Digital Currencies, Blockchain and the Civic Sector in the MENA Region

Algeria, Egypt, Palestine, and the GCC Countries

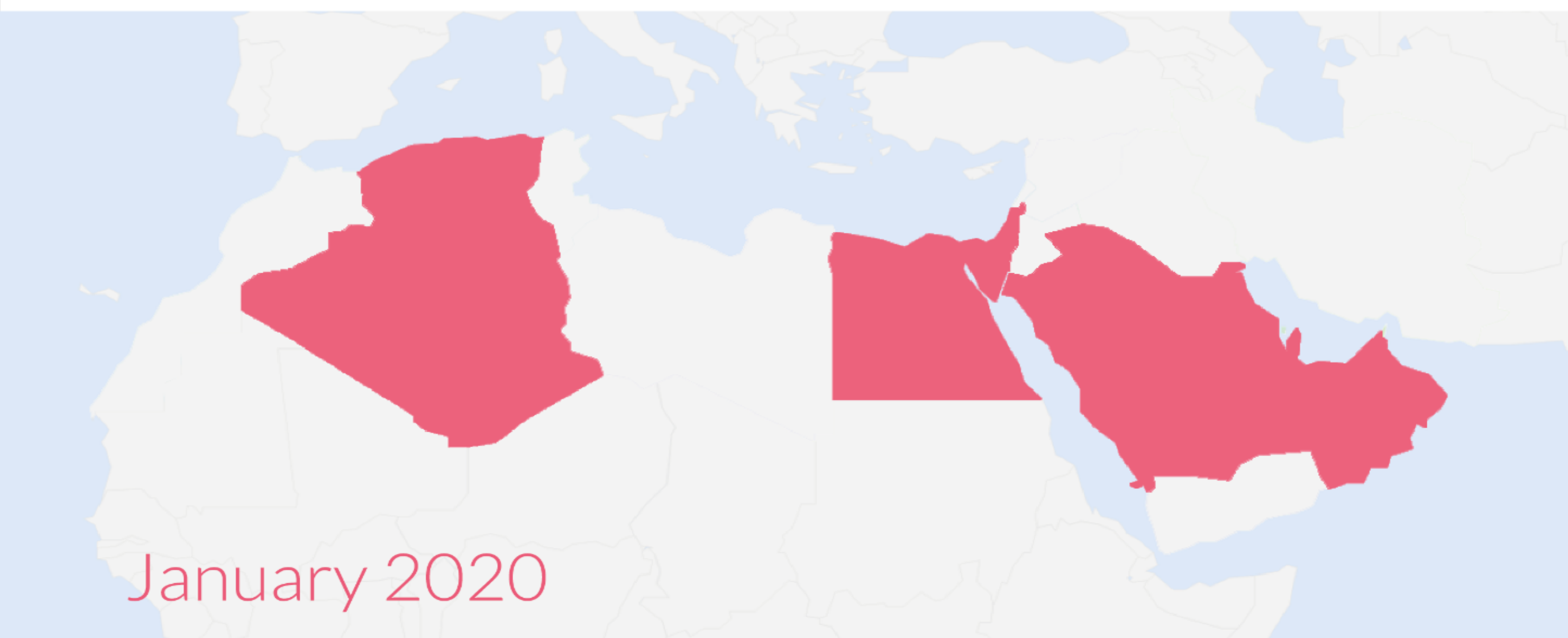

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Table of Contents

Introduction 2
The Tech Ecosystem in MENA: A Brief Overview 3
Delving into Financial Technology (Fintech) 5
Fintech in MENA 5
Crowdfunding in MENA 6
Attitudes toward Crowdfunding in MENA 6
Zoomaal, A Statistical Review - May 2019 7
Egypt 10
Ecosystem 10
Crowdfunding 12
Payments and Fintech Infrastructure 12
Cryptocurrency and Blockchain 13
Civil Society 14
Algeria 16
Ecosystem 16
Cryptocurrency and Blockchain 16
Crowdfunding 17
Regulation 17
Civil Society 17
Palestine 18
Tech-Entrepreneurship Ecosystem 18
Blockchain and Cryptocurrencies 20
Palestinian Civil Society 22
GCC Countries 24
Ecosystem 24
Blockchain and Cryptocurrency 24
Civil Society 26
Global Trends & Recommendations 28
Cryptocurrency in the global non-profit landscape 28
Another Global Trend: The Donation Button 28
Pilot Actions and Prototypes 30

Introduction

Civil society in the MENA region is experiencing significant problems related to the financing of its activities. These include limited capacity to meet the criteria and conditions required by international donors, the inability of some others to receive funds from abroad and the difficulty or even the impossibility of transferring money between different civil society organizations in different countries of the region, putting in place common projects. As digital currencies can offer potential solutions to civil society sustainability in the MENA region, the MENA Hub launched in 2017 a research program to assess the state of affairs in terms of CSOs needs, capacities and the feasibility of the blockchain technology for civil society actors.

In January 2019, the I4C MENA Hub team published the first mapping and assessments of digital money and crowdfunding in relatively open spaces in the region: Tunisia, Jordan, Morocco, and Lebanon. The primary purpose of this research was to provide a critical analysis of the potential of digital currencies and blockchain for the "social sector," with a specific emphasis on the MENA region.[1]

This report is intended to expand the research to cover countries in closed spaces within the MENA region, namely Algeria, Egypt, Palestine, and the Gulf Cooperation Council (GCC) countries, and to assess the feasibility, potential, and challenges of digital money projects in these countries, as well as the legal frameworks and actors that are influencing the ecosystem.

This research was commissioned by the Innovation for Change (I4C) MENA Hub and conducted by Shurouq Qawariq, independent researcher, and Eric Asmar, Oumel Ghit Guelzim, and Khadija Latib of happy smala.

[1] For the purposes of this research, "social sector" refers to the part of social and economic activity done for the purpose of benefiting society. The social sector can include non-governmental organizations (NGOs), civil society organizations (CSOs), and social entrepreneurs. The social sector typically does not include governmental entities, although governments do often encourage social sector activities through the granting of incentives. Moreover, the term "social good," which will be used often throughout this report, infers actions that have a positive impact on society.

The Tech Ecosystem in MENA: a Brief Overview

According to the Egyptian Startup Manifesto[2], an entrepreneurship ecosystem consists of the following major players:

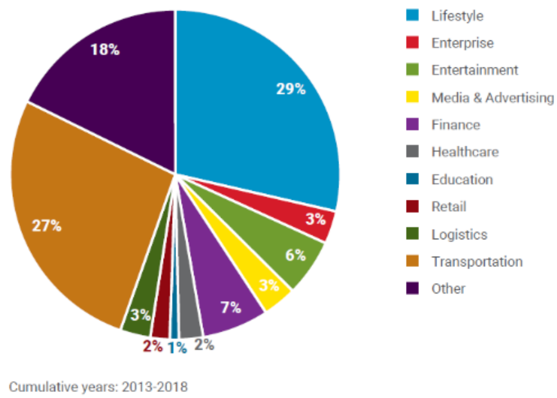
- Financial Institutions
- Government
- Public / Media
- Academia
- Startups
- Corporations
- Support Organizations
- Entrepreneurs

Digital startups are the building block of financial technology. As more startups appear and grow, the higher the chance that financial technology startups will also emerge and gain traction in the countries of the MENA. In 2019, MENA digital startups attracted local, regional, and global attention, as evidenced by the increased private and public initiatives in the sector, as well as the increase of equity-based investment in the digital space for the time period of 2013 to 2017. According to a report on investment in the tech world in MENA by Arabnet, the compound growth rate of tech investors in the MENA region is 25% between 2012 and 2018. Moreover, the number of investors has increased 75% between 2014 and 2018.[3]

The **investment amounts**, however, differ among different MENA countries and sub-regions. The value of investments in the Levant and North Africa combined comprise only 25% of the total investment value in the region. The remaining 75% are concentrated in the GCC. Among investments, accelerators are the most frequent investors in the region for early stage funds and are the fastest growing segment of the investor pool, with a growth rate of 32% from 2013 to 2018.[4]

As for share of different startups receiving investments, lifestyle startups have the biggest proportion of deals in the region (19%) and have secured the highest investment value between 2013 and 2018. The share of finance related (fintech) startups is low in the region, comprising only 7% of the value of deals between 2013 and 2018.[5]

[2] https://startup-manifesto.org/
[3] State of Digital Investments Report, Arabnet, 2019
[4] ibid.
[5] ibid.



As for **gender distribution**, the region continues to lag behind the rest of the globe (although global figures are not so impressive). The percentage of female founders has stagnated at 14% between 2013 and 2018. The Levant has the highest number of female founders (20%), with Morocco and Tunisia having the lowest numbers of female founders. However, the deals for teams with at least one female founder has nearly doubled from 29 deals to 56 deals between 2013 and 2018. Moreover, female founders are more present in early stage businesses, and very few startups with female founders are raising large ticket deals.

Delving into Financial Technology (Fintech)

Fintech in MENA

The number of fintech startups across the MENA region has rapidly increased over the past years, witnessing a larger growth than other industries. Since 2012, the number of fintech startups have seen a compound annual growth rate (CAGR) of 39%. A total of $237 million has been invested in 181 deals since 2015 in MENA-based fintech startups. The year 2017 was the breakout year for fintech venture investment across MENA, with large investments including Network International ($30 million), PayTabs ($20 million), and Souqalmal ($10 million). These breakthroughs and proliferation of deals in the MENA region ranked fintech as the number one industry by number of deals in 2018 and 2019, surpassing e-commerce and logistics in 2018. Notwithstanding, several industries are still ahead in terms of investment, as fintech investments are still at an early stage.

A number of drivers foster the growth of the fintech industry, including consumer demographics, internet penetration and payments adoption, consumer attitudes, regulatory sandboxes, fintech funds and accelerators, and private capital availability. On the level of consumer demographics, the large market size of over 300 million people, coupled with the high nominal GDP per capita of $29,100 in GCC countries makes it a primary driver of fintech proliferation. Furthermore, the internet and payments adoption play another major role, with high internet penetration that stands at an average of 94% in GCC countries, in addition to growing payment penetration, which stands at 76% and is only expected to increase. On a similar level, with respect to consumer attitudes, perceptions towards fintech and their traditional counterparts, banks, play in favor of fintech. For example, 76% of UAE consumers trust at least 1 tech company more than their bank with their money. Furthermore, 83% of UAE residents are open to adopting fintech solutions by non-financial institutions, reflecting a high level of trust and openness to try new options.

Moving on to drivers that extend beyond individuals, patterns, and behaviors, the fintech industry in the MENA region is positively affected by regulatory sandboxes[6], with 9 regulatory sandboxes and regulatory labs launched for the development and adoption of fintech. Furthermore, several governments have launched licenses for startups, creating a legal environment that is conducive and encouraging for such ventures. On a similar level, 5 regional investment funds open to fintech startups, reach a cumulative capital of $1.4 billion. Building on the conductive legal environment fostered by governments, 4 government fintech accelerators and incubators have been set up.

[6] "A regulatory sandbox is a framework set up by a financial sector regulator to allow small scale, live testing of innovations by private firms in a controlled environment (operating under a special exemption, allowance, or other limited, time-bound exception) under the regulator's supervision." https://www.cgap.org/sites/default/files/Working-Paper-Regulatory-Sandboxes-Oct-2017.pdf

Lastly, the widespread availability of private capital is a highly important driver. Within this framework, not only have over 75 investors invested in MENA-based fintech startups, but also there is an upward trend emerging. Additionally, figures demonstrate increasingly regional trends, such that 86% of all fintech institutions have stated that regional investors are the biggest contributor and investor in their work.[7]

Crowdfunding in MENA

Cambridge University's "Alternative Finance Benchmarking Report" indicates that the Middle East and Africa are still at the early stages of **crowdfunding** compared to the global market, however MENA has established donation- and reward-based crowdfunding activity. The funds raised and the level of maturity of campaigns vary from one country to another. From a geographic perspective, Palestine (Gaza and West Bank) are leaders in the region, having collected more than $2 million during the same period, mostly for humanitarian and aid projects. Crowdfunding is also well-developed in Lebanon, Jordan, and Egypt, where more than $1 million were collected in each country between 2009 and 2015, mostly for individuals and companies. In Morocco, $540,000 were collected via crowdfunding between 2009 and 2015. During the same period, only $361,000 were collected in Tunisia. Libya and Algeria lag further behind, and the most funded campaigns supported humanitarian projects. Crowdfunding activity in the region has increased significantly since the 2011 Arab Revolutions. However, the first local platform, Zoomaal, was launched in 2012, and the international Crowdfunding market took off during the same period, therefore we can't establish any clear correlation between the revolutions and Crowdfunding activity.

Reward-based Crowdfunding has an average of almost $60,000 per deal and nearly 275 funders. Consumer technology reward-based Crowdfunding typically raises higher levels of funding compared to other types of reward-based Crowdfunding, such as cultural, philanthropic, or artistic projects.[8]

Peer-to-peer consumer lending raised on average a total of $7,500 per campaign with 122 lenders average contributors. The activity recorded in the Middle East occurred primarily in Jordan, Palestine, and Lebanon.

Donation-based crowdfunding had the smallest deal size with just over $1,000 per campaign and an average of 23 funders.[9] In North Africa (Morocco, Tunisia, and Algeria), there are currently no active peer-to-peer lending platforms, as they are forbidden by law.

[7] MAGNiTT_ADGM_2019_MENA_FinTech_Venture_Report_EN.pdf
[8] Cambridge Centre for Alternative Finance (2017)
[9] ibid.

Attitudes toward Crowdfunding in MENA

According to Abdallah Absi, the founder of MENA's leading Crowdfunding platform, Zoomaal, **general awareness about Crowdfunding** has changed tremendously in the region over the past couple of years. At the beginning, Zoomaal's core team had to headhunt projects and convince entrepreneurs behind interesting projects of the importance of Crowdfunding to come on board at the time of Zoomaal's inception in 2012. Over time, the increased occurrence of successful campaigns on the platform has brought in more excitement around the prospect of Crowdfunding, with Zoomaal arriving at a point in 2017 where there were around 400 projects submitted every month organically without advertisements.[10]

The **campaign success rate**, however, remains very low. Absi attributes this to the fact that while there is significant awareness of the potential for this fundraising tool, there is insufficient Crowdfunding education, exposure, and internalization of knowledge and good practice by those aiming to utilize Crowdfunding as a fundraising tool. For example, in a 2015 interview with Wamda, a media platform covering the news of technology enterprises in MENA, Absi declared that more than 94 percent of campaigns submitted to Zoomaal do not go live due to "incomplete content, poor video quality, unrealistic goals, and vague project descriptions." Absi emphasizes that securing of funds through Crowdfunding requires dedication and hard work, tremendous preparation, and execution of promotional materials including campaign videos, daily engagement with possible donors, both online using social media channels and offline, and dedicated attention to the campaign. In essence, most campaigns fail because awareness of successful Crowdfunding techniques is vital but not present.[11]

As for **donations**, although knowledge about Crowdfunding has increased and many projects are submitted every month from the MENA region, most of the donations come from abroad, with most funding to projects on Zoomaal coming from the United States of America (USA). Increased awareness about Crowdfunding in the USA is the main reason behind reaching out to expat friends and contracts for donations to projects in the region. This demonstrates that personal connections and relationships play a pivotal role in fundraising for projects in a similar fashion to other modalities of donations, including individual giving. In 2015, Absi stated that 45 percent of donations on Zoomaal originate from Arab expats residing in Saudi Arabia (SA), United Kingdom (UK), and France. After the USA, Absi stated the top three sources of funding on Zoomaal within the region are as follows:

- United Arab Emirates - most funding goes to other countries.
- Lebanon - most donations from Lebanon are to Lebanese projects.
- Egypt - most donations from Egypt are to Egyptian projects. Also, many of the funds to Egypt come from the GCC, although this could likely be attributed to the large Egyptian Diaspora residing in the GCC.

[10] Qawariq, S. (2018).
[11] ibid.

Zoomaal, a Statistical Review - May 2019

Zoomal is one of the first and currently most popular platforms for rewards-based Crowdfunding in the MENA region. While many other platforms are used, Zoomaal is often cited in literature and by institutions as the most popular platform. Given that it is one of the oldest platforms and operating in the region, its projects were analyzed to provide an overview of the categories funded, and countries. A review of the projects listed on the website (www.zooomaal.com) was conducted for the purpose of this report.

Disclaimer: it was noted that most of the campaigns featured on Zoomaal's website are successful. Zoomaal were contacted for comments or for a full data set of projects but have not responded within the research timeframe.

You may find below all Projects listed on Zoomaal's website since 2014. The table is divided per category and is ordered by total money raised:[12]

Category	Number of Projects	Total Money Raised	Average Raised per Campaign
Community	68	$912,548	$13,420
Music	16	$355,900	$22,244
Missions & Endeavors	19	$298,884	$15,731
Film & TV	22	$210,817	$9,583
Education	36	$181,585	$5,044
Live & Social Events	20	$126,800	$6,340
Arts	15	$108,000	$7,200
Software & Web	12	$68,062	$2,503
Inventions	8	$59,019	$7,377
Writing & Poetry	10	$56,548	$5,655
Environment	7	$52,674	$7,525
Architecture & Design	4	$29,203	$7,301

[12] https://www.zoomaal.com/

Theatre	5	$17,135	$3,427
Fashion	3	$13,522	$4,507
Animation & Comics	2	$11,125	$5,563
Photography	3	$10,379	$3,460
Food	3	$6,193	$2,064
Research	3	$5,358	$1,786
Dance	3	$3,167	$1,056
Total	**259**	**$2,526,919**	**$6,936**

The above table reflects that the community category had the highest number of campaigns, and as such, garnered the largest amount of funds per category. However, the funds per campaign garnered in the community category were less than those in the music category, followed by the missions and endeavors category. This could suggest that community campaigns are more cost efficient than other categories. Within the framework of categories pertaining to the arts and culture sector, a substantial number of campaigns were organized and secured funds, including Film and TV (22), Music (16), Arts (15), Writing and Poetry (10), Theatre (5), Photography (3), and Dance (3). Music campaigns secured the highest average campaign total, though these results are partially skewed by a single highly successful campaign by Lebanese rock band Mashrou' Leila in 2013.

The table below lists the projects on Zoomaal's website per country, 2014-2019:

Country	Number of projects	Total Money Raised	Average Raised per Campaign
Lebanon	39	$560,000	$14,359
Egypt	76	$190,000	$2,500
Palestine	21	$87,000	$4,143
Morocco	16	$62,719	$3,920
United Arab Emirates	14	$55,000	$3,929
Tunisia	13	$21,345	$1,642
Saudi Arabia	7	$14,600	$2,086
Total	**186**	**$990,664**	**$4653**

Despite the highest number of Crowdfunding campaigns originating from Egypt with 76 campaigns (37 more than the second, Lebanon), the highest amount of secured funds was collected by Lebanon. A closer look at the data demonstrates not only that the funds secured per campaign are 474% higher in Lebanon than Egypt, but also that the funds secured per campaign in Lebanon are 208% higher than the average of all other MENA countries. We do not have sufficient data to identify the exact reason for this trend, but we can estimate that it is due in part to two factors: the first is simply that as a Lebanese platform, Zoomaal has higher local visibility and can more directly support local campaigns. The second is tied to Lebanon's active diaspora, which facilitates campaign communication and support.

The following sections will provide more detailed country-by-country analysis of countries with closed civic spaces: Egypt, Algeria, Palestine, and members of the GCC.

Egypt

Ecosystem

Egypt is the second largest startup ecosystem in the region, positioned after the United Arab Emirates, according to the 2018 MENA Venture Investment (MVI) Report, published by Magnitt, a MENA based platform connecting startups to investors, and aggregating data about the ecosystem in the region.[13] In 2018, Egypt represented 22% of investment deals in MENA. Fintech was the sector most invested in, representing 12% of deals in Egypt. E-commerce had an 11% share of the deals, followed by delivery and transport (8%).[14]

Egypt is home to 54 accelerators, incubators and coworking spaces. Beginning with Flat6Labs in 2011, every year new private and public sector accelerators, such as FalaK (a government-run program) or Nile University's accelerator, open their doors. There are also a growing number of coworking spaces, including AlMawar in Cairo and IceAlex, a leading space in Alexandria.[15]

Egypt is also home to several venture capital (VC) firms, including local Algebra Ventures, Averroes Ventures, and Sawari Ventures. The largest is Algebra, with an average ticket size of $500,000. A number of regional VCs have also been actively investing in Egypt, including Kuwait's Arzan VC, UAE's BECO Capital, and Silicon Badia. According to the Arabnet Digital Investments report, Egypt's investment scene is increasing rapidly, mostly driven by the private sector.

According to MENA bytes, civil society plays an active role in the Egyptian startup ecosystem as well, represented by two major institutions; Endeavor Egypt and Injaz Egypt. They organize a multitude of events to support entrepreneurs and startups and facilitate networking among different stakeholders.

Major players in the Egyptian tech scene, led by Rise Up, created a startup manifesto in 2018 that outlines the ecosystem and has recommendations for how the ecosystem should move in order to be optimal for startups. The manifesto explains why it was developed:

> "As part of its mission, RiseUp developed the Startup Manifesto as a catalyst for change. The Manifesto, by outlining current challenges and proposing concrete solutions, aims at improving the current entrepreneurship ecosystem in Egypt. It targets to increase ecosystem readiness for fostering entrepreneurship, thereby gearing the ecosystem towards its full potential."

According to the manifesto, Egypt is one of the fastest growing startup ecosystems in the region. Between 2012 and 2013, up to 9,000 startups were founded, and Egypt hosts one of the largest

[13] https://egyptinnovate.com/en/news/egypt-mena%E2%80%99s-fastest-growing-startup-ecosystem-2018
[14] ibid.
[15] https://www.menabytes.com/egypt-tech-startup-ecosystem-guide/

numbers of entrepreneurship institutions in the MENA region. The first Egyptian tech startup "exit" [16] in recent history was in Fawri in 2015, with an exit of $100 million. Fawri, founded in 2008, is a real-time, cash-based payment transfer solution in Egypt, and the first fintech triumph in the region. Those who bought Fawri were a group of international investors, including Egyptian-American Enterprise Fund, Helios Investment Partners, and others. This exit is substantial as it spotlights Egypt as a brewing ground for successful technology startups that have potential for large exits and is encouraging for smaller companies to keep growth as their target.

Egypt's ecosystem ranking is comparable to other efficiency-driven economies. Some of the challenges in the ecosystem, according to the manifesto, is a lack of an overarching vision among the major building blocks of the ecosystem, and that the ecosystem does not "regard itself as a collective yet."[17] This includes a lack of integrated efforts among different organizations to create an efficient workflow across different stages and industries. Other challenges, according to a survey conducted by Mercy Corps founders of tech startups in Egypt, are political instability and corruption. Egypt has made significant advances on the World Bank's Doing Business Index, moving from 128 in 2017 to 114 in 2019, thanks to the establishment of one-stop-shops for creating businesses, setting up a platform to pay taxes online, and increasing protections of minority shareholders.[18] However, Egypt still ranks 108/180 on Transparency International's corruption perception index.[19] Corruption permeates the public and private sectors, and poses a barrier to day-to-day operations for startups and CSOs.

Mercy Corp's study also indicates that startup founders have difficulty finding top talent, particularly to fill positions in top management, as well as data scientists and engineers.[20] According to our interviews, this is in part due to brain-drain, as the most talented founders and engineers often move to other countries in search of better jobs and easier operating environments.

In the investment scene, there is a lack of communication and collective efforts between the banks and the investment community. In terms of credit, banks have high requirements and procedures in place to obtain credit, and entrepreneurs do not have sufficient information to approach credit processes.

Our interviews indicate that investment is primarily local and, to a degree, regional. This is in part due to the devaluation of the Egyptian pound and the retreat of foreign investors. International donor organizations, such as USAID, GIZ, and the EU, are still active in funding local entrepreneurs, but many other donors have withdrawn from Egypt due to aforementioned restrictions on civil society and foreign organizations.

Local startups have two means of securing funds from foreign sources: the first is to work through organizations that have an established presence in Egypt and who absorb the costs and administrative hurdles of bringing funds into Egypt. These funding operations are treated as local

[16] An "exit" is the sale of controlling shares in a company to an investor or another company.
[17] Manifesto, Riseup, page 31
[18] https://www.doingbusiness.org/content/dam/doingBusiness/country/e/egypt/EGY.pdf
[19] https://www.transparency.org/country/EGY
[20] Network on the Nile report, page 17, Mercy Corps

funding, and therefore, are subject to fewer constraints. This puts further pressure on these local offices of foreign entities, as any dividends or revenues generated in Egypt remain in-country. As a result, funding flows are essentially one-way, and business models must be adjusted to account for local constraints.

The second is for Egyptian startups to open a second entity abroad, in the USA, Europe, or another MENA country (generally, GCC countries, Jordan, or Lebanon) with less strict regulation on foreign capital flows. These foreign entities may or may not have direct legal ties to their Egyptian counterparts, aside from having the same founders, and serve to collect foreign funds and hold licenses or intellectual property rights that the Egyptian entities cannot.

Crowdfunding

Egypt also hosts a large number of Crowdfunding platforms, most notably Shekra.com, a Shari'a compliant Crowdfunding platform, and Zoomaal.[21]

In Egypt, equity Crowdfunding is still missing an appealing framework for startups to consider it a viable fundraising resource. Accounting hurdles are a major obstacle here, as they are considered donations in the eyes of the law, and Egyptian regulations forbid private companies from receiving donations. Moreover, startups do not have the communications expertise or resources to create appealing campaigns.

Our interviews support this idea, indicating that legal obstacles and a lack of a local crowdfunding market make crowdfunding unappealing for local startups, as well as CSOs. One interviewee, Arab Digital Expression Foundation, mounted successful campaigns on Zoomal, but failed to achieve their goals on similar campaigns though IndieGoGo in the USA and Europe. This failure is attributed to a lack of local resources capable of organizing support events and communication campaigns to mobilize members of the Egyptian diaspora that support their efforts. Successful crowdfunding efforts abroad were contingent on having an entity with sufficient resources and networks to manage campaigns and communications operations.

Two major recommendations of the manifesto include raising awareness about crowdfunding to relevant stakeholders, and establishing a crowdfunding "exemption" for investors, as currently shares obtained through crowdfunding are considered securities and are heavily regulated. Moreover, the manifesto states that the government should allow businesses to receive funds raised via crowdfunding, be they direct revenue from presale campaigns, or loans/investments from crowdlending and crowd equity campaigns. In the case of lending and equity, startups also face obstacles to repay their debts or send dividends to backers based outside of Egypt.

[21] https://fintechnews.ae/4032/fintech/north-africa-tunisia-algeria-morocco-fintech/

Payments and Fintech Infrastructure

Egypt is a largely cash-based economy. Cash-based transfers are more risk-prone due to corruption, theft, and unreliability of customers. Payroll and salary processing are complex due to weak penetration of internet banking. Efforts are underway to develop financial transaction schemes for individuals unable to use credit cards, such as Dopay, a startup that enables mobile-based payroll services. However, as previously mentioned, fintech startups are a fast-growing segment in the country and have captured a substantial portion of investments. In North Africa, Egypt is considered a pioneer in fintech with the notable exit of Fawry in 2009, and the proliferation of fintech based startups, such as Moneyfellows and others, and more than 40 fintech specific companies in the country. Egyptian citizens are using fintech more often than their neighbors. The Egyptian government has introduced an e-commerce policy in 2018, aimed at increasing the sale of products and services online.[22]

Big players in the country, such as the National Bank of Egypt and the Central Bank of Egypt (CBE) have increasingly been promoting themselves as fintech supporters, and regularly meeting with fintechs to discuss possible collaborations. According to Ahmed Wadi, founder of MoneyFellows, a digital platform for the traditional rotating savings and credit association (ROSCA) system, regulators are somewhat flexible with fintechs and MoneyFellows is in constant conversation with the regulators to create a framework that will make fintech's life easier.

Cryptocurrency and Blockchain

In January 2018, Egypt's Grand Mufti Shawki Allam deemed Bitcoin haram, and forbade the trading of cryptocurrency under the Sharia law. Egypt's government does not support the use of cryptocurrencies either, although it has not outlawed them. For instance, in December 2017, Egypt's Financial Regulatory Authority (FRA) issued a statement that cryptocurrencies are considered a "form of deception that falls under legal liability," while the Central Bank of Egypt has reportedly announced that it does not recognize cryptocurrencies and warned the public against trading them.

However, Egypt's policy seems to be changing this year, as in March 2019, the CBE introduced a draft that allows cryptocurrency companies to obtain a license to "promote, create or operate a digital currency business within the country."[23] The proposed draft explores the fintech industry in the country, officially recognizes the importance of fintech startups, and includes recommendations for banking institutions to adopt new innovations (specifically in electronic settlement, distribution of electronic checks, and electronic discount orders and issuances). Moreover, Egypt is planning to

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[22] https://fintechnews.ae/4032/fintech/north-africa-tunisia-algeria-morocco-fintech/

[23] https://www.coinnewsspan.com/the-central-bank-of-egypt-introduces-new-cryptocurrency-license-for-crypto-companies-removes-ban/

launch a digital fiat currency powered by blockchain. The bill includes an obligation for financial institutions to work with anything related to cryptocurrencies, which means a legal framework will be official for cryptocurrency in the Egyptian market.[24]

In April 2018, Egypt's first blockchain-focused incubator, called NU TechSpace, opened. It has reportedly partnered with IBM, Novelari, and ZK Capital to stimulate blockchain-backed business models. The incubator is also allegedly supported by the state-owned Academy of Scientific Research and Nilepreneurs and aims to help the government gain a better understanding of blockchain.

Civil Society

Civic Freedom Monitor, Egypt:

Despite advances made during the 2011 revolution, the Sisi government has severely restricted the actions of civil society in Egypt. From 2002 until 2017, civil society in Egypt was governed by the Law on Associations and Community Foundations (Law 84 of 2002). The restrictive legal framework in Egypt did not place a complete ban on civil society, but rather gave enormous discretionary powers to the Ministry of Social Solidarity and other government agencies, which allowed civil society to expand during this period.

In the past few years, the Sisi government has pushed through much more restrictive laws and processes to limit and prohibit civil society from operating. Law 70 of 2017 regulates and severely restricts the registration and operation of all Egyptian Civil Society Organizations (CSO).

Beginning prior to the passing of Law 70, the government has engaged in an overt crackdown on civil society, with a focus on organizations engaged in human rights work. In June 2013, a criminal court sentenced to prison forty-three Non-Governmental Organization (NGO) employees, including sixteen Americans, from five international NGOs for receiving foreign funding without permission. The court also ordered that these five NGOs cease operations in Egypt and that their funds be confiscated. In early 2016, the government announced that it had reopened that criminal action, Case Number 173/2011, this time focusing on Egyptian organizations that had received funding from outside Egypt. Throughout 2016 and 2017, a number of Egypt's most prominent civil society leaders were banned from travel in connection with the case, and several had their personal and organizational assets frozen under court order. Others were detained and interrogated. While the international NGO employees were acquitted in 2018, the case against Egyptian organizations remains one of many instruments used by the state against members of civil society, illustrating a broad governmental campaign to restrict civic freedoms and control dissent. As a result, Egypt has witnessed massive migration of its civil society institutions to Lebanon, Tunisia, and Europe.

[24] http://ecomnewsmed.com/article/4531/egypt-opens-the-way-to-crypto-currencies

On July 15, 2019, Egypt's Parliament approved a new draft law on CSOs. If ratified by President Abdel Fattah Al Sisi, it will replace Egypt's current, draconian CSO law, Law 70 of 2017 on Associations and Other Foundations Working in the Area of Civil Work.

Egyptian CSOs manage their funding in similar ways to startups. They cannot receive funds directly from foreign donors and must either work with donor organizations with a registered office in Egypt or establish a sibling entity in another country (which systematically cannot have legal links to Egypt). The former case is contingent on the donor organization's ability to maintain good relations with local authorities, and their ability to absorb the costs and administrative and security hurdles associated with local operations. As mentioned above, the most active donor organizations are national or international aid agencies, who finance both economic development and civil society programs. As it has become increasingly difficult to establish a new legally registered CSO, these funds are generally limited to established organizations.

In the latter case, CSOs establish a foreign sibling organization or conduct programs abroad through partner organizations that receive funds on their behalf. Establishing a foreign CSO requires significant additional resources, and depending on the host country, requires one of the members of the board to be a local resident.

Algeria

Ecosystem[25]

The Algerian startup ecosystem is the least developed among the countries in this study with no exits or internationally visible startups based in Algeria. However, the country is home to several accelerators and incubators. Sylabs, which opened in 2015, is the most notable program and the organizer of the annual Algiers Startup Conference. In December 2018, Sylabs announced a partnership with Natixis to support Algerian fintech startups.[26] The majority of investors in Algeria are public institutions, along with a few large corporations. TemTem, a local ride-hailing application recently raised $4 million from a Luxembourg-based investment fund and other undisclosed investors, which its founders claim is the largest startup funding round in Algeria's history.[27]

Several government initiatives, including Algers Smart City, have been launched in recent years to stimulate investment, and were accompanied by some minor reforms to the legal investment framework, however protests leading to the resignation of President Abdelaziz Bouteflika in April 2019 and subsequent political instability have halted any new initiatives.

Our interviews indicate that the longstanding legal constraints on investment, the development of IT infrastructure, and the cash-based economy have blocked the development of the startup ecosystem in Algeria and driven many talented founders to move abroad to launch their startups.

Cryptocurrency and Blockchain

Algeria's 2018 Financial Law bans the use, trading, and possession of any cryptocurrencies. It stipulates: "The purchase, sale, use, and possession of so-called virtual currency are prohibited. A virtual currency is one used by Internet users over the Internet. It is characterized by the absence of physical support such as coins, paper money, or payments by check or credit card. Any violation of this provision is punishable in accordance with the laws and regulations in force."[28][29] The ban is justified by reports that cryptocurrencies are used for money laundering, drug trafficking, and financing terrorism. According to cryptocurrency trading site CoinToBuy, there have been no Initial Coin Offerings (ICOs) launched in Algeria, and 23 international ICOs have blocked Algerians from

[25] Note: Due to limited startup and CSO activity, incomplete documentation, and ongoing political unrest, we were unable to collect detailed information on the Algerian ecosystem.

[26] https://www.energyservicesexperts.com/fr/2018/12/20/sylabs-et-natixis-veulent-dynamiser-la-fintech-en-algerie/

[27] https://www.menabytes.com/temtem-series-a/

[28] https://www.allotech-dz.com/plf-2018-lalgerie-veut-interdire-bitcoin-autres-crypto-monnaies/

[29] https://www.loc.gov/law/help/cryptocurrency/cryptocurrency-world-survey.pdf

participating.[30] We have identified only one Algerian cryptocurrency startup, KDBox, which appears to have ceased its operations.

According to Ismail Chaib, COO of OpenBank Project, a Berlin-based startup that facilitates collaboration between banks and fintechs through open APIs, the broad scope of the virtual currency ban has prevented any Algerian fintechs from operating locally. Startups like TemTem avoid constraints on digital payments by targeting large companies, which pay monthly invoices on their employees' rides.

Crowdfunding

There is no legal framework for crowdfunding in Algeria, and controls on funding for civil society are very strict (see below). Two Algerian donation/reward-based platforms, Twiiza and Chriky, launched in 2014, but ceased their operations and closed their platforms in 2016. Despite significant local challenges, the Algerian diaspora has run successful crowdfunding campaigns outside of the country. Kisskissbankbank, the most popular crowdfunding platform in France, has hosted over 200 campaigns for Algerian projects based in Europe, primarily artistic and cultural in nature. In addition to an absent legal framework for crowdfunding, controls on international transactions and a lack of local digital payment options present significant barriers to the development of crowdfunding in Algeria.

Regulation

Algeria imposes very strict controls on foreign exchanges and investments. While the Algerian dinar is convertible, unlike the Moroccan dirham and the Tunisian dinar, it is non-exportable. As a result, there is a thriving black market for foreign currency exchange in the country. Foreign investors cannot control more than 49% of an Algerian company, and the government must be given the opportunity to purchase shares in any company before they can be sold to another entity. These measures have served to stifle local or foreign investment in startups.[31]

Civil Society

Freedom of Association is enshrined in Article 43 of the Algerian constitution. However, since the 1990 Associations Act, civil society has been subject to harsh controls on both their activities and financing. The most recent Law on Association (Law 06-12 2012), passed in 2012, requires all CSOs to receive specific authorizations from the Ministry of Interior to operate. The Ministry can refuse any registration requests, and there is no process to appeal the decision.

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[30] https://cointobuy.io/countries/algeria
[31] https://www.slideshare.net/SmartAlgiers/algeria-investment-context-smart-cities-summit-2018-algiers

The Ministry can also suspend or dissolve CSOs at any time, on the grounds of contravening “public order, public morality or provisions of existing laws and regulations.” Algerian CSOs also require advance authorization to receive funds from foreign sources, which in practice is very difficult to obtain. Any violation of the law is punishable by up to two years in prison and significant fines.[32]

[32] http://www.civicus.org/images/CIVICUS%20Algeria%203rd%20UPR%20Cycle.pdf

Palestine

Tech-Entrepreneurship Ecosystem

In Palestine, there is a steadily growing local entrepreneurship scene, mostly led by the international donor community. According to the World Bank[33], the tech startup ecosystem in the OPT is characterized as an "early stage ecosystem," but nonetheless as one that is maturing. Several key strengths of this ecosystem are the presence of talented persons, alongside the presence of highly educated founders, with 85% possessing a university degree, and 27% a graduate degree. Additionally, the OPT observes one of the largest levels of participation of female tech-based entrepreneurs compared to regional ecosystems. However, on the downside, some founders tend to be young with little experience, including no previous business experience.[34]

Furthermore, the fast proliferation of startups is another indicator that the startup ecosystem is beyond the nascent[35] growth phase but not yet mature. Each year, on average, an additional nineteen startups are founded, translating into a 34% compounded growth rate in startup creation since 2009, with a total of 1,247 jobs created. In comparison with ecosystems at similar stages, including Tanzania and Lebanon, obtaining credit, office rent, and recruitment of employees are much faster in the OPT.

The ecosystem supporting infrastructure in the OPT including accelerators, mentors, investors, governmental and donor agencies, and private corporations, are still maturing. According to the World Bank report, there is still significant room for improvement in the quantity and quality of tech-based startups that emerge from **accelerator programs**, many of which are supported by external aid-based funding programs instead of private investments.[36] Given that the tech startup ecosystem remains relatively immature, the presence of 20 accelerator programs is considered a large number.

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33 World Bank. 2018. Tech Startup Ecosystem in West Bank and Gaza.; and Henry, Scott. 2017. Tech Start-up Ecosystem in West Bank and Gaza

34 ibid.

35 In nascent ecosystems, there are a limited number of startups, most of which are in very early or early stages. The community of entrepreneurs is forming and has a low density of connections with few clusters, if any. In these ecosystems, founders lack business experience, mentors are scarce and inexperienced, and there are few generations of entrepreneurs (most entrepreneurs are in their first or second venture), there are few or no startup exits or, if there are any, they are outliers. There are few or no international connections. The finance pipeline has multiple gaps and private early-stage finance is rare (if it exists).

36 World Bank. 2018. Tech Startup Ecosystem in West Bank and Gaza.; and Henry, Scott. 2017. Tech Start-up Ecosystem in West Bank and Gaza

A major driving factor behind this is that the vast majority of domestic accelerators receive funding from donors. This does not necessarily follow market rules of demand and supply, negatively affecting competitiveness of emerging startups.

Forty-six startups are listed in the AngelList13, an online platform for startups to raise money, recruit employees, and apply for funding. However, most of the startups on the list have already shut down. Examples of existing startups that have been operating for more than 4 years and secured above $500,000 of investment include Yamsafer.me, an online hotel and flight booking site, and WebTeb, which works to provide trusted medical and health information to Arabic readers. Despite the availability of significant amounts of grant financing for accelerators, these funds are not translated into actual results as accelerators are yet to produce startups with significant performance rates.

Despite the availability of **mentors**, their impact on startup success remains limited. Given that the entrepreneurial ecosystem is still characterized as the early stages, connection, networking, and consolidation of efforts towards the formation of clusters is not predominant, reflecting a silo approach that is observed among other societal components. The political division between the West Bank and Gaza Strip is another impediment that limits clustering and cooperation. Accordingly, with the view of increasing the conduciveness of the ecosystem, capacity building and professionalization of accelerators should be prioritized.

In terms of **financing**, there seems to be sufficient investment firms and a large number of individual investors. There are 51 investors in the OPT identified by the World Bank, 75% of which were angel investors, and the remainder venture capital firms. These investors supported 47 startups through 62 investments between 2009 and 2018, approximately 60% of which were equity-financing. Among local VC firms are Sadara Ventures defines itself as "the first venture capital firm targeting the Palestinian tech sector," and Ibtikar Fund, a fund focusing on Palestinian-led tech-based startups backed by the International Finance Corporation.

However, in light of the limited quality of startups in the pipeline, venture capital funds are not able to meet their investment targets. Furthermore, the characterization of the ecosystem as one enjoying international connectivity opens doors for investment-ready startups to seek funding from the region and abroad.

The newly formed government of Palestine led by Prime Minister Dr. Mohammad Shtayyeh is adopting the term "fast government" in its media discourse and plans. The Prime Minister portrays the technology sector as providing a huge opportunity for the Palestinian economy, and for crossing borders. Entrepreneurs have been invited to bi-monthly meetings with representatives from the Ministry of National Economy, the Ministry of Entrepreneurship and Empowerment, and the Ministry of Telecommunications and Information Technology, in order to hear their recommendations. Compared to the previous governments, this appears to be a step in the right direction for new changes to be driven by the startup ecosystem. This direction, however, should be critically challenged, as the priorities of startups and the authorities are not entirely aligned.

Until this year, startups were not classified or differentiated from other small companies and some of them are not even registered. Therefore, no accurate information or statistics are available about the exact number of startups. A draft bill will differentiate between startups and established companies and give tax and other incentives to startups to lower initiation hurdles. The law is not yet public but was presented by the Ministry of National Economy in a round table event in Tech Hub at Birzeit University in July 2019.

> **"All stakeholders in Occupied Palestinian Territory including the government and the donor community believe that creating of new high growth potential start-ups, and supporting existing ones is a powerful tool to create new jobs and reduce high unemployment rates."**[37]

The extension of the Palestinian society, the Palestinian citizens of "Israel" also have an active entrepreneurship ecosystem, although exact data on the number of initiatives and Palestinian founders is scarce. One prominent initiative worth noting in the area occupied in 1948 ("Israel") is Hasoub, a grassroots-based NGO that began when two Palestinians in Haifa started meeting weekly in 2014 to "geek out." The weekly meeting quickly grew to become a community for Palestinian technologists and entrepreneurs in "Israel." Hasoub has been conducting yearly conferences since 2015, a public event that discusses and promotes technology-based entrepreneurship in the areas where Palestinians are the majority residents. Hasoub's initiatives include projects that serve children, students, and entrepreneurs in the Palestinian communities inside "Israel." Through these events, they "tried to answer multiple pains and needs, from raising awareness to employment to facilitating entrepreneurship" and empowering early stage tech-entrepreneurs with "knowledge, skills, network and resources."[38]

Entrepreneurs in Palestine face many challenges. Their seclusion from the Arab world imposed by the Israeli occupation means they have limited access to information regarding the markets they are trying to penetrate. Entrepreneurs also lack access to high-quality business, marketing, and technical talents.

Of equal importance is the role played by the donor community and the funding modalities to the tech-based entrepreneurial sector, which promotes a supply-driven approach rather than a market-driven approach. The preparedness of entrepreneurs during the early stages, in terms of the acquisition of skills that would enable them to engage and address challenges, is impacted by donor-financed and university-led schemes. In a similar fashion to the experience of the Palestinian civil society, particularly NGOs, donor funding influences organizational priorities, which feeds into the type of enterprises that are supported and the results of their work, whether it is employment generation, technological innovation, or economic growth. Notwithstanding that donor funding played a crucial role in the launching of seed capital and enabling the sector to flourish, it remains highly important for the sector to transition to private investment and the demand-driven entrepreneurial world, which would greatly promote its sustainability.

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[37] GIZ - Startup/Corporates Report
[38] https://www.hasoub.org/story

Blockchain and Cryptocurrencies

In May 2017, the head of the Palestine Monetary Authority (PMA) at the time, Azzam Shawwa, stated the government plan of launching a virtual currency called the "Palestinian Pound" within five years, in an attempt to disentangle them from reliance on the Israeli shekel. According to the 1994 Paris Protocol agreement, the PMA serves as a central bank, but does not have the ability to issue currency.[39] However, these claims seem far from implementation. In July 2019, the new Prime Minister Mohammad Shtayeh announced that his government is still considering cryptocurrency as an option for avoiding economic restrictions imposed by the Israeli occupation[40], but a detailed plan of implementation has yet to be presented.

A spokeswoman for the Bank of Palestine, which operates in both the Hamas-governed Gaza and the Fatah-governed West Bank, told CoinDesk that the Palestinian Monetary Authority forbids institutional bitcoin transactions.

In Gaza, cryptocurrency trading seems to be more active than in the West Bank, which is expected given the economic and physical siege imposed on residents of Gaza since 2007. According to CoinDesk, general awareness in Palestine of different blockchain-based currencies and technology (such as bitcoin and Ethereum) has increased since 2018.[41] In Gaza, it is reported that transactions of bitcoin and Ethereum are around 5-6 million per month. While the New York Times reported in August 2019 that Hamas is using bitcoin to fund their activities[42], the civilian use of bitcoin appears to be much more significant. The platform Bitcoinist further states that there are around 20 bitcoin dealers in the Gaza at the moment, and around 10,0000 occasional bitcoin users. The sources that spoke to Bitcoinist concurred that most bitcoin users there cash it out through crypto dealers in Gaza rather than hold it or use it to pay for services themselves. The same article states that a Palestinian in the UAE is working on an Ethereum-based donation platform. This platform will begin by distributing crypto donations to schools in the West Bank and Gaza to help a larger number of students to afford their education.

Palestinian Opportunities for Fintech, End of 2019

The PMA has announced that it will give licenses to e-wallets[43] and new types of financial institutions beyond banks. It accepted around 10 applications this year and will give 3 licenses, mostly for e-wallets and online payment services, by the beginning of 2020.

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39 https://www.coindesk.com/palestinian-civilians-are-using-bitcoin-more-than-terrorists
https://cointelegraph.com/news/palestinian-authority-considering-crypto-to-replace-israeli-shekel
40 https://bitcoinist.com/palestinian-authority-cryptocurrency-will-bring-economic-freedom/
41 ibid.
42 https://www.nytimes.com/2019/08/18/technology/terrorists-bitcoin.html
43 e-wallets, or digital wallets, according to Wikipedia: A digital wallet refers to an electronic device or online service that allows an individual to make electronic transactions. This can include purchasing items on-line with a computer or using a smartphone to purchase something at a store. An individual's bank account can also be linked to the digital wallet.

It is recommended to CSOs/NGOs in Palestine to explore these products when they are launched, and check if they offer a payment gateway for institutions and competitive transaction rates.

Build Palestine

Build Palestine is a platform that aims to empower local social enterprises and CSOs in crowdfunding for their projects through international and diaspora backers. The platform is further exploring the launch of a recurring donation option for local institutions to be featured on their website. They will offer the payments through Stripe – which is a payment company in the USA that offers to register local businesses in the USA and send them money

Dalia

Most institutions that have a “donate” button on their website in Palestine are registered in the USA as a charity organization. For example, Dalia, a Palestinian community CSO, has a “Donate Now” button on their website, but they are registered as 501C# non-profit organization in the USA. They have a fiscal sponsor that accepts the donations and then transfers them to Dalia in Palestine. They use Stripe as their payment gateway.

Palestinian Civil Society

The Palestinian civil society sets a unique case compared with the region, due to the Zionist occupation of Palestine since 1948 and the absence of an official Palestinian government before 1994. The Palestinian civil society, which historically was diverse in nature and encompassed NGOs, universities, municipalities, trade unions, etc. was strong, grassroots-driven, and played an active role in resisting the occupation.

Within this framework, CSOs provided social services to bridge the gap in service delivery left behind by the occupation, including in education, healthcare, agriculture, and social welfare. These established, but informal, CSOs operated as a grassroots environment that existed outside the legal and administrative constraints imposed on the sector in other MENA countries. Their work sought to promote the steadfastness of the Palestinian people from as early as the 1970s, which later expanded to include bottom-up state-building following the establishment of the Palestinian National Authority (PNA).[44]

The establishment of the PNA served as a turning point in the Palestinian civil society in terms of an increasing tendency towards professionalism and transparent, integrative, accountable, and institutional building. The establishment of the PNA led to the proliferation of CSOs in Palestine, alongside those organizations who predated the PNA.

44 https://pij.org/articles/1437/civil-society-in-palestine-approaches-historical-context-and-the-role-of-the-ngos

While pre-existing and nascent organizations continued in service delivery, the mandate of these organizations expanded to include advocacy efforts to enact and amend laws and policies that are conducive to democratic and liberal State building. This agenda and the wider framework of civil society was compromised due to a multitude of interrelated factors. This, in its turn, has led to the "NGO-ization" of the Palestinian civil society and wider society, transforming it to become, usually, part of the problem and not part of the solution.

An overarching issue that has extended over the past twenty-five years is the role and influence exercised by donors supporting Palestinian NGOs. Given that these organizations are yet to seriously adopt the diversification of their sources of funding to decrease reliance on international development aid, the donor agenda in terms of the themes of work, modus operandi, strategies and methodologies has restricted the impact and relevance of the work of the Palestinian civil society. Furthermore, the increasingly negative competition over decreasing donor funds among these organizations that adopt silo-approaches instead of consolidation of efforts also substantially impacted the efficiency and effectiveness of their work.

Additionally, true and effective reform at all levels, state building, and policy formulation requires sovereignty and the rule of law. As such, the continuation of the occupation, suspension of sovereignty and extension of the temporality in transition from self-rule to statehood indefinitely effectively and severely impeded this. This was further exacerbated by the political hiatus that followed the stalemate in the peace process and eruption of the second Intifada and reinvasion of the West Bank.

On another hand, Palestinian political division between the West Bank and Gaza in 2007 led to the effective paralysis of the Palestinian Legislative Council. This impeded democratic amendment of laws and oversight over governmental functions, whose scrutiny and crackdown on civil society doubled after political division. The impact of Palestinian political division on civil society was tantamount to its breaking down into three main groups: supporters of Hamas, supporters of the PA, and independent organizations. As expected, organizations that are supportive of Hamas flourished in Gaza but were restricted in the West Bank. The same applies to supporters of the PA, which continued its work unabashed in the West Bank, but faced restrictions in Gaza. Independent organizations faced restrictions in both the West Bank and Gaza.[45]

The PNA slowly started implementing control and monitoring techniques on civil society, but they could not - despite attempts - impose restrictive laws like those adopted in Egypt and Jordan. The PNA was able to first pass an NGO law in 2000, which is considered for "many years the most liberal and least restrictive NGO law in the Middle East" according to Civicus Monitor.

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45 https://pij.org/articles/1437/civil-society-in-palestine-approaches-historical-context-and-the-role-of-the-ngos

After the intifada and with the formation of the Sallam Fayyad Government (2008), the freedom that civil society enjoyed slowly began to change with increased governmental monitoring of funds and other aspects of civil society, and the neo-liberal impositions of donor agencies, and the internationally imposed anti money laundering and anti-terrorism banking processes. However, as a sector, it remains one of the least restricted in the region.

GCC Countries

Ecosystem

According to the Arabnet Investment Report, the Gulf Cooperation Council (GCC), especially the United Arab Emirates (UAE), continues to dominate the entrepreneurial scene in the MENA. The GCC's share of the total number of investment deals in MENA was 45% between 2013 and 2018. Around 75% of total MENA investment value is concentrated in the GCC. Moreover, the largest exit in the region happened in 2019 in the UAE, when Uber acquired rival company Careem for $3.1 billion. In terms of investors, Saudi Arabia and the UAE have the largest number of investors in the region. Kuwait, however, currently lacks local sources of early stage funding.

The GCC maintains its pioneering status when it comes to corporate support for startups. It has the highest number of increased corporate investors in the past two years in the region. Moreover, "The increase in venture capital funds reflects a maturing ecosystem."[46] Both the Abu Dhabi and Dubai Emirates have a robust calendar when it comes to events that catalyze innovation, with a strong concentration of events surrounding fintech. In October 2019, for example, FinTech Abu Dhabi, a fintech festival that aims to "solve issues in the Fintech industry, connect people, and recognize success"[47] was launched. It is a 10-day event that provides awards to various players in the industry. It is organized by Governmental and Financial Institutions, with support from Plug and Play ADGM, a global accelerator program focusing on different innovation vertices. In November 2019, Finovative Middle East conference is taking place in Dubai, organized by the United Arab Emirates Ministry of Finance, which showcases regional fintech products and companies to interested investors, corporations, and financial institutions.[48] Moreover, both Abu Dhabi and Dubai have regulatory sandboxes[49] that host fintech companies exclusively.

Blockchain and Cryptocurrency

The GCC, and the UAE in particular, are positioning themselves to transition to a technology-based economy. Regional governments have begun to experiment with applications of blockchain technology in both the public and the private sectors.

[46] Arabnet Digital Investments Report, 2018
[47] https://magnitt.com/news/51124/fintech-abu-dhabi-goes-live-on-21-october-with-ten-key-features
[48] https://finance.knect365.com/finovate-middle-east/
[49] A regulatory sandbox is a framework set up by a financial regulator to allow small scale, live testing of innovations by firms in a controlled environment.

The Dubai government began a research group focused on blockchain technology in February 2016, [50] an early move to the blockchain sphere compared to its neighboring countries. The government of the UAE is encouraging large corporations to adopt blockchain-based infrastructure, particularly in the aviation, insurance, and telecommunications sectors, and hold frequent public events on blockchain. Furthermore, Dubai has established The Global Blockchain Council to drive global adoption of these technologies and associated best practices. The council's members include government entities, free trade zones, banks, multinational corporations, and international blockchain technology firms. Dubai Land Department (DLD) has also become the world's first government entity to adopt blockchain technology. [51]

In addition to the Global Blockchain Council, the government of Dubai has introduced the Dubai Blockchain Strategy, which is built on three pillars: government efficiency, industry creation, and international leadership.[52]In the first quarter of 2019, UAE-based blockchain startups raised around $210 million, surpassing USA and UK investments during the same period.

Despite these significant public and private investments in blockchain, UAE government communication on cryptocurrency has been puzzling. In September of 2017, the Dubai Financial Services Authority (DFSA) issued a circular warning against investments in cryptocurrencies and ICOs, viewing them as high-risk investments. Furthermore, the DFSA clarified that there are no regulations on such assets and no legally certified body in the UAE that could provide investment services in cryptocurrencies.[53] While the DFSA clearly prohibits the issuance or usage of virtual currencies, bitcoin is not included in this prohibition. What is confusing, nonetheless, is that there is a distinction in regulations between the Free Zones in the UAE and the "rest of the UAE," and various Free Zone areas have granted licenses to companies trading in cryptocurrencies.[54]

Dubai-based OneGram recently launched OneGramcoin, a "sharia compliant" cryptocurrency that is entirely backed by gold, in partnership with gold trading platform GoldGuard. This new cryptocurrency, where each "coin" backed by one gram of physical gold, aims to guarantee safety and transparency for the buyer. OneGramcoin has launched an ICO, which aims to raise more than US $500 million, and the coin will be listed on a few digital currency platforms. As the base price of the coin will always be equal to the current price of gold, some analysts speculate that it can be a serious competitor to bitcoin.

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50 https://gulfnews.com/technology/what-is-blockchain-and-why-do-the-uae-and-saudi-arabia-want-to-use-it-1.2141837

51 http://www.mondaq.com/x/677158/fin+tech/The+Impact+Of+Blockchain+And+Cryptocurrencies+In+UAE

52 ibid.

53 https://www.globallegalinsights.com/practice-areas/blockchain-laws-and-regulations/united-arab-emirates#chaptercontent1

54 ibid.

The following table covers the most notable progress towards blockchain and cryptocurrency in other GCC countries.[55] While most GCC members either completely ban, or warn against, the trading of cryptocurrency, each country appears to have made it a national priority to utilize blockchain technology to enhance their technological, public, and financial sectors.

Country	Notable Progress
Bahrain	● The Bahrain Central Bank created a Regulatory Sandbox in 2017 that hosts fintech-, crypto-, and blockchain-related companies ● Bahrain, Saudi Arabia, and the UAE have joined forces in a joint project to help increase awareness of blockchain technology
Saudi Arabia	● In the beginning of 2019, the Saudi British Bank (SABB) made an announcement that it has partnered with Ripple (a California-based blockchain firm) to launch an instant cross-border transfer service ● In December 2017, the UAE's central bank announced a joint project with the Saudi Arabian Monetary Authority (SAMA) to build a blockchain based remittance system to facilitate transactions between banks within Saudi Arabia and the UAE. The service will only be available for transactions between financial institutions in both countries, and not to be used to facilitate direct consumer transactions[56] ● The Riyadh Municipality partnered with IBM in July 2018 to move governmental transactions onto a blockchain ● Despite the governmental adoption of blockchain technology to enhance the financial infrastructure in the country, the dealing of cryptocurrency by individuals is currently illegal in Saudi Arabia. The state issued a warning against cryptocurrency trading in Aug 2018[57]
Qatar	● In Qatar, cryptocurrency is still deemed illegal. In February 2018, the Qatar Central Bank issued a statement prohibiting trading bitcoin within the country ● Despite the ban, Qatar hosted a blockchain conference in Doha in October 2018 ● In January 2018, QPay, a blockchain-powered e-commerce initiative, was successfully launched in Qatar
Kuwait	● At the end of 2017, The Ministry of Finance declared that all institutions are prohibited from dealing with bitcoin.[58] ● The government officially states that it does not recognize bitcoin. ● The National Bank of Kuwait (NBK) has launched NBK Direct Remit, a remittance app that uses Ripple's blockchain network. The solution aims to enable frictionless and speedy cross-border transfers 24/7. Jordan is currently the only country available, but the bank has planned to expand to its other 13 countries of operation in the near future.

[55] https://cointelegraph.com/news/from-qatar-to- Occupied Palestinian Territory-how-cryptocurrencies-are-regulated-in-the-middle-east

[56] https://gulfnews.com/technology/what-is-blockchain-and-why-do-the-uae-and-saudi-arabia-want-to-use-it-1.2141837

[57] http://www.sama.gov.sa/en-US/News/Pages/news12082018.aspx

[58] https://www.arabtimesonline.com/news/ministry-finance-says-not-recognise-virtual-currency-bitcoin/

Civil Society

Despite high levels of individual, institutional, and corporate philanthropy in GCC countries, local civil society is severely limited. The Civicus Monitor rates civil society in all GCC countries as repressed or closed.[59] This section will give a snapshot of civil society in Saudi Arabia and the UAE, both categorized by the Civicus Monitor as closed, and Oman, categorized by the monitor as repressed.

The International Center for Not-For-Profit-Law claims that there are hundreds of CSOs in **Saudi Arabia**, however, more than half are charities, and most are government affiliated, which means they are semi-governmental or governmentally approved charities, and in no way constitute a vibrant, healthy civil society.[60] According to an article by Hala Al Dosari, there are five different structures of Saudi Arabian CSOs[61], including:

- Charitable organizations licensed by the Ministry of Social Affairs
- Professional CSOs operating under the umbrella of the government
- Business-affiliated foundations
- Semi-governmental structures under the patronage of royal family members
- Informal CSOs functioning without state permission

An active civil society is yet underdeveloped in Saudi Arabia "largely because it has been subject to a restrictive legal framework and capricious implementation that allowed some organizations to form and register, but not others."[62] According to the Civicus Monitor, Saudi Arabia, despite apparent political and social reforms made in the last few years, is still aggressive on human rights activists. Active CSOs do not exist, and there is targeted harassment directed at human rights organizations, including torture, imprisonment, and often times, even as extreme as public flogging. [63]

On December 1st, 2015, the Saudi Arabian government introduced a new "Law on Association and Foundations," which went into effect in March 2016. The law includes a comprehensive legal framework to govern the steps of inauguration and, thereafter, operations of associations and foundations, including licensing regulations, number of founders, and widening the scope of permissible activities.[64]

However, an analysis of the law by Hala Al Dosari, visiting scholar at the Arab Gulf States institute in Washington, states that the law is further restricting civic society activities rather than helping, and maintains the governments' strict control of CSOs:

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59 https://www.civicus.org/index.php/state-of-civil-society-report-2019
60 http://www.icnl.org/research/monitor/saudiarabia.html
61 https://agsiw.org/new-saudi-law-maintains-state-control-over-civil-society-organizations/
62 http://www.icnl.org/research/monitor/saudiarabia.html
63 https://www.civicus.org/index.php/state-of-civil-society-report-2019
64 http://www.icnl.org/research/monitor/saudiarabia.html

> **"The new law does not ease the restrictions imposed on associations; rather it offers a more stringent regulatory process, maintaining control on board members' selection, funding, and the intended public activities of any association. In other words, the new law allows only for government-sanctioned, non-governmental organizations."**[65]

As for the **UAE**, the Civicus Monitor claims that it is "one of the world's most repressive environments for civil society activists." Similar to Saudi Arabia, most of the CSOs are either charities approved by the government, created by the royal family, or affiliated with an influential, governmental leader-owned business. Following the Arab Spring that began in 2011, the UAE further tightened its restrictions on the right of association and the right of free speech.

For **Oman**, while civil protests and assembly are more tolerated than in Saudi Arabia and the UAE, restrictions are often imposed on individuals and organizations that criticize the government. The lack of literature and resources on civil society in the GCC further exemplifies the abyss of civil society in that region.

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[65] https://agsiw.org/new-saudi-law-maintains-state-control-over-civil-society-organizations/

Global Trends & Recommendations

Cryptocurrency in the global non-profit landscape

In the past few years, cryptocurrencies and blockchain innovations have been increasingly adopted by the nonprofit and humanitarian sectors. In 2013, Save the Children was one of the early adopters of accepting cryptocurrency for donations. Currently, it accepts bitcoin, bitcoin cash, ether, litecoin, and zcash. It immediately, however, exchanges the donations received to fiat money. On October 9th 2019, The United Nations Children's Fund (UNICEF), became the first United Nations (UN) organization to establish a Cryptocurrency Fund, which will allow it to "receive, hold, and disburse donations of Cryptocurrencies ether and bitcoin."[66] According to the Executive Director of UNICEF, this step is monumental in the development world, as it allows the humanitarian sector to explore the opportunities new innovations bring in changing lives.

UNICEF's work with cryptocurrency is not new, as it has been funding projects that use blockchain and cryptocurrency in a social-based enterprise since 2015. The creation of the Cryptocurrency Fund will continue building on past work of UNICEF's funding of open source technology that benefits children. With the creation of the fund, UNICEF will not be converting cryptocurrency into local currencies.[67] While there has been a growth in the number of organizations that accept cryptocurrency donations in the past few years, the norm was to instantly convert it to local currency to avoid the volatile fluctuation in cryptocurrency prices. The number of organizations who do that appear to be high enough to prompt the creation of ventures like The Giving Block, a platform that helps nonprofits accept bitcoin donations by instantly converting them into USD. According to its website, The Giving Block was founded as a reaction to the observed lack of capacity among civil society actors to accept donations, both technically and on the economic analysis side.[68] Briefly, when CSOs and NGOs initiate a project to accept cryptocurrency as donations, it is imperative for them to carefully choose through which wallet to accept cryptocurrency. Consideration should include factors such as compatibility with their operating system, the fees imposed by the wallet, privacy rules of the wallet, the degree of control they have over the money, and the transaction validation process (centralized / decentralized). Other non-technical factors to consider are reputation risks of accepting cryptocurrency and tax factors.[69]

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66 https://www.unicef.org/press-releases/unicef-launches-cryptocurrency-fund
67 https://www.devex.com/news/nonprofits-explore-the-newest-fundraising-frontier-cryptocurrency-95789
68 https://www.thegivingblock.com/about
69 https://www.devex.com/news/nonprofits-explore-the-newest-fundraising-frontier-cryptocurrency-95789

Another Global Trend: The Donation Button

Another form of online fundraising that has been gaining traction on the websites of CSOs is the “donate” button. The “donate” button is a direct link on the website where CSOs can accept donations at any time. Similarly, to online-based Crowdfunding campaigns, this fundraising method typically relies on small amounts of financial donations from a large pool of individuals. These donations can be a one-time or a recurrent donation made directly to the organization, without the presence of a campaign. The added option of “recurrent” donations, where donors can choose to automatically give the same amount monthly, provides an additional perk compared to campaign-based Crowdfunding.

The first “donate” button was constructed in 1999 by a non-profit in San Francisco. Throughout the 2000s, NGOs experimented with promoting “Donate Now” buttons and online donation pages. Today, 72% of NGOs worldwide accept donations on their websites and 63% regularly send email updates and fundraising requests to their supporters. Worldwide, credit cards, PayPal, and direct debit are the most accepted forms of payment. Regionally, credit cards are not as common, and additional options of check and wire transfers are popular.

Recent studies have shown that recurrent monthly donations in the USA have increased by 26.5% in the arts and culture sector. Furthermore, worldwide, 45% of donors are enrolled in a monthly giving programme, and the average monthly donor will give 46% more in one year than those who give one-time gifts.

In the MENA region, aggregate data on the trend of the “donate” button and recurrent donations is growing. Based on observation of numerous organizations that use the “donate” button regionally, in addition to global trends, we recommend this monthly donation strategy to institutions looking to diversify their online funding channels, as it accomplishes two goals: securing sustainable donations and deepening engagement with donors. When donors give on an ongoing basis, they are more likely to stay engaged and are constantly reminded of your organization. Plus, the reward of more money over the course of the year is higher than a one-time gift. This type of donation is sustainable but requires considerable effort and collaboration among the whole organization.

While global trends in this sector are encouraging, the technical and regulatory reality in the MENA region is a bit more complicated. From lack of payment options to receive donations, to lack of services and legal hardship in receiving donations without “justifiable” causes, there are a few layers of red tape that organizations in the MENA region must go through to successfully integrate the service.

Pilot Actions and Prototypes

E-Learning

Civil society actors still lack awareness about blockchain, cryptocurrency, and its mechanisms. Knowledge of this sphere is the building block on which blockchain, and cryptocurrency can be utilized by the civic space. We recommend raising awareness through a series of interactive e-learning sessions about blockchain, finance, and fintech, and their possible applications in civil society. These trainings could be deployed through the I4C platform, through webinars, or through other online learning platforms, such as EdX or Coursera. These interactive e-learning sessions should be accompanied by manuals or toolkits on the subject, preferably in Arabic.

Coalition-Building

Research and interviews indicate that civil society and the tech-based entrepreneurship ecosystem are disconnected from each other. This is in part due to perceived ideological differences, which we believe can be overcome by establishing common areas of work and understanding. Local networking, collaboration platforms, and crossover events that bring together the two sectors would be beneficial. This could include a series of thematic bootcamps/events in each country, where civil society actors meet with startups working in the same field to work on a certain goal for a weekend or three days. The regional social entrepreneurship startup ecosystem organizes these types of events regularly, and national social entrepreneur support programs could serve as effective partners to bring actors together.

Despite strict regulations in many countries, there are also significant public efforts to develop blockchain and fintech to boost local economies. Successful initiatives such as the aforementioned Techfugees, or the global Blockchain for Social Impact Coalition have limited presence in the region but can be invited to participate in events and consultations to raise awareness and provide support for budding local initiatives.

Sharing Economy

Another sector-to-sector relationship-strengthening initiative would be to open I4C's sharing economy platform to startups. This can facilitate resource-sharing, as well as talent-sharing as startups often have better financial acumen than CSOs and CSOs have better strategic planning and community-building/networking skills. For example, a startup could assist a CSO in launching a social media campaign in exchange for organizing a focus group or testing session in a target community.

Policy Advocacy

The two sectors can work together on common policy advocacy efforts around issues like foreign funding, Crowdfunding, privacy rights, and access to information. Startups can be more critical of government policies than CSOs, due to their position as “apolitical” economic actors. CSOs can leverage experience in policy advocacy to formulate recommendations and navigate local political and institutional challenges. I4C’s political accountability platform can serve as a tool to raise awareness and mobilize actors in both spheres to push for common policy goals.