardless of geography, physical location, weather and climate conditions, with consistently high product quality. The farms are modular, expandable and moveable, with fully automated crop management, and a sterile environment that requires significantly less human contact. (Vertical Field 06.01)

[Back to Table of Contents](#)

### 8.3. Impact NRS & Yeda Launch Plantae to Promote Discoveries in Plant Sciences

Impact NRS and Yeda announced their partnership through the launch of Plantae Biosciences (Plantae). Plantae will concurrently develop solutions essential in the near term for the global Food & Beverage industry and products to transform global nutrition and environmental security.

Four teams from the Weizmann Institute of Science will take part in the project. The teams are at the forefront of the foundational science for plant research and biotechnology in fields including synthetic and

complex systems biology that spans primary and specialized metabolites, genetics, genomics and gene-editing, evolution and design of proteins and enzymes.

The [Weizmann Institute of Science in Israel](#) is one of the world's top-ranking multidisciplinary research institutions and offers masters' and doctoral-level degrees across five faculties. [Yeda Research and Development Company](#) is the commercial arm of the Weizmann Institute of Science. Yeda currently manages approximately 500 unique patent families and has generated the highest income per researcher compared to any other academic technology transfer operation worldwide.

[Impact NRS](#) is a leading innovation company focused on creating and commercializing transformative solutions to the health, wellness and sustainable development challenges of our time using its novel Convergence Innovation platform. They collaborate with leading stakeholders worldwide to enable rapid commercialization, and we embed ESG social responsibility as core elements in all of our initiatives. Impact NRS is headquartered in New York, with offices in Rensselaer and Tel Aviv. (Impact NRS 05.01)

[Back to Table of Contents](#)

#### **8.4. Therapix & Cyntar Agree for the Distribution of TheraPEA in Canada**

Therapix Biosciences has entered a non-binding letter of intent with Vancouver's Cyntar Ventures, an innovative company dedicated to the development and commercialization of advanced products and therapies in the psychoactive pharmaceutical sphere.

Therapix has a proprietary product called TheraPEA (CannAmide) which has been issued a product license from Health Canada's Natural and Non-prescription Health Products Directorate (NNHPD) for the recommended use as an anti-inflammatory and to help relieve chronic pain. With the NNHPD license, Therapix has the ability to offer crucial and improved access to safe and beneficial non-opiate pain management products to patients in Canada.

CannAmide is a cannabimimetic compound that regulates endocannabinoid levels by enhancing receptor sensitivity and inhibiting their metabolism, and is particularly attractive therapeutically, with external research and studies indicating that the compound may have a high safety profile with low or no abuse liability. Although numerous clinical trials have shown the favorable effect of PEA, as an analgesic agent it has low solubility. Using its proprietary TheraPEA, Therapix offers an immediate release formulation to improve bioavailability.

Givatayim's [Therapix Biosciences](#) is a specialty clinical-stage pharmaceutical company led by an experienced team of senior executives and scientists. Their focus is creating and enhancing a portfolio of technologies and assets based on cannabinoid pharmaceuticals. With this focus, the company is currently engaged in the following drug development programs based on tetrahydrocannabinol (THC) and/or non-psychoactive cannabidiol (CBD): THX-110 for the treatment of Tourette syndrome and for the treatment of obstructive sleep apnea; THX-160 for the treatment of pain; and THX-210 for the treatment of autism spectrum disorder and epilepsy. (Therapix Biosciences 05.01)

[Back to Table of Contents](#)

#### **8.5. Stero Biotech's Study of CBD-Based Treatment for COVID-19 Severe Patients**

Stero Biotech is supplying and supporting a clinical trial, covered by its' IP for Cannabidiol Treatment of Severe and Critical COVID-19 Pulmonary Infection, at the Rabin Medical Center (RMC), the leading hospital of Clalit HMO, in the global efforts of fighting the COVID-19 virus.

The investigator initiated clinical study, which runs in cooperation of Stero and Mor Research applications, the TTO arm of Clalit, commenced immediately with the strike of the 'second wave' and rise in patient amount in Israel, due to the COVID-19 pandemic. The clinical trial already received Helsinki Committee approval and is planned for 20 patient treatment as a Proof of Concept (POC), using Stero's CBD-based treatment.

The study aims to benefit and help COVID-19 patients in severe states with respiratory failure from acute respiratory distress syndrome (ARDS). The treatment cycle will be for 14-28 days with a subsequent follow-up period of the same length. Pending the success of this POC, Stero plans to expand and scale phase 2a multi-center study, with an additional 40 patients, under FDA clinical trial guidelines and regulations.

Bnei Brak's [Stero Biotechs](#), founded in 2017, is a clinical-stage company committed to the research and development of novel Cannabidiol (CBD) based treatment solutions that will potentially benefit millions by: 1) Enhancing the therapeutic effect of steroid treatments .2) Lowering the dosage needed in steroid treatments, thus lowering the treatment's side effects. 3) Allowing refractory patients to begin responding to the steroid treatments needed. Stero has 2 ongoing phase 2a clinical trials in Crohn's Disease & in Hives in Israeli hospitals and is planning more clinical trials in 2021 on various indications. (Stero Biotechs 05.01)

[Back to Table of Contents](#)

## **8.6. Aleph Farms and Mitsubishi Bring Cultivated Meat to Japan**

Aleph Farms and Mitsubishi Corporation's Food Industry Group signed a Memorandum of Understanding (MoU) to bring cultivated meat to the Japanese table. Aleph Farms will provide its proven, scalable manufacturing platform (BioFarm) for cultivation of whole-muscle steaks. Mitsubishi Corporation will provide its expertise in biotechnology processes, branded food manufacturing, and local distribution channels in Japan.

Mitsubishi Corporation is a global integrated business enterprise comprised of 10 Business Groups. The Food Industry Group covers food resources, fresh foods, consumer products, and food ingredients, and is active in every link of the food supply chain, from the production and sourcing of raw materials to the manufacturing of finished food products.

This cooperation takes a lead role in the fight against climate change, especially now that the Japanese government stipulated a goal of achieving zero greenhouse gas emissions. In April 2020, Aleph Farms committed to eliminating emissions associated with its meat production by 2025 and reach the same net-zero emissions across its entire supply chain by 2030. As the demand for meat continues to rise with evolving lifestyles, the cooperation will also provide actionable solutions to overcome the societal challenges to the local population surrounding the domestic meat supply. This includes implementing stable food channels of quality nutrition.

Rehovot's [Aleph Farms](#) is a food company that is paving a new way forward as a leader of the global sustainable food ecosystem, working passionately to grow delicious beef steaks from non-genetically engineered cells, isolated from a cow, using a fraction of the resources required for raising an entire animal for meat, and without antibiotics. Aleph Farms was co-founded with The Kitchen Hub of the Strauss Group and the Technion - Israel Institute of Technology. (Aleph Farms 05.01)

[Back to Table of Contents](#)

## **8.7. Simplivia Healthcare First Acquisition is Part of Growth Strategy**

Simplivia is a leading global medical device developer and manufacturer of Closed System Transfer Devices (CSTDs). CSTDs are used to protect pharmacists, nurses and other medical professionals in hospital settings from exposure to hazardous drugs, most often oncology drugs. They also ensure drug sterility to protect patients. The company has acquired 70% of Novamed, a diagnostic company that develops and manufactures a range of innovative diagnostic platforms and test kits to meet recent years evolving trends of homecare.

Jerusalem's [Novamed](#) is a developer and manufacturer of diagnostic platforms. The company has a strong legacy product line sold in Europe and Israel and played a vital role in supplying COVID-19 test kits during the pandemic. Novamed recently launched its new innovative patent-protected product portfolio aimed to advance home-diagnostics and value-based medicine.

Kiryat Shmona's [Simplivia Healthcare](#) is dedicated to developing and manufacturing high-quality medical solutions for drug delivery to ensure the safety of healthcare professionals. Simplivia's Tevadaptor and Chemfort products are approved by the world's leading regulatory bodies. The company's manufacturing facility meets the most rigorous standards, including FDA and CE. (Simplivia Healthcare 05.01)

[Back to Table of Contents](#)

### **8.8. Pi-Cardia Successfully Treats First Patients with ShortCut Device**

Pi-Cardia announced a successful first-in-human procedures with its ShortCut device. ShortCut is the world's first dedicated device designed to split the leaflets of a pre-existing valve to enable safe Transcatheter Aortic Valve Replacement (TAVR) in patients at risk for coronary obstruction or compromised coronary access.

The first ShortCut™ procedures were performed in Shaare Zedek Medical Center in Jerusalem, Israel, by a leading expert in the field, who was the first to perform BASILICA procedures to prevent coronary obstruction in TAVR. ShortCut™ is the latest addition to Pi-Cardia's product offering, which includes the Leaflex device – a standalone, non-implant-based treatment for patients with aortic stenosis. Leaflex performs mechanical scoring of valve calcification, in order to restore leaflet mobility and improve hemodynamics. Clinical trials are underway in the US, Europe and China.

Rehovot's [Pi-Cardia](#) is a global leader in the development of unique non-implant-based solutions for treating heart valves. Pi-Cardia's lead product, the Leaflex™ device, is easily delivered and positioned on the valve, to then mechanically score the calcification at multiple locations, restoring leaflet flexibility and improving valve hemodynamics. The Leaflex™ device is designed to be a cost-effective, durable standalone treatment for patients with calcified aortic stenosis. Pi-Cardia's second product, the ShortCut™ device, offers a safe, simple and effective way to split the leaflets of a pre-existing valve prior to TAVR in order to maintain coronary access in patients at risk for coronary obstruction or compromised coronary access. (Pi-Cardia 07.01)

[Back to Table of Contents](#)

### **8.9. Teva & MedinCell Show Positive Results for Injectable Risperidone for Schizophrenia**

Teva Pharmaceutical Industries and France's MedinCell announced positive results for study TV46000-CNS-30072, a Phase 3 clinical trial designed to evaluate the efficacy of TV-46000/mdc-IRM (risperidone extended-release injectable suspension for subcutaneous use) as a treatment for patients with schizophrenia. Trial enrollment was open to patients 13-65 years of age. No new safety signals have been identified that are inconsistent with the known safety profile of other risperidone formulations. The second of Teva's Phase 3 studies evaluating the long-term safety and tolerability of the investigational subcutaneous risperidone injection across 331 patients is ongoing. Interim results align with the safety findings of the RISE study.

Teva will continue to lead the clinical development and regulatory process and be responsible for commercialization of this candidate treatment, with MedinCell eligible for development milestones, royalties on net sales and future commercial milestones.

[Teva Pharmaceutical Industries](#) has been developing and producing medicines to improve people's lives for more than a century. They are a global leader in generic and specialty medicines with a portfolio consisting of over 3,500 products in nearly every therapeutic area. Around 200 million people around the world take a Teva medicine every day and are served by one of the largest and most complex supply chains in the pharmaceutical industry. (Teva 07.01)

[Back to Table of Contents](#)

### **8.10. CathWorks Announces \$30 Million in New Financing**

CathWorks reported the completion of a \$30 million Series D financing round. Proceeds from the financing will be used to expand commercialization of the company's FFRangio system. The CathWorks FFRangio System is a non-invasive diagnostic technology that is used at the time of a routine angiography. The CathWorks FFRangio System transforms routine angiogram images into objective and comprehensive physiology information, including color-coded 3D renderings of blood flow in the heart's arteries to help physicians optimize coronary artery disease decision making, including whether a stent is needed.

Kfar Saba's [CathWorks](#) is a medical technology company focused on applying its advanced computational science platform to optimize Coronary Artery Disease (CAD) therapy decisions and elevate coronary angiography from visual assessment to an objective FFR-based decision-making tool for physicians. FFR-guided PCI decision-making is proven to provide significant clinical benefits for patients with coronary artery disease and economic benefits for patients and payers. The company's focus today is specifically on bringing the CathWorks FFRangio System to market to provide quick, precise, and objective intraprocedural wire-free FFR guidance that is practical for every case. (CathWorks 07.01)

[Back to Table of Contents](#)

### **8.11. Rambam Hospital Presents the Future of Lung Cancer Diagnosis**

Haifa's [Rambam Hospital](#)'s Pulmonology Institute has recently implemented an advanced system that acquires minimally invasive biopsies in areas of the lungs previously unreachable without surgery. The new technology collects multiple biopsy samples accurately, quickly, and painlessly, with no incisions.

The Pulmonology Institute's new bronchoscopic navigation system enables accessing areas of the lung that are close to the main airways as well as more distant peripheral regions, all without having to make an incision, although the patient is anesthetized. Before the procedure, a CT scan of the patient's lungs is performed. An endoscopic tube equipped with a fiber-optic camera is then threaded into the patient's lungs via the mouth. The system then creates a 3D-reconstruction based on the CT data that shows clinicians exactly how to navigate the complex twists and turns of bronchial tree. Multiple lesions in one or both lungs may be biopsied in a single procedure. In addition, after reaching the lesion, the clinician can insert markers or apply a medical dye to guide future treatments. Perhaps the biggest plus is this: The entire procedure can be performed on an out-patient basis – without hospitalization. (Rambam 04.010)

[Back to Table of Contents](#)

### **8.12. Inovytec Provides Advanced Mobile Ventilators to California Medical Professionals**

Inovytec signed a deal to supply 1,500 advanced portable ventilators to Global Medical Supply, a California-based distributor which was awarded a supply agreement with the state of California. The machines will be used to aid patients with respiratory illnesses during the current COVID-19 pandemic and beyond.

The Ventway Sparrow ventilator is designed for mobility and ease of use. It weighs only one kilogram and allows for both invasive and noninvasive ventilation. It has been chosen for COVID-19 wards in Italy, Brazil and Israel. It is currently cleared for use in the United States under FDA Emergency Use Authorization.

Founded in 2011, Ra'anana's [Inovytec](#)'s three medical grade products address the critical moments of care, from the first four minutes after a medical event to patient transfers and stabilization in hospitals. Sali creates a virtual hospital environment in the field and allows for citizens to act as first responders during emergencies. Ventway is the most portable advanced ventilator system available, with specialty ventilators for the hospital, military, paramedic and homecare environments. Lubo is an airway management system for EMS teams, which also includes neck stabilization. Each product's goal is to strengthen the healthcare continuum starting with citizens and improve outcomes in both routine and emergency medical events. (Inovytec 11.01)

[Back to Table of Contents](#)

### **8.13. CorNeat Vision's First Patient Regains Sight Following Artificial Cornea Implantation**

The CorNeat KPro, the first artificial cornea which completely integrates with the eye wall with no reliance on donor tissue, was successfully implanted in a human. The surgery was performed on a bilaterally blind, 78-year-old male at Rabin Medical Center, Israel. Upon removal of bandages, the CorNeat KPro immediately enabled the patient to read text and recognize family members. This exciting moment can be viewed in the following link.

The CorNeat KPro's first-in-human implantation is just the first step in a multi-national clinical trial, geared toward attaining CE Mark, FDA Clearance and China NMPA approval. A total of 10 patients are approved for the trial at Rabin Medical Center in Israel with two additional sites planned to open this January in Canada and six others at different stages in the approval process in France, the US and the Netherlands. The first trial includes blind patients who are not suitable candidates for - or have failed one or more corneal transplantations. Given the device's exceptional visual performance, the expected healing time and retention. The fact that it cannot carry disease, CorNeat plans to initiate a second study later this year with broader indications to approve our artificial cornea as a first line treatment, displacing the use of donor tissue used in full thickness corneal transplantations.

The CorNeat KPro implant is designed to replace deformed, scarred or opacified corneas and is expected to fully and immediately rehabilitate the vision of corneally blind patients following a relatively simple implantation procedure. The CorNeat KPro will transform global corneal therapy and provide, for the first time, a reliable and scalable synthetic substitute to the human cornea, significantly impacting the lives of millions of people with cornea-related visual impairments and blindness.

Ra'anana's [CorNeat Vision](#) is a clinical-stage, biomimetic implant technology company. CorNeat Vision's platform is a 100% synthetic, non-degradable porous material, which mimics the micro-structure of the Extracellular Matrix (ECM) - the natural biological collagen mesh providing structural and biochemical support to surrounding cells. When implanted, this material stimulates cellular proliferation, leading to progressive tissue integration. This fully validated in-vivo platform enables the bio-mechanical integration of permanent implants with live tissue and does not trigger an adverse immune system response. (CorNeat Vision 11.01)

[Back to Table of Contents](#)

### **8.14. Bazelet Medical Cannabis Oils Specially Designed for Medical Needs**

Or-Akiva's [Bazelet](#), the largest medical company in Israel, has made a breakthrough in medical cannabis products, in launching multiple lines of terpene-enriched cannabis oils, each one of which being specifically designed for one of various indications, symptoms and personal needs. Bazelet terpene-enriched products are optimized for woman health, for elderly population needs, for specific types of pains (muscle, joint, neuropathic), and for improved night sleep etc. Bazelet also provides patent-protected terpene blends to be added to extracts produced in North America.

Bazelet has invented a unique way of formulating of medical cannabis oils. Bazelet, doesn't depend on developing new strains in order to form a large variety of better-performing new oils. Instead, Bazelet's TOP technology generates improved new oils by blending extracts and by controlling their terpene content, particularly by enriching with scientific-based terpenes selection.

Bazelet's scientific arm, has devoted the last four years to finding which terpenes improves the performance of the cannabis oil for each indication or symptom and which ones have a negative effect. Bazelet has found that given terpenes are helpful in particular indications, but impair the effect in others. Analysis of big data from hundreds of thousands of users, careful study of pre-clinical and clinical data and deep dive into mechanisms of action resulted in formulations specifically designed for different indications. Bazelet has filed about a dozen of patent application families to protect its terpenes-enriched formulations.

Bazelet technology has an additional attractive feature. In addition to the production of terpenes-enriched oils, Bazelet is ready to supply patent-protected terpenes blends to be added to extracts produced in other geographies. Since the terpenes are extracted from sources other than cannabis, there is no limitation on shipment. Additionally, as the total amount of terpene blend to be added is about 1-2% of the final oil, a small barrel of a given blend is sufficient for the manufacturing of large amounts of terpene-enriched oil. (Bazelet 11.01)

[Back to Table of Contents](#)

#### **8.15. Viridix Wins \$400,000 Grant for Precision Irrigation Improvements**

Viridix has received a \$400,000 grant from the Israel Innovation Authority to enhance the remote sensing and AI capabilities of its RooTense solution. This solution can increase crop yields by 20% while reducing water and fertilizer usage up to 50%. The Authority's grant funds will also be used to scale production and distribution.

Viridix began with a very innovative sensor technology used to measure soil moisture. Through pairing with the latest software to understand the type of plant, age of the plant and soil type Viridix can better respond to crop needs and apply the optimal amount of water. The latest solutions of Viridix are targeted at 70% of the world's freshwater that is used to irrigate agriculture. The solution requires minimum care, is autonomous and requires no initial programming to set up and will self-adjust as required. The solution is particularly needed as the world's population grows and more demands are placed on the freshwater cycle. Saving water and optimizing crop yield can bring significant relief to stressed farmers. This solution is currently employed across the globe by innovative farmers to solve their most pressing water and production problems.

Kfar Roth's [Viridix](#) enables precision irrigation for any irrigated crop around the world. Using cutting-edge technologies, Viridix creates sophisticated yet easy-to-use precision irrigation tools to save resources, increase yield and make the most of every drop of water. (Viridix 11.01)

[Back to Table of Contents](#)

#### **8.16. MediWound Provides Progress Update on Its EscharEx Clinical Development Program**

MediWound provided an update on its EscharEx clinical development program. Due to COVID-19 related enrollment delays and potentially future pandemic related implications on the conduct of its clinical studies, the company is accelerating its EscharEx phase 2 adaptive design study, for the treatment of venous leg ulcers (VLUs), by adjusting its enrollment target to 120 patients, down from the 174 originally planned. The sample size adjustment is supported by the assessment of the positive results generated in a recent in-vivo study, comparing EscharEx to a commercially enzymatic debriding agent, and the debridement efficacy results demonstrated in a previous phase 2 clinical study with first generation EscharEx. The company continues to actively recruit patients and reiterates its expectation for an interim assessment in mid-2021. As a result of the adjustment, study duration is expected to shorten and the company anticipates completing patient enrollment by year-end 2021.

MediWound recently submitted a protocol to the FDA for a pharmacology study and is preparing to initiate this study in the first half of 2021. The study is an open label, single arm study assessing the pharmacological effects of EscharEx in up to 15 patients with VLUs or diabetic foot ulcers (DFUs), including the effects on biofilm burden and wound inflammation, as well as the impact of EscharEx on wound healing progression. The company anticipates reporting data from this study in the second half of 2021.

EscharEx is a topical biological drug candidate for the debridement of chronic and other hard-to-heal wounds. In two phase 2 trials, EscharEx has demonstrated safety and efficacy in the debridement of various chronic and other hard-to-heal wounds, within a few daily applications. EscharEx active substance (API) is a concentrate of proteolytic enzymes enriched in bromelain.

[Back to Table of Contents](#)

### **8.17. Itamar Medical Acquires Technology and Assets of Spry Health**

Itamar Medical has entered into a definitive agreement to acquire technology and assets of Spry Health for an undisclosed cash amount. Spry, based in the San Francisco Bay area, develops a wrist based medical grade remote patient monitoring (RPM) solutions.

Spry's patented technology is delivered through a watch-like home-based monitoring medical device called the Loop System. The Loop System is FDA-cleared and based on an extensive set of sensing technologies and algorithms that contextualize real-time, continuous physiologic data to flag signs of patient deterioration using bio-markers such as SpO<sub>2</sub>, respiration rate, and heart rate. These three signals, combined with Itamar's core expertise in the Peripheral Arterial Tonometry (PAT), form the foundation for continuous sleep apnea monitoring. Itamar anticipates commencing development of a new wrist-worn device immediately, with initial market launch timing anticipated in 2022.

Caesarea's [Itamar Medical](#) is a medical technology company focused on the development and commercialization of non-invasive medical devices and solutions to aid in the diagnosis of respiratory sleep disorders. Itamar Medical commercializes a digital healthcare platform to facilitate the continuum of care for effective sleep apnea management with a focus on the core sleep, cardiology and direct to consumer markets. (Itamar Medical 12.01)

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 second innovative product, EscharEx is a topical biological drug candidate for the debridement of chronic and other hard-to-heal wounds. (MediWound 11.01)

[Back to Table of Contents](#)

### **8.18. Microbot Medical Positive Results of Additional Study with LIBERTY Robotic System**

The continued progression of Microbot Medical's LIBERTY Robotic System was further demonstrated on the successful completion of an additional feasibility animal study using the world's first fully disposable surgical robotic system. The study end points included navigating to a clot, crossing the clot, deploying a stent retriever, and manually retrieving an arterial clot in a live pig. All the end points were met with no intraoperative adverse events. The animal feasibility studies to date, support the Company's assertion that LIBERTY will potentially allow physicians to safely and easily conduct catheter-based peripheral and neurovascular procedures remotely, avoiding radiation exposure, physical strain and the risk of cross contamination.

Founded in 2010, Yokneam's [Microbot Medical](#) is a pre-clinical medical device company that specializes in transformational micro-robotic technologies, focused primarily on both natural and artificial lumens within the human body. Microbot's current proprietary technological platforms provide the foundation for the development of a Multi Generation Pipeline Portfolio (MGPP). (Microbot Medical 14.01)

[Back to Table of Contents](#)

### **8.19. Teva Launches Generic Version of NuvaRing Vaginal Ring in the US**

Teva Pharmaceuticals USA announced the availability of a generic version of NuvaRing (etonogestrel and ethinyl estradiol vaginal ring), 0.120 mg/0.015 mg per day, in the U.S. Teva's AB-rated and bioequivalent etonogestrel and ethinyl estradiol vaginal ring, is an estrogen/progestin combination hormonal contraceptive (CHC) indicated for use by women to prevent pregnancy.

Etonogestrel and ethinyl estradiol vaginal ring is indicated for use by females of reproductive age to prevent pregnancy. Etonogestrel and ethinyl estradiol is a flexible birth control vaginal ring inserted in the vagina. The ring is to remain in place for 3 weeks (21 days). It is removed for one week (7 days) and a new vaginal ring is inserted on the same day of the week it was inserted in the previous cycle. Etonogestrel and ethinyl estradiol vaginal ring contains a combination of a progestin and estrogen, 2 kinds of female hormones. Birth control methods that contain both an estrogen and a progestin are called combination hormonal contraceptives (CHCs).

Israel's [Teva Pharmaceutical Industries](#) has been developing and producing medicines to improve people's lives for more than a century. With nearly 550 generic medicines available, Teva has the largest portfolio of FDA-approved generic products on the market and holds the leading position in first-to-file opportunities, with over 100 pending first-to-files in the U.S. Currently, one in ten generic prescriptions dispensed in the U.S. is filled with a Teva generic product. (Teva 15.01)

[Back to Table of Contents](#)

## **8.20. Dugri Launches Psychological PPE Mobile App for Frontline Healthcare Workers**

Dugri announced the availability of their mobile app which provides access to a safe and facilitated peer support network to help promote beneficial mental health for frontline healthcare workers and first responders. Through its founders' decades of field work with elite Special Forces, medical teams, first responders, elite athletes and civilians all globally, the company has decoded the path to discharge stress, enhance wellness, and improve resilience and mission excellence. The Dugri App promotes honest, 'real-talk' that connects and energizes frontline professionals and offers a safe space to unload stress leading to stronger individuals and institutions.

Dugri brings together extensive global expertise in science, medicine, psychological trauma, disaster response and technology, to deliver a "peer to peer" resiliency model for individuals and organizations. Dugri is a safe and facilitated peer support network for healthcare workers. Dugri cares for caretakers by reducing stress and burnout and increasing energy and emotional well-being.

The protocol used has been developed and refined over two decades of use by the Israeli Navy SEALs; the app uses a tailored protocol and network made by and for healthcare workers and first responders and can be used anytime, anywhere. For example, a healthcare worker can make a video call via the Dugri app anytime they feel the need to speak to a peer who can relate to and validate the stressful or emotional situation they are currently experiencing. They will be paired and guided through a mutual sharing and compassionate listening process where, over continued sessions, both participants will be able to help their partner discharge stress and recharge emotionally.

Alon HaGalil's [Dugri](#) was incorporated in April 2020. The protocol and systems have been developed over the last 20 years with experience with more than 100,000 people globally. This includes being deployed by FEMA and its Urban Area Security Initiative. The company was co-founded by four individuals with diverse experience including real-world individual and community resiliency training and PTSD prevention during and after major catastrophe, medicine and science dealing with high-mortality and -morbidity disease, compassion and empathy, and scale-up and hyper-scale up of matching algorithm engineering systems. (Dugri 14.01)

[Back to Table of Contents](#)

## **8.21. RSIP Vision Versatile Medical Image Segmentation Tool**

RSIP Vision announced a general purpose, AI-based segmentation and measurement tool for detecting objects of interest and their boundaries quickly and automatically, making surgical and diagnostic measurements easier and more accurate for better treatment decisions. The tool requires minimal work by the user to deliver an accurate 3D visualization and analysis of patient anatomy and is applicable across medical imaging verticals & modalities. The solution runs automatically and is robust and clinically

accurate, avoiding human factors such as fatigue and misreads which may result in mistakes in measurement. It is available to medical device manufacturers for use in leading facilities worldwide.

RSIP Vision offers this AI-based software to detect and localize the area of interest and use those complex features in a scan through a series of algorithms. The segmentation creates boundaries around the image for better viewing and performs automatic measurements. Physicians and researchers can receive consistent, repeatable measurements regarding the dimensions and characteristics of a specific area, using artificial intelligence technology that is available across all modalities including X-ray, CT scans, MR, surgical robotics, and pathology. The new AI module can be easily integrated in medical device software for multiple applications, without the need to collect and train machine learning models on extensive domain-specific training data, accelerating time to market for medical device companies looking to stay ahead of the AI adoption curve.

Jerusalem's [RSIP Vision](#) is driving innovation in medical imaging through advanced AI and computer vision solutions. They develop practical AI modules that ensure precision, reduce time to market, cut costs and allow core R&D teams to focus on key initiatives while providing custom-built solutions to fit their growing needs. Their aim is to drive innovation in medical imaging through our custom software and advanced algorithm development and custom technologies which can be found in medical devices in leading facilities worldwide, ensuring customers remain at the forefront of the latest medical advances. (RSIP Vision 19.01)

[Back to Table of Contents](#)

## **8.22. Biobeat Launches Health AI Hospital at Home Patient Monitoring Kit**

Biobeat has launched a new home-based remote patient monitoring kit. The solution allows healthcare providers to remotely monitor patients' vital signs and receive updates and deterioration alerts, helping to alleviate hospital overload, reduce costs and improve patient care.

Based on the same hospital-grade wearable monitoring sensor technology used in hospitals and care facilities around the world, Biobeat's home monitoring kit includes chest-monitors, compatible adhesive units and a user-friendly manual. Patients will utilize an accompanying intuitive mobile app (compatible with IOS and Android devices) to share the data with providers and view their own health status. Moreover, the patient data is analyzed by Biobeat's AI-powered cloud-based patient management system, giving health care staff a continuous view of patient health and predictive patient deterioration alerts.

Biobeat's FDA-Cleared and CE Marked chest-monitors utilize proprietary non-invasive reflective photoplethysmography monitoring technology to automatically and continuously track multiple vital signs and health parameters. The wireless solutions connect to a cloud-based patient management system to provide medical staff with real-time data and alerts, enabling early identification of clinical deterioration. The management platform includes an integrated automated, customizable early warning score system that incorporates advanced health-AI-based algorithms that analyze aggregated patient data to identify deterioration more accurately and provide predictive analytics.

Petah Tikva's [Biobeat](#) is a med-tech company with unique health-AI abilities in the patient monitoring space. The company's remote patient monitoring (RPM) health-AI platform includes a disposable short-term chest-monitor and a long-term wrist-monitor, both of which utilize a photoplethysmography-based (PPG) sensor to continuously provide accurate patient readings of 15 health parameters. (Biobeat 19.01)

## **9. ISRAEL PRODUCT & TECHNOLOGY NEWS**

[Back to Table of Contents](#)

### **9.1. Elbit Systems to Supply Tactical Computers for the Royal Netherlands Army**

Elbit Systems was awarded an approximately \$24 million contract from the Dutch Ministry of Defense to supply the Royal Netherlands Army with new vehicular tactical computers. The contract will be performed

over a 30 month period. Elbit Systems will equip various vehicular platforms with its seventh generation Enhanced Tactical Computers (ETC) MK7 replacing legacy ETCs that were provided by the Company to the RNLA over a decade ago. The new ETCs provide enhanced and more robust Command and Control (C2) and tactical data processing capabilities, improved security for processing and storage of secured mission information, as well as solid growth path for advanced C2 applications.

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, 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 06.01)

[Back to Table of Contents](#)

## **9.2. DSP Group Unveils DBM10 Low-Power Edge AI/ML SoC**

DSP Group announced the DBM10, a low-power, cost-effective artificial intelligence (AI) and machine learning (ML) system on chip (SoC). The SoC comprises a digital signal processor (DSP) and the company's nNetLite neural network (NN) processor, both optimized for low-power voice and sensor processing in battery operated devices. This architecture offers developers full flexibility of partitioning innovative algorithms between DSP and NN processor and enables fast TTM for integration of voice and sensing algorithms such as noise reduction, AEC, wake-word detection, voice activity detection and other ML models. The DBM10 features an open platform approach with a comprehensive software framework. This allows developers to quickly get next-generation designs to market with their own algorithms, or with DSP Group's comprehensive and proven suite of optimized algorithms for voice, sound event detection (SED), and sensor fusion for applications ranging from true wireless stereo (TWS) headsets to smartphones, tablets, wearables, and IoT.

The DBM10 adds to DSP Group's SmartVoice line of SoCs and algorithms that are deployed globally in devices ranging from smartphones and laptops/PCs, to set-top boxes, tablets, remote controls and smart IoT devices for the home. SmartVoice last year reached the 100 million units shipped milestone, so the low-power DBM10 is supported by an established ecosystem of third-party algorithm providers. Key partners have integrated already their NN algorithms on the nNetLite NN processor at the heart of the DBM10 to achieve maximum performance at the lowest power consumption.

Herzliya's [DSP Group](#) is a global leader in wireless communications and voice processing chipsets and algorithms for a wide range of smart-enabled devices. The company was founded in 1987 on the principles of experience, insight, and continuous advancement. They seek to consistently deliver next-generation solutions in the areas of voice, audio, video, and data connectivity. Building upon core competencies in the area of voice processing, DSP Group invests heavily in innovation for the smart future. The result is leading-edge semiconductor and product development technology that allows our customers to develop products that enhance the end-user experience. (DSP Group 07.01)

[Back to Table of Contents](#)

## **9.3. Qamcom & Arbe Bring 4D Imaging Radar to a Wide Variety of Industries**

Arbe announced a partnership with Sweden's Qamcom, a leading specialist company within technology applications, that will expand their 4D Imaging Radar Solution to additional vehicle applications like trucks, buses, delivery PODS and industrial verticals like industrial robots, security systems, ground protection, drones, traffic monitoring and more. Qamcom will offer the customization of the imaging radar systems based on the Arbe chipset technology that will serve the unique function of each vehicle or application, in various implementations scales.

Through the partnership, Arbe's 4D Imaging Radar solution will bring a true level of safety, unmatched radar performance, and paradigm-changing perception to new industry verticals – including both dynamic and static applications. Arbe's solution is the world's first radar to separate, track, and identify objects in 2K ultra-high resolution in both azimuth and elevation, achieved via a proprietary chipset of 48 receiving and 48 transmitting RF channels and a dedicated processor chip. By making the 4D Imaging Radar Solution available to additional vehicles and industrial applications, Arbe is complementing the company's product offering beyond ADAS and autonomous driving in the passenger vehicle vertical.

Tel Aviv's [Arbe](#), the provider of next-generation Imaging Radar Solutions, is leading a radar revolution, enabling truly safe driver-assist systems today while paving the way to fully autonomous-driving. Arbe's technology produces detailed 4D images, separates, identifies, and tracks objects in high resolution in both azimuth and elevation in a long range and a wide field of view, and complemented by AI-based post-processing and SLAM (simultaneous localization and mapping). Arbe's patented technology empowers automakers and Tier 1 companies in development of a next-generation radar that is 100 times more detailed than any other radar on the market. (Arbe 11.01)

[Back to Table of Contents](#)

#### **9.4. Announcing VuDrive - Complete Driver Monitoring Aftermarket Solution**

Jungo announced the launch of VuDrive, a complete aftermarket solution for fleets and Telematic Service Providers (TSPs), providing camera-based driver monitoring and recording. Based on Jungo's award-winning and patented CoDriver AI software, VuDrive's dual-camera provides in-cabin monitoring of drivers, with real time alerts for driver distraction and drowsiness, together with video clip recordings of both the cabin interior and the road, to give fleets and TSPs full information on the context of the event.

The device is TSP and fleet friendly and integrates smoothly to TSP clouds, and includes comprehensive connectivity, such as 4G, Bluetooth and Wifi. The easy to install hardware provides the highest quality, affordable price and a flexible business model. Following extensive road trials by Jungo and customers, VuDrive is now generally available for trials by fleets and TSP's. In addition to VuDrive, Jungo is licensing its underlying CoDriver AI software to OEMs, Tier 1's, TSPs and aftermarket device manufacturers.

Netanya's [Jungo](#) is a global leader of in-cabin sensing AI software, offering CoDriver, an advanced driver monitoring and in-cabin monitoring software. (Jungo 11.01)

[Back to Table of Contents](#)

#### **9.5. Click-Ins & Sapiens Provide AI-based Vehicle Damage Inspection**

Sapiens International Corporation and Click-Ins announced a partnership that will provide carriers with a comprehensive solution to accelerate claims management. Click-Ins joins Sapiens' robust partner ecosystem, which enables carriers to seamlessly and easily implement third party solutions, providing them a significant competitive advantage. Sapiens' API-based platform and open architecture ensures that providers can easily choose the building blocks they need to integrate all elements within their ecosystem, offering full digital enablement.

Click-Ins solutions support end to end processing, automation and claims management and settlement. Through a seamless integration with Sapiens' CoreSuite for P&C, carriers of all sizes can harness the benefits of AI to enable agility, speed and truly digital, yet simplified, claims experiences. Click-Ins automates vehicle inspections for a smart, digital experience, enabling carriers to detect, analyze and process vehicle damage, with the click of any digital camera. Click-Ins works to increase automation, reduce human errors, fraud and risk, and increase customer satisfaction.

Sapiens CoreSuite for Property & Casualty is a highly integrated, flexible, digital offering that combines best-in-class policy, billing and claims solutions into a seamless end-to-end system, giving carriers the

competitive edge. Sapiens' market-leading, purpose-built platform is available as a full solution suite or as independent best of breed offerings.

Holon's [Sapiens International Corporation](#) empowers insurers to succeed in an evolving industry. The company offers digital software platforms, solutions and services for the property & casualty, life, pension & annuity, reinsurance, financial & compliance, workers' compensation and financial markets. With more than 35 years of experience delivering to over 600 organizations globally, Sapiens has a proven ability to satisfy customers' core, data and digital requirements.

Founded with the aim of simplifying vehicle inspection, Netanya's [Click-Ins](#) introduces AI-driven automated technology that completely redefines its category. Helping insurance and car companies transition from manual procedures to fast and efficient fact-based processes, Click-Ins provides a user experience that is both simpler and more reliable, for all parties involved. To achieve the highest level of transparency and certainty, Click-Ins has developed a hybrid approach to AI. Using proprietary simulated data to pretrain AI modules, and leveraging multidisciplinary technologies, Click-Ins SaaS cloud solution accurately and consistently recognizes any damage, with no training period. (Sapiens 11.01)

[Back to Table of Contents](#)

## **9.6. Camtek Inspection & Metrology Solutions Selected by a Leading Global IDM**

Camtek announced that one of the world's top Integrated Circuits (IC) manufacturers recently selected Camtek's most advanced inspection and metrology equipment for its global fabrication sites. Following the selection, Camtek has already received initial multiple orders and expect additional business during 2021 and beyond. Camtek's most advanced Eagle 2D plus 3D model was chosen due to its unique combination of inspection and metrology, enhanced by cutting-edge algorithms and equipment modularity and flexibility. Camtek's solutions are expected to be implemented in the customer's development and production sites globally.

Migdal HaEmek's [Camtek](#) is a leading developer and manufacturer of high-end inspection and metrology equipment for the semiconductor industry. Camtek's systems inspect IC and measure IC features on wafers throughout the production process of semiconductor devices, covering the front and mid-end, and up to the beginning of assembly (Post Dicing). Camtek's systems inspect wafers for the most demanding semiconductor market segments, including Advanced Interconnect Packaging, Memory, CMOS Image Sensors, MEMS and RF, serving the industry's leading global IDMs, OSATs and foundries. (Camtek 11.01)

[Back to Table of Contents](#)

## **9.7. Namogoo Selected by Marks & Spencer to Help Optimize Customer Journey**

Namogoo announced a new partnership with M&S.com – the UK's second biggest clothing retailer. The new partnership will see Namogoo implement their industry-leading online solution on M&S.com.

Namogoo's innovative software works by protecting visitors to a retailer's website from unauthorized online adverts which can appear (usually through affiliate networks). These ads can divert customer attention to other websites leading to a poorer online customer journey and ultimately a decline in online conversion for the retailer a customer is shopping with. Early implementation on the M&S website suggests around 10% of customer visits to the website were resulting in another company's advert appearing within that web session. By working together Namogoo will help M&S create a more streamlined experience for the customer to browse M&S.com and purchase – free from the distraction of adverts.

Herzliya's [Namogoo](#) protects the customer journey for online enterprises, powering superior digital experiences and business results. A company dedicated to solving issues surrounding Customer Journey Hijacking, Namogoo's consumer-side platform prevents unauthorized ad injections from hijacking online customers to competitors. Analyzing over 1.5 billion web sessions weekly, Namogoo's machine learning

solutions ensure online brands deliver their customer journey exactly as planned and free of disruption. (Namogoo 11.01)

[Back to Table of Contents](#)

### **9.8. IAI Completes WindGuard Radar System Deliveries to the US Military**

Israel Aerospace Industries (IAI) has supplied several hundred WindGuard (ELM-2133) radar systems to DRS Land Systems for the US Army's Abrams tanks. The combat-proven radars are installed on IDF's Merkava battle tanks and Namer armored personnel carriers to protect the crews. The WindGuard is a state of the art, phased array Radar which continuously scans the volume around the platform in search of anti-tank threats, including rockets, guided missiles and anti-tank shells. Once a threat is detected, it tracks it and guides the countermeasure system to intercept and neutralize it before the platform is hit.

After becoming operational in 2009 as part of the Trophy active protection system, WindGuard recorded multiple successful operations in combat environments. For their efforts, the system's developers received the Israel Defense Prize.

IAI's ELTA is a global leader in remote sensing and RADAR systems, offering a product portfolio that includes mission aircraft, national cybersecurity administration, intelligence platforms, autonomous platforms, anti-drone systems, homeland defense solutions and more. (IAI 11.01)

[Back to Table of Contents](#)

### **9.9. Gilat Wins Multi-Million Dollar Contract for Cellular Backhaul Project Expansion**

Gilat Satellite Networks announced that the Philippines' Globe Telecom had awarded Gilat a multi-million dollar managed service contract for significant project expansion for cellular backhaul over satellite. Gilat's robust end-to-end solution will enable Globe to meet its goal of providing high-quality service throughout the Philippines. Globe, the largest mobile network operator in the Philippines, chose Gilat's solution to expand its' nationwide coverage, as the demand for connectivity rapidly grows. Gilat's cellular backhaul over satellite brings a quick solution compared to long and tedious efforts of laying out fiber, particularly in areas with challenging terrain.

Gilat, with its managed service expertise and technological advantage of its SkyEdge II-c platform for 2G, 3G, 4G and 5G, will provide Globe with a complete solution to provide its customers with the most resilient service. Gilat's solution provides Globe with flexibility, to seamlessly and quickly relocate VSATs between sites.

Petah Tikva's [Gilat Satellite Networks](#) is a leading global provider of satellite-based broadband communications. With 30 years of experience, they design and manufacture cutting-edge ground segment equipment, and provide comprehensive solutions and end-to-end services, powered by innovative technology. Delivering high value competitive solutions, their portfolio comprises of a cloud based VSAT network platform, high-speed modems, high performance on-the-move antennas and high efficiency, high power Solid State Amplifiers (SSPA) and Block Upconverters (BUC). (Gilat 11.01)

[Back to Table of Contents](#)

### **9.10. Via & Sompo to Battle Car Accidents Caused by the Elderly in Japan**

Japanese insurance giant Sompo and Israeli ridesharing company Via have launched a new transport service in Japan, which aims to decrease car accidents involving the elderly and to reduce traffic congestion.

Japan, which has a population of 128 million, is known as the country with the largest percentage of elderly people in the world, with one third of its citizens over the age of 65. Car accidents involving people aged

75 and over have climbed to new records over the past two years to 401 fatal accidents, which represent 14.4% of the total number of fatal car accidents in the country. Through an artificial intelligence (AI) based alternative, Sampo and Via are supporting a Japanese government initiative to reduce the number of accidents while providing incentives for the elderly to give up their driving license. In the Aichi Prefecture, for example, discounts are being offered for hundreds of restaurants in exchange for relinquishing the license.

As part of the project, an app called NORAZA has been launched, through which it is possible to order smart AI-based transport services, as well as order the ride through a telephone call center operated by Sampo. The project has been launched in Chino, a city with a population of 55,000, which is about two hours from Tokyo. The project will allow the elderly residents, who make up 40% of the city's population, and anyone else who wants, to travel freely and quickly, for any reason, whether for medical services, visiting care homes, leisure, or just a change of scenery. The payment for the service in Chino will be made through a local virtual currency, which will also encourage consumers to use local businesses.

[Via](#), which raised more than \$400 million last March at a company valuation of \$2.25 billion, operates in some 100 cities worldwide. The company was founded in 2012 and initially provided passenger services in New York City in 2013 and has since expanded its operations to other countries. Today, the company operates systems for smart management of public transport in hundreds of cities around the world through partnerships, including in New York, Washington DC, Chicago, London, Sydney, Paris, Amsterdam, Berlin and Tokyo.

[Sampo](#) is the second largest insurance company in Japan and has the largest chain of homes for senior living with 300 homes and 125 day-care centers. Sampo's Tel Aviv Lab's multi-disciplinary team comes from a wide range of sectors, including health, technology, mobility and cyber security. Since entering Israel in 2018, Sampo has invested more than \$20 million in Israeli startups including Sensifree, Guardian, Nexar, Intuition Robotics and Binah.ai. (Via 07.01)

[Back to Table of Contents](#)

### **9.11. Cippia & OmniVision Bring Industry's First Mass-Market Driver Monitoring Solution**

Cippia, formerly Eyesight Technologies, and Santa Clara, California's OmniVision Technologies, a leading developer of advanced digital imaging solutions, announced a partnership to create the first mass-market entry level driver monitoring solution to address safety standards and regulatory requirements. The partnership combines OmniVision's OAX8000 automotive application-specific integrated circuit (ASIC) with Cippia's driver monitoring software.

Beginning with the publication of Euro NCAP's 2025 Roadmap, regulatory bodies around the world started looking into driver monitoring systems (DMS) to combat the dangers of driver distraction and drowsiness. While new models are easy to fit with a DMS as the requirements for such technology are taken into account in the vehicles' design, the challenge is retrofitting existing models to comply with new DMS regulations. With its small form factor and cost-effective positioning, the OAX8000 is ideal for retrofitting existing vehicles, while also providing an excellent standalone DMS option for new models.

The OAX8000 provides hardware with the optimal balance of CPU, NPU and memory for Cippia's DMS solution, which is highly resource efficient, while ensuring high quality. The combination of OmniVision's hardware and Cippia's software enables not only detection of drowsiness and distraction for safety compliance, but also convenience features, such as driver identity for in-cabin personalization.

Herzliya Pituah's [Cippia](#), formerly Eyesight Technologies, is a leading provider of intelligent sensing solutions that use edge-based computer vision and AI for safer and better mobility experiences. The company focuses on the automotive in-cabin environment, offering Driver Sense - driver monitoring system, Cabin Sense - occupancy monitoring systems and Fleet Sense - a driver monitoring device for fleets. Cippia is constantly pushing the boundaries of what intelligent sensing solutions can see and accomplish, for better and safer mobility. (Cippia 12.01)

[Back to Table of Contents](#)

### **9.12. EasyWay Named Best Contactless Check-in Solution in 2021 HotelTechAwards**

EasyWay's end-to-end guest journey platform has been named 2021's #1 Contactless Check-in Solution, #2 Guest Messaging Software, and #3 Upselling Software by Hotel Tech Report. This is the first time one platform ranked in the top three in those important categories.

Reviews from verified users of EasyWay highlight features like the unified inbox, contactless check-in via any messaging app, and the high level of personalization in every aspect of the system. Customers also widely praised EasyWay for the high conversion rates compared to the competitors - in upselling, online check-in and guest engagement.

Tel Aviv's [EasyWay](#) was founded with the goal to humanize digital experiences. EasyWay is an end-to-end contactless guest journey platform enabling hotels to digitize and personalize the entire guest journey. With EasyWay, your guests enjoy an innovative, highly convenient, and safe experience at your hotel while you benefit from new revenue streams, increased operational efficiency, and improved engagement with your guests. (EasyWay 14.01)

[Back to Table of Contents](#)

### **9.13. Stor.ai Helps Grocers Accept Food Stamps Online**

Stor.ai launched a new capability which enables retailers of all sizes to accept and process digital transactions involving food stamps. As of July 2020, over 40 million Americans participated in the Supplemental Nutrition Assistance Program (SNAP), a means of supplementing the food budgets of families in need. Most ecommerce providers have typically not accepted food stamps, requiring shoppers to visit stores in-person – which is increasingly seen as a health risk in the wake of the COVID-19 pandemic, especially for elderly people or other at-risk groups. Thanks to Stor.ai's latest innovation, grocers can reach out to a wider clientele, including families using food stamps to purchase grocery products when conducting online orders.

Most SNAP payments today are made through EBT (electronic benefit transfer) payment cards. Stor.ai now enables grocers to accept split payments involving multiple payment methods, as well as automatically adding virtual tags to retailers' online interfaces displaying which items are EBT-eligible. Stor.ai's new capabilities form part of a digital ecosystem of solutions which enable grocers to execute and scale their digital transformation. Stor.ai's flagship offerings include a quick-time-to-market eCommerce solution seamlessly integrated with grocers' POS systems as well as Stor.ai's Picker-App which customizes and maps in-store grocery fulfillment. In 2020 alone, the company has seen 250% year over year growth.

Founded in 2014 as Self Point, Ramat Gan's [Stor.ai](#) is the leading digital transformation partner for supermarkets, specialty food retailers and consumer packaged goods brands. Serving as a change agent for the industry, the Stor.ai team supports food retailers' transition to online, integrating fulfillment methods while elevating customer experience and loyalty. Stor.ai's technology suite integrates point of sale and retail catalogues into a mobile-first, custom-branded e-commerce experience within days. (Stor.ai 19.01)

## **10. ISRAEL ECONOMIC STATISTICS**

[Back to Table of Contents](#)

### **10.1. Israel's Inflation Rate Falls by 0.1% in December**

Israel's Consumer Price Index (CPI) fell 0.1% in December, the Central Bureau of Statistics announced, although pundits had forecast that the CPI would remain unchanged. Overall, for all of 2020, Israel's CPI

fell by 0.7%. There were significant price falls in December in fresh fruit and vegetables (2.9%) and educational services (0.9%).

The home prices index, which is separate from the CPI, continued to rise in the period October-November, in comparison with September-October, climbing by 1%, after rising 0.4% the previous month. Housing prices have risen 3.2% over the past 12 months. In comparison with September-October this year, housing prices in October-November rose 1.7% in Jerusalem, 1.2% in the center and the north, 0.9% in the south, and 0.6% in Tel Aviv and Haifa. Over the 12 months until October-November housing prices rose 4.1% in Jerusalem, 3.6% in the south, 3.4% in Tel Aviv, 3.3% in the center, and 3.2% in the north. (CBS 15.01)

[Back to Table of Contents](#)

## **10.2. Foreign Exchange Reserves at the Bank of Israel, December 2020**

Israel's foreign exchange reserves at the end of December 2020 stood at \$173.31 billion, an increase of \$6.36 billion from their level at the end of the previous month. The reserves represent 43.3% of GDP. The increase was the result of foreign exchange purchases by the Bank of Israel totaling \$4.405 billion and a revaluation that increased the reserves by approximately \$2.284 billion.

In contrast, the increase was partly offset by private sector transfers of approximately \$78 million and government transfers to abroad totaling approximately \$251 million. (BoI 07.01)

[Back to Table of Contents](#)

## **10.3. Israel Ends 2020 with an 11.7% Fiscal Deficit**

Israel ended 2020 with an 11.7% fiscal deficit or NIS 160.3 billion, up from 11.1% at the end of November, the Ministry of Finance announced. The deficit has widened to the biggest figure since the 1980s due to the economic crisis caused by COVID-19 pandemic, even though the amount of government aid dispensed stood some NIS 11 billion below the planned sum. While the Ministry of Finance did not expect second and third lockdowns, they have been surprised by the strong recovery of the economy since the lockdown despite the persistence of the virus.

Israel's economy is expected to shrink by 3.3% in 2020, much less than expected with the average economic contraction in western developed economies expected to be 5.5% in 2020. According to the Accountant General the widening of the fiscal deficit was due to a NIS 19.3 billion fall in revenues while a further NIS 22 billion was spent on unemployment pay by the National Insurance Institute. At the same time expenditure grew by NIS 68.6 billion from 2019 to NIS 478 billion last year. (MoF 11.01)

[Back to Table of Contents](#)

## **10.4. Ministry of Finance Forecasts Israeli Economy Likely to Grow 4.6% in 2021**

Israel's economy is likely to grow by 4.6% this year, the Finance Ministry said on 17 January in a forecast reliant on the continuation of rapid COVID-19 inoculations and a drop in the infection rate. In a lower probability scenario in which the health environment deteriorates because of new virus mutations or vaccinations taking longer than expected, forcing further lockdowns, the economy would grow by only 1.9%, the ministry said, adding that its projection for 2020 is a 3.3% contraction.

The Bank of Israel has estimated a contraction of 3.7% for 2020 and growth of 6.3% in 2021 if the rapid vaccination pace is maintained. That would fall to 3.5% growth in a slow-inoculation scenario.

According to the Ministry, Israel's economy fared relatively well in 2020 and outperformed an OECD average of a 5.5% contraction. It cited minor damage to exports thanks to high-tech exports. It noted, however, that unemployment remained high at 15.4% in 2020 and is expected to fall to 8.6% in 2021 in its

base scenario and to 11.6% in a more pessimistic projection, with a decline in the average wage in either case.

The Central Bureau of Statistics said the economy surged 39.7% in Q3/20 on an annual basis compared with the second quarter, reflecting an economy that was mostly open during the summer between lockdowns. The economy had contracted by 29.9% in Q2/20. Another slight contraction is expected in the fourth quarter owing to lockdowns, while exporters have said they are also suffering because of an appreciation of the shekel. Growth in the July-September period was driven by sharp gains in exports (59.7%), private spending (42.3%) and investment in fixed assets (17.2%). (ILH 19.01)

## 11. IN DEPTH

[Back to Table of Contents](#)

### 11.1. ISRAEL: Fitch Affirms Israel at 'A+'; Outlook Stable

On 13 January, [Fitch Ratings](#) affirmed Israel's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Stable Outlook.

#### Key Rating Drivers

Israel's IDRs balance strong external finances, a diversified high value-added economy and solid institutional strength against a high government debt/GDP ratio and ongoing political uncertainty and security risks.

Israel's public finances have deteriorated significantly due to the pandemic, and ongoing political volatility complicates the prospects for fiscal adjustment. Government debt/GDP is forecast to peak in 2023 at about 80% from 76% in 2020 and 60% in 2019. This is well above the estimated 2020 median of around 58% for 'A' category sovereigns. However, financing conditions have remained healthy. Deep and liquid local markets, supported by the central bank's (6.3% of GDP) bond buying program, have kept 10-year yields well below 1% for most of the year.

We expect the central government deficit to remain high in 2021, at about 9% of GDP, after pandemic-related spending pushed it to 11.7% in 2020. A budget is unlikely to be adopted before Q3/21 and we do not expect significant consolidation measures in 2021. In the meantime, 2021 spending will be constrained by a limit of 1/12th of the 2019 budget each month (adjusted for population growth), to which COVID-19-related cash measures of about 3% of GDP adopted in 2020 are added. Further ad-hoc support packages are possible.

**Political dynamics have hindered fiscal reform.** Israel had a caretaker government between April 2019 and May 2020, during which time there were three legislative elections. The recent coalition government failed to vote on a budget for either 2020 or 2021 and new elections are scheduled to take place on 23 March 2021. The sustained increase of the structural deficit, from 0.5% of GDP in 2015 to 4% in 2019 according to the central bank (the result of expensive coalition agreements and optimistic revenue forecasts, partly offset by one-off revenues), raises questions over the authorities' ability and willingness to address the rising trend in government indebtedness once the current shock abates.

**Fitch forecasts the deficit to narrow to 4.3% of GDP in 2022.** We assume that there will be a budget containing new revenue-raising measures that will mitigate the cost of still growing spending commitments (freed from the 1/12th spending limit). We estimate that the vast majority of COVID-19-related spending commitments will be phased out by 2022, given that they expire automatically. There are significant risks to this forecast, given the highly polarized political context, which could preclude the formation of a new government or prevent the adoption of fiscal consolidation measures.

**Israel's external balance sheet remains strong.** Israel has recorded current account surpluses each year since 2003, and a larger contraction of imports than exports led to a surge to close to 4% of GDP in

2020. Fitch expects Israel to continue to register surpluses as services exports growth remains robust. Strong net FDI inflows also contributed to a 38% jump in foreign-exchange reserves in 2020, to around \$173 billion (17 months of estimated current external payments). Israel's net external creditor position is estimated to have strengthened to 58% of GDP at end-2020, significantly larger than the 'A' and 'AA' medians.

**We project real GDP growth of 5.4% in 2021 and 4.1% in 2022, after a contraction of 3.9% in 2020, and to settle at a trend growth rate of close to 3.0%.** Our baseline scenario assumes that economic restrictions will be phased out, that vaccination will continue at a rapid pace in H1/21 and a limited resumption of international tourism in the second half of the year. There are risks to the forecast given possible new waves of infections and the timing and effectiveness of the vaccine rollout, both in Israel and globally. Israel's diversified and high value-added economy proved resilient to recurring restrictions, with most of the increase in unemployment concentrated in low value-added sectors, such as tourism, retail and entertainment. The revival of these sectors will support the recovery.

The ratings are constrained by security risks, but Israel's credit profile has shown resilience to periodic conflicts. The Abraham Accords formalized the pre-existing relationships between Israel and some Arab countries and highlight a shared priority of containing Iran. It remains to be seen whether they lessen the geopolitical risks facing Israel. Economic benefits are likely to be limited given the modest size of their economies compared with existing trade partners.

Key risks include instability in Syria and relations with Iran, in the context of the latter's heightened tensions with the US, its renewed push for its nuclear program and apparent Israeli countermeasures. Israel remains concerned by the influence of Iran in neighboring Syria and Lebanon, and reportedly continues to intervene in Syria with air strikes to counter the presence and activities of Iran or Iranian proxies. Risk remains of another conflict with Hezbollah, although there has not been a large-scale clash since 2006, and both sides would suffer losses and Lebanon is in the middle of a domestic crisis. There are periodic flare-ups in the Gaza strip, although they are unlikely to present a material security risk to Israel. There has been no tangible progress towards peace between Israel and the Palestinians, despite US efforts, and Fitch assumes no peace deal.

## RATING SENSITIVITIES

The main factors that could, individually or collectively, lead to positive rating action/upgrade are:

- **Public Finances:** Renewed progress in reducing the government debt/GDP ratio to a level close to 'AA' peers.
- **Structural Features:** Sustained easing in political and security risks that would lead to the removal of the -1 QO notch.

The main factors that could, individually or collectively, lead to negative rating action/downgrade:

- **Public Finances:** Persistent rise in the level of government debt/GDP, reflecting the absence of sufficient consolidation measures.
- **Structural Features:** Materialization of political and security risks that would have a serious and prolonged impact on the economy and public finances. (Fitch Ratings 13.01)

[Back to Table of Contents](#)

### 11.2. IRAQ: Daewoo Fulfills Iraq's Faw Port Despite Obstacles

On 8 January, Adnan Abu Zeed reported in [Al-Monitor](#) that the Iraqi government voted for signing a contract with the Korean company Daewoo to finish Faw Port project. The head of Iraqi Ports in the Ministry of

Transportation signed a contract on 30 December with the South Korean company Daewoo for the completion of the Faw Port project in Basra.

Faw Port is considered a strategic national project for Iraq, as it will be the only Iraqi port capable of receiving large ships, enabling Iraq to become part of a new silk road via the transference of goods from east to west through its lands from the Arabian Gulf to the Mediterranean Sea.

The project was raised for the first time in 1978, but due to internal and external controversy, it only began after the regime change in 2003. Kuwait later launched the construction of the Mubarak megaport, which raised Iraq's concern as the two ports are close in distance and competition could negatively affect Faw Port. Kuwait announced recently it stopped building Mubarak Port until any further announcement to assure it does not affect its neighbors and also due to economic hardship caused by the coronavirus pandemic.

Daewoo — a leader in building ports — completed the first two stages of the port. Then controversy erupted over which company might complete the next stages of the port, and demonstrations supported by Shiite militias took place in Basra, most recently on 18 December, calling for Daewoo to be replaced by the Chinese company CMEC. The obstacles facing Daewoo began on 9 October, when the body of its manager was found hanged in Basra. Suspicions at that time revolved around political parties and armed groups being involved in his death, along with other assumptions.

A source from the Ministry of Transport who requested anonymity told Al-Monitor, “The Chinese company is not specialized in engineering the construction of ports, which prevents it from winning the contract, while there is political and parliamentary support for Daewoo, which is specialized in such projects.” Iraqi Minister of Transport Nasser al-Shibli said in a 19 December statement that “Faw Port will be the alternative economy for oil, and the ministry will continue to work with Daewoo if it is authorized during the Cabinet session.” As the government has already gone with giving the project to the South Korean company, this means that this strategic project will be completed in 2023 and according to plan. (Al-Monitor 30.12)

[Back to Table of Contents](#)

### **11.3. KUWAIT: Kuwait 'AA-' Ratings Affirmed; Outlook Remains Negative**

On January 15, [S&P Global Ratings](#) affirmed its 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Kuwait. The outlook is negative.

#### **Outlook**

The negative outlook reflects our view of short- and medium-term risks stemming from fiscal pressure, including the continued depletion of the General Reserve Fund (GRF) - the government's main source of budget funding - for which alternative financing arrangements are not yet in place. It also highlights the medium-term risks from Kuwait's persistently slow structural reform progress, particularly compared with other regional sovereigns.

#### **Downside scenario**

We could lower the ratings over the next six-to-12 months if Kuwait's institutional settings prevent the government from finding a sustainable long-term solution to its funding needs. In an extreme case, an insufficient policy response could leave Kuwait facing a hard fiscal budget constraint, potentially resulting in a disorderly expenditure adjustment that could inflict long-term damage on the economy.

We could also lower the ratings if broader reform efforts - such as taxation and labor market changes, and measures to diversify the economy - remain sluggish, intensifying the burden on Kuwait's fiscal metrics over the medium term. Additionally, ratings could come under pressure if we consider that Kuwait's monetary policy flexibility has reduced or regional geopolitical tensions materially deteriorated, potentially disrupting key trade routes.

#### **Upside Scenario**

We could revise the outlook to stable if the authorities swiftly addressed Kuwait's fiscal pressures and funding constraints in tandem with a program of structural reforms that enhanced institutional effectiveness and improved long-term economic prospects.

## **Rationale**

The negative outlook reflects our view of risks stemming from the continued depletion of the GRF, the government's main fiscal liquidity buffer, given that the authorities are yet to adopt a timely alternative funding strategy. The GRF has been dwindling, as it has been the sole funding source for central government deficits since the debt law expired in October 2017. The expiry of the debt law meant that Kuwait has been unable to borrow, while the authorities have so far been reluctant to draw on the much larger Future Generations Fund (FGF), which is primarily earmarked for when the oil reserves run out in the long term.

Over the past several months, the authorities have implemented some measures that could buy additional time, but on their own, these remain insufficient to resolve the funding gap. For example, parliament adopted a law suspending the automatic transfer of 10% of government revenues to the FGF, making it conditional on the budget having run a surplus in the given year. Provided there is a surplus, it would be up to the government to decide on the amounts transferred. The GRF also received an injection of funds from the FGF in exchange for the transfer of other government assets to the FGF. However, these measures alone are insufficient to address the issue given the scale of the central government budget deficit, which we project will amount to close to 30% of GDP for the 2020-2021 fiscal year.

We consider that time is rapidly running out to resolve the GRF's liquidity issue, and if the current situation continues, the GRF will be left without any liquidity in the coming months. This is exacerbated by Kuwait approaching the end of the fiscal year in March, with a larger proportion of government spending typically taking place toward year-end, like in other countries. We understand that, as a temporary solution, some additional less-liquid assets, including the key government-owned oil company Kuwait Petroleum Corporation, could be transferred from the GRF to the Kuwait Future Generations Fund (FGF) in exchange for cash. That said, it remains unclear whether this will ultimately be implemented and how much liquidity the GRF will receive in return.

If the GRF were to completely run out of liquidity, which is not our base-case expectation, Kuwait could face a hard budgetary constraint. It would therefore need to adjust expenditure rapidly and by a large amount. Despite the risks, we do not expect debt service to be affected in such a situation, primarily because the amounts involved are comparatively small: we estimate Kuwait's gross general government debt at 10% of GDP, while interest expenditure is equivalent to only about 1% of total spending. Nevertheless, a potential disorderly spending adjustment could weaken the economy, aggravating the impact of the COVID-19 pandemic, hampering economic recovery prospects and denting foreign investor confidence. The latter could be particularly important as Kuwait plans to return to foreign market funding in the coming years.

Beyond the current fiscal pressures, the negative outlook also highlights the downside risks from a number of structural problems that Kuwait will have to deal with over the medium term. Even if the debt law is ultimately adopted, the scale of the fiscal deficit we project through to 2024 implies that the borrowing authorization under the law (which was previously proposed at KWD 20 billion) could be exhausted in about three years. As such, the current problems will likely resurface. A longer-term sustainable solution could comprise a more comprehensive program of reforms and fiscal adjustment, including cutting subsidies, closing spending loopholes, and introducing new taxes, which several other Gulf Cooperation Council (GCC) states have already done.

We anticipate that agreeing such a reform program will likely be difficult due to the confrontational relationship between the government and parliament, as demonstrated by very slow reform progress in the past. More recently, tensions between the government and parliament have been high, with all government ministers submitting their resignation in mid-January, only weeks after the government was formed following

the parliamentary elections. In our view, this dynamic suggests an even more challenging path to a consensus on policy reforms.

The ratings on Kuwait remain supported by the country's high accumulated fiscal and external buffers. The ratings are constrained by the concentrated nature of the economy and relatively weak institutional settings compared with those of non-regional peers in the same rating category. Kuwait derives about 50% of GDP, more than 90% of exports, and about 90% of fiscal receipts from hydrocarbon products. Given this high reliance on the oil sector, we view Kuwait's economy as undiversified.

**Institutional and economic profile:** Projected real GDP stagnation in 2021 follows a deep pandemic-induced economic contraction in 2020 and reflects continuing OPEC+ oil production cuts

- Kuwait's economy still depends on oil, which accounts for 90% of both exports and government revenue.
- We project 0% growth this year, which masks a rebound of the non-oil sector from last year's pandemic hit but is nevertheless offset by oil production curbs in line with the OPEC+ agreement.
- Kuwait's political system remains confrontational and often deadlocked, and structural reforms have lagged peers' in recent years.

Kuwait's economy still depends heavily on oil, which accounts for an estimated 90% of exports and government revenue. The oil sector directly constitutes close to 50% of the country's GDP, although that proportion is even higher if taking oil-related activities into account. Kuwait is among the world's top 10 exporters by volume of output as well as oil reserves. Assuming current production levels, the country's total proven oil reserves are equivalent to about 100 years, while the cost of production is among the lowest globally. Given this high concentration, Kuwait's economic performance will remain heavily determined by oil industry trends.

As a member of OPEC, Kuwait has committed to implement oil production cuts in line with the April 2020 cartel agreement (and its subsequent iterations), which followed the pandemic-induced collapse in oil prices. The agreement has a staged nature with additional oil output being returned only gradually. The January 2021 OPEC meeting confirmed the alliance's cautious stance vis-à-vis production levels in the face of uncertain pandemic developments and their effect on oil demand. In line with the agreement, we estimate that Kuwait produced 2.43 thousand barrels per day (mbpd), on average, in 2020 and forecast 2.4 mbpd in 2021, 2.75 mbpd in 2022, 3 mbpd in 2023, and 3.1 mbpd in 2024. Given our projected production levels, we expect Kuwait's oil sector will contract in 2021 compared to 2020. We project the Brent oil price will average \$50 per barrel (/bbl) in 2021 and 2022 before rising to \$55/bbl thereafter.

Another factor continuing to impair Kuwait's economic performance is the direct effect of the coronavirus pandemic. The authorities promptly implemented a number of social distancing restrictions last year and have since adopted a more gradual approach to easing them than other countries. As a result, the country has not seen a notable second wave, with new infection levels remaining more contained. Combined with the recent beginning of the COVID-19 vaccine rollout, we expect the non-oil sector to partially recover this year. Overall economic performance will, however, stagnate, depressed by the oil output contraction.

The economy should recover more robustly in 2022-2023 and we expect GDP growth to average 5.5% during that period, as OPEC+ cuts end and Kuwait ramps up production. Nevertheless, the country's economic performance over the economic cycle would still underperform that of other sovereigns at a similar level of economic development. We note that over the seven-year period before the pandemic, growth averaged a mere 0.3% annually.

Kuwait's political system features a powerful cabinet appointed by the Emir, and a democratically elected parliament. In our view, the country's institutional arrangements are generally less opaque than other GCC states, with parliament providing at least some checks and oversight on government activities. Nevertheless, parliamentary power is largely limited to blocking legislation.

Kuwait's late Emir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah passed away on 29 September 2020, following 14 years of rule. The succession process has been smooth, with the Crown Prince Sheikh Nawaf sworn in as the new Emir the next day. Kuwait also held a parliamentary election in December, which resulted in large gains for opposition members of parliament.

Kuwait's institutional arrangements have historically been characterized by frequent confrontations between parliament and government, making important policy decisions difficult. For instance, a law allowing the government to issue debt has still not been passed after the previous one expired in October 2017, while alternative arrangements to address the continued depletion of the GRF are yet to be formally adopted. There has also been parliamentary opposition to a number of structural reforms, such as the introduction of new taxes. We consider that with the new parliament's larger tilts toward the opposition, passing some of the aforementioned initiatives could become even more difficult.

Positively, the regional geopolitical environment has improved in recent months. The Abraham Accords between Israel, the United Arab Emirates and Bahrain signed last year should contribute to economic, trade, and security cooperation within the region. More recently, in January 2021, four Arab countries ended a diplomatic boycott of Qatar, which should also contribute to regional stability and a broader business and investment environment. Previously, Kuwait had not participated in the boycott, adopting a more neutral stance. We understand that Kuwait has also played a mediating role to help resolve the boycott.

**Flexibility and performance profile:** Continued depletion of the GRF poses risks, despite overall sovereign wealth fund assets exceeding an estimated 500% of GDP

- We estimate Kuwait's net general government assets amounted to 540% of GDP at the end of 2020--the highest ratio of all rated sovereigns.
- Nevertheless, the continued depletion of the GRF could severely constrain Kuwait's fiscal budget and leave limited financing options.
- We expect the Kuwaiti dinar will remain pegged to a U.S. dollar-dominated currency basket.

In our view, Kuwait faces risks stemming from the continued depletion of its main budget financing fund, the GRF. The GRF is the smaller portion of the country's sovereign wealth fund, the Kuwait Investment Authority (KIA). The authorities remain reluctant to tap into the much larger FGF, which is earmarked for when oil runs out.

Based on our projections for production levels and oil prices (see above), we forecast the central government deficit will widen to almost 30% of GDP in the fiscal year 2020 compared with an estimated 10% of GDP deficit for fiscal 2019. We understand that the liquid assets available at the GRF are not enough to cover this much larger budget deficit.

The authorities have taken some measures over the past few months to address the situation, including suspending annual transfers from the GRF to the FGF, as well as injecting additional liquidity to the GRF by transferring some less liquid assets to the FGF. Nevertheless, the adopted measures to date fall well short of what would be needed to address the funding gap. We understand that the government could move ownership of state-owned enterprises (SOEs), such as KPC, from the GRF to the FGF to ease the strain, but the likelihood and timeframe for its implementation are unclear.

We consider that the continuing fiscal impasse has a number of negative implications, including potentially exposing Kuwait to a hard budget constraint, limiting the funds that can be deployed to support the economy during the pandemic, and denting foreign investor confidence.

In our view, passing the debt law or temporarily shifting the structure of some SOEs' ownership will do little to fundamentally relieve Kuwait's medium-term fiscal pressures given the scale of the deficits. A more substantial approach aimed at reducing wasteful subsidies and raising revenue through alternative sources could provide stability, but remains very difficult to achieve for political reasons.

Although the GRF has been continually diminishing, the KIA's total assets, including the FGF, remain substantial, which is the main factor supporting the sovereign ratings. No official data are available on the total amount of KIA assets, and the authority is prohibited by law from discussing the exact size of its holdings. Nevertheless, we can use several methods to estimate the size of the sovereign wealth fund. These include summing up the government's historical fiscal surpluses or outward financial account flows in the country's balance of payments, the data for which are publicly available. This approach leads us to estimate KIA assets at more than 500% of GDP as of end-2020.

Mirroring its strong government asset position, Kuwait's balance of payments position is also robust and supports the sovereign ratings. We estimate that at the end of 2020, the country's net external creditor position was equivalent to about 600% of GDP, among the strongest of all rated sovereigns. We estimate that the current account moved to a 1.8% of GDP deficit in 2020 from a 16.4% of GDP surplus in 2019, reflecting the oil price and production dynamics. However, it should gradually strengthen back toward a surplus of 6%-7% of GDP by 2023.

We expect Kuwait's exchange rate will remain pegged to an undisclosed basket of currencies. This basket is dominated by the U.S. dollar, the currency in which the majority of Kuwaiti exports are priced and transacted. In our view, Kuwait's foreign exchange regime is somewhat more flexible than those in most other GCC countries that maintain a peg to the dollar alone. Until end-November 2020, central bank foreign exchange reserves increased and we have not observed an increased flight of domestic residents to foreign currencies. Resident deposit dollarization remains low, at about 6%.

We consider that the COVID-19 pandemic and the resulting economic contraction pose some risks to Kuwait's banks. We expect the weaker macroeconomic environment to pressure asset quality. We project nonperforming loans to increase and the cost of risk to almost double in 2020 compared with 2019. Banks have increased their provisioning levels to prepare for the expiration of regulatory forbearance measures. That said, we note that Kuwait's financial system has entered the current downturn in a relatively strong position, with low nonperforming loan levels of about 1.5%, high provisioning coverage exceeding 200%, and strong capitalization at the onset of the pandemic. (S&P 15.01)

[Back to Table of Contents](#)

#### **11.4. QATAR: Qatari Bank Funding & Liquidity to Benefit as Saudi Blockade Ends**

On 7 January, [Fitch Ratings](#) said Qatari banks' funding and liquidity profiles will benefit from Saudi Arabia's decision to lift its blockade on Qatar. Fitch expects Saudi clients, who withdrew deposits from Qatari banks due to the blockade, to start shifting some of their funds back. This will provide Qatari banks with an additional pool of liquidity, which will diversify their funding base, reduce their reliance on price-sensitive government-related entity and corporate deposits, and cut their funding costs.

Qatar's banking sector is the most dependent in the Gulf Cooperation Council (GCC) on non-domestic funding, with foreign liabilities accounting for more than 45% of total funding at end-Q3/20. In contrast, foreign liabilities represented only 6% of total funding in the Saudi banking sector at end-Q3/20.

The blockade led to the withdrawal of about \$30 billion of non-resident deposits from Qatari banks in June-October 2017, predominantly by Saudi Arabian depositors but also by some from the UAE, causing tightening of foreign-currency liquidity. The Qatari authorities stepped in with \$40 billion of sovereign liquidity injections, consisting mainly of placements by the Qatari Central Bank, the Ministry of Finance and Qatar Investment Authority.

Other non-resident deposits, mostly from Thai asset managers and other Asian depositors, were broadly stable at the start of the blockade and have since increased. Qatari banks' total non-domestic deposits accounted for 25% of their overall deposits at end-Q3/20, in line with pre-blockade levels.

High dependence on non-domestic funding is one of the contributors to Qatari banks having a weighted average cost of funding (COF) about 200bp higher than that of Saudi banks in Q3/20, and a weighted

average net interest margin (WA NIM) about 100bp lower. Saudi banks also benefit from a significantly higher portion of current and savings accounts, particularly retail deposits, which are fairly low-cost.

Qatari banks with the weakest domestic franchises have the highest dependence on non-resident funding, which can exceed a third of total deposits in some cases. Some banks replaced some of their price-sensitive deposits with interbank borrowings in 2020 to reduce their COF and alleviate the pressure on margins due to the coronavirus pandemic. The availability of additional sources of liquidity following the lifting of the blockade should also help banks to lengthen their maturity profile and reduce their reliance on short-term funding, which is particularly important for banks with net stable funding ratios below the 100% minimum regulatory requirement.

The end of the blockade should encourage GCC tourists back to Qatar when the pandemic eventually eases. This should help reduce the pressure on the country's distressed real estate and hospitality sectors, which are the largest sources of asset-quality problems for banks. The sector-average Stage 3 loan ratio is below 3% but the Stage 2 loan ratio varies significantly among banks, from less than 5% to nearly 30%, indicating significant underlying asset-quality pressure at some banks. Banks with the highest stock of Stage 2 loans are those with the highest exposures to the real estate and building contractor sectors.

Qatari banks' operating environment is on negative outlook due to the economic effects of the pandemic and still subdued oil prices. We expect asset quality to deteriorate, and higher loan impairment charges could put pressure on profitability and internal capital generation. The sector's high reliance on external funding makes it vulnerable to external political and economic shocks. Nevertheless, Qatari banks' Issuer Default Ratings are on Stable Outlook as they are driven by Fitch's view of an extremely high probability of support for banks from the Qatari authorities, should it be needed. The authorities have a strong record of supporting the banking sector, demonstrated most recently by their liquidity injections in response to the blockade. (Fitch 07.01)

[Back to Table of Contents](#)

## **11.5. UAE: UAE Economic Report – 2021**

[Bank Audi Group's](#) UAE Economic Report – 2021 describes a challenging macro environment for UAE amid COVID-19 spillovers, lower oil prices and disruption in global supply chains.

### **A tough year for the Emirates**

The past year has been a very challenging year for the UAE economy. Real GDP is projected to contract by 6.6% in 2020 mainly due to the fallout from COVID-19 and lower oil production following the revitalization of the OPEC+ agreement, lower oil prices, reduced global oil demand, and disruption in global supply chains. In the wake of COVID-19, UAE authorities aggressively implemented a containment strategy with strict lockdowns, postponed major events such as World Expo2020, imposed social distancing, and largescale testing.

### **A challenging global trade environment exerting pressure on current account surplus**

As a global logistics hub, disruptions in supply chains in 2020 due to the effects of the pandemic on global trade weighed heavily on UAE's external sector, with an export-oriented service economy leaving the country more exposed to the global recession than its more closed Middle Eastern peers. In fact, goods export revenue were mainly impacted by global oil prices, export volumes and tourism receipts, as non-oil exports and re-exports fell sharply over the year, exerting more pressure on the country's current account surplus, estimated at 3.6% of GDP in 2020 (from 8.4% of GDP in 2019), as per the IMF.

### **Fiscal balance swinging back into a large deficit over the first half of 2020**

Amid a temporary deterioration in UAE's public finances in 2020, UAE's consolidated fiscal balance is estimated to have posted a large deficit over the full-year, as revenues took a hit from significantly lower oil

prices, and as other revenues declined due to weak economic activity since the onset of COVID-19, compounded with lower government fee collections.

### **Deflationary pressures persist amid extended monetary easing**

The year 2020 was marked in the UAE by extended deflationary pressures for the second consecutive year, a decent growth in monetary aggregates and contractions in the Central Bank's gross international reserves, while key interest rates continued to follow the lead taken by the US Federal Reserve in loosening its monetary policy given the UAE dirham peg to the US dollar.

### **Challenging banking operating conditions but liquidity and capitalization remain adequate**

The UAE banking sector has been witnessing difficult operating conditions over the course of the year 2020, as the ongoing COVID-19 pandemic left its imprints on the global and domestic economies and consequently on banks' activity growth indicators. Measured by the aggregated assets of banks operating in the UAE, total sector activity rose by 5.1% in the first ten months of 2020 to reach the equivalent of US\$ 882.6 billion at end-October 2020 according to the latest figures released by the sector regulator.

### **Mixed activity in UAE capital markets over the first eleven months of 2020**

The UAE's capital markets saw mixed price movements during the first eleven months of 2020. Activity in the UAE equity markets was mainly tilted to the downside, mainly weighed down by the combined global shock from the Coronavirus crisis and prolonged low oil prices, while the UAE fixed income market registered mostly upward price movements, tracking US Treasuries move as rising global growth concerns stoked demand for safe-haven assets. (Bank Audi 07.01)

[Back to Table of Contents](#)

## **11.6. UAE: The Path Toward Military Professionalism**

Melissa Dalton and Hijab Shah posted on 12 January in [Carnegie Middle East Center](#) that the UAE has an opportunity to professionalize the military by building its strategic planning and force development capabilities and by committing to international principles of professional military conduct and greater transparency and accountability.

After two decades of concerted investment and operational experience, the United Arab Emirates (UAE) armed forces, dubbed "Little Sparta," are now one of the leading militaries in the region. With approximately 63,000 active uniformed personnel for a population of 9.9 million (only 1.2 million of which are Emirati), allegedly augmented by foreign auxiliary and mercenary forces, the UAE has gained global attention for its role in countering Iran and violent extremist networks and for interventions in Yemen and Libya. It is one of the United States' closest military partners in the Middle East. American scholar Kenneth Pollack assesses that, taken as a whole, the UAE's military is the most capable among the Arab states, while there may be variance across the force.

The UAE has an opportunity to capitalize on these developments and become a professionalized military by building its strategic planning and force development capabilities, enabling it to set its regional priorities and force structure, and by committing to international principles of professional military conduct and greater transparency and accountability that will buttress its legitimacy at home, in the region, and with international partners. Military professionalism includes an understanding of leadership, strategy, history, tactics, warfighting domains, organization, technology and capabilities. It also involves a commitment to moral conduct and to incorporating lessons learned to apply and move forward as part of an institution.

If developed, the UAE's strategic planning capabilities would enable it to better match defense priorities with resourcing. For example, if the country envisions other counterinsurgency and proxy war campaigns in the future, does it need to create both capacity and capability within the UAE force to perform those missions in a more effective and integrated manner? Or will a continued reliance on mercenary forces be

sufficient, but open the UAE to international scrutiny and erode its legitimacy in the eyes of key partners? Concretely, the UAE should undertake a review of its interventions in Yemen and Libya, which have tested the military's force structure and capabilities and wherein the UAE reportedly has hired and mobilized mercenary groups and proxies to supplement its force. Gaps in the UAE's strategic planning capabilities exacerbate the risks of overextension and reliance on less professional and less integrated forces.

Investments in the UAE's strategic planning capabilities could also be linked to an integrated approach to defense and technology industrial development to build not only the UAE's industrial base but also to unlock further opportunities for joint production and development with the United States and other foreign partners.

However, international concerns about the values undergirding the UAE military as an institution, including whether it upholds Law of Armed Conflict principles and its reliance on shadowy mercenary forces, point to limitations in its growth as a professional military and may limit international cooperation with the UAE over time. Such concerns have drawn the scrutiny of the U.S. Congress.<sup>5</sup>

To further professionalize its military and sustain key security cooperation partnerships, such as with the United States, the UAE should take several steps. It should invest in its strategic planning capabilities to better match priorities with resourcing. It also should invest in joint defense research and development opportunities with the United States while also building a technology security and export control regulatory framework. Finally, it should enhance the professionalism of its military to engender greater legitimacy with key partners by building oversight, accountability, and transparency measures to ensure adherence to the Law of Armed Conflict and international humanitarian law and to regulate the use of mercenary forces.

Priorities and Performance

The priorities and performance of the UAE military highlight its government's goals to protect the country's role and influence and develop itself as a force in its own right within the broader region. In partnership with key regional and international allies, the UAE has pursued a security strategy that involves harnessing its human and natural resources to compensate for its modest size, building its military and national security apparatus, creating strategic depth through foreign military installations and deployments, and developing its partnerships with Saudi Arabia, the United States and other key partners.

Three main priority areas rise above the rest for the UAE military: countering Iranian threats throughout the region, including in Yemen; preserving the regional status quo, particularly against the threat of radical political and terrorist groups; and becoming an increasingly self-reliant military force. The UAE's own threat perceptions, as well as shifting U.S. and other donor policies that encourage partners to take more responsibility for their security, inform these priorities.

### **Countering Iranian Threats**

Iran represents the greatest security challenge to the UAE. The two countries have a longstanding territorial dispute over three islands (Abu Musa, Greater Tunb and Lesser Tunb), adjacent to strategic shipping lanes crucial for both countries. Moreover, the UAE has serious concerns about Iranian proxies' activities in Bahrain, Iraq, Lebanon, Syria and Yemen. Iran's missile capabilities are well within striking range of all of the Emirates and its strategic resources. The UAE continues to closely watch Iran's nuclear development as well. The UAE recently became the first Arab nation to open a nuclear power plant, though it insists that this is for energy generation. Iranian competition poses a significant threat to Arab Gulf states' influence over the Middle East. Despite reported tensions over Yemen strategy between the UAE and Saudi Arabia, the former has been closely aligned with the latter in prioritizing and working to counter Iranian threats. On the military front, this has manifested most significantly in the UAE's involvement in the Yemen conflict and in its participation in a maritime coalition to deter Iranian attacks on commercial shipping in the Strait of Hormuz.

### **Conflict in Yemen**

The UAE was a key player in the Saudi-led military intervention in Yemen, launched in 2015 to counter what both governments regarded as an Iran-backed threat from the Houthi rebels. Although the UAE

officially completed its military withdrawal from Yemen in February 2020, its five-year involvement laid the foundation for continued Emirati influence within the country, creating a persistent bulwark against Iran in the UAE's view.

The Emirati military deployed around 3,500 troops to Yemen, with another 3,000 air- and sea-based personnel providing in-theater support. This force enabled the push back of Houthi territorial gains in southern and eastern Yemen, though it encountered resistance in the north. In parallel, the UAE has established a series of maritime access points on the Horn of Africa and along Yemen's coast that enable it to shape maritime trade and gather information about rivals' and adversaries' activities in the region. According to UAE sources, the military has also nurtured a network of some 90,000 Yemeni fighters, comprising a combination of tribal militias, former military personnel, and paramilitary units such as the Security Belt Forces and Shabwani and Hadrami Elite Forces. Despite the UAE and Saudi Arabia being on the same side of military operations in Yemen's war, they have had competing objectives in navigating a political outcome, including over support for the Southern Transitional Council, backed by the UAE, and the role of Yemeni President Abd-Rabbu Mansour Hadi, supported by Saudi Arabia.

### **Straits of Hormuz**

After a series of Iranian attacks on oil tankers in the vitally important Strait of Hormuz, the UAE joined a U.S.-led maritime coalition in September 2019 seeking to protect commercial vessels in and around the strait. With one-fifth of the world's oil supply passing through the 21 mile-wide, strategically significant waterway, protecting the strait from asymmetric Iranian threats (such as undersea mines, cruise missiles and swarming patrol boats) is of paramount importance to the UAE and its allies and partners. Further, the UAE has demonstrated effective interoperability and maritime performance within the coalition.

### **Countering Violent Extremism**

Containing the spread of violent extremism is a high priority for the UAE. In particular, political groups such as the Muslim Brotherhood and terrorist groups such as al-Qaeda in the Arabian Peninsula (AQAP) and the self-proclaimed Islamic State are singled out as threats to the UAE's efforts to preserve the status quo and its own standing and influence within the region.

### **Muslim Brotherhood**

The Emirati government views the Muslim Brotherhood as a threat to the Middle East's balance of power due to the group's opposition to monarchic and dynastic governments. The threat posed by the brotherhood intensified after its meteoric—albeit, in some cases, short-lived—political resurgence in the wake of the status quo—shattering Arab Spring protests. The UAE's aversion to the brotherhood is evidenced by its 2014 decision to list the group as a terrorist organization, although the brotherhood publicly disavowed violence years prior, in the 1970s. The local Islamist group al-Islah, allegedly affiliated with the brotherhood, was accused by UAE officials of plotting to incite an armed rebellion against the state. The Emirati government also had a significant hand in the coup d'état that overthrew Egypt's then president and Muslim Brotherhood leader Mohamed Morsi, and it supports the anti-brotherhood leader of the Libyan National Army, General Khalifa Haftar.

The UAE's own experience with domestic protests has been less intense—largely limited to a letter petitioning President Khalifa bin Zayed for reforms, signed by roughly 130 Emirati activists, that included individuals linked to the brotherhood. However, the harsh reaction from the Emirati government was indicative of its fear of the status quo being disrupted; many of the signatories were jailed, and a handful had their UAE citizenship revoked.

### **Al-Qaeda and the Islamic State**

Just as the Muslim Brotherhood poses a threat to the regional status quo, so do more violent groups such as al-Qaeda and the Islamic State. As part of its efforts to preserve stability within the Middle East, the UAE has focused military efforts on counterterrorism in Iraq, Syria, and Yemen. The UAE military has been

an active member of the U.S.-led coalition to defeat the Islamic State since 2014. It has trained Syrian rebels to counter the Islamic State and focused on counter-messaging through the Communication Working Group (which it co-leads with the United Kingdom and the United States). The working group has convened meetings between Defeat ISIS (D-ISIS) Coalition member countries (including militaries), civil society, media, tech companies and academics to exchange information and strategies to counter extremist messaging on and offline and to promote alternative, affirmative messages. In addition, the Emirati military is second only to the United States in the number of sorties it has flown over Islamic State–held territory during operations in Iraq and Syria.

After the initial phase of Emirati operations to counter Houthi rebels in Yemen, the focus of the mission shifted toward the threat from AQAP. UAE counterterrorism efforts against AQAP, in partnership with the United States—which mostly contributed via drone strikes—led to a significant degradation of the group’s ability to carry out attacks inside and outside of Yemen.

### **Self-Reliance**

Despite the UAE’s close relationship with countries like the United States, it is working toward limiting its dependencies on foreign partners. In order to achieve this goal, the UAE is focusing its efforts on augmenting two main areas: the defense industry and the capacity of military personnel.

### **Defense Industry**

Emirati efforts prioritize increasing the UAE’s military capabilities and developing its defense industry to the extent that it can wean off some partner-dependent foreign military sales and training while simultaneously working to become a niche market supplier. In late 2019, the UAE consolidated twenty-five local defense companies into one all-encompassing corporation named Edge. Edge aims to accelerate arms production at “cost-effective price points,” with the ability to compete within the region on bids related in particular to ships, armored vehicles, and unmanned aerial systems. In addition, the UAE has entered into the small arms market via its manufacturer, Caracal. Further, the UAE’s NIMR Automotive has developed a series of light combat vehicles. Its partnership with the UK’s MIRA engineering company to develop the Rapid Intervention Vehicle highlights the potential for joint development with foreign partners.

### **Personnel Capacity**

The UAE invests a significant amount in training its military personnel, particularly through U.S.-based and -led programs, ranging from professional military education at the staff and war colleges stateside to tactical training in U.S. and Emirati facilities. The country has also begun developing its own education capability through the establishment of a National Defense College. While most of its students have been Emirati nationals, the college aspires to matriculate U.S. and other foreign students. Emirati alumni are placed in positions of authority in the government after graduating. Over time, the college’s graduates may help instill a greater focus on strategic planning and analysis within the UAE’s national security and defense ministries.

In 2014, the UAE introduced universal conscription for men between the ages of 18 and 30. Doing so seeks not only to increase the number of uniformed personnel and enhance Emirati self-reliance in the military arena, but also to instill a sense of identity and further a narrative that may counter domestic and external pressures. The program’s first three years saw about 50,000 men go through the conscription program, while 850 women volunteered for the same. While there is no compulsion in continuing military service past the sixteen months of mandated conscription, the program helps identify military talent that may otherwise have slipped under the radar. The program also helps to augment the civilian workforce: those individuals falling below the conscription fitness standards—about one in five—do not get an exemption, but instead are expected to train for civilian positions in the government.

### **Military Effectiveness and Leveraging Foreign Assistance**

The Emirati military’s effectiveness is characterized by the following overarching categories: policy and doctrine; equipment, training, education, and exercises; operations; and institutions. Although the UAE is

often privately lauded by U.S. defense officials as having the most capable and effective military force within the Gulf Cooperation Council (GCC), in order to become a fully professionalized force, it must invest in its strategic planning capabilities, assess and incorporate lessons learned from the Yemen war, and address international concerns about its transparency and adherence to human rights and its reliance on mercenary forces. These issues cannot be fixed by money alone, requiring a willingness by the Emirati leadership to invest in these priorities, commit to principles to undergird military professionalism, and alter aspects of its operational culture.

## **Policy and Doctrine**

Although the UAE does not have a publicly available policy document akin to the U.S. National Defense Strategy, the tenets of its policy and doctrine can be deduced from how its defense and security actions and involvement have unfolded over time. The UAE is closely aligned with the policies and priorities of the GCC, a body of Arab Gulf states established after the 1979 Iranian Revolution. Members of the GCC have a shared interest in working together to serve as a counterbalance to the adversarial government in Tehran and to protect their respective monarchies from similar upheaval. Competition among the GCC states and their different political and ideological viewpoints undermines their cohesiveness and ability to plan and work together.

Security is a high priority for the UAE, whose defense spending is estimated to be between 11.9 and 14% of its total federal budget. In 2019, UAE federal budget spending reportedly increased to \$16.4 billion, up from \$13.9 billion in 2018. \$2.3 billion was reportedly allocated to defense spending in 2019, up from \$1.66 billion in 2018. While it has focused its investments in human capital, modernization, and technology and in its partnerships with Australia, France, GCC countries and the United States, it has also invested heavily in military hardware. Lack of transparency about the UAE defense budget makes it difficult to determine the proportionate breakdown of these investments.

Due to the close ties between the UAE and the United States, elements of Emirati military doctrine reflect that of the U.S. military, adapted to its local context. For instance, the UAE Presidential Guard was established in the image of the U.S. Marine Corps, with the request reportedly coming directly from Abu Dhabi Crown Prince and Deputy Supreme Commander of the Armed Forces Mohammed bin Zayed Al Nahyan (known to many by the acronym MBZ) to then commander of U.S. Central Command General James Mattis.

## **Equipment, Training, Education and Exercises**

### **Equipment**

As a wealthy Gulf state, the UAE can afford to buy advanced capabilities and equipment beyond what its military likely needs. The UAE is one of highest importers of arms in the world and among the foremost customers of U.S. foreign military sales. The government purchased close to \$7.6 billion worth of arms from the United States between 2008 and 2018. The equipment in its portfolio of purchases includes F-16 and F-35 aircraft, Apache and Chinook helicopters, precision-guided munitions, the THAAD and Patriot missile defense systems, and unmanned aerial vehicles (UAVs) and associated missiles. In addition to the weapons that the UAE has bought out of pocket from the United States, it has also obtained \$32 million worth of U.S. excess defense articles. The UAE is not, however, beholden solely to the United States for its arms. It has also purchased equipment from China, France, Russia, the United Kingdom and allegedly North Korea.

In addition to purchasing equipment, the UAE is looking to develop its own capabilities in the same arena, largely through the aforementioned defense industry efforts of Edge. It also seeks to work with other countries to develop equipment. Controversially, there were reports that the UAE may have entered into a collaboration with Russia to produce aircraft modelled on the MiG-29 fighter jet, potentially in violation of U.S. sanctions.

### **Training and Education**

The Emirati military has invested significantly in the training and education of its military officers, both within the country and outside. Professional military and defense educational institutions within the UAE provide an array of instruction. These include cadet academies such as the Zayed the Second Military Academy for men and the Khawla bint Al-Azwar Military School for women; traditional military training schools such as the Naval and Air College and the Joint Command and Staff College; and the National Defense College, which educates senior military as well as civilian leaders.

The UAE and the United States are signatories to a 2019 bilateral Defense Cooperation Agreement, an avenue to further enhance coordination, interoperability and joint operations. The U.S. training mission within the UAE and stateside ranges from aviation and missile defense training to special operations training and artillery, reconnaissance, and maneuver exercises. The UAE hosts 5,000 U.S. personnel, while annually, between 600 and 800 Emirati military personnel go to the United States for training and education. Notably, the U.S. Marine Corps trains UAE Presidential Guard Reconnaissance Group personnel at the Marine Corps Air Ground Combat Center in 29 Palms, California. The UAE does not receive educational funding from the United States' International Military Education and Training program, instead using its national funds to have its personnel educated in U.S. military staff and war colleges. A number of retired U.S. military members advise in planning and administration for critical organizations like the Joint Air Command. In addition, a significant mix of active duty and retired British and Australian military personnel advise the UAE military.

Other than the U.S. military, approximately 400 French personnel and 1,600 South Korean personnel have reportedly been providing training to the Emirati military.

### **Exercises**

The Emirati military takes part in several elaborate joint exercises with the United States, including the Iron Union and the Native Fury exercises, both of which take place in the UAE. These exercises aim to increase interoperability and enhance ties between the two partners, as well as impart skills and experiential learning to personnel in the respective militaries. The UAE has also joined large-scale multilateral exercises hosted by and in the United States, such as the annual Red Flag aerial exercise in Nevada. The Emirati military has also participated in joint exercises with other partners, such as Egypt, France, Jordan, Saudi Arabia and the United Kingdom.

### **Operations**

The UAE military has had operational experience in several joint missions and has been deploying with regularity since 1992, when it participated in operations in Somalia. Emirati military personnel have served alongside North Atlantic Treaty Organization (NATO) forces in Kosovo and Afghanistan, alongside Saudi forces to quell uprisings in Bahrain during the Arab Spring, and alongside partner forces to counter piracy and terrorism in North Africa.

Although the UAE military had extensive operational experience, it had not planned and executed a campaign by itself until its involvement in the Yemen conflict, and earlier, the more limited airstrikes in Libya. After five years of fighting in Yemen, the UAE has gained experience in operating in urban and amphibious environments, conducting complex operations involving air, ground, and sea-based capabilities. Yemen is also where the UAE suffered its most significant military losses, particularly in 2015, when forty-five Emirati soldiers were killed in a single missile strike. The UAE recently completed a martyrs' memorial to commemorate these and other casualties across its military history.

In addition to recent experience in Yemen, the UAE has also participated actively in counterterrorism efforts against the Islamic State as part of the D-ISIS coalition and also against AQAP in Yemen.

### **Institutions**

Although the titular head of the UAE Ministry of Defense is the ruler of Dubai, Sheikh Mohammed bin Rashid al Maktoum, and although the title of supreme commander of the UAE Armed Forces rests with Sheikh Khalifa bin Zayed Al Nahyan, MBZ, Sheikh Khalifa's brother, is the true power broker when it comes to military affairs. MBZ has, in several decades as deputy supreme commander at the helm of the Emirati military, driven substantial changes within the military, particularly the Presidential Guard. In addition to successfully leveraging funds to purchase the best weapons and equipment available, MBZ has also molded the military's organizational culture and developed its human capital.

His personal relationships with senior U.S. military officers—such as Mattis and General John Allen, former commander of the International Security Assistance Force in Afghanistan—have also helped in the advancement of the Emirati military. Both U.S. generals served as advisers to the UAE military after their retirement, in addition to several other U.S., British, French and Australian retired flag officers. Major General Michael Hindmarsh, a retired Australian officer, commands the Presidential Guard and retired U.S. Army lieutenant colonel Stephen Toumajan, raised to the rank of major general by the Emirati military, formerly led the UAE's Joint Aviation Command and National Search and Rescue Center. Some active duty foreign military officers have also been seconded on loan to positions within the Emirati military.

Although the UAE military as an institution has a strong central command and control structure modelled doctrinally on that of the United States, it lacks institutional mechanisms and oversight to ensure professionalism and accountability that other countries place on their forces. The large number of Emirati officers going through U.S. professional military education would, as is the norm, receive training on human rights and legal areas such as the protection of civilians and the Law of Armed Conflict. However, the Emirati military has yet to adopt these principles as institutional norms and lacks accountability processes to check and remediate behavior if those norms are violated.

The United Nations Office of the High Commissioner has documented violations and crimes by the UAE and other armed actors under international law. Humanitarian organizations and advocacy groups have also condemned UAE actions in Yemen. These allegations include using indiscriminate force resulting in civilian casualties, running secret torture prisons in Yemen, and turning a blind eye to proxy groups with links to al-Qaeda and the Islamic State. Ostensibly due to the dearth of institutional processes and accountability mechanisms within the country and its military, substantive action to address, investigate or remediate these criticisms has yet to be taken.

With its increasing involvement in regional politics and security operations, the UAE leans on foreign military auxiliaries to augment its force size or to train, advise or command its personnel. This happens both through formal bilateral channels between partner militaries—Australia, France, the United Kingdom, and the United States, for instance, all have military forces serving a role within the UAE military—as well as through private firms such as Global Aerospace Logistics, an Emirati firm, and Academi, formerly known as Blackwater. In 2015, the UAE also reportedly deployed 450 Latin American mercenary troops—mostly from Colombia, but also from Chile, El Salvador, and Panama—to bolster the proxy war in Yemen, drawing from a brigade of 1,800 Latin American personnel training in the UAE. With institutional accountability already hazy, the presence of foreign auxiliaries outside the institutional structure and not subject to certain rules and norms adds to the ambiguity of the UAE's use of a range of security forces to achieve its objectives.

## **Conclusion**

The UAE has made remarkable progress in building one of the most capable militaries in the region over the last twenty years. However, in order to chart a sustainable plan to secure its objectives in the region as a fully professional military and to ensure enduring partnerships with countries like Australia, France and the United States, it should pursue several reforms.

The UAE should work with partners like the United States to pursue joint development opportunities for new military technologies. Harnessing the UAE's industry, joint research opportunities could benefit both the UAE and U.S. militaries. Advancing this form of partnership will require enhanced technology security protocols and export control infrastructure to regulate development in the UAE and bring it in line with other advanced international partners and professional defense and military establishments. The United States

and the UAE share a long-term interest in building defense transparency and strong institutions that can extend into a post-oil future for the region.

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[Back to Table of Contents](#)

## 11.7. EGYPT: IMF Report Card on Egypt is Released, Unlocking \$1.67 Billion

On 10 January, [Enterprise Ventures](#) reported on the recently completed IMF report for Egypt. The IMF has bumped its growth outlook for Egypt in FY2020-2021 to 2.8%, up from its 2% forecast in June. The lifting of lockdown measures has helped the economy to show “early signs of recovery” after a milder-than-expected downturn, the Fund’s Executive Board said following its first review of Egypt’s \$5.2 billion standby loan agreement. This would make Egypt one of only a handful of countries to have grown in 2020, with the report estimating the economy expanded 1.5%. On the flipside, this means that FY2021-2022 will see “less sharp growth” as the recovery will now come sooner than expected.

Egypt got a passing grade across the board, with the exception of a “marginal breach” of the lower end of the Central Bank of Egypt’s (CBE) target range for inflation. The dip in inflation triggered the monetary policy consultation clause, leading the CBE to request an amendment to the clause “to take into account recent inflation dynamics,” the Fund said. The consultation band is also being narrowed one percentage point to +/- 2 for the inner bands and +3/-4 for the outer bands.

The Executive Board’s completion and approval of the first review means Egypt can now draw the second \$1.67 billion tranche, bringing the total amount disbursed under the SBA to \$3.6 billion.

### Where Egypt did well

The economy as a whole fared better than expected, with GDP contracting in Q3/20 at a slower pace than the fund had penciled in for the quarter on the back of “robust consumption.” Net foreign reserves and primary balance outturns “outperformed” their targets, while tax revenues jumped 14% y-o-y during the quarter, “reflecting strong growth in corporate income tax receipts that offset weaker VAT collection.” Egypt also managed to meet all the targets set for “health and social spending, the government’s overdraft at the CBE, and the share of short-term net domestic issuances.”

The flood of fiscal + monetary responses to the pandemic got brownie points, with the IMF pointing to initiatives from the CBE and the government coming together with strong liquidity buffers in the banking sector to prop up domestic activity. “The banking sector on aggregate was well capitalized entering the crisis and the latest available financial sector indicators appear sound.”

Egypt’s green economy push didn’t go unnoticed, either, with the report saying the fund “welcomes the focus on green recovery and Egypt’s leading regional role in this regard.”

**On the structural reform front, things are broadly moving ahead as planned:** A reform strategy for the National Investment Bank (NIB) that is expected to be complete by the end of the current month is evidently a priority for the government, which completed an external auditor’s evaluation of the bank’s financial position. Fiscal structural benchmarks put in place for the end of December are also progressing mostly as scheduled, although the report notes that authorities need to kick up the pace for a medium-term revenue strategy that needs to be signed off by cabinet by the end of the year. The strategy “will help improve revenue mobilization and increase fiscal space for spending in health and education while achieving the key medium-term objective of reducing public debt.”

The government is also making progress on structural reforms designed to encourage the development of the private sector and better public sector governance, including publishing financial reports for state-owned enterprises and the ratification of the Customs Act ahead of schedule.

## Challenges

**Work still needs to be done on fiscal sustainability, improving trade + market competition, and gender:** While Egypt's ability to repay the loan remains "adequate," the report points to some risks that have persisted since the Fund signed off on the SBA, including "uncertainty about the global economic conditions and some concentration of repayment obligations to the Fund in FY2023-2024 and FY2024-2025." On the upside, continued improvement in Egypt's fiscal and external positions indicate we will be able to repay.

Public debt and heavy financing needs also continue to be a challenge, leaving us "vulnerable to changes in financial conditions for emerging markets." The report points to the possibility of another mass exodus of capital that could ramp up pressure on the currency and lead to financing pressures. "Strengthening resilience to further shocks and maintaining investor confidence in Egypt's economic outlook requires continued timely policy implementation."

We also need to double down on:

- Improving competition to encourage economic growth and job creation led by the private sector;
- Advancing women's labor force participation and closing the gender gap by providing tools such as setting up childcare facilities and offering training programs to women;
- Preparing the labor force for digitized work in the post-COVID world. (Enterprise 10.01)

[Back to Table of Contents](#)

### 11.8. EGYPT: Egypt's New Private University Admissions System

This January, Egypt's Higher Education Ministry is launching a centralized platform for private university applications in a manner similar to the Tansik system used for public universities. Essentially, the platform will consolidate enrollment applications to all non-state universities in one place. Private and non-profit universities will still set their own acceptance requirements, including grades and aptitude tests, but it will be the system that assigns students their seats at universities, taking the element of choice from the university and the student.

**Navigating the new system as a university:** The electronic platform will be managed by the Higher Education Ministry's Supreme Council of Private Universities, which will be revealed in a website. Private and non-profit universities will register on the platform, feeding it its academic requirements for acceptance. The university must also publish information about tuition fees and other expenses, as well as its preferred payment method.

The universities will also inform the system of the seats available for every faculty and department in the upcoming term. It will also log the number of scholarship recipients it plans to have and the standards for selecting them. The universities that require prospective students to sit for entrance exams must schedule them in March for the Fall Semester and in December for the Spring Semester. Those grades will then be submitted to the platform along with lists of the students that passed their entrance exams (if applicable).

**Which universities will be subject to the decision?** The platform will apply to locally registered private and non-profit universities that are regulated by the Higher Education Ministry, including Future University, 6 October University, and Badr University. Currently, there are 25 universities that will be subject to the decision, with the number expected to grow to 36, with the establishment of new universities this fall.

**Not included:** Universities registered as foreign entities, including AUC and universities under the Knowledge Hub (TKH), which are not regulated by the Supreme Council for Private Universities.

**Navigating the new system as a student:** After taking the required entrance examinations, students can begin to apply to the platform after high school and Thanaweya Amma results are released. Students will register to the platform, filling out their desired majors, and their list of preferred universities — which could encompass the whole lineup of universities in the system. They will then round up the process by submitting their grades once they are out. Students will have set grace periods to amend preferences after filing their application and to lodge appeals once the deadline closes.

The system will then take care of the rest, assigning students their university places. These placements are final and cannot be changed, sources tell us. If a student changes their mind about a preference or isn't happy with the school where they are placed, they can apply again the following term and hope for better odds. That place will then be assigned to someone else.

**How will the algorithm decide children's future?** The student's high school grade will be the key determinant for admissions — the higher the grade, the better the chances for an applicant to study their desired major at the university of their choice. Admission test results, the number of places available at each faculty at each university, as well as the student's preferences will also be taken into account.

**Distribution of students will be done in three stages:** The first phase is for students with the highest grades, followed by a second phase for students with intermediate grades, and a third for those with the lowest. If there are any empty seats remaining after the three phases, universities can then advertise for and fill these seats at their own discretion.

The process will be done separately for students following different educational systems. So Thanaweya Amma students will be compared with one another and students of other systems (IGCSE, IB, American Diploma, etc.) compared with one another, rather than attempts at overall equivalence being made. Every private university will retain the right to decide what percentage of its annual student intake is made up of students from different educational systems. A separate application date will be set to account for the different times of these exams.

**Three days to pay, or you're out:** Each student then has three working days to make a down payment to the university he or she was assigned to, or else the place is given to another student. It is the university's responsibility to inform the system of those who haven't paid.

**When's it coming?** A pilot phase of the program will be launched in January for the coming spring semester, which will begin at the end of January or early February. It is still unclear how many universities will be selected for the program. All private and non-profit universities will be part of the system by the fall semester of the 2021-22 academic year, sources tell us. This is set to precede a combined unified admissions platform for public and private universities in the 2022-23 academic year.

**What the system hopes to achieve:** The ministry has received “many” complaints over the years that some universities are willing to provide open seats to students who have the ability to pay even if that student fails to meet the university's academic requirements. This closes off access to high achieving students, which is what the system hopes to solve, they added, without giving us details on how widespread the problem was.

But wider fundamental concerns exist among university officials and parents, which appear to be growing as the deadline to launch the system approaches. A key concern for university operators we spoke with was any potential hit they might see to profitability if the distribution mechanism doesn't allocate them the same number of students they usually accept — which in some ways is the point of the whole matter. But beyond the financial damages, what concerns operators and parents is the element of choice. For universities, it's about safeguarding their right to apply other criteria besides the GPA when selecting students. For parents and students, there's a strong belief the centralized platform's allocation mechanism shouldn't supersede their own right to choose which university to attend, if they receive multiple offers and can pay. Isn't that the whole point of having a private sector? (Enterprise 10.01)

[Back to Table of Contents](#)

## 11.9. TURKEY: Turkey's 'Wealthless' Wealth Fund a Tangle of Problems

Mustafa Sonmez posted in [Al-Monitor](#) on 13 January that Turkey's sovereign wealth fund is under mounting criticism for being exempt from public auditing despite using major public assets in its transactions.

Controversies surrounding Turkey's sovereign wealth fund have only grown since its creation four years ago amid swirling questions about its jumbled legal status, dubious purposes and exemption from public auditing. The fund — created hastily in 2016 — was back in the spotlight in the first days of 2021 as TL 75 million (some \$10 million) in prizes from the New Year's Eve lottery, won by unsold tickets, were transferred to the fund, which holds the license rights of the national lottery. The transfer triggered a social media campaign, backed by celebrities and opposition leaders, urging Ankara to use the money for the ultra-expensive treatment of infants with a deadly neuromuscular disease. President Erdogan, who chairs the fund, reacted angrily, slamming the campaign as “immoral” for portraying the government's health care measures as insufficient.

Only a few weeks earlier, the fund was under fire for selling 10% of the Borsa Istanbul stock exchange, a company in its portfolio, to its Qatari counterpart as part of a series of deals with the wealthy Gulf emirate, Erdogan's prime regional ally. The fund's exemption from public auditing remains a heated topic in parliament.

The fund's portfolio contains 20 public enterprises, some licenses and an array of immovable public properties. But in reality, it hardly possesses any wealth. Most of the entities in its portfolio remain attached to the Treasury and Finance Ministry or other ministries, and any revenues they generate go to the central government budget. Similarly, any capital decreases or losses they incur are covered from the same budget. Even more intriguingly, the fund, which has a company status, is beyond the auditing authority of the Court of Accounts, Turkey's top public auditor, unlike the enterprises and banks whose shares it holds.

Turkey's wealth fund is similar only in name to sovereign wealth funds created typically by oil-rich countries to turn their current account surpluses into investments. Turkey has a chronic current account deficit and its economy relies on foreign capital to grow.

The fund rests on a flawed institutional design, which jurists describe as a legal oddity. Besides the legal confusions it creates, the fund and its dubious operations have fueled various conspiracy theories and futile debates, creating one problem after another.

The public enterprises handed over to the fund, including pipeline operator BOTAS, oil exploration company TPAO, the Turkish Maritime Organization and mining enterprise Eti Maden, rest on a special legal framework, which prevents the fund from making decisions on their management and operations. Their budgets, for instance, are drawn up by the Treasury and Finance Ministry, which is also where their profits go.

According to its establishment statute, the fund aims to finance itself through licensing, profit and rent revenues from the assets it holds, and to provide capital support to “visionary projects” in Turkey. Yet the revenues of the said companies go to the central government budget and not the fund. In the first nine months of 2020, for instance, TL 2.3 billion (some \$309 million) in revenues from public enterprises went to the budget rather than the fund. Similarly, it was the treasury that injected capital to the public Ziraat Bank and Halkbank when they needed propping up in April 2019.

Also, many of the companies in the fund's portfolio, including the Borsa Istanbul, the postal service PTT, satellite operator TURKSAT, Ziraat Bank and Halkbank, have their own legal statutes, which is another reason preventing them from becoming the “wealth” of the fund. Each entity is attached to a ministry. The law regulating Ziraat Bank and Halkbank, for instance, says that their publicly owned shares are

represented and managed by the relevant minister. In other words, the fund cannot use any shareholder rights regarding the banks.

Given all those limitations, critics have charged that the fund is in fact an alternative borrowing tool for the government. Back in 2017, Selin Sayek Boke, a professor of economy and senior member of the main opposition Republican People's Party, argued that the fund, in its existing shape, "could only take over public assets and put them up as collaterals in order to borrow" — and with little accountability. It lacks the means "to convert resources into investment," she said, calling it "a borrowing fund rather than a wealth fund."

Indeed, the fund has used public assets as collaterals to borrow, but all it has managed to get thus far is a loan of €1 billion (\$1.2 billion), guaranteed by the treasury. The loan, issued in 2019 by a consortium led by Citibank NA/London and China's ICBC, was used to rescue troubled construction companies, as AI-Monitor reported at the time. The fund paid some \$300 million for a stake, including outstanding liabilities, in the Istanbul Finance Center, a sprawling project where construction had stalled amid financial snags. The companies rescued through the purchase were Agaoglu Insaat — one of Turkey's largest construction firms that saw its heyday under Erdogan's government — and Intas and YDA.

The lack of any public auditing of the fund, even though it uses public assets for certain transactions, remains one of the most controversial aspects of the body. Critics say it has become a tool for unaccountable governance and cronyism. Boke has slammed the fund as an "unchecked parallel treasury," while Meral Aksener, leader of the opposition Good Party, has called it a "highly dangerous parallel treasury" that should be abolished. (AI-Monitor

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