

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israel and Turkey Renew Full Diplomatic Relations

Israel and Turkey have renewed the diplomatic relations that were cut in May 2018 when the Israeli Ambassador in Ankara was expelled during clashes with Palestinians on the Gaza Strip border during rioting when the US Embassy was moved to Jerusalem. Prime Minister Lapid said that following agreements reached during his visit to Ankara as foreign minister earlier this year when he met with his Turkish counterpart Cavusoglu and following talks with Turkish President Erdogan and due to positive developments in Israel-Turkey relations over the past year, it was decided that the two countries would re-establish full diplomatic representation.

Despite the absence of ambassadors and consuls, Israel has remained one of Turkey's biggest trading partners in recent years. Turkish exports to Israel in the first seven months of 2022 totaled $4.179 billion, representing 2.9% of all Turkey's exports, with Israel ranked as the ninth highest destination for Turkey's exports. In 2021, Turkey exported goods worth $6.356 billion to Israel, representing 2.8% of the country's exports. The renewal of relations is part of a rapprochement between Turkey and the west, especially the US as well as the Arab world and in particular Egypt, Saudi Arabia and the UAE. (Globes 17.08)

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* 1. Israel Raises Interest Rates to Fight Inflation

On 22 August, Israel’s central bank raised interest rates in response to inflation in the country. The Bank of Israel raised its rate by 0.75% to 2%. The financial institution said it is bullish on the economy’s overall growth, noting that GDP grew by 6.8% in Q2/22. However, the bank said that inflation was 5.2% over the past 12 months, which prompted the decision to hike rates. Israel’s target range for inflation is 1-3%. Inflation is increasing across the Middle East, in part due to global supply chain disruptions resulting from the Russian invasion of Ukraine.

This is not the first time the Bank of Israel has raised interest rates in an effort to curb inflation. The bank raised rates by 0.5% in June and by 0.4% in May. The latter was the biggest hike since 2011 at the time. This latest increase was the largest in 20 years.

Other central banks in the region have also raised interest rates this year. Several Arabian Gulf states did so last month, for example. However, while Egypt decided not to raise its rates, Turkey opted to defy economic consensus and cut them. (Al-Monitor 23.08)

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* 1. Israeli Natural Gas Exports Surge in the First Half of 2022

Israeli natgas exports surged by 35% y-o-y during the first six months of 2022, as production increased at its two biggest fields in the eastern Mediterranean. Israel exported some 4.59 billion cubic meters (bcm) during the period as production surged 22% to 10.85 bcm, according to Israel's energy ministry.

The ministry did not provide details on where the gas was exported, but Egypt is likely to have been the main recipient, being the biggest purchaser of Israeli gas. Currently, Egypt and Jordan are the only two countries that Israel exports gas to directly.

The announcement comes as Israel and Egypt forge closer ties with Europe, which is suffering a historic energy crisis triggered by western sanctions on Russia. Under an agreement signed in June, the EU will increase its imports of Israeli gas, which will be sent to Egypt, liquefied and shipped across the Mediterranean as LNG. The higher production volumes this year would help Israel boost sales to Europe under the new agreement.

Details have yet to be finalized, including where the money will come from to build the vital infrastructure and how long it might take. The MoU didn’t contain any commitments regarding export volumes. Production will rise further once drilling begins at the disputed Karish gas field in the eastern Mediterranean. Karish owner Energean expects production to start at the end of September. (Enterprise 24.08)

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* 1. Government Wants to Privatize Israel Postal Company by Early 2024

In a 29 August meeting held by the Government Companies Authority, it was decided to kick-start the process and harness the government ministries involved in the process to the task. The state has set a timetable for the privatization of the Israel Postal Company. It was agreed that the privatization of the company will be completed within 16 months either towards the end of 2023, or early 2024. Completion will be subject to approvals, which are expected to be received, from the Ministry of Defense and the Supervisor of Banks for the sale of the Postal Bank.

As the process proceeds, the Ministry of Finance will be holding marathon discussions to complete the Postal Company's recovery plan and the collective agreement for its employees. Without such an agreement, the Postal Company will remain mired in a financial crisis, making completion of the recovery plan essential, otherwise the Ministry of Finance will not be able to inject capital into the company for routine operations and it will struggle to pay employees their salaries and make payments to suppliers. (Globes 29.08)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Remitly to Acquire Rewire to Expand into Complementary Geographies

Seattle, Washington's Remitly Global, a leading global digital financial services provider for immigrants and their families, signed a definitive agreement to acquire Rewire, an Israeli-based financial services platform for migrant workers. Under the terms of the agreement, Remitly will acquire Rewire for approximately $80 million consisting of a mix of cash and stock.

Founded in 2015 with offices in Amsterdam and Tel Aviv, Rewire’s remittance platform builds deep customer relationships and is geographically complementary to Remitly. Rewire’s customers create an account with which money can be stored to be remitted at any time. This approach deepens relationships with customers and provides additional flexibility and convenience. Additionally, Rewire’s product development and engineering teams add further capacity and expertise to a seasoned Remitly team.

Remitly’s investments in its global remittance platform are focused on delivering a trusted experience and peace of mind for millions of customers around the world. While the footprint of the platform continues to grow to more than 3,200 corridors, service is localized allowing families to receive funds in a way that is best for them. (Remitly Global 16.08)

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* 1. HiBob Raises $150 Million in a Series D Funding Round

HiBob has raised an additional $150 million in growth funding, just ten months after raising a $150 million Series C in October 2021. The latest round is underpinned by HiBob's sixth consecutive year of triple digit revenue growth, with continued support from investors including General Atlantic, Bessemer Venture Partners and others.

With unemployment rates at record lows, the battle to attract and retain talent remains a top priority for modern businesses, even during an economic slowdown. Flexible HR systems like Bob remain a mission-critical component in any modern organization, particularly during dynamic periods characterized by uncertainty and change. HiBob provides midsized and sub-enterprise businesses employing many hundreds of people with an agile HR system that allows them to refine and optimize their people operations as efficient growth becomes a dominant theme across industry sectors.

Led by General Atlantic, a leading global growth equity firm, and with participation from Bessemer Venture Partners and other insiders, HiBob's Series D round takes the company's valuation to $2.45 billion and total funding to $424 million since inception. This latest growth investment is intended to support HiBob in capitalizing on its market leadership as the company continues to execute on key business priorities in the current market environment.

Tel Aviv's [HiBob](http://www.hibob.com) is on a mission to transform how organizations operate in the modern world of work with its HR platform 'Bob'. Leading the way for the future workplace, Bob offers resilient, agile technology that wraps all the complexities of HR processes into a game changing, user-friendly tool that touches every employee across the business. Since late 2015, trusted and empowered 'Bobbers' from around the world have brought their authentic selves to work, inspired to build the exceptional HR systems that will revolutionize the work experience for HR professionals, managers, and employees. Agile and adaptable, HiBob innovates through continuous learning loops to produce seismic cultural shifts for companies with dynamic, distributed workforces. (HiBob 17.08)

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* 1. Rookout Raises $16 Million in a Series B Round to Scale Developer-First Observability

Rookout announced a $16 million Series B funding round. The round was led by Fort Ross Ventures, with participation from existing investors TLV Partners, Emerge and Cisco Investments; as well as new investors LIAN Group, Mighty Capital and Binder & Partners.

Rookout provides an unparalleled ability to collect any piece of data, from the deepest levels of live code, on-demand, in the click of a button. This capability empowers engineers to solve customer issues 5X faster, improve development velocity, and reduce MTTR (Mean Time to Repair). For engineering managers, that means driving more business value from engineering dollars, and saving a tremendous amount of time, effort, and money on debugging.

Unlike traditional monitoring tools and APMs, which tend to focus on metrics that DevOps engineers and SREs care about on the infrastructure level, Rookout is built from the ground up for developers, who care more about the actual code and business logic of their applications. Dynamic instrumentation is made possible via bytecode manipulation, typically seen in cybersecurity but uncommon amongst developer tooling. This enables developers to find the data they need instantly and deliver it anywhere, in order to understand and advance their software. The unique implementation offered by Rookout means this data can be fetched even when dealing with third party code and dependencies.

Tel Aviv's [Rookout](https://www.rookout.com/) is a developer-first observability platform that provides an unparalleled ability to collect any piece of data, from the deepest levels of live code, on-demand. This empowers engineers to find the data they need instantly and deliver it anywhere, in order to understand and advance their software. With Rookout, software teams save hours of work and reduce debugging and logging time by 80% — with zero friction, overhead, or risk. (Rookout 23.08)

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* 1. MySize & Santista Têxtil Create Joint Venture for the $33 Billion Brazilian Market

MySize announced a joint venture with Santista Têxtil, a pioneering innovator in the Brazilian denim market. The joint venture marks the dedication of both companies to helping the retail industry exceed its sustainability goals through technology, expanding the reach of both Santista and MySize to hundreds of leading Brazilian brands and e-tailers in the country's $33 billion apparel market.

Through the joint venture, MySize's products will be directly marketed to Santista's extensive customer base which includes local and international well-known brands. Access to MySizeID can reduce returns for these brands by up to 50% and increase the average size order. In addition, the recently launched FirstLook Smart Mirror, an interactive, mirror-like touch display for physical stores that offers personalized fit and product recommendations, will be available.

The MySize-Santista joint venture is designed to reduce expenses, boost average order size and put sustainability front and center. Every year, returns cost retailers worldwide a staggering $642.6 billion and only 48% of returns can be resold at full price, while 5 billion pounds of returns end up in landfills. In fact, retailers spend as much as 66% of the price of a product to process a return. MySize's joint venture with Santista aims to address these issues in a meaningful and effective way, positively impacting businesses and consumers alike.

Airport City's [MySize](http://www.mysizeid.com) is an omnichannel e-commerce platform and provider of AI-driven measurement solutions to drive revenue growth and reduce costs for its business clients. Orgad, its online retailer platform, has expertise in e-commerce, supply chain, and technology operating as a third-party seller on Amazon.com and other sites. MySize recently launched FirstLook Smart Mirror, a mirror-like touch display that provides in-store customers an enhanced shopping experience and contactless checkout. FirstLook Smart Mirror extends MySize's reach into physical stores and is expected to contribute to revenues through unit sales and recurring service fees. (MySize 24.08)

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* 1. Cyberstarts Closes a $60 Million Investment in Seed Fund III

Cyberstarts announced the closing of Cyberstarts Seed Fund III with $60 million committed capital to invest in early stage cybersecurity companies. This fund was raised only a few months after the firm raised $200 million for a new opportunity fund in February 2022, bringing total assets under management to $374 million.

Since its inception in 2018, Cyberstarts has formed one of the world’s most successful venture capital firms focused on funding, launching and supporting early stage cybersecurity companies and entrepreneurs. With its unique entrepreneur-backed model, Cyberstarts’ investors and limited partners (LPs) are comprised of the industry’s most prominent leaders. These investors provide strategic counsel to portfolio companies and entrepreneurs from guidance on product-market fit to talent recruitment and everything in between.

Founded in 2018, Jerusalem's [Cyberstarts](https://cyberstarts.com) operates a laser-focused seed line of business, nurturing cybersecurity entrepreneurs and helping to shape companies from product ideation to product-market fit and beyond. Cyberstarts funds Israeli, early stage cybersecurity organizations and is the only venture capital firm primarily funded by the industry’s most successful cybersecurity founders. Cyberstarts’ seed investments include Fireblocks, Wiz, Transmit, Island, Noname Security and many others, including some still operating in stealth mode. (Cyberstarts 24.08)

REGIONAL PRIVATE SECTOR NEWS

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* 1. UAE-Based Private Sector Employees Numbers Grew by 9% in Second Quarter

The number of UAE-based private sector employees increased by 9% in Q2/22, compared to the same period last year. According to the Ministry of Human Resources and Emiratisation (MoHRE)’s private sector workforce report, the number of private sector employees registered in MoHRE’s database by the end of Q2 totaled 5,376,842.

The ministry issued 537,974 new work permits during Q2/22, marking an increase of 27% over second quarter of last year. Meanwhile, in Q2/22, there was an eight% decrease in the cancellation of work permits, compared to a year-earlier period, amounting to 301,569 cancelled permits.

The construction sector accounted for the largest number of new work permits issued by the ministry during Q2/22, followed by the business services sector, the trade and repair services sector, the manufacturing sector and the hotels and restaurants sector. Meanwhile, 26% of the total private sector workforce registered with the ministry are in the construction sector, followed by 21% in the trade and repair services sector, and 19% in the business services sector.

The agriculture sector marked the largest growth in the number of new work permits issued at an increase of 70% compared to Q2/21, followed by social and personal services at a growth rate of 62%, the business services sector at 44% and the financial intermediary services sector at 43%. (GB 18.08)

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* 1. UAE’s Dukkantek raises $10 Million in Pre-Series A Funding

[Dukkantek](https://www.dukkantek.com/), a provider of store management platforms based in Dubai, raised $10 million in pre-Series A funding. The company, founded in January 2021, offers advanced in-store boxes fitted with a seamless point-of-sales (POS) system that can be accessed online from anywhere in the world.

The cloud-hosted software allows business owners to keep track of transactions, monitor sales, calculate value added tax, generate reports and calculate profit margin. Additionally, its cloud inventory management (IM) helps track stock, manage stock value, organize the inventory, manage fast-moving products and generate reports for analysis. The funding round follows their $5.2 million seed round in October 2021, taking their total funds raised to $15.2 million. The funds facilitated its expansion into Kuwait, Qatar, Bahrain, Saudi Arabia, Oman and Turkey.

The $10 million funding raised recently will provide further access to global expansion, improve the platform’s technology stack and hire talent in the region. The funding round was led by BECO Capital with significant participation from Rocketship and Colle Capital. Other strategic investors in the round included Comma Capital, AMK Investment Office, Chaos Ventures and Wamda Capital. (Dukkantek 16.08)

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* 1. Emirati AI firm G42 Launches a $10 Billion Investment Fund

The United Arab Emirates' [G42](https://g42.ai/) launched its $10 billion G42 Expansion Fund with the Abu Dhabi Growth Fund. The fund is to invest in late-stage growth companies. G42 is an AI and cloud computing company established in 2018 by ADQ, which acts as a sovereign wealth fund for Abu Dhabi. The Abu Dhabi Growth Fund is also owned by the government of Abu Dhabi.

The UAE is prioritizing artificial intelligence development as it seeks to diversify its economy and reduce dependence on oil. Entities in the Emirates have taken several steps towards this goal this year. In March, the Dubai International Financial Center launched a license for AI and coding. In July, the Emirati government announced several incentives for digital companies to relocate to the Gulf state. The move specifically targeted AI-focused firms.

Some of the sectors G42 will invest in are already gaining momentum in the UAE. Emirati firms have begun numerous renewable energy projects this year. Most recently, Abu Dhabi’s Masdar agreed to develop wind and solar power projects in Tanzania. Several fintech companies have also moved to Abu Dhabi this year. (Al-Monitor 19.08)

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* 1. Zywa Raises $3 Million to Expand Across MENA

Dubai based [Zywa](https://www.zywa.co/), a neobank for Gen Z, plans to fuel its growth in the UAE and to expand into Saudi Arabia and Egypt after raising $3 million seed funding at an over $30 million valuation. The new funding follows the $1 million pre-seed backing it secured in February this year. Goodwater Capital, Dubai Future District Fund, Rebel Fund, Trampoline Venture Partners, Zemu VC, a number of prominent European family offices and strategic angel investors participated in the latest round.

Zywa was inspired by experiences in the Gulf region, where youth primarily used cash or their parents’ cards to make payments. The founders created Zywa as a social banking app and prepaid card to make it possible for Gen Z (between the ages of 11-25 years) to receive money, manage it and make payments.

The app brings convenience to parents too, as it enables them to send money to their children, and to monitor their spending and saving habits. The strategic partnerships Zywa is exploring include working with schools to host workshops and hackathons to further expose it to its target clientele. It also plans on partnering with teen-led businesses to enable them to sell on the app, in addition to discount partnerships with brands that are popular with Gen Z. Zywa also plans to introduce a social element to its app by enabling its users to share photos or videos of their purchases, and to react to their friends’ purchases on different feeds. (Zywa 23.08)

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* 1. KSA’s Tamara Raises $100 Million in a Series B Financing Round

KSA’s BILLIONPL platform [Tamara](https://tamara.co/en/index.html) has secured $100 million in a Series B round from Sanabil Investments, along with global investment manager Coatue, Gulf technology investor Shorooq Partners, co-investment vehicle Endeavor Catalyst, and existing investor Checkout.com, a global payment solutions firm. The round brings the total investment raised by the startup to $215 million.

Demand for BILLIONPL, which allow consumers to order and take a product without immediately paying, has risen in recent years, driven by an increase in online shopping. The provider pays the merchant immediately and is paid back by the consumer in installments, typically only earning revenue from transaction fees charged to the merchant.

The funding would support the Riyadh based startup to expand into new markets and introduce new services and products. The BILLIONPL business model emerged in times of very low-interest rates, but the prospect of sustained increases in interest rates could spell trouble for the sector. (Tamara 22.08)

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* 1. VSE Corp Wins an FMS Contract for the Egyptian Navy

VSE Corp. of Alexandria, Virginia won an $86 million ceiling increase to indefinite-delivery/indefinite-quantity, cost-plus-fixed-fee contract N00024-22-D-4205 for Foreign Military Sales supportability follow-on technical support to provide eligible foreign navies access to a broad range of life cycle support, systems upgrades, systems integration, and other related efforts. This ceiling increase is necessary to support an urgent sole order to VSE Corp. to overhaul, maintain and repair of the Egyptian Navy's four Oliver Hazard Perry-class frigates (FFG-7 class ships), four fast missile crafts, and two mine hunter coastals. Work for this contract in its entirety will be performed outside the continental U.S. (80%); and within the continental U.S. (20%) based on delivery orders as assigned. Work is expected to be completed by March 2023.

Foreign Military Sales (Egypt) funds in the amount of $85 million (99%); and FY 2023 Foreign Military Sales Administration funds worth $859,910 (1%) will be obligated at the delivery order level and will not expire at the end of the current fiscal year. This contract was not competitively procured via the System for Award Management website. This sole-source award is justified in the case of follow-on contracts for the continued provision of highly specialized requirements when it is likely that award to any other source would result in unacceptable delays in fulfilling the agency’s requirements. The Naval Sea Systems Command, Washington, D.C., is the contracting activity. (MoD 18.08)

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* 1. valU Acquires Fintech Company Paynas

valU acquired 100% of Cairo's Paynas, a full-fledged employee management and benefits company that provides financial services to micro, small and medium enterprises (MSME). The acquisition builds on valU’s mission to offer the wider society access to seamless financial solutions that facilitate their day-to-day activities and enhance their lifestyle; and reinforces Paynas’s mission to be MENA’s leading financial wellness and benefits platform, through offering access and convenience beyond employment. Joining forces with Paynas will act as a gateway for valU to reach micro, small and medium businesses who are considered to be the backbone of the economy, with the goal to unlock various opportunities to both employers and employees.

Paynas offers a multitude of employee management and payment services to MSMEs, including a cloud-based platform to manage time & attendance and payroll, financial products such as payroll cards and affordable health insurance, and financial wellness products such as earned wage pay-outs and salary advances. By combining Paynas’ service offering with valU’s BILLIONPL plans covering healthcare, education, home appliances, furniture, and travel, among others, valU is delivering on its vision of becoming a holistic financing powerhouse catering with progressive and convenient solutions to every aspect of people’s daily lives.

This is the second investment valU carried out this year, following its investment of a 35% share into FAS Finance, the consumer finance arm of Saudi Arabia’s FAS Labs, which allowed valU to expand to the Saudi market, while providing consumer finance solutions through FAS.

A subsidiary of EFG Hermes Holding established in 2017, Giza's [valU](https://www.valu.com.eg/home%20%E2%80%8E) is the leading Buy-Now, Pay-Later (BILLIONPL) lifestyle enabling fintech platform offering convenient and customizable financing plans up to 60 months. With more than 5,000 points of sale and over 330 websites, valU offers access to a wide network of retail and e-commerce providers across a diverse array of categories including home appliances, electronics, home finishing, furniture, residential solar solutions, healthcare, education, travel, and fashion, among others. (valU 22.08)

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* 1. ArabyAds Closes a $30 Million pre-Series B Financing Round

Cairo's [ArabyAds](https://www.arabyads.com) has raised $30 million in a Pre-Series B funding round from AfricInvest, a leading pan-African investment platform managing multiple alternative asset classes including private equity, venture capital and private credit. ArabyAds will use the new financing to expand its footprint and further invest it to accelerate its technological advancement and talent acquisition to support the growth.

The transaction marks the eighth investment for AfricInvest’s Maghreb Private Equity Fund IV, which provides growth capital to small and mid-cap companies to expand regionally and across the African continent, spurring productivity growth and sustainable job creation.

Founded in 2013 in Egypt, today with headquarters in the UAE and tech hubs across Egypt, Tunisia and Jordan, ArabyAds helps advertisers in customer acquisition, retention, and monetization by leveraging its technology platforms for influencer marketing (iConnect), Coupon based advertising (Boostiny), retail media (Ritelo), live commerce (Dmenta) and on-device contextual advertising (Deviceboost).

AfricInvest is a leading pan-African investment platform active in multiple alternative asset classes including private equity, venture capital, private credit, and listed equities. Over the past quarter century, they have raised more than $2 billion to finance almost 200 companies at various development stages, delivering value and impact for their investors, portfolio companies and the communities they serve. (ArabyAds 22.08)

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* 1. Advent Technologies Delivers Portable Fuel Cell Products to the Hellenic Army

Boston's Advent Technologies Holdings, an innovation-driven leader in the fuel cell and hydrogen technology space, successfully delivered their portable fuel cell products to the Hellenic Army’s Z Amphibious Raider Squadron (Z’MAK).

Advent’s fuel cell technology powers a highly sophisticated, incredibly portable battery charger designed to meet the rugged off-grid power needs in performance-demanding settings, such as those regularly faced by Z’MAK and other military divisions. The portable fuel cell can be quickly and efficiently utilized by remote military units to power off-grid radio, surveillance gear, and other mobile electronic military equipment by operating under even the most challenging combat conditions. Advent’s portable fuel cell uses the Company’s proprietary methanol reformation technology to deliver premium performance alongside a significant reduction in size and weight.

Advent Technologies Holdings is a U.S. corporation that develops, manufactures and assembles complete fuel cell systems as well as supplying customers with critical components for fuel cells in the renewable energy sector. Advent has offices in California, Greece, Denmark, Germany and the Philippines. (Advent Technologies 17.08)

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* 1. UAE’s Burjeel Holdings to Expand into Saudi Arabia with a $1 Billion Investment

UAE’s healthcare company Burjeel Holdings has signed a MoU with Saudi Arabia’s Ministry of Investment. In line with the agreement, the private healthcare group will partner and collaborate with institutes and healthcare organizations, and invest up to $1 billion in the kingdom by 2030.

Burjeel Holdings will explore investment opportunities through joint ventures and public-private-partnership (PPP) models to establish and expand various healthcare offerings across the kingdom, including a healthcare network that will include specialty medical centers, day surgery capability, digital health ventures, comprehensive super specialty hospitals and clinical research programs.

The group is in discussions with various private sector providers and public sector hospitals in Saudi Arabia to deliver these services and expects to begin formalizing collaboration agreements over the coming months. Burjeel Holdings reported FY 2021 revenue totaling Dhs3,351 million, representing an 18% compound annual growth rate over the three-year period from 2019-2021. Burjeel Holdings is also aiming to go public this year. Burjeel’s owner VPS Healthcare is said to be courting potential investors including sovereign and pension funds to drum up support for the deal. (Burjeel Holdings 25.08)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Bahrain's Ministry of Electricity & Water Affairs Tender for a 72 MW Solar Plant

The Kingdom of Bahrain launched its tendering process to award a 20 year contract for local or international bidders to build, own, operate and maintain grid-tied solar photovoltaic (PV) power panels with a minimum capacity of 72 MWac in multiple premises located in Sakhir, in the south of the kingdom. The tender was launched by Bahrain's Ministry of Electricity and Water Affairs, as it seeks to build solar panels in the Bahrain International Circuit, University of Bahrain, Bahrain International Exhibition & Convention Centre, and Al Dana Amphitheatre. The solar panels are to be built on the rooftops, car park shades, Electric Vehicle (EV) charging stations and ground of these organizations' facilities.

To qualify for the tender, bidders need to be engaged in the business of solar PV energy and have successfully commissioned at least ten grid-tied solar PV projects (out of which at least 5 are Solar PV car park projects). Additionally, bidders should be commissioned in at least 40 MWac grid-tied solar PV projects in any country globally in the last three years (2019 - 2021).

The Kingdom's Economic Recovery Plan catalyzes over $30 billion of investments in strategic projects, creating new investment opportunities in infrastructure and priority sectors across the Kingdom. In planning these strategic projects, Bahrain is committed to the best international standards necessary to ensure minimal environmental impact. (MEWA 18.08)

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* 1. Abu Dhabi DoE to Develop Hydrogen Policy & Regulatory Framework

Abu Dhabi Department of Energy (DoE) has announced that the development of its hydrogen policy and regulatory framework aims to accelerate the UAE’s national hydrogen strategy. The hydrogen policy and regulatory framework aims to clearly define policies, regulations, standards, and certifications for the emerging hydrogen industry to be globally competitive.

For the design of this regulatory framework, the DoE is working with key Abu Dhabi government and private sector stakeholders, including ADNOC, Mubadala, Masdar, ADQ, TAQA, Emirates Water and Electricity Company, Abu Dhabi Ports, Ministry of Infrastructure and Energy, Department of Economic Development, Department of Municipalities and Transport, Department of Finance and Environment Agency – Abu Dhabi. The DoE expects to report on the outcomes of the policy and the regulatory framework before the end of 2022.

In Abu Dhabi, hydrogen production is underway as a feedstock for ammonia and industrial processes. However, this is mainly grey hydrogen, for which production relies on natural gas. ADNOC has announced plans to increase its carbon capture capacity five-fold from 800,000 tonnes to five million tonnes by 2030. This will make Abu Dhabi one of the world’s lowest-cost and largest producers of blue hydrogen.

Abu Dhabi has a unique competitive advantage as a base for low-carbon hydrogen production with large reserves of natural gas and sunlight. Other advantages include its industrial capacity across the energy value chain, advanced infrastructure and solid experience in export shipment of flammable materials, central location between large demand markets, and significant financing abilities and enabling foreign investment regulatory frameworks. (GB 22.08)

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* 1. Sharjah to Ban Single-Use Plastic Bags from 2024

Sharjah will ban single-use plastic bags and materials across the emirate from 1 January 2024. The decision to ban was taken during a meeting of the Sharjah Executive Council (SEC). The SEC’s decision aims to protect the environment from the dangers of plastic pollution and reduce the negative effects from harmful practices; encourage a culture of environmental protection and sustainability; organize the shift and provide environmentally friendly alternatives; and ensure that multi-use bags and materials are handled sustainably.

From 1 January 2024, it will also be prohibited to trade, produce, offer or import single-use plastic bags and materials in the emirate, provided that they are replaced with multi-use bags and materials with technical specifications and standards approved by the Department of Municipalities Affairs.

Sales outlets will be committed to imposing a tariff of no less than (25) fils as of 1 October 2022, on each single-use plastic bag presented to the end consumer, in preparation for a complete ban on single-use plastic bags and materials in the emirate; reducing the consumption of single-use plastic bags and materials and implementing initiatives that contribute to achieving this; and informing the consumer of the tariff imposed on the consumption of single-use plastic bags and materials, raising awareness of their risks, and guiding him to use and provide appropriate alternatives.

Abu Dhabi has banned single-use plastic bags, effective 1 June 2022, while it will also be phasing out single-use styrofoam cups, plates and food containers by 2024. Earlier this year, Dubai also approved a policy to impose a tariff of 25 fils on single-use bags for carrying goods starting 1 July 2022. (GB 24.08)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon’s Trade Deficit Rises by 42.7% to $8.1 Billion in July 2022

For the first seven month of year 2022, Lebanon’s trade deficit totaled $8.10B up from $5.68B registered in the same period last year. Total imported goods added 35.15% year-on-year (YOY) to $10.74B while total exports increased by 16.27% YOY to $2.63M by July 2022. The Central Bank’s foreign assets dropped by $2.65B by July 2022 while for the same period last year, it plunged by $4.02B with total exports standing at $2.27B by July 2021.

Specifically, the Mineral products grasped the lion’s share of total imported goods with a stake of 29.78%. Machinery; electrical instruments ranked second, composing 12.74% of the total while Vehicles, aircraft, vessels, transport equipment and Pearls, precious stones and metals grasped the respective shares of 10.63% and 8.64%, respectively. On an annual basis, the value of imported Mineral products jumped by 41.92%, from $2.25B to $3.20B by July 2022. The increase is mainly attributed to the surge in fuel prices leading to marginally greater costly imported fuel bills. The value of mineral fuel and mineral oil imported added alone 42.08% from $2.21B by July 2021 to $3.14B by July 2022.

The top three import destinations by July 2022 were China, Turkey and Greece, grasping the respective shares of 13.62%, 12.27%, and 10.50% of the total value of imports. On the Exports front, Lebanon’s top exported products were Pearls, precious stones and metals grasping a share of 16.47% of the total. Plastics and articles thereof; rubber and Base metals & articles of base metal followed, with each grasping a share of 12.78% and 12.31%, respectively, of the total. The top three export destinations in July 2022 were UAE, Syrian and Iraq with the respective shares of 17.75%, 12.76% and 5.46%. (CAS 24.08)

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* 1. Robust Tourism Activity for Lebanon This Summer Rising by 95.75%

The tourism sector in Lebanon looks very different two years after severely affected by shutdowns, travel restrictions and the social unrest erupted since end of 2019. Fortunately, numbers shows that recovery has started albeit levels are not the same as before 2020. The first half of 2022 witnessed substantial developments, with the number of airport passengers in 2022 marking a remarkable increase by 77.88% by June 2022. On the tourist front, the data from the Ministry of Tourism showed that the number of incoming visitors witnessed an annual increase of 95.75% reaching 570,738 visitors by June 2022, compared to only 291,570 by June 202, and 199,722 in the first half of 2020. The breakdown of statistics reveals that the number of tourists from the top 3 destinations recorded considerable increases.

Europeans made up 38% of total tourist entries. Travelers from the Arab countries came in second with 28% of the total, while tourists from the Americas constituted 21.2% of total tourists. The number of European tourists rose by 87.05% year-on-year (YOY) to 217,275 by June 2022 followed by those from Arab countries with a 94.78% increase to reach 160,280 visitors by June 2022. Visitors from America came third and added a yearly 96.35% to stand at 120,993 American visitors by June 2022.

Generally, the tourism sector in Lebanon used to assume a well-defined position in the region. Moderate improvements in tourist arrivals were seen, but it remained limited compared to peers due to the political instability. For instance, according to the world economic forum travel and tourism development index 2021 which measures the set of factors and policies that enable the sustainable and resilient development of the travel and tourism sector in a country, Lebanon index scored 3.4 losing 7 places to be ranked 94 among 117 countries surveyed. (MoT 25.08)

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* 1. Jordan's Trade Deficit Rises by 34.6% During First Half

Jordan's trade deficit during the first half of the year jumped by 34.6% to JD5.044 billion, compared to last year's figure of JD3.747 billion, according to Department of Statistics data. The department said that the value of total exports in the first half of the year increased by 43.4% to reach JD4.329 billion, compared to JD3.018 billion in the same period last year. The report also showed the value of national exports shot up in the first half by 45.5% to JD3.961 billion, compared to JD2.722 billion in the same period last year.

The value of re-exports stood at about JD369 million in the first half, an increase of 24.8%, compared to about JD296 million in the same period last year, the report showed. As for imports, they soared by 38.6% during the first half, reaching about JD9.374 billion, compared to JD6.765 billion in the first half of 2021.

The report pointed out that the coverage ratio of total exports to imports stood at 44.6% in the first half of the current year, compared to 46.2% in the same period last year, a rise of 1.6%. On monthly basis, the value of the Kingdom's national exports was JD887.5 million during June of this year, compared to JD579.7 million during the same month last year, an increase of 53.1%. (Petra 29.08)

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* 1. Jordan’s Tourism Revenue Triples in 2022

Jordan received $2.87 billion in revenue from tourism during the first seven months of 2022, an increase of 204.5%. More than 2.5 million foreign tourists visited Jordan during the period, the official Petra news agency reported.

Tourism is responsible for about 20% of Jordan’s gross domestic product. Tourists visit Jordan, which boasts more security and stability than many of its neighbors, from around the world. Many Saudis come to Jordan in the summer to escape scorching temperatures in their own country, for example. There are also many visitors from Europe and the United States, as well as tourists from Israel.

Jordan’s overall economy was severely hurt by the country’s harsh lockdowns against COVID-19 in 2020. Inflation in Jordan is also rising this year. (Al-Monitor 17.08)

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* 1. Amman’s Queen Alia Airport Received Over 4.1 Million Passengers in First Half

Amman’s Queen Alia International Airport (QAIA) has received 4,196,804 passengers between January and July 2022. The passenger numbers marked a 126.2% surge and 17.9% drop against 2021 and 2019 figures, respectively. Moreover, QAIA recorded 38,904 aircraft movements, representing an 89.1% increase and a 15.3% decrease compared to 2021 and 2019 figures, respectively. The airport also handled 34,371 tons of cargo – 16.7% higher and 41.4% lower than figures registered in 2021 and 2019, respectively.

Throughout July, QAIA welcomed 948,337 passengers, recording 52.6% growth and 1.2% regression compared to 2021 and 2019 figures, respectively. Likewise, QAIA also handled 5,223 tons of cargo – indicating a 1.8% rise and a 46% fall against 2021 and 2019 figures, respectively. (JT 18.08)

►►Arabian Gulf

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* 1. UAE’s Non-Oil Foreign Trade Rises to Over AED1 Trillion in First Half

The UAE’s non-oil foreign trade recorded a new achievement in the first half of this year, amounting to AED1.053 trillion, for the first time in its history. This number reflects a growth rate of 17% compared to the first half of 2021, and an increase of 25% and 35% compared to the same period in the years of 2020 and 2019 respectively. These numbers reaffirm the success of the UAE’s strategic directions and visions in accelerating a full recovery after the overcome of the negative repercussions of the spread of the COVID-19 pandemic on international trade.

During the first half of 2022, the UAE’s non-oil exports achieved about AED180 billion for the first time in its history. Recording a growth rate of 8% compared to the same period in 2021, an increase of 53% compared to the first half of 2020, 50% compared to the same period in 2019, and a growth rate of 69% with the same period of 2018. It nearly doubled compared to what it had recorded during the same period in 2017.

In terms of re-export, during H1/22 the UAE recorded some AED300 billion for the first time in its history. The results showed a high growth rates compared to previous years, as they increased by 20%, 51%, 16% and 23% compared to same periods in 2021 2020, 2019, and 2018, respectively. Also, the UAE’s imports increased by approaching AED580 billion during H1/22, for the first time in its history as well. It recorded a growth of 19% compared to the same period in 2021, 49% compared to the same period of 2020, 24% compared to the first half of 2019, and 25% compared to the same period in 2018.

On the other hand, the contribution of imports from the UAE’s non-oil trade, has decreased to 55%, while the share of non-oil exports became 17%. In addition, the share of re-exports reached 28%. (WAM 22.08)

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* 1. UAE-Based Private Sector Employees Increase in Second Quarter

The number of UAE-based private sector employees increased by 9% in Q2/22, compared to the same period last year, the Ministry of Human Resources and Emiratisation (MoHRE) said in its private sector workforce report. The number of private sector employees registered in MoHRE’s database by the end of Q2 totaled 5,376,842.

The report revealed that MoHRE issued 537,974 new work permits during Q2/22, an increase of 27% over Q2/21. On the other hand, in Q2/22, there was an eight% decrease in the cancellation of work permits, compared to Q2/21, amounting to 301,569 cancelled permits. The report’s findings also showed that the construction sector accounted for the largest chunk of new work permits issued by MoHRE during Q2/22, followed by the business services sector, the trade and repair services sector, the manufacturing sector and the hotels and restaurants sector.

Some 26 % of the total private sector workforce registered with MoHRE are in the construction sector, followed by 21% in the trade and repair services sector, and 19% in the business services sector. In comparison with the results of Q2/21, the agriculture sector marked the largest growth in the number of new work permits issued at an increase of 70%, followed by social and personal services at a growth rate of 62%, the business services sector at 44% and the financial intermediary services sector at 43%. (WAM 17.08)

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* 1. Etihad Rail Welcomes First Deliveries of High-Tech Locomotives

Etihad Rail, the developer and operator of the UAE National Rail Network, has received the first batches of its new and state-of-the-art rolling stock fleet. The locomotives and wagons reached the UAE via Zayed and Al Musaffah Ports. The company is expanding its fleet of heavy freight locomotives to 45 heavy transport locomotives, which is equivalent to six times of its current fleet.

Progress Rail, a Caterpillar company of America and one of the world’s largest manufacturers of diesel and electric locomotives, will handle the manufacturing and supply of the new EMD SD70 electro-motive diesel locomotives. The company has also increased the size of its wagons, with the new fleet aiming to house more than 1,000 multi-purpose wagons, three times its current fleet. China’s CRRC Group, one of the world’s leading providers of sustainable development solutions of the railway industry, will handle handling the manufacturing and supply the new fleet of wagons.

The new locomotives and wagons will be stored at Etihad Rail’s facilities in Al Mirfa until the completion of construction works on the UAE National Railway Network. The development of the network is proceeding at a rapid pace and marking a number of achievements, the most recent being finishing 75% of ‘Stage Two’ of the project within 28 months. Etihad Rail recently signed an agreement with Spanish company, CAF, valued at Dhs1.2 billion. According to the agreement, CAF will design, manufacture supply and provide maintenance for passenger trains as per European standards. (GB 18.08)

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* 1. UAE Deployed $3.5 Billion in Foreign Aid From 2021 to Mid-August This Year

The UAE has deployed a sum of AED13 billion ($3.5 billion) in foreign aid since the beginning of 2021 to mid-August this year. Yemen was the top recipient of Emirati aid at AED 1.2 billion, according to the Ministry of Foreign Affairs and International Cooperation. Most of the aid were funneled to public programs at AED4.5 billion. Healthcare sector projects took over AED 2.6 billion, the data showed.

Transport and storage sectors also received UAE foreign aid worth over AED414 million, while programs aimed at supporting peace and security received over AED273 million. Other sectors that benefitted from Emirati aid include agriculture, energy and civil society. (GB 19.08)

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* 1. Dubai’s DXB Records 27.9 Million Passengers in First Half of the Year

Dubai International (DXB) has recorded 27,884,888 million passengers in the first half of the year, just 1.2 million shy of the airport’s total annual traffic last year. The passenger numbers recorded in H1/22 were up 161.9% compared to a year-earlier period. The traffic volume represents 67.5% of DXB’s pre-pandemic passenger traffic during the same period in 2019. The numbers were recorded despite a significant reduction in capacity resulting from the 45-day closure of its northern runway in May-June for a major refurbishment project, the company said. The northern runaway was closed from May 9 until June 22, 2022, to carry out a complete refurbishment.

DXB recorded 14.2 million passengers in Q2/22, a year-on-year jump of 190.6%, thus maintaining its growth recovery for the ninth successive quarter since the start of the COVID-19 pandemic. India remained DXB’s top destination country by passenger numbers with traffic for H1 reaching 4 million passengers. Saudi Arabia was second on the list with 2 million passengers, followed by the UK with 1.9 million passengers. Other country destinations of note include Pakistan (1.7 million passengers), and the US (1.4 million passengers).

The baggage handling system at DXB processed a total of 27.1 million bags in H1/22 with a success rate of 99.8% (mishandled baggage rate of 1.75 bags per 1,000 passengers), an impressive performance for the world’s busiest international hub. Based on first half figures and projection of a stronger second half with average monthly traffic expected to reach 5.6 million passengers, Dubai Airports’ readjusted annual forecast for 2022 stands at 62.4 million passengers. (GB 17.08)

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* 1. Saudi Arabia Strengthens Ties with Uzbekistan via Wind & Investment Deals

Saudi Arabia is seeking to improve its relations with Uzbekistan via a variety of investments and agreements. Uzbek President Mirziyoyev met with Saudi Crown Prince Mohammed bin Salman in Jeddah recently. The leader also met with the Saudi ministers of energy, investment, industry and a variety of other sectors, the official Saudi Press Agency reported.

During the visit, Saudi Investment Minister Khalid bin Abdulaziz Al-Falih signed several memoranda of understanding with his Uzbek counterpart for exploring investment opportunities and strengthening relations between the countries' private sectors. The agreements were in the air transportation, livestock, agriculture, sports, education, science, media, energy and technology sectors. Some 13 deals worth about $12 billion were signed at the Saudi-Uzbek Business Council meeting.

The agreements made during the Uzbek delegation’s visit also covered renewable energy. Saudi Arabia’s ACWA Power signed a $2.4 billion deal with the Uzbek government to build a wind project in the country.

Trade between Saudi Arabia and Uzbekistan is on the rise. Saudi exports rose 20% last year, while imports rose 37%, according to the Saudi Press Agency. The main Uzbek export to Saudi Arabia in 2020 was nuts, followed by raw zinc. The main Saudi export to Uzbekistan that year was amino-resins, which are used to make plywood, followed by pesticides. (Al-Monitor 18.08)

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* 1. Saudi Central Bank Approves Fintech Companies Lean Technologies & Mod5r

On 23 August, the Saudi Central Bank said that Lean Technologies and Mod5r can now provide open banking solutions in the kingdom. There are currently 38 financial technology companies operating under the bank’s regulation with the addition of the two firms. [Lean Technologies](https://www.leantech.me/) develops software for fintech companies in the Middle East. [Mod5r](https://mod5r.com/) works on providing people in Saudi Arabia the necessary tools to access fintech services, such as online saving and investment programs.

The Saudi Ministry of Finance launched its FinTech Strategy Implementation Plan in June. The plan aims to make the kingdom a hub for fintech. The endeavor is part of Saudi Arabia’s Vision 2030 initiative, which promotes economic diversification and reduced dependence on oil.

Recently, the Saudi-based fintech firm CASHIN signed an agreement with the Saudi National Bank to help small- and mid-sized businesses with financial transactions. Saudi entities are investing in a variety of futuristic technologies per the Vision 2030 initiative, including cloud services, blockchain and the metaverse, among others. Venture capital investments in Saudi startups rose more than 200% during the first half of the year. (Al-Monitor 24.08)

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* 1. Saudi Arabia’s New Tourism Law Aims to Boost Business, Investment & Innovation

Saudi Arabia’s tourism ecosystem is undergoing a major overhaul with the announcement of a new tourism law approved by a Council of Ministers Resolution. According to the Saudi Ministry of Tourism, the new tourism law will establish new regulatory environments in the kingdom to attract tourism innovators and improve the ease of doing business. It allows new or experimental tourism businesses to receive special licenses and support from the Ministry, allowing them to flourish. It will also streamline licensing processes and procedures by creating a one-stop-shop platform for all tourism stakeholders. Both initiatives were announced in February, as part of the Ministry’s Digital Tourism Strategy.

With the new legal framework, the Ministry of Tourism will have greater control of the quality of tourism services offered within the kingdom, ensuring the highest standards possible for both tourists and businesses while also strengthening destination development. The law also extends the ministry’s remit for swift collaboration with government entities to mitigate risks and manage crises.

The Council of Ministers further approved a resolution that empowers the Ministry of Tourism to enable sector growth. The resolution gives the ministry permission to facilitate tax and custom exceptions or reductions with related government entities, creating powerful incentives for businesses to invest in the kingdom’s growing tourism sector. It also enables the ministry to work collaboratively with other private sector entities to establish work plans and training programs, enabling job creation and training for Saudis and boosting human capital development in the kingdom. (GB 24.08)

►►North Africa

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* 1. Prime Minister Says Egypt's GDP Grows by 6.6% in FY 2021/22

Egypt’s economy grew by 6.6% in the previous fiscal year 2021/2022 compared to a growth rate of 3.3% in the year prior, Prime Minister Moustafa Madbouli said on 25 August.

The last quarter of the past fiscal year was really difficult due to the Russia-Ukraine war and its effect on development rates, the premier said, noting that Egypt's projected growth rate for the end of the fiscal year had been estimated at 6.2%. Madbouli added that the unemployment rate in the country stabilized at 7.2%, which he described as an "encouraging figure". The real challenge for the State is the global phenomenon of high inflation rates, he said, revealing that inflation has hit 14.6% in Egypt. (WAM 25.08)

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* 1. Egypt, Saudi Arabia & Greece Launch Bid for 2030 World Cup

Media outlets reported on 4 August 4 that Egypt, Saudi Arabia and Greece plan to submit a tripartite bid to host the 2030 FIFA World Cup. The Egyptian government newspaper Akhbar Elyom reported that Egypt’s Minister of Youth and Sports Ashraf Sobhi held a tripartite meeting with his Saudi and Greek counterparts to make the final arrangements for the bid after all three parties agreed to jointly host the most important global football event in the world. According to the paper, they discussed many issues related to sports affairs and stressed that hosting the World Cup and the Olympics is everyone’s dream, including officials and sports fans in Egypt.

Over the past years, Egypt hosted several sports tournaments, including the Africa Cup of Nations in June 2019, the Africa U-23 Cup of Nations in November 2019 and the World Men’s Handball Championship in January 2021, in addition to the African Men’s Handball Championship this past July. Observers praised the capabilities of the three countries that qualify them to host the World Cup and organize a successful tournament.

The competition to host the 2030 World Cup will be fierce, as Uruguay, Argentina, Chile and Paraguay submitted a joint bid in early August to host the event. Spain and Portugal also launched their joint campaign to host the 2030 World Cup, while media outlets reported in mid-July that Morocco had settled on submitting a bid of its own to host the tournament. (Al-Monitor 18.08)

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* 1. South Korea to Work with Russia on Egypt’s First Nuclear Power Plant

A South Korean company will soon start work on Egypt’s first nuclear power plant, as state-run Korea Hydro and Nuclear Power won a $2.25 billion contract from an affiliate of Russia’s state-run nuclear energy company Rosatom. Korea Hydro and Nuclear Power will provide materials and equipment for and construct the plant’s turbine building.

Last month, Egypt’s Nuclear and Radiological Regulatory Authority licensed the construction of a nuclear power plant in Dabaa, northwest of Cairo. The authority contracted Rosatom for the project.

South Korea has strong relations with other countries in the region as well, including in the nuclear power sector. South Korea also helped construct the United Arab Emirates’ Barakah nuclear power plant. A South Korean company also built Turkey’s fourth offshore drilling ship. In January, several Korean companies signed cooperation agreements with Saudi Aramco. (Al-Monitor 25.08)

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* 1. UAE Investments in Egypt Increased by 169% in First Half of 2022

CAPMAS announced that the value of Emirati investments in Egypt increased to $1.9 billion (Dhs6.98 billion) during the first half of the 2021-2022 fiscal year, compared to $712.6 million (Dhs.617 billion) during the same period of the fiscal year 2020-2021, an increase of 169.1%. The value of the trade between Egypt and the UAE increased to about $1.2 billion during Q1/22, compared to $1.1 billion during the same period in 2021, an increase of 1.4%.

Figures from CAPMAS revealed that the value of remittances from Egyptians working in the UAE reached $3.5 billion during the 2020-2021 fiscal year, compared to $3.4 billion during the 2019-2020 fiscal year, an increase of 1.4%.

Earlier in May, the UAE, Egypt, and Jordan on Sunday signed an industrial partnership agreement in Abu Dhabi to enhance economic growth in the three countries across five key sectors. The five areas that the three countries will cooperate on include food, agriculture and fertilizers; pharmaceuticals; textiles; minerals and metals; and petrochemicals. (GB 22.08)

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* 1. Egypt's Remittances Reach a Record High for the Second Year Straight

Egyptian remittances achieved a record high for the second year running in FY 2021-2022, rising 1.6% y-o-y to $31.9 billion, according to central bank figures. Inflows rose 2.5% y-o-y to a record $8.3 billion in the final quarter of the fiscal year (April-June) amid soaring oil prices. Remittance inflows surged more than 40% m-o-m and 13% y-o-y to $3.3 billion in March, the same month that oil prices spiked following Russia’s invasion of Ukraine and state-owned banks launched high-interest savings certificates in the aftermath of the EGP devaluation.

Almost all of Egypt’s remittances are sent by workers in the oil-rich Gulf and as such tend to be sensitive to fluctuations in global oil prices. GCC economies have been awash with oil revenues this year on the back of western sanctions on Russian oil, which have pushed the price of Brent above $100 a barrel for much of the past six months.

Remittances are a key source of hard currency for Egypt, and have grown more important this year as the spike in commodities prices, market volatility and rising interest rates have left the country hard up for foreign currency. Inflows have grown robustly in recent years despite the pandemic and subsequent global economic challenges. Remittances reached a record high of $31.4 billion in FY 2020-2021, making Egypt the fifth-largest recipient of remittances in the world. (Enterprise 22.08)

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* 1. Morocco is the World’s Most Cash-Reliant Country

A recent study published by the British website Merchant Machine concluded that Morocco is leading the world’s top 20 countries reliant on cash payments in 2022, with 74% of transactions in the North African country being cash-based. The report found that 71% of Morocco’s population do not own a bank account and only 0.2% have a credit card, “indicating that the majority of Moroccan citizens are still relying on physical cash for their transactions.” Moroccans’ preference for cash-based payments is “likely not due to any internet issues,” since 84% of the population has access to the internet, added the report.

Egypt follows in second place after Morocco, with an unbanked population of 67% and cash-based payments making up 60% of all transactions in the country. Meanwhile, Norway tops the list of the “European countries closest to a cashless society.” The study noted that the European country has an unbanked population of 0% and only 2% of payments were made using cash. (MWN 16.08)

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* 1. Morocco Spent $4.1 Billion on its Military in 2019

Morocco has Spent MAD 42.6 billion ($4.1 billion) on its military in 2019 according to the latest report from the US Department of Defense. Compared to other countries in the same region, Egypt came first with MAD 705 billion ($68.1 billion) spent on its military budget, whereas Algeria came in second with over MAD 106 billion ($10.3 billion). Meanwhile, Libya and Tunisia spent MAD 35.5 ($3.43 billion) and MAD 15.32 ($1.48 billion) on their military in 2019, respectively.

The study included information on each nation's 2019 military strength in terms of personnel. Egypt had the largest armed forces in North Africa with 430,000 in 2019, followed by Algeria with over 250,000, Morocco with 220,000, Tunisia with 45,000 and Libya with 45,000. The size of armed forces relative to the size of the population in each North African country was as follows: Egypt's forces made up 0.43% of the total population, Algeria's 0.58%, Morocco's 0.61%, Libya's 0.66%, and Tunisia's 0.40%.

According to the report, Morocco's military spending accounted for 3.7% of its GDP in 2019. Between 2017 and 2019, Morocco imported MAD 10.4 billion ($1 billion) worth of armaments. This total includes MAD 2 billion ($200 million) spent on arms from China, MAD 1 billion ($100 million) from European Union (EU) nations, and MAD 1 billion ($100 million) from non-EU nations. The report also detailed that, in 2019, the Moroccan army had 180,000 soldiers, 9,000 in the navy, 13,000 pilots, and 25,000 irregular and paramilitary troops. In May 2022, Morocco reinstated conscription, reintroducing compulsory military duty for young Moroccans. (MWN 19.08)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Money Inflows of Unknown Origin Reach a Record 70% in Turkey

Foreign currency inflows of unknown origin may cover up to more than 70% of Turkey’s widening current account deficit gap in the coming months. The country’s account deficit is expected to widen above $40 billion by the years-end, with inflows in the categories of errors and omissions - which includes illicit movements of money earned from criminal activities - likely to end up covering a record-breaking amount.

Turkey’s current account deficit widened to $3.46 billion in June, the central bank reported earlier this month. The figure grew by $2.27 billion from June last year and the 12-month rolling deficit increased to $32.7 billion, it said. The central bank also recorded a $3.98 billion inflow under net errors and omissions, marking the highest monthly figure this year. Current figures will bring Turkey’s cumulative deficit to at least $36.5 billion in the first seven months of this year, who added that number is likely to reach up to $45 billion by the end of 2022, with inflows of unknown origin appearing headed for a record rate in financing the gap.

Moody’s recently downgraded Turkey’s rating to B3 from B2, changing its outlook to stable from negative. The country’s current account deficit will likely exceed expectations by a wide margin, the agency said, increasing external financing needs amid a tightening of global financial conditions. Moody’s put its expectation of Turkey’s current account deficit at 6% of the GDP this year, tripling its figures from before Russia’s invasion of Ukraine. Attempts to stabilize the lira and restore foreign currency buffers were result in “increasingly unorthodox measures” that remain unlikely to be effective in restoring stability.

The role of the inflows of unknown origin has grown since Erdoğan came became president in 2018. Such inflows hit their highest of $22.7 billion in 2018, when the lira went tumbling amid a crisis with the United States over a detained pastor. Central bank governor Kavcıoğlu said in July that companies are said to have $500 billion in non-registered money abroad. Even if 90% of this sum is false and only 10% true, it makes $50 billion. (Al-Monitor 16.08)

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* 1. Turkish Automotive Production Climbs by 37.4% in July

Turkey’s automotive production this January-July increased by 37.4% year-on-year, according to a report released by the country’s Automotive Manufacturers Association (OSD). Automakers manufactured 742,969 units in first 7 months of this year, including automobiles and commercial vehicles, while exports in the sector climbed 16.2% to 59,596. Total commercial vehicle production in January-July reached 308,779 units.

Turkey’s commercial vehicle market and light commercial vehicle market contracted by 3 and 5%, respectively, while the heavy commercial vehicle market grew 8% this January-July compared to the same period last year. Meanwhile, growth in sales of cars and light commercial vehicles (LCVs) in Turkey have failed to meet expectations in July as potential buyers experienced problems accessing credit and spending power decreased.

Sales of cars and LCVs rose by an annual 9.1% to 52,206 units, according to data provided by the Automotive Distributors’ Association (ODD) earlier this month. Total sales were 16.4% below the 10-year average. Consumer prices in the country rose by an annual 79.6% in July, the fastest pace of increase since 1998. (OSD 22.08)

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* 1. Tourism is Keeping Cyprus' Economy Alive

Cyprus’ tourism sector is holding the fort, keeping the economy running despite blows from the COVID-19 pandemic and the impact of the war in Ukraine, argue government officials, encouraged by July arrivals. According to CyStat data, 454,657 visitors came for a Cyprus holiday in July, up 52.9% from 297,308 in July 2021. Tourist arrivals from January to July also showed an annual increase. In the first seven months, tourist arrivals totaled 1,676,039 compared to 638,292 in 2021, and 320,589 2020. For January – July 2019, arrivals reached a record 2,181,994.

Arrivals from the United Kingdom were the main source of holidaymakers, with a share of 38.2% (173,874) of total arrivals. Cystat released its data on tourist arrivals, as the Finance Ministry boasted that preliminary estimates showed the economy grew by 6.1% year-on-year growth in Q2, with the overall growth for 2022 expected at over 5% GDP. Increased flows of tourists in July helped the economy heal its wounds, while indications for the coming months are encouraging.

The Deputy Minister of Tourism said that arrivals in July were 83% of those recorded in the same month of the record-breaking 2019. Overall, arrivals in the first seven months of 2022 equal 77% of those recorded in 2019. Tourism was also boosted by EU markets, marking an increase of 18% during the first seven months of the year compared to the same period in 2019. Tourism is a key driver of the economy, contributing around 15% of Cyprus' GDP. (FM 18.08)

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* 1. Eni Makes Significant Gas Discovery off Cyprus

Italian oil and gas company Eni has made what it says is a significant gas discovery in a well located offshore Cyprus. The well was drilled in Block 6, 160 km off Cyprus coastline, in 2,287 meters of water depth. Eni's preliminary estimates indicate about 2.5 TCF of gas in place, with significant additional upside that will be investigated by a further exploration well in the area. The Block is operated by Eni Cyprus holding 50% interest with TotalEnergies as a partner. (Petra 22.08)

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* 1. UBS Forecasts Greece's 2022 GDP Growth at 5.7%

Swiss-based investment and financial services bank UBS has significantly raised its growth estimate for Greece’s gross domestic product for 2022. UBS has raised its estimate to 5.7% from 4% based, among other factors, on the dynamic recovery of the tourism sector, which it expects to post record-breaking revenue of €20 billion, better than the €18 billion achieved in 2019, before the COVID-19 pandemic hit.

The first sign that growth would be higher than expected this year was a strong first quarter, whereby GDP rose 2.3% quarter-on-quarter and 7% on an annual basis. As well, UBS had estimated 2022 revenue at €15 billion, still a significant rebound from the lockdown-plagued 2021 (€10 billion). There was also the strong recovery in tax receipts in the second quarter, which rose 31% compared to the same period last year. In the same quarter, tourism revenue rose 330% on an annual basis. A final factor was the recovery in business lending, boosted by funds from the European Union’s Recovery and Resiliency Facility.

UBS still notes that Greece important challenges, such as the likely disruption of natural gas flows from Russia. Still, natural gas imports account for only 9% of Greece’s energy needs, making it easier to find substitute fuels and sources. UBS notes that Greece has a floating liquefied natural gas (LNG) terminal, which is already being supplied by imports from Qatar and the US.

UBS estimated that average inflation for 2022 could end up above 9%, with wage raises failing to compensate for the loss of purchasing power, even with the higher growth creating more jobs. Household finances are being propped up by generous electricity and other subsidies and by higher savings. Since the end of 2019, households’ bank saving have risen by €20 billion, or 10% of GDP. (UBS 25.08)

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* 1. Energy Subsidies Threaten to Derail Greece's Budget

The cost of government intervention to deal with the energy crisis rises daily as gas and electricity prices across Europe lose touch with reality and move into unchartered waters. Greece’s Finance Minister Staikouras had expressed concern with the rising cost of intervention the government is obliged to make to subsidize consumer electricity and gas prices. Without such subsidies, most consumers would be unable to pay for their electricity and gas bills. According to the finance minister, the cost of government intervention will reach €6 billion by the end of the year. Independent estimates place the actual figure closer to €12 billion for 2022, out of which the government is likely to contribute €2-2.5 billion from the state budget. The rest will come, as is already happening, from the Energy Transition Fund, which is being largely funded from windfall income from companies due to the prevailing high electricity prices.

Total expenditure related to energy subsidies is still relatively small compared to the billions the government poured into dealing with the consequences of the COVID-19 pandemic, but, together, they add up to €50 billion, Staikouras said. Wholesale natural gas prices currently stand above €300 /MWh at the TTF gas hub in Amsterdam, the European benchmark, when it was €20-30/ MWh a year ago. This means that over the last 12 months, they have increased tenfold, reminiscent of the 1973 and 1979 oil crises.

What has saved the budget so far has been the higher-than-expected GDP, boosted in part by the record number of tourist arrivals and spending and inflation. These factors have made for higher than planned revenue. Finance Ministry officials say the initial estimate of €800 million for energy price support from the state budget, in addition to funds to be provided from the Energy Transition Fund to households and businesses in the second half of 2022, now appears grossly inadequate. (FM 28.08)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Israeli Play Therapy Method Helps Ukrainian Children Cope With Wartime Reality

The ongoing Russian assault on Ukraine is taking a heavy toll on many facets of the life of the Ukrainian people, including their children's psyche as they are torn away from their homes, daily routines and sometimes even families. Besides immediate effects, such as stress, fear, and depression; children may also suffer from post-traumatic stress disorder (PTSD) in the future.

To that end, Sheba Medical Center partnered up with Oranim Academic College to develop a therapeutic tool that will help Ukrainian children to deal with the trauma they experience. The method has already been successfully applied at Israel’s Kochav Meir field hospital in Ukraine and consists of a therapeutic game that allows the patient to process their new reality and restore a sense of normalcy as much as possible with a series of linked guiding instructions.

The game includes a big match box that becomes a small house for the dolls that live in it. The goal of the kit is to support and encourage children to open up about the experiences they went through and to mediate reality for them while providing room for self-expression and emotional connection through doll play. The game allows children to visualize an alternate reality through which they can share their fears and concerns.

The kit includes "worry dolls" to which the child can talk and share their concern, thereby shifting their anxiety to the dolls. During play therapy, the child creates their own "safe place", while the parent or tutor reflects the child's feelings, and helps describe, process, and absorb their fears, dreams, and thoughts. In addition, it encourages the child to envisage a return to normalcy and provides them with ideas on how their life might look after the war.

The game was already distributed through the Israeli field hospital in Ukraine to children suffering from PTSD. The game boxes were handcrafted by hundreds of children from schools across Israel, youth movements and children hospitalized at the Safra Children Hospital who volunteered to help the children of Ukraine. The children even added greeting notes and attached them to the game kits that were sent overseas. The Israeli Embassy in Ukraine has already delivered hundreds of game kits to the Central Children's Hospital in Kyiv and the games will be used by doctors, psychologists, and social workers, as well as the children's families as a tool to prevent and cope with children's trauma. (Ynet 22.08)

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* 1. University of Jordan in Three Global Academic Rankings for First Time

The University of Jordan (UJ) was ranked among the top 700 universities worldwide for the first time in the history of Jordanian universities, according to the Shanghai Academic Ranking of World Universities. The ranking considered 30,000 universities in total.

The university is ranked first nationally, 10th in the Arab region and among the top 600 universities globally, according to the QS World University Rankings. In terms of the QS Graduate Employability Ranking, the UJ is the only Jordanian university that ranks among the 301-500 best in the world. It is also among the top 500 universities worldwide in 15 academic fields, including nursing, computer science, pharmacy and accounting and finance, according to the QS Subject Rankings. The university is ranked 48th in the world in terms of education quality, according to the Impact World University Ranking.

UJ has met three indicators, as it had one of the most cited researchers in the world, a number of papers and research studies published, making it among only 19 Arab universities, from six countries, ranked in the Shanghai Academic Ranking. (UJ 22.08)

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* 1. Morocco Aims to Recruit 200 Expatriate Researchers in September

Morocco seeks to welcome 200 Moroccan expatriate researchers in September, in order to boost higher education in the country. Morocco's Minister of Higher Education, Scientific Research and Innovation Miraoui announced on 25 August that the country’s higher education reforms have entered their final stages. The minister highlighted that Moroccan researchers and academics work overseas, while wanting to return home to work, but are unable to do so due to the current system.

The government is striving to restructure higher education in order to make it possible to hire and employ Moroccan expats in Moroccan universities in order to address this problem. After receiving the Moroccan unions' consent, the reforms will be announced in two to three weeks. Miraoui stressed the necessity of improving the standards at Moroccan colleges in order to better prepare students and facilitate their integration into the workforce.

The education minister also emphasized the significance of enabling Moroccan universities to stay up-to-date with the developments in education around the world. These higher education reforms are in line with King Mohammed VI’s speech marking the 69th anniversary of the Revolution of the King and the People.

According to an October 2021 study by the European Journal of Public Health, 70% of graduating medical students in Morocco wish to leave the country to work abroad. Meanwhile, Europe is desperate for young medical professionals, with its needs only set to further grow over the coming years. The study shows that Moroccan students want to leave the country post-graduation for economic reasons. Over 95% of the respondents expressed a desire for better working conditions and a higher quality of life. (MWN 26.08)

ISRAEL LIFE SCIENCE NEWS

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* 1. Enlivex Receives Israeli MoH Approval for Phase I/II Trial Evaluating Allocetra

Enlivex Therapeutics announced that the Israeli Ministry of Health (MOH) authorized the initiation of a company-sponsored Phase I/II clinical trial designed to evaluate the safety, tolerability and preliminary efficacy of Allocetra alone, and in combination with a PD1 checkpoint inhibitor, in patients with advanced solid tumors.

The planned Phase I/II trial is a multicenter, open-label, dose escalation trial that is expected to enroll up to 48 patients with advanced solid tumors across two trial stages. Stage 1 of the trial will examine escalating doses of Allocetra monotherapy administered intravenously (IV) or intraperitoneally (IP) once a week for three consecutive weeks. Stage 2 will evaluate escalating doses of Allocetra administered IV or IP and combined with anti-PD1 therapy. Patients in Stage 2 will receive three injections of Allocetra concomitantly with the studied anti-PD1 agent. The primary objective of the study is to evaluate safety and tolerability throughout the treatment period and through one week after the last administration of Allocetra. Key secondary endpoints include efficacy assessments, such as best overall response rate, progression-free survival, and overall survival. Changes in immune cell/cytokine profiling in peritoneal fluid will also be assessed as an exploratory endpoint.

Nes Ziona's [Enlivex](http://www.enlivex.com) is a clinical stage macrophage reprogramming immunotherapy company developing Allocetra, a universal, off-the-shelf cell therapy designed to reprogram macrophages into their homeostatic state. Resetting non-homeostatic macrophages into their homeostatic state is critical for immune system rebalancing and resolution of life-threatening conditions. (Enlivex Therapeutics 17.08)

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* 1. ICL & Lavie Bio Collaborate to Develop Novel Bio-Stimulant Products

ICL and Evogene announced a multi-year, strategic, collaboration agreement between ICL and Lavie Bio, a subsidiary of Evogene. Nes Ziona's [Lavie Bio](http://www.lavie-bio.com) is a leading ag-biologicals company focusing on improving food quality, sustainability and agriculture productivity through the introduction of microbiome-based products. Lavie Bio’s unique approach uses Evogene’s tech engine MicroBoost AI, leveraging big-data, advanced artificial intelligence (AI), in combination with a deep understanding of biology.

As part of the collaboration, ICL will make a $10 million investment in Lavie Bio under a SAFE (simple agreement for future equity). The investment will be made via ICL Planet Startup Hub, which is the platform ICL uses to invest in and collaborate with innovative companies in the foodTech and agriTech domains.

The collaboration will focus on developing novel bio-stimulant products to enrich fertilizer efficiency. Combining Lavie Bio's ag-biologicals expertise and cutting-edge technology with ICL's advanced knowledge of fertilizer use and farmers’ needs is aimed to facilitate the development of new and innovative products for the agriculture industry.

Tel Aviv's [ICL Group](http://www.icl-group.com) is a leading global specialty minerals company, which also benefits from commodity upside. The company creates impactful solutions for humanity's sustainability challenges in the global food, agriculture and industrial markets. ICL leverages its unique bromine, potash and phosphate resources, its passionate team of talented employees, and its strong focus on R&D and technological innovation, to drive growth across its end markets. (ICL 17.08)

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* 1. NRGene & Granot Group Develop Elite Varieties for Vertical Farming

[Granot Group](http://granot.co.il/english/%E2%80%8E) and NRGene Technologies partnered to develop elite indoor and vertical farming varieties to improve crop productivity (quality and yield) while reducing the environmental footprint. This collaboration will begin with the development of seedlings for use in vertical farming facilities to feed dairy cows. Wheat will be the initial focus as it is widely used for cow feed, both as silage and grain, and wheat seedlings are expected to replace both. In the dairy industry, over 50% of milk production costs are attributed to cow feed. The new improved seedling varieties will reduce the cost of production, leading to a lower price than grain and silage. The impact of widespread adoption of seedlings by dairy farmers will lead to better productivity of the dairy cows and improved milk quality.

The Granot Group will contribute $2 million to the financing of the project and provide vast knowledge in the field of animal feed as Granot Group, through Ambar, also account for 33% of livestock feed production in Israel. Furthermore, Granot Group will be entitled to exclusive distribution rights in Israel, and other potential territories worldwide. NRGene Canada (a wholly-owned subsidiary) will lead the research and development process and will be responsible for providing any additional funding required for completing the project. The new seedlings varieties are expected to be available in 2024.

Following successful completion of the development phase, NRGene Canada and Granot will establish an equally-owned (50%-50%) company, to focus on wheat grains production and commercialization to dairy farms. This new company would be the sole owner of all intellectual property developed during the collaboration.

Nes Ziona's [NRGene](http://www.nrgene.com) is an AI genomics company that provides turnkey solutions to leading breeding, Ag-tech, and food-tech companies worldwide. Their expertise in computational tools and in developing advanced algorithms, coupled with a vast proprietary database, enable data-driven decisions to optimize and accelerate breeding programs and generate novel IPs. NRGene contributes to each step in the agricultural supply chain while enhancing sustainable food production and reducing environmental footprints. (NRGene 16.08)

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* 1. Greeneye Precision Spraying System Reduces Non-Residual Herbicide Use by 87%

Greeneye Technology announced the results of a field trial undertaken by the University of Nebraska-Lincoln's Agricultural Research Division (ARD) to benchmark the performance of its proprietary AI precision spraying system against broadcast application of herbicides. The results reveal the Greeneye system reduced herbicide use in post-emergence applications by 87% – representing a cost saving to farmers of more than 60% – while achieving the same, or similar, levels of efficacy compared to broadcast spraying.

The announcement coincides with the successful conclusion of Greeneye's first commercial season in the US. Greeneye is the first company to commercially launch a precision spraying system in the US that is suitable for both pre- and post-emergence spraying. This breakthrough is achieved by a combination of hardware and proprietary artificial intelligence (AI) that can differentiate between crops and weeds in real time to spray herbicide only where it is needed – directly onto the weeds. Targeted at the aftermarket, the system is designed to seamlessly integrate with any brand or size of commercial sprayer. This offers farmers even greater savings by removing the need for them to purchase a new sprayer.

Tel Aviv's [Greeneye Technology](http://www.greeneye.ag) was founded in 2017. Its mission is to develop alternative and sustainable solutions to current crop protection practices that 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. (Greeneye Technology 17.08)

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* 1. Nuvo Group & Sheba Medical Center Collaborate on a Virtual Obstetric Solution

Nuvo Group has completed the first phase of its collaboration agreement with Israel's Sheba Medical Center's "Sheba BEYOND", one of the Top Ten medical centers in the world and a global leader in biotechnological innovation.

The first phase of the partnership consisted of a groundbreaking pilot program around gestational diabetes management, in which medically necessary non-stress tests (NSTs) were shifted to home-based, remote monitoring using INVU rather than conducting traditional monitoring in a medical facility. Participating physicians prescribed INVU to expectant mothers, who wore the sensor band from home during virtual visits. During these virtual visits anchored by the hospital's Sheba BEYOND, virtual hospital platform, a live reading allowed the expectant mother to access simplified data and insights via the paired INVU app, while the provider received more detailed fetal and maternal surveillance that OB/GYNs are accustomed to receiving during in-office visits.

To provide a comprehensive virtualized care regimen, the pilot program also included the use of several other telemedicine solutions alongside INVU, including a remote ultrasound device, glucose monitoring, and home urinalysis kit. In addition to offering a safe and proven regimen for managing gestational diabetes, the program aimed to help patients and providers save time and ultimately improve the overall care experience.

Based in Tel Aviv, [Nuvo Group](http://www.nuvocares.com) is committed to reinventing pregnancy care for the 21st century through new technology, tools and practices for providers and expectant mothers, including the INVU by Nuvo platform, an FDA-cleared, prescription initiated remote pregnancy monitoring and management system. The INVU sensor band enables the delivery of remote non-stress tests and maternal & fetal heart rate monitoring today while pioneering new data-driven personalized pathways that Nuvo believes will help improve health outcomes for all women in the future.

The largest and most comprehensive medical center in the Middle East, [Sheba Medical Center](eng.sheba.co.il), Tel HaShomer is generating global impact through its medical care, research and healthcare transformation. Sheba's City of Health boasts an acute-care hospital, rehabilitation hospital, research and innovation hubs, medical simulation center, as well as a center for disaster response on one comprehensive campus in the heart of Israel. Sheba BEYOND is the medical center's innovative virtual hospital, which offers a myriad of technological solutions for advanced patient care. (Nuvo Group 17.08)

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* 1. CropX Technologies Launches Continuous Nitrogen Leaching Monitoring Capability

CropX Technologies announced the commercial launch of a new capability for its farm management system. The first-of-its kind capability continuously tracks the movement of nitrogen and salts in the soil. The CropX solution is easier, less time consuming and able to supply continuous monitoring of nitrogen leaching events than traditional methods of lab testing. Farms will now have access to this important solution via the CropX system.

The CropX technology combines real-time data on soil moisture, temperature and electric conductivity (EC), captured by soil sensors, with proprietary algorithms created and lab-tested by a team of staff agronomists. The information is then presented on the CropX farm management system dashboard for easy viewing and reporting. By monitoring for leaching events throughout the season CropX customers create a record which allows them to proactively show responsible nitrogen management.

Tel Aviv's [CropX](https://cropx.com) is one of the fastest growing providers of agribusiness farm management solutions in the world, deployed in over 50 countries and across all the arable continents. The CropX platform synthesizes data from the earth and sky to offer advanced soil and crop intelligence and a suite of digital decision and planning tools, all on an easy-to-use app capable of tracking multiple farms and fields. (CropX 25.08)

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* 1. UltraSight Receives CE Mark for Novel Cardiac AI Technology

UltraSight has obtained a CE Mark for its AI guidance software for cardiac ultrasound. UltraSight's technology allows medical professionals, regardless of their sonography experience, to successfully capture diagnostic quality ultrasound images of the heart. The technology can be used at the point of care, paving the way for more widespread detection of cardiovascular diseases (CVD) and improved access to optimized cardiac care across the continent.

The novel AI software pairs with point of care ultrasound devices that are currently on the market and provides the operator with real-time instructions on how to capture high quality diagnostic images. The underlying AI neural network predicts the position of the ultrasound probe relative to the heart, based on the ultrasound video stream only, and guides the user on how to maneuver the probe to ensure that the acquired images are of diagnostic quality.

UltraSight obtained CE Mark after results from a clinical study held at the Sheba Medical Center, Israel, validated its technology and confirmed that the software is effective at instructing novice medical professionals to acquire diagnostic-quality cardiac images. The study found that UltraSight AI guidance allowed medical professionals who did not have prior sonography experience to obtain diagnostic quality cardiac images in 100 percent of patients. The study was conducted using the Philips Lumify ultrasound device.

Rehovot's [UltraSight](https://www.ultrasight.com/%E2%80%8E) aims to revolutionize cardiac sonography through the power of machine learning to enable more accurate and timely clinical decisions. The UltraSight AI guidance system helps bring the benefits of cardiac imaging to more healthcare professionals in new care settings, allowing patients access to ultrasound anywhere. UltraSight 25.08)

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* 1. Future Meat Technologies Produces Cultivated Lamb, Expanding Its Product Line

Future Meat Technologies announced it has produced its first cultivated lamb, which looks, cooks and tastes like conventional ground lamb meat, making it ideal for burgers, kebabs and more. Accelerating the development of a cultivated lamb product is set to transform the global landscape. The European Union is the world's largest lamb consumer, and lamb is the primary meat source for numerous countries across the Middle East, Northern Africa, and parts of Asia. Reaching this milestone with ovine cell lines means the company can now produce cultivated lamb at scale and accelerate its innovation focus to expanding into even more animal species.

Future Meat's development of cultivated lamb started in 2019 with fibroblast cells isolated from Awassi sheep, generating two independent ovine cell lines, which divide indefinitely. Moving forward, as the company prepares to enter the U.S. market, Future Meat will shift its focus to scaling up production of its cultivated meat products, including lamb and chicken, at its new production facility, which is expected to break ground in 2022.

Headquartered in Rehovot, Israel, [Future Meat](http://www.future-meat.com) is the first cultivated meat company to break the commercial viability cost barrier, making cultivated meat that is delicious, non-GMO, healthy, sustainable, and available for widespread consumption. Meat created lines of animal cells grow forever without genetic modifications, removing the need to harvest animals. (Future Meat 25.08)

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* 1. EU Grants Marketing Authorization for Ranivisio for Age-Related Macular Degeneration

Teva Pharmaceutical Industries announced that the European Commission (EC) has granted a Marketing Authorization for Ranivisio (ranibizumab), a biosimilar of the ophthalmology treatment Lucentis across all five indications in adults for which Lucentis is authorized. Ranivisio is licensed in adults to treat age-related macular degeneration (AMD) and four other ophthalmology indications: visual impairment due to macular oedema secondary to retinal vein occlusion (branch RVO or central RVO), visual impairment resulting from diabetic macular oedema (DME), proliferative diabetic retinopathy (PDR), and choroidal neovascularisation (CNV).

Around 67 million people in Europe are affected by AMD. It is a leading cause of blindness for working age adults with uncontrolled diabetes3, and the most common cause of blindness in developed countries. It is estimated that up to 77 million Europeans will be affected with AMD by 2050. AMD is caused by excessive growth of blood vessels in the retina that leads to visual impairment and can even cause blindness. Ranibizumab inhibits vascular endothelial growth factor (VEGF), which is responsible for the excessive formation of these blood vessels in the retina.

Israel's [Teva Pharmaceutical Industries](http://www.tevapharm.com) has been developing and producing medicines to improve people’s lives for more than a century. They are a global leader in generic, biosimilar and specialty medicines with a portfolio consisting of over 3,500 products in nearly every therapeutic area. Around 200 million people around the world take a Teva medicine every day, and are served by one of the largest and most complex supply chains in the pharmaceutical industry. (Teva 29.08)

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* 1. Theranica Secures a $45 Million Series C Funding Round

Theranica announced the closing of its Series C funding round, with a first closing of $45 million. Philadelphia-based New Rhein Healthcare Investors led the round, with wide participation of existing investors aMoon, Lightspeed Venture Partners, LionBird, Takoa Invest, and Corundum Open Innovation. Due to high investor interest, the company has extended the financing round, planning a final closing in October. Proceeds of the new funds will focus on expanding the company's commercial activity in the U.S.

Nerivio is an FDA-cleared, prescribed, smartphone-controlled, drug-free wearable device for the treatment of episodic and chronic migraine in people aged 12 and older. Uniquely worn on the upper arm at the onset of a migraine attack, Nerivio alleviates migraine headache and associated symptoms by utilizing remote electrical neuromodulation to trigger an endogenous analgesic mechanism, known as conditioned pain modulation.

Netanya's [Theranica](http://www.theranica.com) is a prescribed digital therapeutics company dedicated to creating effective, safe, affordable, low-side effect therapies for idiopathic pain conditions. The company's flagship product, Nerivio, is the first FDA-cleared smartphone-controlled prescribed wearable device for acute treatment of migraine, recently surpassed a quarter of a million treatments administered to date. Theranica is expanding its proprietary technology to develop solutions for additional idiopathic pain conditions. Nerivio has received FDA authorization and CE mark for use in acute treatment of episodic and chronic migraine in adult and adolescent patients. (Theranica 29.08)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Transmit Security Announces Expanded CIAM Capabilities

Transmit Security announced essential new capabilities of its customer identity and access management (CIAM) platform, along with key milestones. The company also rebranded its identity products, reflecting the shift to a developer-friendly approach to delivering secure identity services as APIs. Since June 2021, the company has added customers such as Goldman Sachs, BRED Banque Populaire and America’s Car-Mart to a list that already included industry leaders like Citigroup, Lowe’s, UBS, Santander and HSBC. In March, Transmit Security was honored by Fast Company as one of “The 10 Most Innovative Security Companies” for 2022.

The company has renamed and repackaged its integrated platform products — BindID, RiskID, FlexID, VerifyID and UserID — as the Transmit Security CIAM Platform, making it easier for enterprises to acquire the identity services they need for the best combination of security and customer experience.

Tel Aviv's [Transmit Security](http://www.TransmitSecurity.com) gives businesses the modern tools they need to build secure, trusted and end-to-end digital identity journeys to innovate and grow. CX-focused, cybersecurity-conscious leaders rely on Transmit Security’s CIAM platform to provide their customers with smooth experiences protected from fraud across all channels and devices. Transmit Security serves many of the world’s largest banks, insurers, retailers, and other leading brands, collectively responsible for more than $2 trillion in annual commerce. (Transmit Security 17.08)

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* 1. D-Fend Solutions & Syzygy Integration Optimize C-UAS Data Management

D-Fend Solutions and Conshohocken, Pennsylvania's Syzygy Integration, a next-generation situational awareness technology engineering firm have integrated D-Fend's EnforceAir C-UAS with Syzygy's SNAP (Sensor Network Access Point).

The integration will strengthen support for the Team Awareness Kit / Tactical Assault Kit (TAK) across the Department of Homeland Security (DHS), Department of Defense (DOD), Department of Justice (DOJ) and first responders in contending with rogue drone activity at sensitive and critical sites and events. TAK is a cost-effective, off-the-shelf government sponsored solution developed by the Department of Defense that enables tactical data generation, visualization and sharing to facilitate communications across multiple users and achieve shared tactical situational awareness. This integration also enables EnforceAir to immediately work with camera systems, radars, and other sensor technologies for fusion and filtering via all the capabilities in SNAP. SNAP also enables all the sensor data to work across enterprise networks via secure connections, mobile ad-hoc networking (MANET), goTenna and Iridium simultaneously.

Ra'anana's [D-Fend Solutions](https://d-fendsolutions.com/) is the leading counter-drone takeover technology provider, enabling full control, safety and continuity during rogue drone incidents across complex and sensitive environments, to overcome both current and emerging drone threats. With hundreds of deployments worldwide, EnforceAir, the company's flagship offering, focuses on the most dangerous drone threats in military, public safety, airport, prison, major event and critical infrastructure environments. (D-Fend Solutions 18.08)

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* 1. Perception Point Recognized as the Best Email Security Solution

Perception Point announced that its Advanced Email Security has been recognized as the Best Email Security Solution by the 2022 Tech Ascension Awards. Perception Point's holistic threat prevention solution combines seven layers of proprietary static and dynamic detection engines with a human-driven Incident Response service to isolate, detect and remediate all threats across an organization's main attack vectors including email, web browsers, and cloud collaboration apps.

Natively deployed with the organization's existing infrastructure, including Office 365 and Google Workspace, the cloud-native, easy-to-use service replaces cumbersome legacy systems to detect all threats, such as APTs, zero-days, phishing, ransomware, BEC, Account Takeovers, and spam, in both Windows and Mac. Customers also receive a fully managed Incident Response service, delivered as an integral part of the solution at no added cost, which manages all incidents, optimizes detection engines and handles end-user requests, drastically reducing the strain on SOC teams, saving up to 75% of their email security efforts.

Tel Aviv's [Perception Point](https://perception-point.io/) is a Prevention-as-a-Service company for the fastest and most accurate next-generation isolation, detection and remediation of all threats across an organization's main attack vectors - email, web browsers, and cloud collaboration apps. The solution's natively integrated and fully managed incident response service acts as a force multiplier to the SOC team, reducing management overhead, improving user experience and delivering continuous insights; providing proven best protection for all organizations. (Perception Point 17.08)

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* 1. Vesttoo and Clear Blue Announce a $1 Billion Partnership

Vesttoo signed a partnership agreement with Charlotte, North Carolina's Clear Blue to supply the latter with reinsurance capacity sourced from capital markets investors, totaling a sum of $1 billion. The partnership is part of Vesttoo's vision to bridge the gap between the insurance and capital markets, scaling insurance-linked investments as a source for reinsurance capacity. In addition to its AI-powered technology and expertise in fintech, insurance and asset management, Vesttoo will utilize Clear Blue's underwriting, program management, data and analytical capabilities to facilitate faster reinsurance transactions and allow for more investors to gain access to a diversified portfolio of Clear Blue's P&C risk, on an efficiently collateralized basis.

Vesttoo has scaled rapidly over its years of operation, providing reinsurance capacity to cedents using its data-driven AI technology, which allows it to model, price, and structure flexible solutions for a diversified range of business lines. Vesttoo's data-driven technologies enable the company to structure transactions in various financial instruments with a fast time to market and increased risk transparency. Vesttoo plans to expand its coverage to more perils in the Life and P&C sectors. In addition, it is working on digitalizing the transaction-making process, enabling it to work at greater scales. The deal with Clear Blue is an important step towards this broader goal.

Tel Aviv's [Vesttoo](https://vesttoo.com) connects the insurance industry and the capital markets by combining AI-powered technology with expertise in fintech, insurance and asset management so that insurers have the capacity they need, and investors have opportunities to diversify with uncorrelated, low volatility insurance-linked assets. Among Vestoo's partners are well-established global insurers, financial institutions, and large multinational brokers. (Vesttoo 22.08)

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* 1. Nayax Announces Integration Partnership with Vagabond

Nayax announced an integration partnership with Vagabond, a Washington, DC based technology solutions company providing cloud-based management software and hardware tools for vending operators. This integration will enable Vagabond's customers to seamlessly deploy Nayax's leading EMV-certified VPOS Touch cashless readers into their vending operations. Nayax's solution enables operator growth and improved productivity.

Herzliya's [Nayax](http://www.nayax.com) is a global commerce enablement and payment platform designed to help merchants scale their business. Nayax offers a complete solution including localized cashless payment acceptance, a management suite, and consumer engagement tools, enabling merchants to conduct commerce anytime, anywhere. With global experience in serving the unattended retail industry, Nayax has transformed into a comprehensive solution focused on our customers' growth across multiple channels. Today, Nayax has 9 global offices, over 700 employees, connections to more than 80 merchant acquirers, payment method integrations and is a recognized payment facilitator worldwide. (Nayax 22.08)

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* 1. Cellebrite Introduces Streamlined Collection to Investigative Analytics Workflow

Cellebrite DI announced the launch of an automated and secure system that enables investigative analytics stakeholders to collect, review, and analyze data in an integrated workflow. By providing a secure and frictionless process, Cellebrite is breaking down silos and accelerating the analysis of evidence. The streamlined process gives enriched data to examiners, analysts, and prosecutors to execute their respective roles. With a more efficient workflow, Cellebrite is eliminating pain points by empowering agencies to provide data to the analysis team rapidly with secure storage and decoding, delivering a richer investigative data set.

Petah Tikva's [Cellebrite](http://www.cellebrite.com)’s mission is to enable its customers to protect and save lives, accelerate justice, and preserve privacy in communities around the world. They are a global leader in Digital Intelligence solutions for the public and private sectors, empowering organizations in mastering the complexities of legally sanctioned digital investigations by streamlining intelligence processes. Trusted by thousands of leading agencies and companies worldwide, Cellebrite’s Digital Intelligence platform and solutions transform how customers collect, review, analyze and manage data in legally sanctioned investigations. (Cellebrite 22.08)

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* 1. Israeli Startup’s Fruit-Picking Drones Address Global Farm Labor Crisis

An Israeli startup hopes to save farmers billions of dollars and address the global shortage of farm workers with their flying autonomous robots (FARs) that pick fruit. The robotic pickers, built by Gadera's [Tevel Aerobotics Technologies](https://www.tevel-tech.com/), can work all day, every day during the harvesting season. Each FAR is equipped with advanced artificial intelligence, sensors, and cameras that allow it to determine whether a particular fruit is ready for picking, the best way to pick the fruit with its one-meter-long arm and whether the fruit is marketable or not.

Tevel started with apples, but recently added peaches, nectarines, plums, and apricots. Next year, the startup plans to harvest avocados with its FARs. One of these robots can cover 2.5 acres during a harvesting season – a large farm could need up to 2,000 FARs.

In the United States, Mexican workers who made up the bulk of the industry’s pickers have not been returning post-COVID, mostly due to quotas and visa problems. In China, urbanization rapidly left many orchards with no one to work in them. (i24NEWS 23.08)

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* 1. monday.com Named a 2022 Gartner Leader for Adaptive Project Management

monday.com has been positioned by Gartner in the Leaders Quadrant of the 2022 Gartner Magic Quadrant for Adaptive Project Management (APMR) and Reporting. The evaluation was based on the specific criteria that analyzed the company’s overall ‘ability to execute’ and ‘completeness of vision’.

monday.com’s placement as a Leader in this year’s Magic Quadrant for APMR follows the company’s transition to a multi-product platform, most recently with the launch of monday projects. Built on top of the monday.com Work OS, monday projects is a complete project and work management capability that supports the needs of distributed teams. It empowers project managers to hit their milestones faster and more efficiently. Using an intuitive platform, teams can seamlessly collaborate on every phase of any project or portfolio in one centralized place. Project managers can customize the platform for any preferred project methodology, move faster by automating manual work and create templates for repeatable project structures and avoid chasing team members for data, files or updates. monday projects allows users to manage, monitor, and communicate everything in real-time from one live, accessible space.

Gartner® Magic Quadrant reports are a culmination of rigorous, fact-based research in specific markets, providing a wide-angle view of the relative positions of the providers in markets where growth is high and provider differentiation is distinct.

Tel Aviv's [monday.com](http://www.monday.com) Work OS is an open platform that democratizes the power of software so organizations can easily build work management tools and software applications to fit their every need. The platform intuitively connects people to processes and systems, empowering teams to excel in every aspect of their work while creating an environment of transparency in business. The platform is fully customizable to suit any business vertical and is currently used by over 152,000 customers across over 200 industries in 200 countries and territories. (monday.com 25.08)

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* 1. CyberArk Wins 2022 SC Award for Best Identity Management Solution

CyberArk has won the 2022 SC Award for Best Identity Management Solution. The SC Awards program is cybersecurity’s most prestigious and competitive program, recognizing the solutions, organizations and people driving innovation and success in information security.

Built for the dynamic enterprise, the CyberArk Identity Security Platform enables secure access for any identity from anywhere and to the widest range of resources or environments. Centered on intelligent privilege controls, the Platform addresses the broadest range of Identity Security requirements, all from a single admin portal with unified audit and continuous threat detection and response.

Continuing to drive innovation across its Identity Security platform, CyberArk recently announced several new offerings including CyberArk Identity Flows, CyberArk Secrets Hub, CyberArk Secure Cloud Access and Identity Security Intelligence, one of the platform’s foundational shared services.

Petah Tikva's [CyberArk](https://www.cyberark.com) is the global leader in Identity Security. Centered on privileged access management, CyberArk provides the most comprehensive security offering for any identity – human or machine – across business applications, distributed workforces, hybrid cloud workloads and throughout the DevOps lifecycle. (CyberArk 29.08)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's Economy Grew by 6.8% in the Second Quarter

Israel's GDP grew by 6.8% on an annualized basis in the second quarter of 2022, the Central Bureau of Statistics announced. The growth figures are in contradiction to expectations which was forecasting an economic slowdown, after the Israeli economy contracted 2.7% in the first quarter, according to the most recent assessment.

The Central Bureau of Statistics explains the strong growth in the second quarter as a return to post-COVID routine with recoveries in the tourism, aviation, hospitality, restaurant and transport services sectors. Israel's GDP has grown 7.4%, compared with the second quarter of 2021, which is so far the highest growth recorded of any OECD country, beating Portugal (6.9%), Spain (6.3%), Canada (4.8%), the US (1.6%) and Germany (1.5%).

GDP per capita rose 4.5% on an annualized basis in the second quarter of the year and by 4.8% in the first half of the year. Private consumption per capita rose by 8% in the second quarter, on an annualized basis from the first quarter. Exports of goods and services rose 13.9% in the second quarter, on an annualized basis. (Globes 16.08)

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* 1. UAE - Israel Trade Already Exceeds Last Year's Levels

Trade between the United Arab Emirates and Israel has increased considerably this year. Bilateral trade during the first seven months of 2022 has reached $1.407 billion. For all of 2021, trade amounted to $1.221 billion. These figures exclude software.

Israel and the UAE established full diplomatic relations in 2020 as part of the Trump administration-brokered Abraham Accords. Since then, the two countries have continuously strengthened their relations, especially in the economic and technology sectors. In May, Israel and the UAE signed a Comprehensive Economic Partnership Agreement. The stated goal of the deal, which lowers tariffs on traded goods, is to boost trade to $10 billion within five years. It was the first free trade deal Israel has ever made with an Arab state.

The main good traded between Israel and the UAE in 2020 by far was diamonds, according to the US-based Observatory for Economic Complexity. The Israel Diamond Exchange opened an office in Dubai in February. (Al-Monitor 22.08)

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* 1. Job Vacancies in Israel Drop in Number

Job vacancies in Israel's tech sector have been consistently falling since February, but are rising in sectors like construction. The continuing fall in tech job vacancies indicates a cooling down in the sector. The number of job vacancies for software developers fell 11% on average in May-July to 10,130, the Central Bureau of Statistics announced, from April-June, which was itself 7% down from March-May. Over the same period, job vacancies for computer engineers fell 8% to 14,963. Job vacancies in information technology and communications has been consistently falling since February.

Overall in July, there was a slight fall in overall job vacancies to 148,113 from 149,868 in June. However, the level of job vacancies is still close to a historic peak and this together with low unemployment reflects a very tight employment market and the Bank of Israel fears this could fuel inflation. While there was a fall in job vacancies in the tech sector, there was a 16% rise in job vacancies in real estate and construction, an 11% rise in job vacancies for drivers but a 4% fall in job vacancies for technicians. (Globes 18.08)

IN DEPTH

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* 1. ISRAEL: Israeli Automotive Startups Dream of Becoming the Next Mobileye

Doron Peskin observed on 22 August in [Al-Monitor](https://www.al-monitor.com) that Israel’s Innoviz Technologies announced on 7 August that the Volkswagen group will purchase autonomous driving software and hardware from the company, in a $4 billion deal. Innoviz chief executive and co-founder Omer Keilaf issued a statement saying, “We are thrilled to work with the (Volkswagen technology group) CARIAD team and be a supplier of LiDAR sensors and perception software to support safe mobility for vehicles launching from the middle of the decade.”

On 27 June, Israeli Artificial intelligence (AI) chipmaker Hailo announced its collaboration with semiconductor supplier Renesas to deliver a processing solution, which they say will allow advanced driver-assistance (ADAS) functions and automated driving (AD) systems. These two deals are another reminder of the status Israel plays in the global industry of automotive and new mobility.

The most successful story of the Israeli autotech industry is Mobileye, which develops autonomous driving technologies and ADAS. Its acquisition by Intel in 2017 for about $15 billion is still the largest exit in the history of the Israeli high-tech industry. Another Israeli autotech project that grabbed international headlines — Better Place — for developing battery charging and battery switching services for electric cars ended in bankruptcy in 2013 but helped to establish the local automotive industry.

This industry includes four major subsectors: new mobility (ride sharing or micro-mobility solutions), autonomous driving, digitalization (vehicles connected to the internet) and electrification.

A report issued by Ecomotion last year said that since 2016, mobility startups in Israel have grown by 50%, growing from 400 companies to over 600 in 2020. The report states that investment in startups in 2020 amounted to approximately $1 billion. Investments were divided as following: almost 25% for Israeli automotive startups active in the digitalization field, 21% for startups specialized in autonomous driving, 13% for new mobility startups, 12% were invested in electrification startups and the reminder in other auto-related fields.

The ingenuity of the Israeli autotech industry caught the attention of international corporations. Presently, there are over 20 automotive makers, which operate local innovation and R&D centers in Israel, among them Volkswagen, Skoda, Seat, Ford, Mercedes and Renault-Nissan. The first to do so was General Motors, which in 2008 opened a local R&D subsidiary in Israel.

Israel does not produce cars. Historians tell of Israeli attempts in the 1930s and 1940s to develop an Israeli vehicle named Carmel, but these attempts failed miserably. Still, even without a local automotive industry, it seems to have become a leader in autotech. How come?

Yohay Shinhar is a prominent Israeli automotive expert and consultant for top Israeli car importers. He tells Al-Monitor that an automotive industry requires heavy infrastructure and a relatively low-cost workforce — two components that were never Israel’s strong suit. On the other hand, innovation and out-of-the-box thinking are definitively Israeli trademarks. “Israel sells technology, and that is precisely what the industry needs now,” he asserted. Shinhar further explained the growing number of automakers in Israel, saying Israel is the “only country in the world” that a space of 30 square kilometers hosts hundreds of technology firms, which can serve the needs of automakers.

According to Liav Ben Rubi, CEO of Quantum Hub, a Herzliya based center aimed at promoting mobility and automotive startups, this industry in Israel is helped by technologies developed for the use of the IDF.

Ami Karasso is the manager of OnePR, a media consultant agency specializing in the auto industry. He believes that the global automotive industry along with a number of Israeli technology companies is to experience a significant breakthrough in the next two to three years. The vehicles that have come out in recent years are equipped with ADAS systems that have reduced the number of road accidents by 40%, he explains. These numbers are expected to boost significantly the purchase of such vehicles. Karasso claims the new vehicles that will go on the market in the coming years will include new features such as semi-autonomous integration on the freeway. This will require a more complicated system of sensors compared to the number of sensors currently in vehicles.

Karasso notes that several Israeli companies are considered world leaders in the field of sensors. He expects these companies to become “famous like Mobileye” with a market value of billions of dollars on NASDAQ. “No automaker will be able to do without the Israeli sensors industry,” he tells Al-Monitor.

Despite the optimistic predictions on Israel’s autotech industry, there are also several challenges and hurdles it must cope with, especially securing fresh investments. The Ecomotion report mentions that in a survey among mobility startups, nearly 75% named access to financing as a key hurdle. One-third called it “very challenging.” This difficulty is apparently the reason why 66% of Israeli autotech startups initially rely on self-funding and government grants, which they can repay once revenue starts to come in.

Ben Rubi told Al-Monitor that automotive and mobility entrepreneurs know that projects in these fields are a long process that can last between three to seven years and thus require significant financing. But, according to him, the market "sobered up" and investors look for quick revenues rather than valuation. Thus, Ben Rubi does not foresee future acquisitions in the incredible scope of Mobileye, but rather several deals with more "realistic" market value. (Al-Monitor 22.08)

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* 1. ISRAEL: Israeli Delegation Pays Rare Visit to Indonesia

[Al-Monitor](https://www.al-monitor.com) reported that an Israeli delegation visited Muslim-majority Indonesia in late July. The organizer, the Israel-Asia Center, said the trip was intended to explore the potential for bilateral connections through investment, start-up ventures and social impact initiatives.

As the two countries do not maintain diplomatic relations and Israelis rarely receive visas to visit Indonesia, the Israeli delegation was composed of people with dual citizenship. Israel does offer visas under certain conditions for Indonesian Christian and Muslim pilgrim groups wishing to visit the Holy Land.

The Israel-Asia Center is an Israeli nonprofit organization that runs a range of leadership programs in a wide array of sectors, including business, investment, media, education, government, diplomacy, tech, health care and international development. It operates not only in Asian countries with whom Israel has diplomatic ties but also in some countries that have no diplomatic ties with Israel, such as Indonesia and Malaysia. To date, it has secured over $250 million in investment between Israel and Asia.

Rebecca Zeffert, the center's founder and executive director, told Al-Monitor that the Israeli delegation to Indonesia was comprised of investors, heads of chambers of commerce, tech professionals and innovators. Most of them, she noted, are alumni of the center’s Israel-Indonesia Futures program. She said, “While in Jakarta, the delegates met Indonesian business leaders, university presidents, entrepreneurs and investors. They also visited start-up hubs and accelerators.”

Israel and Indonesia have taken a few steps toward diplomatic rapprochement but each time, the Indonesian leadership backed away, saying that relations would be established after advancements on the Palestinian issue.

Former Trade and Industry Minister Ran Cohen is familiar with Israel-Indonesia relations. After serving as minister, in 2000, he was appointed head of the Israel-Asia Chamber of Commerce. Cohen told Al-Monitor that in the seven years he headed the chamber, he met quite a few Indonesians in Israel or when he traveled to Singapore. “I really hoped that Indonesian people I encountered — peace-loving and very attached to the Holy Land — would help in creating a bridge of peace between us, Israelis and the Palestinians," he said. "I knew that if the majority-Muslim Indonesia would initiate such peace moves, many Israelis and also Palestinians could be convinced to choose the path of peace over the path of killing and violence. Unfortunately, at the time, these contacts yielded little in that direction.”

After the 2020 signature of the Abraham Accords between Israel, Bahrain, the Emirates, Morocco and Sudan, some reports claimed Indonesia would be next to normalize ties with Israel and that the Trump administration offered Jakarta billions of dollars in additional US financial support to Indonesia if it joined the Abraham Accords. US Secretary General Antony Blinken raised the issue with his Indonesian counterpart Retno Marsudi when they met in Jakarta December 2021. Indonesian Foreign Ministry spokesperson Teuku Faizasyah confirmed in a statement at the time that diplomatic ties with Israel were discussed in the meeting by Blinken, but said that Marsudi insisted Indonesia’s position remain consistent with the Palestinian cause.

On 25 January, then-Foreign Minister Yair Lapid raised the issue publicly. Speaking on Israel's Army Radio, Lapid said Israel was looking to "expand the Abraham Accords to additional countries" beyond Bahrain, the Emirates, Morocco and Sudan. "If you're asking me what the important countries that we're looking at are, Indonesia is one of them, Saudi Arabia of course, but these things take time," he said.

Zeffert notes that while Israel and Indonesia do not maintain diplomatic ties, bilateral trade is expanding. “Currently, direct and indirect Israel-Indonesia trade comes to about $500 million per year, not including defense exports or investments made by Indonesians in Israeli tech. It does include export of telecoms, smart agriculture and tourism.”

She believes the potential for more Israel-Indonesia trade is tremendous in sectors such as education, fintech, cybersecurity, artificial intelligence, mobility, health care, food tech and water technologies. “At the end of the day, with or without diplomatic ties, partnerships are all about people. I see our role as creating familiarity and building trust between people. We are providing the guidance and the platform for these people-to-people interactions and partnerships, which are paving the way to more normalized relations between Israel and Indonesia ahead of formal ties,” says Zeffert.

Emanuel Shahaf is the vice chair of the Israel-Indonesia Chamber of Commerce. When the delegation returned to Israel, he told the press that the visit was different from previous delegations to Indonesia because it followed months of trust-building meetings via Zoom, making face-to-face meetings in Jakarta more productive. It also gave participants the chance to consider more and bigger projects. The initiative, he said, “enables a slow and controlled build-up of relationships between vastly different cultures. By the time we actually meet, apprehensions and concerns have mostly been dealt with and relatively smooth sailing lies ahead.” (Al-Monitor 17.08)

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* 1. ISRAEL: Israel and the US Sign Cybersecurity Agreement

[Al-Monitor](https://www.al-monitor.com) reported that on 23 August, Israel and the United States signed the first agreement for cyber-financial cooperation. An announcement by Israel’s Finance Ministry said the memorandum of understanding, signed with the US Department of Treasury, will contribute to strengthening the long-standing relationship and cooperation between the two countries, establishing a bilateral partnership to protect critical financial infrastructure and emerging technologies.

Reportedly, the new agreement includes three main domains of cooperation. First and foremost, the memorandum envisages sharing of financial cyber information between agencies on both sides, including cybersecurity regulations and guidance, cybersecurity incidents and cybersecurity threat intelligence. A second domain covered by the agreement is mutual staff training and the sharing of methodologies, to strengthen the cyber resilience of financial institutions. The third domain covers competency-building activities, including joint cross-border cyber-financial exercises. The first drill is expected to take place later this year, practicing the resilience of financial institutions in the face of a cyberattack from entities that threaten to damage the immunity of the states’ financial systems.

A joint task force is expected to launch a series of meeting and exchanges between technical experts, on policy, regulation and outreach to support fintech innovations designed to increase cyber-protection and advance global compliance with international standards on anti-money laundering and counterterrorist financing. Israel and the United States are aiming not only to enhance cybersecurity cooperation bilaterally, but also expand global cooperation on this issue.

The signature of the memorandum followed a 13-14 October virtual meeting of the International Counter-Ransomware Initiative, organized by the White House and hosting the European Union and more than 30 countries, including Israel. At her opening remarks, deputy national security adviser Anne Neuberger explained why international cooperation to counter ransomware is important, stating, "It is an incredibly complex ecosystem. In fact, during the opening plenary, for example, the Israeli representative noted that an Israeli hospital was under attack by a ransomware attack at that moment."

The MoU offers the legal and institutional framework required for US-Israeli partnership. Other steps were taken in the period between that meeting and the memorandum signature.

For instance, on 12 May, President Biden signed an executive order on improving the nation’s cybersecurity. The executive order opens new US federal cybersecurity contracts to Israeli companies, estimated to be worth $200 billion. Visiting Israel recently, Merlin Cyber founder David Phelps noted that the order opens up new opportunities for startups dealing with cloud security, software supply chain and zero trust access to systems, all domains Israeli companies are working on. Phelps said there is currently an “increasingly pressing need for effective data protection in today’s uncertain world,” noting the “special role of Israeli cybertechnology in filling this need.”

On 27 July, Israel and the United States launched a new cybersecurity program that should offer grants of up to $1.5 million or up to 50% of research and development budgets, for startups and projects developing solutions to protect public critical infrastructure. The US Homeland Security Science and Technology Directorate, the Israel National Cyber Directorate and the joint cooperation between the Israel-US Binational Industrial Research and Development Foundation are set to lead the new program. (Al-Monitor 25.08)

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* 1. ARAB WORLD: Expected Economic Growth Rate to Rise to 5.4% In 2022

The expected economic growth rate for the Arab countries will rise to 5.4% in 2022 due to rising oil prices, the increase in production in Arab oil-exporting countries, and the continuation of reforms that promote growth, according to the Seventeenth Edition of the Arab Economic Outlook Report (AEOR), released by the Arab Monetary Fund (AMF) on 18 August. Arab countries are expected to face relatively high inflation rates in 2022 due to local and global inflationary pressures, the AEOR noted.

The report, which includes macroeconomic forecasts, growth and inflation forecasts for Arab economies for 2022 and 2023, indicated that the global economy is experiencing challenges related to the global supply chains and high commodity prices, which raise concerns about global food security. As a result, international institutions have reduced their forecasts for global economic growth issued in January 2022.

It is anticipated that growth paths in Arab countries will be affected by significant factors during 2022 and 2023, including the impact of recent global developments on Arab economies, macroeconomic policies, and the continuation of financial packages and their impact on containing the repercussions of COVID-19.

The growth rate of the Arab economies as a group is projected to rise to about 5.4% in 2022, a significant increase from about 3.5% in 2021. Many factors have contributed to this rise, including the relative improvement in global demand and high sectoral growth rates. There is also a positive impact of implementing economic reform programs and adopting future visions and strategies aimed at enhancing economic diversification, improving business environments, encouraging private investment, and improving economic resilience. Nevertheless, the AMF expects Arab countries' economic growth slow to about 4.0% in 2023 due to the decline in global economic growth, commodity prices, and gradual exit from expansionary fiscal and monetary policies.

Oil-exporting countries in the Arab World will benefit throughout 2022 from the increased oil production quantities within the "OPEC+" agreement and relatively higher oil and gas prices in international markets, which will support public spending to enhance growth. Overall, Arab oil producers are expected to grow by 6% in 2022, compared to 3.2% in 2021, while oil prices are expected to decline in 2023.

The GCC countries are expected to record a relatively high growth rate of 6.3% in 2022, compared to 3.1% in 2021, thanks to a combination of factors, including the recovery from the COVID-19 pandemic, economic reforms and continued adoption of stimulus packages, while 2023 will see a decline to 3.7% in economic growth. As for other Arab oil exporters, they will benefit from increased production quantities within the OPEC+ agreement and a rise in global oil prices to raise their growth rates. As a result, they are expected to achieve 4.6% in 2022, which is higher than 3.1% in 2021. However, due to business environment challenges, their growth rate will come down to 3.9% next year.

The oil-importing Arab countries are expected to achieve a moderate 4.1% growth rate in 2022, compared to a 2.7% growth rate in 2021, owing to their internal and external balance challenges. However, a relative improvement in the economic growth rate of the group countries is projected in 2023 to reach 4.6% due to improved aggregate demand levels and a gradual easing of the pressures on public budgets and balances of payments due to the expected decline in commodity prices.

The AMF expects Inflation rates to reach high levels in some Arab countries during 2022, brought on by food price increases, energy price increases and escalating inflationary pressures. In addition, agricultural production changes related to climate change will also affect general prices in some countries. Thus, the Arab countries inflation rate is expected to reach 7.6% in 2022 and 7.1% in 2023. (WAM 18.08)

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* 1. JORDAN: Fitch Affirms Jordan Rating at 'BB-'; Outlook Stable

[Fitch Ratings](https://www.fitchratings.com/%E2%80%8E) on 17 August affirmed Jordan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook.

**Key Rating Drivers**

**Reforms, Resilient Funding:** Jordan's ratings are supported by a record of gradual fiscal and economic reforms and resilient financing linked to the liquid banking sector, public pension fund and international support. The ratings are constrained by high government debt, weak growth, risks stemming from domestic and regional politics and large external financing needs. Jordan has largely been shielded from the fallout of the Russia-Ukraine war by long-term gas supply agreements, large strategic wheat reserves, soaring fertilizer exports and a strong recovery of its tourism sector.

**Budget Deficit Narrowing, Despite Subsidy Slippage:** Strong revenue collection will drive a narrowing of Jordan's fiscal deficit this year. We expect Jordan's general government (GG) deficit to narrow to 3.8% of GDP in 2022, from 4.3% of GDP in 2021. These revenue gains will help offset an increase in fuel subsidy spending, despite under-execution of capital spending and efforts towards spending control in other areas, including an ongoing freeze on civil service hiring and bonuses. The authorities froze domestic petrol prices in February 2022 (domestic prices had been adjusted in line with global prices since 2012). They started phasing out subsidies in May and have committed to removing them completely by the end of the year, but the IMF has estimated that the temporary subsidies will still cost 0.9% of GDP in 2022.

**Fiscal Consolidation, Reforms to Continue:** We expect the GG deficit to narrow to 3.1% of GDP in 2023 and 2.7% in 2024 (budgetary central government (CG) deficit: 4.9% of GDP and 4.8% of GDP, respectively). This will be driven primarily by further structural fiscal reforms boosting revenues/GDP and the phasing out of petrol subsidies. Falling unemployment and rising labor force participation are also contributing to higher surpluses at the Social Security Corporation (SSC). Some of these fiscal gains will be consumed by higher debt servicing costs.

The CG deficit is structurally wider than the GG deficit, principally reflecting the surpluses of the SSC (about 2% of GDP in 2022, excluding interest on government debt), and the netting out of government interest payments to the SSC (over 1% of GDP).

**Strong International Backing:** Foreign grants and concessional support loans were over $3 billion in 2021 (7.3% of GDP, slightly higher than 2020). Most of the $1.1 billion in budget support grants comes from the US. The World Bank, the IMF and EU countries and institutions remain the main lenders. In July 2022, President Biden announced the intention to enter into a new Memorandum of Understanding (MOU) on assistance to Jordan, with a commitment to provide a minimum $1.45 billion per year in economic and military assistance (grants) between 2023 and 2029, an extension and augmentation of the previous MOU.

**IMF Program on Track:** The IMF Board approved the fourth review of Jordan's Extended Fund Facility arrangement in June 2022, increasing disbursements in 2022 by $165 million (to over $500 million), including augmentation of access by $100 million. The program is set to last until March 2024, with remaining disbursements in 2022-2024 of about $570 million (over 1% of GDP). Jordan enjoys strong relations with the IMF and its programs have provided a policy anchor.

**Government Debt Peaking:** Under our baseline scenario, GG debt, including guarantees, will peak at about 94% of GDP 2022 (forecast 'BB' median: 55% of GDP), with the subsequent decline aided by a return to growth and primary surpluses. Guarantees relate principally to the water and electricity sectors and are at high risk of being called; the government already services the debt of Jordan's water authority. Consolidated GG debt is below CG debt, as the SSC holds government debt worth 22% of GDP. Our GG debt projections assume that the National Electric Power Company (NEPCO) will incur on average about 0.5% of GDP a year in new guaranteed debt in 2022-2024 to cover its operating deficit, assuming partial impact from the coming on-stream of an expensive new oil shale power purchase agreement.

**Growth Recovering, but Structurally Weak:** We forecast GDP growth of 2.3% in 2022 (Q1/22: 2.5% y-o-y), and 2.5% in 2023-2024, buoyed by manufacturing, tourism, IT services as well as strong domestic demand. Monetary tightening and geopolitics pose risks to growth, although high oil prices may create positive spillovers to Jordan from the GCC, which is a key source of tourism, investment and remittances. To boost medium-term growth potential, the government is working on a range of structural reforms, including measures to boost labor force participation among women and the youth, and more broadly strengthen governance and competitiveness. An electricity tariff reform implemented in early 2022 reduced tariffs on productive sectors (offset by tariff hikes for wealthier households).

**External Funding Needs High but Falling:** We expect Jordan's current account deficit to decline to 6.6% of GDP ($3.1 billion) in 2022 from 8.8% of GDP in 2021, as a rebound in travel receipts offsets the higher oil product imports. Trade and tourism links with Russia and Ukraine are minimal. In February 2022, Jordan had 15 months of wheat reserves. Soaring exports of potash, phosphate, fertilizers and related chemicals have offset rising costs of food and agricultural commodities. Long-term agreements have meant minimal increases in gas import prices. External public debt maturities are $1.5 billion in 2022 and lower in 2023-2024.

**Domestic Social Stability Concerns Remain:** The high unemployment rate among Jordanians (nearly 23% in Q1/22 despite recent declines) and Jordan's hosting of 1.3 million Syrian refugees pose risks to domestic social stability, particularly in an environment of low growth and rising inflation. An extensive and targeted social safety net, limited but gradually expanding scope for political participation and a strong security presence are among the factors limiting the risk of major political upheaval. Political stability has been broadly maintained under the leadership of King Abdullah. New electoral and political party laws were issued in April 2022, aiming to gradually increase the role of political parties in parliament, on the recommendations of a royal commission appointed in 2021.

**Rating Sensitivities**

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

* -Public Finances: Increase in government debt/GDP over the medium term, for example, due to insufficient narrowing of the budget deficit or weak growth.
* -Structural Features: Deterioration in domestic political stability or geopolitical shocks that adversely affect the economy or public finances.
* -External Finances: Weakening of support from external partners and further marked rise in external indebtedness.

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

* Public Finances: Sustained decline in government debt/GDP, for example through a combination of reforms to boost revenue/GDP, contain spending and boost growth.
* -Macro: Sustained increase in growth to above pre-pandemic levels bringing about a decrease in the unemployment rate.
* -External Finances: Lower current account deficit, especially if combined with higher net foreign direct investment that reduces upward pressure on net external debt. (Fitch Ratings 17.08)

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* 1. UAE: The UAE Looks to the Stars

Sussan Saikali at [AGSIW](https://agsiw.org/) commented on 16 August that the United Arab Emirates is turning to its space program to position itself as a hub for advanced technology, diversify the economy away from oil, and rekindle space culture among young Emiratis.

On 26 July, the Mohammed Bin Rashid Space Centre announced Sultan Al Neyadi would be the first Arab astronaut to join a six-month mission to the International Space Station. The plan was initially discussed in April between the Mohammed Bin Rashid Space Centre and Axiom Space, a leading human spaceflight and infrastructure company. This mission is one of an increasing number of Emirati initiatives in the space sector. The United Arab Emirates is turning to its space program to position itself as a hub for advanced technology, while also diversifying the economy away from oil and rekindling space culture among young Emiratis.

**One Giant Leap**

Despite the recent increase of attention toward the UAE’s space sector, substantial progress in the industry has been underway for some time. The United Arab Emirates Space Agency was established in July 2014. As part of broader economic diversification initiatives taking place across the region following the oil price crash of mid-2014, the UAE Space Agency had a mandate to develop, organize and guide the UAE’s growing space sector, while also supporting sustainable development and enhancing the country’s position as a global aerospace player.

To support this strategy, the UAE invested $5.4 billion in space technology in January 2015. In April 2017, Mohammed bin Rashid al-Maktoum, vice president and prime minister of the UAE and ruler of Dubai, and Mohammed bin Zayed al-Nahyan, then Abu Dhabi crown prince and deputy supreme commander of the UAE armed forces, launched the National Space Program. According to the program, its main purpose is to prepare and train Emiratis specializing in space sciences. Its initiatives include the 2117 Mars Program, which aims to set up the first human settlement on Mars, the Arab Space Discovery Program, and plans to launch a UAE satellite manufacturing complex.

The UAE aims to strengthen partnerships with the top space agencies around the world. On 4 October 2018, the UAE Space Agency signed an Implementing Arrangement for cooperation in space exploration and human spaceflight with NASA. This agreement strengthened the bilateral relationship between the UAE Space Agency and NASA, creating opportunities for collaboration in space research, exploration and development. On 30 October 2018, the UAE Space Agency launched the KhalifaSat Earth Observation imaging satellite from the Japanese Tanegashima Space Center on an island off the southern tip of Japan. According to the Mohammed Bin Rashid Space Centre, the KhalifaSat was the first satellite designed, built and tested entirely by Emirati scientists and engineers.

In late 2019, the UAE, which did not have astronauts just a few years before, sent its first astronaut, Hazza Al Mansoori, to the International Space Station. Mansoori spent his short time in orbit performing a series of experiments and conducting a tour of the space station in Arabic. In October 2020, the UAE signed the Artemis Accords – an agreement among NASA and several partner countries establishing a set of principles to guide space exploration cooperation among the countries participating in NASA’s lunar exploration initiative. By signing the accords, the UAE committed to not only develop a national space agency but to do so alongside the international space community, providing new opportunities for collaboration. In April 2021, Nora Matrooshi, the first Arab woman astronaut, was selected from the UAE Astronaut Program in April 2021 to train with NASA for two years.

In February 2021, in its first excursion into deep space, the UAE launched the spacecraft Hope, which successfully entered the Martian orbit, making the UAE the fifth country to do so. The Hope spacecraft was built in cooperation with the University of Colorado Boulder’s Laboratory for Atmospheric and Space Physics. The UAE worked with U.S. companies for key components and technologies on the Hope Probe. Cooperation between the United States and the UAE continued into the following year, supported by the U.S.-U.A.E. Business Council, which identified potential growth for the bilateral relationship, particularly in the space sector.

Since the signing of the Abraham Accords, the UAE has also partnered with Israel. The UAE and Israel signed an agreement in October 2021 to collaborate on the Beresheet 2 moon mission. As part of the agreement, the two countries will cooperate on data-based development and research from the Israeli-French satellite Venus, while Emirati and Israeli students will work together on a new satellite tracking the moon.

In addition to building satellites and spacecraft, the UAE has demonstrated support for global innovation in space technology. In October 2021, the Mohammed Bin Rashid Space Centre launched the Space Ventures initiative, an ecosystem in the space sector for startups from around the world. It aims to enable businesses to collaborate on long-term projects, gain access to technology and support, and receive aid in communicating with international regulatory agencies to facilitate sustainable, long-term growth. In addition to the Mohammed Bin Rashid Space Centre initiative, Hub71, Abu Dhabi’s global tech ecosystem, has chosen several space tech companies among the 16 startups in its 2021 cohort. Hub71 will link the selected space tech companies to programs meant to support their growth and development. These two projects, and their focus on startups in the private sector, are part of the UAE’s broader strategy encouraging corporate contribution to space tech to support the space economy.

In July, the UAE established an $817 million fund to support its space sector, including an initiative to develop radar satellites. The UAE announced plans to be the first Arab country to develop a constellation of Synthetic Aperture Radar Satellites. The satellites will be built through partnerships between the public and private sectors together with international firms. The fund also aims to support the establishment of national companies in the space sector and boost national strategic and research projects, while also seeking to encourage global partnerships to establish themselves in the UAE, providing incentives to the partnerships through the UAE Space Agency’s Space Economic Zones Program.

**Space Culture**

While encouraging global partnerships and investments, the UAE is also trying to rekindle cultural interest in outer space. Although astronomy itself is deeply rooted in Arab culture, a more “modern-day” space culture is developing among young Emiratis. As the UAE has developed its space sector, there have been more Emiratis pursuing astrophotography as well as art and education in space-related studies. For example, Saeed Al Emadi, a member of Mohammed Bin Rashid Space Centre’s communication team, has achieved internet fame as the artist who created Suhail, a stuffed cartoon-based character who flew into space with Mansoori in 2019. There has also been an increase in participation in astronomy groups and stargazing as well – a leisure activity that had faded from mainstream culture.

In September 2021, the Mohammed Bin Rashid Space Centre launched the Emirates Space Art Program in collaboration with Jsoor, a private social enterprise. The program aims to document the UAE’s milestones in the space sector through art. In February, Selenian, a UAE-based company that specializes in the curation of art in space, announced that it will carry an original piece of art to the moon, with the help of NASA, Spacebit, and Astrobotic. The artwork itself, “We Rise Together, by Moonlight,” was created by Sacha Jafri, a Dubai-based artist, and is intended to stay on the moon. While Emirati space culture is nowhere near as established as U.S. and Russian space culture, which developed in the 1960s with the first space explorations, it has been growing in popularity over the past decade.

While there are skeptics who question whether the space program will be able to create a generation of Emirati space engineers and aerospace personnel, the growing space culture has spread into academia and is encouraging students to pursue an education in the field of aerospace, which has grown in size and funding as a result. Universities and institutes have since been creating new curriculums to help students learn about and establish careers in the space industry. In addition, the UAE Space Agency started the UAE Mini-Satellite Challenge – a competition in which university students submit proposals for design experiments that can solve real-life space exploration problems. The competition aims to foster critical thinking, creativity, and collaboration among Emirati youth to advance engineering research and development, while also sparking students’ interest in space engineering.

**Gulf States Reach for the Stars**

Following up on its successful launch of the Hope spacecraft into the Martian orbit, the UAE also plans to send an unmanned spaceship to the moon in 2024. There have also been suggestions of branching into space tourism, exploring Venus by 2028, and landing on an asteroid, making it the fourth country to do so if successful. These plans are part of the UAE’s “Projects of the 50.”

Although considered the most ambitious space program in the Middle East, the UAE is not the only country in the region with space initiatives. Bahrain launched its first satellite into orbit in February, and Oman plans to do the same by the end of the year. Qatar, in 2010, launched an Exoplanet Survey – a research project led by the Qatar National Research Fund, the Qatar Foundation, and Hamad Bin Khalifa University to find planets outside the solar system. Saudi Arabia recently announced its 10-year space plan.

Although still relative newcomers to the space field, Emirati leaders hope the aerospace sector might become another avenue through which they can position the country as a hub for advanced technology, while also diversifying the economy away from oil. These remain ambitious goals at this point, notwithstanding impressive progress. Besides the aspirations to create this new technology hub and enhance the country’s longer-term economic diversification, there are hopes to advance the country’s global position, both diplomatically and culturally.

*Sussan Saikali is a research associate at the Arab Gulf States Institute in Washington.* (AGSIW 16.08)

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* 1. UAE: The Legacy of Expo 2020 Dubai

If Dubai can accomplish an efficient post-expo transition into a sustainable and profitable city, then the first world exposition held in the Middle East could become the new international standard in legacy planning.

On 25 August, Alyssa Kristeller noted in [AGSIW](https://agsiw.org/the-legacy-of-expo-2020-dubai/) that after 182 days, 24.1 million total visits, and 35,000 events, the world expo in Dubai – the first held in the Middle East – closed its gates. Throughout history, world expositions have been centers of innovation, where architectural feats, such as the Eiffel Tower, and inventions, such as Alexander Graham Bell’s telephone, were first unveiled to the world. However, it has historically proved difficult for the host country of these global events to maintain the same degree of international attention and investment in development plans for the expo sites after the end of their run.

These mega-events happen every five years and are hosted by countries based on a bidding competition overseen by the Bureau of International Exposition. They require massive tracts of land and are often positioned outside of major cities. The site for Expo 2020, for example, is located outside of Dubai South – about a 45-minute drive from the Burj Khalifa in downtown Dubai – and became the last stop on the Dubai Metro as of June 2021.

So far, the legacy of world expo sites has followed similar trends: The sites mainly become architectural landmarks, parks, performance venues, museums or housing developments. Most of the buildings and pavilions are often torn down shortly after the expo based on contractual agreements between the host country and participating countries. In cases where the sites are actually developed after the expo, the process is often slow, as the political, economic, and media momentum during the expo wanes.

Dubai is striving to be different. Reem Al Hashimy, UAE minister of state for international cooperation and director general of Expo 2020, announced plans for Expo City Dubai in June. These plans entail a new district that the Bureau of International Exposition claimed will “provide a model for innovative urban districts geared towards collaboration, knowledge-sharing and talent creation for the benefit of future generations.”

“Most expos leave a building or a zone behind. For us, we are actually leaving a city,” said Ahmed Al Khatib, the expo’s chief development and delivery officer. The legacy of Expo 2020 Dubai has always been an integral factor in its development and execution as part of the Dubai 2040 Urban Master Plan. This plan sets the stage for Expo City to become an “economic and growth hotspot supported by the activities of exhibition, global events and integrated logistics services.”

**An Economic Hub and Sustainable City of the Future**

Expo City is near the Jebel Ali Free Zone, the world’s largest free trade zone, which contributes 21% to Dubai’s overall gross domestic product and houses the Port of Jebel Ali, the world’s ninth-busiest port. Additionally, it is near Al Maktoum International Airport. By connecting Expo City with the established industrial free zones as well as transportation and logistics hubs of the emirate, Dubai is positioning Expo City into the Dubai 2030 Industrial Strategy, announced in 2016.

Not only will Expo City be close to the Jebel Ali Free Zone, it is planned to become its own economic free zone and commercial hub, set to host headquarters of companies including DP World, Siemens and Terminus Group, as well as startups and small and medium enterprises. The early appeal of Expo City to giants in the tech sector and pioneers in the field of artificial intelligence and virtual reality, combined with the recent announcement of the Dubai Metaverse Strategy, means that Expo City could fit into the emirate’s efforts to capitalize on the metaverse. Emirates Airlines recently announced that the company’s pavilion, which exhibited a virtual reality journey of the "future of commercial aviation” during the expo, will be repurposed for Expo City as a center for innovation focused on the metaverse, NFTs or non-fungible tokens, and Web3.

Expo City incorporates sustainable and human-centered urban planning. This follows the popular regional trends in developing sustainable and smart cities, such as Saudi Arabia’s Neom, and reflects the three themes of Expo 2020: opportunity, mobility and sustainability. Cars will not be allowed across the site; instead residents and visitors will be able to use “soft mobility” methods, including scooters, buggies and bicycles. Single-use plastics will similarly not be allowed. More than 120 buildings awarded Leadership in Energy and Environment certifications by the U.S. Green Building Council will remain on the site.

Among these buildings, the Sustainability Pavilion is itself a feat of sustainable technology and architecture. The building can generate up to 4 gigawatt hours of electricity per year collected from over 1,000 solar panels. It harvests rainwater and dew for cooling, and purifies, filters and recycles wastewater. It stays cool even in the summer desert heat because of shade provided by a recycled steel canopy modeled after the United Arab Emirates’ national tree – the desert *ghaf* tree. Siemens’ MindSphere smart metering technology, featured during the expo, will continue to be used “to monitor energy consumption and efficiency to power, light, water, and climate conditioning systems” throughout the sprawling site.

Expo City is additionally planned to be built according to the WELL Community Standard, which prioritizes health and well-being of inhabitants. Plans for Expo City demonstrate a focus on individual and community mental and physical health: including bicycling and running paths, parks and gardens, healthy food and beverage options, social and cultural attractions, and low-rise buildings for shared residential and commercial purposes. According to plans, Expo City will also be the largest city in the world to be covered by a 5G-enabled network. With a focus on sustainability, clean energy, and a people-first approach to urban design, Expo City fits within the 2015 Dubai Clean Energy Strategy.

**Staying Connected**

Many of the most popular pavilions and attractions of Expo 2020 will remain in Expo City. Al Wasl Plaza, the dome towering over 221 feet high that served as the centerpiece of the site and became the world’s largest 360-degree projection theater, will continue to captivate audiences as a permanent event space. The gravity-defying Surreal water feature as well as the Garden in the Sky observation tower will also remain open to visitors and residents of Expo City as will the Women’s Pavilion and the Vision Pavilion, which celebrates the vision of Sheikh Mohammed bin Rashid al Maktoum and the transformation of Dubai under his leadership. The Opportunity Pavilion will become the world’s second Expo Museum, the first of which is in Shanghai. The UAE’s falcon-shaped pavilion and Saudi Arabia’s gold award-winning pavilion for best architecture and landscape will also remain.

Negotiations are ongoing for many country pavilions to continue operations as tourist attractions, diplomatic or business centers for their respective countries, or facilities repurposed for other uses. In the case of India, which had one of the largest and most popular pavilions at the expo, the building could be used as a hub to facilitate the recently signed Comprehensive Economic Partnership Agreement, which is projected to increase trade and investment between the two countries. For other countries that have subsequently signed CEPA agreements with the UAE, such as Israel, Indonesia and Colombia, participation in the expo was a manifestation of growing economic ties.

The legacy of Expo City will also reflect the UAE’s initiatives to be a leader on the international stage in sustainability, technology and business. The Dubai Exhibition Center, the main conference venue, which hosted global leadership and business summits during the expo, will host the upcoming session of the United Nations Climate Change Conference of the Parties.

**Maintaining Momentum in the Face of Challenges**

While many other world expos have failed to maintain momentum for the post-expo site development, Dubai Expo City is capitalizing on social media and the expo leadership for its transition into a new city. On 20 June, Mohammed bin Rashid al-Maktoum, vice president of the UAE and ruler of Dubai, announced the plans for Dubai Expo City in a series of tweets. On the same day, Hashimy announced in her final report to the General Assembly of the Bureau of International Exposition that the new district will have a phased reopening beginning in October – only seven months after the close of the event. Ahmed bin Saeed al-Maktoum was appointed as chairman and Hashimy as chief executive officer of the Expo City Dubai Authority. By nationalizing the company overseeing Expo City, Dubai seems better positioned than other host cities to capitalize on media attention, leadership continuity, and business and investment attraction for a relatively quick post-event transition.

In 2017, expo organizers in Dubai asserted that Expo City Dubai wouldn’t turn into a “white elephant,” as has happened in many other cities that hosted mega-events. In efforts to protect its image, the UAE has been accused of silencing critical journalists and human rights researchers and barring U.N. officials from entering and reporting the event. Shortly before the beginning of the expo, Human Rights Watch Deputy Middle East Director Michael Page called on countries to boycott the expo as did the European Parliament. These calls were largely not heeded as the expo featured pavilions for 192 countries and hosted diplomatic visits by world leaders, such as French President Emmanuel Macron, Belgian King Philippe and Queen Mathilde, the United Kingdom’s Prince William and Spanish Prime Minister Pedro Sanchez. Actions such as blocking U.N. and other human rights researchers looking into workers’ deaths that occurred during construction of the site from entering the country as well as the government’s use of social media surveillance to identify and arrest individuals making critical comments on these issues certainly brought negative attention to Dubai during the event and will likely continue to challenge the execution of post-expo plans.

Additionally, with such emphasis on marketing the expo and its legacy, critics have expressed skepticism that the event and, subsequently, the city would live up to the hype created during the bidding and planning phase. In 2018, AGSIW scholar Yasser Elsheshtawy posed the question: “Are there any era-defining architectures or structures, suggestive of innovative modes of habitation? The trophy pavilions, while interesting in their own right, do not reach the level of excellence that is comparable to the Eiffel Tower or Crystal Palace, structures that expressed the spirit of their respective age.” Expo 2020 and the early-stage plans for Expo City seemed like another big dream in Dubai’s somewhat disconnected urban development. However, only time will tell if the impressive centerpiece of Expo Dubai – Al Wasl Plaza – will go down in history as an architectural and technological feat. There is still much untapped potential for Expo City to continue to make use of the structure to revolutionize public gatherings, for mass events or casual, public use – as it did during the Expo. Additionally, according to the plans for sustainability and human centrism, if done right, the whole city certainly has the potential to be an “innovative mode of habitation.”

**Legacy as Part of a Vision**

Tim Van Vrijaldenhoven – a scholar known for researching the tendency of mega-events to turn into “white elephants” – has said he is impressed with Dubai’s legacy planning. Vrijaldenhoven told CNN in April that while he has some concerns about sites disconnected from the rest of a city becoming “end of the line” locations, he believes Dubai will be a different story and a model for future host countries: “I think that this is finally a right answer to how to deal with the legacy of expos.”

Expo City Dubai has certainly made progress on its ambitious plans by securing support from international and domestic businesses partners and focusing leadership and dedicating resources toward the transition process. The coming months will reveal what hurdles persist further into the development of the new city and whether skeptics have exaggerated relatively minor flaws and temporary hurdles or identified longer-term, more intractable issues. If Dubai can accomplish an efficient post-expo transition into a sustainable and profitable city of the future, then the first world exposition held in the Middle East could become the new international standard in legacy planning.

*Alyssa Kristeller is a programs and digital content intern at the Arab Gulf States Institute in Washington. She worked as a Youth Ambassador at the USA Pavilion at Expo 2020 Dubai and received her BA in international studies from American University.* (AGSIW 25.08)

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* 1. SAUDI ARABIA: Saudi Arabia to Grow at Fastest Pace in a Decade

Amine Mati and Sidra Rehman posted on 17 August in an [IMF Bulletin](http://www.imf.org/) that Saudi Arabia is likely to be one of the world’s fastest-growing economies this year as sweeping pro-business reforms and a sharp rise in oil prices and production power recovery from a pandemic induced recession in 2020. Gross domestic product is expected to expand by 7.6%, the fastest growth in almost a decade, according to the IMF's recent Article IV consultation report.

Despite higher prices for imported commodities, inflation will remain contained at 2.8% in 2022 as the central bank tightens policy in line with the US Federal Reserve. Public finances and the external position will strengthen substantially thanks to increased non-oil revenue and higher proceeds from oil exports. Reserve buffers will remain ample.

Maintaining control of public spending despite higher oil proceeds will be important, but there is scope for more targeted social spending. Improvements in tax policy and revenue administration to raise more taxes from non-oil activities would help support fiscal consolidation.

Managing oil revenues in a sustainable manner, so that spending does not rise and fall in line with the price of oil, would promote fiscal sustainability and prevent a return to previous oil-driven cycles of boom and bust. So too would far-sighted budget planning and policies to diversify the economy.

Reforms to energy prices so that domestic fuel prices converge with international prices would generate fiscal savings as well as support the authorities’ climate objectives, set out in the Saudi Green Initiative. Ongoing efforts to strengthen social safety nets through targeted schemes would protect the vulnerable from higher energy bills.

With strong central bank supervision, the financial sector remains resilient and systemic risks are low. Increases in interest rates are expected to have only a limited impact on the Saudi economy in an environment of high oil prices and strong liquidity. Continued improvements to the framework for financial sector regulation and sustained monitoring of rising mortgage lending are important to prevent risks from materializing.

Saudi Arabia’s sovereign wealth fund, the Public Investment Fund, should continue to focus on high returns and greater private sector involvement, including as it continues to implement “Giga projects”.

**Reform Momentum**

The authorities’ continued implementation of Vision 2030 policies will help diversify and liberalize the economy and thus pave the way to more stable growth. Saudi Arabia is taking impressive steps to improve the business environment, attract foreign investment and create private-sector employment. These initiatives, combined with governance and labor market reform, have made it easier to do business (a business can be registered in just three minutes), increased the number of industrial facilities and raised female participation in the labor force.

In addition to the removal of formal restrictions and legislation ensuring equality of employment, female labor force participation has benefited from transport subsidies of up to 80% for the cost of a taxi fare, employer incentives for hiring Saudi women, and childcare support. As a result, the proportion of Saudi women in work has doubled in the past four years to 33%, exceeding the 30% target set under the 2030 plan and the 27% average for the Middle East and North Africa.

Growing digitalization has the potential to boost productivity given a young population that is adept at using technology. Digitalization accelerated during the pandemic including through and online health services, virtual courts, distance learning, and an online finance platform for public procurement known as Etimad. Saudi Arabia’s economic outlook is strong. Maintaining the Kingdom’s long-term prosperity depends crucially on sustaining the reform momentum.

*Amine Mati is an Assistant Director and Sidra Rehman is an Economist. Both are in the IMF’s Middle East and Central Asia Department.* (IMF 17.08)

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

On 27 July 2022, the Executive Board of the International Monetary Fund (IMF) concluded the 2022 Article IV consultation with Saudi Arabia. Saudi Arabia is recovering strongly following a deep pandemic-induced recession. Liquidity and fiscal support, reform momentum under Vision 2030, and high oil prices and production helped the economy recover with a robust growth, contained inflation and a resilient financial sector. The receding effects of the pandemic, rising oil production/prices and a strengthening economy have improved the fiscal and external positions.

Overall growth was robust at 3.2% in 2021, in particular driven by a rebounding non-oil sector—supported by higher employment for Saudi nationals, particularly women—and is expected to increase significantly to 7.6% in 2022 despite monetary policy tightening and fiscal consolidation, and a, thus far, limited fall-out from the war in Ukraine. Over the medium term, growth is expected to accelerate as continued implementation of the reform agenda and the National Investment Strategy, supported by Public Investment Fund interventions, yields dividends.

Inflation remained contained at 3.1% in 2021 as the base effect of the mid-2020 VAT hike dissipated coupled with a low pass through of international food and commodity prices. The low pass through is expected to help contain inflation at 2.8% in 2022, despite some inflationary pressures expected from double-digit wholesale price inflation and increasing shipping costs.

Banks remain liquid, well capitalized, and their profitability—which declined during the COVID-19 pandemic—rebounded strongly in 2021 as net interest margins recovered. Credit to the private sector expanded by 15.4% in 2021, mainly driven by mortgages and SME lending. Saudi financial markets surged earlier this year, albeit most of this surge was reversed over the past two months in line with recent global developments.

The overall fiscal balance increased by almost 9%age points of GDP to a 2.3% of GDP deficit in 2021, mainly reflecting oil revenues and non-oil tax revenues supported by a rebounding economy and the full-year effect of the tripling of the VAT rate to 15% in mid-2020. Higher oil prices and stepped-up oil production improved the current account by 8.5%age points in 2021, registering a surplus of 5.3% of GDP as strong oil-driven exports surpassed growing imports and large remittance outflows. While reserves increased, net foreign assets declined, although remaining at very comfortable levels at 22 months of imports in 2021 and are expected in increase significantly in the wake of rising oil export revenues over the medium term.

Risks to the outlook are balanced. On the upside, 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, 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.

**Executive Board Assessment**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Saudi Arabia’s substantial growth rebound, contained inflation, and strengthened external position, supported by the authorities’ swift pandemic policy response, strong reform momentum, and higher oil prices and production. Against the backdrop of the positive economic outlook, with balanced risks, they underscored the need to continue implementing the Vision 2030 reform agenda, which will serve to diversify the economy and promote strong, inclusive, and greener growth.

Directors welcomed the authorities’ fiscal discipline and their adherence to the 2022 budget ceilings despite higher oil prices. To support fiscal consolidation and transition to a greener economy, Directors underscored the need to sustain energy price reforms, including reconsideration of the cap on gasoline prices, and welcomed the authorities’ commitment to reach market energy prices by 2030. They called for further efforts to strengthen non-oil revenue mobilization through tax policy measures—including by maintaining the current VAT rate—and enhancing revenue administration. Directors commended the authorities for ongoing reforms to strengthen social safety nets through targeted schemes, which should help sustain energy price reforms.

Directors welcomed the continued improvements in public financial management and encouraged further efforts to increase fiscal transparency. Given the increasing role of the Public Investment Fund, they encouraged quick completion of the ongoing work to establish a sovereign-asset liability management framework. Directors welcomed the authorities’ efforts to develop a fiscal rule, based on a long-term fiscal anchor and encouraged broader coverage of the public sector, to help reinforce their commitment to fiscal sustainability.

Directors welcomed the continued resilience of the financial sector and central bank’s strong supervision. They welcomed the progress in line with the internationally agreed timeline toward implementing the Basel III standards and encouraged further enhancing supervisory scrutiny of credit risks, as warranted, including from rising mortgage lending, and continued strengthening of the AML/CFT framework. Directors agreed that the exchange rate peg to the U.S. dollar continues to serve Saudi Arabia’s economy well given the current economic structure.

Directors commended the authorities for the significant progress in implementing their ambitious structural reform agenda. They welcomed the impressive pace of labor market reforms, particularly the doubling of female labor force participation, and encouraged continued actions in this area. Directors advised continued efforts to improve the regulatory and business environment, promote private investment, boost productivity, and address corruption. They welcomed the authorities’ ambitious climate commitments outlined in the Green Initiative and looked forward to the specific steps to achieve its goals. Directors also reiterated the importance of continuing to improve data quality and availability.

It is expected that the next Article IV consultation with Saudi Arabia will be held on the standard 12-month cycle. (IMF 17.08)

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* 1. EGYPT: Egypt-Chinese Consortium to Run Terminals in Local Ports

Ibrahim Ayyad noted on 24 August in Al-Monitor that the Egyptian government signed new concessions with a Chinese alliance to build and operate two world-class container terminals in the ports of Sokhna and Dekhila, as part of a container logistics project to link the Red and Mediterranean seas.

The Egyptian government agreed on 11 August to implement the first phase of the project to construct the Sokhna-Dekhila axis, an integrated container logistics project that links the Red and Mediterranean seas. The project will be executed by Hong Kong-based port operator Hutchison Ports. Giant shipping companies CMA CGM, MSC and COSCO are also part of this project as co-investors.

Marking the event, a signing ceremony was hosted by Egyptian Prime Minister Madbouly in Cairo. The project consists of the construction of the superstructure, management, operation, exploitation, maintenance and re-delivery of container terminals at the Sokhna and Dekhila ports.

According to an Egyptian government statement, “The agreements involve the implementation of the first project at Sokhna port between the General Authority for the Suez Canal Economic Zone and the consortium of Hutchison-COSCO-CMA. The second project is scheduled to be implemented in Dekhila port between the Alexandria port General Authority and the consortium of Hutchison-MSC (which is still under establishment).” The logistics project is expected to be the largest to serve global trade between the East and West and to provide more than 2,000 direct and indirect job opportunities.

The government statement quoted Madbouly as saying that “despite the difficult economic and political conditions that are currently taking place in the world along with the repercussions of the ensuing crises, the state spared no effort to lure more foreign investments in order to implement its strategy to turn Egypt into an international hub for trade and logistics.”

Experts and observers who spoke to Al-Monitor praised the agreement for contributing to making Egypt a regional trade and logistics hub. Mahmoud Atta, an investment and economic expert, told Al-Monitor, “Overall, the agreement is in the best interest of investors and boosts trade. Commercial and logistical zones will be established in accordance with international standards. The project will add to the number of Chinese companies participating in the development of Egypt's infrastructure. This will boost the Egyptian-Chinese trade balance, already on a significant upward trend in the past five years. It will also support exports and imports between the two countries.”

Financial expert Ahmed Amin asserted that the "activity of the logistics zone will have a positive impact on the Egyptian economy since it is another source for increasing foreign currency, supporting direct investment, and providing direct and indirect job opportunities." Amin told Al-Monitor, “Investments, especially from China and the United Arab Emirates, are currently focused on the Egyptian ports, which repositions Egypt as a key strategic and economic hub for the Middle East and the world and a country with a pivotal role in commercial and logistic services.”

In turn, Ahmed Sultan, an economist at the Egyptian Center for Strategic Studies, told Al-Monitor, “The agreement comes within the framework of Egypt’s plan to revamp its various ports to become a regional hub for trade and logistics, by leveraging its strategic location on the Red and Mediterranean seas and on the route of shipping lines and international trade. The project will boost Egyptian exports by opening up new markets for them.” He added, “Egypt seeks to highlight the role of the Suez Canal. Cairo has taken successful steps in this regard, including attracting foreign investments to the [Suez Canal] Economic Zone. Of note, the canal already has a key global role, as it controls about 12% of the global trade volume.”

Regarding the details of the agreement, the agreement was made with the largest global consortium in the field of management and operation of shipping lines and international container terminals, which is Hutchison-COSCO-CMA-MSC, to implement the superstructure of the two projects with investments of up to $800 million. The two projects will have, combined, a handling capacity of more than 3.5 million 20-foot-equivalent units (TEUs) of container ships annually. This is a strong indicator of the economic feasibility of the two projects and reflects confidence in the Egyptian economy. Expected direct returns of the two projects are near $5 billion during the contract period, which is 30 years.

The project to establish the superstructure, manage, operate, exploit, maintain and re-deliver a container terminal in the Sokhna port falls within the scope of the comprehensive plan to complete the development of the port into the largest hub port on the Red Sea, which is currently being implemented.

The contract for the project in Dekhila is part of the project to develop the Alexandria port with the aim of making Egypt a global trade and logistics hub. The terminal project was started at a cost of EGP 3.442 billion ($180 million) to construct a dock 1,800 meters in length and 18 meters in depth, with an area of approximately 720,000 square meters and a capacity of 1.5 million TEUs.

Global operator Hutchison is one of the world's largest port investors, developers and operators with more than 50 years of experience, in addition to being the first container terminal operator to achieve a cumulative global throughput of 1.3 billion TEUs. For its part, MSC is recognized as the world’s largest containership company by capacity, with 655 vessels and nearly 4.3 million TEUs total capacity.

CMA CGM is the world’s third-largest container shipping line with 566 vessels, a capacity of 4.8 million TEUs and a handling volume of 22 million TEUs. In 2021, Cosco shipping line ranked fourth with 510 ships and a total capacity of 2.94 million TEUs. (Al-Monitor 24.08)

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* 1. CYPRUS: Moody's Affirms Cyprus' Ba1 Ratings, Changes Outlook to Positive

Om 19 August, [Moody's Investors Service (Moody's)](http://www.moodys.com/) changed the outlook on the Government of Cyprus' Ba1 ratings to positive from stable and has affirmed the long-term foreign-currency and local-currency issuer and the local-currency senior unsecured ratings at Ba1. Concurrently, Moody's has also affirmed the foreign-currency and local-currency senior unsecured medium-term note (MTN) program ratings at (P)Ba1. The local-currency commercial paper and other short-term ratings have been affirmed at Not Prime (NP) and (P)NP respectively.

Moody's decision to change the outlook on Cyprus to positive reflects the following key drivers:

1) Strong reduction in Cyprus' public debt ratio this year which Moody's expects to continue in the coming years, following a reduction of more than ten percentage points of GDP last year Cyprus' already favorable debt affordability metrics will likely improve further, helped by a favorable debt structure and long maturity of the debt;

2) Stronger-than-expected economic resilience to Russia's invasion of Ukraine (Caa3 negative) and also to the pandemic, coupled with solid medium-term GDP growth prospects, which in turn are supported by the EU's Next Generation EU package of grants and loans. In the first half of the year, real GDP growth was at 6%, among the strongest performances in the euro area;

3) Ongoing strengthening of the banking sector, with non-performing exposures continuing to decline. Also, the banking sector's exposure to Russia is limited, in stark contrast to the early 2010s.

The affirmation of the Ba1 ratings reflects a combination of comparatively high economic and institutional strength and relatively high exposure to event risks related to the large size of the banking system.

Cyprus' local and foreign currency country ceilings remain unchanged at A1. For euro area countries a six-notch gap between the local currency ceiling and the local currency rating as well as a zero-notch gap between the local currency ceiling and foreign currency ceiling is typical, reflecting benefits from the euro area's strong common institutional, legal and regulatory framework, as well as liquidity support and other crisis management mechanisms. It also reflects Moody's view of *de minimis* exit risk from the euro area.

**RATINGS RATIONALE**

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

**First Driver:** Strong Reduction in Debt Ratio and Favorable Debt Affordability

The first driver for the change of the outlook to positive is Cyprus' improving debt and fiscal metrics. A solid economic recovery in 2021 allowed a reduction of the fiscal deficit by four percentage points to 1.7% of GDP. Combined with the government's reduction of its cash buffer, this led to a rapid decrease of the debt-to-GDP ratio by more than ten percentage points of GDP to 103.6% from 115% of GDP a year earlier.

Moody's expects that Cyprus' public debt burden will continue to trend down rapidly in the coming years, and currently forecasts a debt ratio of around 88% of GDP in 2023; if achieved, this would be the lowest debt level for Cyprus since 2012. A combination of strong fiscal consolidation, solid nominal GDP growth and a further reduction of the cash buffer - which stood at about 11.5% of GDP as of June 2022 - will be the main drivers of the debt reduction, which would be one of the strongest among similarly rated peers.

Moody's believes that fiscal risks emanating from high inflation are relatively low. So far, the government has deployed relatively small, targeted and temporary support measures to shield households and businesses from the material increase of energy prices. Additional spending on inflation-related subsidies or other spending decisions might take place as the presidential elections scheduled for 5 February 2023 draw closer. However, in Moody's view the government has significant fiscal room given very strong fiscal performance in the first half of 2022.

While Cyprus' debt ratio remains significantly above peers at the Ba1 rating level, Cyprus' debt affordability metrics are among the strongest compared to peers. Debt interest payments relative to government revenues - Moody's key ratio to measure the affordability of the debt - were at 4.3% in 2021, and Moody's expects a further decline to 4% and 3.6% in 2022 and 2023 respectively. This compares to a ratio of over 9% in 2012.

Moody's expects this improvement despite rising government bond yields as the European Central Bank (ECB) tightens monetary policy. The Cypriot government benefits from a favorable debt structure with no floating rate or foreign-currency denominated debt, a very low share of short-term debt and a relatively long weighted average debt maturity of 7.7 years as of end-June 2022. In this context, the government still refinances maturing debt at lower cost while the sizeable cash buffer allows the government a high degree of flexibility with regards to funding. The government's cash reserves are almost three times above its minimum objectives.

**Second Driver:** Stronger-Than-Expected Economic Resilience and Solid Medium-Term Growth Prospects

The second driver for the outlook change to positive is the stronger-than-expected resilience of the Cypriot economy in combination with solid medium-term GDP growth prospects. Contrary to earlier expectations the Cypriot economy has proven to be resilient to Russia's invasion of Ukraine in late February.

In 2021, 27% of tourist arrivals originated from Russia and 5% from Ukraine, raising concerns over a significant slump in the important tourism industry this year. The sector directly and indirectly accounts for 13.7% of GDP (2019 data) according to the World Travel & Tourism Council. However, the tourism sector recovered strongly, with the number of tourists up by 258% in the first half of the year compared to a year earlier, helped by the authorities' successful campaign to attract tourists from other countries, higher spending by tourists and a general recovery of tourism amid high pent-up up demand.

Moreover, the economy as a whole also recovered well from the pandemic shock, with GDP reaching the pre-pandemic level already in 2021, as non-tourism related services stabilized the economy during the pandemic and the authorities' effective support measures mitigated the impact of the shock on the supply side of the economy.

In its baseline scenario, Moody's now forecasts real GDP growth for Cyprus of 4.8% this year and 2% in 2023 respectively, which would be higher than the euro area average at 2.2% in 2022 and 0.9% in 2023. Real GDP growth for the first six months of this year has been very solid at 6%, exceeding the euro area average by more than two percentage points.

Besides travel, the Cypriot economy has limited exposure to Russia via trade in financial and other business services, while energy imports from Russia are very low at only 1.7% of its energy mix, much lower than the EU average of 24.4%. While Russia accounts for around a quarter of the stock of foreign direct investment in Cyprus, net flows have been negative in recent years and the real estate market - a large component of Russian investment - has not been materially affected by the loss of Russian buyers.

Over the medium term, the growth outlook for Cyprus is solid with potential growth estimated by Moody's to be in the range of 2.5-3.0%. Economic growth will be supported by the ongoing reforms and investment projects in the context of the European Union's (EU, Aaa stable) Next Generation EU investment package and Cyprus' implementation plan, the so-called National Recovery and Resilience Plan (NRRP). Reforms and investments are focused in the areas of energy efficiency, electricity market, circular economy, anti-corruption and transparency, financial sector and public administration, digital skills and audit and controls. Key deliverables under the NRRP in 2022/3 include reform of the public sector administration, establishment of the anti-corruption framework and the reform of the justice system. Cyprus will receive grants and loans amounting to 5.2% of GDP over 2021-2026, most of it in the form of grants.

**Third Driver:** Ongoing Strengthening of the Banking Sector

The third driver for the change in outlook to positive is the continuing improvements in the banking sector's health. Non-performing exposures (NPEs) have dropped to below 10% of total loans and in Moody's view will continue to improve as banks pare back legacy problem loans through a combination of resolution and sales, which is credit positive for banks.

At the same time, capital levels are solid and the banks' funding and liquidity positions are strong, with banks relying predominantly on stable domestic deposits for their funding. Banks' robust liquidity buffers will be supported by the ongoing asset sales and limited lending growth, which was recently outpaced by deposit growth.

Also, the banking sector's exposure to Russia is limited, in stark contrast to the early 2010s. Russia accounted for only around 3.8% of banks' liabilities (mostly deposits) at the end of 2021, while exposure on the asset side was even lower.

**Rationale for Affirming the Ratings at Ba1**

The rating affirmation takes into account Cyprus' high economic and institutional strength compared to most similarly-rated peers.

Cyprus' GDP per capita at $45,034 in purchasing power parity terms is more than three times higher than the median for Ba1-rated sovereigns, and trend GDP growth of 3.1% over 2017-2026 is also stronger than peers. Trend growth has materially increased from about 0.5% a decade ago because of improvements in the economy's competitiveness, which were supported by the implementation of a wide range of reforms under joint European Stability Mechanism (ESM, Aaa stable)/IMF support program. Moody's assessment of economic strength also takes into account the relatively small size of the Cyprus' economy and high volatility in economic growth.

In addition, the strong institutional capacity and effective policymaking supports the credit profile of Cyprus, as recently demonstrated by the country's robust management of the coronavirus pandemic, with one of the lowest mortality rates in the EU. As mentioned earlier, Cyprus' fiscal metrics balance a comparatively high debt burden with favorable debt affordability metrics.

Against these strengths, Moody's considers the risks emanating from the banking sector to remain relatively high. While the underlying credit strength of the domestic banking system has materially improved in recent years, reducing the risks of a systemic banking crisis, the banking sector's size at 225% of GDP as well as the household sector's relatively high debt levels and weak net asset position remain a concern in the context of rapidly rising interest rates.

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

**WHAT COULD CHANGE THE RATINGS UP**

Cyprus' rating could be upgraded if the sovereign's fiscal and debt metrics improved broadly in line with Moody's baseline scenario over the coming 12 months. Continued evidence of strong economic resilience coupled with a high absorption of EU funding and reform implementation of reforms under the NRRP would also support an upgrade. Further improvements in the banking sector, which would reduce the sovereign's exposure to banking sector risks, would also be rating positive.

**WHAT COULD CHANGE THE RATINGS DOWN**

The positive outlook signals that the rating is unlikely to be downgraded in the near time. However, the outlook would likely be returned to stable if Cyprus' economic performance turned out materially weaker than expected by Moody's. A sustained, material deterioration of the government's fiscal position would also be credit negative, as would a material deterioration of the banking sector's health. (Moody's 19.08)

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