

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israel & United Arab Emirates Complete Talks for a Free Trade Agreement

After five months of negotiations, on 1 April, Israel and the United Arab Emirates announced completion of negotiations on a bilateral free trade agreement. The issue was discussed by Prime Minister Bennett and UAE Crown Prince Mohammed bin Zayed at their meeting in Abu Dhabi last December, when it was agreed to accelerate the contacts ahead of the signing, and at their recent meeting in Egypt, at which the leaders agreed to complete the agreement within days.

It is a comprehensive agreement that includes – inter alia – issues regarding trade in goods such as regulation and standards, customs, trade in services, cooperation, government procurement, electronic trade and maintaining trademarks. A total of 95% of the goods traded between the two countries are included in the agreement and will be exempt from customs either immediately or gradually: Food products, agriculture, cosmetics, medical equipment, drugs and more. The agreement was signed by Economy and Industry Minister Barbivay and her Emirati counterpart at the David Citadel Hotel in Jerusalem. The agreement will officially take effect following a ratification process in both countries. Government lawyers are currently drawing up the detailed documents needed to put the agreements into practice. Trade between the countries reached $900 million in 2021, the first full year after the signing of the Abraham Accords. That figure is expected to grow significantly. (Various 01.04)

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* 1. Egypt & Israel Expand Economic Ties

Egypt and Israel held talks on 31 March to discuss ways of expanding their economic and trade relations, in the latest sign of warming ties between Cairo and Tel Aviv. Minister of Trade and Industry Gamea and Minister of Planning al-Saeed met in Cairo with Israel's Minister of Economy and Industry Barbivay. Talks between the two sides focused on ways of strengthening trade and economic cooperation under the Protocol of the Qualified Industrial Zone (QIZ) to increase export capacity in the coming period. The discussions also targeted the activation of bilateral trade and investment capabilities to be reflected on boosting economic growth rates, including the optimal investment in the size and scope of the QIZ agreement.

In 2021, bilateral trade between Egypt and Israel reached $330 million a year, an increase of 63% from 2020, according to Israeli figures. The QIZ Protocol was established by the US Congress in 1996 to build economic ties between Egypt and Israel. The program, which came into force in 2005, allows products jointly manufactured by Egypt and Israel duty-free entry into the United States, provided that Israeli components represent 11.7% of these products. There are 1,124 companies registered under the QIZ protocol as of February 2022, the vast majority of which produce textiles (80%), while the remaining firms largely export processed agricultural products, chemicals, base metals, plastics, leather products and building materials.

Exports under the QIZ protocol hit $1.2 billion in 2021, with textile and clothing representing 94% of all of Egypt’s QIZ exports, while chemicals, minerals, fertilizers, glass and agricultural products account for the remaining 6%. In 2021, QIZ products made up 37% of Egypt’s total exports to the United States and 48% of non-oil exports. (Al-Monitor 05.04)

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* 1. Greece, Cyprus & Israel to Expand Energy Cooperation Amid Ukraine War

Greece, Cyprus, and Israel will continue working together on natural gas pipeline projects with European energy dependency a new focus because of the war in Ukraine, their foreign ministers said on 5 April. Israeli Foreign Minister Lapid, who met his Greek and Cypriot counterparts in Athens, said that Russia's invasion of Ukraine has changed the structure of the energy market in Europe and in the Middle East. The three allies, he said, would seek to boost their energy ties and expand their cooperation in the coming months to include more countries.

The European Union aims to cut its reliance on Russian gas by two-thirds this year and end all Russian fossil fuel imports by 2027 due to Moscow's invasion of Ukraine. Cyprus, Greece and Israel have agreed to build the world's longest and deepest underwater power cable that will traverse the Mediterranean seabed and link their electricity grids. The project, called the Euro-Asia interconnector, is expected to be completed by 2024.

Another project which has been agreed upon between the three is the EastMed subsea pipeline. Designed to supply Europe with natural gas from the eastern Mediterranean, it has been in the planning for several years. (ILH 06.04)

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* 1. Recovery Plan Agreed on by Government for Israel Post

Israel's Ministry of Finance and the Ministry of Communications, the Government Companies Authority, the management of Israel Postal Company (Israel Post) and representatives of Israel Post workers, have agreed on the principles of a recovery plan and the privatization of the company. The recovery plan includes downsizing and cutting salary costs, an accelerated transition to digital services, high priority for parcels collection, a special service for elderly people lacking digital skills, geographical redistribution of postal services, and competition in the postal market.

The state will lend Israel Post NIS 1.7 billion, while the company will undertake to sell assets to worth some NIS 450 million. Between 1,500 and 2,000 of Israel Post's 5,000 employees will leave, with a state guarantee for their severance pay.

The question of selling real estate assets of the company is a complex one, as the real estate makes the company more attractive to investors. The government argues however that the company needs a strategic investor able to run it efficiently and not someone looking to make a killing on its real estate. The state is therefore willing to take the risk upon itself, even at the expense of the proceeds from the planned equity offering and the privatization process being lower because of the sale of real estate assets. (Globes 07.04)

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* 1. BIRD Foundation Calls For Project Proposals That Focus on Green Energy

[BIRD Energy](https://www.birdf.com/bird_programs/energy/), the energy division of the Israel-US Binational Industrial Research and Development Foundation (BIRD), announced its next funding cycle for joint US-Israeli project proposals that focus on green development relating to renewable energy, improving energy efficiencies, and other decarbonizing technologies. Project proposals must include a joint R&D cooperation in which one company or academic institution is from the US and the other is from Israel in order to be considered. Proposals must also include commercialization as one of their ultimate goals. Examples include proposals for solar and wind power tech and water tech.

The conditional grant is up to 50% of the combined project R&D budget and up to a maximum of $1 million per project. This year’s call for proposals includes a call for technologies that scale up carbon-free technologies and lower carbon emissions. The US and Israeli governments both agree on the urgent need to address the global climate crisis by accelerating the transition to a clean energy and carbon-free economy, BIRD said in the announcement.

BIRD Energy was created in 2009 by the US Department of Energy, Israel’s Ministry of Energy, and the Israel Innovation Authority, following the Energy Independence and Security Act of 2007. It was established three decades after the BIRD foundation itself was established in 1977, to foster collaboration between Israeli and American industries. After more than a decade, BIRD Energy has funded 60 joint US-Israel clean energy projects for a total investment of approximately $47.5 million and approximately $62 million in funds matched by the private sector to commercialize clean energy technologies.

The application process is web-based and requires a prior discussion with BIRD Foundation. Deadline for executive summary submissions is 30 June. If approved, the deadline for the full-scale proposals is 16 August. Projects will be selected for funding in November. (BIRD 05.04)

ISRAEL MARKET & BUSINESS NEWS

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* 1. General Atlantic Opens an Office in Tel Aviv

New York's [General Atlantic](http://www.generalatlantic.com/), a leading global growth equity investor, has opened a new office in Tel Aviv. The new location expands the firm’s geographic footprint into the Middle East and enables General Atlantic to strengthen its presence in the highly entrepreneurial Israeli ecosystem. General Atlantic sees significant opportunity in Israel and has invested over $750 million in eight high-growth tech companies in the country since 2019, with six of those eight investments taking place in roughly the past year. With an on-the-ground presence in Tel Aviv, the firm plans to deepen its local network and further engage in the region’s entrepreneurial ecosystem to identify high-growth, early-stage investment targets in the tech sector.

General Atlantic's existing investments in the region include AppsFlyer, a company which uses analytics solutions to help marketers to grow their businesses; Atera, an IT management company helping businesses adapt to a remote working model; Fireblocks, an all-in-one platform to store, transfer and issue digital assets; Hibob, a platform which helps midsize businesses modernize their HR practices; Riskified, a company that specializes in preventing payment fraud on e-commerce sites; Transmit Security, a cybersecurity company which facilitates passwordless authentication; Vast Data, a software-defined, next-generation flash storage and data infrastructure company; and Zoomin, a leading provider of knowledge orchestration solutions. Tel Aviv marks General Atlantic’s fifteenth office worldwide. (General Atlantic 04.04)

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* 1. Ermetic Receives a Strategic Investment from Splunk Ventures

Ermetic announced Splunk Ventures as a strategic investor. Splunk Ventures is the corporate venture capital arm of Splunk Inc., the data platform leader for security and observability, which plans to work with Ermetic to build a partnership to further help customers solve security challenges in multi-cloud infrastructure environments.

This follows Ermetic’s recent $70 million Series B round of financing led by Qumra Capital with support from new investor Forgepoint Capital and participation from existing investors Accel, Glilot Capital Partners, Norwest Venture Partners and Target Global. The company has now raised $100 million in funding for its security platform that provides holistic multi-cloud protection for global enterprise customers.

This strategic investment from Splunk Ventures will help Ermetic extend the capabilities of its integrated cloud infrastructure entitlement management (CIEM) and cloud security posture management (CSPM) platform to meet current and emerging customer needs. The company will also work with Splunk to deepen their product integration and partnership to increase customer value.

Tel Aviv's [Ermetic](https://ermetic.com/) helps prevent breaches by reducing the attack surface of cloud infrastructure and enforcing least privilege at scale in the most complex environments. The Ermetic SaaS platform provides comprehensive cloud security for AWS, Azure and GCP that spans both cloud infrastructure entitlements management (CIEM) and cloud security posture management (CSPM). Ermetic has received funding from Accel, Forgepoint, Glilot, Norwest Venture Partners, Qumra and Target Global. (Ermetic 31.03)

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* 1. Intel to Acquire Granulate

[Intel Corporation](http://www.intel.com/) announced an agreement to acquire Tel Aviv's [Granulate Cloud Solutions](https://granulate.io/), a developer of real-time continuous optimization software. The acquisition of Granulate will help cloud and data center customers maximize compute workload performance and reduce infrastructure and cloud costs. Deal terms are not being disclosed.

Granulate’s autonomous optimization service solves these issues by reducing CPU utilization and application latencies. It does this by learning the customer’s application and deploying a customized set of continuous optimizations at runtime. This enables deployment on smaller compute clusters and instance types to improve application performance and drive down cloud and data center costs. Granulate’s service does not require developer intervention nor does it require the customer to make changes to its own code. Optimizations for the latest CPUs can be applied even on legacy Linux distributions and runtimes.

Intel and Granulate’s relationship began in late 2019, when Granulate was part of the first graduating class of Intel® Ignite, the startup accelerator program that taps into Intel’s resources to help early-stage companies succeed. Over the past year, Intel and Granulate have worked together under a commercial agreement to collaborate on workload optimization on Xeon deployments. This collaboration resulted in gains in performance and decreases in costs for customers running on Intel processors. With the acquisition of Granulate, Intel will rapidly scale Granulate’s optimization software, including across Intel’s data center portfolio. Intel is investing in growth opportunities enabled by software, including disruptive end-to-end artificial intelligence and security platforms, services, and APIs.

The transaction is expected to close in Q2/22, subject to typical closing conditions. At that time, Granulate’s approximately 120 employees will be integrated into Intel’s Datacenter and AI business unit. (Intel 31.03)

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* 1. Yeinot Bitan Signs Carrefour Franchise Agreement

Israel's Electra Consumer Products and French multinational retailing and food giant Carrefour signed a franchise agreement. Under the agreement, 150 branches of the Yeinot Bitan chain will gradually be converted into Carrefour branches and adapted to its format. The agreement is for 20 years with an automatic option to extend it for a further 20 years and an option to extend beyond that. This agreement follows a MoU that was signed last month. The first branches under the Carrefour brand will be opened at the end of 2022, while Carrefour's own brand products will be sold in Yeinot Bitan branches by summer.

Electra Consumer Products and Carrefour have also agreed that Yeinot Bitan will be allowed to manufacture some of the chain's products in Israel and market them under the Carrefour brand. In addition to being a retail giant, Carrefour is also one of the world's largest food manufacturers with 20,000 brands and 14,000 products. Its private label brand represents 31% of sales, a very high proportion by the standards of the Israeli market. Carrefour is the largest international retailer to enter Israel. The company has some 13,900 branches and a sales turnover of €81.2 billion. (Globes 04.04)

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* 1. Wing Security Emerges Out of Stealth with Platform Addressing Security Gaps

Wing Security (Wing) emerged from stealth mode with a $26 million Seed + A funding round. The funding was led by GGV Capital, S-Capital, Harmony Partners, Silicon Valley CISO Investments Group, and prominent security leaders. The funding will help Wing recruit top-notch talent to double its employee base, primarily in research and development, sales and marketing. This will allow the company to continue building the product offering, catering to the world’s leading organizations.

The Wing team’s mission is to build the world’s first platform that will provide full visibility, analysis and out-of-the-box remediation paths that can be fully automated. In addition to the benefits offered directly to security teams, organizations can also leverage Wing to empower end-users across all departments to actively and seamlessly participate in the protection of the SaaS solutions they’re using on a daily basis. Wing finds and remediates all major SaaS related security issues and provides visibility into the applications being used, the users who use them, app2app connections, external data collaborations, and user inconsistencies. Wing also provides a clear view into which applications are compliant with relevant regulations, which have high/low security ranking, and also allows users to customize their security definitions.

Tel Aviv's [Wing Security](https://wing.security/) is the world’s only holistic SaaS Security platform. Its mission is to provide comprehensive, accessible and simple SaaS security for organizations of any size, anywhere. By utilizing non-intrusive discovery, Wing provides effective SaaS security governance for App2App interconnectivity, data sharing, permissions, new apps being used, as well as uncovering user inconsistencies. (Wing 30.03)

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* 1. IM Cannabis Acquires Oranim Pharm, Jerusalem's Leading Medical Cannabis Pharmacy

IM Cannabis Corp., with operations in Israel, Canada and Germany, has completed the strategic acquisition of 51% of the rights in Oranim Pharm. Oranim Pharm is one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area. The acquisition was completed through IMC Holdings, a wholly-owned subsidiary of IM Cannabis Corp., following receipt of all requisite approvals, including from the Israeli Medical Cannabis Agency ("IMCA").

Centrally located in Jerusalem, Oranim Pharm has a successful 14-year track record of serving the needs of its loyal customer base in the area. IMC Holdings acquired 51.3% of the outstanding ordinary shares of Oranim Plus Pharm, an Israeli company holding 99.5% of the rights in Oranim Pharm, resulting in IMC Holdings holding 51% of the rights in Oranim.

As first announced in December 2021, IMC Holdings signed a definitive agreement in respect of the Acquisition for total consideration of approximately NIS 11.94 million (approximately C$4.6 million), to be paid in cash and common shares of the Company. The cash consideration component of approximately NIS 10.40 million (approximately C$4 million) was to be paid in two installments, with 50% (NIS 5.2 million) paid at signing of the definitive agreement and 50% (NIS 5.2 million) will be payable in the first quarter of 2023. (IM Cannabis 30.03)

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* 1. Perception Point Acquires Hysolate to Expanding its Prevention-as-a-Service Portfolio

Tel Aviv's Perception Point, a leading email and cloud collaboration channel security company, has acquired [Hysolate](http://www.hysolate.com), a next-gen web isolation platform operating at the endpoint level, to deliver unprecedented protection against all content-based attacks by leveraging three necessary layers of cybersecurity technology: isolation, detection, and remediation.

The deal adds web security to Perception Point's suite of advanced threat protection solutions, and is expected to increase the company's Total Available Market (TAM) by $7 billion. The joint offering includes complete coverage of all main communication channels, including email, cloud storage platforms, cloud apps, and CRM apps, in addition to content and DLP protection in the web domain.

The acquisition will provide Hysolate's benefits as part of Perception Point's best-of-breed Prevention-as-a-Service portfolio. The joint offering will fuse Perception Point's channel coverage with the added value of Hysolate's endpoint-centric approach to deliver customers with the full protection cycle – isolation of the activity, identification of the potential risk, containment of the attack, and full analysis of the event. This will be performed rapidly, efficiently, and holistically across all collaboration channels of the organization.

Tel Aviv's [Perception Point](https://perception-point.io/) is a Prevention-as-a-Service company offering fast interception of any content-borne attacks across email and all cloud collaboration channels. The company's next-generation solution provides the best coverage against any type of cyberattack and prevents attacks well before they reach end-users by dynamically scanning 100% of content, regardless of volume, to ensure that it's safe. Deployed within minutes, with no change to enterprises' infrastructure and zero fuss to IT teams, Perception Point's solution – coupled with its Incident Response Service – is easy to manage and acts as a force multiplier to enterprises' SOC teams, reducing management overhead, improving user experience, and delivering continuous insights. (Perception Point 30.03)

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* 1. Cyberpion Secures $27 Million in Series A Funding

Cyberpion announced $27 million in Series A funding as enterprises grasp the urgency to solve the difficult challenge of managing unknown risks and vulnerabilities in their direct and indirect digital supply chain infrastructure. The funding was led by one of Silicon Valley's most established and accomplished investors U.S. Venture Partners, with existing investors Team8 Capital and Hyperwise Ventures also participating in the round.

Cyberpion's platform continuously performs discovery and vulnerability assessments on all of the enterprise's external-facing assets, connections and third party platform dependencies far beyond the coverage of other security tools. Establishing a comprehensive, up-to-date, prioritized and actionable vulnerability inventory, the platform provides security teams with clear indications of high priority threats, and the actions that should be taken to resolve them before they can be exploited. With prevention from day one and no installation, configurations or modifications required to existing IT, Cyberpion leverages machine-learning to provide automatic protection with zero human intervention.

Tel Aviv's [Cyberpion](http://www.cyberpion.com) solves the rising cybersecurity challenge of understanding the risks and vulnerabilities of your connected online assets that form an external attack surface. Knowing how your organization is vulnerable, where those threats come from, and what infrastructures are at risk, is critical to preventing an attack and strengthens your security posture. Cyberpion makes organizations aware of these vulnerabilities and helps mitigate them by continuously discovering, monitoring and assessing the threat vectors present throughout online ecosystems that exist outside the traditional security perimeter. (Cyberpion 30.03)

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* 1. Quantum Machines Acquires QDevil to Provide Full-Stack Orchestration Platform

Quantum Machines (QM) announced its acquisition of Danish quantum computing leader QDevil. The addition of QDevil's industry-leading products and unique expertise compliments QM's goals from both a hardware and software perspective and reinforces QM's position as the leading global provider of Quantum Control technology, offering full control solutions from gate-level to qubit.

Since its founding in 2018, Quantum Machines has established itself as the leading provider of control and operation systems for quantum computing across companies and research centers. The company has announced significant milestones to propel quantum development, releasing QUA, the first standard universal language for quantum computers, its Quantum Orchestration Platform (QOP) as well as its latest Pulse Processing Unit to help increase quantum R&D teams' productivity by orders of magnitude. QDevil is an international quantum technology company focused on developing and manufacturing auxiliary electronics and specialized components which are critical for the operation of QPUs, operating from mK to room temperature. Quantum Machines will leverage the outstanding talent and expertise in quantum electronics to serve as the company's Auxiliary Electronics Division. The company will also integrate the company's products for cryogenic technology for enhancing qubit performance into the existing QOP to provide customers ever-improving control solutions with unparalleled performance. The deal is pending regulatory approval from the Danish government.

Tel Aviv's [Quantum Machines](https://www.quantum-machines.co/)' Quantum Orchestration Platform (QOP) redefines the architecture of the quantum control stack for the control and operations of quantum processors. The full-stack hardware and software platform is capable of running even the most complex algorithms right out of the box, including quantum error correction, multi-qubit calibration, and more. Helping achieve the full potential of any quantum processor, the QOP allows for unprecedented advancement and speed-up of quantum technologies as well as the ability to scale into the thousands of qubits. (Quantum Machines 30.03)

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* 1. vHive Raises $25 Million in a Series B Round Led by PSG

vHive secured $25 million in Series B funding. The funding round is led by PSG, a leading growth equity firm partnering with software and technology-enabled services companies to help accelerate their growth. Previous investors Octopus Ventures and Telekom Innovation Pool (TIP), Deutsche Telekom's strategic investment fund advised by DTCP, also participated in the round.

vHive's software platform is built with its customers' journey in mind, providing end-to-end solutions that enable organizations to autonomously capture data using drones to create Digital Twins of their assets, such as cell towers, cranes and structures. Its AI and computer vision algorithms were built on comprehensive data and hands-on field experience with global top-tier customers to deliver performance and capabilities that vHive believes are hard for others to replicate. The company believes its ability to connect the physical and the digital world provides enterprises with a new way to digitally transform their field assets, visually access information, and rapidly reach actionable business insights.

Herzliya's [vHive](http://www.vHive.ai) is a global leader of Digital Twin software solutions. vHive accelerates enterprises' continuous digital transformation, enabling them to make better decisions based on accurate field data, analytics, and insights. (vHive 05.04)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Right Farm Raises $2.8 Million in a Seed Funding Round

Right Farm has raised $2.8 million in a seed round to create a global fresh produce platform that sources fresh produce from local and international farms for the food and retail sector. Founded in 2021, Dubai's [Right Farm](https://www.rightfarm.com/) addresses gaps in the fresh produce value chain in the UAE and MENAPT region through the development of technology that optimizes the sourcing and procurement of fresh produce for businesses. Through an innovative platform, Right Farm’s one-stop shop uses predictive technology that facilitates routing, operations and purchasing, designed to provide a seamless and convenient end-to-end process from farm to table. The venture provides access to more than 1,000 fruits, vegetables and microgreens, enabling businesses to place orders and receive delivery within 12 hours.

The funds will be used to support Right Farm’s rapid technology development and aggressive growth plans in the region. The company operates from its cold-storage facility in the heart of UAE fruit and vegetable market.

Right Farm is working to transform how businesses source their produce by aggregating the local and global supply of food through an innovative online B2B buying platform. Right Farm leverages the power of data and technology to optimize the process of sourcing fresh produce and to modernize the connection between food suppliers and businesses. The company is on a mission to create a more sustainable supply chain whilst addressing food security by increasing operational and financial efficiencies across the fresh produce value chain. (Right Farm 11.04)

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* 1. Lawazem Closes a $1.3 Million Seed Round

[Lawazem](https://lawazem.com/), a Saudi-based operational procurement company, has wrapped up a seed funding round totaling $1.3 million. The round was led by Merak Capital, a technology investment firm licensed by the Capital Market Authority of Saudi Arabia, with participation from Merced, a Saudi VC company that covers a variety of sectors across the Middle East.

Lawazem, founded in 2020, is positioned as a ‘B2B mall’ and a one-stop-shop for all business procurement needs, ranging from VIP guest services to office stationery. The company, which reported an average quarterly growth of 150% during 2021, offers a broad range of services and products to its customers, decreasing the time, effort and costs of reactive operational procurement. The investment from Merak Capital will enable Lawazem to grow its staff, marketing initiatives and technology capabilities.

The E-commerce industry in the MENA region marked a notable recovery in 2021 after recording dips in both volume of investment (10% YoY) and number of transactions recorded (26% YoY) the year before. The sector has observed a 235% YoY growth in capital invested in 2021, as recorded in our E-commerce 2022 Venture Investment Report. In MENA, KSA-based E-commerce startups raised the lion’s share of investment in 2021. (Lawazem 06.04)

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* 1. Intella Closes a $1 Million Seed Round

Egyptian market research firm Intella secured $1 million in a seed funding round led by Hala Ventures, with participation from Falak Startups, the International Cooperation Ministry’s venture capital arm, Egypt Ventures, and a number of angel investors. The startup bills itself as the region’s first real-time intelligence provider, and aims to make data and market research more accessible and reliable by enabling customers to conduct “direct to consumer” market research.

The funding will help the company expand the platform’s tech offerings, including launching a platform-as-a-service (PaaS) and developing new AI-based predictive analytic tools. These tools will ultimately help Intella ramp up its capacity to capture 1.2 million + data points per day, while growing its panelist engagement platform to reach 500K verified users.

Cairo's [intella](https://www.intellaworld.com/) is a visibility and insights provider that delivers intelligence to businesses in real time. Their on demand data collection platform helps businesses act faster & smarter. Intella enables rich market research by providing clients with access to their on demand surveys & verified online community; giving them access to a vast pool of audience ranging from the general to the very niche. They operate at both scale & speed; collecting their data digitally and sharing our insights in real time, hence introducing new services to an industry that has been awaiting some serious disruption. (Intella 31.03)

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* 1. ON Market Raises $215,000 in a Pre-Seed Financing Round

Online Egyptian grocery marketplace [ON Market](https://play.google.com/store/apps/details?id=net.onmarkets) has raised $215,000 in a pre-seed round from regional angel investors. The startup will use the funds to expand in its existing Tanta and Cairo markets, launch in Mansoura and Alexandria, and scale its tech solutions.

ON Market is the first in the market to allow shoppers to combine purchases from multiple retailers in a single order basket. Customers can purchase up to EGP 1,500 of goods per order for delivery within an hour through the app, which launched in Tanta in 2020 before expanding to Greater Cairo’s Nasr City and Heliopolis in February. ON Market graduated last year from AUC Venture Lab’s accelerator program. (ON Market

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* 1. Saudi Venture Capital Company & Flat6Labs Launch “Startup Seed Fund”

Saudi Venture Capital (SVC), one of the most prominent venture investment ecosystem development companies in KSA, has signed a new investment agreement with Flat6Labs, the leading seed and early-stage venture capital firm in the MENA region, to introduce the “Startup Seed Fund”. The fund aims to support startups with growth potential and provide more than 20 Saudi startups annually with seed capital over the next three years, in addition to a number of other benefits.

BLOMINVEST, one of the leading investment management companies in the region, will manage the distribution and marketing of the “Startup Seed Fund'' as it will be the exclusive partner for marketing the fund's units in Saudi Arabia and raise up to SAR 150 million, within 12 months starting from the fund’s launch. The fund will adopt a highly diversified systematic investment plan that aims to reduce the risks faced by VCs along with the administrative and legal costs faced by startups at early stages. The fund is also designed to provide support and investment in Saudi startups, provide various ways to support innovation, and create space for pioneering Saudi youth to develop their technology startups and expand their scope in the region.

The investment provided to companies will range between SAR 750,000 to 1,500,000 per company, as well as follow-on funding that will enable companies to complete their expansion inside and outside KSA. In addition to the cash investment, the fund offers the Flat6Labs Riyadh Seed Program, which is a 4-month seed program held twice a year for over a span of 3 year. The program will support entrepreneurs to develop their business skills and provide them with a supportive environment to build their products, test market fit, improve their business models, and pitch to external investors; the program’s first cycle is expected to be held in the beginning of the third quarter.

Cairo's [Flat6Labs](http://www.flat6labs.com) is the MENA region’s leading seed and early stage venture capital firm, currently running the most renowned startup programs in the region. Annually, Flat6Labs invests in more than 100 innovative and technology-driven startups enabling thousands of passionate entrepreneurs to achieve their daring ambitions and ultimately becoming their institutional co-founders.

Saudi Venture Capital Company (SVC) is a government VC established in 2018 as part of the Financial Sector Development Program (FSDP) to stimulate venture investments, as well as co-investing with angel groups to minimize financing gaps for startups and SMEs. (SVC 03.04)

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* 1. Egypt's Khazna Raises $38 Million in series A Funding

Cairo based fintech startup [Khazna](https://khazna.app/) has raised $38 million in equity and debt in a series A funding round. The round was led by US-based Quona Capital and includes previously announced funding from Nclude — the new $85 million fintech fund launched by state-owned banks Banque Misr, the National Bank of Egypt, and Banque du Caire and managed by the UAE’s Global Ventures. Also participating in the round were Austria’s Speedinvest, Saudi Arabia’s Khawarizmi Ventures and AB Accelerator by Arab Bank, as well as Egypt’s, Disruptech and CVentures. The company’s debt financing will be provided by Lendable, while Arab Bank Egypt is acting as the security agent facilitating the transaction.

Khazna’s app caters to the 50% of Egyptians who use smartphones and lack access to formal financial services, offering them general purpose credit; buy now, pay later (BILLIONPL); and bill payment services. Khazna could set up a SPAC in 2024, which could be listed either at home or abroad. The fintech player is considering acquiring three technology companies operating in the local market, as well as expanding abroad in one or two regional markets in the first quarter of 2023. Khazna has raised $47 million since it started in 2020 and has a leadership team that includes former executives from the World Remit, Valeo, Uber, CIB, Jumia, Match Group and Arqaam Capital. (Khazna 03.04)

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* 1. Sprints Closes $1.2 Million Series A Financing Round

Cairo-based edtech startup Sprints has closed a $1.2 million Series A round led by the Alexandria Business Angels Network and with the participation of MED Angels members, AUC Angels, Cubit Ventures, “Challenge Fund,” EdVentures, Falak Startups and Cairo Angels.

Founded in 2019, Cairo's [Sprints](https://sprints.ai/) aims to bridge the tech talent gap in MEA. The company offers online training programs to software developers, as well as crash courses in cybersecurity, artificial intelligence, project management and more. Sprints bills itself as the MEA region’s only edtech startup that offers guaranteed hiring programs. (Sprints 10.04)

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* 1. GrubTech and Paymob to Modernize Egypt’s F&B Payment Ecosystem

GrubTech and Paymob have signed a partnership agreement that will pave the way for restaurants, cafes and cloud kitchens in Egypt to modernize their operations and efficiently manage their payment systems. Signed recently at Cafex, a B2B event for the restaurant and café industry, the partnership consolidates the strength of GrubTech’s plug and play operating system with Paymob’s expertise in the digital payment space. It is expected to help digitize Egypt’s food and beverage ecosystem, making it easy for operators to be up and running with an all-in-one solution.

An integrated payment solution will benefit not just restaurateurs, café owners, and cloud kitchen operators but also consumers. As one of Egypt’s fintech companies, Paymob has been empowering merchants across various industries to grow their business using multiple digital payment methods such as online payments, mobile wallets, and instalments. Established in 2015, the startup was one of the first to digitize the payment ecosystem in Egypt.

Cafes, restaurants, and cloud kitchens across Egypt that use GrubTech’s point of sale and restaurant management system will be automatically signed up with Paymob, a licensed payment provider in the country, allowing consumer card payments made at the GrubTech point of sale to be processed by Paymob. Meanwhile, GrubTech has raised over $18 million from venture capital investors, highlighting continued investor confidence and growing market position. (GB 30.03)

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* 1. O7 Therapy Raises the Largest Mental Health Investment in a Seed Round

O7 Therapy is a refined, scientific, and evidence-based online platform, established to support clients around the world, providing pathways to mental wellness and positively impacting the workforce. The recent round was led by Hikma Ventures, with the participation of C-Ventures, Lotus Ventures and several prominent angel investors. The investment aims to support mental wellbeing, help address a wide range of mental health difficulties, and advocate for mental health and wellness. The round is aiming to enable growth across the Middle East and facilitate various new product features and developments. In addition, the recent investment will allow the team to expand its Employee Wellness Programs for more organizations across the region, focused on elevating mental wellbeing in their workplace. This is the first round Hikma has led in the MENA region.

Cairo's [O7 Therapy](https://o7therapy.com/) is a refined, scientific, and research-based online platform, established to support your ongoing journey to mental wellness. They ensure security and safety by developing trusted protocols for data-encryption and storage, all while prioritizing a user-friendly framework. They have curated a network of hand-picked Arabic-speaking psychiatrists and psychotherapists, along with a referral network of specialized clinics and hospitals to support you through the mental challenges you or your loved ones might be facing. (O7 Therapy 04.04)

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* 1. Algebra Receives $15 Million from the IFC for a New Fund

The International Finance Corporation (IFC) has confirmed that it will invest $15 million into [Algebra Ventures](https://www.algebraventures.com/)’ $90 million second tech fund. The investment was approved by the international lender’s board in December, according to a disclosure. The new fund will target investments in some 20 African tech startups, with a focus on Egypt. The agreement includes “a separate co-investment envelope of up to $15 million.

The European Bank for Reconstruction and Development (EBRD) is also committing $15 million to the fund. Algebra is raising funds from a who’s who of limited partners thanks to the success of its first $54 million fund, in which the IFC invested $10 million back in 2016. Announced in April last year, Algebra said the new fund would eventually be worth $90 million and make equity venture capital investments in early-stage tech companies. The VC’s second fund will focus on Egypt with some allocations for sub-Saharan Africa.

This marks the IFC’s third investment in Egypt in recent months. The lender put $20 million into private equity firm Ezdehar’s first close of its Mid-Cap Fund II (EMF II), and directly invested $5 million in Algebra-backed social commerce startup Brimore. (IFC 11.04)

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* 1. Rology Closes a Pre-Series A Financing Round

Cairo's [Rology](https://rology.health/), an on-demand tele-radiology platform connecting hospitals and other healthcare providers with remote and readily available radiologists, has closed an undisclosed pre-series A financing round with participation from Egypt Ventures, Sequence Ventures, Waseel, Tawaref and Viktoria Ventures. The round was also joined by previous investors including HIM Angels, AAIC, DAI and Cubit Ventures.

The platform was launched in 2017 to compensate for the lack of radiologists and high latency in medical reports through enhancing scan image quality and matching cases from Hospitals and Radiology Centers according to sub-specialization and expertise. It delivers reports for cold cases within 12 hours and emergency cases in just 60 minutes. The Rology platform is fully equipped to supply hospitals with unique solutions across a diverse spectrum of subspecialties including breast imaging, Cardiovascular Radiology, Chest Radiology, Gastrointestinal (GI) Radiology, Musculoskeletal Radiology, and more. The funds will go towards empowering Rology's geographical expansion in the MEA region. (Rology 12.04)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. H2Pro First Production Facility for Green Hydrogen Systems

H2Pro announced the cornerstone ceremony for its new production facility (F1) in the Tzipporit industrial zone in Israel. The 600 MW facility is the first of its kind in Israel. In this facility H2Pro will produce cost-effective systems for producing green hydrogen from water and electricity. These systems are based on H2Pro's innovative and patented technology called E-TAC (Electrochemical - Thermally Activated Chemical). By the end of 2023, the factory should be up and running. Once operational, it will create over 100 new jobs.

H2Pro is developing a water splitting device, expected to reach an unprecedented 95% efficiency that will cost less than any electrolyzer today. The system will support renewable energy. Coupled with anticipated reductions in the cost of renewable energy, H2Pro believes its technology will enable $1/kg hydrogen at scale in the second half of this decade. The company earlier this year announced the closing of its $75 Million Series B financing. The B round was upsized and led by Temasek and Horizons Ventures with participation from existing investors such as Breakthrough Energy Ventures and multiple new strategic investors, including ArcelorMittal, Yara Growth Ventures and Companhia Siderugica Nacional. The latest round brings total funding to $107 million.

Founded in 2019 and based in Caesarea, Israel, [H2Pro](http://www.h2pro.co) develops E-TAC - a revolutionary method for producing green hydrogen by splitting water that is over 95% efficient, safe and cost-competitive with fossil-fuel hydrogen. H2Pro's technology, known as E-TAC (Electrochemical - Thermally Activated Chemical), uses electricity to split water into hydrogen and oxygen. However, unlike electrolysis, hydrogen and oxygen are produced at separate steps. This eliminates the need for a costly membrane, allows for a simpler construction and significantly lowers power consumption compared to electrolysis. (H2Pro 30.03

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* 1. Abu Dhabi to Ban Single-Use Plastic Bags from 1 June

Abu Dhabi will ban single-use plastic bags, effective 1 June 2022, the Environment Agency – Abu Dhabi (EAD) has said. The agency plans to gradually reduce the amount of single-use plastic products consumed across the emirate. It plans to implement measures to reduce demand for about 16 single-use plastic products that include cups, stirrers, lids and cutlery. It will also phase out single-use styrofoam cups, plates and food containers by 2024. The latest announcement was based on its integrated single-use plastic policy introduced in 2020, which was developed to promote a healthy environment and combat climate change by reducing resource consumption and associated pollution.

Since the policy launch, the agency has coordinated with strategic partners concerned with implementing the policy, especially plastics producers and retailers. In support of this drive, a large-scale awareness campaign will be carried out across the emirate to educate the public on the new procedures. To implement the policy, EAD has organized clean-up events and campaigns encouraging community members to help protect the environment while educating people on the damage caused by single-use plastics and litter, the statement added. The agency is also targeting private sector companies, equipping them with tools to plan for the policy’s implementation. EAD is also conducting a study for the introduction of an incentive-based, single-use plastic water bottle return scheme in Abu Dhabi, in partnership with more than 30 private and public entities. (GB 06.04)

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* 1. Faced With Hydric Stress, Casablanca Relies on Drinking Water Rationing

As Morocco is hit by water stress, the port city of Casablanca is trying to adapt to the phenomenon. In this context, Lydec, the Moroccan subsidiary of the French group Suez, which manages the distribution of drinking water and electricity as well as the collection of wastewaters, launched an awareness campaign from 19 to 26 March 2022 with the aim of rationing the population’s water consumption.

In a context marked by the absence of rainfall, this campaign, which targets the region’s 4 million inhabitants, aims to ensure better management of the water resource deficit, water shortage (vigilance, alert and crisis), and water reserves during the summer season, notably through the plan to readjust pressure and flow rate instructions, reduce water losses, alternative supply solutions and increase non-conventional water resources.

According to the United Nations (UN), Morocco has only 500 m3 of drinking water per inhabitant per year, compared to 2,500 m3 in 1960. This figure is below the recommended 1,000 m3 of water per capita per year. Morocco will reach an extremely high level of water stress by 2040, with the loss of 80% of its water resources. In 2015 and 2016, for example, the scarcity of rainfall has strongly affected the natural aridity of certain regions of Morocco, such as the Rif, Rhamma and Drâa-Tafilalet, where the town of Zagora, with a population of more than 152,000, is located.

In this North African country where the semi-arid climate is favorable to climatic hazards characterized by alternating wet and dry years, the National Office for Electricity and Water (ONEE) has identified 53 urban centers with a deficit in 2021. Faced with the vulnerability of the water table and the drop in well levels, which make it difficult for many Moroccans to obtain water, King Mohammed VI has instructed the establishment of a commission responsible for drawing up a national water plan aimed at rebalancing the distribution of resources and ensuring access to drinking water for all inhabitants. (Afrik 21 04.04)

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* 1. Morocco Commissions Drinking Water Project for Marrakech

Smart Water Magazine reported that L’Office National de l’Electricité et de l’Eau Potable (ONEE) in Morocco has commissioned a project to supply drinking water to Marrakech and surrounding towns from the Al Massira dam. ONEE said that the project for a total amount of MAD 2.5 billion (some $681 million) is part of the 2020-2027 National Program for Drinking Water Supply and Irrigation (PNAEPI). The project will deliver drinking water for the city of Marrakech and neighboring towns and localities Skhour Rehamna, Ben Guerir, Sidi Bou Othmane, Tamensourt and rural populations on the Skhour Rehamna-Marrakech axis by 2040.

The scheme will produce 216,000 m3 per day of drinking water and will include a de-sludging station, a treatment station, three pumping stations with a combined power of 27 MVA and seven tanks with a total capacity of 93,000 m3. In addition, a pipeline of about 125 km with a diameter varying between 1300 and 2000 mm has been installed. A 225/22 KV transformer station with a power of 40 MVA and approximately 28 km of VHV/MV power lines will also be built.

According to ONEE, the water intake achieved by perforating the Al Massira dam is a first of its kind on the African continent and among the rare dam perforation operations worldwide. It added that this operation will be duplicated at other dams in the country. (SWM 07.04)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon's Real GDP Fell by 6.9% in 2019 and 25.9% in 2020

Latest published data by the Central Administration of Statistics (CAS) showed Lebanon's real GDP fell by 6.9% in 2019 and 25.9% in 2020. As to nominal GDP, it reached 80.2 and 95.7 trillion LBP in 2019 and 2020 respectively. As a result, GDP deflator growth stood at 4.1% and 61.1% respectively in 2019 and 2020. In more details, and focusing on 2020 and in real terms, consumption expenditure fell by 23%, gross capital formation (or broadly investment) was down by 66%, exports of goods and services declined by 34%, and imports of goods and services fell by 33%. The biggest drops came for private of investment at 70% and imports of services at 51%. In terms of sectoral real GDP, the only sectors that registered positive growth were: agriculture at 40%, public administration at 2% and education at 1%; noting that real estate was at 0%. Whereas the sectors with the highest negative growth were: hotels and restaurants at 76%, metal product, machinery and equipment at 69%, and textiles and leather manufacturing at 66%. Additionally, CAS published quarterly figures for 2019 and 2020. For 2019, the largest fall in real GDP was in the fourth quarter at 16%; similarly for GDP deflator growth at 6%. As to 2020, the biggest decline in quarterly real GDP was in the third quarter at 34%; whereas for GDP deflator growth was in the fourth quarter at 108%. (CAS 06.04)

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* 1. Lebanon Reaches a $3 Billion IMF Deal to Address its Crisis

Lebanon reached a preliminary agreement with the International Monetary Fund (IMF) for a $3 billion loan facility. The IMF loan will be disbursed over four years in return for the phased implementation of an economic recovery plan that will see the country overhaul its banking sector, restructure its debts and rationalize government spending. The staff-level agreement is subject to the approval of the IMF board. Beirut had sought to win the endorsement of the Washington-based lender in recent weeks by approving much-delayed plans to overhaul the loss-making electricity sector and introduce capital controls, as demanded by international donors.

Lebanon has been contending with a full-blown financial meltdown since late 2019, when decades of mismanagement and corruption erupted into a simultaneous banking, debt and currency crisis. Citizens lost access to most of their deposits, remittances that are a mainstay of the economy dried up, the currency collapsed and inflation soared to triple-digits, tipping more than half the population of a middle-income country into poverty.

In March 2020, the government announced it would default on $30 billion of foreign debt to conserve what remained of the central bank’s reserves for imports of food, fuel and medicine. Efforts to win international assistance took on added urgency after the Ukrainian crisis, which triggered a surge in the price of food and fuel as international reserves dwindled to below $12 billion. The central bank has been pumping dollars into the currency market to stabilize the pound which collapsed to a record 34,000 to the US dollar earlier this year. Banque du Liban, also known as BDL, has also been financing the government’s foreign currency needs.

The IMF deal, if approved, would require Lebanon to carry out closely-monitored changes to the way it spends public money. That, in turn, could help unlock some $11 billion in aid pledged for infrastructure and other projects even before the crisis. (IMF 08.04)

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* 1. Lebanon Ran a Trade Deficit of $9.18 Billion in 2021 Despite High Cost of Dollar

For 2021, Lebanon’s trade deficit totaled $9.18 billion, widening from the $7.75 billion registered by end of year 2020. In fact, total imported goods added 22.33% year-on-years (YOY) to $13.83B while Lebanon’s total exports increased by 30.83% YOY to $4.65B by the end of year 2021. In term of value, the Pearls, precious stones and metals grasped the biggest share of total imported goods with a stake of 8.95%. Machinery; electrical instruments ranked second, composing 8.93% of the total while Mineral products and Vehicles, aircraft, vessels, transport equipment grasped the respective shares of 8.65% and 8%, respectively. Lebanon imported $1.23B worth of pearls, precious stones and metals, compared to a value of $894.09M by year of 2020. Moreover, the values of Works of art, collectors’ pieces and antiques and Vehicles, aircraft, vessels, transport equipment recorded yearly increase of 247.74% and 134.45% to settle at $33.74M and $1.10B, respectively. Meanwhile, raw hides and skins, leather, furs and pulp of wood; paper and paperboard registered annual drops of 72.19% and 67.58% to stand at $5.63M and $59.01M.

The top three import sources by 2021 were Turkey, Greece and China, holding the respective shares of 10.96%, 9.88% and 9.16% of the total value of imports. As for exports, Lebanon’s top exported products were Pearls, precious stones and metals grasping a share of 22.48% of the total. Moreover, Vegetable products and Base metals and articles of base metal each grasped a share of 11.27% and 10.44%, respectively, of the total. In more details, the value of Pearls, precious stones and metals decreased yearly by 25.82% to $1.04B by end of year 2021. Meanwhile, the value of Vegetable products observed a significant uptick of 110.74% to reach $524.43M while Base metals and articles of base metal, witnessed a yearly increase of 58.85% to reach $485.66M by end of year 2021. During 2021, the top three export destinations were UAE, Switzerland and Cameroon with the respective shares of 22.66%, 9.34% and 6.17%. Interesting to mention that Saudi Arabia’s share which used to be among top export destinations in 2020 narrowed from 5.72% to only 2.94% by end of year 2021. (CAS 12.04)

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* 1. Jordan's Trade Deficit up by 19% in January

Jordan's trade balance deficit in January of 2022 increased by 19.1%, hitting JOD770.8 million compared to JOD647.1 million in the same month of 2021. According to a monthly report issued by the Department of Statistics (DoS), total exports in January of 2022 reached JOD577 million, up by 27.3 compared with the JOD453.1 million recorded in the same month of 2021.

National exports in the same month of 2022 rose by 29.3%, reaching JOD523.5 million compared to JOD404.8 million in the same month of 2021, figures showed. The value of re-exports in January were at JOD53.5 million, up 10.8% compared with the JOD48.3 million recorded in the same month of 2020, the DoS added. Imports also went up by 22.5%, reaching JOD1.347 billion compared to the JOD1.1 billion recorded in the same month of 2021. Accordingly, the export-to-import ratio stood at 42.8% in January of 2022, compared with 41.2% in the same month of 2021, indicating a 1.6% increase. (Petra 30.03)

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* 1. Iraq Initiates Electric Power Grid Integration with Jordan

On 6 April, Iraq announced the beginning of the "practical" steps for electric power grid connection with Jordan, according to the Iraqi Ministry of Electricity. Iraq has already launched a grid connection with Jordan and work has begun by checking on the power transmission lines routes, connection stations and soil. Procedures have begun and construction work is currently underway for Al-Qaim Electrical Transformation Station line, to complete the power route with Jordan. The Director General of Jordan National Electric Power Company (NEPCO) said the project is proceeding according to the time schedule agreed upon between the two countries. The statement added that the power interconnection with Turkey has technically been completely finished and that Iraq is ready to transfer power, which ranges between 500-600 MW. (Petra 06.04)

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* 1. Oil Production & Profits Stable in Iraqi Kurdistan

The American consultancy firm Deloitte has released its quarterly assessment of the oil sector in Iraqi Kurdistan. The Kurdistan Region’s oil fields yielded a net of more than 37 million barrels of oil in Q4/21. The barrels sold at an average price of $68.43 a barrel, according to Deloitte’s report. These figures are similar to Q3/21. The Kurdistan Region produced more than 38 million barrels of oil during that time frame at an average price of $62.87 a barrel.

This was not the only promising news for the Kurdistan Region’s oil sector recently. Lately, Gulf Keystone Petroleum announced that its profits for 2021 nearly tripled to $301.4 million. Gulf Keystone Petroleum operates the Shaikan field in the Kurdistan Region. In federal Iraq, the state-owned Iraqi Drilling Company recently signed a cooperation agreement with Azerbaijan’s state energy firm SOCAR. The three year deal stipulates that the two entities will work together on oil drilling. The Iraqi Drilling Company has been seeking international help to speed up its drilling activity and implement modern technology, the Iraqi Ministry of Oil announced. (Al-Monitor 01.04)

►►Arabian Gulf

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* 1. UAE’s GDP Grows by 3.8% During 2021

The UAE’s GDP for 2021 at constant prices has increased 3.8%, according to statistics shared by the Federal Competitiveness and Statistics Centre. Its GDP stood at Dhs1.489 trillion, with the growth rate exceeding the estimates and expectations of international institutions, which earlier forecasted a growth of 2.1% for 2021.

Non-oil activities contributed 49.7% of the GDP at constant prices last year. These figures show growth rates across several non-oil activities including agriculture, forestry and fishing which grew 23.1% while the manufacturing expanded 21.7%, health and social service by 19.7%, arts, entertainment and recreation by 17.3%, wholesale and retail trade by 15.3%, accommodation and food service activities by 14.7%, transportation and storage by 7%, and electricity, gas, water supply and waste management activities by 6.9%. Last year, Dubai’s Department of Economic Development (Dubai Economy), said that it expects to record an economic growth of 3.1% in 2021 and 3.4% in 2022. (FCSC 08.04)

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* 1. UAE's FDI Inflows Grew by 3.9% in 2021 to Dhs76 billion

Foreign Direct Investment (FDI) inflows into the UAE grew 3.9% year-on-year in 2021 to reach nearly Dhs76 billion, according to the country’s Ministry of Economy. The total FDI balance in the country increased to reach nearly Dhs630billion by the end of 2021, a 13.7% growth over 2020. Over the past ten years, FDI inflows have grown 116%, while the total balance of those investments during the same period increased by 113%.

The foreign investments received by the UAE were spread across sectors including traditional and renewable energy, oil and natural gas, financial sector, insurance, real estate, health, industry and agriculture. Various new economic sectors such as digital economy, technology, innovation, artificial intelligence, Internet of things and blockchain, innovative medical technologies, high-speed transportation, virtual and augmented reality, robotics and self-driving cars also attracted FDI.

Meanwhile, the UAE’s outward FDI flows reached nearly Dhs82.6billion in 2021, with an annual growth of 19.1%. It grew 789% over the past ten years, which led to an increase in the UAE’s investments in foreign markets to reach nearly Dhs830.5 billion by the end of 2021, a growth of 11.1% over the same period in 2020.

In terms of its ability to attract FDI, the UAE advanced by nine ranks in 2020 compared to 2019 and ranked 15th globally. It also advanced six positions globally in terms of outward FDI flows to rank first in the Arab world and 13th globally, according to UNCTAD’s World Investment Report 2021. (WAM 07.04)

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* 1. UAE Cabinet Approves Strategy for 20% Digital Contribution to Non-Oil Economy

The UAE Cabinet has approved a strategy in which the digital economy will contribute 20% to the gross non-oil national economy in the coming years. The Cabinet also approved the formation of a digital economy council. The strategy aims to double the contribution of the digital economy to the UAE's GDP from 9.7% to 19.4% within the next 10 years. The plan includes more than 30 initiatives, projects and programs and five new areas of growth. In November, a report from management consultants Strategy& found that the digital economies of GCC countries are growing twice as fast as their advanced economy counterparts and their pace of expansion has the potential to add up to $255 billion to regional gross domestic product. The maturity of GCC digital economies could match that of OECD countries within five years if they continue at the same pace, the report said. (TN 11.04)

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* 1. Abu Dhabi’s Non-Oil Real GDP Grew by 4.1% in 2021

Abu Dhabi’s GDP at constant prices grew 1.9% in 2021 compared with 2020, while its non-oil GDP at constant prices grew by 4.1%. These figures, released by the Statistics Centre-Abu Dhabi (SCAD), show growth rates across several non-oil activities including agriculture, forestry, and fishing which grew 23.1% while the manufacturing expanded 21.7%, health and social service by 19.7%, arts, entertainment and recreation by 17.3%, wholesale and retail trade by 15.3%, accommodation and food service activities by 14.7%, transportation and storage by 7%, and electricity, gas, water supply and waste management activities by 6.9%. Mining and quarrying activity (which includes crude oil and natural gas) contributed approximately 50.3% of Abu Dhabi’s real GDP in 2021. The non-oil activities contributed 49.7% of the GDP at constant prices in 2021.

In response to the pandemic, the Abu Dhabi government launched an Economic Stimulus Package in March 2020. The package included 16 diverse initiatives under the Ghadan 21, Abu Dhabi’s economic accelerator program. The stimulus package included a waiver of registration fees for commercial vehicles until the end of 2020, toll gates, real estate registration and authentication, in addition to the waiver or reduction of bid bonds, a 25% reduction in industrial land rental fees and waiver of all commercial and industrial violation fines.

The package also provided benefits for citizens, SMEs and startup companies, including Dhs5 billion subsidy for electricity and water, Dhs3 billion credit facility to stimulate the financing of SMEs and to exempt startups from performance bonds. The lending programs included the establishment of a committee to review borrowing options to support local companies. Also, the benefits provided to the tourism sector included rent rebates of up to 20% and the waiver of all tourist and municipal fees for the tourism and recreation sectors. The capital markets benefited from Dhs1 billion allocated to establish a Market Maker fund that provides finance and maintains a constant equilibrium between supply and demand in the stock market. (SCAD 06.04)

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* 1. Over 24 Million Visits Recorded at the Recently Concluded Expo 2020 Dubai

Over the course of the six months of Expo 2020 Dubai, which opened to the public on 1 October 2021 and concluded on 31 March 2022, there were 24,102,967 visits recorded. It was the first world expo to be hosted by an Arab nation. According to the Dubai Chamber of Commerce, the revenue per available room (RevPAR) in Dubai in January 2022 increased to Dhs460 compared to Dhs293 in January 2021, marking an increase of 56.3% and outperforming Milan, the host city for Expo 2015, which recorded RevPAR of 54.5% in 2015.

There were 759 hotels and hotel establishments accounted for in Dubai in January 2022 compared to 711 in January 2021, while guest nights in January were at 3.04 million during the same month this year compared to 2.65 million in January 2021. Arrivals at Dubai International Airport recorded growth of 12.7% in 2021 compared to 2020, while the UAE’s non-oil foreign trade jumped 27% over 2020 and 11% over 2019, a growth trend largely driven by Expo 2020 Dubai.

The Expo also proved a boon to businesses within Dubai. The report found that 76.5% of companies in Dubai registered growth in their businesses during Expo 2020, while 73.5% managed to build new business relations over the course of the Expo. (WAM 04.04)

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* 1. Oman Oil Output Hits New Heights in First Quarter as Revenues Soar

Oil exports are the key driver of the Omani economy and jumped to seven-year highs in Q1/22. With prices soaring amid fears of a multi-decade supply shock, Oman can look ahead to bumper Q2 sales. Oman’s booming condensate output looks to have driven the sultanate’s overall liquids production to a record high for the first quarter. Coupled with surging oil prices, MEES calculates that this has pushed oil export revenues up to almost $6.5billion, their highest quarterly level in more than seven years.

Oman produced an average 1.033 million b/d of crude and condensate over the first two months of 2022, and with OPEC+ cuts tapering, the final Q1 figure ought to end up being slightly higher. Even before this, Jan-Feb output was markedly higher than the previous quarterly record of 1.009million b/d set in Q3/16, despite Q1 crude oil production of 814,000 b/d being nearly 100,000 b/d down on that quarter. (MEES 01.04)

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* 1. Oman Posts a $545 Million Budget Surplus Based on Higher Oil Prices & Taxes

Oman posted a budget surplus of $545 million during the first two months of this year, helped by higher oil prices and tax collection. The surplus compared with a deficit of OMR457 million ($1.2 billion) a year ago, according the Gulf nation’s finance ministry. Net oil revenue jumped 81% to OMR1.1 billion at the end of February.

Oman, which needs oil at about $61 a barrel to balance its books, has implemented a series of reforms to bridge the budget gap and lower its debt, including the introduction of a 5% value-added tax last year. The finance ministry in January projected a budget deficit of $3.9billion for this year, based on oil prices at $50 a barrel. Oil’s surge after Ukrainian crisis has pushed crude above the break-even level for almost all the Middle East’s producers. Oman plans to use the windfall to trim its debt and boost spending on projects, its ruler said last month. (Various 06.04)

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* 1. Saudi Arabia Cybersecurity Market Report 2022

The "Saudi Arabia Cybersecurity Market, By Security Type (Network Security, Application Security, Cloud Security, Endpoint Security & Others), By Solution Type, By Deployment Mode, By End-User Industry, By Region, By Top Emirates, Competition, Forecast & Opportunities, 2016-2026F" report has been added to [ResearchAndMarkets.com](http://www.researchandmarkets.com/)'s offering.

The Saudi Arabian Cybersecurity Market was valued at $3618.90 million in 2020 and is expected to grow at a CAGR of 17.98% to reach the value of $9845.26 million by 2026. The surge in efforts by the government to diversify the income sources and reduce the dependency on the oil industry, growing digitization of public and private institutions, and increasing concerns about cyber-attacks are the primary factors driving the demand for the Saudi Arabian Cybersecurity Market in the forecast period.

High-end investments by the government for the development of the IT infrastructure of the country and the imposition of strict government regulations emphasizing the need for cybersecurity solutions to secure confidential public data are accelerating the demand for cybersecurity solutions in the country.

The onset of COVID-19 contributed significantly to increasing the growth of the Saudi Arabian Cybersecurity Market as the organizations provided the facility of work from home to their employees to protect them from getting infected. The shift to digital remote platforms increased the organizations' spending on advanced cybersecurity solutions to ensure data privacy and security. Rapid advancements in the technology, adoption of advanced technologies such as IoT, artificial intelligence, and deployment of 5G technology are expected to create lucrative growth opportunities for the Saudi Arabian Cybersecurity Market in the forecast period.

The Saudi Arabian Cybersecurity Market, based on deployment mode, is bifurcated into cloud and on-premises. The cloud model is expected to hold the largest market share in the forecast period. The rapid adoption of cloud technology by organizations and institutions as they offer several advantages over on-premises models such as scalability, flexibility, and affordability are driving the demand for cloud technology throughout the forecast period. (R&M 31.03)

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* 1. Saudi Arabia Pledges $15 billion to Support Egypt Through Ukraine Crisis

Saudi Arabia has deposited $5 billion with the Central Bank of Egypt (CBE) to help shore up Egyptian finances amid global fallout from Russia’s war in Ukraine. The deposit has a one-year maturity and could be rolled over. In parallel, the Saudi sovereign wealth fund is looking to invest $10 billion in Egypt’s healthcare, education, agriculture and financial services sectors.

Riyadh joins the UAE and Qatar providing Cairo with support. Doha has committed to investing $5 billion in Egyptian companies and projects, while Abu Dhabi wealth fund ADQ has earmarked $2 billion to buy state-owned stakes in public companies. ADQ is reportedly eyeing state-owned stakes held in EGX-listed CIB and Fawry — high-profile, private-sector financial services companies — as well as a number of state-owned, semi-privatized fertilizer companies.

The transfers help alleviate short-term funding pressures and should help seal the IMF program as it covers part of the expected funding gap. Pundits estimated Egypt’s total funding gap in FY 2021-2022 is around $17.6 billion. The new deposit roughly doubles Saudi funds at the CBE to more than $10 billion, after Riyadh in October provided Egypt with $3 billion to help us overcome the effects of the pandemic and shore up its foreign reserves and extended the maturity of another $2.3 billion of existing deposits. (Ent 31.03)

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* 1. EBRD Lowers Egypt’s Growth Outlook for 2022

The European Bank for Reconstruction and Development (EBRD) has downgraded Egypt’s 2022 growth outlook due to rising food and energy price inflation caused by the conflict in Ukraine. The lender expects the economy to grow at a 3.1% clip this year, down from the 5.0% it had penciled in last November, according to its latest Regional Economic Update. The economy will then rebound in 2023, growing 6%, according to the bank’s figures.

The EBRD attributed the downgrade to Egypt’s dependency on food and oil imports, which it says makes it more vulnerable to price hikes caused by the Russia-Ukraine war. Cairo has already capped prices of unsubsidized bread and announced an EGP 130 billion economic support package since the war began in a bid to mitigate the impact of inflation on consumers. A drop in tourism as well as general supply chain bottlenecks and volatility could also affect important growth drivers. Ukrainian and Russian tourists accounted for around 20% of arrivals in Egypt in recent years. Weaker tourism income could add further pressure on the exchange rate should the crisis become protracted. The Central Bank of Egypt has already allowed the EGP to depreciate against the USD in order to absorb part of the impact, falling some 15% in recent weeks.

The EBRD did say that the turmoil in the global energy markets could help Egypt realize its gas export ambitions as Europe searches for alternative sources of energy. Egypt is one of the countries that Europe is looking to help solve its gas shortfall as it decreases its reliance on Russian supplies. Egyptian Oil Minister El Molla has pointed to the possibility of us exporting more LNG given elevated energy prices across the board on the back of the war. (Ent 03.04)

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* 1. Egypt's Inflation Rises to Near Three-Year High as Global Food Prices Spike

Egypt's annual urban inflation rose to its highest level in almost three years in March as spillover effects from the conflict in Ukraine continued to hit the Egyptian economy. Figures released by CAPMAS on 10 April showed that inflation accelerated to 10.5% last month from 8.8% in February, above the central bank’s 7% (±2%) target range and the quickest rate since May 2019, when the figure stood at 14.1%. Monthly inflation hit a 41-month high of 2.2% (benchmarked against 2.6% in October 2018).

Food price inflation rose at the fastest rate since October 2018, rising almost to 19.8% y-o-y from 17.6% in February, driven by large price increases in oil, vegetables, sugar, meat and poultry, and bread and cereals. Food and beverages constitute the biggest component of the basket of goods used to measure prices. Annual core inflation also rose to 10.1% from 7.2% in February, its highest since June 2019, according to central bank data. Core inflation strips out volatile items such as food and fuel.

Spiraling prices came as Russia’s invasion of Ukraine upended global commodity markets, accelerating inflation that had already set in before the conflict. Global food prices soared to an all-time high in March as the war disrupted wheat shipments from Russia and Ukraine, which together provide around a quarter of the world’s wheat supply — and more than 80% of Egyptian grain imports. The Russia-Ukraine war has also driven global risk-off sentiment and triggered outflows from emerging markets. This was compounded by the US Federal Reserve last month hiking interest rates for the first time since 2018.

The EGP depreciation and Ramadan demand also played a role. The Central Bank of Egypt (CBE) allowed the currency to depreciate and hiked interest rates by 100 bps last month in a bid to support inflows. (CAPMAS 11.04)

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* 1. Inflation Hits Egypt's Private Sector Activity in March

Activity in Egypt’s non-oil private sector saw its sharpest decline in 21 months in March as the effects of the Russia-Ukraine war and the devaluation of the EGP hit output and new orders, according to S&P Global’s purchasing managers’ index (PMI) survey. Rising inflation and slowing demand caused activity to decline at a faster pace last month, pushing the gauge down to 46.5 from 48.1 in February, deeper below the 50 mark that separates expansion from con}traction.

This is the sixteenth consecutive month Egypt’s non-oil private sector has been in contraction since mounting a brief recovery from the covid shock in 2020. Output, new orders and inventory purchases saw their steepest declines since the first wave of the pandemic, driven by a fall in demand as prices rose in key areas like energy, food, fuel and raw materials. Also impacted by the war: wholesale and retail firms hit by rising food prices amid disruptions to imports of basic commodities like wheat.

The 16% fall in the EGP will provide some short-term support but it will also likely accelerate cost pressures. Businesses cut back on jobs for the fifth month running in response to falling output, according to the survey. Employment fell at the fastest rate since November but remained modest. The outlook for business activity in the year ahead fell to the lowest level in the survey’s history for a second consecutive month. (Various 06.04)

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* 1. Suez Canal Revenues Increase by 20% y-o-y in First Quarter

Suez Canal revenues rose 20% y-o-y in Q1/22 to $1.69 billion, the Suez Canal Authority (SCA) announced. The number of ships transiting the canal increased nearly 16% y-o-y to register 5.3,000 vessels, while net tonnage was up 7.4% y-o-y at 313.3 million tons. The SCA raised fees by 6% for most ships at the start of February, and is targeting revenues of $7 billion from the canal in 2022, after hitting a record $6.3 billion in 2021.

Global shipping costs have increased six fold since war broke out in Ukraine, leading the authority to introduce another round of fee hikes for transiting vessels. Vessels carrying crude and petroleum products will pay a 15% surcharge as of 1 May, up from 5% currently, while charges are also being raised for other types of vessels. The number of transiting ships fell “slightly” short of expectations in 1Q on the back of Russia’s war, though not enough to impact revenues. (SCA 03.04)

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* 1. Egypt Cotton Exports Record High Revenues Despite Russia-Ukraine War

Despite the Russian war on Ukraine and its negative repercussions on global trade, Egypt succeeded in exporting 50,000 tons of cotton by the end of February (i.e., up to 75% of its production this season, estimated at 62,000 tons). The exports amounted to EGP 5 billion ($274 million), an increase of EGP 1.3 billion ($71.2 million) compared to the same period last year, which witnessed exports worth EGP 3.7 billion ($203 million), according to data from the Cotton Arbitration and Testing General Organization. The cotton production season in Egypt begins in April and extends until August; the export season extends from October until March.

It seems that Egypt benefited from the increase in global energy prices and the lack of global cotton production as a result of Russia's war on Ukraine, making the demand for Egyptian cotton high. This has contributed to an increase in Egypt’s agricultural export revenues and thus supporting its national economy. According to CAPMAS, Egypt’s cotton export contracts for the year 2021-22 recorded until the first half of March about 2,918 tons, bringing the value of export contracts since the beginning of the export season to 52,700 tons, which is equivalent to 1.054 million kantars (official Egyptian weight unit for measuring cotton). The contracts’ value stood at EGP 5.2 billion ($285 million), with China and India being the main importing countries of Egyptian cotton in the world markets.

According to the pundits, Egyptian cotton exports benefited greatly from the war in Ukraine and the conflict’s impact on prices, resulting in higher revenues for Egypt. Cairo also benefited from the lack of cotton production in the world, a development that could play into Egypt’s hands, according to experts, and restore its 1980s golden age of cotton production. (Al-Monitor 04.040

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Turkey’s Inflation Rate Climbs to 61.1%, Extending Two-Decade High

Turkish consumer price inflation accelerated to 61.1% in March, extending the highest levels in two decades. The headline inflation rate rose from 54.4% in February, the Turkish Statistical Institute reported. Turkey’s inflation has surged after the central bank, acting on the orders of President Erdogan, cut interest rates late last year despite increasing price pressures. The bank lowered its benchmark rate from 19% to 14% between September and December, meaning rates, net of inflation, now stand at minus 40%. It has refrained from raising them since despite a surge in global energy prices sparked by the war in Ukraine. Producer price inflation accelerated to 115% from 105%.

The policies of Turkey’s central bank have also led to sharp losses for the lira, resulting in a currency crisis late last year. The lira lost 44% of its value against the dollar in 2021. It has declined a further 10% this year.

Inflation in Turkey is the highest in major emerging markets, outpacing crisis-hit Argentina, where prices are rising at an annual 52.3%. The benchmark interest rate in Argentina, which has agreed a $44 billion IMF rescue program, stands at 44.5%, equivalent to around 55% on an effective annualized basis. Core inflation in Turkey, which strips out more volatile energy, food, alcohol, tobacco and gold prices, rose by 48.4% in March.

In response, Standard & Poor's lowered Turkey's long-term local currency debt rating to 'B+', four steps below investment grade, noting that Turkey's inflation was the highest in countries it covered. The fallout of the war in Ukraine, including rising food and energy prices, is set to exacerbate Turkey's inflation and worsen its widening current account deficit. (Ahval 04.04)

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* 1. Turkey's Foreign Trade Gap Widens to 77% in March - More Than Doubles in First Quarter

Turkey’s trade deficit with the rest of the world grew by 77% in March after the outbreak of the war in Ukraine increased the country’s energy bill. The foreign trade gap widened to $8.24 billion last month from $4.67 billion in February, the Trade Ministry said. Imports rose by an annual 31% to $30.9 billion, outpacing a 19.8% increase in imports to $22.7 billion.

Turkey’s government is basing its economic program on achieving trade and current account surpluses to help boost economic growth and stabilize the lira, which slumped by 44% against the dollar last year. The country must finance any trade deficit with foreign capital inflows such as tourism revenues and investment or risk further losses for the lira.

The foreign trade deficit in the first quarter of the year more than doubled to $26.4 billion from $11.1 billion, the ministry said. Imports grew by an annual 42.1% to $86.7 billion, increasing more than twice as quickly as imports, which gained 20.8% to $60.3 billion. (TurkStat 04.04)

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* 1. Turkey B2C e-Commerce Market Report 2022

On 4 April, it was announced that the "Turkey B2C e-Commerce Market 2022" report has been added to [ResearchAndMarkets.com](http://www.researchandmarkets.com/)'s offering. This publication provides insights into the current state and future trends of online retail sales in Turkey. During the first half of 2021, B2C e-Commerce sales value in Turkey hit its highest point in May 2021.

**Retail sales in Turkey represented over a half of e-Commerce operations in 2020**

Between 2019 and 2020 and beyond, online retailing in Turkey has experienced significant growth. In particular, the total value of online sales increased significantly by more than 65% from 2019 to 2020. In addition, retail sales in Turkey accounted for more than half of e-Commerce sales in 2020. In the first half of 2021, the online sales value in Turkey experienced an over 70% surge compared to the same period in 2020. Furthermore, the B2C e-Commerce market in Turkey is projected to exceed €400 billion in 2021 and double in 2022, confirming the high prevalence of online shopping in the country. Turkey is projected to have the highest compound annual growth rate in e-Commerce sales from 2020 to 2024 compared to other major markets around the world.

**Mobile devices accounted for almost 3 in 5 of e-Commerce sales in Turkey in H1 2021**

In Turkey, mobile commerce is experiencing a growth boom, with a significant share of the country's online shoppers preferring to make purchases by mobile devices. In the first half of 2021, the mobile platform represented nearly 3 out of 5 online sales in Turkey. Moreover, more than half of internet users surveyed in the third quarter of 2020 made an online purchase using a mobile device. In 2021, the most common product purchased online was apparel, followed by delivery from restaurants, fast food chains, catering services and food or drink from stores or meal kit suppliers. (R&M 04.04)

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* 1. UK Loans $2.3 Billion to Turkey for High-Speed Rail Line

The British government has announced a loan to Turkey for a high-speed railway line. The United Kingdom’s Export Finance department will loan Turkey $2.33 billion to build the 503 kilometers (312 miles) of high-speed electric railway connecting the capital Ankara to the coastal city Izmir. The loan, meant to reduce carbon emissions, is structured by the British financial services firm Standard Chartered and the Swiss bank Credit Suisse, UK Export Finance said in a press release.

The loan is the latest example of strengthening economic cooperation between Turkey and the UK. Turkey is the UK’s second-biggest export market, and the two countries signed a free trade agreement last December. Both countries’ tensions with the European Union have made them somewhat natural allies. The EU sanctioned Turkey last year due to its offshore drilling activities in waters claimed by Greece and Cyprus. The EU is also critical of Turkey’s poor human rights record. The UK’s relationship with the EU, meanwhile, has been strained by Brexit. Cooperation with Turkey has faced some criticism in Europe, including a boycott campaign in the UK.

Turkey has a mixed record on renewable energy. The environmental watchdog Ember reported that Turkey’s use of wind and solar power increased in 2021, but coal usage remains relatively high. The contracts for the construction of the railway will be awarded to British and Turkish businesses. A UK Export Finance spokesman said that the railway is expected to be completed by 2025. (Al-Monitor 18.03)

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* 1. IMF Says Cyprus Growth Expected to Slow Sharply

Economic growth in Cyprus will slow sharply before recovering, due to the shock associated with the war in Ukraine, the IMF has said, adding that the key near-term challenge “is to calibrate a policy response to the economic fallout from the war in Ukraine.” In its Staff Concluding Statement over the completion of the 2022 Article IV Mission to Cyprus, the IMF said that while the 2022 budget provides sufficient fiscal support in the baseline, “additional discretionary support may be needed if the impact of the shock is larger than expected,” stressing that such support should be temporary, targeted, and not hinder reallocation of labor to expanding sectors.

In the medium term, the IMF calls for a gradual fiscal adjustment that should aim to rebuild buffers by bringing the budget close to balance by 2024. “Despite a reduction in exposures to Russia, Cyprus is highly vulnerable to the economic fallout from the war in Ukraine,” the IMF said, recalling that the island’s tourism sector is highly dependent on arrivals from Russia, which represent about 20% of the total.

On Cyprus’ growth prospects, the IMF says that growth is projected to slow from 5.5% in 2021 to around 2% in 2022, reflecting mainly the impact of the war and sanctions on export of services (including indirect from slower growth in Europe), and the negative terms-of-trade shock from higher energy and food prices. In October, the IMF projected a 3.6% growth rate for Cyprus. The Fund said recovery should regain momentum in 2023 if the situation normalizes, and it is projected to continue in the medium term with potential growth gradually increasing (from 2.5% to about 3% by 2027), supported by investments and structural reforms in the Recovery and Resilience Plan, while inflation is expected to rise this year and then start declining, but will remain elevated in 2023 and beyond given the prolonged pass-through. Pointing out that risks are tilted to the downside, the IMF said the key risk is an escalation and longer duration of the war and the sanctions. (fm 02.04)

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* 1. Greece to Speed Up Gas Exploration to Help Replace Russian Gas

Greece will speed up gas exploration as it looks to cut its reliance on Russian energy, aiming at its first test drilling in more than two decades by the end of 2023, the prime minister said on 12 April. Russia’s invasion of Ukraine and fears over gas supply in Europe have exacerbated a jump in prices, forcing the EU to seek ways to reduce its use of Russian gas by two-thirds this year and completely phase it out by 2027.

Greece, which covers about 40% of its annual energy needs with Russian gas, and views gas as a transition fuel as it ramps up renewables, has produced small quantities of oil in the past and has attempted to explore its hydrocarbon potential. But low crude prices in previous years, a shift to green energy, and a lack of political will have stalled its exploration plans. Prime Minister Kyriakos Mitsotakis said the country aspires to become a gas producer and a hub for the storage and transfer of gas to the rest of Europe.

Energean, the sole oil producer in Greece so far, will carry out a test drilling at an onshore block in the west of the country, the first such drilling in the country in 22 years. Greece wants to conclude a first round of seismic surveys to identify any gas fields it could tap in one onshore and five offshore areas in western Greece and off the island of Crete by March 2023, according to a presentation by its hydrocarbons commission. Hellenic Petroleum owns exploration licenses for five of the six prospective blocks, including for two blocks west and southwest of Crete jointly with TotalEnergies and Exxon Mobil. The government will notify Energean and other energy companies that hold exploration licenses in those areas of its intention to speed up relevant procedures, the energy minister said during the same meeting. (eKathimerini 12.04)

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* 1. Power Theft in Greece Costs Almost €210 Million in 2021

Greek households and corporations paid almost €600 million for electricity they did not consume. This amount corresponds to energy that entered the grid but was lost on its way to the final consumer. The bill those people should have footed goes to all other consumers, and Regulatory Authority for Energy data show that in 2021 the value of the non-technical loss of electricity amounted to €209 million, against €79.3 million in 2020 and €107.9 million in 2019.

Although the rate of power theft was roughly the same across those three years (with power consumption fluctuating), the cost for consumers was almost three times as high last year as in 2020 due to the rate that RAE determines for the coverage of electricity loss – and that is expected to grow further this year given the high cost of power per kilowatt-hour so far in 2022.

For 2021, households and corporations will pay a sum of €592 million for the loss of power in the medium- and high-voltage networks, of which some 35% regards stolen kilowatt-hours. That power theft would have been significantly less if the electricity grid operator (DEDDIE) had operated efficiently or if smart meters had been installed – a project that has been anticipated for over a decade. For 2022, the value of the power lost could run up to a considerable €1.2 billion, while almost two thirds of that – an estimated €798 million – would concern power theft. That loss of power to the Greek grid constitutes one of many factors raising the bills that consumers face in this country – an issue that has yet to be tackled. (eKathimerini 30.03)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Passover to be Celebrated Starting on Eve of 15 April

On Friday night, 15 April, Israel and world Jewry will begin the week-long celebration of the Passover (Pesach) holiday. Passover celebrates the liberation of the Jewish People from slavery in Egypt by the hand of G-d. It is central to Jewish identity and Jewish practice, since the Exodus and life in the wilderness led to the true birth of the Jews as a distinct entity. Jacob and Josef came to Egypt numbering 70 souls and Moses led 600,000 out after the defeat of Pharaoh. Probably the most significant observance related to Pesach involves the removal of *chametz* (or leaven) from Jewish homes and businesses. This commemorates the fact that the Jews leaving Egypt were in a hurry and did not have time to let their bread rise (even converts to Judaism relate to the Exodus as if their own ancestors had left Egypt). Removing *chametz* is also a symbolic way of removing the "puffiness" (arrogance, pride) from our souls. Instead of *chametz*, a special non-leavened bread called *matzah* is consumed, among a myriad of other special holiday dishes.

On the first night of Pesach (first two nights for Jews outside of Israel), there is a special family meal filled with ritual to remind Jews of the significance of the holiday. This meal is called a *seder*, from a Hebrew root word meaning "order," because there is a specific set of information that must be discussed in a specific order. The *seder* is full of symbolism, all pointing to one salient point: that Jews all remember that G-d took us out of slavery in Egypt to freedom to observe his Torah. Pesach lasts for seven days (eight days outside of Israel). The first and last days of the holiday (first two and last two outside of Israel) are days on which no work is permitted. Work is permitted on the intermediate days. These intermediate days on which work is permitted are referred to as *Chol Ha-Mo'ed*, as are the intermediate days of Sukkot. Though work is permitted, many take vacations and a full work environment returns only after the holiday. Passover ends on 22 April in Israel, 23 April in the Diaspora.

\*REGIONAL:

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* 1. UAE’s ADGM Academy & the National University of Singapore Sign an MoU

Abu Dhabi Global Market Academy (ADGMA) has signed a MoU with the National University of Singapore’s Asian Institute of Digital Finance (AIDF). The two entities will jointly conduct research into deep-tech solutions to tackle problems facing the financial services sector within the core themes of cybersecurity, artificial intelligence, credit, big data analytics, digital transformation and sustainable finance.

The agreement will further research collaboration, explore further cooperation through the ‘fincubator’ program to develop entrepreneurship, and help innovative ideas to transform into market-ready products and services, driving cross border solutions where possible. The entities will work together on testing and implementation of iCASS (intelligent Credit Analytics Sharing System) into the ADGM Digital Lab environment to support lenders in making credit facility decisions based on consolidated data and information. AIDF and ADGMA will also conduct regular seminars and conferences, and work towards creating an ASIA-MENA Fintech Symposium, which will bring together regulators, policymakers, key industry players and fintech startups. (GB 01.04)

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* 1. Saudi Arabia Confiscates more Captagon Pills at Jordan Border

On 1 April, Saudi authorities busted another attempt to smuggle Captagon pills into the country. The Zakat, Customs and Tax Authority said the more than 1.5 million pills were hidden in trucks at the Al-Haditha border crossing with Jordan. Four people were arrested in relation to the incident.

Saudi Arabian authorities have pledged to crack down on the trade of Captagon, which shares many characteristics with amphetamines and is infamous for its use by the Islamic State. Saudi authorities pin much of the blame on the Iran-backed Lebanese military organization Hezbollah, which they say is the main smuggler of the drug in the region. Hezbollah denies this. Other analysts have pointed to the number of Saudis who are addicted to the drug. Last year, Saudi Arabia banned imports from Lebanon over drug smuggling concerns.

There have been numerous Captagon busts in Saudi Arabia this year. In March, Saudi authorities thwarted a smuggling attempt in the Red Sea port Jeddah. In February, they found more Captagon pills in Jeddah and Duba, which is also on the Red Sea. In January, they discovered pills hidden in onions — again in Jeddah. This is not the first time Jordanian territory has been involved in drug smuggling. In January, Jordan forces had a massive gunfight with alleged drug smugglers coming from Syria, where there is also a large Captagon trade. (Al-Monitor 02.04)

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* 1. Moroccan & Israeli Museums Keen To Strengthen Cultural Cooperation

Morocco and Israel plan to strengthen cultural ties after the countries signed an agreement on 30 March to share knowledge on the management of museums. Morocco’s National Museums Foundation (FNM) and Israel’s International Council of Museums (ICOM) signed a MoU which should pave the way for museums in the two countries to organize joint conferences. The agreement will allow Moroccan and Israeli museums to share tips on running the cultural institutions, in particular digital archiving and the borrowing of artwork.

The agreement which is expected to introduce Moroccans to their influence on Israeli culture. Moroccan and Israeli curators and researchers are set to benefit from the agreement as they will gain free access to museum resources in both countries.

Israel and Morocco normalized diplomatic and economic relations in December 2020. Since then, the countries have signed several bilateral agreements in the tourism, trade, aerospace and aviation, and defense sectors, among others. Moroccan and Israeli officials and businesses have expressed a shared interest in reinforcing multi-sectoral cooperation. (MWN 31.03)

ISRAEL LIFE SCIENCE NEWS

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* 1. Fairtility's AI-Trained Embryo Labeling Improves Embryo Classification Success for IVF

Fairtility announced the findings from its comprehensive study, Pseudo Contrastive Labeling for Predicting IVF Embryo Development Potential, published in Scientific Reports, a Nature Portfolio journal. The study aimed to apply a new method of identifying embryo development potential for greater accuracy in embryo quality and improved IVF success rates.

The study found that the AI algorithms developed by Fairtility outperformed human assessment as well as the existing FDA-approved system of embryo classification and selection. In addition, the AI algorithm provides accurate and transparent prediction as early as 30 hours post-fertilization.

Classifying algorithms for optimal embryo selection offers the potential of improving success rates. Advancements in available technology such as time-lapse incubation (TLI) facilitate training data needed to develop a non-invasive, accurate assessment of embryo viability, potentially leading to improved pregnancy rates. TLI captures a single embryo image every 15 to 20 minutes, providing a detailed and continuous overview of the embryo throughout its development. Such videos enable embryologists and clinicians to evaluate and choose the most prominent embryos for transfer. Data points captured by TLI contain significantly increased information, compared with the dispersed microscope images traditionally used. The latter catalyzes manual and tedious processes, which make them prone to subjectivity and sub-optimal outcomes.

Tel Aviv's [Fairtility](https://fairtility.com/) is powering in vitro fertilization (IVF) through transparent AI to improve outcomes. Equipping clinicians and their patients with unparalleled visibility into IVF treatment, CHLOE (Cultivating Human Life through Optimal Embryos) is the first and only transparent AI-based decision support tool that provides clinicians with complete visibility into the clinical and laboratory parameters that make up data output to help improve IVF outcomes. Beginning with CHLOE EQ, a proprietary embryo grading platform, Fairtility is on a path to expand CHLOE's application to span the full IVF journey - from infertility cause assessment through transfer optimization. (Fairtility 04.04)

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* 1. MemorialCare & TytoCare Expand Remote Physical Examinations During Virtual Visits

TytoCare announced a partnership with MemorialCare, a leading, innovative nonprofit health system in Orange and Los Angeles Counties. MemorialCare is the only health system in the region to offer this capability to its patients. The partnership was announced at MemorialCare's Presidents' Partnership event on 1 April 2022.

The integration of the TytoCare solution into MemorialCare's current telehealth appointments enables physicians to provide patients with enhanced remote care with in-depth, physical examinations. Through the partnership with TytoCare, MemorialCare will expand its virtual care options, differentiating it from other local providers, while ensuring that telehealth remains a pillar of patient care. Beyond the COVID-19 pandemic, telehealth will remain a vital resource for patients and health systems as they increasingly adopt virtual primary care, enabling patients to stay on top of their health without the need for in-person visits. This is especially true for those with mobility issues.

TytoCare's FDA-cleared handheld examination kit enables users to perform comprehensive physical exams of the heart, skin, ears, throat, abdomen, and lungs, and measure heart rate and body temperature, which are key for treating many acute and chronic conditions. This allows health care clinicians to gain the vital clinical data they require to monitor, diagnose, and treat patients remotely.

Netanya's [TytoCare](https://www.tytocare.com/) is a telehealth company using AI to transform primary care by putting health in the hands of consumers. TytoCare seamlessly connects people to clinicians to provide the best virtual home examination and diagnosis solutions. Founded in 2012, TytoCare has FDA and CE clearances and has partnered with over 120 major health systems, health plans, and strategic partners in the U.S., Europe, Asia, Latin America and Israel. (TytoCare 04.04)

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* 1. Radiaction Medical Receives FDA Clearance and $10 Million for Commercialization

Radiaction Medical announced FDA 510(K) clearance for the marketing of its Shield System in the US. In addition, the company has completed a $10 million round of financing led by current investors, InnovaHealth Partners. Proceeds will be used to launch Radiaction's Shield System in the US and to further commercialize in Europe.

Individuals working in catheterization laboratories ("cath labs") are exposed to high levels of scattered radiation generated from the use of X-ray fluoroscopy. The medical teams wear heavy lead aprons for protection, but their heads, arms and legs are unprotected, leading to an increase in risk for brain tumors, cognitive degradation and other radiation-related illnesses. In addition, the heavy lead aprons can cause severe orthopedic injuries. A significant part of the radiation is scattered throughout the cath lab by its interaction with the patient's body and X-ray table. Mounted directly on the C-arm, Radiaction's Shield System blocks and captures the scattered radiation at the source. Clinical studies demonstrate that the device reduces radiation in the entire cath lab by over 90%, with even higher reduction rates to the head and upper body of all personnel in the room.

[Radiaction](http://www.radiactionmedical.com/), based in Tel Aviv, has developed the Shield System to provide a radiation-safe environment for the entire healthcare team. The Company is revolutionizing X-ray protection by providing full-body shielding to all medical personnel during fluoroscopy-guided procedures. Placed on the C-arm, the Shield System encapsulates the imaging beam and blocks the scattered radiation at its origin, creating a paradigm shift in medical staff radiation protection. First installations will target the Interventional Cardiology and Electrophysiology markets, where physicians experience the highest radiation exposure. (Radiaction Medical 04.04)

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* 1. Beewise's Mission to Save the Bees Gets $80 Million Cash Infusion

Beewise announced an $80 Million Series C funding round led by New York-based global venture capital and private equity firm Insight Partners, with participation from Fortissimo Capital, Corner Ventures, lool ventures, Atooro Fund, Meitav Dash Investments and Sanad Abu Dhabi. This brings the company's total funding to over $120 million.

Beewise offers a cutting-edge solution. Utilizing 24/7 monitoring and smart technology that significantly increases pollination capacity and honey production, Beewise's proprietary robotic beehive, the Beehome, seamlessly detects threats to a honeybee colony such as pesticides and the presence of pests and immediately defends against them. Its automatic robotic system responds to threats in real time and requires no human intervention. In addition to protecting and defending, Beewise affirmatively helps honeybees thrive and flourish by reversing the trend of colony collapse. To help combat the detrimental effects of climate change on bees, Beehomes are thermally regulated; protect from fires, flooding, and Asian Wasps (murder hornets); and provide enhanced feeding techniques for when forage (food supply) is not available to the bees.

Beehome reduces bee mortality by 80%, resulting in increased yields of at least 50%, while eliminating approximately 90% of manual labor when compared to traditional beehives. Beewise currently manages more than seven billion bees, which equates to 25,000 acres of pollinated crops. Through the Beehome device, Beewise has saved over 160 million bees over the course of the last 12 months. The company also unveiled a new lighter-weight Beehome that increases hive mobility, enabling farmers to effortlessly care for millions of bees and ensure seasonal crop pollination.

Kibbutz Beit HaEmek's [Beewise](https://www.beewise.ag/) is a company with one mission in mind: saving the bees. This exclusive focus of the company is manifested in its first solution, the Beehome, the world's first autonomous beehive with an integrated robotic beekeeper. Beehome reduces bee mortality by up to 80%, saving bees at scale to secure pollination for a stable food supply. (Beewise 30.03)

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* 1. LionBird Closes $85 Million Digital Health-Focused Fund

[LionBird](http://www.lionbird.com), a venture capital firm based in Israel and the U.S. investing in pre-scale digital health companies, announced the closing of LionBird III, an $85 million fund with participation from several institutional investors, including the Healthcare of Ontario Pension Plan (HOOPP), and leading industry executives. With this new fund, LionBird will invest in 15 to 20 early-stage companies within its core theme of digital health.

Founded in 2012, LionBird has developed an investment strategy around resetting healthcare's relationship with technology. Much of current health technology isn't delivering on its promise to generate real value for the health system and has shown little improvement in patient outcomes. LionBird believes that the next era of technology in healthcare will be focused on creating measurable clinical value and benefitting patients and providers alike.

With the LionBird team's extensive operating and investing experience in digital health, success in its previous funds and deep understanding of healthcare stakeholders, LionBird is uniquely positioned to invest in and support promising early-stage digital health startups as they scale into leading global corporations. To date, LionBird has invested in more than 30 companies including digital health leaders such as Tyto Care, Ovia Health (acquired by LabCorp), C2i Genomics, Assured Allies, Protenus, Kit Check, Theranica, Laguna Health and Rhino Health. (LionBird 07.04)

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* 1. Escala Medical Receives FDA Regulatory Clearance

Escala Medical received regulatory clearance from the US FDA for its first pelvic organ prolapse repair device. This clearance is concurrent with the successful completion of the one-year follow up on the first-in-human (FIH) clinical study performed at Rambam Health Care Campus, Haifa, Israel, on 17 patients.

Pelvic Organ Prolapse (POP) is a highly prevalent debilitating condition in women's health. It affects nearly 50% of women worldwide and occurs when one or more of the organs in the pelvis slips down from its normal position. Current repair alternatives available for women with POP are invasive, and therefore intended for women at advanced stages of prolapse. For symptomatic women at early stages of prolapse or women who are not surgical candidates, there currently is no incision-free repair solution; Escala is changing this. Escala addresses a huge market need, offering a repair alternative that is safe and easy for the clinician to perform. In Escala's FIH clinical study, POP repair was performed with an incision-free procedure completed in under 10 minutes.

[Escala Medical](http://www.escalamedical.com/) was founded in November 2014 with the vision to provide disruptive, incision-free repair solutions for women with Pelvic Organ Prolapse (POP) to regain their quality of life. Hence, they are developing the first minimally invasive, non-surgical and incision-free repair solution to POP. Escala offers a new repair alternative for women with pelvic organ prolapse at all stages. Escala's innovative system has the potential to change the pelvic organ prolapse treatment paradigm, shifting point of care from the hospital to the doctor's office. (Trendlines 06.04)

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* 1. New AI Tool for Prostate MRI Analysis to Support PI-RADS Scoring

RSIP Vision announced a new tool for prostate MRI analysis. The tool performs segmentation of the prostate, its sub-sections, and lesions. It analyzes the lesions’ intensity, restriction, size and shape, and provides a baseline for Prostate Imaging–Reporting and Data System (PI-RADS) score. This information is reported to the radiologist for consideration, reducing examination time and lowering mis-diagnosis rate. This new vendor-neutral technology will be available to third-party MRI manufacturers and viewer solutions, allowing a more accurate and efficient way to report prostate MRI examination.

The PI-RADS scoring method was developed to allow uniform scale for prostate cancer assessment. It consists of descriptive parameters for the lesion shape, location, intensity and restriction, each of which corresponds to a different score representing suspicious features for prostatic cancer. Currently, it is performed manually and is a time-consuming task for radiologists, with a high rate of inter-observer variability. RSIP Vision’s new PI-RADS assistant provides objective analysis of the prostate MRI scan, with measurable statistics which can be used to improve scoring accuracy. Also, it is common to perform follow-up scans in patients diagnosed with prostatic cancer. The PI-RADS assistant compares lesions from previous scans and presents the differences to the radiologist, providing a map of the lesion growth, withering or stability.

Jerusalem's [RSIP Vision](http://www.rsipvision.com) is driving innovation in Visual Intelligence for Medical Devices, through advanced AI and computer vision applications. A proven global leader, with an extensive track record and over 25 years in the field, trusted by the largest, industry leading medical device companies. RSIP Vision offers clinical-grade AI solutions that provide medical device companies with advanced visual intelligence capabilities, to stay ahead of the rapid AI adoption curve and maintain their competitive edge. Their software can be found in medical devices in leading facilities worldwide. (RSIP Vision 11.04)

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* 1. Sanolla Receives FDA Clearance for the World's First AI-Ready Infrasound Stethoscope

Nesher's [Sanolla](https://sanolla.com/) announced that the FDA has granted 510(k) clearance for the clinical use of the AI-ready VoqX, the first stethoscope in the world that can listen to infrasound - acoustic waves that cannot be heard by humans. The FDA clearance follows the Israeli Health Ministry's recently granted regulatory approval. The regulatory approvals enable Sanolla to immediately make the VoqX available for clinical use in the US and Israel, with the aim of replacing all of today's archaic-technology stethoscopes with its smart infrasound stethoscope.

Sanolla's AI algorithms provide unmatched disease classification for many cardiopulmonary diseases including COPD, pneumonia, asthma, and cardiac morbidities. The company has submitted 20 patent applications, 8 of which have already been granted. Sanolla's novel technology, dubbed "The Sounds of Life", picks up clinically rich low-frequency sound waves (3-40Hz), also known as infrasound, which are not audible to the human ear yet carry diagnostic information beyond what is available in the audible spectrum only.

The VoqX's smart signal processing shifts sounds to the ear's most sensitive frequency range and coupled with dynamic noise cancelation provides an exceptional auscultation experience. Sanolla has developed AI algorithms for disease classification that make full use of the infrasound information that will be uploaded to the AI-ready VoqX upon their regulatory clearance. Alongside the VoqX, the company has developed the PyXy home monitoring device for chronic disease management and early exacerbation detection for chronic cardiopulmonary diseases.

Sanolla was established in 2016 and has raised $16 million, which include $9 million from the founders, angels, and NextLeap Ventures and $7 million from the European Union's Horizon 2020 program and the Israel Innovation Authority. The company is set to begin a Round A funding raise this summer to cover sales, marketing, R&D, manufacturing collaborations and regulatory approvals. (Sanolla 11.04)

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* 1. NGS Launches Healthy Heights KidzProtein Nutritional Shakes ‎

Nutritional Growth Solutions launched Healthy Heights KidzProtein and KidzProtein Vegan to support ‎children's development. The new product line includes 10 products: KidzProtein comes in ‎chocolate, vanilla, and strawberry; KidzProtein Vegan comes in chocolate and vanilla. ‎

KidzProtein and KidzProtein Vegan provide 10g of protein and a full array of vitamins and ‎minerals. The versatile line allows parents to sneak the added nutrients into smoothies and ‎other recipes. KidzProtein Vegan is a great addition to a child's diet to ensure they are getting enough protein, ‎vitamins, and minerals to fuel their bodies and brains. It contains increased levels of iron, zinc, ‎vitamin B12, and folate to address specific nutritional gaps typically found in vegan diets. ‎ KidzProtein Vegan includes pea protein and fava bean protein. In combination, these two ‎proteins contribute all of the essential amino acids, creating a complete protein source. ‎

Tel Aviv's [Nutritional Growth Solutions](https://ngsolutions.co/) (NGS) is a global nutritional health company focused on the ‎well-being of children. NGS develops, produces, and sells clinically tested nutritional ‎supplement formulae for children based on 20 years of medical research into pediatric nutrition ‎at Schneider Children's Medical Centre, Israel's largest pediatric hospital. The nutritional ‎supplements market has experienced tremendous growth in recent years, but most attention has ‎been focused on adult users and children under three years of age. The 3–12-year-old ‎demographic represents a larger market opportunity, and NGS is highly differentiated from its ‎competitors to better capture this opportunity with clinically tested products and an expanding ‎portfolio. (NGS 11.04)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Robotic Bartender Cecilia.ai is Developing a Smart Mocktail Dispenser for Dogs

Cecilia.ai, the developer of the world's first interactive robotic bartender, is now introducing its newest product - BarkTender.ai, the world's first robotic bartender for your canine friends. The new product features the same 3D avatar of the original Cecilia, and it's capable of making dozens of mocktails that canine friends would love, such as Mojidog, Puppyrinha, Dalmatini, Aperol Sit!, and much more. Cecilia's original AI-based recommendation system was tweaked and customized to Barktender.ai, which is now capable of fitting drinks to the dogs, by scanning and analyzing their size, age, noise moisture, and tail wagging speed - to find the healthiest and tastiest combination.

The product's functionality is easy to understand and can be used even by untrained dogs. Furry friends simply need to put their bowl under the desired dispenser and tap on their favorite drink. Then, The BarkTender mixes the drink and pours it in less than 10 seconds into the bowl. While the original version of Cecilia.ai uses advanced voice-recognition abilities to get to know its human clients and help them order a drink, with their four-legged pals, things are a little more complicated. Cecilia.ai plans to roll out BarkTender.ai in the U.S. later this year and hopes that this product will boost a new trend of robots for pets, with more products already in the making such as an automatic petting machine, a robotic dog walker and a voice assistant for parrots.

Kfar Saba's [Cecilia.ai](https://cecilia.ai/) is the world's first interactive robotic bartender, customized for every business and event. Powered by conversational AI and voice recognition abilities, Cecilia is not your typical bartender. She makes delicious mocktails crafted by acclaimed mixologists, chats with customers, tells jokes, promotes your brand, and provides an unforgettable experience to new and returning visitors. Cecilia grants businesses valuable customer data, a unique groundbreaking attraction for visitors, and a new way to advertise and stand out. (Cecilia.ai 30.03)

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* 1. Newsight Imaging & LIPS Collaboration MoU on Developing New 3D Vision Products

Newsight Imaging and Taiwan's LIPS, a leading global provider of Industrial 3D Vision and Edge-AI solutions, have recently signed a Memorandum of Understanding (MoU) to develop, promote, and facilitate eTOF® (enhanced-Time-Of-Flight)-based 3D vision systems for Industry 4.0 use-cases and AIoT.

The agreement formalizes the collaboration of both parties to work toward integrating Newsight's advanced Series NSI1000 depth sensors and the upcoming NSI9000 into LIPS 3D camera and system solutions. Furthermore, the agreement allows a direct channel between the R&D teams to ensure a fast design-win and mass production of the new game-changing products. The vision systems are designed for Industry 4.0 safety, process improvement, and automation applications. The connective devices will support AIoT platforms for the ultimate intelligent cross-industry and multi-purpose 3D vision solution. AIoT applications are bringing intelligence to the cutting edge, as it moves the analysis to the IoT device itself, eliminating any delay in the processing.

Ness Ziona's [Newsight Imaging](http://www.nstimg.com) develops advanced CMOS image sensor chips for 3D machine vision and spectral analysis. Newsight's depth camera sensors for machine vision serve verticals such as Mobile & Metaverse, Robotics, Industry 4.0, Automotive Safety, etc. The company recently launched its one-of-a-kind solid-state LiDAR reference design, the eTOF LiDAR, based on the NSI1000 sensor. In addition, Newsight has developed a spectral chip backed by AI technology, demonstrated in SpectraLIT. (Newsight Imaging 30.03)

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* 1. Essence Group and Team-3 Implement MyShield Cellular Security Solution

Essence Group announced its collaboration with Israeli security provider Team-3 Protection Systems for the first national implementation of its MyShield cellular IoT (Cat-M) enabled intruder prevention solution. The partnership entails Essence Group providing Team-3 with MyShield devices that will be offered as part of the company's security solutions services for Israeli customers. The devices will be connected to Team-3's central monitoring center, providing an advanced and integrated response system to intrusions and break-ins.

The multi-award-winning MyShield solution is the world's first Cat-M-connected smoke generating intruder prevention system that can be integrated into any existing security system or used as a standalone solution connected to cellular IoT networks. The proprietary smoke generator enables home and business owners to safely force intruders out of premises before they can cause harm to people, property, or assets. The integrated, easy-to-install system includes a passive infrared motion detector, a high-definition video camera with recording capabilities and two-way voice communication.

Herzliya's [Essence Group](https://www.essence-grp.com/‎) is a global technology leader with a mission to develop and deploy innovative, cloud-based, end-to-end security and healthcare solutions, underpinned by supporting services that provide peace of mind to users. For over a quarter of a century, Essence has challenged convention by making care and safety both accessible and affordable. With over 75 million connected devices deployed worldwide, Essence helps people to live safer and more independent lives. (Essence Group 30.03)

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* 1. ThetaRay AI Technology to Monitor Knox Wire Cross-Border Payments

South Africa-based Apollo Fintech announced that ThetaRay, provider of AI-powered monitoring technology to protect banks and fintechs against financial crimes, will monitor global cross-border payments on its newly launched Knox Wire service. Knox Wire is an innovative bank-to-bank communication system that enables 30,000 financial institutions to offer their clients near-instant cross-border payments to over 200 countries in 150 currencies with lower transactions costs. Established in January 2022, Knox Wire is already the world's third largest network for cross-border payments.

With the ThetaRay SONAR SaaS transaction monitoring and screening, Apollo Fintech will be able to safely grow business while ensuring they are not facilitating any financial crimes, such as money laundering and terrorist financing. SONAR is the industry's most advanced financial crime prevention solution for cross-border payments.

Hod HaSharon's [ThetaRay](http://www.thetaray.com)'s AI-powered SONAR transaction monitoring solution, based on "artificial intelligence intuition," allows banks and fintechs to expand their business opportunities through safe and reliable cross-border payments. The groundbreaking solution also improves customer satisfaction, reduces compliance costs, and increases risk coverage. ThetaRay's technology is the only SaaS offering that analyzes SWIFT traffic, risk indicators and client/payer/payee data to detect anomalies indicating money laundering activity across cross-border transaction paths in a single unified platform. (ThetaRay 30.03)

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* 1. Kornit Digital Production Solution for Vibrant Decorative Designs on Polyester

Kornit Digital introduced its distinctive Kornit Atlas MAX Poly system – an industry-first direct-to-garment (DTG) solution delivering superior-quality digital decoration for vibrant, colorful design on polyester and poly-blended apparel. Kornit’s Atlas MAX Poly capitalizes on the demand for fashionable, unique sportswear and apparel. As the industry emerges from a post-pandemic environment in which athletic and leisurewear became mainstream, there is increasing demand for apparel combining polyester and poly-blends with vivid designs across a range of colors. Atlas MAX Poly can transform the multi-billion-dollar professional and recreational sports apparel and team-wear markets, limited today by limitations in mass customization of polyester.

The solution is compatible with mesh and plain fabrics, including brushed polyester, while maintaining durability and breathability. It brings the highest throughput for on-demand polyester decoration, reducing total cost of ownership to drive profitability. Customers gain competitive advantage via Pantone color-matching and a wide color gamut including neon colors for bright and vibrant impressions, using single-step mechanisms minimizing production footprints while maximizing versatility.

Rosh HaAyin's [Kornit Digital](http://www.kornit.com) is a worldwide market leader in sustainable, on-demand, digital fashionx and textile production technologies. The Company is writing the operating system for fashion with end-to-end solutions including digital printing systems, inks, consumables, and an entire global ecosystem that manages workflows and fulfillment. Kornit Digital serves customers in more than 100 countries and states worldwide. (Kornit Digital 04.04)

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* 1. Guardian Group Selects Sapiens to Revolutionize Customer Acquisition

Sapiens International Corporation announced that Trinidad based Guardian Group, a $1 billion carrier serving 21 countries across the English and Dutch Caribbean, is integrating Sapiens' customer acquisition solution for their life and health operations. Sapiens IllustrationPro and Sapiens ApplicationPro will be deployed in Guardian's Share Services organization, providing a cohesive user experience across Guardian's three carriers, including Guardian Life of the Caribbean (Trinidad), Fatum (Curacao) and Guardian Life (Jamaica). The platform features flexible branding and omni-channel integrations to cater to the agent experience to provide a next generation quoting and illustration system to improve how Guardian can present their offering in a clear and concise manner to improve their closure rate. Also, the integration of IllustrationPro and ApplicationPro to Guardian's UnderwritingPro will provide a straight-through processing and auto decision environment to decrease their time to issue.

Sapiens IllustrationPro for Life & Annuities is a cloud-based point-of-sale illustration and quoting solution, offering a fully-responsive, modern, intuitive user experience for the life and annuities and health markets. Sapiens ApplicationPro is a robust electronic application software that helps carriers address critical business drivers, such as decreasing time–to–issue and reducing policy acquisition costs, all in an extremely intuitive and easy–to–use package.

Holon's [Sapiens International Corporation](http://www.sapiens.com) empowers the financial sector, with a focus on insurance, to transform and become digital, innovative, and agile. Backed by more than 40 years of industry expertise, Sapiens offers a complete insurance platform, with pre-integrated, low-code solutions and a cloud-first approach that accelerates customers' digital transformation. Sapiens offers insurers across property and casualty, workers compensation and life markets the most comprehensive set of solutions, from core to complementary, including Reinsurance, Financial & Compliance, Data & Analytics, Digital and Decision Management. (Sapiens 11.04)

ISRAEL ECONOMIC STATISTICS

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* 1. Unemployment in Israel Fell Sharply in March

The unemployment rate in Israel fell to 3.2% in the first half of March, down from 4% in the second half of February, according to the Central Bureau of Statistics. There were 136,000 jobseekers in the first half of March, which was similar to the number of job vacancies, so that the Israeli economy is close to full employment. At the same time, the unemployment rate under the broad definition fell to 4.7% in the first half of March from 5.8% in the second half of February. In terms of participation in the workforce in Israel of the working age population, this figure rose to 61.8% in the first half of March from 61.4% in the second half of February. (CBS 04.04)

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* 1. Israeli Startups Raised Some $2.3 Billion in March

Israeli startups raised nearly $2.3 billion in March 2022, according to press releases seen by [Globes](https://en.globes.co.il/). The figure may be more as some companies prefer to remain in stealth and sometimes do not publicize the investments they have received. Israeli privately-held tech companies raised a record $25.6 billion in 2021, according to IVC-Meitar, more than double 2020's figure of $10 billion, which was itself a record. Israeli startups raised $2.1 billion in January 2022 and $1.4 billion in February 2022 for a total of $5.8 billion in the first quarter of 2022, slightly off pace to exceed last year's record.

It is too early to tell if this is a downward trend, but many people in the tech sector expect the sharp falls in share prices of tech companies on the stock market to eventually lower the amount of money raised and valuations of startup growth companies.

In March, the major financing rounds that were completed were led by tech homebuilding company Veev, which raised $400 million. Cybersecurity firm Axonius raised $200 million, API platform RapidAPI raised $150 million, and remote team app Connecteam raised $120 million. Cybersecurity firm Island raised $115 million, fintech company Capitolis raised $110 million, and robotic beehive company BeeWise raised $80 million. AI infrastructure company Run:AI raised $75 million, digital health company MDClone raised $63 million, fintech company ChargeAfter raised $60 million and cloud data security company Cyera raised $60 million. Financial planning company DataRails and synthetic data company DataGen each raised $50 million. (Globes 03.04)

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* 1. Israel First Quarter Car Deliveries Strong Despite Supply Disruptions

Car deliveries were very strong in Israel in Q1/22 despite the shortage of chips and consequent supply chain disruptions. Some 100,594 new cars and commercial vehicles were delivered in Q1/22, down 10% from the corresponding period of 2021. In March alone there were 27,788 deliveries, up 4% from March 2021.

By brands Hyundai led the way in Q1/22 with 18,402 deliveries, 16% up from Q1/21. In second place was Toyota with 13,895 deliveries, up 6% from the first quarter of 2021, and in third place was Kia with 12,518 deliveries, up 7% from last year. Mazda was fourth with 5,567 deliveries, down 4% and Skoda, the only European brand in the top five saw deliveries fall by 44%. Hyundai Motors, which also manufactures the Kia brand, dominates the Israeli market with 34% of new deliveries in Q1/22.

In Q1/22, 4,400 electric vehicles were delivered, representing 4.3% of all deliveries. Tesla led in this sector with 1,452 deliveries and a 34% market share. In addition 4,450 plug-in cars were delivered led by the Kia Niro. Most of Israel's major car importers hold a backlog of new orders stretching to the third quarter and even beyond. (Globes 05.04)

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* 1. Foreign Exchange Reserves at the Bank of Israel in March 2022‎

Israel’s foreign exchange reserves at the end of March 2022 stood at $206.138 billion, a decline of $910 million from their level at the end of the previous ‎month. The level of the reserves relative to GDP was 42.8%. The decline was the result of a revaluation‎ that decreased the reserves by approximately $1.601 billion and government transfers to abroad totaling approximately $122 million.‎ In contrast, the decline was partly offset by private sector transfers of ‎approximately $813 million. (BoI 07.04)

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* 1. Israel's Fiscal Deficit Shrinks Further

Israel's fiscal deficit continues to shrink. The deficit for the twelve months to the end of March was NIS 23.4 billion, 1.4% of GDP, after a 2.2% deficit for the twelve months to the end of February, the Ministry of Finance Accountant General announced. March was the third individual month in succession in which there was a fiscal surplus. Since the beginning of the year, Israel has recorded a fiscal surplus of NIS 23.4 billion. The twelve-month deficit as a proportion of GDP is at its lowest since 2008. A year ago, it stood at more than 12%.

State revenues for January-March totaled more than NIS 125 billion, 29.3% more than in the corresponding period of last year. Alongside the growth in revenues, the Ministry of Finance has benefited from a decline in expenditure, down 15.2% within a year, to NIS 102 billion. The main reason for the decline is the ending of the state's safety net for businesses and the unemployed during the coronavirus pandemic.

State revenues from direct taxes jumped by no less than 26.6% in the first quarter of 2022 in comparison with the corresponding quarter of 2021. Revenues from indirect taxes grew 12.2%, while revenue from fees grew 10.4%. (Globes 10.04)

IN DEPTH

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* 1. ISRAEL: Moody's Changes Outlook on Israel's Rating to Positive from Stable

On 8 April 08, [Moody's Investors Service](https://www.moodys.com) changed the outlook on the Government of Israel to positive from stable. Concurrently, Moody's has affirmed the A1 local and foreign-currency issuer ratings as well as the local and foreign currency senior unsecured ratings. The foreign-currency senior unsecured MTN program rating and foreign-currency senior unsecured shelf rating have been affirmed at (P)A1. Israel's backed senior unsecured rating has been affirmed at Aaa; the related issuances benefit from an irrevocable, on-demand guarantee provided by the government of the United States (Aaa stable).

The key drivers for the change in outlook to positive on Israel's A1 ratings are as follows:

1. The government's reform agenda which aims to address Israel's key longer-term challenges of moderate productivity growth and relatively low labor participation of some population groups;

2. Moody's expectation of a further reduction in the government's debt ratio, helped by continuing strong economic growth. Last year, Israel's fiscal metrics improved faster than expected, helped by buoyant tax revenues against the backdrop of solid and resilient growth, as well as the near-complete tapering of covid-related expenditures.

The affirmation of the ratings at A1 balances the economy's solid growth prospects and resilience against the government's relatively high public debt burden. Also, the government's debt affordability metrics are somewhat weaker than peers. The government coalition has been more stable and cohesive than initially thought, but has now lost its small majority and it remains to be seen whether it will remain in power to implement its comprehensive reform agenda alongside prudent fiscal policies. At the same time, Israel is significantly less affected than other countries by the conflict between Russia and Ukraine, also thanks to the country's energy independence.

**RATINGS RATIONALE**

**Rationale for Changing the Outlook to Positive from Stable**

**FIRST DRIVER**: Government's Reform Agenda Aims to Address Key Longer-Term Challenges

The first driver of the positive outlook relates to the reforms being implemented by the new government which has been in power since June 2021. Reforms encompass a variety of areas and closely follow the Bank of Israel's recommendations to the incoming government from mid-2021, with the aim of raising productivity growth by improving physical infrastructure as well as human capital and skill levels. Israel's labor productivity growth has been stronger than in many close peers in recent years. But the average hides a wide gap between the high-tech and other sectors of the economy, and Israel strives to close the wealth gap to other advanced economies, which requires stronger productivity growth than in those countries.

The government has already legislated the gradual increase in the retirement age of women to 65 years, from the previous 62 years, and is advancing on key infrastructure investments in the areas of mass transport and access to housing. Other reforms focus on reducing red tape and trade barriers to reduce the cost of doing business and improve competition. Measures to streamline training programs aim to improve labor market access for disadvantaged groups. A reform to the so-called "designated bonds" for pension funds will over time reduce the government's comparatively high spending on debt interest.

**SECOND DRIVER:** Fiscal Metrics Are Improving Faster than Expected and Public Debt has Already Started to Decline

The second driver for the positive outlook relates to Israel's fiscal and debt metrics, which are improving faster than expected, helped by exceptionally strong revenues (+29.8% year-over-year at the central government level in 2021). The central government budget deficit was more than two percentage points of GDP lower than initially expected, standing at 4.4% of GDP last year. Within a year, the budget deficit has been reduced by seven percentage points of GDP, one of the strongest budgetary performances among Moody's rated sovereigns. The 12 months' rolling deficit has dropped further to 2.2% of GDP as of February 2022.

The main drivers of buoyant tax revenues have been the strong economic recovery and solid consumption, driving indirect taxes. In addition, the global shift towards digital services increased the valuations of Israeli high-tech companies and led to a wave of IPOs, which in turn resulted in strongly rising income tax receipts. The strong turnover in the housing and real estate markets supported property taxes. While a significant part of the buoyancy of 2021 tax revenues is unlikely to be permanent, the return to trend will likely be gradual over the coming years. Moody's expects that the 2022 budget deficit will be lower than the target of 3.9% of GDP, given still strong revenue growth and the termination of nearly all COVID-related spending. The rating agency forecasts a deficit of 3.4% of GDP.

The public debt ratio has already started to decline last year and in its baseline scenario Moody's expects the ratio to reach 64% of GDP by 2024, which would imply a reduction of eight percentage points of GDP over a four-year period. Importantly, the downward debt trend is resilient to most stress scenarios, including Moody's standard growth and fiscal shocks, in which the rating agency assumes GDP growth and fiscal performance to be weaker by 0.25 standard deviation in each of the past ten years.

Moody's notes that there is broad political consensus on the direction of economic and fiscal policies across the political spectrum, despite very noisy politics, diverse ideological leanings and a fragmented Knesset.

While the infrastructure investment program has significant costs attached to it, these are typically distributed over several years and the government will shoulder only part of the cost, with additional local taxes, congestion charges and private capital in the form of PPP projects all expected to contribute to the financing.

Moreover, the government will terminate the issuance of so-called designated (inflation-indexed) bonds to the country's pension funds, effective from 1 October 2022. Instead, the government will provide a guaranteed yield on a portion of pension fund assets, which is expected to generate significant budgetary savings over the longer term and improve liquidity in the government bond market. The new mechanism will generate a contingent liability, for which the government plans to create a reserve.

**Rationale for Affirming the A1 Rating**

The affirmation of the rating at A1 balances the economy's solid growth prospects and resilience with the government's relatively high public debt burden.

Israel's economy has been resilient to repeated internal and external shocks. This is mainly the result of the shift towards high-value added sectors of the economy over the past several years, specifically the highly competitive and diversified high-tech industries, which drive economic growth, exports and very substantial inward investment. The resilience during the COVID pandemic – with Israel's economic performance significantly stronger than most other OECD countries both in 2020 (-2.2%) and 2021 (+8.2%) – is also the result of a strong and pro-active policy reaction.

Employment is back at pre-covid levels and there is no indication of permanent scarring from the pandemic. Renewed covid waves cannot be excluded but are unlikely to lead to lockdowns with a material impact on the economy. Government fiscal and Bank of Israel liquidity support have been large and swift, amounting to more than 12% of GDP and 8% of GDP respectively over 2020-22. Support has almost completely been terminated, given that the economy no longer requires it. The ability of the Israeli economy to bounce back quickly from shocks (including military conflict and war) and the swift and large response of the authorities give a high level of confidence that Israel's economy will also be able to withstand future shocks. In its baseline scenario, Moody's expects the economy to continue to grow at above trend rates of around 5% and 4% in 2022 and 2023 and to gradually return to trend growth rates of around 3.6% in the following years.

Israel's exposure to the current Russia- Ukraine conflict is very limited, thanks to the country's large gas fields which afford the country full autarky in terms of gas needs. Trade with Russia and Ukraine is limited, accounting for just 2% of goods exports or less than 0.4% of GDP. Imports have a similarly low weight. Israel will be exposed via second-round effects as growth in in its key trading partners, the US and EU, slows as a result of the conflict, which is incorporated into Moody's forecasts.

At the same time, Israel's public debt ratio compares unfavorably with most higher-rated peers. Also, the new government's track record on fiscal policy is short, and while Moody's expects the budget deficit to decline further this year and next, there is a risk that the buoyant tax revenues in 2021 could lead the government to increase permanent spending commitments, leading to a higher structural deficit in coming years. Also, Israel's debt affordability metrics are somewhat weaker than peers, with the government's interest payments at an estimated 7.9% of government revenues (2021) compared to a median ratio of 3.3% for A-rated sovereigns.

Israel's relative political stability is also recent, coming after a prolonged period of high political uncertainty which has started to negatively affect institutional settings and the predictability and effectiveness of fiscal policy. It remains to be seen whether the government will remain in power given the recent loss of its majority of one vote in the Knesset and manage to implement prudent fiscal policies and its comprehensive reform agenda, while some of the recently buoyant tax revenues will likely prove to be temporary.

Israel's elevated geopolitical risks – a result of its location in a volatile region – continue to act as a constraint on the rating, notwithstanding the more friendly relations with several neighboring countries as a result of the so-called Abraham Accords.

**Factors That Could Lead to an Upgrade or Downgrade of the Ratings**

The rating could be upgraded in a scenario of continued fiscal consolidation and debt reduction, coupled with continued robust growth and the continuing implementation of the reforms that will help to raise productivity growth over time.

Conversely, Moody's would likely change the outlook back to stable and ultimately downgrade Israel's rating if the expected fiscal consolidation and reduction in public debt failed to materialize and the debt-to-GDP ratio were to significantly increase instead. (Moody's 08.04)

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* 1. ISRAEL: Israeli Business Leaders Expect Surge in Trade with Morocco

Danny Zaken posted on 31 March in [Al-Monitor](https://www.al-monitor.com) that the Abraham Accords has led to growth in economic and business ties between Israel and the United Arab Emirates (UAE). Now Morocco wants in on that, too. Two large delegations from Morocco arrived in Israel over the last few weeks. These included several dozen heads of major companies, businessmen, high-tech entrepreneurs and investors. At the same time, an Israeli delegation from the Israel Export Institute, the Chamber of Commerce and the Israel Industrialists Union set off for Casablanca on 29 March for a four-day visit.

One of the two Moroccan delegations — the General Confederation of Businesses of Morocco — came to Israel on 13 March for a special three-day event. At this conference of business leaders, the two countries signed an agreement to improve economic cooperation between Israel and Moroccan companies, which included the expansion of business infrastructures between the two countries.

General Manager of Morocco’s Ministry of Industry and Trade Abdelouahed Rahal told Al-Monitor that his country has free trade agreements with dozens of countries, representing 2 million consumers. He said that it is in talks to sign a similar free trade agreement with Israel.

Chakib Alj, president of the General Confederation of Moroccan Industries (CGEM), told Al-Monitor that after arriving in Israel he realized that there is much more potential than he previously imagined. As expected, the main areas of cooperation will be agriculture, with an emphasis on agriculture in arid desert regions, of which Morocco has many, the controlled use of water, grey water usage and desalination. When it comes to grey water, he noted that Morocco only reuses some 20% of its sewage waters, but that it wants to learn how to raise that to Israeli levels. “We need water especially, and the availability of water at these levels would make it possible for us to exploit our agricultural lands in desert regions,” he said.

Another important point raised by Alj was that Morocco serves as a bridge to Africa. Its banks have branches in 22 African nations, and it has extensive trade throughout the continent. In fact, Morocco helped Israel obtain observer status at the African Union, despite fierce opposition from Algeria and other African states.

As for technology, startups and innovation, he said that Israel is a trailblazer. Morocco would like to imitate this success and learn how to develop and implement its ideas. Upon visiting startup nation Israel, it was agreed to hold a conference for investors and high-tech companies in Casablanca this May to advance this venue of cooperation.

Perhaps the most interesting point, however, revolved around the shortage of high-quality manpower in Israel’s high-tech industry. Alj noted that Morocco has an abundance of graduates in engineering from Moroccan universities and some even from European universities, especially France. The problem is that the local industry is still too small. On the other hand, the option of employing them by Israeli companies seems like an ideal solution for both parties. He noted that Israel already uses programmers and engineers from other countries like Ukraine and India, and then asked, “Why not Morocco?" He added, "The world is changing and moving ahead. Morocco is boarding that train. Cooperation with Israel will help with that.”

Also related to manpower, Morocco would like to join the list of nations that supply Israel with guest workers, and in a number of fields at that. The main focus would be construction and infrastructures, but there are also other fields, some of them new, including professionals in older industries like metallurgy and welding, where there are plenty of available jobs. Israeli salaries in these professions (approximately $3,000 per month) are several times higher than the average salaries for this work in Morocco.

According to Israel’s Central Bureau of Statistics, trade between Israel and Morocco jumped by 84% in the last year, but it still comes to just $42 million. Exports to Morocco grew by 147% in 2021, coming to $31 million. It centered mainly on aircraft and freight equipment (about 61%), chemicals (15%), and plastic and rubber products (14%). The Israel Export Institute estimates that potential exports to Morocco could be $250 million per year, not including defense exports.

The same source said imports from Morocco last year were valued at $11 million, an increase of 10% compared to 2020. The main import items were clothing and food. Nevertheless, the figure is apparently higher, since some of the goods imported from Morocco come by way of a third country. As such, there would be far more significant growth, when compared to 2020.

Alj estimates that trade between the two countries could be significantly increased within five years, to reach as high as a quarter of a billion dollars. CGEM, an umbrella organization representing 90,000 businesses before the public authorities, is considered an economic powerhouse in Morocco. Alj is a key figure in the close relationship between Morocco’s business sector and the authorities. He ended his interview by pointing out that there was a special warmth in the relationship between the two countries, which he attributed, among other things, to the large number of Israelis of Moroccan origin, and especially, King Hasan II and his heir King Mohamed VI, who have maintained ties with Israel.

Ron Tomer, president of the Manufacturers Association, visiting Morocco recently with the delegation, told Al-Monitor that unlike the UAE, the relationship with Morocco has been developing more quickly, with fewer obstacles resulting from cultural differences. The Israeli and Moroccan peoples are much more alike. He believes that Morocco can help Israel find construction materials such as cement and iron, and serve as an alternative to Turkey that imports these materials now. Then there is the diplomatic relationship. “If this relationship works and progresses, it will be a shining example to the other nations in the region, particularly in the fields of water and agriculture. It may even open the door for other countries such as Tunisia and Mauretania to join the Abraham Accords,” he noted. (Al-Monitor 31.03)

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* 1. ISRAEL: Israel Takes Global Lead in Fintech

Danny Zaken observed on 4 April in [Al-Monitor](https://www.al-monitor.com) that the effects of the war in Ukraine set aside, the Israeli fintech sector is expected to continue growing this year and attract more global investments.

For quite a few years cyber was the poster child of Israeli high tech, but in recent years it has had a real rival: fintech, which deals with financial technology. An impressive list of startups in this field have raised large sums, and in the past year the most well-endowed and strongest of them have gone public at the New York Stock Exchange. These companies and others like them have made fintech one of the pillars of the innovation industry. Throughout the world, many eyes carefully watch any new Israeli fintech company. The first Israeli decacorn (a company worth $10 billion) will likely emerge from this field.

In 2021, investments in Israeli high tech reached more than $25 billion, 2½ times the amount from 2020, with fintech leading the field, overtaking cyber and reaching a peak of investments at $6.6 billion. The sharp global rise in fintech investment, including in Israel, stems from several factors. The first is the change in the last two years in governments’ treatment of digital coins. The Chinese Central Bank has started operating a local digital coin called e-Renminbi (e-RMB) in Shenzhen province as an experiment. The Singapore Monetary Authority has for the first time issued two licenses for digital banking, and central banks, including the Federal Reserve, the European Central Bank and the Bank of England, have formulated a plan and requirements to start circulating digital coins.

There is some movement in Israel in this field, although it is slow. In May 2021, the bank presented an infrastructure and a plan to issue an official Israeli digital coin. In the model the bank presented for public comment, the relationship between the digital shekel and the “regular” shekel, in cash or a bank account, would be one to one — the worth of the digital shekel would be exactly that of a “regular” shekel. The bank would not operate the digital coin itself but would allow private providers to offer the service to clients.

The total scope of commerce in digital coins surpassed $2 trillion in 2022, and as of today, in terms of size, the crypto market is the ninth-largest economy in the world. This means there is a growing need for technological innovations to respond to the growing commerce in digital coins, to provide efficient, quick and secure operations, and a response to state regulation.

One field within fintech is banking, which is taking quick steps toward full digitization, and here, too, advanced technology is needed to manage and transfer money, loans and credit cards, with maximum security. Another field is insurance, which needs the same kind of technological solutions. While in 2020 there was a decrease in investments in fintech companies — from $168 billion to around $100 billion — mostly because of the coronavirus pandemic and the economic crisis that ensued, in the second half of the year there was a true recovery, according to a review by the global accounting firm KPMG.

The review shows an almost steady rise in fintech investment in the past two years. The arrival of the coronavirus pandemic plunged global investments in this sector. In the second quarter of 2020, investment was as low as $12 billion. Still, we now see it bouncing back, reaching $56 billion in the same quarter of 2021. The Financial Times also noted that 2021 is breaking records on investment in fintech.

Three Israeli companies have made it to the Forbes Magazine annual list of 50 leading fintech companies. Two are from the insurance field and the third deals with digital coins.

Next Insurance, founded in 2016 by Guy Goldstein, which has raised $886 million, supplies tailored insurance policies to 200,000 small businesses by means of artificial intelligence (AI), which processes applications and data within 10 minutes and offers 24/7 access to insurance certificates and in-house claims support. The second is Hippo Insurance, founded in 2015 by Assaf Wand, which has raised $709 million. Hippo also uses AI, as well as public records, satellite records and smart home devices, to make home insurance policies and claims processes more efficient, and is proud to provide quotes in 60 seconds and issue policies in fewer than five minutes.

Closing out the Israeli representation on the list is Fireblocks, founded in 2018 by Michael Shaulov, Pavel Berengoltz and Idan Ofrat, which has raised $179 million from investors such as Swisscom, Galaxy Digital, Paradigm Ventures and others. Fireblocks develops a secure environment for financial groups to trade digital coins and assets.

Despite the sharp growth in investments in 2021, 2022 is not starting off well. The latest declines in Wall Street in response to the fighting in Ukraine, which has created a mini energy crisis and raised the prices of many goods, has not passed over fintech companies. Many have seen double-digit losses in their worth. This is the case for the stock of the Israeli-founded Global-e company, which adapts commerce sites for clients in language and currency, including calculating exchange rates, customs and other taxes, as well as payment methods. The company went public in 2021 at a worth of $3.6 billion, and its stock rose to $11.8 billion, but it has since seen declines and today is traded at $5 billion. It is still worth more than 30% from when the stock was first issued.

Now, with an atmosphere of global economic crisis and expected interest hikes, will banks around the globe — and banks in Israel — continue to invest in fintech technologies? That’s hard to tell. On the other hand, what's clear is that the market’s needs for financial technology are only growing.

For instance, The Marker reports that Israeli payment company Pioneer predicts that it will continue to grow this year, but has chosen not to include the volume of revenues from Russia, Belarus and Ukraine in the current year forecast due to the great diplomatic/security uncertainty. Another reason for optimism is the expectation of a wave of investments in Israeli high tech in general and fintech in particular on the part of the United Arab Emirates. This winter, the Gulf state announced that it will release about $10 billion in investments in Israeli firms, where fintech is one of the areas earmarked for these investments. (Al-Monitor 04.04)

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* 1. BAHRAIN: Fitch Affirms Bahrain at 'B+'; Outlook Stable

On 28 March, [Fitch Ratings](http://www.fitchratings.com) affirmed Bahrain's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B+' with a Stable Outlook.

**Key Rating Drivers**

**Rating Strengths and Weaknesses:** Bahrain's ratings are supported by strong financial backing from partners in the GCC, the high level of economic development and a robust macroeconomic outlook. Weak public finances, high fiscal dependence on oil revenue, low levels of FX reserves and political constraints on fiscal reform all weigh on the ratings, although fiscal consolidation has made significant progress since the launch of the 2018 Fiscal Balance Program (FBP), which was refreshed with additional measures in late 2021.

**Oil and Reform Boost Budget:** The general government budget deficit narrowed significantly in 2021, to 9.4% of GDP from 17.1% of GDP in 2020, owing to the rebound in global oil prices and partial recovery of the domestic economy following the COVID-19 induced recession of 2020. The official 2021 state budget deficit was smaller, at 7.4% of GDP, because Fitch (as well as the IMF) includes an estimate of extra-budgetary spending. For 2022, we forecast that the deficit will narrow further to 3% of GDP (close to balance on the official government measure), helped by oil prices, fiscal reform and further economic normalization, before widening to 3.4% of GDP in 2023. We assume average Brent crude prices of $100/bbl and $80/bbl in 2022 and 2023, respectively.

**Government Reboots Reform Program:** After a pandemic-related pause of fiscal reforms, a revised FBP was launched in late 2021, including a doubling of the VAT rate to 10% from 5%, which took effect at the start of 2022. The VAT increase should boost non-oil revenue by around 1.5% of GDP. The FBP, which is still based on an oil price assumption of $60/bbl, targets a balanced budget by 2024, pushed back from 2022 in the original plan. The government estimates that by 2024 the new measures (including the VAT hike) will save the budget around 5% of GDP. We assume significant, but not full implementation. Using our assumptions on reforms, an oil price of $60/bbl would lead to a deficit of around 2.5% of GDP in 2024, excluding extra-budgetary spending.

**Public Finances Remain a Weakness:** We forecast that government debt/GDP will decline to 117% in 2022, from 130% in 2021, but that it will increase again in 2023 to 121%, well above the 2022 median of 70% for the 'B' rating category. We include the government's liabilities to the Central Bank of Bahrain (CBB; 12.5% of GDP in 2021), which the government does not include in its debt numbers. The FBP will help reduce the fiscal break-even oil price from its current level around $120/bbl (including extra budgetary spending) and will gradually improve Bahrain's underlying fiscal stance.

We forecast the non-oil primary balance as a percentage of non-oil GDP to narrow to 12% in 2024 from 21% in 2021. While we project non-oil revenue to increase to more than 9% of non-oil GDP, from 6% in 2021, this remains a low level of revenue mobilization.

**GCC Support Strong:** We expect that Bahrain will continue to receive support from Saudi Arabia, the UAE and Kuwait. The updated FBP was accompanied by a statement of ongoing support from Bahrain's GCC partners who are providing financing from the $10 billion package agreed in 2018 alongside the initial FBP. As of end-2021, $3.1 billion of the GCC package remained to be disbursed, which would cover half of Bahrain's $6 billion of maturing Eurobonds and Sukuk in 2022-2024. The GCC package was built on existing channels of support, including the $7.5 billion (close to 20% of GDP) GCC Development Fund provided in the wake of the Arab Spring unrest in 2011.

**Foreign Reserves Remain Relatively Low:** We forecast that CBB's foreign reserves will increase above $6 billion in 2022-2023, the highest level since 2014 before the oil price crash of 2015-2016, but that they will remain low relative to current external payments (at around two months), external amortization ($2 billion per year) and monetary aggregates. Regular swap operations with retail banks contribute significantly to CBB's foreign assets, but are short term and present some risk to CBB's foreign-currency liquidity. Foreign reserves increased in 2021 as Bahrain's current account swung to a 6.8% of GDP surplus from a deficit of 9.3% of GDP in 2020, owing to rebounding oil and aluminum prices. We forecast the current account surplus to widen to 8.4% of GDP in 2022, largely driven by oil prices, before narrowing to low single digits in 2023, on the assumption of lower commodity prices.

**RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to negative rating action/downgrade:

-Public Finances: Further significant deterioration of public debt dynamics, for example due to a sustained fall of oil prices below our long-term assumptions, or failure to implement fiscal reforms.

-External Finances: Signs of weakening GCC support, which could place greater pressure on the balance of payments and currency peg in the context of low levels of reserves. This could lead to the removal of the +1 notch on External Finances.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Public Finances: Confidence in a sustained reduction in government debt/GDP over the medium term and further structural improvement of public finances, reducing the need for an expanded GCC financing package. This could lead to the removal of the -1 notch on Public Finances.

-Structural Features: Greater evidence of weaker socio-political constraints on fiscal policy, allowing for deeper reforms that generate higher non-oil revenue. This could lead to the removal of the -1 QO notch on Structural Features.

**Best/Worst Case Rating Scenario**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. (Fitch 28.03)

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* 1. UAE: United Arab Emirates Construction Market Report 2022

The "United Arab Emirates (UAE) Construction Market Size, Trends and Forecasts by Sector - Commercial, Industrial, Infrastructure, Energy and Utilities, Institutional and Residential Market Analysis, 2020-2025" report has been added to [ResearchAndMarkets.com](http://www.ResearchAndMarkets.com‎)'s offering.

UAE's construction industry to expand by 4.2% in real terms this year, compared with an estimated growth of 4.4% in 2021. The Expo 2020 event (October 2021 to March 2022) has provided assistance to the industry, while low base effects and pent-up demand spurred the industry's growth in 2021. Activity in the commercial and tourism sector also showed an indication of recovery, with the hotel occupancy rate in Dubai reaching 62% in the first nine months of 2021 - up from 51% recorded during 2020 - and a total of nine million visitor arrivals in the first three months of Expo 2020 (October to December 2021).

The report forecasts the construction industry to register an annual growth of 3.7% during the period of 2023-2026. However, rising Coronavirus (COVID-19) cases in early 2022 could stifle the industry's growth over the short term. Overall, construction output in the UAE is expected to remain below 2019 levels until 2023.

Growth over the forecast period will be driven by the country's development agenda of strengthening industrial, transportation and energy infrastructures. As part of the Project of the 50, the government announced plans in September 2021 to implement a series of developmental and economic projects aimed at accelerating the UAE's development and transforming it into a comprehensive hub in all sectors, with the goal of attracting AED550 billion ($149.8 billion) in foreign direct investment (FDI) over the next nine years.

In terms of railway development, the government unveiled the new AED50 billion ($13.6 billion) UAE Railway Programme in December 2021, which constitutes an integrated strategy for the country's railway sector for the coming decades, estimating to generate AED200 billion ($54.5 billion) in economic prospects.

In October 2021, the UAE became the first country in the Gulf Cooperation Council (GCC) region to commit to carbon neutrality, with the country announcing a target to cut carbon emissions to net zero by 2050. To achieve this target, the government plans to invest AED600 billion ($163.4 billion) on renewable energy over the next three decades. In October2021, the government also announced that over 11,000 new residential units were under construction across the country, and in November 2021, it approved housing projects worth AED3.8 billion ($1 billion).

In addition, the launch of Expo 2020 has increased short-term leasing, with the government aiming to turn this into a long-term rise by positioning the UAE as an attractive opportunity for foreign investors. Over the long term, the residential sector's output will be supported by the government's plan to invest AED65 billion ($17.7 billion) on the Emirati housing program in Dubai until 2041. (R&M 30.03)

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* 1. SAUDI ARABIA: Saudi Arabia & Pakistan Work on a Long-Term Business Strategy

On 3 April, Sabena Siddiqui wrote in [Al-Monitor](https://www.al-monitor.com) that in a bid to upgrade their economic ties, Saudi Arabia and Pakistan are mulling a long-term investment strategy. The Saudi kingdom is encouraging major Saudi companies to expand their business internationally and offering government help and resources through the National Companies Promotion Program (NCPP) if they are not currently active abroad.

Meeting on the sidelines of the recent Tashkent International Investment Forum, the chairman of Pakistan’s Board of Investment (BOI) and minister of state, Azfar Ahsan, and the Saudi Minister for Investment, Khalid Al-Falih, discussed options for promoting bilateral investment. According to the official statement issued by Pakistan’s investment board, “It was agreed that shovel-ready projects, including the expansion project of Pakistan Refinery, will be evaluated by the Saudi government.”

In 2019, the kingdom had announced plans for a $10 billion oil refinery at Gwadar port, but logistics issues hampered the project. A 600 km. oil pipeline connecting Gwadar to the main oil hub, Karachi, would be needed to make the Saudi investment worthwhile, and — according to the feasibility report prepared by Aramco — the transportation of processed oil from Gwadar would be too expensive even then.

This time, Saudi Aramco will be kicking off “preferred projects” in Pakistan’s oil refinery sector, and the expansion of a decades-old refinery in Karachi is most likely. Next, Saudi investors will receive some exceptional incentives in special economic zones in Pakistan. According to the BOI chairman, several proactive measures have been taken to facilitate investment. “Saudi Arabia and Pakistan are historically close allies," Mohammed Alhamed, president of the Saudi Elite Group, told Al-Monitor, "and Riyadh’s investment comes to make Pakistan’s economic development stable and strong.”

Agriculture, mining, renewable energy, food processing, refineries, petrochemicals and information technology have been identified as potential areas of investment. Proposing a joint BOI-NCPP team for finalizing projects in Pakistan, Falih also suggested that the Pakistani side visit the kingdom and market investment projects both from the public and private sectors. Alhamed said, “The Saudi investments in Pakistan today are an example of a power, security and economic partnership which will lead to shared prosperity, regional stability and mutual respect based on long term-investment, strategic and social ties.”

Despite a gradual increase to around $2.181 billion in 2020, low bilateral trade volume still remains a major shortcoming in Saudi-Pakistan relations. However, nearly 2.5 million Pakistani expats live in the kingdom, which is still Islamabad’s largest source of remittances.

Without strong bilateral economic connections, the Saudi-Pakistan relationship is incomplete. Even though it was once described as “probably one of the closest relationships between any two countries” by the former head of Saudi intelligence, Prince Turki bin Faisal, it has been affected by regional issues in recent years.

Pakistan adopted a neutral stance in the Yemen war and refused to send any troops in response to the kingdom’s request in 2015, as it was trying to balance Saudi Arabia and Iran. Then in August 2019, India abrogated Article 370 and ended the special status of the disputed part of Kashmir valley in its control. As one of the three claimants in the Kashmir issue, Pakistan felt that the cause was not highlighted by the Saudi-led Organization of Islamic Cooperation (OIC), of which it is a founding member since 1969.

Next, in November 2019, Qatar, Turkey, Iran, Pakistan and Malaysia organized an Islamic summit in Kuala Lumpur without Saudi Arabia, which feared a rival bloc of Muslim countries outside the OIC, which it heads. Pakistan’s Prime Minister Imran Khan had planned to attend the event but backed out at the last minute due to Riyadh’s insistence. However, some geopolitical re-alignments have also helped revive Saudi-Pakistan relations.

As Sebastian Sons, a researcher at the Center for Applied Research in Partnership with the Orient in Bonn, told Al-Monitor, “The current thaw in relations between Saudi Arabia and Pakistan is based on the general calculation of the kingdom to promote closer cooperation with regional partners amid rising tensions with the United States. Against this backdrop, Pakistan still serves as a key partner, traditional ally, and a potential security provider in times of regional stability.”

Ever since the Taliban government in Kabul took power, Riyadh has moved closer to Pakistan to gain some influence in Afghanistan. If there is any terror spillover from Afghanistan, the kingdom leans on Islamabad to remain relevant in Kabul without any active role. Meanwhile, Islamabad’s trade and military ties have improved a great deal with Tehran in the last few years. Consequently, a stronger Saudi economic foothold in Pakistan might prevent it from moving closer to Iran. Finally, Sons said, “Saudi Arabia has intensified its political, security and economic partnership with Pakistan’s main rival India, which has also widened the rift between Riyadh and Islamabad."

India has become Saudi Arabia’s fourth largest trading partner and the main source of its oil imports, with bilateral trade around $27 billion annually. Hence, Sons said, "Saudi Arabia needs to follow a balancing act in order to preserve close ties with both India and Pakistan. In this regard, the current investments need to be considered as part of the balancing efforts.” (Al-Monitor 03.04)

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* 1. EGYPT: Egyptian Chip Designers Aren’t Letting A Good Crisis Go To Waste

While the global semiconductor shortage has posed a threat to many businesses working in electronics assembly and manufacturing, there’s a sector that has been flourishing due to the current situation. Semiconductor chip design — a sector that has many players in the Egyptian market — has seen increased growth prospects as electronics companies abroad try to ensure that they have a viable semiconductor scene within the company or through outsourcing. [Enterprise](https://enterprise.press/) spoke to a number of these semiconductor companies to judge the appetite for the local sector and the challenges they face to reach their full potential.

**The Egyptian chip design industry is getting a boost from the increased demand:** Vidatronic — a US firm which has an office in Egypt specializing in creating semiconductor IPs for companies abroad — has seen demand for its services increase since the chip shortage started, Director of Design Engineering Sameh Ibrahim told Enterprise. “The added interest in semiconductor design globally has put more focus on Egypt due to the high quality of engineers we have,” he said. Vidatronic has clients such as Samsung, and more recently Intel Foundry Services (IFS) as part of its IFS Accelerator - IP Alliance.

**So much so that new players are entering the semiconductor design market:** At least three new chip design companies are launching in Egypt in the coming period, Ibrahim told Enterprise. One of these companies is InfiniLink, which came on the back of the chip shortage driven by the huge demand for engineering talent who can build those chips, Co-founder and CTO Botros George said. InfiniLink is an independent semiconductor design company that is being launched in partnership with MediaTek — one of the largest fabless semiconductor companies in the world, Co-founder and CEO Ahmed Aboul Ella explained. The company will begin working with its customers to build next-generation connectivity chips for hyper scale data centers and enterprise application-specific integrated circuits (ASICs). “There’s a lot of room in the semiconductor space to create value at the moment, especially if you have the know-how,” Aboul Ella said.

**Will VCs jump on this new space?** There’s a big chance they will, Pearl Semiconductors Vice President of Marketing & Business Development Mostafa El Khouly told Enterprise. Pearl – which is backed by Sawari Ventures and Si-Ware Systems — has seen interest in the field grow since the semiconductor shortage showed the importance of investing in hardware. “For a long time, the focus was on software, but this software is also running on necessary hardware,” Botros said.

Globally, investors are funneling billions of dollars into startups that design chips, especially for AI-powered applications. In 2021, these startups secured an estimated $9.9 billion in VC funding, more than triple the total funding for AI chip startups in 2020, according to research from PitchBook Data.

Brain drain is the biggest challenge facing the local industry, the industry figures we talked to agreed. The expansion of the chip sector is a worldwide phenomenon and the demand for Egyptian engineers has increased. The compensation packages offered to engineers by overseas companies are far larger and local firms often can’t compete, they said. Egyptian chip design companies offer competitive salaries and other benefits such as stock options, but many engineers still opt to travel to countries such as Ireland and Germany, El Khouly and Ibrahim said. This increases the cost for local firms who need to restart the hiring process and train new employees due to high turnover.

Nonetheless, there’s a lot of optimism for the field going forward, especially in light of the government’s focus on digitizing parts of the economy. Egypt’s digital transformation agenda in recent years has seen the government make their services available online, increase investments in data centers and upgrade the digital infrastructure, to name a few. (Ent 03.04)

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* 1. EGYPT: Egypt Strengthens Ties with Rwanda Amid Nile Dam Crisis

Muhammed Magdy observed o 5 April in [Al-Monitor](https://www.al-monitor.com) that Egyptian-Rwandan relations are currently witnessing rapprochement, as Cairo expands its influence in the Nile Basin to put more pressure on Ethiopia over its controversial Nile dam.

Egyptian President Abdel Fattah al-Sisi received on 26 March his Rwandan counterpart, Paul Kagame, in a visit that Egyptian officials and observers believe is an important step toward repositioning Cairo in the Nile Basin region and which constitutes another factor of pressure on Ethiopia amid the ongoing crisis over the latter’s controversial Grand Ethiopian Renaissance Dam (GERD). The two leaders had a private discussion followed by talks between delegations from the two countries. Sisi and Kagame then attended the signing of memoranda of understanding between their countries in the fields of diplomatic training, youth and sports, museums and information technology.

According to a statement by the office of the Egyptian Presidency, Sisi stressed during the meeting with Kagame Egypt's keenness to consolidate strategic cooperation with Rwanda in various fields and form a joint committee between the two countries as soon as possible. The statement said that the two presidents agreed on the importance of engaging in a constructive and effective dialogue to boost strategic cooperation between the Nile Basin countries and achieve comprehensive development for all the peoples of the region.

They further discussed the GERD issue and agreed to intensify coordination between the two countries during the coming period on this sensitive and vital issue. Sisi also stressed the "necessity of reaching a binding legal agreement on filling and operating the dam within an appropriate time frame, in a way that enhances regional security and stability.” Speaking at a joint press conference in Cairo, Kagame described his talks with Sisi as very fruitful, adding that the memoranda of understanding that were signed are based on the long-term relations between Egypt and Rwanda.

Abbas Sharaki, professor of geology and water resources at Cairo University, told Al-Monitor that Egypt has been building economic and development cooperation with the Nile Basin countries after restoring its political and diplomatic presence, noting that Rwanda has witnessed significant economic growth in recent years. The Egyptian-Rwandan economic ties enjoy the advantages of the Common Market for Eastern and Southern Africa (COMESA), as Rwanda is one of the countries that have implemented a 100% reduction of customs fees. Egypt’s and Rwanda’s trade exchange was worth $23.4 million in 2018 compared to $16.93 million in 2017.

In January 2021, Egypt activated the African Continental Free Trade Area (AfCFTA) agreement. The volume of trade exchange between Egypt and the COMESA countries recorded $3 billion in 2020, equivalent to about 60% of the total value of Egyptian trade exchange with the African continent during the same year, according to the Egyptian Cabinet’s Information and Decision Support Center. Kagame added during the joint press conference that taking advantage of the AfCFTA agreement to create opportunities for young entrepreneurs is essential to the sustainable development of the continent. “The (coronavirus) pandemic has reminded us of the importance of interdependence and that no country deals with any crisis alone; we must identify new areas of cooperation,” he noted.

In December 2021, Egypt began establishing the Magdi Yacoub Heart Center in Rwanda, as part of Cairo's plan to expand the health sector in Central Africa. Amani al-Taweel, director of the African program at Al-Ahram Center for Political and Strategic Studies, told Al-Monitor that Kagame may play a role in resolving the GERD crisis, as he has great influence in the East African region and is on good terms with Ethiopia, not to mention his significant African statute given his projects to develop the African Union. “This visit was an important breakthrough for Egyptian relations with African countries and an Egyptian repositioning within the Nile Basin region,” Taweel pointed out.

With the end of late Egyptian President Hosni Mubarak’s rule, Egypt had lost its influence in the Nile Basin region. In 2010, Ethiopia signed with the countries of Rwanda, Uganda, Tanzania, Burundi and Kenya the Entebbe Agreement (also known as the Cooperative Framework Agreement) to re-share the water, which Egypt and Sudan rejected. Then, in 2011, Addis Ababa started building the GERD, resulting in a crisis with Egypt and Sudan.

However, with Sisi assuming power in 2014, the Egyptian policy toward Africa shifted, as he tried to polish Cairo’s image and work to protect its water interests in the Nile Basin to strengthen its position on the GERD issue. Taweel believes that the main problem Egypt was facing in its relations with the Nile Basin countries was the incitement practiced by Ethiopia against it against the backdrop of the GERD crisis. “However, Cairo was partially able to overcome this incitement against it through consolidating its economic and security ties in South Sudan, Uganda, Congo, Djibouti and now Rwanda, and possibly Somalia soon,” she noted. "In 2021 alone, Cairo signed security and military agreements with Uganda, Burundi, Kenya, Sudan and Congo. Egypt is using all economic, developmental and military tools to reposition itself in the Nile Basin region, mainly for economic reasons, and to protect its interests in a sustainable manner, mainly with regard to the GERD and the Entebbe Agreement.” Taweel explained that Egypt is carrying on with such actions in the region with the aim of exerting pressure on Ethiopia on its direct surroundings, through the AU, which is now sponsoring the GERD negotiations.

Meanwhile, Sharaki noted that Egypt needs support from the Nile Basin countries for its vision. “Such close ties will lead to a review of the Entebbe Agreement to reach a compromise, where Egypt and Sudan would negotiate joining the agreement.” Rwanda and Burundi are seeking to build the Akanyaru Multipurpose Dam on the Nyabarongo River, which flows into Lake Victoria, with a capacity of 333 million cubic meters. Sharaki explained that building a dam in that area has a very limited impact, as the flow of the river coming from that area does not exceed 2 billion cubic meters. “Egypt does not oppose the construction of dams as long as there is coordination and Cairo may offer to help in its construction,” he said.

During a meeting in Cairo on 2 March with EU Special Representative for the Horn of Africa Annette Weber, Egyptian Minister of Irrigation and Water Resources Mohamed Abdel Ati said that Egypt does not object to building dams in the Nile Basin countries, as there are more than 15 dams, some of which Egypt helped build. He stressed that reaching an agreement on the GERD would pave the way for regional cooperation and integration.

Meanwhile, the GERD negotiations have been stalled since April 2021, and Ethiopia has begun preparing for the third filling in July. On 18 March, the Sudan Tribune reported that the United Arab Emirates was mediating among Sudan, Egypt and Ethiopia in a bid to solve the dam crisis, noting that delegations from the three countries met in Abu Dhabi to discuss outstanding issues, without revealing the results of these meetings.

The head of the Sudanese Sovereign Council, Lt. Gen. Abdel Fattah al-Burhan, said during his visit to Cairo on 30 March that his country is now optimistic about the GERD issue, noting that Sudan hopes to reach common understandings between the three countries soon. William Davison, a senior analyst at the International Crisis Group, told Al-Monitor that the differences and the deteriorating ties between Ethiopia and Sudan as well as the political situation in both countries do not allow for any progress in terms of negotiations over the GERD. “Senegal, which currently chairs the AU, ought to try to resume negotiations, perhaps with the presence of observers from the US and the EU, in the hope that the three countries would try once again to reach a kind of consensus on an agreement over operating the dam, especially during drought periods,” Davison noted. (Al-Monitor 05.04)

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* 1. TUNISIA: IMF Staff Statement on Tunisia

On 30 March, the IMF announced that an International Monetary Fund (IMF) mission visited Tunis on 23–25 March and had constructive discussions on the Tunisian authorities’ reform program. The discussions also covered the impact of the war in Ukraine, which poses important challenges for the entire world and for Tunisia, right at the moment that the country is emerging from the pandemic.

Tunisia is facing major structural challenges that result in deep macroeconomic disequilibria, a weak growth in spite of its strong potential, a high unemployment rate, weak investment, and social inequality. The impact of the pandemic and the war in Ukraine are now adding to these structural challenges.

The authorities’ program aims to overcome these challenges in a durable and equitable way. In the short term, it aims to mitigate the impact of the war in Ukraine, while in the medium term, to assure stronger, durable inclusive growth and social protection. In that context, the program seeks to create fiscal space for public investment and increase social protection.

The IMF considers that a conscientious reduction of the fiscal deficit through equitable taxation reform, strict control over the public sector wage bill, better targeted subsidies, and deep reforms of state-owned enterprises are necessary to restore macroeconomic stability, as well for improving the efficiency of state-owned enterprises, and strengthening the competitiveness of the Tunisian economy. Initiatives aimed at enhancing competition and the business climate are also critical to unlock the country’s potential growth and job creation.

The IMF supported Tunisia when it was coping with the COVID-19 pandemic in a particularly difficult global environment. At this moment we continue to stand by the side of the Tunisian authorities in their efforts to advance economic and social reforms to the benefit of the population. In this context, the mission has made further progress in the technical discussions with the Tunisian authorities. (IMF 30.03)

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* 1. TUNISIA: Tunisia's Future Darkens With Dissolution Of Parliament

On 5 April, [Al-Monitor](https://www.al-monitor.com)'s Stephen Quillen observed that Tunisian President Kais Saied’s orders to dissolve parliament and investigate its members for “conspiracy” have pushed the country into deeper political turmoil and raised fears of a budding autocracy.

What lies ahead for the country’s political system — and whether it will restore its democratic institutions or continue on a path toward one-man rule — will likely hinge on the ability of civil society and other political players to mediate a resolution, as well as Saied’s ability to maintain public support amid a stumbling economy, analysts say. The Tunisian president issued a decree to formally dissolve the legislative body, which has been suspended since July after its members voted to revoke “exceptional powers” the president gave himself eight months ago. Saied also threatened judicial action against the deputies, accusing them of “conspiracy against the state” by holding an “illegal” meeting.

The Tunisian Constitution gives Saied no mandate to issue such a decree and explicitly states that parliament cannot be dissolved if the president holds “exceptional powers.” However, Saied justified the decision under a separate constitutional article, which says the president is responsible for guaranteeing the state’s “independence and continuity” and ensuring “respect for the constitution." “We must protect the state from division. … We will not allow the abusers to continue their aggression against the state,” Saied said in an address to the Tunisian people.

Tunisia’s crisis escalated on 1 April when the anti-terror brigade summoned at least seven parliament members, including parliament speaker Rached Ghannouchi, for investigation, a move the International Court of Justice called a “travesty.” More than 20 additional parliament members have received subpoenas, according to Ghannouchi, and the justice minister has called for even more to be investigated. “If it was not clear already, Kais Saied’s moves to put half of the parliament on trial for treason and conspiracy should reveal to all his authoritarian ambitions,” Sharan Grewal, a professor at the College of William & Mary who focuses on the Middle East and North Africa politics, told Al-Monitor. “He has never been committed to the constitution.”

Tunisia analysts and watchdogs said the developments are putting the country’s young democracy in further peril, eight months after the president stunned the political class by ousting the government, suspending parliament and giving himself overarching powers. “Tunisia has clearly taken an authoritarian turn, and Saied’s recent moves only deepen these concerns,” Lamine Benghazi, programs coordinator of Lawyers Without Borders, told Al-Monitor. Saied “has consistently exhibited a tendency toward executive aggrandizement, increasing his powers in violation of the constitution,” added Grewal.

Rights groups previously warned of a rise in repression of journalists and activists, a hallmark of the regime of longtime dictator Zine El Abidine Ben Ali. "A police and security mentality is running the state. … Tunisia has become a country that suppresses freedoms,” Yassine Jelassi, head of the Tunisian National Journalists' Union, said at a press conference in January.

Saied, a political outsider who won in a landslide election victory in 2019 on promises of curbing corruption, has enjoyed strong public backing even while consolidating his power. In July, many Tunisians applauded his decision to freeze the widely unpopular parliament, which was often mired in embarrassing scandals and brawls and was too gridlocked to pass legislation. Since then, parliament has remained on the sidelines, while Saied has used his expansive powers to reshape the government and chart a new political vision by attempting to overhaul the 2014 Tunisian Constitution.

After months of “keeping a low profile,” Tunisia’s parliament finally attempted to reclaim its place on the political scene, Saida Ounissi, a deputy with the moderate Islamist Ennahda party who attended Wednesday’s online plenary session, told Al-Monitor. “We tried to find other ways to reach out to the president … but after his refusal to engage in dialogue with anyone, it was important for parliament to regain its role in helping to manage the crisis,” said Ounissi.

The chamber’s plenary session, held via video conference, had been planned behind the scenes for more than a month and drew deputies from across the political spectrum in a rare show of unity from the disparate forces. One-hundred and sixteen out of 120 participating parliament members voted to repeal Saied’s “exceptional measures” in a strong public rebuke of the president’s eight-month rule by fiat. “We finally found enough common ground in our opposition to Saied to rally together. The success of the plenary is the result of Saied’s failure to be a leader of any sort,” said Ounissi. There were signs that government forces were threatened by the vote and had mobilized to try to stop it, parliament members said.

Just before the session was due to begin Wednesday afternoon, online video platforms Microsoft Teams and Zoom went down in Tunisia, forcing deputies to delay the session and switch to another site. Parliament’s official webpage was also reportedly inaccessible during the afternoon, drawing the suspicion of government interference. Technology Minister Nizar Ben Neji denied the government had disabled any communications applications.

While parliament’s vote was largely symbolic, it shows that more political parties — including those that once supported Saied — are changing their tune and growing more confrontational. Saied’s order to dissolve parliament puts even more question marks on the country’s political future. Ghannouchi rejected the move and said the chamber should still be considered “operational” because Saied does not have the authority to dissolve it. Other parliament members and civil society groups said the president must hold snap parliamentary elections to replace the body within three months, as required by the constitution. Saied has balked at both views, saying he will carry on with a plan to reform Tunisia’s Constitution and wait until December for a parliamentary poll.

So far, the president has kept details of his reform plan under wraps, but he previously advocated for changes that would strengthen the presidency. These include installing local councils to decentralize the power of parliament and clipping the wings of “corrupt” political parties. In the coming months, a committee of Saied’s favored experts will write the proposed reforms to be put to a national vote on 25 July.

Grewal expects whatever new system the president creates to be “one in which the presidency wields significant power.” “Regardless of what happens to the parliament and political parties in the new system, the most likely outcome is a shift to a presidential system — a worrying trend for all who opposed the strong presidentialism of Ben Ali,” he said. While Saied remains popular, there appears to be little interest in his project. Less than 10% of eligible Tunisians participated in an online survey he initiated to gather public input in a blow to the process’s credibility. With the economy sinking and prices on the rise, many are beginning to tire of his focus on rewriting the constitution.

“We are suffering more and more as prices grow higher and higher,” Alaa Kadri, a teacher in the central town of Sidi Bouzid, told Al-Monitor. "Many of us lack basic needs and food staples such as flour, sugar, grain and even oil to cook.” Grewal said that “civil society organizations, despite their frustrations with Saied, are trying to set themselves up as the ‘neutral’ arbiters between the president and the opposition.”

Saied met with UGTT head Noureddine Tabboubi on 1 April, and the two agreed on the need for a “partnership” to chart a way out of the crisis, Tabboubi said. But to what extent Saied is willing to make concessions — even amid mounting criticism at home and abroad — remains to be seen. “Even if political parties, civil society and international donors all unify around a demand of restoring democratic institutions, and public opinion turns on Kais Saied (both of which are tall tasks), that still may not be enough,” said Grewal. He added, “It ultimately depends on Kais Saied: Will he agree to negotiate, or will he escalate into even greater repression? We just don’t know. His personality and behavior will ultimately make or break Tunisian democracy. (Al-Monitor 05.04)

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* 1. CYPRUS: Staff Concluding Statement of the 2022 Article IV Mission

An International Monetary Fund (IMF) mission met virtually with the Cypriot authorities from 11–28 March to discuss recent economic developments and policy priorities. At the conclusion of the visit, the IMF mission chief for Cyprus, made the following statement:

The key near-term challenge is to calibrate a policy response to the economic fallout from the war in Ukraine. With automatic stabilizers allowed to operate, the 2022 budget provides sufficient fiscal support in the baseline. But additional discretionary support may be needed if the impact of the shock is larger than expected; such support should be temporary, targeted, and not hinder reallocation of labor to expanding sectors. In the medium-term, a gradual fiscal adjustment should aim to rebuild buffers by bringing the budget close to balance by 2024. To reduce financial vulnerabilities, the mission recommends a more forceful implementation of the existing deleveraging strategy: removing uncertainties in the implementation of the foreclosure framework; improving the working environment for credit acquiring companies; and using examinership and restructuring tools for viable business. Structural reforms—to strengthen governance, make the judicial system more efficient, and address skills gaps and mismatches and infrastructure gaps—are key to improve growth prospects.

**Context and Outlook**

**1. Despite a reduction in exposures to Russia, Cyprus is highly vulnerable to the economic fallout from the war in Ukraine.** Output and employment returned to pre-COVID levels last year (and COVID-related policy support has largely been phased out), but tourism has not fully recovered, and the sector is highly dependent on arrivals from Russia (about 20% of the total). The pandemic has had a limited impact on private balance sheets overall, but it appears to have weakened the financial position of some debtors, which may deteriorate further with the war-related shocks. The direct impact on the financial sector from sanctions will likely be limited given that exposures to Russia have diminished since the financial crisis and even more so after winding down operations of RCB Bank.

**2. Growth will slow sharply before recovering in the medium term.** Growth is projected to slow from 5½% in 2021 to around 2% in 2022 reflecting mainly the impact of the war and sanctions on export of services (including indirect from slower growth in Europe), and the negative terms-of-trade shock from higher energy and food prices. The recovery should regain momentum in 2023 if the situation normalizes, and it is projected to continue in the medium term with potential growth gradually increasing (from 2½% to about 3% by 2027), supported by investments and structural reforms in the Recovery and Resilience Plan. Inflation is expected to rise this year and then start declining but will remain elevated in 2023 and beyond given the prolonged pass-through.

**3. Risks are tilted to the downside.** The key risk is an escalation and longer duration of the war and the sanctions. Additionally, uncontrolled COVID outbreaks could lead to new lockdown measures, further disrupting the recovery of services and external demand. Globally, an abrupt monetary tightening in advanced economies could cause fiscal distress due to a rise in risk premia and undermine fiscal sustainability. Additionally, higher-than-expected credit default rates could strain banks’ balance sheets and disrupt credit supply.

**Gradually Rebuilding Fiscal Buffers**

**4. Fiscal policy should continue providing support as needed but aim to gradually rebuild buffers.** Fiscal policy was able to support the economy during the pandemic thanks to buffers built since the financial crisis. There is room, if needed, to provide further support in the face of the war-related shocks (especially considering a stronger-than-expected fiscal position last year, with the deficit declining to 1¾% of GDP from 5¾% in 2020). But given the post-pandemic elevated public debt level (104% at end-2021), policy should aim at restoring buffers through a gradual fiscal adjustment. The government fiscal target of a ¾% of GDP surplus in 2024 is consistent with this strategy but achieving it might be challenging given the war-related shocks.

**5. This year’s budget provides sufficient support, but policies may need to be adjusted as more clarity emerges on the impact of the war-related shocks.**

* Automatic stabilizers should be allowed to operate fully. Given that Cyprus has a robust social safety net based on a Guaranteed Minimum Income scheme, automatic stabilizers will, by themselves, cushion the most vulnerable from the impact of the shock.
* Additional discretionary support may be needed if the shock (or its impact) is larger or longer-lasting than expected. Additional discretionary support should be temporary, targeted, and not hinder reallocation of labor to expanding sectors. Such support could be provided by further strengthening the social safety net (e.g., by extending unemployment benefits and tying them to labor market activation and job search requirements), which could be accompanied by scaling up active labor market policies. There may be a need to provide support to viable businesses affected by the war-related shocks, especially in tourism. But such support may be less needed if growth in other segments or sectors absorbs idle workers.
* Cushioning the impact of higher energy prices. The mission recommends stricter targeting through temporary transfers and avoiding pushing the cost of protecting households onto the energy sector.

**6. Medium term fiscal adjustment to rebuild buffers will require maintaining strict fiscal discipline.** Key challenges are keeping the public sector wage bill under control and strengthening finances of the National Health System (NHS). The NHS has safeguards to ensure its financial viability, but the authorities should address irregularities emerging in the system and continue with the plan to ensure financial self-sufficiency of public hospitals by [2024]. While controlling spending should be sufficient to reach the budget targets, reinstating the immovable property tax would help offset spending pressures in case they prove larger than in the baseline. The additional tax revenues could alternatively be used to scale up public investment to address growth bottlenecks.

**7. Funds from the Next Generation EU (NGEU) should smooth the adjustment and support an economic transition.** The total budget of Cyprus’s RRP amounts to €1.2 billion (over 5% of 2021 GDP). The RRP is expected to play a key role in implementing pro-growth reforms and facilitating the transition towards a greener, digital, and more sustainable economy. Absorption could be challenging though and would be helped by strengthening public investment management.

**Safeguarding Financial Stability**

**8. Financial system has stayed resilient, but challenges remain.** The impact of the pandemic on banks has been contained, with liquidity staying high and capital ratios broadly stable. But, despite recent declines, ‘stage 2’ loans—performing exposures with significantly deteriorated credit quality—have remained elevated post-pandemic. Banks have made significant progress in offloading legacy NPLs but resolving these NPLs—now residing mostly in credit acquiring companies (CACs) and the public asset management company (KEDIPES)—has been slow.

**9. The worsened outlook calls for enhanced monitoring and addressing asset quality.** Banks have been actively restructuring loans post-pandemic, but the problem loans appear to be concentrated in tourism-related sectors, which will likely be most affected by the war-related shocks. In addition to risk monitoring, the use of insolvency tools will be key to enable timely restructuring of viable businesses in financial difficulties. This includes timely implementation of the EU Directive on Preventive Restructuring and Second Chance.

**10. Resolving legacy NPLs requires more forceful implementation of the existing tools.** An effective foreclosure framework remains critical for addressing strategic defaulters and providing incentives for borrowers to engage in restructurings. A weakening of the framework would obstruct NPL resolution and pose risks for financial stability and, in this context, any uncertainties arising from the implementation of the 2019 amendments of the Foreclosure Law should be addressed. Further improvements to the working environment for CACs, including their access to the land registry database, are also important for effective NPL workouts, while their oversight should continue to be strengthened.

**11. Support measures to protect living conditions of vulnerable borrowers should be well-targeted.** As an alternative to foreclosure, the authorities plan to transfer primary residences and business premises with a market value below €350,000 used as collateral to NPLs (after performing a debt-to-asset swap) to KEDIPES, and introduce a subsidized mortgage-to-rent scheme for vulnerable borrowers. To avoid further weakening credit discipline, the scheme should be limited to the most vulnerable households strictly on a means-tested basis. Other safeguards should include making the support time bound; a robust transfer pricing mechanism to minimize fiscal costs and risks; and a strong governance framework with emphasis on transparency and accountability.

**Structural Reforms and Green Transition**

**12. The RRP offers an opportunity to press ahead with reforms to address impediments to growth.**  Competitiveness indicators show that Cyprus has a relatively dynamic business sector, and flexible labor and product markets. But weaknesses in governance, skills gaps and mismatches, and digital and infrastructure gaps weigh on growth prospects. The RRP includes reforms to enhance the rule of law (recruiting and training judges and improving processing with a view to gradually reducing the backlog of cases); control of corruption (including the recently passed legislation on whistle-blower protection and a new independent anti-corruption agency); and government efficiency (promoting e-government, the long outstanding public service reform, and steps toward administrative decentralization). The measures to address skills gaps and mismatches include improving teaching quality, enhancing digital skills at all levels of education, and strengthening vocational education. The plan also includes public investments in digital infrastructure and steps to improve the functioning of the e-communications market. The mission recommends faster implementation of these well-targeted reforms.

**13. The mission discussed plans to achieve Cyprus’s ambitious emissions reduction target.** The authorities target a reduction of 32% for the sectors not included in the EU Emissions Trading Scheme (ETS) by 2030 (relative to 2005). To achieve the target, Cyprus aims to reduce energy dependency and enhance energy efficiency by promoting electricity generation from cleaner sources, improving electricity connectivity, increasing energy efficiency in the residential sectors, and enhancing public transport. The government also plans to introduce a carbon tax on fuels used in non-ETS sectors. The planned measures would go a long way toward meeting the target, but financing needs to be identified and additional measures (such as fee-bates) may be needed to fully achieve it. (IMF 30.03)

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* 1. GREECE: Staff Concluding Statement of the 2022 Article IV Consultation Mission

The IMF announced on 31 March that an [International Monetary Fund](http://www.imf.org/) mission conducted a hybrid mission to Greece during 17-31 March in the context of the 2022 Article IV consultation.

**1. The Greek economy recovered strongly from the severe COVID-19-induced recession in 2020.** Output returned to its pre-pandemic level in 2021, reflecting a faster-than-expected tourism recovery, rising private consumption as households started to unwind pandemic-related savings, and robust private investment supported by surging foreign direct investment. The strong fiscal response, accommodative monetary policy and prudential policies, and sizable EU support have been key to fostering the recovery.

**2. Commendable progress has been achieved in addressing crisis legacies despite the challenging environment**. Nonperforming loans (NPLs) have declined sharply under the ‘Hercules’ program, and liquidity of the banking system has notably improved. Unemployment has declined steadily. Reforms progressed in several areas, including digitization, privatization, and improving the fiscal policy mix. The authorities are finalizing the early payment of all outstanding IMF credit (€1.8 billion), which will further reduce gross financing needs and rollover risks.

**3. Growth is expected to remain robust despite the adverse impact of the war in Ukraine and high inflation.**  Notwithstanding sizable energy imports from Russia, other direct trade and financial linkages with Russia and Ukraine are limited. Indirect effects through spillbacks from trading partners and the impact of higher inflation on disposable income and consumption are more substantial. Further, elevated risk aversion and weaker consumer confidence are expected to delay investment and dent the tourism recovery. All combined, these factors are expected to reduce growth this year by a full percentage point to 3.5%. Stronger and more persistent energy price growth is expected to push up average inflation to 4.5% in 2022, before it settles at 1.9% over the medium term.

**4. Uncertainties and downside risks continue to cloud the outlook.** The war in Ukraine could trigger energy shortages and add stronger-than-expected pressures on domestic inflation, tourism, and risk aversion, and prompt a faster tightening of global financial conditions. Other risks include new waves of COVID-19 infections causing economic disruptions and NGEU grant and loan implementation risks. While the continued supportive stance by the ECB is a mitigating factor, spending pressures and unfunded tax cuts could jeopardize the medium-term fiscal adjustment path, increasing public debt and widening spreads.

**5. Public debt is expected to decline and rollover risks appear manageable over the medium term.** The debt-to-GDP ratio is expected to drop below pre-pandemic levels by 2023, reflecting robust growth, fiscal adjustment, and higher inflation amid the very large share of fixed-rate and long-maturity debt. Though the overall risk of sovereign stress is moderate, considerable uncertainty remains about Greece’s ability to sustain high primary surpluses and the future path of interest rates once Greece starts to replace official financing with market funding. Despite the government’s large cash buffer and active liability management, Greece’s ability to service its debt under a severe shock depends on continued regional support.

**6. The mission recommended maintaining an accommodative fiscal stance in 2022 and reaching a primary surplus in 2023.** The mission supported phasing out all pandemic‑related temporary measures by end-2022. It suggested targeting a primary deficit below 2% of GDP this year, which implies an accommodative underlying fiscal stance. This stance is appropriate given the negative output gap as the handover from public support to private activity remains incomplete. The mission recommended aiming for a primary surplus in 2023 while accommodating downside risks through automatic stabilizers. Support measures for high energy prices should be temporary and targeted at vulnerable groups while allowing a gradual pass-through of higher prices to consumers. Greater priority should be given to addressing coverage gaps in the means-tested Guaranteed Minimum Income scheme and raising its benefit levels at least in line with inflation so that it can become the “go-to” safety net against adverse shocks like the ongoing energy crisis.

**7. The fiscal adjustment should be gradual and growth friendly.** The mission recommended a gradual consolidation path to achieve a primary surplus of 2% of GDP by 2027, underpinned by credible measures. Plans for permanent cuts in social security contributions and in the solidarity tax for all taxpayers should be reversed, as they shift the burden to future generations and are poorly targeted, or at least fully funded through benefit adjustments respectively base‑broadening measures. The mission welcomed improvements in the fiscal mix achieved during the pandemic, notably higher health care spending and public investment, and emphasized that these gains should not be sacrificed to achieve consolidation targets. Instead, spending pressures on pensions and civil service wages should be contained, including by respecting the pension freeze this year and the indexation formula from next year onwards. There remains ample scope to improve the fiscal policy mix further by phasing out transfers to public enterprises and fuel subsidies over the medium term and tackling tax evasion by the self-employed to make room for critical social spending and recurrent investment needs once NGEU funding ends. Accelerating fiscal structural reforms would facilitate these efforts.

**8. The mission welcomed the rapid clean-up of the balance sheets of major banks, but challenges remain.** Following the successful securitization of NPLs, risks have largely migrated to the non-bank financial sector and to a lesser extent to the state. However, progress in NPL workout has remained limited. Further reduction of the distressed debt overhang and NPLs should come from implementing the new insolvency law, improving banks’ credit risk management frameworks, and developing viable long-term restructurings. The authorities should closely monitor risks stemming from new NPL inflows once policy measures are fully withdrawn, ensure adequate credit classification and provisioning, and supervise risks arising from credit servicers active in the distressed debt market.

**9. More efforts are needed to rebuild banking sector resilience.** Capital used to absorb losses from NPL securitizations needs to be replenished to ensure adequate buffers to mitigate future shocks. In the short term, this may require share capital increases and stronger structural capital buffers. The authorities should prepare a conditions‑based roadmap to activate cyclical capital buffers and borrower-based measures over the medium term. The authorities should work with European partners to address the high share of deferred tax credits (DTCs) in bank capital. Supervisors should ensure that banks effectively adapt their business models to restore sustainable profitability amid increased Fintech competition and climate-related financial risks and that banks meet their substantial funding needs over the medium term.

**10. Past structural reforms have helped Greece weather the COVID-19 crisis and facilitated a job-rich recovery.** Resilient goods exports have cushioned the hard‑hit tourism sector, and Greece’s external position recovered in 2021, but remained moderately weaker than a level consistent with medium-term fundamentals and desirable policies. The mission encouraged the authorities to pursue a prudent minimum wage increase that preserves competitiveness gains. The authorities’ Recovery and Resilience Plan offers a good reform blueprint, but implementation will be key to modernize the public employment agency, enhance digital skills, and align vocational education and training with the needs of the labor market. Raising convergence prospects requires more efficient public investment management, sound governance, transparency, and a more business-friendly environment. The mission called on the authorities to protect the independence and credibility of the statistical agency and its staff, making every effort to uphold the “Commitment on Confidence in Statistics” endorsed by the government in 2012.

**11. The mission commended Greece’s commitment to climate-friendly policies, which requires strengthening social protection to facilitate the green transition**. The draft Climate Law sets ambitious goals supported by a substantial boost in green investment, partially financed by NGEU resources. As climate change and climate policies would disproportionately affect vulnerable groups, the mission considered a strong social safety net as a critical part of the adaptation strategy. Introducing a new carbon tax and gradually increasing it over time could also be considered to finance targeted transfers and green investment. (IMF 31.03)

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* 1. MALTA: Malta Election Signals Continuity, but Fiscal Challenges Rise

[Fitch Ratings](http://www.fitchratings.com/) on 4 April observed that the re-election of Malta’s (A+/Stable) governing center-left Labour party should result in economic policy continuity. However, the challenge posed by higher energy prices and a weaker economic outlook coupled with spending promises mean we expect little fiscal consolidation and very gradual deficit reduction.

Labour secured its third consecutive win over the Nationalist party on 26 March, winning 55.1% of the popular vote. Robert Abela remains prime minister and Labour will govern alone under Malta’s two-party political system. The result may reflect the government’s management of the pandemic. The 2020 recession was deep, with real GDP contracting by 8.3%, but significant fiscal support helped the economy bounce back in 2021, growing 9.4%. One of the world’s highest vaccination rates allowed a relatively moderate response to the Omicron variant.

Key campaign promises point to loose fiscal policy over the next five years. The government plans to cut personal and corporate income tax burdens through various incentives and benefits. Already before the elections it announced help for households coping with rising inflation, which will cost an additional €70 million, 0.5% of GDP, this year. Labour’s flagship investment project focuses on environmental regeneration in urban areas at a cost of €700 million (4.6% of GDP) over several years.

Pressure to end Malta’s Citizenship by Investment (CBI) program has intensified after the EU-wide sanctioning of Russian individuals and businesses. The European Parliament recently voted to support the termination of golden passport schemes by 2025 and the scheme is subject to infringement procedures by the European Commission. Applications from Russian and Belarusian nationals have been suspended. We estimate that revenues from the scheme were 0.5% of GDP in 2021, down from 0.8% from 2020.

We estimate the 2021 fiscal deficit was 8.3% of GDP, close to our November forecast of 8.4%. Cash-based data from Malta’s statistical office indicate a central government fiscal deficit of 8.6% of GDP (2020: 11.2% in cash terms), while adjusted Eurostat figures indicated a 9M21 general government deficit of 8.2%. Strong revenue growth means revenues now exceed pre-pandemic levels, but this was largely offset by continued double-digit expenditure growth.

Fitch now expects the fiscal deficit will narrow more gradually in 2022, to 7.0% of GDP, compared to November’s 6.1% forecast. Solid nominal growth and a strong labor market should continue to support government revenues and COVID-19 support measures will be further phased out. But we assume a fiscal buffer of 1.4% of GDP in the 2022 budget will now be fully used responding to higher energy and food prices. We expect public debt to reach 61.2% in 2023, below 2011’s peak of 70%, illustrating Malta's pre-pandemic record of fiscal prudence. We have not yet factored election promises into our deficit and debt projections.

We have lowered our growth forecast to 4.6% from 6.1% for 2022, incorporating 2021’s better-than-expected recovery but also the anticipated dampening of private consumption from higher energy and food prices. Nevertheless, the continued recovery of private consumption following the pandemic, amid high household savings and further recovery in international tourist arrivals, will underpin growth. The prime minister has announced the end of remaining COVID-19 restrictions ahead of the summer tourism season.

Direct trade exposure (including tourism) to Russia, Belarus and Ukraine is limited, but Malta is highly exposed to international energy prices. Malta’s annual inflation rate was the EU’s lowest in 2021 at 0.7% as domestic energy purchases were hedged or tied to medium-term contracts while higher prices for services were masked by lower HICP weights in the inflation calculation. We forecast inflation to rise to 3.5% in 2022 as energy contracts expire, HICP weights are adjusted and producer price rises accelerate. (Fitch 04.04)

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