The FORTNIGHTLY

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

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1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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1.1. Israel Re-Opens Diplomatic Missions in Morocco

Israel's diplomatic mission to Morocco reopened on 26 January in of Rabat, as Ambassador Govrin arrived in the country. The mission was closed some 20 years ago as the ties between the two countries were suspended, although Israel retained the building that hosted the liaison office. Morocco similarly retained the office hosting its own mission in Tel Aviv, which was also closed at that time.

Also on 26 January, the Israeli consulate opened in Dubai. The consulate is Israel's second mission in the country as the embassy opened on 24 January, with Ambassador Na'eh landing in the UAE.

Israel's Foreign Minister Ashkenazi welcomed the development, saying that it wrapped up the first phase of establishing Israel's diplomatic footprint in the region under the US-brokered Abraham Accords. He stressed that just several months ago, Israel only had representation offices in Jordan and Cairo, but now, the number stands at six, also including the mission in Bahrain. (ILH 27.01)

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1.2. Morocco & Israel Sign First Agreement to Open Direct Flights

On 21 January, Morocco and Israel signed the first agreement to open direct flights between the two countries. Israel's Foreign Ministry announced the news, saying that the agreement will allow direct flights between Israel and all international airports in Morocco. The agreement will also benefit all companies, without restrictions on the number of firms and the size of flights per week. The agreement is part of the provisions of the Joint Declaration Israel and Morocco signed on 22 December along with the US. Both countries are also set to open direct liaison offices.

Morocco announced its decision to resume diplomatic relations with Israel on 10 December. Rabat and Tel Aviv seek to promote cooperation in trade investment, innovation, tourism, water, food security and agriculture. The two countries will also cooperate on energy; telecommunications, and a vast range of socio-economic sectors. Israeli state carrier El Al Airlines is expected to open the first direct flight between the two countries. The first flight landed an Israeli-US delegation to Morocco in December. (MWN 22.010

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1.3. Israeli Minister Makes First Ever Visit to Sudan

Israel's Intelligence Minister Cohen visited Sudan on 25 January in the first Israeli public ministerial trip to the country, which followed the announcement of normalization between Israel and Sudan in October. Prime Minister Netanyahu had instructed his Cabinet ministers not to visit the UAE or Bahrain before he visits there first. Reportedly he plans to visit both countries mid-February. In contrast, Netanyahu has no plans to visit Sudan before the March elections.

Cohen arrived in Khartoum heading a delegation from his ministry and from the National Security Council. The delegation held talks with senior Sudanese officials, including the chairman of the Sovereignty Council, Gen. Abdel-Fattah Burhan and Sudanese Defense Minister Ibrahim. During the meeting with the latter, Cohen signed a memorandum of understanding on security-related issues. The delegation discussed with Sudanese counterparts diplomatic, security and economic issues. It was noted that both sides spoke about the necessity of establishing regional security as a means of development and agreed to deepen intelligence cooperation. They also discussed the possibility of Israel joining the Red Sea Council, where Egypt and Saudi Arabia are also members.

Members of the Israeli delegation brought up in the talks a series of potential economic/development projects that could be advanced, in fields of water management, smart agriculture, health and aviation. One possibility would be for Israeli companies to build up a desalination plant in Sudan, and also for Sudanese to come to Israel to learn about Israeli agriculture innovations. Another topic discussed was Sudanese regulations that threaten immigrants coming back from Israel with imprisonment. The two delegations also agreed to inspect ways of encouraging mutual investments. (Al-Monitor 28.01)

2. ISRAEL MARKET & BUSINESS NEWS

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2.1. Swapp Raises $7 Million Seed Round Led by Point72 Ventures & Entrée Capital

Swapp raised $7 million in Seed funding, led by Point72 Ventures and Entrée Capital with the participation of existing investors. The investment will support Swapp's continued market expansion for its construction-planning platform and expand its AI capabilities. By streamlining the conception, architectural design, and engineering processes, Swapp's AI platform helps real estate developers and construction companies maximize their property investments and realize the full potential of their sites and projects by enabling them to directly control every phase of their project planning process.

In addition to generating, optimizing, and iterating design options, Swapp's platform also supports construction coordination of structural, architectural, engineering, mechanical, electrical, and plumbing (MEP) plans and produces detailed construction drawings and design models according to customers' needs and requirements.

Tel Aviv's Swapp is an AI-driven planning company that developed a single-platform for real-estate developers and construction companies to create their entire construction planning, from feasibility assessments to detailed construction documents plans and begin work within weeks. With the use of their one-stop-shop platform, Swapp is redefining the pre-construction planning process and introduces smart, efficient, and flexible construction planning. Using their platform, real estate developers and construction companies can control every phase of their project planning process and readily adjust them to their budget and needs. (Swapp 21.01)

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2.2. GenZ TikTok Sensation Adika Lands in the UK

Adika is taking its cutting edge styles to the home of incumbent fast fashion heavy-weights of the likes of ASOS and Boohoo. Commanding an online following half the size of ASOS, with a fraction of the marketing budget, Adika is truly a TikTok first brand. It has become common to see TikTok creators who are in the know wearing Adika styles from head to toe.

With the confidence of a true fashionista, the company's entry into the United Kingdom fashion market will see it face off with leading European brands of the likes of Boohoo, ASOS, Missguided Zalando and more. Adika was launched in the US two years ago, with an international website and a flagship store in SoHo, New York, leading the fashion world of Gen Z. The site operates an extensive activity throughout the country, with revenues estimated at the tens of millions of dollars. The UK fashion site will provide fast free shipping on purchases over £50.

Tel Aviv's Adika is an Israeli-based online fashion and lifestyle retailer established in 2011. The brand offers an extensive selection of fashion clothing items, footwear, bags, and accessories for young women within a wide range of sizes, prices, and updated weekly styles. The brand, highly popular amongst fashionistas, has established its position as a solid home for fast trendy fashion, with dozens of new items being uploaded to the site weekly, following up on the world's leading trends. In March 2018, the company became a publicly traded company listed at the Tel Aviv Stock Exchange. (Adika 21.01)

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2.3. American Airlines to Return to New York-Tel Aviv Route Starting in May

American Airlines announced that it will return to flying the Tel Aviv - New York route starting on 6 May. The flights will be on a Boeing 777-200 and booking began on 25 January. Onboard customers can choose to travel in Flagship Business, Premium Economy or Main Cabin, while Wi-Fi and inflight entertainment will be available throughout the aircraft. American Airline says that its return to Tel Aviv is part of the new strategic alliance between JetBlue and American Airlines Group. This partnership offers customers enhanced connectivity and access to the biggest network in the Northeast of the US. American Airlines also intends to launch new service from Tel Aviv to its largest hub, Dallas-Fort Worth, later in 2021, which will provide several connections throughout the U.S. (AA 22.01)

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2.4. UVeye Secures Strategic Investment from Hyundai Motor Company

UVeye has raised more than $40 million from carmakers and other strategic investors such as W. R. Berkley Corporation since it was founded four years ago. Hyundai’s investment is part of an ongoing plan to make use of UVeye’s products and platforms at various locations across Hyundai’s operations globally. UVeye offers inspection systems for use in both the homeland security and automotive fields. The company's solutions can be used throughout the lifecycle of a vehicle, from supplier and OEM assembly lines to new-car showrooms, dealership service departments and used-vehicle auction sites. Its inspection platforms add a layer of efficiency and enable new data insights for customers along the automotive value chain.

UVeye's drive-through systems can detect any external or mechanical flaw and identify anomalies, modifications or foreign objects from all sides of any vehicle. The scanning process completes within a matter of seconds and can be used throughout the entire lifecycle of a vehicle. UVeye inspection technology currently is in use in a variety of automotive applications, from vehicle manufacturing and assembly lines to shipping and logistics, dealership service departments, used-vehicle auctions and major fleet operations. Initially developed for use by the security industry to detect weapons and contraband, today the technology is being employed in the automotive industry to identify leaks and scratches, as well as damage to the tires, brakes and exhaust-system components, as well as any other potentially hazardous mechanical issues. (UVeye 19.01)

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2.5. Melio Completes $110 Million Funding Round

Melio has raised $256 million in the three years since its launch and $240 million of it in the past year alone. On 25 January, the company completed a $110 million financing round at a valuation of $1.335 billion, adding to the growing list of Israeli unicorns. The company's valuation doubled in the most recent round, having raised its previous 2020 round at a $700 million valuation.

The recent financing round was led by Coatue Management, which had invested in Melio before as well as in a number of other prominent Israeli companies such as Rapyd and Gong. Investors from previous rounds include Accel, Aleph, Bessemer Venture Partners, Corner Ventures, General Catalyst, Latitude and LocalGlobe. Salesforce and American Express Ventures.

The company launched its product in May 2019 and has already processed billions of dollars in payments. It carries out a majority of the transfers for free, with its business model relying on charging a commission for premium services that help clients manage their cash flow. Melio will use the capital it raised to expand its team. The company currently employs 200 people, split roughly evenly between the Tel Aviv and New York offices. It plans to recruit 300 more people this year, mostly in Israel. The money will also be used to expand its marketing and sales efforts in the U.S.

Tel Aviv's Melio is a modern payment solution tailor-made for small businesses. Pay by bank transfer (ACH) or your credit card even if your vendors only accept checks. Proud to provide services that help Keep Small Businesses in Business. Melio benefitted from perfect timing and a measure of luck. Its solution helped small businesses overcome the payment transfer challenges brought about by the COVID-19 pandemic and in fact provided a business lifeline to many of them. (Various 26.01)

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2.6. Pomvom Planning a $45 Million Initial Tel Aviv Offering

Pomvom is targeting an IPO on the Tel Aviv Stock Exchange at a valuation of approximately $45 million. Pomvom is planning to offer 30% of its shares with the hope of raising around $13-15 million. The company completed a private funding round last year at a valuation of $30 million. The company has to date raised $12 million from private investors who own the remainder of the shares.

Pomvom's AI image recognition technology enables site operators in the entertainment and attractions industry to provide guests with the chance to capture images that would have previously been impossible, and view and order content from a personalized digital album through the attraction's app. Users upload a selfie and receive content captured of them in real-time. By purchasing content on the app, operators can bypass the need for visitors to stand in queues waiting to collect personalized content.

Pomvom acquired Picsolve, a British digital content capture partner for visitor attractions, last summer for just one million pounds after COVID-19 handed the UK company a deathblow. Picsolve had reached annual revenue of around $100 million thanks to its photography sites in amusement parks and numerous attractions in Europe and North America, but their closure due to the pandemic brought its income to a grinding halt.

Herzliya's Pomvom provides an innovative end to end solution for automated photography through image recognition software. The company develops a pioneering image recognition AI platform, easy to integrate and use. The solution is capable of recognizing individuals in real-time in a crowd and in various conditions, capturing their experience and automatically conducting personalized content distribution across vast groups of users. (Pomvom 24.01)

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2.7. DriveNets Raises $208 Million for the Network Cloud Infrastructure of the Future

DriveNets has raised $208 million in a Series B funding round that brings DriveNets' valuation to more than $1 billion. The company will use the investment to continue to offer service providers a radical new way to build their networks with higher capacity and scale at a much lower cost. DriveNets Network Cloud is already deployed as the core routing solution for AT&T, one of the largest networks in the world, demonstrating the scale and efficiency of a fully virtualized, disaggregated network. The funding will also allow DriveNets to expand to new geographies, responding to the surge in demand for more connectivity and infrastructure that can be easily scaled in a cloud-native fashion.

The round was led by new investor D1 Capital Partners with significant follow-on investments from existing investors Bessemer Venture Partners and Pitango. New investor Atreides Management also participated in the round.

Founded in 2016, Ra'anana's DriveNets is a fast-growing software company that builds networks like clouds. It offers communications service providers and cloud providers a radical new way to build networks, detaching network growth from network cost and increasing network profitability. DriveNets Network Cloud is the leading open disaggregated networking solution based on cloud-native software running over standard white boxes. (DriveNets 27.01)

3. REGIONAL PRIVATE SECTOR NEWS

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3.1. Jordanian Agritech Startup TWIG Secures Seed Funding

TWIG, a Jordan-based Agritech startup, has secured a Seed funding round from Miqdadi Agricultural Materials Company (AMC). TWIG specializes in providing integrated services and products to the agricultural sector, such as landscaping and garden maintenance, as well as providing garden owners with the opportunity to choose their own designs, making it simpler for them to manage their business and workforce. They also provide smart software solutions that support home gardening.

TWIG recently benefited from the business acceleration program provided by HASSAD, which specializes in supporting entrepreneurial projects operating in the field of agricultural and food technologies. HASSAD highlighted the importance of the investment due to TWIG being one of the companies that benefited from the first acceleration program implemented by the accelerator last year. The newly raised funds will help TWIG in the implementation of growth plans, including geographical expansion and to develop related technological solutions.

A comparative gardening platform which provides trusted landscape services, products and accessories, TWIG, founded in 2019, set out itself to be a provider in integrated services and products in the gardening and landscaping sector, which empowers members of the working community in the agricultural sector such as; gardeners, agriculture engineers, and garden designers to access the market. (TWIG 24.01)

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3.2. Gocash Secures $300,000 in Pre-Seed Funding Round

Gocash has announced a $300,000 Pre-Seed funding round, from undisclosed angel investors. Gocash provides an accessible financial services platform, enabling stores in a specific area to act as "virtual ATMs" using a smartphone or POS-system. It democratizes the process of cash distribution in order to reduce the "cost of cash" and help millions of Jordan's unbanked access the financial system. The startup is currently developing a software that will be pilot-tested in Jordan to enable small stores to become "cashpoints." They are also at various stages of engagement with several banks and payment processors in the country to integrate the software into their digital banking platforms. In Jordan alone, Gocash estimates that banks together spent over $25 million last year to maintain ATMs, including rental, power supply, and armored vans. ATMs are expensive for banks to install/operate, yet over 75% of all consumer payments continuing to happen using cash, the startup states.

With the slow pace of financial inclusion and the high cost of financial services to expand by opening branches or by installing expensive ATMs in rural areas, Gocash's vision is to make everyday life easier for users by building a cash dispenser agent network. Gocash are looking to create a location-based matchmaking platform that connects those who want to withdraw cash with those who want to deposit cash – typically, a shop owner. They will not only reduce cash management efforts, but will also receive a commission on each transaction, increase foot traffic, and sales opportunities. The new investment will fund the acceleration of product development and expansion of the Gocash network.

Amman's Gocash is fintech startup that enables every shop in the neighborhood to act as a “virtual ATM” using just a smartphone or its POS-system. It democratizes the process of cash distribution in order to reduce the “cost of cash”. Gocash's location-based matchmaking platform connects those who want to withdraw cash with those who want to deposit cash – typically a local shop owner. It builds a community around local businesses and helps them generate physical leads. (Gocash 27.01)

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3.3. Bahrain’s Arcapita Buys US Student-Housing Properties

Bahrain-based investment firm Arcapita Group Holdings on 1 February announced the acquisition of a student-housing property at Clemson University in South Carolina, part of its growing portfolio of such projects in the US. The Clemson Lofts deal follows the recent acquisition of Quarry Trail, a student-housing property at the University of Tennessee. Both deals were valued at $120 million and bring to around 1,500 the number of student-housing beds under Arcapita’s ownership.

Clemson Lofts is a 640-bed student-housing property located near Clemson University, the second-largest university in South Carolina. It currently has an average occupancy rate of 99%. Quarry Trail, an 840-bed student-housing unit in Knoxville, was bought by Arcapita in January last year. Arcapita has offices in Atlanta, London, Singapore and Bahrain. Over the last 24 years, it has recorded over 90 investments with a total transaction value in excess of $30 billion. (AN 01.02)

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3.4. spiderSilk Raises $2.25 Million Pre-Series A funding

spiderSilk, a Dubai-based cybersecurity firm specialized in advanced threat detection technology, has successfully raised $2.25 million in a Pre-Series A funding round. The round was co-led by Global Ventures and STV, along with several international angel investors participating.

spiderSilk reimagines threat detection away from the standard multi-solution, human resource-intensive proposition, to an automated, intelligent, and cost-effective one. The company's technology maps out attack surfaces and uncovers broad vulnerabilities to eliminate security breaches. spiderSilk focuses on finding security exploits/vulnerabilities in applications residing on public and/or internal infrastructures. They use methodologies and "super-hackers" to achieve simulations with high impact and have uncovered threats that they believe would have impacted over 120 million human beings in aggregate. The new funds will be used to expand spiderSilk's geographic footprint across the MENA region, and establish a presence in North America.

spiderSilk is a Dubai-based cybersecurity firm, specializing in simulating the most advanced cyber offenses on your technology so you can build your best security defenses. Their proprietary machine-driven technology dramatically enhances the capabilities of our human ethical hackers, thereby leveraging both the power of machines with the creativity of humans. They focus on finding security exploits/vulnerabilities in applications residing on public and/or internal infrastructures. Their methodologies and "super-hackers" allow us to achieve simulations with the highest impact, and as a result they have uncovered threats that would have impacted over 120 million human beings in aggregate. (spiderSilk 25.01)

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3.5. Zbooni Secures $5 Million in Series A Funding

Zbooni has announced a $5 million Series A funding round, led by an undisclosed London-based fund. At the start of the year, Zbooni recorded a rapid acceleration in 2020, including 600% in customer growth. As of January 2021, Zbooni supports thousands of merchants, transacting tens of millions of dirhams every month, and to-date has allowed its merchants to serve more than 150,000 end-customers.

The platform, which started out as a chat commerce venture enabling payments via WhatsApp, has spent the past 12 months diversifying its product line to provide a full suite of business support and enablement tools. This strategic development has increased the core number of merchants using Zbooni, while also increasing the retention of merchants across all geographic markets, the startup has stated.2020 Saudi Arabia Venture Capital Report. The new funding will be used to expand the Zbooni team across its current core markets of the UAE, Saudi Arabia, and Jordan.

Since its inception in 2017, Dubai's Zbooni provides services for a wide variety of businesses, with tools including invoicing technology, payment enablement, digital store creation, and customer management support. As of January 2021, Zbooni supports thousands of merchants, transacting tens of millions of dirhams every month, and to-date has allowed its merchants to serve more than 150,000 end-customers. (Zbooni 26.01)

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3.6. NymCard Raises $7.6 Million in Series A Funding

NymCard announced a $7.6 million Series A funding round, led by Shorooq Partners with the participation of OTF Jasoor Ventures and VentureSouq. This round brings NymCard's total funds raised to date to $12 million. NymCard delivers leading-edge card issuing and processing solutions for financial institutions, banks, and Fintechs in the region. With proven technology, the platform digitizes the payment card experience end-to-end helping to cut down program costs and to launch innovative customer focused propositions in a timeframe of fewer than 8 weeks.

Using the NymCard advanced API integrations, Fintechs and emerging financial services institutions are able to enter the market at speed, securely, and with scale, the startup states. NymCard has received regulatory approvals from the Financial Services Regulatory Authority (FSRA) to be able to remove the friction from issuing payment cards to its clients by extending its services to cover regulated activities. NymCard removes the burden of dealing with the operational and regulatory requirements that come with issuing payment card programs. The Series A funding will help to support the growth of NymCard within the MENA region.

Abu Dhabi's NymCard delivers leading-edge card issuing and processing solutions for financial institutions, banks, and Fintechs in the region. Using the NymCard advanced API integrations, Fintechs and emerging financial services institutions are able to enter the market at speed, securely, and with scale, the startup states. (NymCard 31.01)

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3.7. How Saudi Arabia is Leading a New Gulf Investment Charge in the US

Gulf-based sovereign wealth funds bet big on the United States during 2020 despite prolonged low oil prices and coronavirus lockdowns, according to the Sovereign Wealth Fund Institute (SWFI). The SWFI said 2020 recorded the largest direct investments by Middle Eastern sovereign funds in the US. Last year, regional sovereign wealth funds directly invested $14.7 billion in the US versus $6.5 billion in 2019 and $6.2 billion in 2018.

According to the SWFI figures, Saudi Arabia's Public Investment Fund (PIF) led the American investment charge in recent years. The SWFI added that the Abu Dhabi Investment Authority (ADIA) and Qatar Investment Authority (QIA) fluctuated in their direct US investments throughout the decade, especially after getting the sour taste of bailing out too-big-to-fail banks during the global financial crisis.

ADIA and the Kuwait Investment Authority (KIA) allocated significant amounts of capital to third-party investors, opting for direct investments in real estate, infrastructure, and select private equity opportunities. Kuwait Investment Authority (KIA) allocated significant amounts of capital to third-party investors. The figures also showed that the financial sector direct investments have never fully recovered since the global financial crisis as a leading percentage of total direct investments in the US by GCC sovereign wealth funds. (AB 20.01)

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3.8. GetMuv Gets $500,000 Bridge Investment from Wa'ed

GetMuv, the Jeddah-based fitness app that provides Saudi Arabians flexible access to fitness clubs and health centers, has secured a $500,000 bridge investment from Wa'ed, the entrepreneurship arm of Aramco. GetMuv's app gives local men and women of all ages the ability to enjoy flexible and affordable health and wellness memberships across multiple gyms throughout the Kingdom, instead of making long-term commitments to a single club. The platform has encouraged more than 100,000 Saudis to train regularly, raising overall fitness levels in the Kingdom during the COVID-19 pandemic by eliminating the restrictions of unpopular, long-term gym contract commitments.

With Wa'ed's follow-up investment, GetMuv has launched 1Pass - a corporate gym, sports and fitness club membership plan that allows employees of registered companies to use participating gyms of their choice, pay monthly, and activate or cancel their passes anytime without having to pay sign-up or cancellation fees. 1Pass enables companies to measure the fitness levels and health activity of their employees through an interactive dashboard. GetMuv also plans to use the new funding to expand into the Kingdom's corporate health and wellness sector. (GetMuv 27.01)

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3.9. Hakbah Secures $1.2 Million in Seed Funding Round

Hakbah has closed a $1.2 million Seed funding round. The round was funded by a group of undisclosed investors, six months after obtaining the approval of the Saudi Central Bank (SAMA) to launch its commercial services in the Kingdom.

Hakbah aims to modernize and ease saving behaviors through the Hakbah app for savings groups in a reliable, trusted and straightforward manner, helping individuals increase their monthly regular saving amounts within the financial system. Hakbah has over 5,000 verified users, representing 25 nationalities. Hakbah says most prominent saving habits worldwide are savings groups between family and friends (also known as *Jamiya*) and that the pandemic has increased the importance of savings for individuals. They estimate that the savings groups' market size in Saudi at more than $6 billion annually. Savings Groups are traditionally managed and Hakbah seeks to change that with their app.

Hakbah plans to continue with product development, attract top talents and accelerate marketing efforts; ultimately aiming to serve more than 25,000 customers in the coming months, seeking to be the preferred platform for alternative savings in the region.

Riyadh's Hakbah is an Islamic Fintech startup specialized in cooperative savings with a mission to renovate and digitize traditional financial practices. Hakbah graduated from the DIFC Fintech Accelerator Programme 2019. It signed a strategic partnership agreement with Visa and joined the global 'Visa's Fintech Fast Track' program in September 2020. (Hakbah 25.01)

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3.10. Kitch Cloud-Kitchen Business Launches in Middle East

Kitch has officially launched in Saudi Arabia and the UAE - the region’s first hybrid, delivery-focused, cloud kitchen and premium store-front operator. Kitch represents two important aspects of the business – kitchen and technology, entering the F&B sector with privately raised capital of $15 million. The tech-integrated, virtual restaurants and brick-and-mortar facilities of Kitch will offer brands state-of-the-art avenues to enter new markets as well as provide an option to diversify and scale their food delivery and customer engagement with minimal investment.

F&B industry is critical to the cultural vivacity of a city, and a major driver of the economy, and Kitch will bring a portfolio of exciting brands and innovative culinary offerings. It will offer an exclusive mix of new and existing brands in the region in addition to international franchises. The team will also test new restaurant concepts, menu items, and seasonal brands to deliver a differentiated customer experience. Launching first in key markets such as Saudi Arabia and the UAE, the vertically integrated, hybrid food-tech start-up is set to open four delivery kitchens in Riyadh within the Q1/21 and additional 15 kitchens across the GCC in the rest of the year. Each delivery kitchen is spread over an area of 450-sq-m to 500-sq-m and is fully equipped to house around 10 food concepts.

Kitch's mission is to be at the forefront of food innovation and take the kitchen in the cloud concept to the next level through a more flexible, hybrid cloud approach. The operator aims to achieve operational excellence and set industry benchmarks by offering an integrated, next-generation model that focuses on quality over quantity. (TradeArabia 01.02)

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3.11. FOODICS Raises $20 Million in Series B Funding Round

Saudi Arabia-based FOODICS, the F&B tech startup, has announced a $20 million Series B funding round, led by Sanabil Investments (a firm wholly owned by Saudi Arabia’s Public Investments Fund) and co-led by STV. Other investors in the round include Endeavor Catalyst, Elm and Derayah.

The startup offers an all-in-one retail management platform helping retail and restaurant owners run their business. Since its inception, FOODICS has processed over 5 billion orders through the platform and over 50,000 terminals while catering to over 10,000 F&B brands, the startup has shared. This latest investment round brings the total funds raised so far to $28 million. FOODICS had recently announced its entry into the Egyptian market and that it had secured $100 million through Maalem Investments to further support

Saudi retail merchants with Shariah-compliant microloans. The new funds will enable the company to grow its share in existing markets, accelerate its international expansion, as well as expand its Fintech offering.

Riyadh's FOODICS is a cloud-based restaurant management system that runs on an iPad. Foodics manages sales, transactions, inventory, employee schedules, logistics, e-commerce and customer relationships. Foodics optimizes your restaurant operations using the Foodics iPad point of sale (POS) solution, menu, notifier, kitchen display system, customer display, mobile application, call center, inventory application and the power of its operational system. (FOODICS 01.02)

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3.12. Tamara Raises $6 Million in Seed Funding Round

Tamara announced the closing of a $6 million seed funding round, led by Impact46. The round also included participation from leading local and regional investors: Vision Ventures, Wealth Well, Seedra, Khwarizmi, Hala and Nama, in addition to multiple family offices. The round is considered to be the largest seed investment in Saudi Arabia. Since joining SAMA's Fintech Sandbox, Tamara has been rapidly growing and operating officially in the Kingdom.

As a young startup, Tamara has collaborated with several leading merchants in the region, including Namshi, Whites, Floward, Saif Gallery, Toys R Us, in addition to E-commerce enablers, Salla and Zid who have successfully incorporated Tamara’s solution. The new funding round aims to back Tamara’s growth and operations in Saudi Arabia and the United Arab Emirates.

Riyadh's Tamara is a Saudi Fintech startup with a mission to empower people to buy and shop through an honest, transparent and inclusive financial solution. They provide a Buy Now Pay Later solution for customers to pay with no fees with the ability to defer payments up to 30 days or pay in 3 installments. Tamara was founded by a Saudi team and the company has attracted some of the top national and global talent. (Tamara 20.01)

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3.13. KSA's Ynmo Raises $500,000 in Seed Funding from Wa'ed Ventures

Ynmo, the Saudi Arabia-based developer of the Arabic-English software platform for teachers of students with disabilities, has raised $500,000 in a seed funding round, from Wa’ed, the entrepreneurship arm of Aramco. Ynmo is Saudi Arabia’s first, and so far only, provider of Arabic-language software assisting educators and parents of children with disabilities. Drawing on their work in autism spectrum disorders and behavioral science, Ynmo is designed to help boost parental involvement, therefore helping children become academically successful. Ynmo allows parents to engage special education teachers in productive conversations centered on their child’s learning. Parents can also access Ynmo’s individualized educational programs to support their children at home.

Ynmo’s software is sold on a subscription basis to schools and institutions and is currently being used in disabilities centers run by the UAE Ministry of Community Development. The company is currently enlarging Ynmo’s online curricula and assessment tools through collaborations with local and international publishers. The software products are giving hope and help to children with disabilities and their families, while also helping to train a new generation of educators to not only provide high-quality services, but also integrate students with disabilities into the classroom to help them reach their full potential. Ynmo believes the actual number of Saudi students with learning disabilities could be higher in line with the global average – about 10-14% of all students.

Riyadh's Ynmo is a digital solution that aims to improve the quality of care and educational services for individuals with special needs by allowing service providers such as schools, centers & clinics to design and monitor individualized treatment plans. (Ynmo 26.01)

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3.14. Odiggo Secures $600,000 in Seed Funding

Odiggo, the Egypt-based digital marketplace for automotive spare parts, has raised $600,000 in a Seed funding round. The round was split into two parts, with $300,000 being raised back in August of 2020 and another $300,000 in January 2021. The round was funded by Essa Al-Saleh, former CEO of the billion-dollar logistics company, Agility Logistics, and the current chairman of Volta Trucks, a UK-based tech auto-manufacturing company, as well as CEO of Switzerland-based advisory and investment firm, Agitero AG. In August 2020, Essa backed Odiggo as an angel investor.

Launched in 2017, Odiggo links customers with already established car parts and accessories from different vendors. It found popularity via its web platform and app, gaining 2,000 customers in its first seven months. Prior to their last funding, the startup was experiencing 40% month-over-month growth and has increased its revenue twelve-fold when compared to this time last year, the startup shared.

Odiggo is transforming the car-parts market in Egypt and the broader Middle East. Odiggo provides an online platform that links customers with already established car parts and accessories from different vendors. With the click of a button, one can order any car part or accessory online and have it delivered anywhere you want - whether at home or to one's preferred car mechanic! Odiggo knows that hunting for car parts is extremely difficult, especially in a highly informal market for used cars with no warranty, which is why they aim to solve this by digitalizing the process for customers and offering them original car parts from established sellers for the best price available. (Odiggo 26.01)

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3.15. The Great Lebanese Bank Sell Off in Egypt

First Abu Dhabi Bank (FAB) has signed a final agreement to acquire 100% of Bank Audi’s operations in Egypt and expects to complete the transaction in the next few months. The banks didn’t disclose the value of the transaction but it is believed to be about $700 million. The Emirati lender's assets will increase to EGP 120 billion ($8.1 billion) post-acquisition, making it one of the largest banks in Egypt in terms of assets. FAB’s branch count will more than triple to 70, adding Bank Audi’s 53 branches to its existing 17. Audi’s total assets were valued at $5.3 billion at the end of Q3/20.

S&P and Moody’s both downgraded Audi’s credit rating further into junk status in 2019 following protests that threw Lebanon's banking sector into a liquidity crisis. The transaction represents a strong vote of confidence in the bank’s governance and business model. The acquisition is pending several procedural approvals from within the banks and final regulatory approvals from the Egyptian and Emirati central banks, the banks said.

Another struggling Lebanese bank, Blom, also signed a final agreement to sell off its Egypt assets earlier. Bahrain’s Bank ABC agreed to purchase the subsidiary for EGP 6.7 billion and hopes to finalize the transaction during the first half of 2021. (Enterprise 20.01)

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3.16. Tayary Secures Pre-Seed Funding from Egyptian Angel Investment Networks

Tayary has secured a Pre-Seed funding round from AUC Angels, Alex Angels and The Cairo Angels. The raised funding will be deployed towards expanding geographically, growing the team, and launching extensive marketing efforts in order to increase the clients they serve over the next year.

Alexandria's Tayary is an online platform for ordering and delivering food. Tayary operates in the intersection of two growing and very interesting industries in the region; online food ordering and logistics.

Tayary started its operations in January 2017 in Alexandria, Egypt. It achieved a 4 fold growth by the end of the first year, and its consistently growing since then with a 14% month over month growth.

Launched in 2017, Tayary is a multifaceted online platform that facilitates order delivery through both B2B and B2C models. The Alexandria-based startup has developed its own order-tracking feature in-house, allowing businesses and individuals to send and receive deliveries in an affordable and efficient manner. Their current services include: online food ordering, B2B delivery services, grocery, and pharmacy shopping. During the lockdown initiated in Q2 of 2020, the startup responded by launching an additional on-demand courier service, Tayary Go, to help clients run errands while staying safe. (Tayary 28.01)

4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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4.1. UAE to Construct First Solar Landfill Project

Emirates Waste to Energy Company, a joint venture between Bee'ah, Middle East environmental management company, and renewable energy company Masdar, will undertake a pioneering project to develop Bee'ah's landfill into a solar farm — the first of its kind in the UAE. Emirates Waste to Energy Company will deliver the solar photovoltaic (PV) project that will comprise up to 120MW and will be constructed on top of Bee'ah's Al Sa'jah landfill in close proximity to the Sharjah Waste to Energy facility and Bee'ah's Waste Management Complex. The solar landfill project will be delivered across three phases, with the first phase due for completion in 2023.

Finding productive uses for closed landfills is a global industry issue due to stringent environmental monitoring and remediation requirements that can take up to 30 years. Redeveloping the landfill into a solar farm will add to Sharjah's renewable energy generation, and it is also economically and environmentally beneficial.

Emirates Waste to Energy Company will be responsible for the financing, design, procurement and construction. Under the terms of the lease agreement, operation and maintenance services will also be provided by the company for a 25-year period. The 30MW Sharjah Waste to Energy project is currently under construction and is due for completion later this year. The power plant will divert approximately 300,000 tons of solid non-recyclable waste from landfill each year, helping Sharjah achieve its zero waste-to-landfill target and the UAE's goal of diverting 75% of its municipal solid waste from landfill by 2021. (PEI 22.01)

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4.2. Morocco & Portugal Sign Agreement on Green Hydrogen Cooperation

On 2 February, Morocco and Portugal signed an agreement to cooperate on green hydrogen development. The Moroccan Minister of Energy signed the agreement with the Portuguese Minister of Energy via a videoconference. The agreement seeks to establish the required foundation to develop the partnership in the energy sector.

The two parties seek to recognize the strategic opportunity presented by the much-needed de-carbonization of the economy. Green hydrogen is a key component for the transition to green energy, and a promising field to boost sustainable development. Both parties also acknowledged the importance of green hydrogen as a cleaner and more accessible source of energy for the future of the economies of Morocco and Portugal. The two countries also agreed to strengthen ties of friendship to boost bilateral cooperation.

The Moroccan Ministry of Energy began this new challenge through the establishment of the National Hydrogen Commission in 2019, in addition to a series of research and development projects. The projects also include the creation of the national research and development platform and the involvement of scientific research in solar energy. The Portuguese Minister of Environment also emphasized the importance of the project, welcoming the relations of cooperation and friendship between Portugal and Morocco.

Portugal and Morocco also announced the future establishment of a joint working group to examine and implement several actions, including a roadmap for hydrogen and ammonia. The two countries also seek to develop a memorandum of understanding on green hydrogen. Both countries consider themselves leaders in the sector due to mass investments in the sector and their renewable energy assets. With a score of renewable energy projects across the country, Morocco has a significant potential for growth in the sector, especially in solar and wind. A study by Morocco's Economic, Social, and Environmental Council (CESE) shows that Morocco has the potential to produce 96% of its electricity using renewable energy sources by 2050. (MWN 02.02)

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4.3. Dutch-Moroccan Project Aims to Produce Drinking Water From Thin Air

The Netherlands and Morocco are collaborating on a pilot project for the production of drinking water from humidity in the air. The two countries discussed a cooperative project that will make the production of drinking water possible by catching the humidity in air using innovative technologies. The project is a component of a global partnership agreement between Morocco and the Netherlands in May 2019.

The project is part of ONEE's research and innovation activity in order to develop innovative strategies to address drinking water challenges. ONEE said the project focuses on the production of drinking water "from unconventional resources (air humidity and brackish water) and this, with a view to supplying small communities devoid of surface water resources." The agreement provides for the testing and installation of five pilot units at different sites across Morocco. ONEE said that the first pilot is being tested at the Rabat office of the International Institute for Water and Sanitation.

The first results of the test will be available within a month and will identify the three main decision-making parameters for expanding the initiative on a larger scale, including the cost, quantity, and quality of the produced water, ONEE explained. Talks between the Moroccan and Dutch officials also included a discussion on means to strengthen cooperation. The scarcity of drinking water is among the priority challenges Morocco is working to address. Morocco's government announced that investments in drinking water and electricity by ONEE reached over $800 million in 2020. The overall investment budget included $403 million for drinking water and liquid sanitation. (MWN 01.02)

5. ARAB STATE DEVELOPMENTS

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5.1. One In Six Own a Vehicle in Jordan

Jordan has witnessed a substantial increase in its vehicle population as owning one has become a necessity. Vehicle ownership witnessed a rapid increase when compared to the population from one vehicle for every 58 persons to one vehicle for every six persons, according to the 2019 Central Traffic Department report. The Jordan Strategy Forum, citing data issued by the Ministry of Transport, wrote on Twitter that the total number of vehicles in Jordan reached 1.5 million, of which 1.2 million are in Amman. According to the Department of Statistics (DoS), the overall population in the Kingdom reached 10.8 million. The population of Amman stands at 4.5 million. (JT 23.01)

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5.2. UAE to Open Embassy in Tel Aviv

On 24 January, the UAE Council of Ministers approved a decision to establish the country's embassy in Tel Aviv. The decision was approved during a cabinet meeting chaired by Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai. Earlier last year, the UAE and Israel signed an agreement mediated by the former US President Trump to establish full diplomatic relations.

Delegations from Israel and the UAE have already met to sign bilateral agreements regarding investment, tourism, direct flights, security, telecommunications, technology, energy, healthcare, culture, the environment, the establishment of reciprocal embassies, and other areas of mutual benefit. (Various 25.01)

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5.3. Oman Plans to Employ 40% of Jobseekers by Year's End

Oman's Ministry of Labor announced that it plans to employ 40% of job seekers by the end of 2021 and around 85% by next year. Omani Minister of Labor, Dr. Mahad Ba'owain, disclosed that the recent Omanization decisions would help create greater job opportunities for Omanis, according to the report. Oman's private sector is projected to take in 70% of Omani job seekers and the public sector to take in the remaining 30%, Ba'owain said. He added that the decisions made were in line with Oman's Vision 2040, the country's 10th five-year plan to address job market challenges and to support the government's strategy towards digitalization.

Muscat is currently collaborating with the private sector, Omani job seekers and the General Federation of Oman Workers to devise initiatives and find jobs through which they could make a difference in the current climate. The economic downturn caused by CVID has not just created major problems in terms of generating employment, but also in terms of laying people off. The ministry is trying to not lay off the national workforce, although there are some 300 companies who together employ about 70,000 workers demanding the dismissal and demobilization of Omanis. (Al-Arabiya 26.01)

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5.4. Saudi Arabia Ranks 14th Globally in Coronavirus Research

Saudi has ranked 14th in the world in terms of coronavirus-related research and has maintained its leading position among Arab countries. The Kingdom also ranked 12th within the G20 member states. Saudi universities have managed to publish as much as 84% of the Kingdom's Coronavirus related research, indicating that the total relating researches published across the Kingdom, was as many as 915.

The latest report on the Kingdom's efforts come a week after a research team at the Imam Abdulrahman bin Faisal University in Saudi Arabia succeeded in producing the first Saudi vaccine against the coronavirus after its preclinical studies were concluded pending clinical trials once approved. The research team is led by Dr. Iman Al-Mansour, an assistant professor at the university with a doctorate in biomedical engineering and biotechnology from the University of Massachusetts. Saudi Arabia has allocated half a billion dollars for vaccine research, according to Minister of Health al-Rabiah. (Al Arabiya 25.01)

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5.5. Saudi Unemployment Rate Down to 14.9% in Third Quarter

The unemployment rate among Saudis decreased to 14.9% in Q3/20 from 15.4% in Q2/20, compared to 11.8% in Q1/20, according to data from the Saudi General Authority for Statistics. In addition, unemployment rate among males and females stood at 7.9% and 30.2%, respectively in the same period. Meanwhile, unemployment rate among all residents (15 years and above) dropped from 9% from 8.5% by the end of Q3/20.

The Saudi labor market and economy are still impacted by the COVID-19 pandemic. The total number of employed persons across the Kingdom stood at 13.46 million in Q3/20. Males accounted for 82%, or 10.97 million. (AN 23.01)

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5.6. Some 257,000 Expats Leave the Saudi Labor Market in Third Quarter

The number of expatriates working in Saudi Arabia fell by 257,200 during the third quarter of 2020 compared to the second quarter, according to labor force survey conducted by the General Authority for Statistics. On the other hand, the number of Saudis employed in the labor market rose by 81,900 quarter-on-quarter (QoQ), reaching 3.25 million, during the same period. It should be noted that the Saudi labor market has been affected by the coronavirus outbreak during Q2 and Q3/20. (AN 24.01)

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5.7. Saudi Imports from China Increase by 17.8% in 2020 to $28.1 Billion

Saudi imports from China rose 17.8% year-on- year in 2020 to $28.1 billion, according to a report from Mubasher, citing figures from China Customs. Despite this increase, the Kingdom's overall trade surplus with China was down 63.9% last year to $6.2 billion, the report said. The Kingdom was still the world's biggest oil exporter, as well as surpassing Russia to keep its ranking as China's top crude supplier in 2020.

Oil demand in China, the world's top oil importer, remained strong last year despite the challenges brought on by the COVID-19 pandemic. Chinese imports rose 7.3% to a record 542.4 million tons, or 10.85 million barrels per day (bpd). Saudi shipments to China in 2020 rose 1.9% from a year earlier to 84.92 million tons, or about 1.69 million bpd, data from the General Administration of Chinese Customs showed.

Saudi-China relations have strengthened over the years. During the COVID-19 pandemic, ties were further strengthened with the two countries offering each other assistance and staunch support. The past three years have marked a rapid increase in Saudi- China links. King Salman visited the country as part of a six-country Asian tour early in 2017, setting the seal on a "comprehensive strategic partnership" between the two countries when he met Chinese President Xi Jinping. A joint high-level committee was established to guide future economic development strategy. That was followed by a later visit by Crown Prince Mohammed Bin Salman, adding greater depth to the relationship and further aligning the two countries' main economic development plans — the Belt and Road Initiative by which China seeks to play a leading role in regional development, and the Vision 2030 strategy aimed at diversifying Saudi Arabia away from oil dependency.

China has also become the top export destination of Gulf Cooperation Council (GCC) petrochemicals and chemicals, accounting for about 25% of GCC exports. At $180 billion, the GCC (GCC) trade with China accounts for over 11% of the bloc's overall trade. In 2020, China became the GCC's top trading partner, replacing the EU for the first time. (AN 24.01)

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5.8. Egypt's Slow Tourism Recovery Will Weigh on GDP This Year

Egypt's economy will grow 2.4% this fiscal year amid sluggish global tourism recovery and weak domestic demand, but will accelerate to 4.1% in FY2022/3, the Economist Intelligence Unit (EIU) said in its January report. The forecast for the current fiscal year is below the lower end of the Finance Ministry's recently updated forecast, which targets a range of 2.8-4%. The EIU expects real GDP growth to rise over the next three fiscal years, peaking at 5.7% in FY2024/5 before cooling off slightly to 5.2% in FY2025/6.

The caveat: The recovery in vital sectors such as tourism — accounts for 9.5% of employment and 5.5% of GDP — will depend heavily on how consumer demand in the EU recovers and a speedy vaccination program. The EIU expects a large-scale rollout of vaccines around the world in Q2/21 in developed economies, while the rollout of vaccines “at scale” in middle-income and emerging economies is unlikely to happen before 2022. This pace suggests the global “mass coverage” milestone will only be hit by the end of the year.

The government will likely keep in place fiscal and monetary support measures for the tourism sector while withdrawing it from other sectors as the pandemic begins to taper off in H2/21, the report predicts. While state coffers “will be tested” in their ability to roll out more relief after having raised the minimum wage and pensions, as well as hiking the exemption threshold for income taxes, other “pandemic-related tax-relief measures and tariff cuts” will be rolled back to rebuild public finances, the report says.

The EIU sees Egypt’s fiscal deficit widening to 8.5% of GDP this fiscal year, sees inflation subdued this year at about 5.9%, and sees the EGP strengthening by 2025, although it will be susceptible to bouts of volatility this year from negative sentiment towards emerging economies in global financial markets, or to a weakening of the current-account position. The EIU expects the EGP to weaken slightly in FY2021/2 before the FX rate settles at EGP 15.52 / $1 in FY2024/25. (EIU 24.01)

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5.9. Egypt is Still Africa’s Leading FDI Destination Despite COVID

Foreign direct investment into Egypt fell 39% in 2020 as fears over the coronavirus pandemic caused a historic drop in global investment flows, according to the United Nations Conference on Trade and Development’s (UNCTAD) most recent Investment Trends Monitor. Egypt attracted $5.5 billion of FDI last year, down from $8.5 billion in 2019, in what was a sharper drop than the 32% average among North African economies and 18% dip across Africa. Despite this, Egypt remained the top destination for FDI on the continent.

Developing economies got off fairly lightly, seeing a 12% fall in FDI during the year. This compares to the 42% decline in global flows (amounting to some $630 billion), which was slightly worse than UNCTAD’s projection for the year made in October. This is 30% lower than the nadir seen in the aftermath of the global financial crisis. The pain was felt most by advanced economies in Europe and the US, which saw a 69% plunge in inflows. Overall, developing economies still account for the bulk of global inflows, reaching a record 72%.

FDI will remain weak in 2021 due to low greenfield finance announcements last year - which fell by about 63% in Africa and 46% for developing economies - and continued uncertainty over the rollout of COVID-19 vaccines. Growth in 2021 is expected to largely come from less productive cross border M&A — particularly in tech and healthcare — rather than new projects. (ITM 27.01)

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5.10. Egypt Returns to Gold Production After Loosening Mining Regulations

Egypt's gold and jewelry exports have risen sharply in 2020, generating huge revenue for the country as it prepares to build its first jewelry-making city. Gold, jewelry and gemstones exports increased during the first nine months of 2020, achieving a revenue of $2.444 billion, compared to $ 1.392 billion during the same period in 2019, a growth rate of 76%, according to the latest data released by Egypt’s Export Council for Building Materials, Refractory and Metallurgy Industries. The London-based organization for gold industry, the World Gold Council, showed in its annual data that gold reserves in Egypt increased to 79.87 tons in Q3/20.

This increase in the extraction and export of gold was an expected result of the reforms introduced to the Mineral Resources Law No. 198 in 2018. The amended law has reduced the fees imposed on gold investors, attracting many international and local companies to mine for gold. One of these companies is the Canadian Aton Resources, which confirmed in January that it is seeking to build the second gold mine in Egypt. The Canadian company obtained the license to work in Egypt last February, after the ratification of the new amendments.

In addition to attracting foreign investments, Egypt's return to the gold production map encouraged ordinary citizens to invest their money in gold bars and coins. Also, many local investors have installed labs for gold manufacturing in different parts of the country.

Many pieces of jewelry manufactured in Egypt are exported abroad, especially to the United Arab Emirates (UAE), which is a market for selling gold and gemstones to other countries. The UAE topped the list of countries that imported gold, jewelry and precious stones mined from Egypt in 2020. Abu Dhabi acquired about 69% of Egypt's total exports worth $1.495 billion, compared to $823 million in 2019, according to the latest data issued by the General Organization for Export & Import Control. (Al-Monitor 26.01)

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5.11. EBRD Sets Aside €1 Billion for Egypt in 2021

The European Bank for Reconstruction and Development (EBRD) has earmarked a combined €1 billion in financing and investment for Egypt this year. Among the major infrastructure projects still awaiting final sign-off are a $250 million loan to improve the efficiency of an oil refinery owned by the Alexandria Petroleum Company, a €200 million loan for Cairo Metro upgrades and $54 million in financing for a 200 MW solar plant at Kom Ombo. The bank will direct more EGP-denominated financing to the private sector and is also eyeing investing directly in the pharma and tech sectors, which have grown more attractive post-COVID-19.

The bank will contribute towards two or three investment funds focused on Egypt and the Middle East this year. The EBRD is interested in funding transport, water desalination, and irrigation projects, and has been particularly intrigued by the government's bid to partner with private sector players on building dry ports. Egypt was the EBRD's top destination in the southern and eastern Mediterranean (SEMED) region last year. There was more than €1 billion of €2.2 billion in financing, and were the leading beneficiary for the third consecutive year. (Enterprise 31.01)

6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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6.1. Turkish Trade Deficit Narrows in January as Exports Grow

Turkey's foreign trade deficit declined in January after exports rose and imports fell, according to preliminary data. The deficit shrank by an annual 32% to $3.1 billion, Trade Minister Pekcan said on 2 February. Turkish demand for imported goods is easing after the central bank more than doubled its benchmark interest rate to 17% since September. The rate hikes have helped deflate a borrowing boom that sucked in imports and helped spark steep declines in the lira. Exports increased by an annual 2.5% to $15 billion last month, while imports dropped by 5.6% to $18.1 billion. (DS 02.02)

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6.2. Greece & France Sign Fighter Jet Deal Amid Tensions with Turkey

Greece's defense minister signed a $3 billion deal to buy 18 Dassault Rafale fighter jets from France during a ceremony with his French counterpart in Athens recently. Six of the fighters will be new, while 12 are used. The agreement is the latest sign of Greece's growing defense ties with Paris as the Hellenic Armed Forces seek to modernize amid heightened tensions with neighboring Turkey.

The highly publicized agreement comes as Greek officials began exploratory talks in Istanbul on 25 January to resolve a number of disputes, including Turkey's hydrocarbon exploration in waters claimed by Greece in the Eastern Mediterranean. France joined Greece for joint naval and air exercises in August after Turkey issued the NAVTEX for the Oruc Reis exploration vessel, despite threats of sanctions by the European Union. Ankara's military deployments in the Aegean Sea, Africa and the Levant have also drawn Middle Eastern governments into common cause with Greece and its Mediterranean neighbors.

Athens signed a maritime demarcation agreement with Egypt in August, a joint defense agreement with the United Arab Emirates in November and has laid out a 20-year, $1.68 billion military deal with Israel earlier this month. (Al-Monitor 25.01)

7. GENERAL NEWS AND INTEREST

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7.1. Tel Aviv Ranked as World's 6th Healthiest City

The Big Orange (Tel Aviv-Jaffa) has been ranked No. 6 on a list of the healthiest cities in which to live, according to the British finance website money.co.uk published earlier this month. The site evaluated cities based on parameters that included obesity, life expectancy, crime, pollution, healthcare, the cost of 1 kg. of apples, safety and yearly hours of sunlight to arrive at a total index score.

According to the rankings, the average life expectancy for Tel Aviv residents is 82.8 years, and a bag of apples will run an average of NIS 13 ($3.98). The city enjoys a whopping 3,311 of sunlight hours per year.

Which cities were deemed healthier for residents than Tel Aviv? Spanish cities Valencia and Madrid were ranked 1 and 2, respectively, followed by Lisbon, Vienna and Canberra. Tokyo, The Hague, Ljubljana and Zurich rounded out the top 10. Haifa was ranked No. 12. The only American city to make the top 40 in the rankings was Madison, Wisconsin. (ILH 27.01)

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7.2. Israelis Crown Olive Tree as Country's National Tree

Dozens of trees competed for the title of Israel's national tree in a contest hosted by the Jewish National Fund and Israel Hayom to mark 120 years to the nongovernmental organization's founding. Among the finalists to make it to the final round of voting were: the date palm, the Mt. Tabor oak, the Mediterranean cypress, the eucalyptus, the fig and the terebinth. Despite the heavy competition, the winner of the online poll was the olive tree. Second place went to the Mt. Tabor oak, and the palm tree rounded up the top three. Some of the largest olive trees in the Mediterranean Basin can be found in Israel. The oldest olive tree in Israel is believed to be around 1,000 years old, located in Shfaram in the Lower Galilee. (IH 28.01)

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7.3. Saudi Arabia to Teach English Language from Grade One

The Saudi Ministry of Education has confirmed that the next academic year will see the start of English language teaching from Grade One of primary school, in addition to a new curriculum, most notably adding digital skills that will be taught starting from Grade IV. Among the curriculum development was the merging of Islamic education subjects, including jurisprudence, hadith and interpretation into one book. By incorporating materials, repetition was addressed in the new curriculum, while basic skills and values were present.

Earlier the Ministry of Education said five courses were approved for the next academic year, including a focus on science and mathematics. Four of the courses will be introduced to all schools, while the fifth will only be implemented in the major schools distributed throughout the Kingdom. The ministry added there would be certain subjects that would be taught remotely, and distance education would continue after the coronavirus pandemic. (GN 20.01)

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7.4. Egypt's Education Ministry Scraps 20% Cap on Foreign Ownership of Schools

International and private schools in Egypt will no longer face limits on foreign ownership after the Education Ministry reversed the 20% cap imposed in 2019. The decision allows schools to be fully owned by individuals, funds, or companies with foreign or dual nationalities, provided they're registered and based in Egypt.

All school owners, Egyptian or otherwise, will be subject to security checks and the Ministry still holds the right to refuse to issue a license on a case-by-case basis. The relevant authorities will have the right to refer individual cases to a specialized committee of education and security officials, which will have the final say on whether to grant a license. This will depend on whether the school would "enrich the education process" or pose a threat to national security, according to the decision. The move is a sign that the government is serious about attracting qualified investors to the industry and that merit will take precedence over nationality when it comes to operating a school in Egypt.

The 20% foreign ownership limits had raised serious concerns among school operators and investors, who feared the decision would deter investors and slow expansion plans in education, one of Egypt's most promising sectors. Investors raised concerns on the damage the decision could inflict on the investment case for Egypt's education sector in comparison to other emerging markets. They were also wary of the lack of clarity created in the regulatory climate, and the implied uncertainty in the investment climate as the move was pushed forward suddenly, raising concerns that the rules of the game could also be changed just as quickly in other sectors. This prompted the government to engineer a compromise in the form of a committee that would handle requests for exemption to the 20% cap on a case-by-case basis in January 2020. (Enterprise 21.010

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7.5. Egypt Introduces 20 Years Imprisonment for Female Genital Mutilation

Egypt's government announced on 20 January that it had approved legal amendments toughening the penalties for female genital mutilation. The new amendment to Article 242 increased both the minimum and maximum punishment for female genital mutilation. The minimum prison sentence has been increased from two years to five years. Meanwhile, the maximum prison sentence has been increased from seven years to up to 20 years. According to the new amendment, medical professionals (i.e. doctors and nurses) who perform a female genital mutilation procedure can face 10 years in prison. If the victim dies as a result of the procedure, medical professionals involved can face between 15 and 20 years, depending on their role and profession.

Non-medical professionals, such as family members, involved in forcing the procedure on a victim now face up to 10 years in prison if the victim dies. Any other individuals who are found to have promoted, encouraged or otherwise supported female genital mutilation can also be jailed, even if no procedure actually occurs. The legal amendments were first proposed in early 2020 by the National Committee for the Elimination of Female Genital Mutilation, headed by the National Council for Women and the National Council for Childhood and Motherhood.

Despite being criminalized by law in 2008, female genital mutilation continues to be widespread practice. The practice has also been condemned by religious authorities across the spectrum, including Egypt's leading Islamic authorities. Since 2015, Egypt's government has implemented nationwide educational campaigns to raise awareness of the dangers of female genital mutilation and have repeatedly tightened penalties. It is believe that the number of victims has declined in recent years, though official statistics are not available. A 2013 UNICEF report found that Egypt has the world's highest total number of female genital mutilation victims, with 27.2 million women having undergone the procedure. (Egyptian Streets 21.01)

8. ISRAEL LIFE SCIENCE NEWS

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8.1. MobileODT Awarded $2.3 Million National Cancer Institute (NCI) SBIR Grant

MobileODT has been awarded a prestigious Small Business Innovation Research Authority grant of $2.3 million. This grant is presented by the United States National Cancer Institute (NCI) to leading companies that are technologically and clinically advanced to support the NCI's goal of reducing suffering and death due to cancer. This grant is a tribute to the groundbreaking advances of MobileODT as an innovative company commercializing a novel cervical cancer screening technology utilizing complex machine learning (ML) and artificial intelligence (AI) algorithms. The company's technology offers an alternative screening modality to the current standard-of-care with significantly improved accuracy. It allows for a broader range of physicians, to perform cervical cancer screening, while defining the actual status of the patient and reducing loss to follow-up.

The grant was awarded to MobileODT to perform a large-scale clinical trial validating the efficacy of the company's EVA VisualCheck AI technology, as a cervical screening Clinical Decision Support Tool at the Point of Care and providing results in under 60 seconds. The VisualCheck AI technology will be compared to standard of care methods such as Pap smear, and visual inspection of the cervix.

Headquartered in Tel Aviv, MobileODT helps clinicians utilize the power of AI on its portable medical devices to enhance women's health. MobileODT's EVA System combines advanced imaging, data and software applications; the EVA System's smart mobile colposcope is used by clinicians worldwide for colposcopy, general gynecology, telegynecology and forensic imaging. MobileODT is integrating its AI in approved markets to provide powerful clinical decision support to healthcare providers at the point-of-care. (MobileODT 20.01)

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8.2. BrainsWay Signs Exclusive Distribution Agreement in UAE

BrainsWay announced an exclusive distribution agreement with Gaelan Medical Trade, a leading healthcare company with extensive distribution channels in the UAE. The agreement establishes a multiyear framework whereby BrainsWay will supply its patented, revolutionary Deep Transcranial Magnetic Stimulation (Deep TMS) system, which is currently marketed in various markets for brain disorders including major depressive disorder (MDD) and obsessive-compulsive disorder (OCD), to now be marketed and sold throughout the UAE.

The agreement between BrainsWay and Gaelan, a member of the Dubai-based international conglomerate Ghassan Aboud Group, follows the recent historic diplomatic breakthrough in economic ties established with The Abraham Accords Declaration, which was recently signed between Israel, the UAE and the US.

Jerusalem's BrainsWay is a commercial stage medical device company focused on the development and sale of non-invasive neuro-stimulation products using the Company's proprietary Deep Transcranial Magnetic Stimulation (Deep TMS) platform technology. The Company received marketing authorization from the U.S. FDA for its products for a variety of patient populations, including in 2013 for patients with major depressive disorder (MDD), in 2018 for patients with obsessive-compulsive disorder (OCD), and in 2020 for patients with smoking addiction. BrainsWay is currently conducting clinical trials of Deep TMS in various psychiatric, neurological and addiction disorders. (BrainsWay 25.01)

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8.3. Kahun Launches New Web Application for Doctors

Kahun is releasing an open beta version of its advanced diagnosis web application to help 'bridge the gap' between text-based articles and clinical decision making. The knowledge graph will describe clinical information from medical books and articles, helping doctors decipher through large amounts of information and help with their diagnoses.

Kahun's knowledge graph stores more than 5 million associations between clinical features, such as diseases, findings, labs and complications, as well as an AI engine that arranges the information in a way to make it easily accessible for physicians. This can help them with diagnosis, anamnesis, workup planning, and access to clinical reasoning. The beta version will allow Kahun to reach a wider audience and expand to doctors around the world.

Tel Aviv's Kahun is dedicated to harnessing the power of technology to drive better medical understanding and practice. Empowering clinicians by giving them the knowledge to consider all the options relevant to their patients. (Kahun 26.01)

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8.4. K Health Closes $132 Million Series E at a $1.4 Billion Valuation

K Health has closed a $132 million Series E round of funding led by GGV Capital and Valor Equity Partners. This is the third round of funding the company completed in under a year, having raised $42 million in November 2020 and $48 million in February, adding up to $224 in total. The recent investment round was raised at a valuation of $1.4 billion, doubling its valuation from November. Several new investors, including the pension fund of Kaiser Permanente, the largest managed care organization in the U.S. boasting 12 million clients. Other investors who participated in the round include 14W, Max Ventures, Pico Partners, Marcy Venture Partners, Primary Ventures, BoxGroup and LTS Investments.

The three funding rounds carried out over the past year were in response to the huge demand for the company's services, which solve complex pain points during these challenging times. When Covid-19 broke out, it created a dynamic whereby people couldn't reach their doctors and we have become an available and affordable solution for them. The U.S. healthcare system is very expensive, with costs at least triple what they are in Israel. People also realized that many of their ailments could also be solved remotely. K Health estimates that 90% of the problems can be solved remotely, and if need be, we can refer patients to an expert physician or an intensive care unit. These costs are substantially lower than a doctor's visit, which costs tens of dollars even if one has insurance.

Tel Aviv's K Health app started off by collaboration with Maccabi Healthcare Services, Israel's second largest HMO, which provided it with an anonymized database of 2.2 million doctor visits carried out by the health fund over the past 25 years. It's important to note that K Health doesn't provide a medical diagnosis, but rather a statistical diagnosis that can indicate what the likely cause of the ailment is based on similar past queries by others. According to the company's testing, there is a high success rate in the app's suggestions to users. The app also offers the possibility of referring to a physician who will offer treatment based on a medical diagnosis. (K Health 21.01)

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8.5. Microbot Medical Successful Discussions with FDA for Self-Cleaning Shunt

Microbot Medical announced the completion of successful discussions with the U.S. FDA for its Self-Cleaning Shunt (SCS). After review of the Company's existing pre-clinical data, the FDA's feedback will allow the Company to apply for a limited clinical investigation known as an Early Feasibility Study (EFS), which is designed for novel technologies such as the SCS. Consequently, the Company reiterates its timeline for the First-in-Human (FIH) clinical trial under the EFS, expected to commence in the third quarter of 2022.

The Company's innovative SCS is designed to be a transformative device which prevents obstruction in the cerebrospinal fluid (CSF) catheters implanted in the ventricle of the brain of patients who suffer from hydrocephalus or Normal Pressure Hydrocephalus (NPH).

Caesarea'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 was founded in 2010 with the goals of improving clinical outcomes for patients and increasing accessibility through the use of micro-robotic technologies. (Microbot Medical 27.010

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8.6. Therapix Biosciences Announces Name Change to SciSparc

SciSparc announced that it has changed its corporate name from Therapix Biosciences to SciSparc. The name change has been effected by the Israeli Registrar of Companies and certain additional regulatory requirements in the U.S. are currently in process, which include obtaining a new ticker symbol and CUSIP number.

No further action is required by shareholders and holders of ADSs in connection with the corporate name change. The number of outstanding ordinary shares and ADSs are not affected by the name change. In connection with the name change, the Company expects to make additional ordinary course filings with the U.S. Securities and Exchange Commission.

SciSparc 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. (SciSparc 28.01)

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8.7. Greeneye Technology Completes Field Trials of its Precision Spraying Technology

Greeneye Technology has concluded a series of successful field trials with leading multinational stakeholders from the agriculture industry to evaluate its precision spraying system in real field conditions. Greeneye demonstrated unparalleled results with more than 95% accuracy rate throughout all spraying applications (pre & post emergence) and reduction of more than 80% of herbicides compared to standard broadcast spraying.

Following the demonstration, Greeneye expects to announce several strategic collaborations agreements with multinational stakeholders. The second generation of the system will be deployed commercially in the summer of 2021 and will be available for farmers in the US in the 2022 season.

Greeneye is a leading technology company with a focus in precision agriculture, established in 2017 and based in Tel Aviv. Greeneye has a multidisciplinary team with expertise in computer vision, artificial intelligence, agronomy, mechanical engineering, spraying applications, etc. They work with an extraordinary group of talented and visionary people who are committed to provide sustainable solutions for farmers around the world. Greeneye is backed by world renowned investors, the last round of financing was led by JVP and Syngenta venture. (Greeneye Technology 28.01)

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8.8. Tikun Olam-Cannbit Develops Genetic Fingerprints to Track Cannabis Strains

Tel Aviv's Tikun Olam Cannbit has developed an in-house revolutionary genetic system for the identification and tracking of cannabis strains (cultivars and varieties), through the characterization of the genetic fingerprints based on the DNA sequence of each and every cannabis plant - called Cannabis Genetic Fingerprinting, or 'CGF'.

The CGF system changes the rules of the game. The characterization of fingerprints by this system is being done by the genetic diagnosis of a variety of unique sequences along the cannabis plant's genome, based on a number of consecutive genetic technologies. The genetic fingerprint is actually a biological and totally natural barcode (Non-GMO), which accompanies the plant throughout its complete life cycle, and in some cases, into the final product. The CGF system is expected to play as a substantial "game changer" in the cannabis industry, as well as set a standard in terms of strain's identification, genetic stability, uniformity (reducing the deviation ranges in the active ingredients profile), repeatability and thus resulting in improved 'Therapeutic Continuity', IP registration and protection, organization's strains bank management and tracking of cannabis strains in the future cannabis market.

Apart from the obvious use of the CGF system to identify unknown cannabis plants and hence also to identify different types of products, the company believes that based on this system, the process of registering strains as an IP rights, can also be substantially improved and streamlined. The CGF system is currently in the commercialization phase which is expected to provide a cost effective, fast technical platform and to enable ongoing and big scale commercial use. (Tikun Olam Cannbit 28.01)

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8.9. Valcare's First-in-Human Implant of AMEND Annuloplasty Ring for Mitral Valve Repair

Valcare Medical announced that it has successfully completed its first-in-human transseptal delivery of the AMEND annuloplasty ring. The transseptal AMEND procedure was performed at the Schulich Heart Centre at Sunnybrook Health Sciences Centre in Toronto, under the Health Canada Special Access Program.

Valcare's AMEND mitral valve repair device is an innovative, clinically proven, D-shaped, semi-rigid closed ring with unique anchoring capabilities. AMEND is designed to provide the clinical standard-of-care surgical treatment via safer and easier catheter-based procedures. The AMEND platform also serves as infrastructure for Valcare's mitral replacement system and tricuspid repair solution. Valcare will soon begin to enroll patients for its AMEND Plus pilot clinical study, and will launch an FDA early feasibility study (EFS). The AMEND device is limited to investigational use and is not commercially available.

Herzliya Pituah's Valcare Medical is a privately held medical device company, dedicated to providing innovative transcatheter technologies for the treatment of mitral and tricuspid regurgitation. Valcare is developing medical devices, designed to become an integral part of every structural heart procedure. (Valcare Medical 27.01)

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8.10. Saffron Tech Challenges Iranian Monopoly on the Lucrative Saffron Market

Saffron Tech, an Israeli wholly owned subsidiary of Seedo Corp., announced its technology for automated, year-round saffron growing, is challenging the global Iranian monopoly on saffron supply of 90-95% of world demand, which has been in place for the past 1,000 years! The reason Iran was the dominant player in supplying 90-95% of world demand for Saffron lies in the fact it has natural conditions fit for the growing and production of saffron in traditional, labor intensive methods.

Saffron Tech, from Seedo Corp., is developing a technology that hopes to provide turnkey automated growing solutions for high-quality, high-yield saffron all year round. The company is in advanced stages of developing and testing its automated vertical farm for saffron growing, based on the company's knowledge in plant biology and providing optimal conditions for each stage of the plant's development to reach optimal product quality. Saffron Tech solutions are a perfect fit for "Grow Next to Consumer" and is sustainable and fit for COVID-19 restrictions on transport. It is environmentally friendly, using economic levels of water, space, fertilizer, and energy.

Seedo Corp., an agritech company, is focusing on its research, development, and commercialization of agriculture technology products in the fields of saffron, exotic plants and mushrooms. Seedo's know-how and technology are aimed at transforming the way agriculture is done by offering a responsible and sustainable way to grow crops in a world confronted by environmental challenges of dwindling earth reserves, diminishing water resources and unstable weather conditions. (Seedo Corp. 28.01)

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8.11. Rambam Hospital Adopts Nanomedic's Wound-Healing Spincare System

Nanomedic Technologies announced that Haifa's Rambam Health Care Campus, the primary hospital for northern Israel, has selected the Spincare Wound Care System to enhance patient care and improve its ability to heal wounds and burns. Using the Spincare System, physicians at Rambam have treated to date dozens of patients suffering from a variety of burns ranging in size and severity.

The Spincare System creates an artificial skin layer using a smart and customized matrix made of nano polymers that adheres precisely to a wound or burn. This allows for more mobility without damaging the new skin and, as the artificial layer is both waterproof and transparent, patients can shower after 24 hours while healthcare professionals can observe the healing process and make decisions accordingly. Given the portability of the Spincare System, it is expected to soon be available for use in clinics and emergency rooms in addition to trauma centers. Spincare, leveraging Electrospun Healing Fiber (EHF) technology, is the first CE-cleared portable electrospinning wound treatment device. While Rambam Health Care Campus is the first hospital in Israel to formally adopt the system for its trauma department, the device is also being used in clinics throughout Europe.

Lod's Nanomedic Technologies is a medical therapeutics company focused on transforming wound care both within and outside of hospital settings. Specializing in research, development and distribution of its proprietary Electrospun Healing Fiber (EHF) technology, Nanomedic is advancing the standard of care and helping improve wound care across the healthcare continuum. Nanomedic's flagship product, the Spincare System, is the first and only CE-cleared commercialized portable electrospinning wound treatment device on the market. (Nanomedic Technologies 02.02)

9. ISRAEL PRODUCT & TECHNOLOGY NEWS

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9.1. CardinalOps Introduces Industry's First Threat Coverage Optimization Platform

CardinalOps introduced the industry's first Threat Coverage Optimization Platform, which enables security engineers to continuously optimize their security operations center (SOC) to ensure comprehensive threat coverage. CardinalOps also announced today the closing of a $6.5 million Series Seed fundraising led by Battery Ventures, Glilot Capital and several renowned security industry leaders.

CardinalOps new Threat Coverage Optimization (TCO) Platform leverages AI-based analytics to close this gap and ensure comprehensive threat coverage. The TCO Platform identifies gaps in existing logs, rules and policies relative to the industry standard MITRE ATT&CK framework, and delivers organization-specific SIEM and SOC rule recommendations and misconfiguration fixes to optimize threat coverage that are prioritized based upon real-time asset inventory analysis, industry-specific threats, and other factors.

Leading security industry venture investors Battery Ventures, Glilot Capital and other respected security industry leaders validated this market challenge by investing $6.5 million of seed capital to commercialize the TCO Platform and lead the market in this new field of AI-powered Security Engineering.

Tel Aviv's CardinalOps was founded to bring AI-based analytics and automation to critical security engineering functions to ensure comprehensive threat coverage by SIEM and SOC tools. The CardinalOps Threat Coverage Optimization (TCO) Platform quantifies and enumerates the gap that exists between theoretically optimum threat coverage, represented by the MITRE ATT&CK framework, and actual threat coverage, measured by actual SIEM and SOC tool configurations. (CardinalOps 21.01)

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9.2. Jetsons & Powermat Enhance Autonomous Solar Panel Cleaning-Robots

Powermat Technologies announced a new partnership with India's Jetsons Robotics to manage energy transfer and provide advanced wireless charging technology that withstands challenging weather conditions and enables efficient and autonomous solar energy production. Jetsons' Robotics autonomous robot, ZERO, designed to clean solar panels, enables solar plants to improve power generation efficiency and reduce cleaning costs by 40%, ensuring that solar panels are optimized to generate sustainable power at their peak capacity.

As part of the new royalty-based partnership, Powermat will provide Jetsons Robotics with an advanced mid-range, contact-free magnetic induction-based wireless charging platform designed for robotics. The wireless charging platform will enable Jetsons Robotics to eliminate conductive wires, cables, and connectors from their system. Adopting Powermat's wireless charging technology for robotics will allow the company to completely seal their robots and enable a maintenance-free operation, even in harsh weather conditions. Powermat will also provide Jetsons Robotics with smart power management technology to efficiently manage its power charging regime, maintain battery safety, increase charging speed and extend the robot-battery lifetime.

Petah Tikva's Powermat Technologies provides advanced Qi-certified and proprietary wireless charging platforms for automotive, robotics, consumer electronics, medical devices, IoT, telecom (5G), and Industrial applications. The company's wireless power platforms and IP licensing program enables global businesses to incorporate advanced wireless power technology into their products and customize solutions for unique use cases. (Powermat 21.01)

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9.3. Aquarius Engines Reach Phase Two of Generator Pilot with Nokia

Aquarius Engines has successfully completed phase one of their partnership agreement with Nokia. The Finnish communications giant now plans to expand field tests of the Aquarius generator from three to five pilots. The initial phase was to test and verify the Aquarius Engines patented remote energy management software, which is designed to allow clients to closely monitor the efficiency of remotely placed generators from miles away. In the long term Nokia hopes to roll-out Aquarius micro generators to isolated communications towers, as well as providing power to areas far beyond the electric grid.

In addition Nokia has expressed its desire to expand global field tests of the Aquarius generator from three to five pilots. The initial plan was to evaluate the Aquarius Generator at far-flung locations in Australia, New Zealand and Singapore. Due to the success of phase one tests, they have now asked to increase field tests into Europe to include Germany and Poland.

The newly invented Aquarius Generators are so small and light that they can easily be transported, while requiring minimal maintenance. This would mean bringing power to places situated hours away from the nearest power outlet. The output and efficiency of the machines can be monitored in real-time by-proxy using the patented Aquarius Engines operating system.

Rosh HaAyin's Aquarius Engines is the developer and manufacturer of micro engines that generate electricity through groundbreaking technology with around 20 patents registered worldwide. Aquarius Engines currently has R&D centers in Israel, Germany and Poland. Aquarius Engines is a publicly traded on the Tel Aviv Stock Exchange. (Aquarius Engines 28.01)

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9.4. AudioCodes Launches SmartTAP 360º Live Recording Solution as a Service

AudioCodes announced the addition of its recording solution, SmartTAP 360º Live, to its AudioCodes Live portfolio as a managed service. Having achieved Microsoft Teams certification, SmartTAP 360º Live now enables organizations to meet their organizational compliance recording, quality management and malicious calling tracking requirements by seamlessly capturing enterprise calls directly through Teams.

AudioCodes Live for Microsoft Teams is a portfolio of managed services that simplifies the integration of Teams collaboration, unified communications and enterprise telephony. It provides a seamless, rapid and cost-effective migration to Teams for high quality voice and video collaboration, delivered as a fully managed service. As a component of AudioCodes Live, SmartTAP 360º Live aims to revolutionize the Recording-as-a-Service space, by offering the solution in a service-based approach. Deploying SmartTAP 360º Live as a service through the Azure cloud can be achieved simply and rapidly, with no need to pre-allocate special servers, virtual machines (VMs) or various management applications to support the recording application.

Airport City's AudioCodes is a leading vendor of advanced communications software, products and productivity solutions for the digital workplace. AudioCodes enables enterprises and service providers to build and operate all-IP voice networks for unified communications, contact centers, and hosted business services. AudioCodes offers a broad range of innovative products, solutions and services that are used by large multi-national enterprises and leading tier-1 operators around the world. (AudioCodes 27.01)

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9.5. ARMO Emerges with $4.5 Million for Security into Cloud-Native Workload

ARMO announced its launch out of stealth having secured $4.5 million in seed funding, from Pitango First. The company plans to use the funds to expand its go-to-market efforts and commercial offering of its technology. The growing adoption of cloud technologies by enterprise companies has accelerated the use of Kubernetes as the de-facto containers orchestration platform. However, this provides limited visibility, control and poor security of cloud-native workloads. Existing solutions such as side cars and emerging eBPF-based systems fail to deliver a seamless and secure runtime environment.

ARMO Workload Fabric™ provides DevOps teams with a new approach to cloud-native workload and application deployment that infuse inherent security and visibility into applications, and creates a virtual control plane that can be easily deployed in any cloud-native environment.

Increasingly sophisticated cyberattacks, such as the recent SolarWinds attack, have underlined the critical need for runtime-based security within the application memory to protect against threats that typically evade existing anomaly detection and policy-based solutions. ARMO Workload Fabric provides an in-memory security layer, and governance layers, such as data flow compliance, transparent data protection, and secured tunneling and networking. In addition, the platform seamlessly integrates into the DevOps pipeline at the CI/CD phase, eliminating operational complexity.

Founded by security industry veterans and backed by Pitango, Tel Aviv's ARMO provides unmatched security, visibility and control infrastructure for cloud-native workloads. ARMO was recently selected among hundreds of applicants to participate in Intel Ignite, Intel's startup growth program. To date, leading global enterprises have already chosen ARMO Workload Fabric as their future security and visibility infrastructure, running in production environments. (ARMO 27.01)

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9.6. MTI Wireless Edge Announces Multiple New MultiBand Antenna Products

Following a successful launch in 2019 and worldwide deployments of our patented Multi Band antennas in 2020, MTI has expanded the Multi Band family to additional frequencies as well as the registration of patents on these new developments. The latest additions to this portfolio include 2 ft parabolic antennas in 11/32, 13/32 and 11/80 GHz, as well as extending the existing 2 ft antenna solutions to include 1 ft Variants in 15/80, 18/80, 23/80 and 28/80 GHz.

Complying with ETSI, FCC and Anatel requirements, MTI's multi band antennas are being deployed in new and existing 5G networks providing high capacity backhaul with high availability by combining two different frequencies in one antenna.

Tel Aviv's MTI Wireless Edge is a technology group focused on comprehensive communication and radio frequency solutions across multiple sectors. The antenna division develops and produces High Quality antennas for Commercial, RFID and Military applications. Commercial applications include LTE, CBRS, TVWS, Wi-Fi, Point-to-Multipoint (PtMP), Point-to-Point (PtP), 5G and Small Cell Backhaul. Antenna types include MIMO, Dual Slant, Double Dual Slant, Omni, Base Station, and CPE antennas. (MTI Wireless Edge 27.01)

10. ISRAEL ECONOMIC STATISTICS

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10.1. Israeli Startups Raised Record $1.2 Billion in January

Globes reported that after raising a record $10 billion in 2020, Israeli tech startups have begun 2021 with more capital raised than in any single month before. Israeli startups raised a record monthly figure of over $1.2 billion in January 2021, according to press releases from the companies and their investors. The figure may be more as some companies prefer to remain in stealth and sometimes do not publicize the investments they have received. January's record figure edges past the $1.2 billion raised by startups last September, which was a record according to Start-Up Nation's Finder database.

Israeli tech companies raised a record more than $10 billion in 2020, according to IVC-ZAG, up from $8.3 billion raised in 2019, and $6.4 billion in 2018. In many instances, financing rounds by tech companies that facilitate remote working and healthcare and cybersecurity, have been boosted rather than hampered by the Covid-19 pandemic.

Over 75% of these funds in January were raised by five unicorns (startups with a company valuation of more than $1 billion). Global payment network developer Rapyd raised $300 million, cloud native software network developer DriveNets raised $208 million, automatic cloud backup company OwnBackup raised $167.5 million, telemedicine app K Health raised $132 million and B2B payments company Melio raised $110 million.

There were other large financing rounds by DevOps streamlining company Quali, which raised $54 million, and AI-driven health-food developer Ukko, which raised $40 million. AI software company Run.ai raised $30 million and non-invasive angiography treatment company Cathworks raised $30 million. (Globes 01.02)

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10.2. Standard of Living in Israel Fell by 22.7% During 2020

On 21 January, the National Insurance Institute published its official poverty report. The report shows that the standard of living of families in Israel, as measured by median income, fell by 22.7% in 2020. The main victims during the period of the coronavirus were, however, the middle class (deciles 4-7). The situation of the lowest 10% actually improved, due to government assistance. The figures are not based on Central Bureau of Statistics data as they have been for the past twenty years, which makes comparison difficult. The National Insurance Institute said that this was because of a delay by the Central Bureau of Statistics in delivering its expenditure survey, which forms the basis for calculating poverty statistics. Therefore, in order to assess what had happened in the past year, the National Insurance Institute used simulations and other data in its possession in producing its report.

For all the aid granted in the coronavirus period, the standard of living as measured by disposable income fell by 4.4% in 2020. In previous years, the standard of living by this measure has risen by 3-4%. The last time a decline of this order was recorded was in 2001. The decline in the standard of living resulted in a lowering of the poverty line, which is defined in relation to this measure.

That, together with the aid given in 2020 led to a decline in the incidence of poverty according to disposable income among families, individuals and children of between 0.5% and 1% in comparison with 2019. The depth of poverty also declined, by 1.5%. Nevertheless, the rate of poverty among the self-employed rose. The Gini inequality index was almost unchanged from 2019, after a rise of 0.5% between 2018 and 2019.

The 4.4% drop in the standard of living as measured by disposable income entailed a drop in the poverty line in 2020, to monthly income of NIS 2,403. This means that some people who were defined as poor in the past are not so defined in the current report, even though their income has not risen or may even have fallen.

Alongside the relative measure of poverty, the report contains poverty figures based on an absolute measure, namely the poverty line of 2019. On this basis, the incidence of poverty among families and individuals rose by 0.5%. Given the force of the economic crisis engendered by the coronavirus pandemic, the rise in incidence of poverty according to this calculation is also surprisingly moderate, further illustrating the importance of the measures introduced last year to cushion the social and economic impact of the pandemic. (Globes 21.01)

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10.3. Central Bank Says Israeli Economy Remains Stable Despite COVID-19

The Bank of Israel announced on 1 February in its semi-annual financial stability report that COVID-19 has had minimal impact on the stability of the Israeli financial system. The provision for businesses and households to defer loan repayments had prevented the initiation of many debt restructuring procedures. It said outstanding credit in deferral status at the end of November was NIS 51.8 billion ($16 billion), accounting for 8.5% of total household credit, and NIS 14.3 billion ($4 billion) for businesses, about 2.9% of total credit to the sector.

Based on Israel Tax Authority data, the volume of business closures declined markedly during the crisis, although this could worsen as many businesses received state grants. It also said that credit suppliers' loan loss provisions have increased while profitability of insurance companies was hurt, but financial firms' ability to absorb these losses stemmed from their capital adequacy ratios prior to the crisis.

The Bank of Israel said steps such as foreign exchange and government and corporate bond purchases had allowed the capital market to operate with stability in the financial asset indices relative to the many risk factors, and to support economic activity even under conditions of tremendous uncertainty. Meanwhile, interest rates on credit have stayed low. (BoI 01.02)

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10.4. Israel's Debt-to-GDP Ratio Stands at 73%

On 24 January, the Accountant General's Office at the Finance Ministry published its initial estimate of Israel's public debt as a proportion of the gross domestic product. The report said that the debt-to-GDP ratio rose from 60% at the end of 2019 to 73.1% at the end of 2020, adding that government debt is estimated at 71.6% of GDP. The Accountant General's Office said that government spending rose by 78 billion shekels ($24 billion) in 2020 compared to 2019, while government revenues fell by NIS 29 billion ($8.85 billion).

The report noted that the figure was actually less than projected, citing the Bank of Israel's ability to buy bonds in the secondary market, and the appreciation of the shekel, which neutralizes most implication of a sharp rise in public debt, as the reasons. The final figures for the debt-to-GDP ratio and broader analysis of government debt will be published next month.

The data further shows that, compared to other countries, Israel's position is more than reasonable, and supports the recent decision by global credit rating agencies to affirm Israel's stable outlook. (FM 25.01)

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10.5. Israel-Dubai Bi-Lateral Trade Reaches $272 Million Since Normalization

The trade between Dubai and Israel has reached AED 1 billion, or $272 million, over the last five months, the Dubai media office said on 30 January. The amount includes around AED 325 million ($88.5 million) of imports and AED 607 million ($165.3 million) of exports. Exports to Israel were almost twice as high in terms of volume as the imports, standing at roughly 60% and 30% of the total, respectively. Transit flow of goods accounted for another one-tenth of the total trade volume.

Dubai's exports were dominated by lubricants, perfumes, engine spare parts, smartphones and diamonds – the key imports, along with mechanical and medical tech, flat screens, electronics and agricultural goods. UAE trade with Israel was projected to grow to AED 15 billion– just over $4 billion – in the coming years. (Various 31.01)

11. IN DEPTH

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11.1. ISRAEL: IMF Executive Board Concludes 2020 Article IV Consultation

On 19 January 2021, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Israel.

The COVID-19 pandemic has severely impacted Israel’s society and economy. While Israel’s strong growth and large pre-crisis buffers mean Israel entered the crisis with relatively low vulnerabilities, real GDP still contracted by 3% (yoy) in the first three quarters of 2020. The scale of the COVID-19 spread required strict containment and mitigation measures, including three nation-wide lockdowns. Nonetheless, the economic contraction was smaller than in other advanced economies in part due to the resilience of the Israeli economy, supported by its large high-tech sector.

The authorities introduced policies to curb the economic fallout of the pandemic. On the fiscal front, a fiscal package of 10¼% of GDP for 2020 was approved by parliament. The package included expanded health funding, benefits for unemployed and furloughed workers, grants for the self-employed, and grants and loan guarantees for small and medium enterprises. The central bank’s response included measures to ease financial conditions, provide liquidity, and ease access to financial services and credit, including for households and SMEs. Macro-prudential and supervisory requirements were also eased, allowing banks to utilize their capital and liquidity buffers in support of the economy.

Executive Board Assessment

Executive Directors commended the authorities for the appropriately rapid and large monetary and fiscal support in response to the COVID-19 pandemic, which has helped soften its impact on the country. They also welcomed the authorities' efforts for early wide-spread vaccination, which could lead to a faster recovery. Going forward, as uncertainties remain high, Directors saw merit in continued supportive policies, as well as measures to strengthen social protection and reforms to enhance the resilience of the economy.

Directors concurred that fiscal policy should remain supportive and gradually become more targeted. Prompt adoption of the 2021 budget would help prioritize spending, position the economy for growth, and reduce economic uncertainty associated with the pandemic. Directors considered that, if further downside risks materialize, fiscal support should be maintained beyond mid-2021. They also noted that once the recovery is on firm ground, fiscal efforts will be needed to restore pre-crisis buffers and rebuild fiscal space.

Directors commended the Bank of Israel's swift response to the crisis and concurred that monetary policy should remain accommodative. They agreed that, going forward, as inflation trends toward the target band, FX intervention should cease as a tool for managing inflation expectations and its use be limited to addressing disorderly market conditions.

Directors noted that Israel's financial system is well prepared to face the impact of the pandemic. Banks' capital remains strong, with substantial capacity to face large shocks. Nonetheless, Directors stressed that unless downside risks materialize, the minimum regulatory capital should not be lowered further, and structural buffers should eventually be restored. They also noted that efficient handling of a potential increase in nonperforming loans would help limit debt overhang and spur capital reallocation.

Directors emphasized that structural reforms should aim to tackle pre-COVID legacies, including low productivity and high inequality. Better funded labor activation policies, digitalization, and education reforms would help strengthen marketable skills of low-skilled workers, who were especially affected by the pandemic. Directors also encouraged completing governance reforms, particularly in procurement and AML/CFT. (IMF 19.01)

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11.2.   ISRAEL: Israel's Subsea Gas & Oil Fields Heat Up

Rina Bassist posted on 25 January in Al-Monitor that on 20 January, the Israeli press reported that the Unibin Israel, headed by Israeli-British businessman Saed Sarsur, had signed a conditioned agreement to buy some 21% of the Shimshon gas and petrol field extraction rights. The deal is expected to be sealed within 90 days, upon approval of the other extraction rights holders and Israeli authorities. The company reportedly may invest $35 million in drilling there.

The undersea Shimshon gas field, off Israel's southern coast, was discovered in 2012. After a few years of searching, exploration rights holders concluded that its potential was much lower than originally believed and the companies moved to other ventures. But a new study was conducted two years ago and a March 2020 report found that a specific drilling spot in that zone could produce as much as 900 million barrels of petrol. The news prompted Unibin to act.

Another recent development in Israel's undersea energy fields concerns the Karish and Tanin natural gas fields, located in off Israel's northern shores, adjacent the large Leviathan field. In 2017, the Greek oil company Energean teamed up with private equity fund manager Kerogen Capital to obtain the exploration licenses for Karish and Tanin. On 30 December, Energean announced it had reached an agreement with Kerogen, paying between $380 and $405 million to become the sole holder of the exploration licenses for Karish and Tanin. It hopes to start extracting natural gas in 2023.

Unibin, Energean and Kerogen are not the only companies operating off Israel’s Mediterranean coast. Over the past two decades, several local and international companies have been involved in searching for natural gas and petrol. For several years Noble Energy has been the largest player in Israel’s natural gas extraction, operating the Leviathan and Tamar fields in the north. Last October, American Chevron completed its acquisition of Noble Energy, a move hailed by Energy Minister Yuval Steinitz as tremendous news for Israel’s economy.

Israelis are also familiar with the local Delek Drilling, led by Israeli businessman Yitzhak Tshuva. The company cooperated with Noble Energy on Leviathan and Tamar and with Nobel on the older natural gas fields Noa and Mari B, both in the south. British Petroleum has also been active on pursuing gas exploration in Israeli waters.

Israel’s Petrol Act defines three stages for extracting petrol or gas and the Energy Ministry supervises the process. In the first, exploration permits permit companies to research the geological characteristics of undersea or on above-ground areas and get an idea of the extraction potential. Then another round of deeper exploration requires another permit. Only companies that can show they're capable of taking on the endeavors are eligible to compete for exploration licenses. The permit procedures were put in place some four years ago. Since then, the Energy Ministry had granted 18 such permits, each for a period of three years. After exploring, companies can apply for the extraction rights. Extraction permits are granted for a period of 30 years with potential extensions for 20 more.

The latest financial developments attest to the international energy market's growing interest in Israeli gas and petrol fields. The past year had been a very difficult one for the energy sector worldwide, severely hit by the pandemic and ensuing economic crisis.

This interest was clear in the 10 January decision by Chevron and its partner in the Leviathan and Tamar fields Delek Drilling to invest around $235 million in pipelines to export Israeli fuel to Egypt. They agreed to lay a new undersea pipeline and to expand some of the existing ones. The Israel Natural Gas Lines company will reportedly undertake both projects.

Chevron and Delek Drilling's move follows years of hard work by Steinitz, who together with his Egyptian counterpart Tarek el-Molla was behind the establishment of the Eastern Mediterranean Gas Forum, based in Cairo. On 22 September, seven ministers attended a videoconference organized by Cairo, marking the informal forum's evolution into a recognized organization. It was on there that Steinitz announced Israel will start exporting natural gas to Egypt and Jordan, a project that should generate some $30 billion over 10 years. Steinitz further noted that more deals could be in the offing. (Al-Monitor 25.01)

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11.3. ARAB MIDDLE EAST: Cyber Sovereignty Hampers Economic Diversification

On 6 January, Mohammed Soliman commented in the Middle East Institute that rapid and unprecedented transformation in the Middle East, whether political, social, or technological, is forcing governments to reckon with enormous changes. Many governments are responding by attempting to pursue two contradictory paths forward — cyber sovereignty and digital transformation — and they might end up not achieving either.

Since its start a decade ago, the Arab Spring has changed the Middle East's geopolitics and tech landscape. Regional governments were not ready to deal with the budding, tech-savvy millennials in the streets of Cairo, Benghazi and Sana'a. The Twitter- and Facebook-empowered generation ended the multi-decade-long reigns of Egypt’s Hosni Mubarak, Libya’s Moammar Gadhafi and Yemen’s Ali Abdullah Saleh. The removal of these long-serving autocrats sent shockwaves across the region and made its capitals much more attentive to technology's influence on their societies. Realizing the importance of cyber sovereignty, especially when it comes to keeping citizens' data within national boundaries, known as “data localization,” governments began issuing laws mandating international and local companies to house their data locally.

Recently, MENA governments appear to be eschewing the U.S. approach to data privacy in favor of the European General Data Protection Regulation (GDPR) model as the region enacts a new spate of regulations regarding the treatment of consumer data. Egypt, for instance, approved the Personal Data Protection Law No. 151 in February 2020, which prohibits the transfer of personal data to recipients located outside Egypt except with the permission of the Egyptian Data Protection Center. Also, in 2020, the Saudi National Cybersecurity Authority (NCA) released a draft document for Cloud Cybersecurity Controls (CCC), which sets the minimum cybersecurity requirements for cloud computing. As part of the UAE's National Cybersecurity Strategy, the Emirates is set to launch a GDPR-like national data law, expected to drop within the coming months. The Dubai International Financial Center (DIFC) and Abu Dhabi Global Market (ADGM) free zones have already implemented data protection laws similar to the GDPR.

But whereas EU regulators convincingly communicated that the GDPR was intended to protect European citizens' privacy across jurisdictions, safeguarding privacy has not traditionally been a focus for Middle Eastern governments. The cyber-sovereignty-centric approach to data regulation could be used for law enforcement activities, however.

Saudi, Emirati and Egyptian Approaches

While pursuing a sovereignty-centric approach to data governance, Saudi Arabia, the UAE, and Egypt — the biggest regional economies in that order — have also emphasized their goal of implementing massive digital transformation strategies.

Under Vision 2030, Saudi Arabia's long-term economic development plan, the kingdom implemented a national transformation strategy to diversify its economy and shift it from being oil-powered to digitally-powered. The kingdom's ambition is to become a global tech leader and digital hub in the Middle East. To prove its seriousness, Riyadh has: a) introduced legal frameworks, legislation, and various strategies that cover cloud computing and artificial intelligence (AI); b) forged partnerships with global technology companies; c) led international tech efforts and initiatives; and d) embraced the high-tech smart city future via its planned $500 billion NEOM city along the Red Sea.

The UAE is a leading digital economy in the region as a result of years of investing in digital infrastructure, forging international partnerships, and positioning Dubai and Abu Dhabi as the go-to regional hubs for international technology companies. So when COVID-19 caught the world by surprise, the UAE emerged as one of the most digitally-empowered economies with the ability to mobilize to meet the digital requirements of the pandemic, i.e., a swift transition to remote working and schooling, implementation of advanced contact-tracing mechanisms, and a digitally-enforced lockdown.

Unlike Saudi Arabia and the UAE, Egypt went through years of political upheaval that made Cairo lag behind its regional peers, especially in technology. For instance, Egypt rolled out 4G network infrastructure in 2017, while Saudi Arabia and the UAE introduced it in 2011 and 2012, respectively. After achieving relative political stability, the government now aims to make up for lost time. Guided by Egypt's ICT 2030 Strategy, it plans to transform the country into a regional and international tech center, benefiting from Egypt's demographics with a population of 100 million and its geographic location central to both Asia and Europe. Furthermore, Egypt is introducing much-needed regulatory frameworks, building and transforming smart universities, working to host Huawei's first cloud data platform in Africa, and building its first smart city, "The Administrative Capital." Egypt is among the very few emerging markets that has grown during the COVID-19 pandemic, which might incentivize more tech companies to consider entering the market in the post-COVID-19 era.

Saudi Arabia, the UAE and Egypt did considerable work to upgrade their digital infrastructure, invest in their digital workforce, forge partnerships with big tech companies, and build smart cities to position themselves as regional and international tech hubs. However, simultaneously, the three countries embraced a cyber-sovereignty-centered approach to data regulations based on their treatment of cyberspace as a fundamental pillar of state sovereignty. This has been largely driven by fear of external political influence, rooted in the tumult of the Arab Spring and the political experience of the past decade, as well as a fear of external control of local data. The need for protecting citizens' data is legitimate, but the over-emphasis on restrictive cyber-sovereignty-centered data regulations could hurt their ambitions to become tech hubs in the short term.

Resource Depletion

Extreme versions of data localization requirements would hurt international tech companies operating in these markets by shifting their resources from efficiently moving data across borders toward instead spending millions to establish local cloud centers. Typically, big tech companies hold user data in large cloud-connected data centers in strategic locations in closer proximity to their customer base and internet exchange points. These new requirements could raise costs for corporations by obligating them to build new data centers in every market without a meaningful payoff to users.

Isolationism from the World

The impact of data localization is not only limited to putting added pressure on corporate resources though. Restrictions on the movement of data across borders also limit access to capital and investment and diminish the ability of banks and governments to assess borrowers' creditworthiness and ban fraudulent activities. For instance, Mastercard's Chief Product Officer Michael Miebach said that data localization laws in India take "away the capability to see the broader world," meaning a lender in one market wouldn't be able to access financial records from another, making it difficult to make an informed lending decision.

Negative Impact on Remittances

Saudi Arabia and the UAE are a major source of remittances for Egypt and there is an increasing effort to expand country-to-country mobile money services with the aim of boosting trade among the three nations. Between January and September 2020, the Egyptian diaspora, mainly in the GCC, sent home a total of $22.1 billion. Traditionally, the remittances are sent through bank transfers or in cash. Country-to-country mobile money services are one of the drivers for Saudi Telecom's (STC) efforts to buy a stake in Vodafone Egypt, Egypt's biggest telecommunications company and a major player in the growing mobile payment business. The Egypt-Saudi country-to-country mobile money service efforts will be correlated with the facilitation of data transfer across nations and sovereignty-centric data localization would prove to be an eventual obstacle.

Halting Innovation

In Saudi Arabia, the UAE, and Egypt, data localization requirements might hinder local firms and startups' abilities to harness the power of data analytics — by moving their data freely across borders — to enhance their products, improve user experiences, and boost their competitiveness. Additionally, the data localization requirements will likely dampen international companies' interest in the three markets and limit customers' access to leading digital services and technologies. As a result, the protectionist approach to data could ultimately stand in the way of the three countries' plans and ambitions to encourage innovation, and eventually become regional and global tech centers.

Saudi Arabia, the UAE and Egypt have been aggressively working on implementing a large-scale digital transformation, attracting international tech companies, building high-tech smart cities and investing heavily in their technology-based human capital. In a parallel track, the three governments have joined a growing global trend of data localization, which is required to safeguard citizens' personal data and ultimately create a regional and international framework on data processing. The cyber-sovereignty-centric approach to data limits innovation and economic growth, contributes to the balkanization of the internet, and will ultimately impede the three countries' efforts to diversify their economies. By pursuing both cyber sovereignty and digital transformation simultaneously, regional governments might fall short of achieving either.

Mohammed Soliman is a non-resident scholar with the Middle East Institute's Cyber Program. His work focuses on the intersection of technology, geopolitics, and business in the Middle East and North Africa. (MEI 06.01)

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11.4. QATAR: Qatar and the Reconciliation Countries - Losses and Gains

Adel Mojahed posted in Fanack on 1 February that during the boycott years with KSA, UAE, Bahrain and Egypt, the small oil-rich emirate Qatar suffered heavy losses that are too early to be calculated. Some experts estimated the losses at more than a $1 trillion in a boycott that lasted between June 2017 and the beginning of 2021.

During the crisis' first months, Qatar liquidated about $3 billion of its investments in the US treasury securities. Moreover, the GCC emirate spent more than $40 billion of foreign reserves to support its currency and banks. This is equivalent to 23% of its GDP. As a result, the emirate ended the first year of the boycott with a surge in public debt of $17.1 billion.

Qatar resisted accusations of supporting terrorism by the Arab quadruple. Nevertheless, the effects of the boycott were quickly reflected in the most prominent indicators of the state's macroeconomics. The GDP recorded a decline of 2.6 billion in 2017 measured by constant prices. A negative growth rate of 1.5% has been recorded in comparison with that of 2016. According to the World Bank data, Qatar recorded that year growth rate of 3.1% compared to 2015. Overall, the cumulative growth of the emirate's GDP during the last 3 years of the boycott until the announcement of the reconciliation was zero (a Zero Economic Growth).

With a decline rate of 2% compared to 2019, there is no doubt that the Qatari GDP's decline in 2020 was consequential to the effects of the boycott and the repercussions of the COVID-19 pandemic.

During the crisis, the real estate and retail sectors were also damaged. Shopping malls and hotels, which were packed with Saudi and Emirati tourists sometimes, were almost empty. Real estate prices also fell sharply, given the oversupply in the period leading up to Qatar's hosting of the World Cup in 2022. In addition, Qatar Airways recorded annual losses after the state-owned company was forced to change routes and redirect many of its flights. In fact, this led to a simultaneous increase in length and cost of flights. This prompted the company to submit a request for an international arbitration in July 2020 against KSA, UAE, Bahrain and Egypt, as these countries halted the operations of Qatar Airways in their markets. They also closed their airspace to Qatar's aircraft. As a result, Qatar demanded a $5 billion compensation from these countries.

Since the boycott between the two sides of the crisis was a war brinkmanship, everyone seemed to lose in the end. Both Bloomberg and The Economist reported huge financial losses for UAE and KSA since the end of the first year of the boycott. At the same time, the UAE lost a significant part of real estate investments by losing its major Qatari investors. Moreover, the UAE recorded an annual loss of $1.1 billion due to the suspension of Qatari tourism to Dubai. When it comes to KSA, the kingdom lost the Qatari market as a hub for selling its food and dairy products. This should be added to the loss recorded in the construction market. The collapse in oil prices deepened these two countries' losses resulting from the boycott. Egypt also lost an important market for its agricultural products. In addition, Egypt Air lost transporting more than 300,000 Egyptians working in Qatar.

According to Qatar's Planning and Statistics Authority, the volume of trade exchange between Qatar and the GCC countries amounted to $10.5 billion in the year before the outbreak of the crisis. Bloomberg reported that the share of KSA, UAE and Bahrain amounted to 87% of the trade exchange between Qatar and the Gulf region.

For reasons that speculations fail to decipher, the blockade on Qatar has been lifted earlier this year. Commercial and diplomatic relations between that the two sides have been resumed. Some claims that such a decision has had either an economic background or a geopolitical one. The doubt might be referred to the ambiguity surrounding the terms of reconciliation and the continuation of the main obstacles that caused the outbreak of the crisis. However, no one denies that all parties will benefit from the reconciliation. Airlines' losses are expected to decrease, although the Corona pandemic repercussions still cast a shadow on the global travel sector's returns with the emergence of the virus new variants. Fitch Ratings Agency expects an increase in tourism flows and real estate market support in the Gulf region. (Fanack 01.02)

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11.5. UAE: Hi-Tech Rivalry Between Abu Dhabi & Riyadh Heats Up

In Al-Monitor on 25 January, Sabena Siddiqui noted that Saudi Prince Mohammed bin Salman is sparing no effort to lure business from the IT and other sectors in Abu Dhabi to the kingdom.

In an effort to diversity its oil economy along the same pattern as the United Arab Emirates, Saudi Arabia has been developing new economic sectors at home instead of investing abroad. Yet to become a regional economic hub, Riyadh would have to strip away some firms from Dubai, as most of the large international firms operating in the Gulf region are already headquartered in the UAE's largest city.

Perceived as the destination of choice even for Saudi businesses headed abroad, Dubai is the most thriving financial and commercial center in the Gulf Cooperation Council (GCC) region. Yet a turning point in Saudi Arabia's approach came when Crown Prince Mohammed bin Salman launched the futuristic city NEOM, which is set to cost an estimated $500 billion.

Being a focal part of the kingdom's Vision 2030 economic program, this megaproject could become the showstopper of the Saudi economic makeover if it can compete as a business hub with Dubai. Consequently, Riyadh is trying to outstrip Dubai, though both cities could have adopted a complementary role.

Recently, a campaign was started by Riyadh as part of an initiative named Programme HQ, under which blue-chip companies and multinationals from Google to Siemens are being offered incentives to relocate their regional headquarters from Dubai to Riyadh. Ostensibly, this is to lure the senior leadership of top foreign companies to Riyadh to make it look like a larger market than Dubai, as well as to speed up foreign investment. According to executives familiar with the pitch, Saudi authorities have offered tax breaks, protection against future regulations and a waiving of quotas on the employment of Saudi locals.

Nevertheless, Google Cloud has agreed with Saudi Aramco to deliver cloud computing services infrastructure and it could open its first workplace in the kingdom soon. Also, Western Union has invested $200 million for a 15% stake in Saudi Telecom, and a $500 million deal was introduced with Alibaba Cloud by STC for similar services.

But with this Saudi outreach to foreign companies, the rivalry between the two GCC states has gathered speed. Interestingly, Abu Dhabi and Riyadh have done similar things such as going hi-tech, investing in business startups and relaxing conservative social norms to attract tourism.

These are some of the highlights:

For starters, the UAE became the first Arab nation to send a mission to Mars. Having taken off from an island in Japan with US help in July 2020, the $200 million "Hope" spacecraft will reach the Red Planet in February 2021 and produce the first global map of the Martian atmosphere. According to Omran Sharaf, the mission's project manager, the Mars mission was designed to cause "a big shift in the mindset" and encourage research, offer degree programs in basic sciences and engage youth from other Arab states. However, according to Sharaf, the main driver behind it "is not space, it's economic."

Soon after, on 10 January 2021, Prince Mohammed launched The Line, an ambitious linear city. Powered by renewable energy, utilizing artificial intelligence and producing zero carbon emissions, it is a long belt stretching from the Red Sea coast inland through the NEOM megaproject in northwest Saudi Arabia. Under planning for nearly three years, the project cost is estimated at $100 to $200 billion, which will be taken from the $500 billion support fund announced for NEOM within the kingdom's sovereign wealth PIF fund.

Construction will commence in 2021, and the hi-tech city is expected to contribute $48 billion to the Saudi gross domestic product and create 380,000 jobs.

Meanwhile, even where startups are concerned, there has been vigorous competition between the two GCC allies since last year. Providing new opportunities after the pandemic, the UAE announced a special stimulus package to revive the startup ecosystem recently.

The UAE was the first to focus on offering the most liberal lifestyle available in the GCC. Later on, the Saudi kingdom also announced significant changes to encourage tourism, including allowing concerts, sporting events and movie showings, and it even granted women some long-restricted freedoms.

In another first, Abu Dhabi went ahead and allowed foreigners to fully own their businesses and no longer require local partners. According to Khatija Haque, head of MENA research at Emirates NBD, "The UAE needs to keep pace or stay ahead if it doesn't want to lose its competitive advantage. When oil was at $100 a barrel for several years, there wasn't that much need to attract foreign investment. Clearly, that has changed."

Then the UAE raised the stakes further for other GCC states by letting expat professionals and investors qualify for 10-year residency visas. Consequently, this compelled Saudi Arabia to announce an e-visa program for 49 countries.

However, Riyadh does have some factors working in its favor, and it could still win the race due to its sheer size and larger growth opportunities.

First, having a population of 34 million — three times larger than the UAE's — the kingdom remains the largest market in the Gulf region. Abu Dhabi's main drawback could be its limited size and capacity, even though it is efficient and innovative.

Second, the nature of the competition changed with NEOM, as it covers a total of 27,000 square kilometers, almost the equivalent of a small country. Bringing the competition to the next level, The Line has been added with a completely novel concept. In comparison, the UAE mostly has smaller-scale projects to offer.

Third, since easing restrictions on starting companies, enforcing contracts and getting permits, Saudi Arabia was ranked a most-improved country in the World Bank's Doing Business report for 2020. Yet the kingdom still fell a ways behind its GCC partner in raw numbers, ranking 62nd compared to the UAE at 16. Therefore, if all goes well with NEOM and The Line, multinational companies could eventually head for Saudi Arabia without needing any encouragement.

The desired exodus is ultimately bound to happen, as the coronavirus pandemic has created "fertile soil" for companies in the Saudi kingdom, as Sam Blatteis, former Gulf head of presidency relations for Google who advises tech multinational firms, says that high-tech firms have seemed "eager to increase in Saudi Arabia the previous few weeks." (Al-Monitor 25.01)

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11.6. OMAN: Sultan Caps First Year by Appointing Heir and New Military Leadership

Elana DeLozier noted in The Washington Institute for Near East Policy's PolicyWatch on 28 January that Sultan Haitham's latest decrees elevated his son to heir, sacked commanders, and spotlighted his brother's influence, but the government's main focus is still squarely on economic reform.

One year into his rule, Sultan Haitham seems to be putting the final touches on reshaping Oman's government and royal family hierarchy to meet his view of the challenges ahead. These changes are monumental for the country, even if they have received little outside attention.

Last August, he apportioned the sultan's traditional titles of defense minister, foreign minister, finance minister and chairman of the Central Bank to other people, including non-royals. He also formed a new cabinet, with most of the changes focused on the economic and finance portfolios.

Five months later, he has rewritten swaths of the constitution (including new language that creates a formal heir for the first time), clarified the law governing the legislature, replaced most military leaders, and issued a budget in line with the economic goals of Oman's "Vision 2040" plan. More decrees are expected in the coming weeks to cap off this overhaul. So far, the sultan's reforms suggest a preference for professionalizing the government, clarifying responsibilities and delegating duties more broadly.

Burn the Envelope?

The most eye-catching change is the fundamental restructuring of the succession system to one based on primogeniture. Under the late Sultan Qaboos, succession was based on royal family consensus or, failing that, the opening of an envelope wherein the sultan had written his choice for successor. When Qaboos died on 10 January, the family opted to have the Defense Council open the envelope and Haitham's name emerged. Omanis and regional players alike have long been anxious about this envelope system - which was only created after Sultan Qaboos narrowly avoided death in a 1995 car accident, sparking fears of a leadership vacuum. Citizens and foreign diplomats no doubt welcomed Haitham's move to a more transparent system.

According to the new constitution, the sultan's eldest son is to be the designated heir. If the heir is under twenty-one years old, an advisory council is to be established within the royal family. In the absence of a son, the heir is to be the sultan's eldest brother.

The constitution is clear that the title of heir does not come with specific duties; instead, "the sultan shall choose his heir's duties and position." This language suggests some similarities with the British system, wherein the title does not carry formal power until the holder of the crown passes away or abdicates, but the ruler may grant that person certain responsibilities in the meantime.

Under these rules, Haitham's eldest son Theyazin is now heir to the throne. The question is whether he will be given a new position/title in addition to being named heir, similar to crown princes in other Gulf countries. More likely, he will maintain his current minor government portfolio for now (minister of culture, sports, and youth) and move up the ranks over time. He just received that portfolio a few months ago; future royal decrees will likely add responsibilities.

Even before Theyazin's designation as heir, Omanis often cited him as the most likely successor, and his ministerial appointment in August was seen as the first step to burgeoning his credentials. A thirty-year-old Oxford graduate with a political science degree, he joined the Foreign Ministry in 2013 and was posted to the London embassy as second secretary in 2018. Following his father's ascension, Theyazin returned to Muscat and joined Haitham in several symbolically important meetings, including meet-and-greets with tribes and important Omani constituencies last fall.

Many Omanis will likely welcome a move toward younger leadership. Moreover, primogeniture is neither alien nor radical to them, as sons often followed fathers into leadership in the past even if that practice was never codified into law. The decision to officially appoint an heir suggests that Sultan Haitham does not share his predecessor's concerns about creating alternate sources of power or popularity in Oman.

A Brother's Rise

The fingerprints of Haitham's full brother Shihab bin Tariq also appear on some of the latest decrees. Shihab was appointed deputy prime minister for defense last year, taking over the duties of defense minister from the sultan. In the rewritten constitution, Haitham clarified that it remains his duty to appoint and remove military commanders. He put that power to far-reaching use on 18 January, decreeing that the heads of all military branches except the army would be replaced. The former navy commander was promoted to chief of staff of the Sultan's Armed Forces - a decision that Shihab surely had a say in given that he once headed the navy himself. Over the course of the week, Haitham also replaced the secretaries-general of three entities - the Defense Ministry, the Royal Office's national security council and the Royal Office's military affairs bureau - as well as the commanders of the Royal Guard and the Sultan's Special Forces. In monarchical systems, such full-scale turnover of top brass is typically as much about creating loyalty as putting one's own team in place.

In his role as deputy prime minister for defense, Shihab will also be joining the National Defense Council alongside the newly minted chief of staff of the Armed Forces, while the commanders of individual armed services were removed from that body. As is often the case in the Gulf, Shihab's importance has been further solidified through marriage - his daughter is engaged to Theyazin.

Haitham and Shihab's half-brother Assad - who, as the eldest, was a leading contender for the role of sultan - remains deputy prime minister for international relations and cooperation affairs and a personal representative of the sultan. But this role appears nominal at present.

Professionalization of the State

Amidst the changes in government, Oman's economic problems remain paramount. The 2021 budget and five-year plan released on 1 January demonstrate a renewed focus on Vision 2040, which Haitham led prior to his ascension. The budget creates caps for government agencies, lowers expenditures, and assumes a lower oil price ($45 per barrel). The five-year plan similarly emphasizes fiscal sustainability. Combined with the August cabinet shuffle, which focused on creating a solid economic team, this suggests that implementation of Vision 2040 and the economic changes that technocrats have been quietly pushing for years are finally underway.

Moreover, the new law governing the legislature clarifies the council's procedures, delineates its responsibilities for advising and promoting government policy, and codifies a ministerial oversight function with direct reporting to the sultan. Omanis will welcome such accountability, even if the body falls short of Western ideals regarding legislative power.

February 20th will mark the anniversary of the beginning of Haitham's rule, and in that time he has put his stamp on the government by devolving power to ministers, reshuffling the cabinet and military, codifying a new succession system, and facilitating desperately needed economic reform. The sultan may be betting that he can accomplish more by delegating. This bet seems worth taking given that the country's major economic problems are unlikely to be resolved by a handful of ministers, but will instead require efficiency throughout the bureaucracy.

Elana DeLozier is the Rubin Family Fellow at The Washington Institute. (TWI 28.01)

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11.7. EGYPT: The New Parliament Reopens Political Life, But Only So Far

Haisam Hassanein posted on 26 January in the Washington Institute for Near East Policy Alert that giving the legislature a makeover is Cairo's latest bid to ease public frustrations, but will a token opposition be enough to keep socioeconomic tensions from boiling over?

When the newly elected Egyptian parliament held its inaugural session on 12 January, changes could be seen all over. Farida al-Shobashi became the country's first woman to chair the opening session of an incoming legislature. The Free Egyptians Party, founded by liberal business tycoon Naguib Sawiris after the 2011 uprisings, was totally absent. Copts lost seats (down from 36 to 27 members), as did Salafi Muslims (their al-Nour Party dropped from 11 to 7 seats) and independent members (who plummeted from 325 to 92). In contrast, the pro-government Nation's Future Party gained a majority by rocketing from 52 members to 316 in the 596-seat parliament. Overall, 200 incumbents lost their seats, 176 kept theirs and 209 did not run.

Among the most notable individuals to be replaced was Ali Abdel Aal, the unpopular speaker of parliament who did not run for reelection. He has been succeeded by Hanafi al-Gebali, a former judge who famously ruled in favor of handing the islands of Tiran and Sanafir over to Saudi Arabia, defying domestic public opinion. Well-known pro-government legislators Abdel Rahim Ali and Mortada Mansour also unexpectedly lost their seats. Several factors help explain all these changes in Cairo.

Sisi's Willingness to Give Political Life a Chance

President Abdul Fattah al-Sisi's government is apparently trying to nurture some semblance of political life in order to contain public frustration over Egypt's formidable economic and social problems. Specifically, officials sought to decrease the number of independent members in parliament and increase the tally of party affiliates.

This move likely stemmed from the fact that many independents in the previous parliament did not have strong voices in their districts because they lacked the power to offer public services, organize town halls, or hand government contracts and jobs to their patrons. Some of them became visibly unenthused about serving in parliament and routinely skipped sessions. Such neglect spurred former parliamentarian Mohamed Anwar Sadat to speak out last August, when he called for releasing the names of members who "haven't said a word" to show the public who works for them.

Sisi also seems to have realized that media activity is not enough to fill Egypt's emptied political space. After overthrowing the Muslim Brotherhood-led government of Mohamed Morsi in 2013 and muzzling the political opposition, Sisi's circle put heavy pressure on all media organizations and coopted many of them into propaganda outlets (e.g., using them to highlight major infrastructure projects that cast Cairo in a good light). Yet this approach did not have the desired effect, and in 2019, exiled government contractor Muhammad Ali succeeded in mobilizing people to the streets through his YouTube videos. Afterward, some government factions concluded that the lack of political parties was the reason for their unpopularity, even though the conventional wisdom in Cairo had long held that opening up political space could threaten their power.

Survival Through Turnover

Over the past six years, Sisi's philosophy has been to rotate ministers and other key government personnel, partly to minimize popular anger against individual officials, but also to signal decision makers that anyone is replaceable. Unlike the previous era, Sisi's rule is characterized by a lack of power centers outside the president's close circles. Under former leader Hosni Mubarak, well-known ministers held their positions for decades, most notably former defense minister Muhammad Hussein Tantawi. This longevity eventually created sensitivities between the old guard and the new guard led by Gamal Mubarak - a situation that current officials believe made the elder Mubarak easier to depose.

Hence, Sisi and his circle tend to see any internal friction as a potential catalyst for raising the Muslim Brotherhood back from the dead and pushing the current leadership out the door. They have also made a habit of destroying alternative power centers. In 2017, Sisi placed limits on the authority of judges and pushed a law that gave him more influence on such matters despite massive opposition from the judiciary. He has also boldly fired key figures who helped him oust Morsi, including intelligence chief and longtime mentor Gen. Muhammad Farid al-Tuhami and Interior Minister Muhammad Ibrahim.

Policy Implications

The reshuffling of parliament confirms that the pro-government Nation's Future faction is Egypt's new ruling party. Sisi's circle is presenting a democratic, pluralistic picture of this outcome, but in truth the legislature will be dominated by one major party surrounded by small parties that serve as window dressing, thereby mimicking an opposition just enough to occasionally channel the public's frustration at socioeconomic conditions. This is straight from the Mubarak playbook.

Yet it remains to be seen how much tolerance the government will have for vigorous debates in parliament, and how far it will let this experiment go. At stake is the question of whether Sisi will be able to transcend Mubarak's fate and, more important, help the country overcome its most pressing problems.

Haisam Hassanein is a Middle East analyst and a former Glazer Fellow with The Washington Institute. (TWI 26.01)

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11.8. EGYPT: Egypt & Turkey Compete for Influence in Ghana

George Mikhail noted in Al-Monitor on 21 January that Egypt is seeking to bypass Turkey in Ghana by strengthening relations and cooperation agreements in several fields with the West African country. Egyptian President Abdel Fattah al-Sisi confirmed his country's keenness to strengthen relations and cooperation with the West African country during a 5 January meeting with Annan Kato, the special envoy of Ghana's president. Sisi also discussed during the meeting several issues of bilateral cooperation between Cairo and Accra in the fields of trade and investment.

Egypt and Ghana enjoy strong economic and trade relations. The latest statistics by the Egyptian Commercial Representation Office in Accra showed that the volume of trade exchange between the two countries jumped to $108.3 million in 2018, from $70.1 million in 2017, which is a 54.5% increase. According to the State Information Service, Ghana is the fourth market in Africa to receive Egyptian exports after Kenya, Nigeria and Ethiopia.

Moreover, a 6 January report on economic ties between the two countries in Egypt's al-Bawaba News said that "the most important Egyptian exports to the Ghanaian market are construction materials, paint, cement and steel structure for buildings, foodstuff, juices and buses. Meanwhile, Egypt's imports from Ghana include cocoa and timber for the furniture industry."

Cairo has also concluded several economic and commercial cooperation agreements with Ghana. The state-owned EgyptAir agreed with the Ghanaian government in October 2020 to establish a Ghanaian national airline company with joint Egyptian-Ghanaian investment. In November 2020, Egypt's Ambassador to Ghana Emad Hanna discussed with officials from the Ghana Railway Development Authority the possibility of launching a partnership between Egypt and Ghana to develop the Ghanaian railway sector. In 2017, the two countries signed a memorandum of cooperation in the field of communications and information technology, which included transferring Egyptian expertise to the West African country in the field of electronic applications and e-governance.

Egypt's moves in Ghana are in tandem with Turkey's insistence on expanding its influence inside Ghana. Turkish President Erdogan visited Ghana for the first time in 2016 when he concluded several memoranda of understanding in the fields of information technology, and to promote and protect mutual investments, sports and youth with Accra. "Turkey wishes to strengthen its political, military, economic, cultural and commercial ties with Ghana," Erdogan said during the visit.

According to a report on the Turkish website Ahval, "Erdogan's government is seeking to gain a foothold in Ghana through the Turkish Cooperation and Coordination Agency, which provided teaching and educational equipment to a primary school in the Ghanaian capital of Accra." "Ankara inaugurated the Republic of Turkey Street in Accra as well as the Ummah Mosque, which is one of the largest mosques in Ghana," the report said, adding that "the Turkish Red Crescent had sent humanitarian aid to the country in order to consolidate Turkish influence there."

The newspaper Emirati Al-Ain reported that the Turkish Hudayi Foundation — which is affiliated with the ruling Justice and Development Party (AKP), which is associated with the Muslim Brotherhood in Turkey — has built schools and mosques in African countries, including Ghana. In a related context, Mona Amr, former assistant to the foreign minister for African affairs, told Al-Monitor, "Egypt is interested in consolidating its relations with Ghana, especially since the latter hosts the Secretariat of the African Continental Free Trade Area (AfCFTA) and plays a major role in the AfCFTA Agreement."

Ghana announced on 6 January the beginning of work under the AfCFTA Agreement, which provides for the gradual elimination of customs tariffs and incentives for investments between African countries that are signatories to the agreement, which includes Egypt. "Egypt is interested in the AfCFTA Agreement, as it gives Egyptian exports a competitive advantage through lower prices and it facilitates shipping and transport to the African market like Ghana. This would contribute to increasing the competitiveness of Egyptian products against Turkish goods, which flood the African markets, notably Ghana," Amr added.

"The Egyptian government encourages Egyptian businessmen to invest in Ghana," Amr said, stressing that there are "a large number of investors in Ghana and several projects in the country with Egyptian funding, such as the Military Hospital."

"Egypt is well aware that Ghana is one of the countries that are politically active in West Africa and is leading that region," Amr added, noting that "Cairo also benefits from its economic ties with Ghana, which has gas and gold resources." Commenting on the Turkish role in Ghana, Amr said, "Turkey clearly wields an economic influence in Ghana. Ankara takes advantage of its economic influence to play a political role in Ghana." "Cairo, on the other hand, is working on strengthening its economic and political ties with Ghana to block the influence of any state that is exploiting its presence in Africa to undermine economic interests, such as Turkey," she added.

For his part, Tarek Fahmi, a professor of political science at Cairo University, told Al-Monitor, "Generally, Egypt is pursuing a strategy to gain a foothold in Africa, especially since it was the head of the African Union (from February 2019 to February 2020)." "Egypt seeks to have a presence in African countries, especially in those where Qatar and Turkey are present. This is why Cairo has been intensifying its moves in Ghana in a bid to thwart Turkey in its attempts to extend its influence to Accra," he added. Fahmi said that "Cairo possesses economic and social tools to be present in Ghana through economic agreements. It has also sent Egyptian experts to the country."

"Al-Azhar Foundation and the Orthodox Church are Egypt's strong cards to extend its influence in Ghana, especially with religious missions to the country and the provision of humanitarian services. Similarly, Turkey has been also trying to consolidate its presence in Ghana, through humanitarian aid and the building of mosques and schools," he concluded. (Al-Monitor 21.01)

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11.9. TUNISIA: IMF Staff Completes Article IV Consultation Mission

An International Monetary Fund (IMF) staff team conducted a remote mission from 9 to 18 December 2020 and 4 to 13 January 2021 in the context of the 2020 Article IV consultation with Tunisia. At the conclusion of the mission, the IMF issued the following statement:

"COVID-19 has hit Tunisia hard. The IMF mission wishes to express its condolences and solidarity with all Tunisians who have been impacted by the pandemic, and applauds those who have worked incessantly to save the lives of their fellow citizens.

"The authorities responded pro-actively to the COVID-19 outbreak, providing immediate support to the health sector, affected people and firms. Yet, IMF staff estimates that real GDP has contracted by an unprecedented 8.2% in 2020, resulting in higher poverty and unemployment. The current account deficit is expected to have narrowed in response to a sharp drop in import demand and resilient remittances, in spite of a strong hit on exports and collapsing tourism receipts. The fiscal deficit is estimated to have widened to 11.5% of GDP, including because of lower revenue, a higher wage bill, and additional transfers to state-owned enterprises.

"IMF staff expects GDP growth to rebound to 3.8% in 2021 as the effects of the pandemic start to wane. However, there are considerable downside risks around this baseline projection, especially given the uncertainty from the duration and intensity of the pandemic and the timing of the vaccination.

"IMF staff and the authorities agree that Tunisia currently faces the dual challenge of saving lives and livelihoods until the pandemic wanes, while starting to bring fiscal and external imbalances back to a sustainable trajectory. Thus, it is essential to strictly prioritize spending on health and social protection, while exerting control over the wage bill, ill-targeted energy subsidies, and transfers to state-owned enterprises. The 2021 budget aims to strike this balance, with the fiscal deficit projected to narrow to 6.6% of GDP. However, specific measures are needed to back this objective, and in their absence, staff projects a higher deficit of over 9% of GDP. Staff encourages the authorities to continue to strengthen targeted safety nets and favor growth-enhancing public investment.

"The medium-term outlook and public debt sustainability depend on the authorities' adoption of a credible and well-communicated reform plan that benefits from the Tunisian society and international development partners' strong buy-in. To this end, it would be critical to gain support from the relevant stakeholders on issues within their remit. Such a "social compact" could cover the civil service wage bill (currently among the highest in the world), subsidy reform, and the role of state-owned enterprises in the economy, the informal sector, tax equity, anti-corruption reforms and the business environment.

"Several large state-owned enterprises (SOEs) are saddled with debt, have accumulated arrears and benefit from government guarantees, all of which pose fiscal and financial risks. Staff welcomes the authorities' efforts to start to disentangle and resolve some of the cross-arrears and encourages the authorities to adopt a medium-term reform plan that: (i) 'triages' SOEs based on their financial viability, strategic importance, and nature of their activities; (ii) centralizes their oversight in a single entity; (iii) strengthens corporate governance; and (iv) improves transparency and financial reporting. Improving the financial position of the social insurance system would also reduce fiscal risks.

"The Central Bank of Tunisia's (CBT) monetary policy has helped support credit and liquidity, while inflation continued to fall. Staff urges the authorities to avoid future monetary financing of the government, as it risks reversing the gains achieved in terms of lowering inflation, could weaken the exchange rate and international reserves, and undermine financial stability. Monetary policy should continue its focus on inflation by steering policy rates, while preserving two-sided exchange rate flexibility. The CBT should closely monitor the financial sector, as the full impact of the pandemic on the financial sector is yet to be observed.

"Raising potential and inclusive growth will require more private sector initiative and competition, including by removing monopolies and other distortions. Staff welcomes the authorities' objective to cover at least 30% of its energy needs through renewables by 2030, which would help combat climate change and diversify energy supply. Reforms advancing anti-corruption, good governance, and transparency should be cross-cutting themes for the years ahead."

Since 2013, Tunisia benefited from two arrangements (a Stand-By Arrangement and Extended Fund Facility) with the IMF. On 10 April 2020, the IMF Executive Board approved a Rapid Financing Instrument disbursement to support Tunisian authorities' response to the pandemic. (IMF 23.01)

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11.10. TURKEY: Staff Concluding Statement of the IMF 2021 Article IV Mission

The IMF concluded a 2021Article IV Mission to Turkey in 25 January. The IMF announced that, as in all other countries, the pandemic has inflicted a heavy human and economic toll on Turkey. The policy reaction, which focused on monetary and credit expansion, led to a strong rebound in growth after the initial shock, but at the same time exacerbated pre-existing vulnerabilities. This left the economy more susceptible to domestic and external risks. The recent policy pivot away from rapid money and credit growth is welcome.

Buffers could be rebuilt more quickly if this pivot persists, and is combined with additional pandemic-focused fiscal support that is temporary and targeted, a credible plan for medium-term fiscal consolidation, as well as focused financial sector and structural reforms. Structural reforms should focus on mitigating the risk of long-term adverse effects of the pandemic and should include targeted measures to support the most vulnerable, encourage labor market flexibility and facilitate corporate debt relief.

The Covid-19 Shock: Impact and Policy Response

1. Turkey entered 2020 with pre-existing vulnerabilities. Growth over the past decade has been driven in large part by externally-funded credit and demand stimulus. As a result, elevated external financing needs, declining reserves, high inflation, and increasing dollarization set Turkey apart from many of its emerging market peers.

2. The pandemic exacted a painful human and economic toll. Almost 25,000 Turkish people have died and 2.4 million have been infected. Virus containment measures helped prevent an even steeper toll, but at the same time led to an unavoidable steep fall in economic activity and employment in the second quarter of 2020.

3. The initial policy response to the pandemic led to a sharp rebound in GDP. The early stimulus relied primarily on rapid monetary and credit expansion, including policy rate cuts, cheap and rapid lending growth by state-owned banks, and administrative and regulatory measures designed to boost credit. Despite some fiscal space, direct fiscal measures amounted to just 2.5% of GDP, mainly in the form of tax deferrals, but also including employment support. These combined measures helped economic activity rebound strongly in the third quarter to above pre-pandemic levels, with Turkey among the few countries estimated to have posted positive overall growth in 2020.

4. But this policy response also exacerbated vulnerabilities. Inflation remains well above target, further weighing on policy credibility. Increased dollarization, relatively high imports and financial outflows triggered large-scale foreign exchange intervention in an attempt to stem lira depreciation.

5. The recent policy pivot, to tighten monetary policy and slow credit growth, is welcome. From late-2020, monetary policy tightening, the easing of ad hoc regulatory measures, and a marked slowdown in state-owned bank lending helped contain the pressure on the lira and rebuild confidence. Gross reserves have since broadly stabilized, but at a level well below the recommended range, and well below most peers. While net international reserves (NIR) remain positive, once foreign exchange (FX) swaps with the central bank (CBRT) are subtracted, the net position is negative.

Outlook - A Recovery, but with Significant Risks

6. The economy is expected to see continued positive growth in 2021. With the roll-out of a vaccine, and recovery of trading partner growth, and also mainly reflecting large positive growth carryover from 2020, Turkish GDP is expected to expand by about 6% in 2021. From 2022 onwards growth is projected to settle back to trend (about 3½%). Inflation is expected to fall modestly by end-2021, and remain well above target; and the current account deficit is expected to fall to 3½% of GDP, in large part reflecting lower gold imports and a modest recovery of tourism. Employment is expected to continue to recover slowly as the pandemic subsides.

7. But low buffers mean that vulnerabilities will remain elevated. Low foreign exchange reserves, coupled with high external financing needs and high domestic foreign exchange deposits, leave the economy vulnerable to shocks and changes in sentiment, both at home and overseas. Under the current set of policies, buffers will be rebuilt gradually.

Policies - A Further Shift in the Policy Mix is Needed

8. A further rebalancing of policies that is sustained over time would underpin more durable medium-term growth. Building on the welcome policy pivot, demand management policies need to continue to be carefully calibrated in the coming months. Maintaining a firm monetary stance, accompanied by additional pandemic-focused fiscal support that is temporary and targeted, would achieve a broadly neutral, but better calibrated, policy stance. Such an adjustment would help rebuild credibility and buffers, while also responding to the human and economic needs arising from the pandemic.

Monetary Policy - Strengthening Credibility and Buffers

9. A firm monetary policy stance should be maintained, with further measured monetary policy tightening likely needed should inflation expectations fail to stabilize. Furthermore, any premature easing should be avoided, in line with recent CBRT forward guidance, to better anchor inflation expectations, sustain capital inflows and address dollarization. These actions would pave the way for a stronger lira and higher reserves, especially when combined with broader reforms, including steps to underpin CBRT independence and a timely technical review of the monetary policy framework.

10. A transparent reserve accumulation strategy should be developed and implemented as conditions allow. This reserve buildup should increasingly take place through transparent reserve purchase auctions and be accompanied by consistent and clear communication. Remaining administrative measures designed to support the lira could also be gradually removed as conditions allow.

Fiscal Policy - Addressing Pandemic-Related Needs

11. To address immediate needs related to the pandemic, additional targeted and temporary fiscal support should be deployed this year. Turkey has some fiscal space to expand support in 2021, possibly in the order of 1% of GDP. Additional social transfers to vulnerable households and informal workers would help support those most affected by the pandemic. Further support should be considered if economic conditions deteriorate.

12. In parallel, a credible and detailed plan for fiscal consolidation should be outlined now, to be enacted when the post-pandemic recovery is well under way. This would help strengthen Turkey's important fiscal anchor. Specifically, consolidation of about 1.5% of GDP over the medium term should help put debt again onto a declining path. The consolidation plan, which could be legislated now, and enacted from 2022 onwards, might include further efforts towards streamlining VAT exemptions and rationalization of ad hoc transfers and subsidies, as well as rationalizing investment incentives. Importantly, further efforts to find efficiencies in spending would complement these efforts.

13. Fiscal structural reforms would support consolidation and mitigate fiscal risks. Fiscal transparency and credibility would be further bolstered by publishing a fiscal risk statement and comprehensive information on the quasi-fiscal operations of all SOEs. Furthermore, ongoing efforts to strengthen oversight and management of Public Private Partnerships (PPPs) should be finalized, including by publishing a monitoring report and finalizing a new PPP law. It would be important for this legislation to ensure that PPPs are fully integrated with the overall budgetary process, including their appraisal and authorization. Finally, efforts to continue to strengthen budget execution would also be helpful.

14. Further monitoring of extra budgetary institutions would also be helpful. The scope and role of extra-budgetary and other non-central government entities and institutions need to be carefully defined and monitored, with the maximum degree of transparency and a strong governance framework. In this regard, Turkey Wealth Fund's governance structure could also be refined to limit potential conflicts of interest.

15. Debt management should continue to be strengthened by lengthening borrowing maturities and lowering reliance on domestic FX borrowing. Recent moves along these lines are welcome.

Financial Sector Policy - Rein in Credit and Strengthen Balance Sheets

16. The continued normalization of credit growth is a positive development. Credit growth has slowed as policy rates have increased and regulations incentivizing lending have been removed. While credit provided through the Credit Guarantee Fund (CGF) was expanded beyond SMEs during the pandemic, going forward, such credit should be limited to SMEs, in line with the CGF's original mandate.

17. Legacy issues on banks' balance sheets could be recognized more fully over time. As the pandemic recedes, prudential standards should be strengthened to incentivize the recognition of loan losses, proactively drawing down on capital and liquidity buffers. Phasing out forbearance measures and loan deferrals by banks would further encourage debt restructuring. As the economy recovers from the pandemic, a comprehensive third-party asset quality review, and ensuing stress tests, would strengthen confidence and help develop the market for distressed assets. In addition, delays in proposed revisions to the Banking Law to strengthen Banking Regulation and Supervision Agency (BRSA) independence, and to reform resolution frameworks should be avoided. We welcome the authorities' intention to proceed with a new Financial Sector Assessment Program in 2021.

18. Bank FX liabilities warrant careful monitoring. While banks' regulatory requirements are met, foreign exchange liquidity risks should continue to be monitored carefully. Furthermore, regulatory limits on open FX positions should be strictly enforced.

Mitigating Long-Term Effects of the Pandemic

19. Risks of long-term adverse effects of the pandemic on labor markets and non-financial corporates should be addressed through targeted measures. The Turkish economy is flexible and entrepreneurial, which bodes well for adapting to the post-pandemic economy. Nevertheless, policies that help labor market flexibility, while providing a sufficient safety net, would support resource re-allocation and job creation. Particular emphasis on female labor force participation, youth unemployment, and informality is needed. As elsewhere, cases of corporate debt distress are expected to increase as a result of the pandemic. Viable but temporarily-insolvent firms need to be quickly restructured as 'going concerns'; while unviable firms need to be efficiently wound down. In current circumstances, the role of 'out-of-court' restructuring mechanisms is key. Taken together, these policies would provide the basis for a more durable and inclusive recovery. (IMF 25.01)

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