

**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. Knesset Dissolves Itself and Sets New Elections for 1 November

On 30 June, Israel's Knesset voted on its dissolution, triggering what will be Israel's fifth elections in three years. The vote, carried 92 to 0, officially dissolved parliament's session, setting Israel's next general elections for 1 November 2022.

Bennett had formed an eight-party coalition in June 2021, after four successive inconclusive elections. The alliance made a series of accomplishments, including passing the first national budget in several years and navigating a pair of coronavirus outbreaks without imposing any lockdowns. But eventually it unraveled, in large part because several members of Bennett's party objected to what they felt were compromises made by him to keep the coalition afloat and his perceived moderation.

On 20 June, then-Prime Minister Bennett called for early elections, saying that the efforts to stabilize the increasingly erratic coalition – in power for only a year – have exhausted themselves. With the bill to disband the Knesset now officially approved, Prime Minister-designate Lapid became prime minister and will head the caretaker government that will see Israel through the elections.

The day before the final vote, Bennett announced that he would be stepping down as head of his Yamina party and taking a break from politics altogether. Bennett's No. 2 in the party, Interior Minister Shaked, will serve as Yamina leader, but the party faces an uncertain future, as three of its current six MKs have already departed its ranks. Shaked, for her part, has expressed optimism about Yamina's electoral prospects, tweeting a screenshot of a poll that showed Yamina is likely to garner five seats in the next election, one more than the electoral threshold required to get into the Knesset.

Now that the election date is set, the government moves into caretaker status. The Knesset’s legislative plenum will cease to meet, unless a majority of lawmakers call for an emergency session. This is also sets the stage for the possible return to power of former prime minister Netanyahu, as opinion polls have forecast that his Likud party will once again emerge as the largest single party. But it remains unclear whether he would be able to muster the required support of a majority of lawmakers to form a new ruling coalition.

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* 1. Jerusalem Approves NIS 3 Billion Climate Technology Program

On 26 June, the Israeli government approved an innovation program for climate technology, in accordance with the recommendations of the inter-ministerial team on promoting technological innovation related to the climate. Under the program, the government will allocate NIS 3 billion between now and 2026 for promoting technological solutions for dealing with climate change, with the aim of encouraging the local industry and giving Israel an advantage in a growing international market.

The government sees this as a historic program that, if realized, will help Israel to meet the emissions reduction targets it has set for itself, and which it has not up to now managed to reach, and to compete internationally. Implementation of the program, however, will be a matter for the next government. The current government has not allocated new money for it. It presented figures that have been presented in the past, and future allocations, but the government is now in the process of breaking up and Israel is heading to another election.

In the last state budget, NIS 100 million were allocated to this area by the Ministry of National Infrastructures, Energy and Water Resources and NIS 200 million by the Innovation Authority, and that these amounts have been pooled and presented to the public once more as part of the current decision. Most of the money, some NIS 2.9 billion, will have to wait until the next budget, which will be subject to the priorities set by the next government.

Among the steps decided upon on are promoting and financing applied research in climate sciences; diplomatic activity to promote joint climate research; promotion of climate-tech startups; forming a research community in this area; use of satellites to monitor climate change and environmental hazards; formation of a technological incubator for climate-tech ventures; a fund to finance trials and implementation of climate technologies and formation of a control team to report on the government’s progress. (Globes 27.06)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Pagaya Announces Closing of Business Combination

Pagaya Technologies announced the completion of its previously announced business combination with EJF Acquisition Corp. (EJFA), a special purpose acquisition company, which was approved by Pagaya shareholders and EJFA’s shareholders in June 2022. The publicly listed company is now Pagaya Technologies Ltd. and its Class A ordinary shares and public warrants began trading on the NASDAQ stock market on 23 June 2022 under the ticker symbols "PGY" and "PGYWW,” respectively.

Tel Aviv's [Pagaya](http://www.Pagaya.com) is a financial technology company working to reshape the lending marketplace by using machine learning, big data analytics and sophisticated AI-driven credit and analysis technology. Pagaya was built to provide a comprehensive solution to enable the credit industry to deliver their customers a positive experience while simultaneously enhancing the broader credit ecosystem. Its proprietary API and capital solutions seamlessly integrate into its next-gen infrastructure network of partners to deliver a premium customer user experience and greater access to credit. (Pagaya Technologies 22.06)

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* 1. UVeye Enters into Strategic Collaboration with General Motors to Expand Technology

UVeye has received an investment from the capital venture arm of General Motors, GM Ventures, to help fund the development and commercialization of the company’s vehicle inspection technology. UVeye also has entered into a commercial agreement with General Motors to explore the expansion of UVeye’s automated high-speed systems to GM dealerships throughout various markets. Serving as the venture capital arm of General Motors, GM Ventures strategically invests in startup companies that share GM’s enterprise vision of an all-electric, hands-free, and more seamlessly connected future, and are helping to position GM as a leading transportation technology enterprise.

As part of the strategic collaboration agreement, the two companies have agreed to work on a variety of vehicle-inspection technology projects involving used-car auctions, fleet operations and automotive dealership sales. In the future, UVeye plans to incorporate electric-vehicle and autonomous-driving platforms into its inspection databases as well. UVeye systems use artificial intelligence, machine-learning and high-definition camera technologies to quickly and accurately check tires, underbody components and vehicle exteriors for defects, missing parts and other safety-related issues.

Tel Aviv's [UVeye](https://www.uveye.com/) systems utilize a unique combination of proprietary algorithms, cloud architecture, artificial intelligence, machine learning and sensor-fusion technologies. The drive-through systems can detect within seconds any external or mechanical flaw and identify anomalies, modifications or foreign objects from under and from any side of a vehicle. UVeye’s scanning processes complete within seconds and can be used throughout a vehicle’s lifecycle. Its technology originally was developed for the security industry to detect weapons and contraband. (UVeye 22.06)

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* 1. UAE & Israel Join to Support Dh540 Million Healthcare Project in Ghana

The UAE and Israel have entered into a historic collaboration to fund a healthcare project in Africa. Etihad Credit Insurance (ECI), the UAE’s federal export credit company, and Israel Export Insurance Corp. (Ashra) will fund a Dh540 million healthcare project in Ghana. The ECI will provide buyer’s credit guarantees to the funding bank, which will see the construction of four hospitals and the first main central medical storage facility in Ghana.

The agreement brings together both countries’ export credit agencies, Ghana’s ministry of finance, a healthcare construction company, and a commercial bank. It also sets the stage for broader economic and trade partnerships following another historic milestone – the signing of the UAE-Israel Comprehensive Economic Partnership Agreement (CEPA).

Ghana’s health ministry awarded the contract to EDC International, a leading Israel engineering and construction company with a presence in the UAE. EDC will execute the project’s second phase with a total value of Dh406 million. The ECI will provide Dh185 million in reinsurance coverage, accounting for 49 per cent of the total coverage offered for the second phase of the project. By partnering with Ashra on this project, Etihad Credit Insurance has also generated Dh185 million worth of economic activity through exports and re-exports of products and services from the UAE. (GN 21.06)

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* 1. Starburst Acquires Varada to Deliver the New Standard of Data Lake Analytics

Boston's Starburst, the analytics anywhere company, announced the acquisition of Varada, a data lake analytics accelerator. While Starburst’s best-in-class query engine already leads the industry in both performance and cost-efficiency, combining Varada’s proprietary and patented indexing technology sets a new benchmark in data lake analytics, empowering organizations to more quickly and efficiently derive greater insights from their data.

In addition to its technology, Varada engineering and product leadership will be joining the Starburst team. The integration of the technology is expected to roll out to select customers in the next month, with general availability by fall 2022. Companies using Trino can try the Varada Community Edition connector for free.

Ramat Gan's [Varada](https://varada.io/)'s mission is to enable data practitioners to go beyond the traditional limitations imposed by data infrastructure and instead zero in on the data and answers they need—with complete control over performance, cost and flexibility. In Varada’s world of big data, every query can find its optimal plan, with no prior preparation to provide consistent performance at a petabyte scale. Varada has been recognized in the Cool Vendors in Data Management report by Gartner, Inc. (Starburst 23.06)

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* 1. Slingshot Partners with Almog to Distribute Synthetic Cells Throughout Israel

Emeryville, California's Slingshot Biosciences, makers of synthetic cells that bring consistent precision and accurate control to replace inconsistent blood and tissue controls for use in flow cytometry and other biotech markets, extended their distribution channel through a new agreement with Almog Diagnostic, a private company established in 1987 and has been active ever since in the Israeli biotech market. Almog offers innovative products and services in the fields of immunology/hematology, immunotherapy (CGT), stem cell biology, cell separation, flow cytometry, bioprinting, gene expression, molecular and cell biology, and microbiology. Almog has been a major player in the Israeli flow cytometry field for over 13 years, with the automated MACSQuant (Miltenyi Biotec) and the innovative Aurora Spectral Flow Cytometer (Cytek Biosciences), in addition to providing advanced CRO flow cytometry services.

The agreement entitles Almog Diagnostic to the right to distribute and resell Slingshot Bio’s products in Israel. Through Almog Diagnostic’s network of customers, Slingshot Bio will be able to establish its presence in the Israel market with the well-established presence and expertise of Almog Diagnostic, which has been selling into the flow cytometry for many years. (Slingshot Biosciences 27.06)

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* 1. Hygieia Advances its Business Development with d-Nav Program in Israel

Livonia, Michigan's Hygieia, a digital therapeutics company for insulin therapy, successfully licensed its d-Nav insulin management technology to [Movement Group](https://www.movement-group.com/en/), a provider of health and wellness programs to integrated health delivery networks in Israel. The agreement is part of an accelerated strategy to expand its d-Nav insulin titration technology globally.

Movement currently offers a diabetes prevention program. The d-Nav license agreement enables Movement to add an insulin management program to its existing services. Movement is offering the program to patients within the largest integrated managed care and delivery networks in Israel.

Hygieia is the developer of d-Nav, the first FDA-cleared technology to autonomously adjust insulin doses directly to the patient. d-Nav’s AI-powered technology automatically interprets data and independently initiates insulin management. (Hygieia 23.06)

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* 1. Brazil's Vibra Partners with IBI-Tech to Advance in the Innovation Sector

Vibra Energia, one of the largest energy companies in Brazil and leader in the fuel and lubricant distribution market, is expanding its operations in open innovation. The company has just closed a partnership with IBI-Tech in its internationalization process to have a better access to new startups and opportunities. Vibra, which recently launched its innovation hub, Vibra co.lab, has now a direct connection with the entrepreneurial environment in Israel. Last May, the company actively participated in Ecomotion Week in Tel Aviv.

The objective of the agreement is to encourage the exchange of technologies and bring solutions that meet the challenges in mobility, energy transition and cybersecurity - topics that will be addressed directly at Vibra co.lab, allowing successful connections with startups and scale-ups.

Founded in 2015, [IBI-Tech](https://www.ibi-tech.com/) is an Israeli company with a subsidiary in Brazil. They connect the Brazilian market with Israel’s – the country known as the Startup Nation - entrepreneurial environment. Through its strong technology and business development experience, IBI-Tech turns innovative opportunities into real projects both in Brazil and Israel. (Vibra Energia 27.06)

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* 1. Incredibuild Raises $35 Million and Significantly Increases Valuation

Incredibuild has raised $35 million in Series B funding after doubling its ARR, increasing its valuation significantly. Hiro Capital, the entrepreneur-founded VC focused on Videogames, Creator Platforms and Metaverse Technologies, led the round with participation from existing investor Insight Partners. Insight Partners acquired a stake in Incredibuild for $140 million just over one year ago in a round with several components, joining Fortissimo Capital, which invested in the company in 2018.

Incredibuild's powerful distributed processing, easily deployed on premise, in hybrid mode and in the cloud, as well as its unique Build Cache acceleration technology, enhance product quality, shorten time-to-market, and raise customer satisfaction – all while reducing compute costs and time spent managing resources. Incredibuild helps companies across industries get their digital products out faster, more cost-effectively and with higher quality – increasing the number of mission-critical applications and solutions companies are able to release annually. Major brands rely on Incredibuild to shorten time to revenue (TTR) and dramatically increase developer satisfaction and team efficiency, including Epic Games, Adobe, Citibank, Microsoft and more.

Tel Aviv's [Incredibuild](http://www.incredibuild.com) has created the industry's leading hybrid acceleration platform for development processes – compilations, CI/CD builds, testing and more. Its Virtualized Distributed Processing technology recruits CPUs to turn every host into a supercomputer with hundreds of cores. Incredibuild's powerful distributed processing and unique build caching solutions quicken dev and test cycles and increase the efficiency of every development sprint and iteration frequency – enhancing product quality, boosting developer satisfaction, and lowering time-to-market while dramatically reducing compute costs on-prem and in the cloud. (Incredibuild 27.06)

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* 1. Cyolo Raises $60 Million in Series B Financing to Meet Rising Demand for Digital Assets

Cyolo announced the completion of a $60 million Series B round led by round led by National Grid Partners, the venture investing and innovation arm of National Grid, and with the full support of existing investors Glilot Capital Partners, Flint Capital, Differential Ventures, and Merlin Ventures. This brings Cyolo’s total funding to $85 million, including a Series A round completed in 2021.

Cyolo will use the investment to execute on its vision of bringing stronger security, greater productivity, and better operational agility to organizations embarking on their digital transformation journeys. Recent years have witnessed a skyrocketing demand for data, and VPNs and other legacy tools have proven unable to satisfy organizational needs. Enterprises today require a more secure and efficient way to connect people to the distributed resources their work depends on.

Ramat Gan's [Cyolo](https://cyolo.io) helps organizations in the IT and OT spaces to stay both secure and productive in an era of distributed workforces and unprecedented cyber threats. Cyolo’s next-generation zero trust network access solution (ZTNA 2.0) enables all users, including employees, third parties, and remote and on-site workers, to seamlessly and securely connect to their working environments via modern identity-based authentication. With one unified solution that integrates with your existing tech stack and deploys easily in the cloud, on-prem or in a hybrid model, Cyolo empowers the global workforce to securely access applications, files, servers, and desktops from any device on local networks or in the cloud. (Cyolo 28.06)

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* 1. Gloat Raises $90 Million Series D, Readying Businesses for Today’s Reality of Work

Gloat announced its $90 million Series D round led by Generation Investment Management—with participation from Accel, Eight Roads Ventures, Intel Capital and Lumir Ventures. The funding positions Gloat to rapidly accelerate the evolution of a rich, dynamic talent ecosystem that can ride waves of economic growth or adapt to market disruptions.

Over the last two years, a surge of organizations have determined they can’t rely on the outdated practices of human capital management to build and maintain a productive workforce. Research shows businesses’ operational performance jumps 30% to 50% following an agile transformation. Since 2015, Gloat has developed a comprehensive workforce agility platform by combining an AI-powered Talent Marketplace with Workforce Intelligence — breaking down organizational silos, analyzing employees’ skills at scale, and providing crucial insights for strategic talent decision-making. As some of the world’s largest employers continue to seek a more agile operating model amid this uncertain market, Gloat’s customer base has grown 2.5x, ARR 3x, and employee count by 50% in the last 12 months. Users in over 120 countries now leverage Gloat’s platform.

Tel Aviv's [Gloat](https://gloat.com) is an industry-leading Workforce Agility Platform that enables businesses to move like a startup and deliver like an enterprise. Bringing together the world’s first AI-powered Talent Marketplace with rich, dynamic Workforce Intelligence, the Gloat platform empowers businesses to develop and deploy their talent, while continuously understanding and adapting their workforce to changing needs. With Gloat, businesses are ready to navigate change at speed, retain critical skillsets, and design a future-proof workforce. (Gloat 30.06)

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* 1. Konnecto Raises $21 Million for Prescriptive Path-to-Purchase Optimization Platform

Konnecto has secured $21 million in Series A financing led by PeakSpan Capital. Existing investors TPY Capital, Mindset Ventures, Differential Ventures, SeedIL Ventures and Magna Capital Partners also participated in the oversubscribed round, bringing the total capital raised by Konnecto to $29 million to date.

Konnecto has established a new category in marketing technology, prescribing highly targeted recommendations to increase online sales and optimize marketing ROI for brands including MassMutual, Coca Cola, Mercedes Benz, eToro and many others. The company has tripled its client base in the past six months, and will leverage the funding to expand its data science and engineering teams, as well as invest in expansion of go-to-market infrastructure and headcount to capitalize on the overwhelming demand it is seeing for its platform.

Konnecto is the first platform that identifies the most impactful vulnerabilities in the full path to purchase that led consumers to convert with competitors. This is done by reverse-engineering consumer journeys that ended up converting with the brand, its competitors or on a marketplace. Konnecto's platform prescribes highly targeted and actionable recommendations across the entire digital marketing pie. This helps growth and marketing teams quickly focus on informed decisions and execution without the need for integrations across a brand's broader tech stack. The platform was built without reliance on cookies and with complete compliance with global privacy regulations.

Tel Aviv's [Konnecto](http://www.konnecto.com) offers the world's first prescriptive marketing platform that provides consumer brands with daily recommendations on how to increase their online sales by reverse engineering their competitors' journeys and identifying path-to-purchase vulnerabilities. Konnecto works with companies across a variety of industries, including Coca-Cola, MyHeritage, AON, Haven Life and others. (Konnecto 28.06)

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* 1. Segway Robotics & DriveU.auto Accelerate Deployment of Last Mile Delivery Robots

Bedford, New Hampshire's Segway-Ninebot, a leading global enterprise in the fields of intelligent short-distance transportation and service robots, and DriveU.auto announced their partnership, under which the DriveU.auto remote operation platform will be integrated into Segway's robot platform, thereby creating a first-of-its-kind unique joint offering for the booming last mile delivery robots market. Segway Robotics is the service robots brand under the Segway-Ninebot group.

The smaller form factor, electrically powered and slower moving robot is ideal for rapid, cost-efficient, safe and green deliveries within dense urban areas. Such robots can be fully autonomous, semi-autonomous or remotely driven by a human operator. Whatever the operational model of delivery robots, having a human in the loop is imperative — whether for supervision, assisting the autonomous robot in edge cases, or to fully operate the delivery. The DriveU.auto connectivity platform provides the high quality, low latency connectivity required for safe teleoperation in all of these cases. DriveU.auto's software-based connectivity platform supports both cloud and hybrid architecture, allowing it to support large scale robot deployments. It is already in commercial use on sidewalks in the US and Europe.

Ra'anana's [DriveU.auto](http://www.driveu.auto) developed and is deploying a software-based connectivity platform for teleoperation of robots and autonomous vehicles. The DriveU.auto solution enables either remote driving (direct drive) or high-level commands (remote assistance), at very low latency and high reliability based on proprietary cellular bonding and dynamic video encoding technologies. DriveU.auto customers and partners – Autonomous Vehicles' developers (cars, trucks and shuttles), makers of delivery robots, OEMs, Tier 1s, developers of autonomous delivery robots – have been using the DriveU platform on roads in the EU, US, China, Japan and Israel. (DriveU.auto 28.06)

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* 1. Quantum Source Leaves Stealth to Enable Useful Photonic Quantum Computers

Quantum Source (QS) came out of stealth mode with a $15 million seed funding round co-led by Grove Ventures, Pitango First and Eclipse Ventures. The company was founded by three serial entrepreneurs and a Professor from the Weizmann Institute of Science.

Quantum Source’s vision is to enable scaling quantum computers to millions of qubits with its breakthrough photonic technology. Large-scale photonic quantum computers are expected to instigate a revolution in entire industries. These quantum computers will accelerate, for instance, the development of new drugs, shorten the time pharma companies can introduce new medicines to the market, and support physicians with treatment optimization for complex diseases.

[Quantum Source (QS)](http://www.qs-labs.com) is located in Rehovot, Israel, and is developing breakthrough technology to enable a commercially viable photonic quantum computer with millions of qubits. The company was established in 2021. (Quantum Source 01.07)

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* 1. Rohde & Schwarz Opens Subsidiary in Israel

Munich, Germany's [Rohde & Schwarz](http://www.rohde-schwarz.com) develops, produces and sells innovative information and communications technology products for professional users. The privately-owned company has an extensive sales and service network in over 70 countries. For the last 20 years, a local distribution partner successfully represented Rohde & Schwarz in Israel. The establishment of an Israeli subsidiary is now the next logical step for the company. Having their own local presence will help establish closer ties between customers and their R&D departments to develop future-proof solutions.

The Ra'anana based subsidiary has 15 employees to deliver the company's state-of-the-art test and measurement (T&M) solutions to industrial, research, wireless communications and automotive customers. Plans for the future are in place to access further market segments. Rohde & Schwarz is also opening its own T&M service lab with the latest test equipment and certified service personnel.

Along with the company's established business fields, Rohde & Schwarz has made substantial investments in future technologies such as 6G, quantum technologies, the industrial internet of things (IIoT), artificial intelligence and cloud technologies. (Rohde & Schwarz 01.07)

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* 1. Helios Raises $5 Million to Increase Cloud-Native Development Velocity

Helios announced $5 million in funding to make it easier to understand, troubleshoot and test distributed systems during development. The seed round was co-led by Entrée Capital and Amiti VC. A number of angel investors also joined, including Benny Schnaider, Guy Podjarny (co-founder of Snyk), Adi Sharabani and Yair Amit (co-founders of Skycure) and Guy Fighel (GM at New Relic). The company also announced the launch of a new free tier for their platform.

Helios is the first developer platform built specifically for cloud-native application development. Helios breaks down the silos inherent in microservice architectures, giving developers a full understanding of how their code interacts with the distributed app as a whole so they can build, troubleshoot and test more easily, significantly increasing development velocity. Using the power of OpenTelemetry to provide distributed tracing combined with other data sources, Helios enables Dev teams to easily track how a request flows through their application and gives them the context they need to quickly resolve issues. The platform can automatically 'replay' inputs at any point in the application flow, allowing developers to reproduce issues with ease. With actionable insights and collaboration tools, Helios makes developers happier, allowing them to communicate and cooperate as they modify different parts of the app.

Tel Aviv's [Helios](https://gethelios.dev/) is a developer platform that helps drive dev velocity and productivity when building cloud-native applications. It accelerates R&D work, streamlining activities from design and collaboration to troubleshooting and testing, across all environments. (Helios 05.07)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Pure Harvest Secures $180.5 Million in Latest Funding Round

[Pure Harvest Smart Farms](https://pureharvest.ae/), a UAE-based, technology-enabled agribusiness start-up focused on local, sustainable cultivation of premium quality fresh fruits & vegetables, has secured $180.5 million in convertible debt financing. The round was joined by Metric Capital Partners, IMM Investment Corp., Olayan Group, and several existing investors and management. Pure Harvest Smart Farms is a leading, sustainable technology-enabled agribusiness that is joining the list of Mega rounds that we have recorded this year.

Founded in 2016, Pure Harvest Smart Farms is focused on the production of greenhouse fruits and vegetables in the challenging climates of the Arab Gulf region using Dutch greenhouse growing technologies. The startup specializes in vine vegetable crops (tomatoes, capsicum, cucumbers, eggplants, strawberries, etc.), and seeks to leverage innovative growing technology in order to pioneer year-round production of affordable, premium quality fresh produce. The company has aggregated over $330 million in funding, with investments from notable names like Shorooq Partners and SHUAA Capital among other backers.

The company will utilize the capital, together with various forms of debt financing, to invest in research and development, to expand its footprint across the GCC, and to open new markets in Asia. The company is also investigating a number of new growth initiatives, including product extensions and water-efficient CEA solutions for fodder production. (Pure Harvest 30.06)

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* 1. Careem Acquires UAE's MUNCH:ON

Careem announced its acquisition of MUNCH:ON. Just a few weeks before the end of H1/22, MUNCH:ON's subscription-based food delivery platform is set to rebuild its offering for the Careem App, adding them to the list of remarkable VC vertical integrations we’ve been recording since the beginning of the year.

Founded in 2016, [MUNCH:ON](https://news.munchon.it/) is a subscription-based food delivery platform that connects customers to meals at a discount by tapping into underutilized kitchen capacity and using scheduling, bundling, and routing technologies. The solution drives massive efficiencies for restaurants and cloud kitchens and has built scale in the corporate lunch segment. The UAE-based Tech startup has aggregated more than $16M in funding over 4 rounds, which gained the backing of high-value investors the likes of Global Ventures, Shorooq Partners, Derayah and Vision Ventures among a consortium of veteran backers.

In this new merger, MUNCH:ON will stop daily operations and the offering will be rebuilt on the Careem app. The Careem Food and MUNCH:ON teams will work together to deliver even greater value by introducing low-cost meal segments that MUNCH:ON has pioneered in the region as well as new food discovery and delivery options for corporates. Since its inception, MUNCH:ON has delivered millions of meals to customers across 20 thousand companies. While global market uncertainties put pressure on expansion efforts, M&A plays like this are becoming more relevant and favorable for startups and VC investors across MENA and Emerging Venture Markets. This acquisition will put on display a veteran startup, Careem being one of the first to succeed in scaling regionally and across EVMs and create a value-based offering that should crack new market opportunities. (MAGNiTT 24.06)

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* 1. UAE FinTech YAP Raises $41 Million

Dubai's digital banking focused FinTech [YAP](https://www.yap.com/) has raised $41 million in a funding round led by Saudi Arabia’s Aljazira Capital, Abu Dawood Group, Astra Group and Audacia Capital. YAP offers users a simple interface with a complete view of consumer spending analytics and easy ways to transfer money and pay bills. With no minimum balance required, the app also provides customers with real-time notifications of purchases, withdrawals, and transfers.

YAP recently partnered with Bank AlJazira to launch its consumer and business banking platforms in Saudi Arabia. YAP’s product development pipeline includes a new multicurrency offering, products for children and households, equity trading, loans and buy-now-pay-later options through the YAP Store, the YAP Financial Marketplace and the YAP Hub. The company has received regulatory approval in Pakistan and Ghana to offer similar services and plans to launch in Egypt soon. (YAP 04.07)

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* 1. MNT-Halan Acquires Talabeyah

Cairo's [MNT-Halan](http://www.mnt-halan.com), Egypt’s leading fintech player, announced the acquisition of Talabeyah, a B2B e-commerce platform that offers FMCG supplies directly to small merchants, retailers and consumers, meeting all their requirements with next-day delivery. As a result of this transaction, MNT-Halan will be disrupting the current multi-layered and fragmented FMCG supply chain model and empowering small merchants. MNT-Halan’s digital ecosystem includes small business and consumer lending, payments, and e-commerce. Adding a digital FMCG offering to MNT-Halan’s merchant network greatly enhances the company’s breadth and scope and increases stickiness to its ecosystem. The terms of the transaction were not disclosed.

Talabeyah was founded in 2020 to disrupt and digitize the informal FMCG market in Egypt by leveraging technology, an innovative supply chain model, and the founders’ extensive experience in the FMCG sector. Talabeyah’s digital platform provides small retailers immediate access to an extensive range of products, clear visibility on pricing, and a highly reliable quality of service to help them optimally manage their businesses.

MNT-Halan is Egypt’s leading fintech ecosystem and the largest and fastest growing lender to the unbanked and underbanked. Founded in 2018, with roots dating back to 2010, the company is headquartered in Cairo, Egypt. MNT-Halan was created to digitally bank the unbanked and substitute cash with electronic solutions. The MNT-Halan digital ecosystem includes small and micro business lending, payments, consumer finance, and e-commerce. With c.1 million monthly active users, MNT-Halan serves more than 4 million customers in Egypt, of which 3.1 million are financial clients and 1.8 million are borrowers. MNT-Halan has obtained the micro, consumer and nano finance licenses from the Financial Regulatory Authority enabling it to provide services to both businesses and consumers across Egypt. It has also obtained the first independent electronic wallet license from the Central Bank of Egypt to disburse, collect and transfer money digitally through mobile applications. (MNT-Halan 22.06)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. IDE Technologies to Design Largest SWRO Desalination Plant in Brazil

IDE Technologies announced that it will design, engineer and supply a seawater reverse osmosis (SWRO) desalination plant in northern Brazil, bringing a new, sustainable water solution to the region. Secured through the Water and Sewage Company of the State of Ceará, and in partnership with Marquise Infrastructure, the leader company of the Águas de Fortaleza Consortium, the Fortaleza Desalination Plant will be the newest IDE-engineered desalination plant and the largest desalination plant in Brazil. The plant will serve the city of Fortaleza, capital of Ceará.

The Fortaleza Desalination Plant will have a nominal production capacity of 86,400 m3 of potable water per day, (1,000 liters per second), bringing high-quality water to the municipality of the city of Fortaleza. The project is a permanent, secure and sustainable fresh water source for this semi-arid region and its increasing population of more than 720,000 people. IDE will supply equipment for the plant in accordance with Brazil’s stringent environmental requirements and regulations. The project supports the government’s objective to increase the supply of potable water in the region by 12%.

A world leader in desalination and water treatment solutions, Kadima's [IDE](http://www.ide-tech.com) specializes in the development, engineering, construction, and operation of some of the world's largest and most advanced thermal and membrane desalination facilities and industrial water treatment plants. IDE partners with a wide range of customers – municipalities, oil & gas, mining, refineries, and power plants – on all aspects of water projects and delivers approximately 3 million m3/day of high quality water worldwide. (IDE 28.06)

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* 1. UAE Announces COP28 Climate Summit to be hosted at Dubai Expo City

Under the directive of President Sheikh Mohamed bin Zayed Al Nahyan, the 28th United Nations Climate Change Conference of the Parties (COP28) will be hosted at Dubai Expo City. The directive underlines the venue's unique proposition as a state-of-the-art destination, which brought the world together in the UAE for six months. Both Expo 2020 and COP28 share similar objectives: achieving sustainability and promoting international action as essential steps towards facing global challenges. COP28 focuses on key pillars, including the implementation of climate commitments and pledges, inclusion, working together to take concrete action and identifying solutions that contribute to overcoming challenges, and seizing opportunities to ensure a sustainable future for present and future generations.

The conference is expected to see over 45,000 participants daily, including heads of state, government officials, international industry leaders, private sector representatives, academics, experts and representatives of civil society organizations. The new city will be a global hub for innovation and creativity. It will represent a model for the future city that preserves the UAE’s legacy as an active contributor to the progress of the region and the world.

In addition, the UAE has also established itself as a world-class destination for hosting high-level international events focusing on climate action and sustainable development. Over the past 15 years, the UAE has emerged as a regional leader in renewable and clean energy investments, both domestically and internationally. It invested $50 billion in clean energy and has recently announced its plans to invest more than $50 billion over the next decade in additional projects, including hydrogen and ammonia. (WAM 22.06)

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* 1. Saudi Arabia’s NEOM to Build Renewable-Powered Desalination Plant

Saudi Arabia’s futuristic planned city NEOM plans to build a water desalination plant powered by renewable energy. NEOM signed a memorandum of understanding with the Japanese trading company Itochu and the French energy company Veolia to build a desalination facility powered completely from renewable energy. NEOM plans for the facility to produce 500,000 cubic meters a day of water by early 2024.

NEOM did not specify what type of renewable energy would be used to power the desalination process. In March, the planned city unveiled plans to build a green hydrogen facility. Turkey uses geothermal energy for water desalination.

The Saudi economy remains heavily dependent on oil, but the kingdom has explored renewable energy forms such as solar power in recent years. Water scarcity is an issue throughout the Middle East and Saudi Arabia is one of the most water stressed countries in the world. (Al-Monitor 17.06)

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* 1. Sharm el-Sheikh Gets $7 Million to Become Green City for COP27

The Egyptian government, the UN Development Program and the Global Environment Facility are aiming to transform Sharm el-Sheikh into a green city in the lead-up to the international climate conference in November, with the help of a $7 million grant from the Global Environment Facility (GEF). By utilizing low-carbon technologies, proper waste management practices and environmental protection, Sharm el-Sheikh will become an integrated, environmentally sustainable tourist destination, said the Minister of the Environment on 6 June.

He explained that Sharm el-Sheikh has implemented eco-friendly initiatives over the past few months, including switching to electric for its transportation network and developing eco-friendly hotels. Also, under the ministry's sustainable practices initiative, hotel employees were trained in environmental policies, restaurants and cafeterias were incorporated with sustainability standards, and dive centers that abided by environmental practices were rewarded with the Green Star.

During the launch of the Green Sharm Project, the UNDP stated that it will work to increase clean energy as part of the National Project for Solar Cell Systems (Egypt-PV), phase out plastic single-use items, improve protected areas, ensure solid waste management and conserve biodiversity. (Al-Monitor 22.06)

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* 1. Engie and Navera Join Forces for Wind-Powered Desalination in Dakhla

The Moroccan government wants to build a seawater desalination plant near the city of Dakhla in Western Sahara. The project will be implemented through a public-private partnership (PPP) with Dakhla Water & Energy Company (DAWEC). The future desalination plant will be able to supply 37 million m3 of drinking water per year, i.e. a daily production of 100,000 m3. The majority of the treated water will be used for the irrigation. The other part will be dedicated to supplying drinking water to the city of Dakhla.

The implementation of the project has been entrusted to Dakhla Water & Energy Company (DAWEC), a joint venture between International Power, the subsidiary of the French group Engie and Nareva, the subsidiary of the Moroccan group Al Mada. DAWEC will power its desalination plant with wind energy via a wind farm connected to the electricity grid of the National Office of Electricity and Drinking Water (ONEE). The implementation of this project is crucial for the development of agriculture, as DAWEC will set up an irrigation system for 5,000 hectares of early crops.

DAWEC won this contract in the framework of an international call for tenders in which other large groups took part, notably Veolia, which submitted a bid with its compatriot Voltalia. The DAWEC joint venture is expected to invest no less than MAD 2 billion (more than €189 million) in Dakhla and will operate the future facilities for 20 years. (Afrik21 27.06)

ARAB STATE DEVELOPMENTS

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* 1. Weaker Lebanese Lira & Higher Energy Prices Drive Inflation to 211.43% in May 2022

According to the Central Administration of Statistics (CAS), Lebanon's Consumer Price Index (CPI) jumped from 119.83% in May 2021 to register a record high of 211.43% in May 2022. The cost of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.5% of the CPI) added a yearly 110.13% by May 2022. Also, Owner-occupied rental costs increased by 6.21% year-on-year (YOY) and the average prices of water, electricity, gas, and other fuels followed a significant increase by 445.18% YOY as subsidies were removed by the Central Bank and prices went up sharply on the global market due to the war in Ukraine. Looking at the prices of Food and non-alcoholic beverages (20.6% of CPI), it surged by 363.78% yearly. The average prices of Transportation (13.1% of the CPI) and Health (7.8% of the CPI) recorded hikes of an annual 515.36% and 468.27% respectively by May 2022. Also, Restaurant and Hotels (2.6% of CPI) increased yearly by 278.54% by May 2022. Costs of Clothing and Footwear (5.4% of CPI) surged by 184.32% by May 2022, and the prices of Communication (4.6% of the CPI) increased by 9.65%. Prices of Furnishings and household equipment (3.7% of CPI), Alcoholic beverages and tobacco (1.6% of CPI), and Recreation, amusement, and culture (2.3% of the CPI) increased by 182.35%, 202.83%, and 138.99%, respectively, by May 2022.

Prices in Lebanon are recording high upward volatility since the start of the crisis. Opportunistic suppliers and retailers are raising the prices disproportionately as the authorities are failing to monitor and control retail prices. Furthermore, the war in Ukraine as well as Lebanese Lira’s instability is exacerbating the inflation issue for Lebanese economy. Lebanon is not immune from regional developments; however the risk to form a new Government would lead to further currency devaluation and inflation. (CAS 27.06)

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* 1. Jordan's Tourism income Hits $1.6 Billion in January-May of 2022

Jordan's tourism revenues in the January-May period of the current year soared by 269.6% or $1.2 billion, amounting to $1.6 billion compared to the same period of 2021, driven by an increase in tourist numbers by about 1.1 million, reaching 1.4 million tourists.

According to the Central Bank's data, tourism revenue in May 2022 hiked by $369 million, or 320%, compared to May 2021. Revenue hit $484.3, the highest ever recorded in May throughout the years due to an increase in tourist numbers of about 334,000 from May 2021, reaching 428,800 tourists. Tourism revenue from Jordanian expatriates accounted for 33.3% of the overall income, followed by tourists from Arab countries (except for Gulf countries) contributing 24%, tourists from the Gulf Cooperation Council countries with 21%, Europeans with 11.6%, and finally the United States with 3.4%. (Petra 22.06)

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* 1. Jordanian Expatriate Remittances Rise to $1.4 billion in First 5 Months of 2022

Remittances of Jordanian expatriate workers soared 9% during the month of May, topping $290 million, compared with a 4.8% rise to $266 million in the same month of 2021, according to Central Bank statistics. The figures showed that remittances during the first five months of 2022 posted a 2.9% rise to $1.42 billion, compared to a drop of 0.1% to $1.38 billion in the same period of 2021. (Petra 05.07)

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* 1. Egypt to Build a Desalination Plant in Iraq

An Egyptian delegation of water treatment experts visited Iraq this month for talks with Iraqi officials on addressing an acute water crisis in the Arab country. The Ministry of Irrigation and Water Resources said on 20 June that the Egyptian delegation discussed a proposal for building a water desalination plant on the Euphrates River. The station will be used to purify and desalinate seawater to help ease water shortages in southern Iraq. The proposed plant on the Euphrates River will be modeled on Egypt’s Bahr al-Baqar wastewater treatment plant, the largest of its kind in the world. The plant has a production capacity of 5.6 million cubic meters per day.

Iraq was known in ancient times as Mesopotamia, or the land between two rivers — the Tigris and the Euphrates. The country is facing its worst drought in decades amid lack of rainfall and poor management of water resources. Iraq relies on the Tigris and Euphrates rivers for nearly all of its water needs. The two rivers originate in Turkey and flow to the Shatt Al-Arab basin in southern Iraq. While the Euphrates River crosses Syria and Iraq, the Tigris flows from Turkey into Iraq.

Dams constructed by both Turkey and Iran on the two rivers, however, have either blocked or diverted water into Iraq, creating acute water shortages there. According to the Iraqi Ministry of Water Resources, the two rivers are forecast to dry up by 2040 unless action is taken to change the current trends. The country’s Sawa Lake already dried out this year and Razzaza Lake is shrinking. (Al-Monitor 28.06)

►►Arabian Gulf

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* 1. UAE Minister of State for Foreign Trade Promotes Trade Agenda during Florida Visit

United Arab Emirates (UAE) Minister of State for Foreign Trade Dr. Thani bin Ahmed Al Zeyoudi recently concluded a successful two-day visit to Florida, which focused on expanding the bilateral UAE-US trade and commercial relationship. His trip to the "Sunshine State" builds on recent economic development missions to the UAE by local South Florida officials.

Minister Al Zeyoudi met with Broward County Mayor Michael Udine, Ft. Lauderdale Mayor Dean Trantalis, Miramar Mayor Wayne Messam, and Chairman of the Miami-Dade Board of County Commissioners Jose "Pepe" Diaz. The leaders discussed ways to enhance collaboration between the UAE and Florida, with a focus on investment, tourism, city planning, and healthcare. These meetings follow a delegation in March by Florida mayors to Sharjah, Abu Dhabi and Dubai where they engaged with the UAE business community and attended closing events for Expo 2020 Dubai including visiting the US Pavilion.

In Miami and Fort Lauderdale, Minister Zeyoudi attended high level business development and networking events and meetings hosted by the U.S.-U.A.E. Business Council, The International Trade Consortium (ITC), Enterprise Florida, a public-private partnership promoting economic development in Florida, and eMerge Americas, an organizing focused on establishing Miami as the tech hub of the Americas.

In 2021, Florida exported over $1 billion of goods to the U.A.E., making it one of the top 10 states exporting to the Emirates. These exports supported an estimated 6,000 U.S. jobs. The U.A.E. also exported over $180 million of goods to Florida that same year. In July 2021, Emirates Airline began its first-ever passenger service between Dubai and Miami, opening new business and leisure opportunities between the U.A.E. and South Florida. Emirates has also been flying to Orlando since 2015, and it previously serviced South Florida through Fort Lauderdale-Hollywood International Airport from 2016 through 2020. (Embassy of UAE 27.06)

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* 1. UAE President Restructures Social Welfare Program of Low-Income Citizens

UAE President Sheikh Mohamed bin Zayed Al Nahyan has directed the restructuring of the Social Welfare Program of low-income citizens into an integrated program worth AED28 billion instead of AED14 billion. The move aimed at raising the annual social support allocation from AED2.7 billion to AED5 billion. The directive of the President embodies his desire to support low-income Emirati families to ensure family and social stability and provide the citizens with a decent life.

The program, overseen by the Ministry of Community Development, covers various social aspects for national families with limited income, including the head of the family allowance, the wife allowance, and the children allowance. The program also covers financial support for housing and other basic needs such as food, water, electricity and fuel, in addition to temporary financial support for unemployed job seeker and unemployed citizens over the age of 45.

The social welfare program provides a monthly subsidy of 50% for electricity consumption less than 4,000 kilowatts, and monthly subsidy for water at a value of 50% for water consumption less than 26,000 gallons. The program provides a monthly subsidy of 85% of the fuel price increase over AED2.1 per liter. The head of the family receives a monthly subsidy of 300 liters, while the working wife receives a subsidy of an additional 200 liters. Meanwhile, the head of the family receives a subsidy of 400 liters if the wife does not receive support. (WAM 04.07)

►►North Africa

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* 1. Egypt's Budget Deficit Narrows to 6.1% in FY2021/2

The Egyptian budget deficit narrowed to 6.1% of GDP in FY2021-2022 from 7.4% the year before, according to preliminary figures. This is significantly smaller than the 6.7% target in the state budget, and comes despite surging food and energy prices adding billions of dollars in unexpected costs during the second half of the year.

Egypt's GDP is likely to have grown at a faster than expected rate last year. The most recent government forecast has growth coming in at 6.2%, above the initial 5.4% prediction in the budget, helping to explain how the deficit figure fell so far beyond the original target.

The primary surplus fell to 1.3% of GDP during the year from 1.5% in FY 2020-2021 while the government had initially targeted a 1.5% surplus last year. This marks the fourth consecutive year during which the state recorded a primary surplus. Debt servicing costs as a percentage of GDP fell to 32.8% from 35.8% the year before. Cairo is targeting a 6.1% budget deficit and a 1.5% primary surplus in the current fiscal year. It wants to bring the budget deficit down to 5.0% and achieve a 2.0% primary surplus over the next four years. (Ent 05.07)

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* 1. Suez Canal Sees Record Revenues

Suez Canal revenues jumped 20% to a record $7 billion in FY2021/2, from $5.84 billion the previous year, Suez Canal Authority (SCA) announced. The increase came on the back of a 16% rise in the number of ships transiting the canal to 22k, and an 11% jump in annual net tonnage to reach 1.32 billion tons. Revenues in 2021 rose 20% to $6.3 billion.

The commodities crunch and the war in Ukraine combined to make transit through the canal more attractive than other routes. The canal registered its highest ever monthly revenues in May and June of this year. The record income is also attributed to successful marketing policies meant to draw in new ships. Traffic was bolstered during the fiscal year after the SCA extended a range of incentives and reductions introduced in 2020 to counter the global trade slowdown due to COVID-19. Those cuts have since been rolled back for most ships.

The canal may witness an increase of some EGP 20-22 million per month in revenues as traffic of liquefied natural gas tankers and bulk ships carrying grain increases in light of the war in Ukraine prompting alternative markets to increase exports. (SCA 05.07)

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* 1. World Bank to Give Egypt $500 Million to Boost Food Security

The World Bank has agreed to provide Egypt with $500 million in development funds to boost food security amid the fallout from the coronavirus pandemic and the war in Ukraine, Egypt's international cooperation ministry announced. The funds will primarily support the country's wheat purchases to help the government maintain a strategic reserve and utilize the investments made in raising the country's grain storage capacity, the ministry added. (WB 29.06)

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* 1. World Bank Lends Tunisia $130 Million for Grain Supplies Hit by Ukraine War

The World Bank announced a $130 million loan to help Tunisia cover the cost of cereal imports whose prices have spiraled since Russia’s invasion of Ukraine. The package aimed “to lessen the impact of the Ukraine war by financing vital soft wheat imports and providing emergency support to cover barley imports for dairy production,” the lender said. It would also help buy “seeds for smallholder farmers for the upcoming planting season,” it said in a statement late Tuesday.

Tunisia was already dealing with heavy public debt, a low credit rating and steep inflation before the Ukraine war, and has been left reeling by Russia’s military blockade of Ukrainian ports on the Black Sea. Last year Tunisia imported 60% of its soft wheat, used for bread, and 66% of its barley from the Russian Federation and Ukraine. This loan aims to ensure “affordable bread for the poor, barley for livestock, and agricultural inputs for domestic grain production,” the World Bank said.

Bread is a vital part of Tunisian’s diets and bread shortages or price hikes have contributed to political upheaval in the past. The World Bank said its loan program was expected to reduce import dependency through incentives to sustainably increase domestic grain production. The lender has in the past urged Tunisia to focus on crops with “greater labor intensity,” such as citrus fruits, arguing that Tunisia “does not have a strong comparative advantage in cereals.” (WB 29.06)

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* 1. Morocco’s Trade Deficit to Show Signs of Recovery in 2023

Morocco’s trade deficit is set to shrink slightly next year, going from 4.9% of Gross Domestic Production (GDP) in 2023 to 3.8% the following year, according to the latest Monetary Policy Document from Bank Al-Maghrib (BAM), Morocco’s central bank. After widening by 2.3% of GDP in 2021 primarily due to a marked rise in the value of imports, the trade deficit is projected to recover in 2023 as commodities prices stabilize in the international market, adds the document. In 2023, exports should increase by 0.8%, reflecting a positive growth in Morocco’s automotive sector. Over the same year, imports are set to increase by 0.3% as the country’s energy bill stabilizes, says the BAM document.

Morocco’s tourism sector is meanwhile set to generate MAD 70.9 billion ($7 billion) in revenues, while remittances from Moroccans abroad should reach MAD 84 billion ($8.4 billion). BAM also forecasts that, due to Morocco’s rising phosphate and automotive exports, the country’s overall export figures will increase by 22% by the end of this year. The document further projects that Morocco's imports would increase by 24.2% due to significant growth in domestic demand for semi-finished products and raw materials, as well as the rise in the energy and grain bills.

With Morocco’s reopening of its borders to international travel last February, the country’s tourism revenues are set to increase by 58% to reach MAD 54.3 billion ($5.4 billion) by the end of this year. In the meantime, also by the end of the year, remittances from Moroccans abroad should decline by 6.8% to an average of MAD 87.3 billion ($8.7 billion). (MWN 28.06)

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* 1. Morocco Has 100% Electricity Penetration Rate, Highest in Africa

A new report published by Energy Capital & Power, an energy-focused platform, Morocco, Egypt and Tunisia are the only African countries with an electrification rate of 100%. The data is in line with estimates from the World Bank setting the electrification rate in the North African kingdom at 100% in 2020. The Energy Capital & Power report further underscores Morocco’s high potential in terms of the renewable energy market, noting the county is steadily approaching its 2030 target of reaching an energy mix of 52% electricity sourced from wind and solar.

Despite Morocco’s significant progress in boosting its green energy production capacity, the country still lags behind in some key metrics relating to green energy targets. A recent World Bank publication shows that only 15% of Morocco’s rural population had access to clean energy solutions in 2020, while access to clean cooking solutions in urban areas stood at 69%.

In its report, published on 2 June, the World Bank sounds the alarm about the dire state of access to energy solutions. Unless countries set up a transition to clean cooking solutions, it stressed, more than 2.1 billion people, including in Morocco, will continue to use transitional cooking solutions like biomass, kerosene and coal. Setting aside environmental risks, traditional cooking solution entails significant health hazards, especially for women who, given prevalent gender roles, run the highest risk of exposure to the toxins. According to some estimates, carbon-intensive cooking solutions have caused up to 4 million premature deaths in Sub-Saharan Africa. (MWN 22.06)

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* 1. Morocco Invests in Desalination Plants as Drought Worsens

Morocco is expecting a tough summer when it comes to water supply. The North African nation's worst drought in 40 years is leaving people without tap water for hours during summer times, particularly in the southeast part of the country. In May, Minister of Equipment and Water Baraka stated that Morocco would be facing difficult periods due to a rise in temperatures and low water reservoir levels, which plummeted from 62% in 2013 to 32% in 2022. In a 2019 report, the Economic, Social, and Environmental Council (Conseil économique, social et environnemental, CESE) revealed that demand for water exceeded the available quantity of annual renewable freshwater resources. According to the CESE, the water supply in Morocco is below 650 cubic meters per person annually, compared to 2,500 in 1960. This share is expected to be below 500 by 2030.

The country has heavily invested in dams since the 1960s. Currently, Morocco has 149 big dams with a capacity of 19 billion cubic meters. To tackle the growing water challenge, Morocco is building 20 desalination plants in various regions in the country, with a goal of more than one billion cubic meters annually by 2050. By 2016, Morocco had 16 desalination plants with a production capacity of 132 million cubic meters annually.

According to a 2017 World Bank report on managing urban water scarcity in Morocco, population growth, economic activity, urbanization, and climate anomalies will most likely put the kingdom in a situation of extreme water scarcity in a couple of decades. In 2020, Abdelkader Amara, the then-minister of equipment, transportation, logistics, and water, announced that the government would build Africa’s largest desalination plant in Casablanca. The project has entered the second phase of construction this year and is scheduled to be delivered in 2026.

In January 2022, the Chtouka desalination plant, which is located 50 kilometers south of Agadir, started operation. It aims to irrigate 15.000 hectares and supply Agadir city with drinking water. This project costs MAD 4.48 billion to preserve the Chtouka aquifer threatened by maritime incursions, due to the overuse of groundwater for irrigation in the region. The plant has an initial capacity of producing up to 275,000 cubic meters per day, of which 125,000 will be reserved for irrigation. (Al-Monitor 26.06)

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* 1. Morocco’s Tourism Revenues Reach Nearly $2 Billion in May

New data reveals that Morocco’s tourism revenues in foreign currency reached MAD 20 billion ($1.99 billion) in the first five months of 2022. Minister of Tourism Ammor announced the new figure in a parliamentary session at the House of Representatives, saying that the new data represents a 173% increase compared to 2021. The revenues also show a recovery rate of 71% compared to 2019, the minister explained.

Compared to 2021, the number of tourist arrivals in Morocco was multiplied by 4.5 in the first five months of this year. With 2.3 million tourists having so far traveled to Morocco since the country lifted its COVID travel ban in February, the country’s tourism has now recovered by 52% compared to 2019.

Ammor attributed the development to the measures Morocco has adopted to manage the fallout of the COVID crisis, enabling the country to retain its tourism attractiveness and credibility -- both with tourists and major stakeholders in the sector, including airline companies, travel agencies, and tourism authorities in third countries. Ammor commended the efforts of the Moroccan National Tourist Office (ONMT) with airline companies, saying the office’s tireless promotion of Morocco’s tourism sector has put the country back on the global tourism map and made it possible for the North African Kingdom to be ready to receive more tourists than it did before 2019. With the opening of new air routes and the increase of weekly flights in long-existing air routes, Morocco is set to welcome even more tourists by the end of this year and in the coming years, she concluded. (MWN 05.07)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Turkish Inflation Accelerates to 78.6% as Food Prices Almost Double

Turkey’s inflation rate extended the highest level since 1998 as food prices almost doubled from a year ago. Inflation accelerated to 78.6% last month from 73.5% in May, the Turkish Statistical Institute (TÜİK) said. The price of food and non-alcoholic beverages jumped by an annual 93.9%. Unofficial consumer price inflation, calculated by a group of academics using very similar criteria to TÜİK, climbed to 175.6%. Most Turks, including supporters of President Erdoğan, do not believe the official inflation data, opinion polls have shown.

Turkish inflation has surged over the past year after the central bank, acting on the orders of Erdoğan, embarked on a rate-cutting spree despite an uptick in prices caused in part by rising energy costs and global supply issues. Economists and business groups have called on the central bank to reverse course and hike interest rates. The lira was trading down 0.2% at 16.8 per dollar after the data was published. The currency lost 44% of its value last year and has fallen by about 20% this year largely due to the impact on consumer and investor confidence of the government’s unorthodox economic policies.

Price rose by 4.95% on a month-on-month basis, TÜİK said. Annual producer price inflation accelerated to 138.3% in June from 132.2% in May. An opinion poll published last week showed that 23.9% of Turks believed official inflation data while 69% believed the independent calculation produced by the group of academics, known as ENAGroup. (Ahval 04.07)

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* 1. Israel Reopening Economic Office in Turkey as Ties Improve

On 5 July, Israel announced that its economic office in Istanbul will resume its operations on 1 August, following years downgrade in activities in Turkey over a diplomatic fallout between the countries. In recent months, Turkey and Israel have been taking steps to mend relations fractured for more than a decade. Despite tensions, the countries have maintained trade and Turkey remains one of Israel’s most important partners. Bilateral trade between the nations was up 30% in 2021, reaching $7.7 billion, according to Reuters. Turkey is the fourth most important trading partner for the Israeli economy and was the fifth most important export destination in 2021. The reopening of Israel’s economic office will help more than 1,500 Israeli companies that are currently exporting to Turkey, the Israeli economy ministry said. (Ahval 05.07)

GENERAL NEWS AND INTEREST

\*ISRAEL:

* 1. 17th of Tammuz Fast Observed on 17 July, Beginning Three Week Mourning Period

The Jewish fast day of the 17th of Tammuz will be observed this year from sunup to evening on Sunday, 17 July. The fast day itself commemorates five tragedies: 1. Moses descended from meeting G-d and receiving the Torah on Mount Sinai, saw the Jews celebrating with the Golden Calf and broke the two tablets G-d had given him. 2. The daily offering, which had been brought regularly in Temple in Jerusalem, was halted during the Babylonian siege before the Temple was destroyed. 3. The Romans breached the walls of Jerusalem, prior to destroying the second Temple, in 70 CE. 4. A Greek or Roman official named Apostemos held a public burning of the Torah. 5. Idols were set up in the Temple itself; it is not clear what year this happened. The 17th of Tammuz is the second of the four fasts commemorating the destruction of the Temple and the Jewish exile.

In later years this day continued to be a dark one for Jews. In 1391, more than 4,000 Jews were killed in Toledo and Jaen, Spain and in 1559 the Jewish Quarter of Prague was burned and looted. The Kovna ghetto was liquidated on this day in 1944 and in 1970 Libya ordered the confiscation of Jewish property.

The 17th of Tammuz also marks the beginning of the “Three Weeks,” which ends with the fast of the 9th of Av. Some customs of mourning, which commemorate the destruction of Jerusalem, are observed from the start of the Three Weeks. Jewish mourning customs restricts the extent to which one may take a haircut, shave or listen to music, though communities and individuals vary their levels of observance of these customs. No Jewish marriages or other major celebrations are allowed during the Three Weeks, since the joy of such an event would conflict with the expected mood of mourning during this time. The Three Weeks can be thought of as having a variety of increasing levels of mourning. Some restrictions begin on the 17th of Tammuz, some from the beginning of the month of Av, and some only come into effect the week in which Tisha B'Av occurs.

\*REGIONAL:

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* 1. Eid Al Adha Likely to Fall on 9 July

The UAE's International Astronomical Centre has announced that Saturday, 9 July is likely to be the first day of Eid Al Adha in most countries. The chairman of the International Astronomical Centre said that the month of Zul Hijjah is likely to begin on Thursday, 30 June. The UAE has declared that federal ministries and entities will be on holiday from Friday, 8 July until Monday, 11 July to mark the occasion. They will resume work on Tuesday, 12 July. Meanwhile, private sector employees will also be on holiday from 8 – 11 July, with work resuming on Tuesday, 12 July.

The Dhu Al-Hijjah moon was sighted on the evening of 29 June in Saudi Arabia, according to the kingdom’s Supreme Court. This marks the beginning of Hajj on 7 July, followed by Eid Al Adha on Saturday, 9 July.

Morocco’s Ministry of Islamic Affairs announced that Eid Al Adha will take place on Sunday, 10 July. The ministry carried out the sighting of the crescent moon for Eid Al Adha 2022 today, announcing that the first day of Dhu al-Hijjah, the last month in the Islamic calendar, will fall on 1 July.

Known as sacrifice feast in English, Eid Al Adha is one of the holiest events in Islam. During the feast, Muslims sacrifice a sheep, lamb, goat, or a cow. The Muslim event commemorates Prophet Ibrahim’s willingness to sacrifice his son Ismail at the behest of G-d. Customs and traditions of celebrating the Eid differ from one region to another. Muslims around the world share one common ritual: the morning Eid prayers.

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* 1. Lebanese Billionaire Mikati Picked to Form a New Government

On 23 June, Lebanon's lawmakers designated incumbent Prime Minister Najib Mikati to form a new government, more than a month after parliamentary elections that yielded no clear majority. The 66-year-old billionaire, who had been widely expected to keep his job, secured 54 votes during parliamentary consultations, giving him a clear edge over other potential nominees. President Michel Aoun subsequently asked him to form a new government, a task analysts fear could take weeks, if not months, despite the economic emergency facing the country.

By convention, Lebanon's prime ministerial position is reserved for a Sunni Muslim, the presidency goes to a Maronite Christian and the post of speaker to a Shiite Muslim. His nearest rival for the post of prime minister-designate was former ambassador to the United Nations Nawaf Salam, who only received 25 votes. Most of the deputies in Lebanon's 128-seat parliament chose not to designate any candidate.

The Tripoli native, who is the richest man in bankrupt Lebanon, has already headed three governments since 2005. Analysts expect him to struggle to reach a deal for a fourth administration. The current Cabinet was formed in September last year after a 13-month wait.

The International Monetary Fund announced in April that a conditional agreement had been reached to provide Lebanon with $3 billion in aid and help its economy recover. The institution warned, however, that its approval hinged on the timely implementation of reforms by Lebanon, whose main power brokers are widely considered as corrupt. (AFP 23.06)

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* 1. Tunisia’s New Constitution to Remove Islam as State Religion

Tunisian President Kais Saied announced that the new constitution will not enshrine Islam as the official state religion. Saied received a draft constitution, which he is supposed to approve before submitting it to a referendum on 25 July. Prior to the new constitution, Islam has served as the “religion of state” in Tunisia, where the vast majority of the population are Muslims. The country, however, does not subscribe to Sharia law, but rather leans heavily on European civil codes.

Tunisia has been embroiled in a political crisis since Saied seized control of the government last year in July and dissolved parliament, a step that opponents describe as a coup. Sadeq Belaid, the legal expert who headed the drafting committee, said in an interview earlier this month that he would remove all reference to Islam from the new document in order to confront Islamist parties.

The first article of Tunisia’s 2014 constitution that was adopted after its 2011 revolution, maintains that the country is “a free, independent, and sovereign state, Islam is its religion and Arabic is its language.” The adoption of the draft constitution would therefore mark an unprecedented break between Islam and the state within Tunisia. (MWN 22.06)

ISRAEL LIFE SCIENCE NEWS

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* 1. AiVF Raises $25 Million in a Series A Round to Help More People Become Parents

AiVF has raised $25 million in a Series A round led by Insight Partners, a New York-based venture capital and private equity firm with participation from Adam Neumann’s Family Office, 166 2nd. AiVF will use the funding to fuel adoption of the company’s AI platform, EMA in the United States and Europe, expand its work force and develop additional solutions to drive a new generation of digital fertility care.

The EMA platform provides an optimized end-to-end IVF journey to individuals seeking Assisted Reproductive Technologies for their family building. The advanced machine learning and computer vision algorithms developed by AiVF have the potential to shorten the time to pregnancy and increase IVF predictability and success rates. Results of clinical research, performed with leading IVF clinics in Europe and the US, demonstrated that the EMA platform performs 50 times faster and is 48% more accurate than an embryologist in the clinic. After three years of extensive research and development, the platform is now operational across Europe and Asia. AiVF anticipates rapid deployment of its platform, as fertility clinics look to incorporate second generation IVF technologies to allow for improved IVF care.

Founded in 2018, Tel Aviv's [AiVF](http://aivf.co/) is a medical technology company empowering clinics with fertility intelligence. The company’s flagship product is an AI software platform that helps accelerate data-driven, automated and standardized processes for IVF patient care. The company partners with leading clinics around the globe to advance research and innovation in reproductive medicine. (AiVF 22.06)

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* 1. Alpha Tau Announces Treatment of First Prostate Cancer Patient with Alpha DaRT

Alpha Tau Medical announced that the first patient was treated in a feasibility study evaluating the Alpha DaRT as a neoadjuvant therapy in patients with prostate cancer at the Rambam Health Care Center in Haifa, Israel. The primary objectives of this study are to assess the feasibility and safety of intratumoral Alpha DaRT source implantation for the treatment of local prostate cancer prior to surgery. Secondary objectives include assessing radiological and pathological objective response rate of the tumor, and changes in quality of life measures. The study involves two separate procedures, with surgical resection of the prostate 50 days following Alpha DaRT source insertion, and can recruit up to 10 patients.

Alpha DaRT (Diffusing Alpha-emitters Radiation Therapy) is designed to enable highly potent and conformal alpha-irradiation of solid tumors by intratumoral delivery of radium-224 impregnated sources. When the radium decays, its short-lived daughters are released from the sources and disperse while emitting high-energy alpha particles with the goal of destroying the tumor. Since the alpha-emitting atoms diffuse only a short distance, Alpha DaRT aims to mainly affect the tumor, and to spare the healthy tissue around it.

Founded in 2016, Jerusalem's [Alpha Tau](http://www.alphatau.com/) is a medical device company that focuses on research, development, and potential commercialization of the Alpha DaRT for the treatment of solid tumors. The technology was initially developed by Prof. Itzhak Kelson and Prof. Yona Keisari from Tel Aviv University. (Alpha Tau Medical 22.06)

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* 1. Bom Futuro & Natter to Introduce Greeneye Precision Spraying Technology in Brazil

Greeneye Technology announced the first in-field testing of its breakthrough precision spraying technology in Brazil. Bom Futuro, the world's largest producer of soybeans, and Natter, a rapidly-growing sustainable agribusiness, will run extensive field trials on farms in Mato Grosso, to evaluate the efficacy of precision application of herbicides. Upon the successful completion of these trials, which will take place later this year, both companies will transition to using Greeneye's precision spraying system in their operations.

South American farmers face significant challenges linked to the overuse of chemicals – including high levels of water and soil pollution, herbicide resistance, and chemical drift. Until now, access to precision spraying technology on the continent has been limited to infra-red solutions that are not suitable for post-emergence (green-on-green) spraying, greatly reducing their efficacy and savings potential. Uniquely, the Greeneye solution overcomes this challenge by using proprietary AI technology to identify weeds in crops with unparalleled accuracy, unlocking the full potential of precision spraying.

[Greeneye Technology](http://www.greeneye.ag‎) was founded in 2017 in Tel Aviv, with the mission to develop alternative and sustainable solutions to current crop protection practices to meet the growing global demand for food production, while also increasing productivity and profitability for farmers. The company is pioneering the use of precision spraying technology by harnessing AI and deep machine learning to enable intelligent, real-time decisions in the field that are proven to cut chemical use by up to 90% and improve weed control efficacy compared to standard broadcast spraying. Greeneye has a multidisciplinary team with expertise in computer vision, AI, agronomy, mechanical engineering, and business. (Greeneye Technology 22.06)

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* 1. Rivulis & Jain Irrigation’s International Irrigation Business to Merge

Rivulis and Jain Irrigation Systems Limited entered into definitive transaction agreements pursuant to which Rivulis will acquire multiple overseas subsidiaries which consist of the International Irrigation Business (IIB) of Jain Irrigation. The transaction consideration is a combination of cash and stock. Jain Irrigation will receive stock comprising 22% interest in Rivulis, the holding company of the enlarged group and cash for the financing of debt issuances of the IIB and of bonds issued by Jain International Trading to create a climate and irrigation leader globally. Singapore based Temasek, a global investment company, will become the majority shareholder of the Company with a 78% stake. The transaction is subject to required regulatory approvals and other customary closing conditions.

The Company reflects the vision of both Rivulis and Jain Irrigation in building a long-lasting, purpose-led company that will spearhead the transformation of agricultural irrigation. The Company will lead the mass adoption of modern irrigation solutions and digital farming by growers and business partners globally through its focus on accessibility, innovation, and sustainability.

The Company will be dual headquartered in Singapore and Israel and will continue to be named Rivulis Pte. Ltd. For the purposes of corporate branding, the company will be represented as “Rivulis (In alliance with Jain International)”.

Kibbutz Gat's [Rivulis](http://www.rivulis.com) is a global micro irrigation leader focused on enabling and promoting a sustainable agri-food supply chain to not only feed our planet but also save it from the perils of climate change. Rivulis offers innovative irrigation solutions for seasonal, permanent, and protected crop environments, through its three product and service portfolio brands: Rivulis, Eurodrip and Manna. Established in 1966, Rivulis has 16 large-scale manufacturing sites located across six continents, three R&D Centers (Israel, California, and Greece) and multiple Irrigation Project Design Centers around the globe. (Rivulis 21.06)

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* 1. Cordio Medical Raises $18 Million from Ceros & Peregrine to Accelerate Growth

Cordio Medical announced its latest successful strategic investment round of $18 million from Ceros Financial Services and Peregrine Ventures. Cordio Medical's HearO product is a unique disruptive solution that converts a smartphone into a medical-grade device. The smartphone app is backed by sophisticated and proprietary algorithms allowing monitoring and early detection of fluid accumulation related to Congestive Heart Failure (CHF) condition deterioration. After a speech sample is collected from the patient's mobile device, the HearO® cloud-based server analyzes the results. If CHF deterioration is discovered, a healthcare professional immediately notifies the patient with an alert. Cordio Medical seeks to go to market in the U.S. in early 2024 with final approval from the FDA.

Ceros Capital Markets, the investment banking division of Ceros Financial Services that focuses on fundraising for early-stage medical technology companies, and Peregrine Ventures, Israel's first dedicated healthcare fund, led the latest funding to support a clinical validation study, health and academic partnerships, and sales team recruitment. The ongoing retail and distribution (R&D) of current and future versions of HearO® and clinical operations will be in Israel and the EU.

Or Yehuda's [Cordio Medical](https://www.cordio-med.com) develops and provides groundbreaking solutions for monitoring health conditions through a patient's speech. Cordio Medical's technologies are based on true speech signal processing technology, unique to each patient, augmented with machine learning capabilities. A patient speaks into a smartphone app backed by sophisticated and proprietary algorithms that allow near real-time monitoring and early detection of condition deterioration. The system is patient-tailored, constantly learning the patient's voice, and provides personalized, seamless, and effortless monitoring. Cordio Medical's goal is to identify and mitigate condition worsening by helping physicians prevent patient deterioration and hospitalization while keeping the patient's wellbeing at the core. (Cordio Medical 27.06)

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* 1. Sweet Victory Botanical Gum Satisfies Kids' Sweet Tooth

Founded in 2020, Ramat Yishai's [Sweet Victory](http://www.sweetvictory-gum.com) created a flavorful, botanical-infused chewing gum for children. The prototype gum is designed to help young consumers reduce sugar intake in an easy and fun way by stopping sugary treat cravings in their tracks. The foodTech start-up already successfully designed a version of the innovative gum for adults, but gum for kids set more challenges, as it must suit younger taste buds.

Sweet Victory's crave-stifling chewing gum works within two minutes by blocking the sugar receptors on the tongue. The impulse for a sweets binge can be abated and extends longer than the physical effect—up to two hours. During that time sweet foods or beverages that normally excite the senses will taste bland or even sour. The product for kids is still in the prototype stage, but is slated to launch by the end of 2022.

Development of a child's version of the product turned out to be a massive process, taking months to create a totally new product with a child-safe, tailored dosage of the active ingredient, Gymnema sylvestre. This traditional herb has been used for more than 2,000 years in Ayurvedic medicine. Receiving a modern twist, the new gum boasts a tutti-frutti flavor—ranked one of the three top favorite sweet flavors among children worldwide. The cutting-edge technology enabled creation of a functional, sugar-free chewing gum that kids love to chew.

Sweet Victory won the first prize in the foodTech track at the fifth Coller Competition for start-ups at the Coller School of Management, Tel Aviv University. They also completed a safe-fund round of $1.5 million from the CPT Capital, UK. (Sweet Victory 27.06)

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* 1. BrainsWay Gets Coverage by Israeli Ministry of Health for the Treatment of Depression

BrainsWay announced that, for the first time, the Israeli Ministry of Health has approved coverage applicable to its Deep TMS system for the treatment of depression. The inclusion of the treatment within Israel’s health basket of essential medical services means that the country’s health funds must now make the treatment available to qualifying patients free of charge.

Qualifying patients include adults over the age of 21 with depression who have either not responded to two prior antidepressants, or who are intolerant to other treatment alternatives. Coverage may be provided for up to 40 treatment sessions, which are to be administered in hospitals.

Jerusalem's [BrainsWay](http://www.BrainsWay.com) is a global leader in advanced noninvasive neuro-stimulation treatments for mental health disorders. The Company is boldly advancing neuroscience with its proprietary Deep Transcranial Magnetic Stimulation (Deep TMS) platform technology to improve health and transform lives. BrainsWay is the first and only TMS company to obtain three FDA-cleared indications backed by pivotal studies demonstrating clinically proven efficacy. Current indications include major depressive disorder (including reduction of anxiety symptoms, commonly referred to as anxious depression), obsessive-compulsive disorder, and smoking addiction. The Company is dedicated to leading through superior science and building on its unparalleled body of clinical evidence. (BrainsWay 28.06)

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* 1. FeelBetter Aids Leumit Health Services Identify Senior Patients at Risk

FeelBetter announced the results of a retrospective pilot conducted with Leumit Health Services, one of Israel’s four HMOs and a leading healthcare provider that operates 320 medical centers serving more than 720,000 members across the country. In more than one of three high-risk, senior patients identified by FeelBetter’s SaaS solution, the Company’s technology accurately predicted those likely to have an avoidable hospitalization within 30-90 days due to sub-optimal polypharmacy (the simultaneous use of multiple medications to treat diseases and other health conditions). Results of the pilot also showed that FeelBetter’s technology has the potential to aid provider organizations in proactively allocating resources to high-risk patients over the age of 65 and reducing costs by more than $5,000 per senior patient.

The retrospective study used patient information from Leumit’s electronic medical records and claims data, encompassing 153,000 managed care patients over the age of 65 with more than one chronic condition who take more than two prescribed medications. Leveraging AI and machine learning capabilities, as well as deep clinical expertise, FeelBetter’s solution synthesized and analyzed the data and – in more than one of three high-risk patients identified – predicted those likely to be hospitalized within 30-90 days as a result of polypharmacy issues. Additionally, the pilot, using FeelBetter’s technology, demonstrated that of those at-risk hospitalized patients, 87% ultimately experienced meaningful changes in their medication regimens following discharge.

Headquartered in Tel Aviv, [FeelBetter](http://www.FeelBetter.Healthcare) is the leader in pharmaco-clinical intelligence that drives value-based care, providing the capabilities to optimize medication management throughout the continuum of care. Founded by an interdisciplinary team of clinicians, technologists and healthcare industry veterans, FeelBetter empowers providers with actionable insights to help ensure that the medicines they prescribe are safe and effective. The Company’s SaaS solution synthesizes and analyzes healthcare data from multiple sources to predict which patients over the age of 65 – with multiple chronic conditions and complex medication regimens – have the highest risk of deterioration, hospitalization and incurring financial costs from sub-optimal polypharmacy. Powered by AI and machine learning capabilities, FeelBetter’s technology can also be leveraged to identify the need for potential clinical interventions and personalize medication regimens. (FeelBetter 28.06)

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* 1. CollPlant Advances its 3D Bioprinted Regenerative Breast Implants into Porcine Study

CollPlant announced the initiation of a study in large animals for its 3D bioprinted regenerative breast implant program, addressing the $2.8 billion global breast implant market. CollPlant's bioprinted regenerative implants aim to overcome the challenges of existing breast procedures that use silicone implants or autologous fat transfer. According to the U.S. FDA, approximately 350,000 people have reported adverse events involving breast implants between 2009 and 2019. Reports range from autoimmune symptoms to breast implant-associated anaplastic large cell lymphoma (BIA-ALCL).

CollPlant's regenerative breast implants are comprised of the Company's proprietary plant-derived rhCollagen, an ideal building block for regenerative medicine implants attributed to better bio-functionality, superior homogeneity, and improved safety. The printed implant is intended to degrade over time while promoting natural tissue regeneration and integration with host tissue. 3D bioprinting technology enables scalable production of highly precise and repeatable constructs, which can be customized to the individual anatomy of patients. The implants are designed to withstand physiological loads and to provide what CollPlant believes is a safer, more natural, and long-lasting alternative to current breast reconstruction and augmentation procedures.

In the product development process, CollPlant uses computational modeling tools that enable an optimal design of the implant in terms of geometry, materials, physical properties, and biological environment. The modeling takes into consideration the internal anatomy of the breast tissue and the behavior of an implant, post-implantation. The implant testing is rigorous and includes static and dynamic loading in order to mimic breast tissue behavior under different conditions and comply with the most stringent safety requirements.

Rehovot's [CollPlant](http://www.collplant.com) is a regenerative and aesthetic medicine company focused on 3D bioprinting of tissues and organs, and medical aesthetics. The Company's products are based on its rhCollagen (recombinant human collagen) produced with CollPlant's proprietary plant based genetic engineering technology. These products address indications for the diverse fields of tissue repair, aesthetics, and organ manufacturing, and are ushering in a new era in regenerative and aesthetic medicine. (CollPlant 29.06)

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* 1. SpotitEarly Raises $6.2 Million for Early Detection of Cancers Based on Abilities of Dogs

Israeli biotechnology startup [SpotitEarly](https://spotitearly.com/%E2%80%8E), which is developing a technique for early detection of cancer, has completed a $6.2 million Seed funding round led by Hanaco Ventures. SpotitEarly’s technology marries algorithmics and AI with the olfactory abilities of dogs. The test can detect the presence of several cancers in one person’s body: lung, prostate, breast and colon cancer, with the company saying that more types will follow in the future.

The test has been developed thanks to the discovery of the “cancer odor.” It is now known that cancerous tumors in their early stages secrete, first into the blood and then into the respiratory system, molecules carrying volatile organic compounds (VOCs). Each type of cancer has a unique odor and most also have a common denominator. Dogs can detect these odors in a fraction of a second, and their sensitivity to the scents has been proven in several studies to be greater than those of any medical tests or devices currently in use.

In terms of patients, the screening comes down to wearing a designated mask and breathing into it for the duration of five minutes. The screening test can be carried out from the patient's residence, screening institute, or clinic. At the end of this process, the mask is placed in a hermetically sealed package and sent back to the company's lab. The trained dogs then quickly go through the sniffing ports. Each sample is scanned by a number of dogs in a unique method, in any case where a dog identifies an odor associated with a positive cancer sample they provide a clear indication. SpotitEarly's unique methodology trains the dogs to scan the breath samples in a manner experienced by the dogs as a stimulating playtime. The scanning process for each sample takes only a few seconds and holds the potential to save lives or alternatively spare long months of stress and anxiety while waiting for scanning results for healthy patients.

The company is in the process of one of the most extensive clinical studies in this field in the world, led by the Sourasky (Ichilov) Medical Center in Tel Aviv and the Hadassah Medical Center in Jerusalem, to prove the test’s efficacy. In the preliminary phase, SpotitEarly studied 700 verified samples and showed that the test has very high sensitivity in detecting the presence of a variety of cancers, even in the early stages. Early detection raises the chances of recovery significantly. (SpotitEarly ‎03.07)

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* 1. Insightec Receives FDA IDE Approval For Prostate Cancer Comparative Study

Insightec it has received FDA approval for an investigational device exemption (IDE) for a clinical comparative study of the Exablate Prostate system used to treat diseased prostate tissue. This study will evaluate the safety and efficacy of focal treatment using high intensity focused ultrasound when compared to active surveillance in men living with prostate cancer.

The Insightec Exablate Prostate system uses sound waves to ablate, or destroy, targeted tissue in the prostate. The treatment is performed under Magnetic Resonance Imaging (MRI) guidance for high resolution visualization of the patient's anatomy for precise targeting and real-time temperature monitoring. The single session treatment does not require incisions and allows patients to quickly return to normal activity with minimal complications. A previous Insightec-sponsored clinical trial led by Memorial Sloan Kettering Cancer Center for the Exablate Prostate system reported minimal damage to adjacent structures and low rates of impact on potency and continence, supporting function and quality of life for patients.

Haifa's [Insightec](http://www.insightec.com) is a global healthcare company creating the next generation of patient care by realizing the therapeutic power of acoustic energy. The company's Exablate Neuro platform focuses sound waves, safely guided by MRI, to provide tremor treatment to patients with medication-refractory Essential Tremor and Parkinson's Disease. Research for future applications in the neuroscience space is underway in partnership with leading academic and medical institutions. (Insightec 30.06)

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* 1. Bovine Colostrum Food Company Maolac Raises $3.2 Million

Israeli foodtech startup Maolac, which extracts human-breast milk like proteins from bovine colostrum or plant-based analogs for a food ingredient, has raised $3.2 million in a seed funding round led by investment platform OurCrowd and with the participation of The Kitchen FoodTech Hub founded by the Strauss Group, The Food Tech Lab, VentureIsrael, NEOME and Mediterranean Towers Ventures.

Using computational biology, Maolac has identified and extracted functional proteins from bovine colostrum, a nutrient-rich milky fluid that comes from the udder of cows in the first few days after giving birth, and are 95% equivalent to those found in human breast milk. More than five billion liters a year of bovine colostrum is dumped in drains at dairies. The Israeli startup takes this waste and creates a formulated mixture to strengthen immune systems and help maintain a balanced digestive system.

Maolac will use the seed funding to build a state-of-the-art facility that will feature small-scale production capabilities. The facility will also be able to create analytics and samples for customers and clinical trials. The startup is in advanced discussions on joint development agreements with several leading Israeli companies in the food and supplements markets. Maolac is also in talks with several of the world's leading dairy protein producers and global dairy, ingredient, and supplement companies.

Founded in 2018, Yokneam's [MAOLAC](https://www.maolac.com/%E2%80%8E) ingredients offer significantly better performance at lower dosages and can be integrated with food, beverage, supplement and cosmetic products. MAOLAC combines proteomics & bioinformatics to create precision proteins that enable impact nutrition. They have developed a cutting-edge proteomic discovery platform to help identify highly efficacious Functional Milk Proteins (FMPs) based on bio-similarity with breast milk, the best source of whole-body nutrition. They build a new category of novel Functional Milk Protein mixtures (FMPs) from a variety of sources (plant base and/or bovine colostrum) in order to improve the health & wellbeing of both humans and pets. Their technology also includes a unique delivery system to ensure high bioavailability and potency of the proteins. (Globes 05.07)

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* 1. ChickP Cracked the Code for Creamy Dairy-Free Barista Beverages

ChickP, a foodTech startup and pioneer in plant-based protein innovation, introduced its protein isolates customized for trendy dairy-alternative barista-style coffee drinks. The company developed an advanced prototype of a chickpea-based milk analog. This plant-based creamer for coffee demonstrates the versatility of ChickP's pure protein, following its sterling performance as an egg replacer for vegan mayonnaise. This solution has been designed to serve food formulators working in the alternative dairy space to create compelling milk analogs specifically for creamy beverages such as coffee.

Chickpeas are a rich source of high-quality protein. ChickP's IP-protected technology extracts this pure protein while removing bitterness and many non-nutritional factors. The resulting ingredient has a neutral flavor, mitigating the need for sugar or flavor additives in the final product and enabling beverage formulators to significantly shorten ingredients list to deliver an all-natural product. Moreover, it demonstrates excellent foaming capabilities due to its high solubility and smooth texture. The model plant-based barista milk contains 3% protein. Existing vegetable-origin barista products typically contain less than 1% protein.

Rehovot's [ChickP](http://www.chickp-protein.com) was founded in 2016 and driven by a desire to create a protein that can help feed the world while benefiting consumers and food manufacturers. The company is the owner of a breakthrough patented technology for production of chickpea protein (90%), developed at the Hebrew University of Jerusalem ChickP helps its customers to develop nutritional, plant-based products with speed-to-market and reliability. ChickP is ISO-certified and has self-affirmed GRAS status. (ChickP 05.07)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Infinidat Drives Go-to-Market Strategy with New Global Partner Portal

Infinidat announced new moves to advance its strong position in partnering, supporting and co-selling with channel partners, accelerating adoption of storage-as-a-service (STaaS), and significantly enhancing partner sales enablement. Infinidat will roll out a new global version of its partner portal in July, rebuilt from the ground up, to train and equip solution providers worldwide to grow their revenue at a faster pace and deliver their customers true business and technical value with Infinidat’s platforms. In addition, the company announced that it has integrated Infinidat’s STaaS solution into Arrow Electronics’ ArrowSphere in North America.

Infinidat has rebuilt its partner portal to deliver an enhanced experience for the channel. It is designed to catapult partners forward with dynamic and relevant information to enable competitive advantages. The new portal features easier navigation to simplify use of the knowledgebase and enablement tools in the portal in support of new and expanding market opportunities, as well as refreshed, modernized and expanded content, including detailed information about the new InfiniSafe technology on InfiniBox and InfiniGuard. In addition, localized content in different languages for its global partner ecosystem.

Herzliya's [Infinidat](http://www.infinidat.com) helps enterprises and service providers empower their data-driven competitive advantage at scale. Infinidat’s software defined storage architecture delivers microsecond latency, 100% availability, and scalability with a significantly lower total cost of ownership than competing storage technologies. The company offers an award-winning portfolio of enterprise storage solutions for primary and secondary storage deployments. (Infinidat 22.06)

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* 1. ActiveFence Wins Award for "Best Ai-Based Solution For Cybersecurity"

ActiveFence won the "Best AI-based Solution for CyberSecurity" as part of the fifth annual AI Breakthrough Awards. The award recognizes the company's innovative use of cutting-edge AI capabilities to help online platforms proactively detect and prevent online threats. ActiveFence uses a combination of AI technology and leading subject matter experts to provide Trust & Safety teams with precise, real-time data, in-depth intelligence, and automated tools to protect users and ensure safe online experiences.

The solution provides scalable, highly efficient, AI-based detection of a broad range of malicious activity and harmful content, including terror, fraud, hate speech, child sexual abuse material (CSAM), disinformation, and more, across formats (imagery, video, audio, and text). By continuously analyzing and contextualizing malicious content, ActiveFence has created the world's largest and most comprehensive AI-training capability to power its automated, proactive content detection technology.

Unique to ActiveFence is the ability to integrate its technology with different online platforms –enabling companies of all sizes – from some of the largest tech platforms to new and emerging platforms, to engage. Once integrated, ActiveFence's proactive content detection provides near real-time analysis for a variety of violations. It uniquely provides cultural context and analysis in over 70 languages, providing an end-to-end solution for Trust & Safety teams across industries – allowing them to protect users from malicious activity and online harm proactively, minimizing violation prevalence as well as legal and brand risks.

Binyamina's [ActiveFence](http://www.activefence.com) is the leading tool stack for Trust & Safety teams, worldwide. By relying on ActiveFence's end-to-end solution, Trust & Safety teams – of all sizes – can keep users safe from the widest spectrum of online harms, unwanted content, and malicious behavior, including child safety, disinformation, fraud, hate speech, terror, nudity and more. (ActiveFence 23.06)

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* 1. Israel Aerospace Industries Successfully Doubles Venµs Satellite’s Expected Service Life

[Israel Aerospace Industries (IAI)](https://www.iai.co.il/) has successfully doubled the Venµs satellite’s service life. In addition, IAI changed the Venµs satellite’s altitude in space, which initially decreased from its initial mission of 720 km above Earth to 410 km. Instead of returning the satellite to Earth and completing its mission, IAI’s engineers returned Venµs to higher altitude to continue carrying out its mission at 560 km. This altitude increase allows for an addition of a new and unplanned phase in the satellite's life.

Venµs (Vegetation and Environment Monitoring New Micro-Satellite) is an earth-observation micro-satellite designed jointly by the Israel Space Agency (ISA) and France's National Center for Space Studies (CNES). IAI’s engineers are responsible for the satellite’s operations, managing the satellite around the clock (24/7/365) and ensuring the scientific and technological missions’ continuity.

Launched in 2017, Venµs, an IAI developed satellite, has both a scientific and technological mission. The scientific mission monitors the Earth’s vegetation using a camera with 12 narrow spectral bands developed by EL-OP and the technological mission was the use of electronic propulsion system developed by REFAEL. Venµs has outperformed its expected service life of 2.5 years and will continue its mission in space. (IsraelDefense 26.06)

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* 1. Ermetic Automates Cloud Access & Entitlement Management for Developers

The Ermetic Platform now enables organizations to automate the process of granting developers and DevOps teams “Just in Time” (JIT) access to cloud infrastructure environments. These new capabilities enable users to request, on a self-service basis, escalation of privileges for a limited time that is customized for their roles and the functions they must perform. Traditional PAM and identity governance and administration (IGA) solutions created for the data center cannot meet the needs of modern cloud-native infrastructures since they lack the ability to address entitlement granularity and adapt to the changing nature of cloud-based policies. Ermetic is filling the PAM and IGA void in the cloud with the first solution that enables organizations to provide secure and agile JIT access to cloud environments for developers.

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 Capital Partners, Norwest Venture Partners, Qumra and Target Global. (Ermetic 23.06)

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* 1. AU10TIX Protects Businesses Against $2 Billion in Fraud Since Start of 2022

AU10TIX announced that the company has prevented $2 billion in fraud related losses to businesses since the start of 2022. Fueled by the elevated rate of forgery in the financial sector - 50% higher on average than the overall forgery rate - AU10TIX has expanded its reach to cover approximately half (48%) of the total addressable market in digital payments.

As inflation grows, so does financial activity, leading to more opportunities for fraud within the financial sector. Financial service providers and institutions are turning to AU10TIX to confidently connect with their customers to onboard and re-verify accounts in a matter of seconds in the post-pandemic reality in which the safety, security, and efficiency of physical and digital experiences must be tied to ever-more aspects of people's identities.

Hod HaSharon's [AU10TIX](https://www.au10tix.com/), a global identity intelligence leader headquartered in Israel, is on a mission to obliterate fraud and further a more secure and inclusive world. The company provides critical, modular solutions to verify and link physical and digital identities so businesses and their customers can confidently connect. Over the past decade, AU10TIX has become the preferred partner of major global brands for customer onboarding and customer verification automation – and continues to work on the edge of what's next for identity's role in society. AU10TIX's proprietary technology provides results in less than 8 seconds, enabling businesses to onboard customers faster while preventing fraud, meeting compliance mandates and, importantly, promoting trust and safety. (AU10TIX 27.06)

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* 1. Exodigo Underground Imaging Platform Helps Avoid 50% More Utility Hits

Exodigo announced the successful completion of an underground utility mapping project. A leading design, procurement and construction services provider, Charge, shared rave reviews of the Exodigo solution aimed at helping construction and utility companies after completing a proof of concept at a mobile home utility upgrade project site in Santa Rosa, California.

Charge specializes in gas distribution, electrical distribution, joint trench utility construction, and horizontal directional drilling. The project was completed by a subsidiary of Charge, Veteran Pipeline Construction (VPC). VPC used and evaluated the Exodigo platform to identify unobstructed pathways to install new utility lines at an existing mobile home community that was converting master-meter-connected services to metered service connections. As with most mobile home communities, documentation of gas, electric, water, sewer and communications lines was virtually non-existent, so Charge needed to research, locate and excavate around any utilities, including abandon lines.

In addition to performing its typical utility investigation by contracting a SUE locating provider to map the site with traditional electro-magnetic, ground penetrating radar (GPR), and sewer camera equipment, establishing surface pain marks and flags and then surveying the site using global positioning systems (GPS), Charge compared those results to AI-driven maps in certain areas using potholing and surveys to verify the presence or absence of indicated underground facilities – including their documented depths, sizes, and material types.

Creating a new gold standard for nonintrusive discovery, Tel Aviv's [Exodigo](http://www.exodigo.com) gives construction, mining and utility companies a better way to know exactly what is underground. Its subsurface mapping solution combines advanced sensors, 3D imaging and AI technologies to give a clear picture of the underground so companies can make more informed decisions before they start design, construction or resource excavation. (Exodigo 27.06)

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* 1. Ford Otosan Select CYMOTIVE for Cybersecurity Compliance Certification

CYMOTIVE Technologies announced that the leading vehicle manufacturer in Turkey, Ford Otosan has selected CYMOTIVE to support its cybersecurity compliance certification of the UNR 155 and 156 regulations and to maintain continuous regulatory compliance. Upon implementing CYMOTIVE's automated vulnerability and compliance management solutions and other cybersecurity services, Ford Otosan's heavy commercial brand Ford Trucks will achieve vehicle-type certification, enabling the OEM to sell its heavy-duty commercial vehicles in countries requiring compliance with the UNR 155 and 156 regulations. Among other methods, CYMOTIVE uses a digital twin to implement reverse image engineering to enhance and verify the data received from the OEM's SBOM (Software Bill of Materials) in the compliance process. For real-time information on compliance status, CYMOTIVE's cybersecurity management solution will support Ford Trucks' continuous monitoring for the years to come.

With CYMOTIVE's automated cybersecurity solutions for vulnerability mitigation and compliance management, car manufacturers and component suppliers remain confident as to their compliance status for the upcoming cyber regulations, such as the UNR 155 following the ISO/SAE 21434 standard. The CYMOTIVE vulnerability management solution automatically maps all software and hardware vulnerabilities to the electronic control units (ECUs), prioritizes them according to the risk of their potential impact and damage, and recommends the best path for risk minimization. The solution also provides the documentation required for regulatory vehicle type certification compliance.

Founded in 2016 by top tier Israeli security experts, Tel Aviv's [CYMOTIVE Technologies](http://www.cymotive.com) designs, develops and deploys cybersecurity solutions to solve the most complex challenges in the smart mobility market. With teams working from Israel, Germany, Sweden, and the U.S, CYMOTIVE offers a full lifecycle platform of solutions for secured development to post-production stages in the smart mobility ecosystem. The company's customers include several manufacturers, smart cities and top tier suppliers of vehicles, fleets and other embedded solutions. (Cymotive 27.06)

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* 1. D-ID Announces New Partnership With Japanese E-learning Company Skill Plus

D-ID announced a new partnership with Skill Plus, a Japanese e-learning platform which plans and sells seminars and e-learning courses, to incorporate D-ID's digital human technology into their offering. Using D-ID's technology, Skill Plus developed Meta Speaker, a system which generates digital humans from photographs and audio, drastically saving the time it takes to create educational videos. Skill Plus intends to produce more e-learning courses in the future using Meta Speaker. Currently they have a service aimed specifically at owners of beauty salons, who face particular challenges keeping up to date with regulations and best practice. They plan to expand further into industries that require the use of digital human resources.

[D-ID](http://www.www.d-id.com) is a Tel Aviv-based Creative Reality startup specializing in patented video reenactment technology using AI and deep learning. D-ID's products range from animating still photos, to facilitating high-quality video productions, and creating viral user experiences. With funding from tier 1 VCs, D-ID aims to radically disrupt the time, hassle and costs involved in video production, allowing for the creation of highly personalized media using AI, specifically in history, e-learning, corporate training, marcomms, AI assistants, and the Metaverse. With international customers, D-ID's core competencies in the human face and deep learning enable its partners to create exciting and engaging content that was until now unimaginable. (D-ID 27.06)

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* 1. Weebit Nano Tapes Out ReRAM Demo Chip to SkyWater foundry

Weebit Nano Limited announced it has taped-out (released to manufacturing) demonstration chips integrating its embedded Resistive Random-Access Memory (ReRAM) module to SkyWater Technology’s foundry. This is the first tape-out of Weebit’s ReRAM technology to a production fab and is a major milestone toward commercialization. The technology will be available on SkyWater’s 130nm CMOS process, which is ideal for applications such as analog, power management, automotive, IoT and medical. SkyWater customers can now use the highly integrated demo chip as the final platform for testing and prototyping ahead of volume production.

Weebit’s embedded ReRAM module includes a 256Kb ReRAM array, control logic, decoders, IOs (Input/Output communication elements) and error correcting code (ECC). It is designed with unique patent-pending analog and digital smart circuitry running smart algorithms, thereby significantly enhancing the memory array’s technical parameters. It also supports an extended temperature range, 10 years’ data retention at high temperatures, fast access time, extremely low standby power, and is radiation-hardened (rad-hard) by nature. The demo chip comprises a full sub-system for embedded applications, including the Weebit ReRAM module, a RISC-V microcontroller (MCU), system interfaces, memories and peripherals.

Hod HaSharon's [Weebit Nano](http://www.weebit-nano.com) is a leading developer of next-generation semiconductor memory technology. The company’s ground-breaking Resistive RAM (ReRAM) addresses the growing need for significantly higher performance and lower power memory solutions in a range of new electronic products such as Internet of Things (IoT) devices, smartphones, robotics, autonomous vehicles, 5G communications and artificial intelligence. Weebit’s ReRAM allows semiconductor memory elements to be significantly faster, less expensive, more reliable and more energy efficient than those using existing flash memory solutions. (Weebit Nano 28.06)

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* 1. EasyWay Spells Out a New Standard for Hospitality Messaging

EasyWay announced the launch of Magic Spell. This built-in writing assistant solidifies EasyWay as a leader in the hospitality technology market, helping hotels standardize their communication and create a more consistent guest experience. Magic Spell is an AI-powered messaging assistant inside the EasyWay platform. As hotel staff respond to guests in real-time, they'll receive automatic grammar and phrasing suggestions to help them write more professionally and error-free. The multilingual tool automatically detects the writer's language and offers a variety of responses to help build better customer relationships.

Developed with an in-depth understanding of hospitality content and semantics, Magic Spell uses advanced AI to generate fast responses that are appropriate for any guest situation at hand. Ensuring hotels have real-time writing assistance while messaging guests helps EasyWay standardize hospitality communication. By automatically detecting the meaning, intent, and language, the writing assistant suggests casual or formal phrasing options as well as shorter or longer suggestions to help hotels communicate more effectively with guests. Having all staff members speak in the same voice builds stronger brand identity and provides a consistent guest experience from start to finish. The tool automatically detects grammar and spelling mistakes, allowing staff to respond quickly and error-free.

Tel Aviv's [EasyWay](https://www.easyway.ai/) is an end-to-end guest journey platform enabling hotels to personalize and manage the entire guest journey in one place. The hotel technology platform enables automatic guest engagement via their favorite messaging app to increase the bottom line. The EasyWay platform instantly connects with guests over WhatsApp, WeChat, Facebook Messenger, and more, providing immediate two-way translation in over 100 languages. EasyWay was named Best Contactless Check-In Solution at HotelTechAwards 2022, a finalist for Best Guest Messaging Software and Best Live Chat & Chatbot by HotelTechReport. (EasyWay 29.06)

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* 1. Webeyez Launches 2.0 to Help Online Businesses Beat the Heat

Webeyez announced the launch of Webeyez 2.0: the company's most significant product launch since its founding in 2015. Webeyez's core technology automatically surfaces – in real time – technical issues and goal failures that prevent conversions. With the launch of Webeyez 2.0, the platform helps brands get deeper insights, take action faster, and keep pace as their customers' needs evolve. Webeyez 2.0 is available to all Webeyez customers. Key capabilities have been in beta with select customers for the past six months. Webeyez clients include high-growth brands across e-commerce, gaming, travel, and financial services.

Caesarea's [Webeyez](http://www.webeyez.com) is the secret weapon that online businesses use to immediately fix leaky funnels and grow revenue. The platform illuminates every step of the onsite consumer journey and uses machine learning to surface and prioritize points of hidden friction – giving revenue leaders a heat-seeking missile to instantly identify issues causing conversion drops and revenue loss. (Webeyez 29.06)

ISRAEL ECONOMIC STATISTICS

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* 1. Unemployment in Israel Falls Again

The unemployment rate in Israel fell to 3% in the first half of June, from 3.4% in the second half of May, the Central Bureau of Statistics announced, just higher than the historic low of 2.9% in the first half of April. There were 186,000 jobseekers in the first half of June, up from 143,000 in May.

At the same time, the unemployment rate under the broad definition fell to 4.3% in the first half of June from 5.1% in the second half of May. The broad definition includes employees put on unpaid leave at the start of the Covid crisis two years ago and who have still not returned to work. These employees are mainly in the tourist industry.

Participation in the workforce of the working age population in Israel rose to 62.1% in the first half of June from 61.6% in the second half of May. The Bank of Israel Research Department forecasts 3.5% unemployment at the end of 2022 with a continuing low level of unemployment in 2023. (CBS 04.07)

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* 1. Israeli Startups Raised $1.6 Billion in June

Israeli startups raised $9.7 billion in the first half of the year, well below last year's figure but ahead of 2020 when startups raised $10 billion in the entire year. Israeli startups raised $1.6 billion in June 2022, albeit 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, more than double 2020's figure of $10 billion, which was itself a record. Israeli startups raised $5.6 billion in the first quarter of 2022, according to IVC, slightly off pace to exceed last year's record. Startups raised only $750 million in April, an extremely low figure that was partly attributed to the Passover holidays, which fell during the month, followed by $1.75 billion in May.

Thus Israeli startups raised $4.1 billion in the second quarter of 2022 and $9.7 billion in the first half of the year, considerably below last year's figure, as the global slowdown and fall in the share prices of publicly traded companies begins to bite in the privately held tech company sector. Nevertheless, this figure is still well above 2020, when a record $10 billion was raised in the entire year.

In June, the major financing rounds that were completed were led by sports analytics company Pixellot, which raised $161 million. Data analytics company Coralogix raised $142 million, AI healthcare solutions company Aidoc raised $110 million, 4D imaging radar company Vayyar raised $108 million and cybersecurity company Perimeter 81 raised $100 million. Other major financing rounds were completed by HR flexibility platform Gloat, which raised $90 million, lab grown diamonds company Lusix also raised $90 million, cybersecurity company Cyolo raised $60 million, and sales platform DealHub raised $60 million. (Globes 03.07)

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* 1. Israeli Tech Investment Falls by 31% in Second Quarter

Israeli tech companies raised $4.5 billion in Q2/22, down 31% from $6.6 billion in the corresponding quarter of 2021, according to a report by Israeli venture capital firm Greenfield Partners. The report also found a sharp fall in the number of financing rounds in the second quarter - 104 - compared with 132 in the first quarter of 2022 and 135 in the second quarter of 2021. Despite the fall in second quarter financing rounds to $4.5 billion, the figure was still well above the $2.5 billion raised in the second quarter of 2020, which was a record year.

Greenfield Partners attributes much of the fall to the reluctance of unicorns, privately held tech companies worth more than $1 billion, to complete financing rounds because of their awareness that it would not be at a higher valuation than their previous financing round and possibly even at a lower valuation. During the second quarter, blockchain company Starkware was the only existing unicorn to announce a new financing round, while in the corresponding quarter of 2021, four existing unicorns announced new financing rounds - Gong ($7.2 billion valuation), Next Insurance ($4 billion), Forter ($3 billion) and Trax ($2.25 billion).

There were seven deals in the second quarter involving unicorns - Monte Carlo, Unit Finance, StarkWare, Optibus, Perimeter 81, Viz.ai and Vayyar compared with 14 in Q2/21. The report also found a 50% decrease to 13 in the number of growth round deals in the second quarter of 2022, in which between $50-100 million was raised, compared with 26 in the corresponding quarter of 2022.

Greenfield Partners found that the leading sector for new startup investments in the second quarter of 2022 was digital health (24%), followed by cybersecurity (17.4%), AI and machine learning (12.8%), and cloud technology and development (10.7%). Other areas that attracted investments included B2B, fintech, cryptocurrencies, consumer products, deep tech and transport. (Greenfield Partners 03.07)

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* 1. New Car Deliveries to Israel Fall by 13% in First Half of 2022

Some 159,000 new cars were delivered in Israel in the first half of 2022, down 13% from 2021. The fall is attributed to global supply chain problems rather than a dampening in demand for new cars. The strong rise in new cars coming onto Israel's roads over the past 18 months is part of a global trend that started during the COVID pandemic.

This global trend was highlighted in a research study published by Continental. The study, focusing on Germany, the US, China, Japan and other countries concluded that the car would remain the primary form of transport for the foreseeable future. Continental found that in the countries studied - countries with more developed road infrastructures than Israel - only one in ten people used public transport on a daily basis.

However, since the study was conducted a new obstacle has presented itself concerning travel by car and which could dampen demand for new cars - the price of gasoline, which is skyrocketing worldwide in the wake of the Russia-Ukraine war. The recent price of 95 octane gasoline at self-service pumps in Israel rose by NIS 0.36 to NIS 8.08 per liter and is fast approaching its all-time record high of NIS 8.25 per liter seen 10 years ago. (Globes 04.07)

IN DEPTH

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* 1. JORDAN: IMF Concludes 2022 Article IV Consultation & Fourth Review Under EFF

On 30 June, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) completed the 2022 Article IV Consultation for Jordan and the Fourth Review Under the Extended Fund Facility (EFF). The completion of the review will make SDR 137.24 million (about $183 million) immediately available. This brings total IMF disbursements to Jordan since the start of 2020 to SDR 1,018.922 million (about $1.356 billion) including a purchase of SDR 291.55 million (about $407 million) in May 2020 under the Rapid Financing Instrument.

Jordan’s four-year extended arrangement amounting to SDR 926.37 million (about $1.293 billion, equivalent to 270% of Jordan’s quota in the IMF), was approved by the IMF’s Board on March 25, 2020, and was augmented on June 30, 2021 to SDR 1070.47 million (about $1.425 billion, equivalent to 312% of Jordan’s quota in the IMF). The conclusion of the fourth review will augment Jordan’s access under the EFF to SDR 1,145.954 million (about $1.526 billion, equivalent to 334% of Jordan’s quota in the IMF).

Helped by the economic reopening, a recovery is underway supported by targeted fiscal and monetary measures. Government revenues have over-performed, reflecting concerted efforts to reduce tax evasion and close tax loopholes. However, unemployment persists at very high levels, particularly among the youth. Inflation - which has been contained in 2021 - has risen slightly this year, reaching 3.6% at end-April. The current account deficit will narrow from 8.8% of GDP in 2021 to around 6.7% of GDP in 2022, a somewhat higher level than previously expected, primarily reflecting more elevated fuel import prices. This together with tightened global financial conditions have increased Jordan’s external financing needs. The Fund is helping Jordan meet these needs by increasing planned disbursements in 2022 by SDR 120.085 million including through augmenting access under the EFF by SDR 75.482 million. Stepped-up donor support remains critical, including to aid Jordan in hosting 1.3 million Syrian refugees.

At the conclusion of the Executive Board’s discussion, Mr. Kenji Okamura, Deputy Managing Director and Chair stated:

“Jordan’s economic recovery has continued amid an uncertain external environment. The authorities’ effective policy response to the pandemic, including early expansion of healthcare capacity, has enabled a timely and full reopening of the economy, and a nascent recovery is in train. However, high commodity prices and tighter global financial conditions represent significant headwinds going forward. Near-term policy should focus on maintaining macro-fiscal stability, while protecting the most vulnerable and advancing reforms to boost growth and jobs.

“Key fiscal targets were met, and there is good progress on reforms to broaden the tax base and close tax loopholes. These efforts have already started to bear fruit, as reflected in the sizable revenue over-performance; and it would be important to implement the remaining legislative and administrative reforms in this area to maintain the revenue mobilization momentum. Given limited fiscal space, blanket fuel subsidies should be phased out in favor of targeted support for the vulnerable. In light of global headwinds and the monetary tightening, a more gradual medium-term path of fiscal consolidation, underpinned by high-quality measures bringing debt under 80% of GDP by 2027, is appropriate to support the recovery and protect the vulnerable, while preserving debt sustainability.

“Monetary policy should remain focused on supporting the peg in an increasingly volatile external environment. The authorities should remain alert to emerging balance of payments pressures and ensure that reserve adequacy continued to be preserved. The financial sector remains sound. However, banks’ asset quality should be closely monitored until the impact of the pandemic and the on-going headwinds have been fully absorbed. Subsidized lending schemes should become more targeted and gradually be phased out as the recovery gains momentum. To further enhance the AML/CFT regime, the authorities are committed to an action plan for resolving the remaining strategic deficiencies identified by the FATF.

“Strong and inclusive growth rests on steady progress on structural reforms to support female labor force participation, enhance youth employment and labor market flexibility, promote competition, reduce the costs of doing business, and strengthen governance and transparency. In this regard, advancing legislation to support female labor force participation and improve the competition regulatory framework will be critical. The successful rollout of the new electricity tariffs, which will reduce costs for businesses, is welcome. Continued efforts are also needed to address water scarcity and improve the financial sustainability of both the water and electricity sectors. In this regard, it is important to adopt financial sustainability roadmaps for the water and electricity sectors and ensure due financial diligence and transparency of the procurement process of megaprojects to address water scarcity.

“Stepped up and timely donor support will be critical to help support the authorities’ reform agenda and meet Jordan’s higher external financing needs. It will also help ease the burden of hosting 1.3 million Syrian refugees.

**Executive Board Assessment**

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their swift and decisive policy actions and strong ownership and commitment to the IMF-supported program that have mitigated the effects of the pandemic and supported the recovery. However, high unemployment and continued headwinds from high commodity prices and rising global interest rates highlight the importance of persevering with strong policies and structural reforms.

Directors agreed that more gradual fiscal consolidation is appropriate to support the recovery and protect the vulnerable while safeguarding debt sustainability. They emphasized the importance of continued advances in the authorities’ commendable revenue mobilization strategy, including key legislative reforms to further broaden the tax base and close tax loopholes. Directors stressed the need to replace costly fuel subsidies with targeted support to protect vulnerable households within the approved 2022 budget envelope. They welcomed ongoing efforts to increase transparency and efficiency in public spending and SOEs, which would help accommodate priority social and capital spending. Continued donor assistance will also be critical, including to support the large number of refugees.

Directors emphasized the importance of improving the financial viability of the electricity and water sectors, including by curtailing the accumulation of arrears and closely monitoring contingent liabilities. They commended the electricity tariff reform, including the mechanism to protect vulnerable households. Given large investments in climate adaptation required to mitigate water scarcity, Directors urged timely completion of the Financial Sustainability Roadmap and due financial diligence and transparent procurement policies of megaprojects in the water sector.

Directors agreed that monetary policy should remain data driven, with a focus on supporting the peg and financial stability. Continued interest rate adjustments in response to Fed actions and adequate reserve buffers will be key. While the banking system is overall sound, Directors stressed the need to monitor bank asset quality and welcomed in this regard the ongoing FSAP update. They called for gradual unwinding of subsidized lending schemes as the recovery becomes entrenched. Directors also commended the authorities’ commitment to improving the AML/CFT framework.

Directors emphasized that unlocking Jordan’s growth potential requires accelerating structural reforms to remove obstacles to job creation, labor participation, and investment. In that context, they urged the authorities to further strengthen the competition framework, enhance gender equality in the workplace and reduce youth unemployment. Strengthening fiscal governance and transparency remains important. (IMF 30.06)

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* 1. KUWAIT: Kuwait's Constitutional Stand

Kristin Smith wrote in [Diwan](https://agsiw.org) on 23 June that for more than a week, 16 members of Kuwait’s National Assembly held a sit-in in their parliamentary offices. Their demands were streamlined and succinctly stated: respect for the constitution and either the prompt appointment of a new government or the dissolution of Parliament with a call for new elections.

For months Kuwait had been building toward a constitutional crisis. Its origins were, emblematically, in parliamentary confrontations with the Cabinet and the leadership’s indecisiveness and inaction. In April, parliamentary members questioned Prime Minister Sabah al-Khaled Al Sabah and were able to gather enough support for a vote of no confidence. Faced with this inevitability, the prime minister – a ruling family member – submitted his resignation. Presented with this dilemma, Emir Nawaf al-Ahmed al-Sabah had two choices: accept the resignation and appoint a new government or reject it and call for new parliamentary elections. After a month, Crown Prince Meshal al-Ahmed al-Jaber al-Sabah, serving on behalf of the ailing emir, accepted the resignation. However, he asked the same Cabinet, including the prime minister, to stay on in a caretaker capacity. The continuation of this government, in defiance of the will of the Parliament, affected the ability of the Parliament to meet and aggravated an already hostile relationship between the ruling family-led executive and the elected body.

The sit-in by a coalition of members was a tactic to force a resolution. And it succeeded. On 22 June, Meshal delivered a speech on the emir’s behalf calling for the dissolution of Parliament and new parliamentary elections, “in accordance with the will of the people and the rule of the constitution.”

What does the standoff indicate about the current state of Kuwait’s governance? How did the parliamentary members force a change? Will the current spirit of unity survive elections and a new government selection?

**Regional Context and Local Politics**

Kuwait has gained a reputation as the conservative and somewhat lethargic emirate of the Gulf. While neighbors race ahead through top-down, state-led projects of economic diversification and energy transition, Kuwait sometimes appears content to settle into a rather comfortable retirement, with money prudently stowed away abroad.

Yet this belies a certain disquiet in the emirate. Never at a loss for political discontent, there is growing anxiety over the lack of political leadership and unified national program. This is intensified by the youthful, if sometimes brash, leaders dominating the neighboring wealthy emirates of Qatar and the United Arab Emirates, and especially Saudi Arabia, which in the space of only a few years has cast off its own politico-religious inhibitions to drive generational change. This sparks both envy and unease in Kuwait, with perspectives divided by political ideology and torn by the competing desire for strong leadership versus fear of losing Kuwait’s hard-won political openness and independence.

That political independence has been much in evidence in the past year. Despite the emir convening a national dialogue with the parliamentary opposition in November 2021, welcoming back some exiled opponents from abroad, and appointing some new ministers deemed more amenable to Parliament, the opposition has persisted in challenging ministers. This culminated in April with the questioning of Prime Minister Sabah al-Khaled al-Sabah, who has been seen as lax in dealing with corruption allegations within prior governments and unresponsive to parliamentary discontent. A rather poor showing before vigorous parliamentary questioning left him lacking the parliamentary support to remain in power and sealed his fate.

**Kuwait’s Aging Leadership**

Kuwait’s anomie echoes the crises of democratic orders in the West, many of which, like the United States, suffer from political polarization, populist backlash and dysfunctional governance. The weaknesses in Kuwait, though, lie not only in a constitutionally enabled Parliament, but also within a ruling house that suffers from its own divisions and lack of a sense of urgency in pursuing Kuwait’s own development blueprint, New Kuwait. As neighboring ruling houses move toward youth, the Al Sabah ruling family has strictly adhered to traditional ruling norms favoring seniority. This has left Kuwait with the most aged leadership in the Gulf. Both the emir and crown prince are in their 80s; in November 2021, the emir ceded some of his powers to the crown prince, who increasingly governs in his stead.

There are indications that the next successor, 81-year-old former Prime Minister Nasser al-Mohammed al-Sabah, may represent the same pattern. In the interim, Al Sabah leaders with the will to enter government and skill to navigate the Parliament and it's sometimes excesses are few. While in February, Foreign Minister Ahmed Nasser al-Mohammed al-Sabah survived a vote of no confidence, that same month the defense and interior ministers resigned their positions arguing that the lengthy parliamentary interrogations were an abuse of power, which prevented them from serving the Kuwaiti people. In the most recent standoff, the leadership’s unwillingness – or inability – to appoint an alternate prime minister does not lend confidence that the ruling house’s internal divisions and dearth of leadership talent have been resolved.

In the absence of determined leadership and appetite for the day-to-day management of Kuwait’s political arena, the initiative has been delegated to Kuwait’s ambitious speaker of parliament, Marzouq al-Ghanem. Often blocking the initiatives of more reform-minded parliamentarians and in seeming to channel the views of the ruling Al Sabah family, he has deployed a more imperious governance style and selective adherence to rules to bring the Parliament in line. This approach has also often been wielded in favor of the still powerful but politically besieged merchant class, further fueling a populist reaction. The most hardline opposition now projects its ire and demands on the removal of Ghanem. This deflection of anger toward the speaker may be useful to the Al Sabah family, but if so, it is a strategy that itself has limits, as indicated by the recent standoff.

**The Opposition Unifies**

Kuwait’s opposition has been beset by its own internal divisions, animated by competing ideologies, personalities, and ruling tactics. Yet in the current crisis, the opposition coalition has managed to hold together, assemble a broader political coalition, and draw popular support.

First, the 16 members of parliament originating the sit-in set a concrete and achievable target: to get the government working again through the appointment of a new prime minister or a call for new elections, as dictated in Kuwait’s Constitution. The opposition members avoided the personalized attacks often found in rallies against the prime minister and especially the speaker of parliament. Instead, they cloaked themselves in the rule-bound and unifying language of Kuwait’s Constitution.

Second, they avoided direct provocation through an occupation of the Parliament hall or a call for rallies in the street. The members of parliament held their protest in their parliamentary offices, and while supporters did gather in the park in front of the National Assembly, this was not the focus of the sit-in. Later in the week they expanded popular participation by holding nightly gatherings at the home diwaniyas of the members of parliament, chosen to cycle through all of Kuwait’s five electoral districts. These diwaniya gatherings had the benefit of stressing the national character of the demands. They also served as a pointed reminder of the diwaniya gatherings of the 1980s: a time when the Al Sabah ruling family had dissolved the Parliament in defiance of the constitution, and when national forces sustained their protests by gathering in these quintessentially Kuwaiti spaces that mediate between the public town hall and private (protected) home. This may have served as a deterrent to any temptation to attempt another unconstitutional dissolution.

The strategy worked. The limited demands appealing for the respect for Kuwait’s Constitution and the preservation of political life succeeded in drawing in support from a broad cross section of Kuwaiti society. Petitions and statements of support from both liberal and Islamist political societies, labor unions, student unions, tribal groupings, and lists of prominent individuals circulated on social media. The parliamentary and political opposition movement itself, which had fallen to competing personalities and splintered between hard-liners and consensus builders, reassembled in support of the simple appeal.

In the end, the speech given by the crown prince struck the same tone of high-mindedness and conciliation. It referenced the deep respect for Kuwait’s Constitution and the will of the people. It promised not to interfere in the elections for representatives nor in the votes for parliamentary committees and leadership. The latter points to an unspoken target of the protest: the incumbency of the parliamentary speaker, Marzouq al-Ghanem. The speech was very well received across Kuwait, praised even by the hard-liners, and the sit-in representatives ended their protest in celebration.

**The Way Ahead**

While the sit-in represents a positive and relatively rare example of targeted political protest to achieve limited political aims, it is unlikely the good feelings of national unity will last. Fundamental political divisions remain in the country, including among many citizens who blame the Parliament for Kuwait’s lack of progress. Rivalries among royals may have played some part in animating the political unrest.

The crown prince’s speech stated that the dissolution will occur in the coming months, meaning that it is likely that the caretaker government and Parliament will remain until August or September, with elections taking place within 60 days after. The goodwill generated by the leadership’s concessions will likely allow for the passage of Kuwait’s budget, which needs to happen soon.

Despite the words of the emir, there is still time to alter the electoral districts before the elections, a topic that has been circulating in Kuwait for some time. The creation of new electoral districts – perhaps from five to 10 ­– will shuffle the power of tribal constituencies and may create a more challenging environment for the opposition. Still, Kuwaitis can look once again to elections and at least the opportunity for political renewal.

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* 1. BAHRAIN: IMF Executive Board Concludes 2022 Article IV Consultation

On 24 June, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with The Kingdom of Bahrain, and considered and endorsed the staff appraisal without a meeting on a lapse-of-time basis.

Bahrain implemented a strong vaccination campaign that covered all residents, was one of the fastest globally, and allowed the broad reopening of the economy in summer 2021. The support package provided relief to the private and banking sectors, helping to contain job losses and corporate strains.

A gradual post-COVID recovery is underway, while the renewed fiscal reform momentum, with the recent doubling of the VAT rate to 10%, and high oil prices are mitigating Bahrain’s fiscal and external vulnerabilities. The Bahraini economy grew by 2.2% in 2021, driven by 2.8% growth in non-hydrocarbon GDP. The recovery was supported by a strong performance in non-hydrocarbon manufacturing as well as by the retail trade and hospitality sectors. With the economic recovery and higher oil prices, the state budget deficit narrowed to 6.8% of GDP in 2021, while the overall fiscal deficit narrowed to 11.1% of GDP and debt declined slightly to 129% of GDP. The current account improved markedly and posted a surplus of 6.7% of GDP in 2021 and international reserves increased to about 2.4 months of prospective nonoil imports. Banks' soundness indicators remain resilient, but the financial sector support package might have masked some vulnerabilities.

Economic activity is projected to continue a moderate rebound and the fiscal and external positions will improve considerably in the near-term. Over the medium-term, growth is set to stabilize at 3%. However, declining oil prices will put pressure on the medium-term fiscal deficit and public debt is projected at 127% of GDP by 2027. Significant uncertainty clouds the forecast, including from the uncertain evolution of the pandemic, and the war in Ukraine, as well as the global inflation outlook.

The authorities are strongly committed to their reform agenda outlined in the Economic Recovery Plan and the revised Fiscal Balance Program, including ambitious reforms to reduce the fiscal deficit and public debt.

**Executive Board Assessment**

In concluding the 2022 Article IV consultation with The Kingdom of Bahrain, Executive Directors endorsed the staff’s appraisal as follows:

Bahrain implemented a commendable pandemic policy response and is moving ahead with fiscal and structural reforms. The authorities’ crisis policy actions successfully mitigated the health and socioeconomic impact of the COVID-19 pandemic, prevented job losses and helped the economic recovery as soon as containment measures were lifted. Renewed fiscal reform momentum and favorable oil prices eased fiscal and external vulnerabilities. The recovery is projected to continue at a moderate pace, with headwinds stemming from fiscal adjustment and the tightening of global financial conditions. Risks to the outlook remain tilted to the downside.

Fiscal reform should proceed to put debt on a firm downward path. Staff welcomed the renewed fiscal reform momentum and recommended that the authorities take advantage of the current favorable macroeconomic and financing conditions to legislate a set of fiscal measures in the upcoming 2023/24 Budget Law in line with their FBP. The pace and composition of the medium-term adjustment could be balanced to support both growth and fiscal sustainability while reducing reliance on oil revenue and increasing spending efficiency. Any oil revenue windfalls should be used to rebuild buffers. Improving fiscal transparency, including by phasing out extra-budgetary spending, can reduce reform implementation risks.

Monetary policy should continue to be tightened in line with the Fed. The exchange rate peg remains an appropriate monetary anchor and the CBB should continue to follow the Fed tightening cycle to stem capital outflow pressures. Phasing out the FX overdraft at the CBB, together with fiscal consolidation, would support the external position and thus the peg. In the longer run, monitoring FX balance sheet risks and further deepening domestic financial markets would help prepare for a more independent monetary policy in the post-oil economy.

The CBB successfully preserved financial stability during the crisis and should now unwind the pandemic support measures. The blanket loan moratoria should be phased out and, if needed, could be replaced with targeted and time-bound measures aimed at viable borrowers, while nonviable exposures should be resolved. Macroprudential instruments should be recalibrated to their neutral stance given comfortable banking system liquidity and capital buffers. The authorities should enhance the macroprudential policy framework, including by adding real estate indicators to their financial stability analysis. Efforts to strengthen the resolution framework should be continued.

Labor market and other structural reforms should promote private sector job creation and economic diversification. Staff welcomed the authorities’ economic recovery plan. Containing public wages, addressing skills mismatches, and facilitating labor mobility would help the recovery and job creation. Efforts to support higher women’s participation in the labor force should be continued. Improving business environment, advancing digitalization and enhancing access to finance, especially for SMEs and women, and pursuing reforms to support the transition toward a low-carbon economy would spur a strong, inclusive, and green recovery. Staff proposes that the next Article IV consultation with The Kingdom of Bahrain follow the standard 12-month cycle. (IMF 30.06)

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

An [International Monetary Fund (IMF)](http://www.imf.org/) mission conducted discussions for the 2022 Article IV Consultation from 23 May ‒ 6 June.

Saudi Arabia managed the COVID-19 pandemic well and is well-positioned to weather the risks posed by the war in Ukraine and monetary policy tightening cycle in advanced economies. Economic activity is picking up strongly, supported by a higher oil price and the reforms unleashed under Vision 2030. The authorities’ commitment to fiscal discipline should help further strengthen fiscal and external sustainability and avoid pro-cyclicality while implementation of the ambitious structural reform agenda will help ensure a durable, inclusive and green recovery.

**Saudi Arabia is recovering strongly following a deep pandemic-induced recession.** Liquidity and fiscal support, reform momentum, and high oil prices and production have helped the country recover. With a high vaccination rate and a short-lived Omicron-COVID-19 wave, restrictions have been lifted on domestic movement and international travel. Overall growth was robust at 3.2% in 2021, in particular driven by a recovering non-oil manufacturing, retail (including e-commerce) and trade sector. With increased labor force participation of nationals offsetting expatriates’ departures, the unemployment rate has fallen further to 11% — a 1.6% drop from 2020 mainly owing to higher employment for Saudi nationals, particularly women, in the private sector.

**Inflation remains contained, despite some signs of inflationary pressures.** Average inflation was 3.1% in 2021 and has been low since mid-2021 as the base effect of the mid-2020 VAT hike dissipated, despite some pressures from higher food and gasoline prices, which led to a cap on local gasoline prices in July 2021. Low pass-through of international food and commodity prices, due to some price caps and subsidies, as well as falling rents, which compose over 20% of the CPI basket, explain inflation staying low at 2.3% (y/y) in April 2022. That said, double-digit wholesale price inflation, increasing commodity prices, and rising shipping/logistics costs suggest rising inflation for the period ahead.

Higher oil prices and stepped-up oil production improved the current account, which registered a 5.3% of GDP surplus in 2021, up from deficit of 3.2% of GDP in 2020, as strong oil-driven exports surpassed growing imports and large remittance outflows. Net foreign assets declined but remain at very comfortable levels.

**Economic Prospects – Positive outlook with balanced risks**

**Direct spillovers on Saudi Arabia from the war in Ukraine are negligible.** With the impact of the war keeping oil prices elevated and considerably above previous forecasts over the medium term, Saudi Arabia’s fiscal and external buffers will be strengthened. Limited direct trade and financial links with Russia and Ukraine, including negligible exposure through Saudi Arabia’s sovereign wealth fund, further limits the impact on the Saudi economy.

The near and medium-term outlook for Saudi Arabia is positive as growth is picking up, inflation will remain contained, and the external position will strengthen further. With oil production increasing in line with the OPEC+ schedule and momentum from the continuation of the ambitious reform agenda under Vision 2030 underway, overall GDP is projected to grow by 7.6% in 2022 despite monetary policy tightening expected over the next few months and central government fiscal consolidation going forward. Non-oil growth will increase to 4.2% in 2022 before returning to its medium-term potential as the output gap closes and investment projects and reforms continue to yield returns. Headline inflation will accelerate in the second half of 2022 but will remain contained at 2.8% on average in 2022 as an appreciating dollar, caps on gasoline prices, subsidies on wheat and continued labor market slack help contain pressure from supply-side shocks. The current account surplus will increase to 17.4% of GDP in 2022—a level not seen since 2013—while reserve buffers are expected to stabilize at about 28 months of imports over the medium term.

**Risks to the outlook are balanced.** On the upside, gains from a successful implementation of the National Investment Strategy and labor market reforms, or further increases in oil production could further improve the outlook. On the downside, key risks stem from pressures to spend oil windfalls and deviate from the reform agenda, inflationary pressures from higher food prices, another COVID surge (domestic or abroad), lower oil prices due to lower global activity if the war in Ukraine has lasting effects, and an abrupt slowdown in China.

**Policies**

Policy priorities will need to manage higher oil revenues while sustaining a strong private sector-led growth and advancing reforms for a greener economy. Policies should continue implementing the Vision 2030 reforms to open and diversify the economy, including by implementing the NIS. This - along with continued commitment to fiscal discipline - should help avoid the pro-cyclicality associated with past oil-driven boom and bust cycles and ensure continued reform momentum towards a diversified economy.

**Fiscal Policy – Managing Windfall Gains and Continuing Fiscal Consolidation**

**The fiscal performance in 2022 will outperform the budget.** The receding effects of the pandemic, rising oil prices and a strengthening economy are projected to deliver a very strong improvement in the fiscal position in 2022. IMF staff is projecting a surplus of 5.6% of GDP this year (relative to 2.5% budgeted), even after accounting for staff’s recommendations for additional resources on rising food subsidies and increased provisions for targeted social safety nets that will benefit the most vulnerable. Central government debt-to-GDP ratio would decline to 24.2%, while central government net financial asset-to-GDP ratio would improve to –8.7%, from –17.7% in 2021.

Fiscal policy should focus on managing the higher oil revenue gains sustainably, while continuing fiscal consolidation through the implementation of transformative initiatives already adopted. Staff’s projections assume that most of the non-oil related adjustment will rely on expenditure cuts reflecting the phasing out of pandemic related measures, compressed capital expenditures as some projects have been implemented, identified efficiency gains spurred by the full utilization of the ETIMAD online platform, and the authorities’ plans to rationalize the wage bill.

Over the medium term, consolidation efforts will remain necessary to increase buffers while allowing spending that remains sustainable across different oil price environments. The additional fiscal adjustment would need to build on the reforms already initiated:

* **Non-oil revenue mobilization remains critical.** Strong efforts have been made over the past four years as non-oil revenues doubled to 12.8% of GDP. However, this remains considerably below the G20 average, and further non-oil revenue collection is needed. The mission recommends maintaining the new VAT rate—which was tripled during COVID-19—and broadening potential revenue gains. Implementation of a full-fledged revenue administration strategy fully costing revenue initiatives would be important.
* **Energy price reforms.** The mission welcomed progress on energy price reforms, which halved subsidies between 2010 and 2020. However, these remain high and with oil prices considerably higher, there is scope for lifting the cap on gasoline prices and considering larger-than-planned step increases for other fuel products. Part of the savings from these increases should allow for scaling up well-targeted social programs—including the Daman program and Citizens’ Account—while the authorities continue pursuing their social security reform aimed at creating a unified social registry and allowing a shift towards a more needs-based social safety net system.

The mission welcomes the Kingdom’s commitment to fiscal sustainability and efforts to avoid pro-cyclicality by setting a spending ceiling that would be delinked from oil price fluctuations. To better support that and the reforms achieved by the Fiscal Sustainability Program, the mission recommends setting an expenditure rule that is based on a long-term fiscal anchor that best help Saudi Arabia serve its growth and stabilization objectives. Such reforms would need to be supported by:

* **Stronger efforts to broaden public sector coverage.** The increase of the Saudi Arabia sovereign Wealth Fund (PIF), National Development Fund (NDF), and other entities in public investment makes incorporating and regularly monitoring the activities of these entities necessary to assess Saudi Arabia’s true fiscal stance and position. The mission reiterated its longstanding advice to accelerate the authorities’ ongoing work towards developing a sovereign asset-liability management framework, which should be based on a sound understanding of the public sector balance sheet.
* **Continued improvements in public financial management**. Important steps taken by the authorities towards establishing a robust medium-term fiscal framework, moving towards performance-based budgeting, preparing for a treasury single account, and enhancing budget disclosure requirements should be continued. Careful monitoring and disclosure of guarantees and contingent liabilities is needed, particularly now that PPP projects are expected to increase.

**Sound debt management should continue to support fiscal policy and capital market development.** Public debt remains sustainable and is expected to remain constant in nominal terms as the Kingdom plans to refinance existing debt instead of using higher oil revenue for repaying debt. The mission supports this strategy, which includes lengthening debt maturities, reducing refinancing costs and building a yield curve in domestic and international markets. Plans for issuing a green bond in 2022 are welcome.

**Monetary and financial sector policies – A limited impact from global tightening conditions amidst a well-capitalized banking system**

The impact of tighter global monetary policy conditions is expected to be limited in an environment of high oil prices. The current structure of Saudi Arabia’s banking system—which is characterized by low wholesale funding and a high level of non-interest-bearing deposits—implies that additional interest rate hikes in line with the US monetary policy tightening would have a positive effect on banks’ profitability. Staff’s preliminary analysis also finds that the impact on credit growth and non-oil GDP is negligible and positive for the banking sector profitability when oil prices and liquidity are high.

Financial stability risks are well contained. Banks are profitable, liquid and well-capitalized. NPLs remain low despite an end to the deferred loan program put in place during COVID to support SMEs. Macro-prudential requirements —such as loan-to-value ratio, debt service-to-income ratio, and explicit links to salaries— help limit risks to the banking system from the rapid rise in residential mortgages, which continue to require careful monitoring. Further implementation of the new regulatory and legal framework for Islamic banks and of the new resolution framework and stepped-up efforts to move towards Basel IV helps reduce risks further.

The currency peg to the U.S. dollar remains appropriate given the structure of the economy. The policy continued to serve Saudi Arabia well in supporting monetary stability. Saudi Arabia’s external position remains broadly in line with medium-term fundamentals, with adequate buffers to maintain the peg.

**Structural reforms – Achieving Strong, Sustained, Inclusive and Greener Growth**

Continued Implementation of the ambitious structural reform agenda under Vision 2030 is essential to diversify Saudi Arabia’s economy and boost growth. The vision is underpinned by economic, structural and institutional reforms based on Vision Realization Plans and robust key performance indicators to monitor progress. The Vision rests on three key pillars of a vibrant society, building a thriving economy and strengthening the government capacity, and is supported by 13 Vision Realization Programs (VRPs). Important steps have been taken to attract foreign investment—including enacting more than 300 initiatives and streamlining regulations since inception. Increased home ownership, female labor participation of 35% already surpassing the 30% target set for 2030, improved ease of doing business (one-stop shop to register a business in 3 minutes), enhanced digitalization of government operations (procurement, pay, and social services), and increased investment in line with the National Investment Strategy are some of the achievements. However, FDI remains low despite a significant pickup in 2021 and diversification into more sophisticated products is still limited.

**Boosting further private sector investment would require a careful calibration of the various elements envisaged under Vision 2030**. Use of public resources—including through the PIF to kickstart new activities—should continue to be subjected to rigorous cost-benefit analysis to ensure PIF returns remain high and generate greater private sector involvement. Labor market reforms—including to increase the mobility of expatriate workers through the reform of the visa system, strengthen education and training programs and close gender gaps—will help increase private sector employment of Saudi nationals and compress wage differentials. Strengthening governance, SME development, and digitalization would further enhance private sector development.

**The Kingdom’s efforts on climate policies, both on mitigation and adaptation are encouraging.** The Saudi Green Initiative, announced in 2021, aims at reducing carbon emissions, including by meeting 50% of the Kingdom’s domestic energy needs from renewables by 2030 (up from 1% currently), and at increasing vegetation cover by planting 10 billion trees to serve as a carbon sink, backed by a water strategy that considers Saudi Arabia’s specific vulnerabilities to climate change. The authorities are also ramping up investments in blue and green hydrogen production and are undertaking research and development with a focus on the circular carbon economy. Achieving the Green Initiative’s objectives will, however, require implementation of a detailed roadmap including specifics on the magnitude of the investment necessary and feasibility through viable technology. The overall strategy will also need to be consistent with ongoing energy price reforms, which are essential to reduce emissions, as well as water price reforms. (IMF 17.06)

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* 1. EGYPT: Egypt & Saudi Arabia Sign Economic Agreements Worth $7.7 billion

Hagar Hosny reported in [Al-Monitor](https://www.al-monitor.com) on 24 June that on the sidelines of Saudi Crown Prince Mohammed bin Salman’s visit to Egypt, the two countries signed 14 agreements and memoranda of understandings worth $7.7 billion. While investment groups represented Saudi Arabia, governmental and private agencies represented Egypt. The signed agreements cover several sectors, including petroleum, renewable energy, green hydrogen, information technology, e-commerce, pharmaceuticals, infrastructure and cybersecurity.

Medhat al-Sharif, a former member of the parliament’s economic committee, told Al-Monitor that the global economy is currently grappling with uncertainty due to potential investment risks. The greater need for self-sufficiency has promoted "regional alliances aimed at achieving economic integration between countries, especially in basic sectors affecting life necessities such as food,” he added.

Sharif pointed out that every country has its own advantages. While Egypt offers cheap labor, vast lands and economic expertise, Saudi Arabia provides financing and advanced industrial technologies. “Egypt is seeking to achieve regional cooperation with the surrounding countries, as evidenced by the integrated industrial partnership announced on May 29 between the UAE, Jordan, and Egypt, with investments worth $10 billion,” he went on to say.

Chief among the agreements signed between Egypt and Saudi Arabia is an agreement between the Saudi Ajlan & Bros Holding Co. and the Egyptian Arab Supply Chain Group Co. to build the Egypt Center for Petroleum and Petroleum Products Storage for $3.3 billion. Also, ACWA Power and the Egyptian Electricity Holding agreed to produce and generate 1,100 megawatts of clean energy for about $1.3 billion.

Ajlan & Bros Holding Co. signed with the Egyptian Sami Saad Holding Group an agreement worth about $1 billion for renewable energy and water desalination. It also signed an agreement with Hassan Allam Holding for real estate development and the food industry at a value of less than $500 million. Sharif said that the Saudi investments will achieve an important economic return for Egypt, establishing new companies and factories capable of creating job opportunities.

According to the Federation of Saudi Chambers, Saudi exports to the Egyptian market amounted to $10 billion, while Egyptian exports to the Saudi market stood at about $4 billion. Saudi investments in Egypt exceed $32 billion and involve more than 6,800 Saudi companies. Meanwhile, the Egyptian investments in Saudi Arabia amount to $5 billion and involve more than 802 Egyptian companies. According to these figures, Egypt is Saudi Arabia’s largest Arab trading partner, seventh overall in terms of exports, and ninth in terms of imports.

Mostafa Badra, professor of finance and investment at Cairo University, told Al-Monitor, “Saudi investments in Egypt will pump foreign currency into the country and create job opportunities. It will also lead to an increase in sales and services, as well as an increase in trade exchange and the Egyptian pound value, which will ultimately reflect positively on the domestic economic situation.”

The agreements also covered medicine. Jamjoom Pharma announced the inauguration of a factory in Egypt, and Pharco Pharmaceuticals announced its intention to establish a medical city in Saudi Arabia with a value of $8 million. Islam Annan, professor of pharma-coeconomics and epidemiology at the Ain Shams University, told Al-Monitor over the phone that Jamjoom is only present in Egypt through a scientific office, and there have been discussions for some time now regarding the establishment of a factory of its own in Egypt.

He added that foreign investment in a pharmaceutical factory activates investments in the drug market, which serves the Egyptian ambition to become a drug hub in the region, especially as it has the deepest experience in pharmaceutical manufacturing in the region and is the top exporter to Africa and the second to the Middle East.

The Egyptian medical city in Saudi Arabia, while it is a private investment on the part of Pharco, will have a strategic return for the state. Annan explained that “at the end of the day, the city will produce an Egyptian product with Egyptian quality, one that will be rolled out in one of the largest drug markets in the Middle East, namely Saudi Arabia." (Al-Monitor 24.06)

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* 1. EGYPT: Who is Investing in Egypt’s Fintech Startups?

[Enterprise](https://enterprise.press/) reported on 26 June that 2021 was a bumper year for fintech funding in Egypt, as per the Central Bank of Egypt’s (CBE) fintech data, which were released by CBE-backed initiative Fintech Egypt. Total investments in the sector more than quadrupled to $159 million last year, up from $37.1 million in 2020. Now, Fintech Egypt released its Fintech Investment-Focused Landscape Review (pdf), which looks at what went down in the first half of this year — and Egypt did well.

The value of investments in Egypt’s fintech startups reached an all-time high of $167 million across 31 transactions in H1/22, according to the report. This includes five investment rounds that surpassed $10 million each, while series A and B funding accounted for some 90% of total investments. The biggest rounds we heard of in the sector were Paymob’s $50 million series B, Khazna’s $38 million series A and Lucky’s $25 million series A.

**There are several factors driving this growth:** The report attributes the growth to the regulatory reforms implemented over the last few years, coupled with the increase in the total number of investors who started to invest in Egypt over the last few years. The report also points to a large ripe domestic market given our population size and a vast reservoir of young talent and tech calibers as key driving factors. Lastly, there’s mega initiatives in place to support the sector, such as the CBE’s Regulatory Sandbox, fintech fund “Nclude,” and fintech innovation hub “Grid” that will open its doors in 2022.

Bootstrapping is still the most common source of funding for fintechs, with some 42% of surveyed startups finding it to be the easiest route, the report finds. However, their growth from one stage to the next compels them to seek VC funding, which 37% state is the second-easiest and common source of funding. This is followed by angel investors (29%), PE (27%), incubators and accelerators (16%), debt financing (4%), banks and asset management (4%), and M&A (2%).

**So which sub-sectors dominated VC fintech investments in H1/22?** Mainly payments and remittances, the data says. Some 58% ($96.8 million) of the funding amount was directed to startups operating in the payments and remittance sphere, according to the report. This was followed by lending and alternative finance (26%) and wealth management and savings (12%). The remaining 6% were distributed among other sub-sectors, including B2B marketplaces, data analytics, insurtech and payroll and benefits.

**Who is investing in them?** Among the 26 surveyed fintech investors, 69% were VCs, 23% were accelerators, and 8% were angel investors. Some 27% of them have a fintech-focused fund or program, and just over a quarter of the portfolio of 19 investors consists of fintech or fintech-enabled startups, the report adds.

More regional and international investors have started funding Egyptian fintechs. While 53% of fintech investors of H1/22 are headquartered in Egypt, 19% are based in the US, 8% in Saudi Arabia, 4% in Jordan and 4% in China, according to the study.

**What are those investors looking for?** A solid team, unanimously. All surveyed investors named a startup’s team as the main priority when making investment decisions. Unit economics and post-revenue generation came in second place (86%), and investment thesis fit and impact both came in third (71% each). Other key areas of focus included founders’ leadership ability, revenue model, and innovative product (57% each), as well as track record, sector-specificity, serviceable obtainable market and reasonable money burn rate (29% each).

**And what are startups looking for when approaching VCs?** Almost half of those surveyed cited connection and expertise, followed by the name and reputation of the VC (46%). Previous track record and past transactions came in a close third at 42%, with support services (besides funding) coming in fourth at 39%. Those were followed by terms of agreement (33%), industry focus of the VC (26%), alignment (22%), financing amount (21%), startup autonomy (6%) and location of the VC (1%).

Funding is far and away the most-needed support area fintechs and fintech-enabled startups seek from investors, with 86% citing it as their top priority. This is followed by networking (44%), mentorship (22%), and PR and marketing (13%). Other areas include talent management (5%), coworking space (1%) and domain expertise (1%).

**So what’s next for fintech startups seeking funding?** Some 70% of investors have pre-set future plans for fintech or fintech-enabled investments in the next three years in Egypt, according to the report. Of those, 29% want to invest $10-20 million and 24% are looking to invest more than $50 million. Ticket sizes of up to $5 million and between $20-50 million come tied in third place (18% each), and 11% are planning to write $5-10 million checks.

Currently, 108 startups are seeking over $600 million in funding — with the vast majority seeking early-stage funding, the report states. Almost half of them are seeking to raise funding in the next 12 months. Some 45% are approaching VCs now, and 7% are looking to join an acceleration program. More than half (55%) are looking for seed rounds, 21% are looking at pre-seed, and the remainder is divided between series A (19%), series B (4%), and series C (1%).

EGX IPOs are seen as a future potential exit strategy for startups, according to 53% of surveyed investors and 26% of startups. Investment firm Foundation Ventures is quoted as saying that even “dual-listing between the EGX and other global stock exchanges are hopefully going to become more prevalent in the future.”

Investors are keeping an eye on the open banking trend, the survey suggests. Open banking is the idea that financial institutions and ins. companies open up their APIs for fintech companies to capture and pass data. Three-quarter of the surveyed investors believe that the open banking and infrastructure sub-sector has a high growth potential in the near future in Egypt.

Lending and alternative finance, B2B marketplaces and insurtech are a close second at 70%. They are followed by payments and remittance (65%) and agritech (45%). Some 40% of the investors see high growth potential in payroll and benefits, personal finance management and financial literacy, and data analytics and AI. The trends to watch out for also include proptech (35%), accounting and expense management (30%), wealth management and savings (30%), regtech (25%), and rotating savings and credit associations (ROSCA) (25%). (Ent 26.06)

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* 1. EGYPT: Climate Change is Putting Egypt’s Honey Industry Under Threat

On 5 July, [Enterprise](https://enterprise.press/) reported that Egypt’s production of honey, a food that has been deeply rooted in local culture for thousands of years, is coming under increasing threat. The country is an exporter, but faced with the existential challenge of climate change and rising economic problems at home, production is on the decline, industry sources tell Enterprise.

**Bees play a crucial role in the healthy functioning of Egypt's agricultural systems:** Bees are essential to our food systems and form the link between terrestrial ecosystems and modern agriculture. They also play an important role in fulfilling the UN’s Sustainable Development Goals by providing poor, rural and indigenous communities a source of income, according to the UN Food and Agriculture Organization (FAO).

**They are key to the livelihoods of thousands in Egypt:** The value of Egypt’s honey-related exports last year was $300 million, according to Agriculture Ministry figures. That accounts for about 2 million honey bee cells and 30,000 tons of honey being churned out by the some 25,000 families involved in the beekeeping industry, the figures show.

**But climate change is threatening the industry:** Honey production has slowed in recent years and the harvest season, which typically starts at the beginning of April and runs through to October, is now starting later in the year due to climate change, Younis Mahmoud, who owns Younis ِApiaries, tells us. “Production has dropped to about half its usual rate this season,” Mahmoud says. This is partially because of the unusual waves of cold weather that have been hitting the country in recent months and have persisted well into April, he explains. “If bees don’t collect nectar from flowers because of cold weather or strong winds then they start consuming the honey they’ve already produced.”

This has been hurting beekeepers for a few years now, Fathy Beheiry, head of the Arab Beekeepers Union tells us. “We’re not used to the extreme fluctuations in weather we’ve been seeing recently in Egypt. Sudden changes in temperature affects honey bee activity which ends up reducing production and increasing the risk of disease,” Beheiry says. But when it comes to measuring the scale of this problem, Beheiry, who has described the shortfall in production since the start of this year’s harvest season as moderate, says it's hard to say exactly how much has changed until the season is over.

**The FAO has already sounded the alarm on the problem:** The FAO has long warned of the risks posed by a downfall in pollinators around the world because of the threats facing bees. “The number of bees, pollinators and many other insects are declining in abundance due to unsustainable agricultural practices, pesticides, pests and pathogens, habitat destruction, and climate crisis,” Qu Dongyu, the organization’s director-general, has said previously.

Bee populations are already collapsing as a result of our changing climate, says Mohamed Habib, who owns El Habib Apiaries in El Beheira. “Seasons are changing, temperatures are fluctuating throughout the day and changing wind speeds and direction are all contributing to the collapse of bee populations and the outbreak of diseases like brood rot,” he says. Habib expects beehives that would ordinarily produce 15 kg of honey will this year only have as little as 6 kg to harvest. Waleed Nashaat, CEO of Al Raheeq for Import and Export, which specializes in honey production, also expects a moderate harvest season this year, based on the industry’s preliminary figures.

Already, this year's citrus honey season “does not look promising," Ahmed Abdel Megeid, quality control manager at Imtenan tells us. Abdel Megeid has attributed his weak outlook on the season to be the direct consequence of climate change but cautions that it's still too early to make definitive judgements on the state of the industry right now.

Part of the problem also comes from the adaptation of plants to the changing climate. Bees depend on flowering plants as their primary source of nutrition, but many of the plants they rely on are experiencing biological changes that are already weakening colonies and could lead to widespread dying events, according to a study on climate change and honey bees.

**Declining demand and rising costs are making things harder:** Falling demand and the increase in production costs are exerting further stress on the industry, leaving beekeepers struggling to set prices that are commensurate with their rising production costs. “Since the start of 2022 and the subsequent increase in prices and the cost of living, we’ve seen demand for honey go down by some 15-20% from average levels,” Abdel Meguid tells us. “Egyptian honey has typically been really high quality and very well-priced … but [this year] we’ve seen an extraordinarily high number of beekeepers looking to sell their beehives because of the losses they’ve been sustaining,” Nashaat says.

**Then there are supply-side problems:** Disease has caused large portions of bee colonies to die out, making matters even more difficult for producers. The Agriculture Ministry should support honey producers in fighting off disease infecting bees and provide them the tools necessary to keep things under control, Nashaat said.

**How do we soften the impact of climate change on honey production?** Finding better and more climate-resistant bee species could be a start. But there are also beekeeping practices that could be improved by more training and an expansion in access to safe treatment for sick bees, says Beheiry. There could even be some promise in resuming the use of a particularly resilient species of ancient bee called the “Apis mellifera lamarckii,” alongside working to genetically modify other species in Egypt, he adds.

**Expanding agricultural diversity:** Growing more diverse flowering plants like Sidr, Buckthorn or Eucalyptus trees would go a long way in helping revitalize the beekeeping industry in Egypt, according to Beheiry. Biologically enhanced plant species designed to withstand a harsher climate could become part of an adaptation strategy, Mohamed Fathallah Abdel Rahman, head of the bee research department at the Agricultural Research Center and author of the report, tells us. Fighting off pests and other naturally occurring threats and finding disease resistant DNA in bees could also be helpful, he said.

**Incentives and regulation:** Honey producers could use some additional government support in creating an official database for beekeepers, setting up new export markets and adding more export incentives for local producers, Beheiry adds. Efforts to construct a more centralized beekeeping community in coordination with the Agriculture Ministry is already underway, says Habib. The government has already started working on expanding agricultural diversity through the 2015 launched 1.5 million Feddan project which aims to widen the country’s agricultural diversity by some 20%, reduce nutritional deficiencies and expand the total area of inhabitable land. Other programs like Egypt’s Future for agricultural production and the Toshka El Khair project are angling towards similar ends. (Ent 05.07)

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* 1. MOROCCO: Moody's Affirms Morocco's Ba1 Ratings

On 1 July, [Moody's Investors Service (Moody's)](http://www.moodys.com/) changed the outlook on the Government of Morocco to stable from negative and affirmed its long-term issuer and senior unsecured ratings at Ba1. The outlook change to stable reflects the recovery in real GDP to pre-pandemic levels and the government of Morocco's crisis management capacity demonstrated during the pandemic. The improved governance track record underpins Moody's expectation that the government will be able to implement gradual fiscal consolidation that stabilizes the debt ratio and fiscal accounts, while maintaining social stability in the face of Morocco's exposure to the food and energy price shock triggered by Russia's invasion of Ukraine.

The Ba1 rating affirmation reflects Morocco's economic resilience and the build-up of significant foreign exchange reserves covering over six months of imports at the end of 2021, providing a buffer to absorb the impact of the global commodity price shock. The credit profile is constrained by higher general government debt levels than the median of Ba-rated sovereigns, Morocco's exposure to contingent liabilities stemming from state-owned enterprises (SOEs), comparatively low income levels, and relatively subdued trend growth.

Morocco's country ceilings remain unchanged. The local currency ceiling remains at Baa1, three notches above the sovereign rating, reflecting predictable institutions and low external vulnerability risk, balanced by a large public sector footprint. The foreign currency ceiling at Baa2, one notch below the local currency ceiling, reflects relatively modest transfer and convertibility risks notwithstanding the existence of capital controls, consistent with the pegged exchange rate system, and takes into account the gradual foreign-exchange rate liberalization policy initiated in January 2018, although that process will proceed at a slower pace than initially envisioned.

**RATINGS RATIONALE**

**Rationale for Changing the Outlook to Stable from Negative:** Improved Governance Track Record Underpins Confidence in Government's Capacity to Deliver Fiscal Consolidation and Maintain Social Stability

Supported by the government's targeted investment and income support measures implemented during the pandemic, real GDP recovered to pre-pandemic levels at the end of 2021, buttressing economic resiliency. After slowing to 2% in 2022 due to severe drought conditions and the adverse economic impact of high inflation, Moody's expects average annual GDP growth to converge to 3-3.5% by 2025.

The track record of coherent macroeconomic policies implemented in recent years and during the pandemic is reflected in improving government effectiveness indicators recorded in the Worldwide Governance Indicators, which support Moody's assessment of Morocco's improving governance profile. The government's crisis management capacity demonstrated during the pandemic is reflected in the relatively high coronavirus vaccination rates achieved compared to regional peers, the implementation of digital tools to extend support to households in the informal sector and the focus on strengthening the social safety net.

Looking forward, the improved governance track record underpins Moody's confidence in the government's capacity to deliver gradual fiscal consolidation and a stabilization in fiscal accounts while ensuring social stability in light of households' significant exposure to higher food prices (food accounts for 40% of the consumption basket). In addition, the previously completed fuel subsidy reform allows the government to address the spike in energy prices in a targeted manner. The continued focus on efficiency improvements in the SOE sector and on business environment reforms incentivizes private investment and supports growth potential, bolstering economic resiliency.

**Debt Metrics Evolve In Line With Ba-RATED Peers, Notwithstanding Sensitivity to Downside Risks**

Similar to many sovereigns globally, the central government debt ratio increased by about ten percentage points to 75% of GDP in 2021 from pre-pandemic levels. On a general government basis (taking into account the consolidated debt of central and local governments and the social security funds controlled by these entities), the debt stock increased to almost 70% of GDP from 56% in 2019. Looking forward, Moody's expects Morocco's central government debt/GDP ratio to stabilize below 80% over the next three years (below 75% on a general government basis).

This debt trajectory is based on a fiscal consolidation projection that is more gradual than among Ba-rated peers in light of higher social spending targets included in the government's fiscal strategy. Still, Moody's fiscal deficit projections at 6.2% of GDP in 2022 followed by 5.8% in 2023 and 5.3% in 2024 assume resilient revenues and the flexibility to temporarily reduce public investment in order to accommodate higher-than-anticipated spending pressures. The fiscal profile is supported by the continued affordability of the debt stock as measured by interest/revenue at about 10%, in line with the median of Ba-rated peers.

Although Moody's expects Morocco's debt metrics to stabilize at close to current levels in the central scenario, a deterioration in fiscal strength remains the key credit risk in Morocco's credit profile. Morocco's debt trajectory would be particularly sensitive to a significant joint deterioration in growth and in the pace of fiscal consolidation, albeit Morocco's improving governance profile reduces the likelihood of such an adverse joint shock materializing.

**RATIONALE FOR AFFIRMING THE Ba1 RATINGS**

The Ba1 rating balances moderate economic strength with improving governance and moderate event risk exposure driven by banking sector risk. The credit profile benefits from a large domestic funding base in local currency, and the government's continued access to domestic and external funding sources at favorable terms in order to meet higher gross borrowing requirements at about 15% of GDP over the next three years. The build-up of a significant foreign exchange reserve buffer covering about six months of imports at the end of 2021 helps absorb the global commodity price shock.

The credit profile is constrained by Morocco's higher general government debt levels than the median of Ba-rated sovereigns (at a projected 70% at end 2021 vs the Ba-median of 60%), its exposure to contingent liabilities stemming from state-owned enterprises (SOEs) with outstanding debts amounting to 18% of GDP, comparatively low income levels (GDP per capita at around $8,500 at end 2021, compared to the Ba-median of around $16,500), and relatively subdued trend growth at 2.7% projected for 2017-26 (compared to economies at similar income levels).

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

A sustained reduction in debt levels combined with improved trend growth in the non-agricultural sector that helps boost Morocco's comparatively low income levels, would lead to upward pressure on the credit profile.

A continued fiscal deterioration and the inability to stabilize the debt ratio as a result of higher than anticipated deficits or because of a materialization of contingent liabilities in the SOE or from the banking sectors would likely lead to a downgrade. Similarly, a more sustained than anticipated deterioration in the external accounts that result in a significant drawdown of the foreign exchange reserve buffer below four months of imports would likely be more in line with a lower rating level.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable. (Moody's 01.07)

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* 1. MOROCCO: Imports Increase Pressure on Morocco’s Foreign Reserves

Noureddine Radouai posted on 28 June in [Al-Monitor](https://www.al-monitor.com) that Morocco's Office des Changes (OC) published its monthly newsletter in early June, indicating a sharp rise in both exports and imports. The newsletter shows that remittances and phosphates were the leading sources of foreign hard currencies up to the end of April this year.

The OC revealed that remittances reached MAD 30.56 billion ($3.05 billion) compared to MAD 29.03 billion ($2.9 billion) in the same period last year, representing an increase of 5.3%. Similarly, sales of the national phosphate company, the Office Cherifien des Phosphates, increased sharply by 98.68% reaching MAD 36.14 billion ($3.6 billion), representing 25% of total exports. “Due to the soaring prices of raw materials internationally, phosphate provides Morocco with important foreign currency revenue, which helps attenuate the trade balance deficit,” economic analyst Faical Hosaini told Al-Monitor.

According to the OC’s report, exports rose by 34.2%, driven essentially by a growth in phosphate sales. Morocco exported MAD 139 billion ($13.9 billion) at the end of April 2022, compared to MAD 103 billion ($10.3 billion) in April 2021. Besides phosphate sales and remittances, automobile and car manufacturing is also a major exporting sector. El Mehdi Ferrouhi, professor of economics and finance in the Faculty of Economics and Management at Ibn Tofail University in Kenitra, told Al-Monitor, “The agriculture and agri-food, and automotive sectors each account for 23% of total exports, while textiles and leather represent 10%.”

Simultaneously, Morocco’s imports increased by 37.8% compared to the last quarter of 2021. This sharp increase is primarily attributed to the energy bill that doubled, rising from MAD 20.259 billion ($2.02 billion) in the first four months in 2021 to MAD 44 billion ($4.39 billion) in the same period in 2022. Imports reached MAD 230 billion ($22.95 billion) at the end of April, while Morocco imported MAD 166 billion ($16.56 billion) at the end of April 2021.

Despite the significant increase in the foreign currency revenues, Morocco failed to scale back its expenditure due to health and geopolitical challenges that curtailed the government’s plans. “The post-COVID recovery has also led to a significant increase in imports: a raise in the energy bill, increase in food imports and resumption of investment entailing an increase in imports of capital goods, equipment and machinery,” Hosaini noted.

Comparing the first quarter of 2021 to that of 2022, the bulk of imports comprised fossil fuel products, which soared by more than 110%, while the imports of raw materials rose by 72%. Similarly, semi-finished products such as ammonia, chemicals, plastics and cereal imports increased by 53% and 25%, respectively. Ferrouhi said, “This increase in the value of imports increases the trade balance deficit. Increases in exports — particularly phosphates and derivatives — covered only a small part of imports.”

As the trade deficit widens, increasing by 43.6% at the end of April to reach MAD 91 billion ($9.08 billion), more pressure stresses the kingdom’s foreign reserves earned from exports. According to Ferrouhi, in order to narrow this gap, Morocco must diversify “its exports in sectors such as the pharmaceutical industry, the plastics and rubber industry, agriculture and forestry. The kingdom should reduce its dependence on imports of agricultural products such as wheat and barley and aim for self-sufficiency.”

Morocco's fossil fuel and food dependence make the country directly vulnerable to price fluctuations on the international markets. As imports soar, foreign currencies in Morocco plummet. “The effort must now be made in terms of preserving currencies so as not to be forced to borrow on the financial markets,” Ferrouhi added. “It remains to be seen whether the Treasury plans to borrow internationally, which could increase foreign exchange reserves a little,” Hosaini said.

Morocco's latest sovereign rating by Fitch Rating, which is BB+, raises the cost of debt. Ferrouhi believes this “will further strain the balance of payments, as it will further indebt the country for several years. There is no urgency to borrow today and I hope that it will not be necessary.”

Moreover, Morocco saw higher inflation in April 2021, as the consumer price index rose by 5.9% with an increase in the index of food products by 9.1%, and that of nonfood commodities by 3.7%. According to a May report by Fitch Solutions, Bank Al Maghrib (Morocco’s Central Bank) will increase the key rate to 2% by the end of this year from 1.5% maintained since June 2020.

Ferrouhi explained, “The inflation Morocco is experiencing today is an imported inflation, linked to the rise in commodity prices on a global scale and not linked only to the financial sphere in Morocco.” Raising the interest rate will lead to inaccessibility to funding, which eventually affects investment, growth and employment. “I do not think that the increase in the key interest rate would lower prices — quite the contrary, it could impoverish the segments of the population affected by inflation and reduce access to financing for both individuals and businesses,” he added. Hosaini noted, “Raising the interest rate is a complicated matter … any increase in the interest rate will further tighten monetary and financial conditions and, ultimately, demand. The latter is only just beginning to recover from the [coronavirus] pandemic.”

The Board of Bank Al Maghrib held its quarterly meeting on 21 June to decide Morocco’s monetary policy and the interest rate to face this challenging period. According to the published press release, the board had decided “to maintain the accommodating monetary policy stance in order to continue to support economic activity. It therefore decided to keep the key rate unchanged at 1.5%, while continuing to closely monitor the evolution of the national and international situation.” (Al-Monitor 28.06)

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* 1. GREECE: IMF Executive Board Concludes 2022 Article IV Consultation

The Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with Greece on 8 June 2022.

The Greek economy recovered strongly from the severe COVID-19-induced recession, with output returning to the pre-pandemic level in 2021. The strong fiscal response, accommodative monetary policy and prudential policies, and sizable EU support have been key to fostering the recovery. Despite the challenging environment, reforms progressed in several areas, including digitization, privatization, improving the fiscal policy mix, and bank balance sheet repair. Greece completed the early payment of all outstanding IMF credit in April, which terminates the Post Financing Assessment.

Growth is expected to remain robust at 3.5% in 2022 despite the adverse impact of the war in Ukraine. High energy prices are expected to push up average inflation to 6.1% in 2022. Both growth and inflation are expected to decelerate in 2023, reaching 2.6 and 1.2%, respectively. Public debt is on a downward trajectory and rollover risks appear manageable over the medium term. Despite improving, the external position last year was moderately weaker than that consistent with fundamentals and desirable policies. Significant downside risks continue to cloud the outlook, especially from a further intensification of the war in Ukraine and still substantial uncertainties associated with the pandemic.

**Executive Board Assessment**

Executive Directors welcomed the stronger-than-expected economic recovery in 2021, which was buttressed by the Greek authorities’ strong policy response to the COVID-19 crisis, past structural reforms, and the support from the European Union. Directors commended the authorities for advancing reforms to address legacies from the debt crisis despite the challenging environment and for the early repayment of all outstanding Fund credit. They welcomed that output has returned to pre-pandemic levels, that public debt is on a downward trajectory, and that the growth outlook remains robust despite the war in Ukraine and high inflation. Noting that uncertainties and downside risks to the outlook remain, Directors stressed the need to continue pursuing prudent policies and implementing growth-enhancing structural reforms to ensure debt sustainability and promote inclusive and greener growth.

Directors agreed that fiscal policy should remain accommodative but well-targeted in 2022 before returning to a gradual and growth-friendly consolidation with sustained primary surpluses thereafter. They recommended that across-the-board subsidies for high energy prices be replaced with targeted support for vulnerable groups. Directors broadly agreed on the need to carefully assess the implications of the plans for permanent cuts in social security contributions and the elimination of the solidarity tax. They emphasized that the recent increase in health spending and public investment should be preserved, while pressures to raise pensions and civil service wages should be resisted. Directors recommended further enhancing the Guaranteed Minimum Income scheme to form the basis for targeted support during adverse shocks.

Directors commended the authorities for the rapid reduction of non-performing loans in major banks and for their commitment to tackle the remaining challenges to enhance financial resilience. They emphasized that further progress in reducing distressed debt should come from implementing the new insolvency law, improving banks’ credit risk management, and developing viable long-term restructurings. Directors also recommended strengthening capital buffers and the quality of capital, restoring sound profitability drivers, addressing medium-term funding challenges, and adapting business models. They generally encouraged the authorities to prepare a conditions-based roadmap to guide the activation of macroprudential tools in the medium term should any systemic vulnerabilities emerge.

Directors agreed that the authorities’ National Recovery and Resilience Plan, which is supported by Next Generation EU funds, is a key opportunity to cement past reform achievements; address remaining structural bottlenecks, including in the labor market; raise growth potential; and ensure sustainable, job-rich and greener growth. While noting the positive impact of the minimum wage increase on households’ purchasing power, Directors recommended monitoring its potential effects on inflation and youth unemployment. They welcomed the authorities’ commitment to climate-friendly policies and stressed the need for a stronger social safety net—which could be financed by higher carbon taxes when conditions allow—to facilitate the green transition. (IMF 21.06)

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