

**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. Chad's President Inaugurates a New Embassy in Israel

On 1 February, Israeli Prime Minister Benjamin Netanyahu met in Jerusalem with Chadian President Mahamat Deby, ahead of inaugurating Chad’s first embassy in the country, which is located in the Tel Aviv suburb of Ramat Gan.

As with other sub-Sahara African countries, bilateral relations between Israel and Chad were severed in 1972 following the 1967 Six Day War and pressure by then-Libyan ruler Moammar Gadhafi. The two countries resumed ties in 2018 following a visit to Israel by then-President Idriss Deby. A year later, Netanyahu visited the capital N’Djamena. Deby passed away in 2021, with his son replacing him. Israeli Ambassador Ben Bourgel presented his credentials to Mahamat Deby last May, pledging to advance cooperation in different fields. Israel has not opened an embassy in N’Djamena and Bourgel serves as ambassador both to Chad and Senegal, where he is located.

Israel has offered significant assistance to Chad during the last year through its branch responsible for international cooperation. A delegation of Israeli doctors is currently in Chad to train local physicians and health staff on emergency medicine. Chad, a majority Muslim country with a population of 18 million, is seeking cooperation on public health, smart agriculture, forestry and water management as well as in the security and intelligence domains with Israel.

Upon his arrival to Israel, Deby met with Mossad Barnea, who welcomed Deby at the airport and then hosted him and the Chadian delegation for a "festive working meeting," according to the Mossad’s statement, at the Mossad headquarters. The statement also read that the Mossad had played a central role in reaching the normalization agreement between the two countries. Together with other Israeli diplomatic and security elements, the Mossad headed the establishment of secret relations with senior officials in Chad, leading to mutual visits by senior delegations. (Al-Monitor 01.02)

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* 1. Foreign Minister Declares Israel-Sudan Peace Could Be Signed This Year

Sudan's Foreign Ministry announced it will move forward to normalize full diplomatic ties with Israel, following a visit on 2 February by the Israeli foreign minister to the Sudanese capital. During his one-day visit to Khartoum, Eli Cohen met with various Sudanese political figures including Sudan's ruling general, Abdel-Fattah Burhan. This was the first public visit by an Israeli cabinet member ever.

Sudan's Foreign Ministry said that it was agreed to move forward toward the normalization of relations between the two countries. The agreement will help the economy, as well as bolster security and tourism in both countries.

The US has made it clear that it would support such a development only after Khartoum's military rulers complete their handover of powers to a civilian government. In 2020, Sudan stated that it would join Morocco, Bahrain, and the United Arab Emirates as part of the Abraham Accords to establish full diplomatic ties. However, the process stalled amid widespread popular opposition in Sudan. A military coup in October 2021 then deposed Sudan's government, upending the African country's fragile democratic transition. Sudanese military officials said full normalization of ties will not be achieved anytime soon.

Sudan was once one of Israel's fiercest critics in the Arab world and in 1993, the US designated it a state sponsor of terrorism. The Trump administration removed Sudan from that list in 2020, a move meant to help the country revive its battered economy and end its pariah status, and an incentive to normalize relations with Israel. (Israel Hayom 03.02)

ISRAEL MARKET & BUSINESS NEWS

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* 1. NT-Tao Raises $22 Million Series A for Clean Energy Solution

Nuclear fusion energy company NT-Tao announced it has raised a $22 million Series A round led by Delek US - a Fortune 500 downstream energy company - and NextGear Ventures, with additional participation from Honda, OurCrowd and the Grantham Foundation, the lead investor in the company’s Seed round. The latest investment round brings NT-Tao’s total funding to $28 million.

NT-Tao aims to disrupt the global energy sector by engineering a compact and scalable nuclear fusion energy technology with the goal of achieving commercialization this decade. The company’s proprietary ultra-fast plasma heating method will enable it to reach 1,000 times higher density than other fusion reactors, thereby making its fusion reaction 1 million times more effective.

Hod HaSharon's [NT-TAO](http://www.nt-tao.com) has a mission to revolutionize the global energy sector by providing a clean, flexible, and scalable nuclear fusion technology that will enable the world to sustainably meet its energy needs and decarbonization goals. They are committed to bringing this technology to commercialization, and to making a direct impact on energy-security for all future generations. (CTech 01.02)

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* 1. Israel’s Apollo Power Opens World’s First Factory for Flexible Solar Film Panels

Apollo Power launched its first commercial plant in Israel. The company produces flexible and lightweight solar panels, with high efficiency and the possibility of installation in various diverse locations. It is the first plant in the country to produce solar panels with a production capacity of 200 MW per year.

The Chief Scientist's Unit at the Ministry of Energy supported the company in its early days as part of a "start-up" call for proposals with a grant of NIS 750,000 and later also as part of the "Pioneer and Demonstration" call for the construction of a floating solar system, with an additional grant of NIS 1.5 million.

The 10,000 square meter facility, which was built at an investment of $30 million to step up Apollo Power’s production of flexible solar panels is located in Yokneam’s Mevo Carmel Science and Industry Park in Israel’s north. The automatic facility is expected to reach an annual production output of 1.5 million square meters in solar film, or an annual capacity of about 190 megawatts, which equals the average consumption of 35,000-40,000 households, the company said.

Founded in 2014, Yokneam Illit's [Apollo](https://apollo-power.com/) has developed technology for the manufacturing for flexible, lightweight, durable and high-efficiency solar films that it says can turn any sun-kissed surfaces into energy-producing surfaces that generate electricity. The solar panels are made for surfaces such as on cars, trucks, roofs and aircraft, which cannot support the weight of glass solar panels. The size of the basic unit of the solar film is 12 square meters and weighs 3 kilograms per square meter. Traded on the Tel Aviv Stock Exchange since 2017, Apollo says its floating solar panels produce electricity on water surfaces, and are durable to waves, making them suitable for a variety of marine vehicles and sails. (Apollo Power 25.01)

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* 1. Expleo Opens New Israel Office to Provide Engineering Services to the Defense Industry

France's Expleo, a global engineering, technology and consulting service provider with expertise in the defense & aerospace, energy & utilities, automotive, transportation and banking & finance sectors, has opened its first office in Israel, based in the Yakum Green Park Business Center. From its new location, Expleo will focus on supporting Israel’s booming aerospace and defense market with its leading engineering services and solutions.

The Israeli aerospace and defense industry has grown, with exports reaching $11.3 billion in 2021. As demand increases globally, businesses in Israel require advanced engineering talent to help them scale.

With the opening of its new office, Expleo will provide a valuable pool of in-market engineering talent, as well as provide Israeli businesses access to 17,000 technology and engineering experts worldwide, including across the UK, France and its other European Excellence Centres and Best Shore facilities in India. As a result, the aerospace and defense industry in Israel will be able to scale in a cost-effective and agile way, according to individual needs. Expleo will provide its full range of engineering services in Israel, comprising systems development, mechanical engineering, electrical engineering, product manufacturing, quality assurance, certification and digital capabilities such as data, AI and cybersecurity. (Expleo 30.01)

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* 1. Gem Security Raises $11 Million in a Seed Round Led by Team8

Tel Aviv's [Gem Security](https://www.gem.security/) has raised $11 million from a seed funding round as it rolls out its integrated technology platform to help businesses and large organizations detect and respond swiftly to cyberattacks on their cloud-based services.

The seed funding round was led by Israel’s Team8, which creates and invests in cybersecurity, artificial intelligence and big data startups. It comes just nine months after the cybersecurity startup was founded by a team of security industry veterans. The startup says it has built an automated cloud threat detection, investigation and response (TDIR) platform, which can identify activity from malicious actors, unauthorized access and attacks, data breaches and other cyber incidents in real time, and has a fast response system to threats to mitigate damage.

Gem developed the platform after consulting with over 200 information security managers working in the world’s leading organizations to provide streamlined cyber threat solutions as companies and organizations are using more than one cloud provider. Over the last 18 months, 79% of companies have experienced at least one cloud data breach with 43% of companies reporting ten or more, Gem said citing a report by Gartner. (Gem Security 01.02)

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* 1. Wisor AI Raises $8 Million in a Seed Round for Freight Booking Software

Wisor AI raised $8 million in a Seed funding round led by Team8, with participation from Ocean Azul, Hico Investment Group and pre-Seed investor Fresh Fund. The Israeli startup has developed a software solution tailored specifically to the needs of freight forwarders themselves, who are the ones servicing the majority of freight volume today.

Wisor’s plug and play solution automates both the cumbersome, manual process of aggregating pricing data as well as the optimization of shipping routes across the global freight ecosystem, including airlines, ocean liners, trucking, and rail companies. There are currently roughly 300,000 freight forwarders globally, including 100,000 in the U.S. alone, handling $23.3 trillion in goods delivered to consumers.

Tel Aviv's [Wisor AI](https://wisor.ai/) is a SAAS platform that empowers Freight Forwarders to be part of the digital era, providing a great online experience to their customers, with the ability to increase sales and reduce operational costs. They achieve this by seamless integration and cutting-edge technologies, delivering technological solutions for freight forwarders to quote and manage their shipments and, to attend to its clients effectively and profitably. Wisor.Ai is an all-in-one data-driven, AI-based pricing optimization and shipment automation platform that eliminates freight pricing, booking, and shipping inefficiencies. Their SaaS platform brings the digital transformation to small-medium-sized freight forwarders globally. In addition to this, Wisor AI also provides track and trace solutions that help freight forwarders in getting the latest milestone location of vessels and automated milestones within seconds. (Wisor AI 07.02)

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* 1. Otonomo & Urgently Combine to Create Leading Mobility Services Company

Otonomo Technologies and Urgent.ly, Inc., a Virginia based leading provider of digital roadside and mobility assistance technology and services, announced that they have entered into a definitive agreement to merge in an all-stock transaction. As a result of the transaction, Urgent.ly expects that its shares of common stock will be listed under the ticker symbol “ULY”.

Upon closing of the transaction, which has been approved by each company’s board of directors, holders of Otonomo’s ordinary shares will receive common stock of Urgent.ly. Otonomo’s shareholders and other equity holders will own, in the aggregate, approximately 33% of the combined company on a fully diluted basis, subject to the determination of the final exchange ratio pursuant to the terms set forth in the definitive agreement. The transaction is expected to close Q3/23, subject to the approval of Otonomo’s shareholders and the satisfaction of other customary closing conditions.

The combined company is positioned to power the present and future of connected mobility services, creating safe, customer-centric assistance services for automotive OEMs, insurance, rental and fleet partners and their customers. Today, Urgent.ly and Otonomo have solutions operating in more than 26 countries, more than 100 partnership agreements across the automotive OEM, transportation and mapping, insurance, fleet and rental sectors covering up to 70 million vehicles, more than 80,000 estimated connected assistance service professionals and 36 registered and pending patents.

Herzliya's [Otonomo](http://www.otonomo.io), the platform powering the mobility economy, is igniting a new generation of mobility experiences and services and is making mobility more accessible, equitable, sustainable and safe. With Otonomo, over 100 providers in the transportation, insurance, and automotive industries are able to transform mobility data and insights into strategic assets and market advantages. (Otonomo 08.02)

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* 1. Earth & Beyond Ventures Raises $125 Million for DeepTech and Space Startups

Herzliya's [Earth & Beyond Ventures](https://www.earthandbeyond.ventures/), a new early-stage venture fund backed by global technology, manufacturing and space industry conglomerates, has launched with commitments of $125 million to leverage Israel’s expertise in DeepTech, aerospace and satellite engineering in a bid to boost Israel’s emerging commercial space ecosystem. It is the first fund of its kind in Israel to focus specifically on supporting deep technology innovations with dual purpose space and terrestrial applications.

Corning is one of a prestigious group of corporations backing the new fund, which also includes Japanese electronics giant Kyocera Corp., global manufacturer of electronic connectivity components Samtec and Spacecom, the Israeli satellite communication services and solutions provider.

Growth in the sector is being driven by a combination of factors, including advances in technology, a growing demand for space-based services, and a shift towards a more market-driven approach to space activities. Another factor is NASA’s renewed moon missions, which it sees as a starting point toward more ambitious targets, like getting humans to Mars. China, India and the European Space Agency also have strong space programs, while other spacefaring nations such as the UK, France, Italy, Japan and South Korea maintain ambitious plans for space.

In addition to its investment activities, Earth & Beyond Ventures is working together with international and local strategic partners to build up the Israeli space-technology ecosystem, supporting it through its broad mentor and professional adviser network. (Earth & Beyond 09.02)

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* 1. CaPow Raises $7.5 Million for Battery-Free Perpetual Power Delivery

CaPow raised a $7.5 million Seed round to scale up the commercialization of its battery-free, wireless, energy delivery eco-system for autonomous robotics. This solution provides continuous power for automated robotic environments while eliminating robot downtime due to charging. The round was led by IL Ventures, a VC fund focused on disruptive technologies for legacy industries, with co-investment from Mobilion VC, Payton Planar Magnetics, Doral Energy-Tech Ventures, Mobilitech Capital, and Mr. Ray Nissan, a prominent angel investor.

CaPow addresses the primary bottleneck for automation: the challenge of providing reliable, cost-effective, and non-pollutive energy. By offering consistent power flow for mobile robots, CaPow's energy delivery eco-system allows automated robotic solutions to continuously operate with no energy depletion downtime, while ending the concept of reliance on legacy batteries. CaPow's "battery-free", paradigm-shifting solution is being well received along the logistics value chain, as it is validated to cut down the size of the required robot fleet, enhance throughput and improve the ROI of automation.

CaPow's proprietary solution facilitates optimal power transfer with wide and dynamic capabilities. It accommodates multiple users, as well as the presence of metal and debris in and around the energy transfer field. In addition, it supports large distances between the transmitting and receiving ends, as well as wide spatial coverage. This provides substantial power levels with optimal end-to-end efficiency. The value of CaPow's technology further expands to the wider mobility market with a wide range of applications.

Beer Sheva's [CaPow](https://www.capow-tech.com/) is a pioneer in the field of continuous power delivery, facilitating a revolutionary perpetual power sourcing solution that drives a change in the way automation solutions are designed and deployed. This enables customers to achieve maximal efficiency while dramatically reducing overall expenses. CaPow's Genesis system allows robotic fleets to reach round-the-clock, constant, 100% throughput by eliminating charging downtime. (CaPow 14.02)

REGIONAL PRIVATE SECTOR NEWS

* 1. Holo Secures a Seven Figure Seed Round

Dubai's [Holo](https://www.useholo.com/), the first online platform to provide free digital mortgage services in the Middle East, announced seven-figure funding in their latest seed round. Investment in Holo’s latest funding round was led by Saudi-based Watheeq Proptech Venture and Hambro Perks Oryx Fund. New regional participation came from DFDF, Annex Investments and Tawaref Angel Network. The funding comes after a three-year period of sustained growth in the UAE market, and ahead of the business’ launch into the KSA market in 2023.

With over 25 years of experience in real estate finance in multinational mortgage companies in the region, Holo is uniquely positioned to provide not only a digital-first experience for customers but also a level of choice, service and expertise that is unrivalled. (Holo 02.02)

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* 1. Wafeq Raises a $3 Million Seed Round Led by Raed Ventures and Wamda Capital

Wafeq announced the completion of its $3 million seed round. The round was led by Raed Ventures and saw participation from Wamda Capital, both of which are two of the most prominent names in the region’s early-stage funding ecosystem. Built for the unmet finance and accounting needs of small and medium businesses in the Middle East, this fundraise will fuel Wafeq’s entry into Egypt, while doubling down on its presence in Saudi Arabia and the UAE. Businesses using Wafeq create over 630,000 invoices every month, with total monthly invoiced amounts exceeding $117 million.

In Egypt, Saudi Arabia and the UAE SMEs comprise over 90% of all companies registered respectively. With most regional accounting still done manually or through legacy software, and global solutions not compatible with country-specific requirements, Wafeq was founded to help SMEs run a better business by solving their finance and accounting challenges. With the digitization of accounting practices in Saudi Arabia and Egypt and the introduction of corporate tax in the UAE, the three largest economies in North Africa and the GCC are undergoing a significant shift in financial reporting. Wafeq meets every requirement of Saudi Arabia’s Zakat, Tax and Customs Authority (ZATCA), the UAE's Federal Tax Authority, and soon the Egyptian Tax Authority.

Launched in 2019, Dubai's [Wafeq](https://www.wafeq.com/en) initially focused on startups and acquired customers in category-leading businesses such as Tabby, Lean Technologies, DAPI, Fenix, PiFlow, Ziina, Platinum List and Invygo. It then quickly expanded to long-tail SMEs in a diverse range of industries, including contracting, food and beverage, ecommerce, retail, and more.

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* 1. Gradiant Acquires Advanced Watertek to Expand Manufacturing & Middle East Growth

Woburn, Massachusetts' Gradiant, a global solutions provider for advanced water and wastewater treatment, has acquired Dubai's Advanced Watertek, a leading original equipment manufacturer (OEM) and service provider for membrane-based water and wastewater treatment systems.

The acquisition strengthens manufacturing resources for Gradiant’s custom-designed and integrated systems, which represent the leading edge of industrial water & wastewater treatment for solutions in desalination and water reuse, minimum and zero liquid discharge, and resource recovery. Gradiant will establish a Manufacturing Center of Excellence at Advanced Watertek’s 18,000 square-foot Dubai facility. The acquisition also serves to accelerate the deployment of Gradiant’s full range of technologies and end-to-end solutions to clients in the Middle East.

Advanced Watertek operates from its headquarters in Dubai and has installations across more than 50 countries to serve the key industries of refining & chemicals, energy, mining, and marine and is certified for ISO 9001, 14001 and 45001. For nearly 40 years, Advanced Watertek has been delivering systems of premium quality and high reliability. The company will build a full range of innovative and differentiated water treatment technologies, now enhanced by the relationship with Gradiant. (Gradiant 08.02)

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* 1. Saudi Arabia Announces Vertical Farming Venture with AeroFarms

The Saudi Public Investment Fund announced a new vertical farming project in a joint venture with Newark, New Jersey's [AeroFarms](https://www.aerofarms.com/) to build vertical farms in Saudi Arabia and elsewhere in the Middle East and North Africa. It set a production target of 1.1 million kg. of crops per year for the venture’s first farm in Saudi Arabia.

Vertical farming refers to the growing of crops in vertically stacked indoor spaces. The process utilizes technology to grow food in water or the air, rather than in soil. Vertical farms often use artificial light and provide the plants with nutrients via techniques involving special solutions and fish. Vertical farms could be particularly helpful in the Middle East due to increasing desertification. Many countries across the region are suffering from food insecurity.

The vertical farm sector is growing in Saudi Arabia. The Saudi AgroTech firm Mowreq announced in December plans to build more vertical farms in the kingdom and there are vertical farms in the Red Sea city of Jeddah. Saudi Arabia’s National Agricultural Development Company signed a partnership with the Emirati vertical farm company Pure Harvest to provide Saudi Arabia with more crops. AeroFarms already has a presence in the Gulf via its research and development farm in Abu Dhabi. The Abu Dhabi Investment Office is a partner on the project. (Al-Monitor 02.02)

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* 1. Lihytech Raises $6 Million for Lithium Extraction from Seawater

Saudi Arabian mining company Ma'aden, together with the King Abdullah University of Science and Technology (KAUST) Innovation Ventures Fund, are investing $6 million into Lithium Infinity (Lihytech). The KAUST startup's battery-grade lithium will be a key component in driving the Kingdom of Saudi Arabia's commitment to developing the entire value chain of electric vehicles (EVs).

Lihytech has patented a membrane-based lithium extraction technology developed at KAUST. The innovative technology can extract the alkali metal from sources such as seawater, brine, red mud and more. Based on KAUST research, the startup was funded through the KAUST Near Term Grand Challenge, a research translation program, and the technology is being developed on the campus.

This investment will take the technology from lab to commercial pilot scale. Ma'aden is leading the investment with $4 million and KAUST Innovation Ventures is investing $2 million. The University's venture capital arm, KAUST Innovation Ventures, supports deep tech startups that look to offer solutions to pressing scientific and technological challenges, such as lithium extraction. Lihytech will use the infusion of capital to build a pilot facility at KAUST to extract lithium from the Red Sea and other in-Kingdom resources.

Understanding the massive supply of lithium in seawater (estimated at 230 billion tons as opposed to 21 million on land), Lihytech's extraction technology is a significant addition in the Kingdom's capability in the mining and securing of upstream raw materials that are critical for the development of the EV and EBSS ecosystem. In this way, Saudi Arabia becomes a key player in meeting this global demand. (KAUST 31.01)

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* 1. Taager Moves its HQ from Cairo to Riyadh

Egyptian e-commerce startup [Taager](https://www.taager.com/sa/) selected Riyadh to host its regional headquarters as the company looks to expand its presence in the Saudi market. Established in 2019, Taager is a B2B platform that connects online merchants and suppliers, supplying merchants with storage and shipping services as well as an integrated data-led digital infrastructure. It currently operates in Egypt, Saudi Arabia and the UAE.

Taager wants to invest over SAR 50 million in the Saudi market when it closes its ongoing funding round. The firm has invested over SAR 20 million since it launched in Saudi Arabia. The company wants to expand further in the Gulf, and is in the final stages of finalizing an expansion to Kuwait, Oman and Qatar.

Taager secured $6.4 million in seed funding in July 2021, bringing total funding raised from investors since its launch in 2019 to over $7 million. It counts 4DX Ventures, Raed Ventures, Beco Capital and Breyer Capital among its investors. (Enterprise 07.02)

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* 1. IMPACT46 Launches $133 Million Fund

IMPACT46 announced its new SAR500 million fund to invest in technology startups in Saudi Arabia and the MENA region. The Fund is the third and largest fund by IMPACT46. Through its funds, IMPACT46 aims to localize proven technologies to support local solutions. This is in line with Saudi Vision 2030 which aims to develop the national economy and diversify the Kingdom’s sources of income.

The Fund seeks to invest in tech startups in different areas, mainly: fintech, e-commerce and SaaS. The Fund focuses on investing in Saudi startups with the potential to invest in promising startups from the MENA. The fund will continue to support ambitious entrepreneurs in the Kingdom and MENA by providing them with the required capital. There are many promising opportunities in the Kingdom to build businesses that develop innovative solutions.

The newly-established fund builds on the success of previous IMPACT46 funds. The company's first fund, The Seed Fund, which was launched in 2019, recorded a 3.6x return on its investments, and the growth fund was established in 2021 and generated a 1.9x return on its investments. IMPACT46 has launched several funds through which it has invested in 33 early and growth-stage startups. Saudi startups represent the majority of fund investments. IMPACT46 is considered one of the largest Venture Capitals in Saudi Arabia and the region, with the value of managed assets reaching 4.9 billion riyals in 2021. (IMPACT46 08.02)

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* 1. Concord to Target Egypt’s Healthcare Sector

An Egypt focused asset manager, New York based Concord International Investments plans to establish a $40 million company to invest in the country’s healthcare sector. The company will deploy funds in feeder industries for the healthcare sector, such as the production of medical equipment and supplies, adding that it will begin raising capital from local and global investors starting the second half of the year. Concord was part of a consortium that acquired 98% of Amoun Pharma for $500 million back in 2007, a transaction which the company describes as one of the largest private-equity transactions ever in Egypt.

Concord is the second private-equity player to signal healthcare investment in recent weeks. B Investments and the Sovereign Fund of Egypt announced a partnership last month that could channel more than EGP 2 billion into the local healthcare and pharma sectors. Concord and the SFE had signed a MoU of their own back in 2020 to manage a $300 million healthcare fund though nothing has been heard since. Concord also plans to establish a new stock fund and another to invest in bonds this year to capitalize on the current run on the EGX and higher interest rates. (Enterprise 06.02)

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* 1. Egypt Venture Capital Funding Exceeds $500 Million in 2022

According to a report by MAGNiTT released on 7 February, Venture capital investment continued to grow in Egypt last year. Funding for venture capital in Egypt increased in 2022 for the fifth year in a row, rising 3% to $517 million in 2022. There were 160 venture capital deals in the country last year, the Dubai-based MAGNiTT reported.

Egypt led the Middle East and North Africa in total deals, while the United Arab Emirates came in second with 153. In terms of total funding, Egypt came in third, behind the UAE with $1.19 billion and Saudi Arabia with $987 million, according to the report. E-commerce startups closed the most venture capital deals in Egypt last year, accounting for 23% of deals. Fintech accounted for the second most with 18%.

Exits in Egypt’s venture capital market doubled in 2022 to reach an all-time high of 17. An exit refers to when a startup sells a partial or complete stake of its ownership. But the increased number of exits is not necessarily a good thing, according to the company. While exits are usually a sign of maturity, it is still unclear if the exits taking place in the region are an aftermath of the liquidity crunch as startups might be struggling with funding and investor payback.

Egypt appeals to local and foreign investors alike due to its 100 million-strong population — 80% of whom are under 40. At the same time, the country is experiencing a litany of other economic problems. Egypt’s non-oil output is suffering due to high inflation in the country, the credit rating agency S&P Global lately. Food prices rose after the supply chain shocks resulting from the Russian invasion of Ukraine last year. Many Egyptians still struggle to pay for basic foods. The Egyptian pound also fell against the US dollar last year after Egypt agreed to a $3 billion aid package with the International Monetary Fund (IMF). Maintaining a flexible exchange rate was one of the IMF’s condition for the assistance. (MAGNiTT 07.02)

**Morocco's Sand to Green Raises $1 Million in a Seed Round**

[Sand-to-Green](https://www.sandtogreen.com/), a Moroccan startup, has just raised funds from multiple investors to deploy its solutions around the kingdom. This $1 million seed funding also signals the participation of different business angels and two VC funds, specifically the Norwegian Katapult and the pre-seed fund Catalyst, into the Sand to Green capital.

After three years of research and development, the business hopes to be able to deploy its plantation model in an arid climate in Morocco. The two funds intend to expedite Sand to Green’s operational development in order to prepare for the large-scale deployment of its Moroccan and African projects. The goal of this funding is to reaffirm Sand to Green’s operational and execution skills while preparing for the next stage, which is the deployment of hundreds of hectares of plantations in dry zones. (Sand to Green 08.02)

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* 1. Yodawy Raises $16 Million in Series B Funding

Egypt's Yodawy raised $16 million in a series B round led by Dubai-based Global Ventures and Delivery Hero’s VC arm. The round also saw participation from two first-time investors, Japanese healthcare-focused fund AAIC Investment and Saudi investment group Dallah Albaraka, as well as existing investors Middle East Venture Partners (MEVP), C-Ventures (CIB’s VC arm), and P1 Ventures.

Yodawy has built a nationwide and tech-powered fulfillment infrastructure to reach patients across Egypt, and has also launched a flagship e-prescription gateway. The e-prescription gateway allows physicians to go paperless with seven insurance companies and health management organizations participating in the program. Yodawy says that it enables its partners - insurance companies, medical providers, pharmacies, and pharmaceutical/FMCG companies - to service a wider audience.

Founded in 2018, Giza based [Yodawy](https://www.yodawy.com/) pharma delivery platforms offers a built-in AI approval engine. The company closed a $7.5 million round in mid-2021. Since then, it has increased its revenues by 400% and launched new features. The startup will use the funding to fuel its expansion plans, expand its daily medicine delivery program for chronic patients and continue to automate its operations. (Yodawy 12.02)

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* 1. Flat6Labs’ Saudi Seed Fund Reaches First Close

Egypt's [Flat6Labs](https://www.flat6labs.com/) reached a first close on its $20 million Saudi seed fund with the participation of the Saudi Venture Capital Company (SVC) and the Public Investment Fund’s Jada Fund of Funds.

Flat6Labs and SVC last year launched the Saudi fund, at the time hoping to raise some $40 million within twelve months to back more than 60 early-stage startups. The fund will invest up to $640,000 in early-stage KSA startups with a focus on tech and innovation. It aims to back some 180 entrepreneurs in the kingdom and create some 6,000 private-sector jobs while helping Saudi companies expand through Flat6Labs branches in the region.

The fund will adopt a highly diversified, systematic investment plan that aims to reduce the risks faced by venture capital and reduce the administrative and legal costs incurred by early-stage startups. lat6Labs runs seed programs in seven countries in the region with total assets under management of more than $85 million, as well as accelerators in Egypt, the UAE, and the KSA. Flat6Labs Egypt invested in 13 startups with a total value of EGP 33 million ($1.3 million) in 2022. (Flat6Labs 14.02)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Taxis in Dubai to Become 100% Eco-Friendly by 2027

Dubai plans to transform its taxi fleet into 100% eco-friendly vehicles by 2027. All taxis will either be hybrid, electric or hydrogen-powered by the end of the five-year roadmap. A plan to achieve the same has been endorsed by the board of directors of the Roads and Transport Authority (RTA), Dubai’s transport authority.

As much as 72% of the taxi fleet across the emirate has been transformed into eco-friendly vehicles, comprising 8,221 hybrid vehicles. The Dubai Taxi Corporation hosts the largest fleet of eco-friendly vehicles, with hybrid cars accounting for over 34% of the taxi fleet. It is followed by Cars Taxi, National Taxi, Arabia Taxi, and Metro Taxi.

Dubai’s initial plan to transform 50% of its taxi fleet into eco-friendly has resulted in the reduction of 420,000 tons of carbon emissions annually. The operating taxi fleet in the emirate consists of 11,371 vehicles by the end of 2022. A whopping 105 million trips were undertaken by taxis, covering over two billion km last year. (GB 06.02)

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* 1. Saudi Arabia Signs Agreement on Biowaste Recycling

Saudi Arabia’s state-owned National Agricultural Development Company (Nadec) signed an agreement with the Saudi Investment Recycling Company (SIRC) to jointly recycle 400,000 tons of biowaste yearly with the goal of converting the refuse into organic fertilizers. Public Investment Fund-owned firm SIRC had signed a partnership agreement last year with King Faisal University and the country’s Date Palm Center of Excellence for the co-development of agri waste repurposing mechanisms in the country.

Nadec, which distributes its products to over 40,000 stores across the GCC, entered a partnership agreement this month with UAE-based agritech startup Pure Harvest Farms to jointly cultivate some 27 hectares of its lands to become a vertical integrated business generating revenues totaling some $1.6 billion by 2027. The farmlands would be cultivated using Pure Harvest’s climate-controlled, renewables-powered hybrid food production tech.

Saudi Arabia produces the world’s largest amount of food waste on a per capita basis, with over a third of food produced or imported by the kingdom going to waste. The waste per capita ratio for Saudis stands at 250 kg per annum compared to the global average of 115 kg and accumulates yearly losses amounting to some $11 billion. (Various 02.02)

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* 1. Saudi's PIF Plans Fresh $5.5 Billion Green Bond Issuance

The Public Investment Fund (PIF), Saudi Arabia’s sovereign wealth fund, is reportedly planning to sell $5.5 billion of green bonds. The planned sale would be PIF’s second green bond issuance in four months, the newswire notes, after it took its maiden issuance to market in October. No details on the expected timeline of the sale were disclosed. The offering is already 5.9x oversubscribed, with a combined $32.5 billion in orders, according to the investment bank. The seven-year notes drew in $15.2 billion in orders, while the 12-year notes drew more than $9.8 billion in orders, and the 30-year tranche saw $7.5 billion in orders.

Following a “positive” 2022 for MENA’s ESG debt sales with strong investor interest in green instruments, 2023 is likely on track to see more issuances with healthy appetite. The first six weeks of the year alone saw Saudi National Bank’s maiden $750 million ESG sukuk, Saudi’s Riyadh Bank $750 million issuance of its first Tier 1 capital instrument as a sustainable sukuk, and Abu Dhabi’s Sweihan PV Power Company sale of amortizing green bonds — which raised almost $701 million — for its Noor Abu Dhabi solar plant project. The region’s green debt market saw a lull for a few months as market turmoil hit on the back of the Russia-Ukraine war, but the second half of the year came back strong with issuances including Morocco’s local rail operator Office National des Chemins de Fer du Maroc issuing the country’s first green infrastructure bond of MAD 1 billion (roughly $95 million). Abu Dhabi Commercial Bank also raised $500 million through its first-ever green bond sale in September, while Dubai Islamic Bank sold $750 million of its debut sustainable sukuk in November. (Enterprise 08.02)

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* 1. Acwa Power Signs Cooperation Agreement with Azerbaijan for 1.5 GW Wind Project

Saudi Arabia's Acwa Power signed a cooperation agreement with Azerbaijan that will see the company extend its partnership with the country by setting up a 1.5 GW offshore wind energy project. The two sides signed the agreement during meetings of the Southern Gas Corridor Advisory Council and the Green Energy Advisory Council held in Baku. The planned location, investment size and time frame were not disclosed.

The planned scope of the partnership: Acwa Power and Azerbaijan are planning to build wind farms with a combined capacity of 2.5 GW and develop the country’s first battery storage systems, Azerbaijan’s Energy Minister Shahbazov is quoted as saying. Again, no investment size or time frame are disclosed.

In mid-January, Acwa Power broke ground on its $300 million, 240 MW Absheron-Khizi wind farm. The $105 million price tag is being provided by the EBRD as debt financing, with a number of other financial institutions also expected to contribute. The company signed the investment, power purchase, and transmission connection agreements in December 2020. The extra 1.5 GW being added through the newly-announced offshore project seems to be in addition to this 240 MW — though no stakeholder has confirmed this. (Enterprise 06.02)

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* 1. Oman & KSA to Partner on Green Hydrogen and Renewables Projects

Public and private sector entities in Saudi Arabia and Oman signed 13 MoUs in multiple sectors — including some that are green business-focused — at the Saudi-Omani Investment Forum, held recently in Riyadh. The total value of the MoUs exceed some $270 million. The agreements include some in the clean energy space — specifically, renewable energy and green hydrogen — but also span oil and petrochemicals storage, mining, tourism, logistics and transportation, among others.

Oman’s Finance Ministry signed a MoU with the Saudi Fund for Development — a government institution that provides loans for development projects — to build an integrated economic zone in Oman’s Dhahirah. The first phase of construction will cost some $317 million. The project will include provisions for industrial waste treatment.

A $10.4 million agreement was signed to invest in green hydrogen production, with initial plans to prepare investment, financing and economic studies to spur investment partnerships. Oman’s Colossal Engineering and Construction signed an agreement with Saudi solar PV company Desert Technologies to launch solar projects in Oman. Saudi’s GCC Electrical Testing Lab signed an agreement with Oman’s Voltamp worth $13 million in the field of electrical transformer services — which improve system reliability and energy efficiency. Saudi’s International Marine Industries signed an agreement with an Omani firm to support the kingdom’s marine industry. Oman’s Construction and Engineering Company signed an agreement with Saudi’s Tharawat Mining to operate and manage mining sites, with no further information given. (GB 06.02)

ARAB STATE DEVELOPMENTS

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* 1. What is Behind Lebanon's New Exchange Rate?

On 1 February, Lebanese officials devalued their currency amid the ongoing economic crisis. The devaluation is still well below the dollar exchange rate on the street and multiple rates remain in place in Lebanon. Lebanon’s central bank, Banque Du Liban, lowered the official exchange rate to the US dollar from 1,507 to 15,000 pounds, in an effort to unify different exchange rates in the country.

The official 1,507 rate for the Lebanese pound was in place from 1997 until now. The rate on the street correlated to the official rate until 2019 when the Lebanese economic crisis began. Since then, the Lebanese pound has lost more than 90% of its value on the parallel street exchange market. The lira has been falling even more on the street in recent weeks. On 1 February, one US dollar traded at more than 62,000 pounds. The new official rate therefore does not resemble the rate the public is using, despite the devaluation decision. There are also separate rates for fuel prices, public sector salaries and other things.

Having so many exchange rates has negative effects on the economy, according to one Lebanon-based financial adviser. Financial institutions can use the fact that the official rate is below the street rate to “offload massive financial sector losses onto the general public.” This is because banks can give depositors their money back at the official rate, which is lower than the actual rate. Mismanagement of funds and capital controls left most Lebanese people unable to access their savings in banks. There were several armed holdups of banks in Lebanon last year as people desperately sought to access their money. The IMF and Lebanon agreed on reforms last year to pave the way for a relief package. One of the conditions was to unify the currency. (Al Monitor 01.02)

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* 1. Iraq Lowers Dollar-Dinar Exchange Rate

On 7 February, the Iraqi government revised the exchange rate for the US dollar to the Iraqi dinar. The Central Bank of Iraq decided to amend the exchange rate to 1,300 dinars to the dollar, down from the previous rate 1,460 dinars in a decision approved by Iraq’s Council of Ministers.

Iraq’s official dollar-to-dinar exchange rate was set at approximately 1,200 dinars to the dollar until late 2020, when Iraq lowered the rate to 1,460 and decreased oil prices amid a liquidity crisis. Iraq depends on oil sales for revenue. Devaluing a currency can sometimes boost exports and reduce local debt burdens. The rate became more of an issue after PM Sudani’s government took office in October, when illegal smuggling of dollars to Iran increased. In November, the US Federal Reserve increased scrutiny over Iraqi dollar transfers out of the United States in an effort to curb dollar transfers to sanctioned Iran. The restrictions limited the dollar supply further, thus boosting its value against the dinar.

The dinar began to trade below the official rate on the street, going for more than 1,600 to the dollar last month, leading to protests in Baghdad. The fall in the dinar’s value has hurt Iraqis. Devalued currencies lead to inflation for big importers like Iraq. Food prices have risen there in recent weeks. (Al-Monitor 08.02)

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* 1. ADNOC & 23 Companies Sign Local Manufacturing Deals Worth Dhs17 Billion

ADNOC has signed agreements with 23 UAE and international companies for local manufacturing opportunities across a wide range of critical industrial products worth $4.63 billion. The companies will manufacture these products in the UAE, supporting the ‘Make it in the Emirates’ initiative and the ‘Abu Dhabi Industrial Strategy’. The products are part of the $19 billion worth of products in the energy company’s procurement pipeline that it identified for domestic manufacturing in July 2022.

The company has been encouraging the private sector to capitalize on the commercial opportunities for domestic manufacturing across its value chain through its In-Country Value (ICV) program, as it expands and decarbonizes its operations.

Last year, ADNOC signed agreements for local manufacturing commitments worth over $6.8 billion with UAE and international companies. The company aims to drive $48 billion back into the UAE economy through its ICV program as part of its five-year business plan for 2023-2027. (GB 03.02)

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* 1. Sheikh Mohammed Approves Design for ‘Flying Taxi’ Vertiports

Dubai is one step closer to welcoming “flying taxis” by 2026. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, has approved the prototype design of aerial taxi vertiports developed by the Dubai Roads and Transport Authority (RTA).

The initial phase encompasses choosing both manufacturers and operators based on their technology and timeline, as well as determining the sites for vertiport installations. The initial network of vertiports will connect four main areas of Dubai: Downtown Dubai (Burj Khalifa area), Dubai Marina, Dubai International Airport and Palm Jumeirah.

Vertiports embody a revolutionary form of infrastructure that encompasses a range of facilities such as designated take-off and landing zones, a passenger waiting area, security protocols, and electric charging stations. These stations seamlessly integrate with other modes of transportation. The next step involves identifying exceptional investors who are experts in building the necessary infrastructure for the air mobility industry.

Sheikh Mohammed approved the prototype design of the first aerial taxi vertiport to be located near the Dubai International Airport, which will be seamlessly integrated with various modes of mass transportation. The vertiport comprises a structure that features two levels for car parking. The topmost roof serves as the terminal for aerial taxis, which will be connected to the Emirates Metro Station via an air-conditioned bridge.

The RTA’s aerial taxi initiative aligns with the Dubai Self-Driving Transport Strategy, aimed at transforming 25 per cent of total mobility journeys in Dubai into driverless journeys by 2030. The RTA is working closely with the Dubai Civil Aviation Authority, General Civil Aviation Authority and Dubai Air Navigation Services to create a one-of-a-kind comprehensive framework for the operation of such vehicles in Dubai. (GB 13.02)

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* 1. Dubai Receives 14.36 Million International Visitors in 2022

Dubai received 14.36 million international overnight visitors in 2022, growing 97% year-on-year from the 7.28 million tourists that arrived in the emirate the previous year. The 2022 numbers closed in on the pre-pandemic visitor figures of 16.73 million in 2019, according to Dubai’s Department of Economy and Tourism’s data. The emirate reached 86% of its pre-pandemic level, while the Middle East reached 83%. Global tourist travel in 2022 was 37% lower than 2019.

Dubai received significant visitors from its stronghold markets. Western Europe and GCC regions each accounted for a 21% share of arrivals. South Asia contributed 17% of total volume, 12% of visitors arrived from the MENA region. The Americas accounted for seven% of arrivals, while visitors from North Asia and South East Asia region and Africa each contributed 5%. Australasia accounted for 2%.

Dubai’s hotel sector continued to perform strongly, with average occupancy in 2022 totaling 73%, up from 67% in 2021, and slightly down from 75% recorded in 2019. The emirate’s hotel inventory at the end of December 2022 comprised 146,496 rooms at 804 hotel establishments, compared to 126,120 rooms available at the end of December 2019 across 741 establishments. The total number of hotels in 2022 marked a 6% growth over 2021, with 755 hotel establishments offering 137,950 rooms.

Several events, such the Expo 2020 Dubai, made a massive contribution to the tourism industry. The six-month long event brought over 24 million visits from across the world. The emirate also continued to host global business and leisure events across 2022, including Gulfood, the World Government Summit, Binance Blockchain Week, Gitex Global Dubai, the International Boat Show and the Arabian Travel Market. Other key attractions that were launched last year include the Museum of the Future; Expo City Dubai; and Atlantis The Royal, a mega resort located on Palm Jumeirah. (GB 06.02)

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* 1. UAE’s Digital Economy to Reach $140 Billion in 2031

Dubai Chamber of Digital Economy, one of three chambers operating under Dubai Chambers, released a report that projects the national digital economy will reach $140 billion in 2031 from $38 billion today. The study highlights the importance of the chamber’s efforts and collaboration with stakeholders to establish Dubai as the next digital economy capital of the world. It outlines Dubai’s digital economy startups and the emirate’s position as a future digital capital.

The chamber’s plans include attracting 300 digital startups and 100 tech experts to Dubai by 2024, improving laws and policies, organizing a conference, promoting digital transformation, and enhancing the business environment to attract global digital firms. The goal of doubling the contribution of the digital economy to the UAE’s GDP from 9.7% to over 20% by 2031 reflects Dubai’s ambition to be a key tech hub. (GB 01.02)

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* 1. King Salman Appoints a New Central Bank Governor for Saudi Arabia

Saudi King Salman bin Abdulaziz Al Saud has appointed Ayman bin Mohammed bin Saud Al-Sayyari as the new governor of the central bank. The appointment was made by virtue of a royal order, of which two were issued. The second order appointed the governor Dr Fahd bin Abdullah bin Abdullatif Al-Mubarak as advisor to the royal court. Dr Al-Mubarak served as a governor for the central bank, also known as SAMA, from 2011-2016 and was reappointed in 2021, by a royal decree. Al-Sayyari holds a Bachelor’s degree in accounting from King Fahd University of Petroleum and Minerals as well as a Master’s degree from George Washington University.

The central bank of the GCC’s largest economy, plays an important role in its monetary policy management. The kingdom’s economy also grew by 8.7% in 2022, while the International Monetary Fund expects it to grow by 2.6% in 2023. (GB 03.02)

►►North Africa

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* 1. Egypt Plans to Sell Stakes in 32 State-Owned Companies Within the Year

Egypt’s Prime Minister Madbouly unveiled the names of the more than 30 state-owned companies of which the government plans to sell shares within a year through direct sales to strategic investors and listings on the Egyptian Exchange (EGX), in a renewed push to revive the authorities’ long-stalled privatization plans. The list, announced after a meeting of the Council of Ministers, includes 32 companies from 18 economic fields, more than initially expected. Among them are three banks, two military-owned enterprises, and several companies in the energy and transportation sectors. Some of them have been in the privatization pipeline for years.

The announcement comes as the government is moving to reduce the state’s footprint in the economy in a bid to stimulate the private sector and attract foreign investments to ease a severe economic and liquidity crunch. It also follows a $3 billion deal with the International Monetary Fund (IMF) in December that envisaged a sweeping privatization plan.

The list of companies in which the government intends to offer stakes to the private sector includes five firms that had been added to the Pre-IPO Subfund set up last September by the Sovereign Fund of Egypt. These are Banque du Caire, Egyptian Linear Alkyl Benzene, Misr Life Insurance, military-owned bottling company Safi and Wataniya Petroleum. Other companies that have been selected and had attracted interest are the Port Said Container and Cargo Handling Co. and the Damietta Container and Cargo Handling Co. Also on the list are the United Bank, the Arab African International Bank, and several companies in the sectors of hotels, construction and petrochemicals, including fertilizers.

The agreement with the IMF, which was sealed just two weeks before the state policy document was approved, also entailed policies aimed at unleashing private sector growth by reducing the state footprint in the economy. The memorandum prepared by the government in the framework of the negotiations with the IMF already stated that authorities aim to raise $2.5 billion in the first phase of pre-initial public offering stake sales by the end of fiscal year 2023 at the end of June. (Al-Monitor 09.02)

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* 1. Egypt’s Non-Oil Sector Suffering Under High Inflation

Al-Monitor reported on 7 February the S&P Global said Egypt’s Purchasing Managers’ Index fell from 47.2 in December to 45.5 in January. This was the sharpest drop since late 2020. This reading indicated a sharp deterioration in the health of the non-oil sector that was one of the quickest seen in the current 26-month sequence of decline. The Purchasing Managers’ Index (PMI) measures economic trends in manufacturing and other non-oil sectors. It is based on surveys of supply chain managers. A PMI of below 50 indicates economic contraction, according to Investopedia.

S&P Global said that new orders decreased significantly and inflation and the depreciation of the Egyptian pound further added to the non-oil sector’s struggles. New order inflows decreased at a marked and faster pace in the latest survey period, as firms widely highlighted that rising prices had limited client budgets. Inflation is driven higher by a rapid depreciation of the Egyptian pound against the US dollar, which compounded cost woes for domestic firms. S&P feels that inflation could “remain elevated” throughout 2023 due to the rising costs they observed.

Egypt's annual headline inflation rose to 21.9% in December, up from 19.2% the previous month. The Central Bank of Egypt raised interest rates a few times in 2022 in an attempt to bring down inflation. The Egyptian pound has also fallen considerably against the dollar in recent months. One US dollar equaled around EGP 30.2 on 6 February. The dollar was worth around EGP 15.7 at the same time last year.

Egypt’s inflation is related to the supply chain shocks resulting from the Russian invasion of Ukraine. The pound depreciated significantly following the announcement of a $3 billion aid package from the International Monetary Fund last October. Maintaining a flexible exchange rate was one of the IMF’s conditions for Egypt. Despite the economic issues, the Egyptian Exchange started off 2023 as one of the best performing stock markets in the world. (Al-Monitor 07.02)

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* 1. Egyptian Food Prices Hit Record High Due to January's Devaluation

Egyptian inflation hit a fresh five-year high in January on the back of a record increase in food prices due to the devaluation of the EGP. Figures released on by CAPMAS showed that annual urban inflation jumped to 25.8% y-o-y in January, up from 21.3% the month before, driven largely by spiking food costs which surged to 48% from 37.3% in December. Inflation is now at its highest since November 2017. The pace of last month’s inflation surprised most analysts who had projected a more modest rise in prices. The median forecast in a poll of economists conducted by Reuters had inflation accelerating to 23.75%.

Core inflation, which strips out volatile items such as food and fuel, rose to 31.2% in January from 24.4% a month earlier, according to central bank figures. This is the highest core print since September 2017.

Successive devaluations of the EGP, the fallout from the war in Ukraine and an FX crunch that has stymied imports continue to push prices higher. The Central Bank of Egypt has allowed the EGP to devalue three times in less than a year as part of its agreement with the IMF to move towards a permanently flexible exchange rate. The EGP has lost almost half of its value against the greenback over the past year, passing the 30 mark at the end of January following a sharp fall.

Pundits expect inflation to continue rising in the coming months and to remain elevated over the course of 2023. Factors that will continue prices further upwards include the devaluation, expected fuel and electricity price hikes and seasonal factors including Ramadan. The central bank is targeting inflation at an average of 7% (± 2%) by Q4/24. (Various 12.02)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cyprus’ Economy is Doing Better Than Most in Europe

Cyprus’ economy will be the fifth best in the European Union with a 2023 GDP growth rate of 1.6%, according to the European Commission’s Winter interim Forecast. Only Ireland (4.9%), Malta (3.2%), Romania (2.5%) and Luxembourg (1.7%) are expected to do better this year as growth across the bloc slows. Generally, the EU economy is set to avoid recession in 2023, but headwinds to development persist.

In Cyprus, real GDP continued its solid growth momentum, increasing by 6.1% in the first three quarters of 2022 compared to the same period in the previous year. Despite rising inflation, private consumption remained robust, supported by increased employment and wages, underpinned by targeted government measures to compensate for high energy prices. Tourism also played a role as arrivals regained lost ground during the pandemic and reached 80% of 2019 levels. In addition, exports of business services increased significantly.

On an annual basis, real GDP growth is estimated to have increased by 5.8% in 2022. The improved economic outlook among Cyprus’ trading partners is set to further support tourism, which is expected almost to reach 2019 record levels. The 50% wage indexation, implemented in January 2023, is expected to support somewhat purchasing power. However, increasing interest rates are set to negatively affect corporate investments and residential construction. Elevated prices and tightening monetary policy are expected to weigh on real GDP growth, which is forecast to slow down to 1.6% in 2023 before accelerating to 2.1% in 2024.

Inflation is projected to decrease over the forecast horizon as falling gas and oil prices ease energy inflation. By contrast, wage indexation is expected to exert upward pressure on core inflation. Overall, inflation is set to moderate to 4% this year and 2.5% in 2024. (FM 13.02)

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* 1. Greek Economic Sentiment Index Rises to 104.9 Points in January

Greek economic sentiment index rose to 104.9 points in January from 103.5 in December to its highest reading in the last 10 months, the Foundation for Economic and Industrial Research (IOBE) think tank said on 1 February. IOBE attributed this development to an improvement of expectations in the industrial sector and to a lesser extent in constructions and retail commerce, while consumer confidence improved.

Inflationary pressures are gradually de-escalating in comparison with last year, as energy prices did not create as big as a problem as initially feared, thus reducing pessimism. However, despite this slowdown, inflation remains at very high levels, especially in such areas as food, and pressures continued on households and the market. IOBE stressed that uncertainties remained as long as the war in Ukraine continued accumulating imbalances on the European economy. Additionally, the pre-election period could improve expectations over the course of the economy and the future position of households and enterprises.

More specifically, expectations in the manufacturing sector showed a slight change in new orders and demand, which positive forecasts over production in the next few months strengthened significantly. In the construction sector, negative expectations over production rose moderately, while positive forecasts over employment improved slightly. In the retail commerce, expectations over current sales improved significantly, while expectations over short-term sales eased slightly. In the services sector, positive estimates over the current condition of enterprises eased markedly, along with those over demand. In consumer confidence, negative estimates over the country’s finances fell markedly, along with estimates over households’ finances. (AMNA 01.02)

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* 1. Commission Raises Forecast for Greek GDP Growth

The European Commission upgraded its forecasts for growth and inflation in Greece in its winter report, amid a more general assessment that the European Union economy will avoid recession and that the peak of inflation is past. The Recovery Fund and government support measures have boosted the economy, limiting the negative effects of the energy crisis, with the government reacting with satisfaction as it prepares for elections and the announcement of new measures.

The Commission remains, however, restrained and more pessimistic than Athens about the growth rate. Specifically, it predicts GDP growth of 1.2% this year, compared to its previous forecast, in the fall, of 1%, but also against the government’s forecast of 1.8%. In 2024, it predicts the growth rate will be 2.2%, against its previous forecast of 2%. For 2022, it revised its forecast down to 5.5%, from 6% in the fall and against the government’s 5.6%, apparently taking into account the poor performance in the third quarter.

Growth in Greece this year will be favored by an increase in consumption, thanks to the drop in inflation, but also by an increase in investment, thanks to the Recovery Fund. On inflation, Brussels’ forecasts are more optimistic than the government’s, though the Commission points to persistent food inflation, while noting that the government hasn’t factored in the potential impact of a minimum wage increase. For this year, it lowered the bar to 4.5%, against its previous forecast of 6%. (eKathimerini 14.02)

GENERAL NEWS AND INTEREST

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* 1. SpaceIL Signs Agreement with German Aerospace Center

SpaceIL and the German Aerospace Center (DLR) have signed a cooperation agreement for the Beresheet2 space mission. The mission - SpaceIL's second lunar exploration - will be comprised of three spacecraft systems, and is expected to be completed by mid-2025. The "Beresheet2" mission aims to achieve several records, including a double landing on the Moon in a single mission using the smallest lunar landers ever launched.

Germany's DLR will provide its unique Crater Navigation algorithm, or CNav, that identifies craters in lunar surface images and matches them to an onboard crater database. In addition, it provides accurate, GPS-like positioning information to assist with navigation during landing.

[SpaceIL](https://www.eng.spaceil.com/) is a non-profit organization that strives to promote science and science education. In April of 2019, SpaceIL became the first private entity in history to reach the Moon, thereby securing Israel's position as the seventh country to reach the Moon. This thrilled millions of people around the world and provided a source of inspiration for future generations of spacecraft builders in Israel. Currently, the organization is working to promote the Beresheet 2 Mission, while continuing its educational activity. (i24NEWS 06.02)

\*REGIONAL:

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* 1. Yarmouk University & University of Nebraska Sign MoU

On 9 February, Jordan's Yarmouk University (YU) remotely signed a memorandum of understanding (MoU) with the University of Nebraska, aimed to enhance joint cooperation in various academic and research fields. YU President, Islam Massad, said the memo features articles to exchange data on best medical practices, curricula development, and joint academic programs and scientific events. Under the MoU, he said the two universities would teach various academic courses virtually and exchange students' visits to University of Nebraska Medical Center (UNMC).

Mr. Massad also voiced the university's keenness to expand partnerships and MoUs with various prestigious universities worldwide within its "strategic" plan to build global relations with various academic institutions to serve YU's students and vision. (Petra 09.02)

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* 1. Public Holidays in UAE, Saudi Arabia, Qatar, Oman, Bahrain & Kuwait in 2023

Public holidays in the UAE, Saudi Arabia and across the GCC are a mixture of religious observances and days of national celebration and recognition. While public and private sectors in all countries offer holidays for occasions such as Eid, there are specific observances only recognized in certain countries. It means that keeping track of every country’s public holiday and dates of business can be complex. Occasions such as a national day of each individual country are based on a historic occasion and are observed on a set date each year, depending on the country.

Religious observances, such as Eid Al Adha and Eid Al Fitr, on the other hand are based on a lunar calendar and the date changes each year.

**UAE Public Holidays in 2023**

* Gregorian New Year: January 1
* Eid Al Fitr: Ramadan 29 to Shawwal 3 (Expected April 20-23)
* Arafat Day: Dhul Hijjah 9 (Expected June 27)
* Eid Al Adha: Dhul Hijjah 10-12 (Expected June 28 June 30)
* Hijri New Year: July 21
* Prophet Muhammad’s (PBUH) birthday: September 29
* National Day: December 2-3

**Saudi Arabia Public Holidays in 2023**

Public holidays in Saudi Arabia in 2023 represent a mixture of cultural and religious observances.

* Founding Day 2023: February 23
* Eid Al Fitr 2023: Ramadan 29 to Shawwal 3 (Expected April 20-23)
* Arafat Day 2023: Dhul Hijjah 9 (Expected June 27)
* Eid Al Adha 2023: Dhul Hijjah 10-12 (Expected June 28 June 30)
* Saudi Arabia National Day: September 23

**Qatari Public Holidays in 2023**

Public holidays in Qatar in 2023 represent a mixture of cultural and religious observances.

* National Sports Day 2023: February 14
* Eid Al Fitr 2023: Ramadan 29 to Shawwal 3 (Expected April 20-23)
* Arafat Day 2023: Dhul Hijjah 9 (Expected June 27)
* Eid Al Adha 2023: Dhul Hijjah 10-12 (Expected June 28 June 30)
* National Day: December 18

**Omani Public Holidays in 2023**

Oman’s Sultan Haitham bin Tarik issued a Royal Decree No 88/2022 specifying the days of official holidays for 2023:

* Hijri New Year (Muharram 1st)
* Prophet’s birthday (12th of Rabi’ al-Awwal)
* Isra and Miraj (27th of the month of Rajab)
* National Day (November 18-19)
* The day the Sultan assumed the reins of power in the country (January 11)
* Eid Al Fitr: Ramadan 29 to Shawwal 3 (Expected April 20-23)
* Eid Al Adha 2023: Dhul Hijjah 10-12 (Expected June 27 June 30)

**Bahraini Public Holidays in 2023**

* Eid Al Fitr 2023: Ramadan 29 to Shawwal 3 (Expected April 20-23)
* Arafat Day 2023: Dhul Hijjah 9 (Expected June 27)
* Eid Al Adha 2023: Dhul Hijjah 10-12 (Expected June 28 June 30)
* Labor Day: May 1
* Hijri New Year: July 21
* Prophet Muhammad’s birthday: September 29
* National Day: December 16

**Kuwaiti Public Holidays in 2023**

* Al-Israa wal Miraaj (Prophet’s Ascension) 2023: February 18
* National Day: February 25
* National Day: February 26
* Eid Al Fitr 2023: Ramadan 29 to Shawwal 3 (Expected April 20-23)
* Arafat Day 2023: Dhul Hijjah 9 (Expected June 27)
* Eid Al Adha 2023: Dhul Hijjah 10-12 (Expected June 28 June 30)
* Hijri New Year: July 21
* Prophet Muhammad’s birthday: September 29

When holidays fall on a weekend, Friday to Sunday depending on the country in question, employers may offer a day in lieu. (GB 02.02)

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* 1. UAE’s Hope Probe to Move to New Orbit to Study Mars’ Moon Deimos

The UAE announced on 9 February that its ‘Hope Probe’ is transitioning to a new orbit around Mars to study Deimos – the outermost of Mars’ two natural satellites – while allowing the probe to continue its original mission and capture data on the red planet’s atmosphere. The announcement also marked two years since the Hope Probe reached Mars, becoming the world’s fifth country and the first in the Arab World to do so.

Deimos is the smaller of Mars’ two moons. Being only 9 by 7 by 6.8 miles in size, Deimos completes a revolution around Mars every 30 hours. Deimos is also less observed compared to Phobos, the red planet’s second moon. The first Deimos fly-by began in late January and continues through February 2023, as the probe moves to its closest approach to the moon. This will enable the probe’s instruments – Emirates Exploration Imager, Emirates Mars Ultraviolet Spectrometer, and the Emirates Mars Infrared Spectrometer, to capture high cadence images and observations of the moon.

The Hope Probe is currently in its elliptic orbit between 20,000 and 43,000km with a 25-degree incline towards Mars, enabling it to complete one swirl around the planet every 55 hours. The probe will transition into a new elliptic orbit around Mars, following a Lambert orbital transfer maneuver. The slight change in the probe’s orbit will allow it to capture new observations of Deimos, while capturing data on the red planet’s atmosphere. (GB 10.02)

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* 1. Saudi to Send its First Female Astronaut to Space This Year

Saudi Arabia has announced that it will be sending its first female astronaut, Rayyanah Barnawi, to the International Space Station (ISS) during the second quarter of 2023. Barnawi will be accompanied by a male astronaut, Ali Al Qarni. The voyage aims to empower national capabilities in human spaceflight as well as contribute to scientific research across verticals such as health, sustainability, and space technology.

Barnawi and Al Qarni will join the crew of the AX-2 space mission. The flight is scheduled to launch from the US to the ISS. Two more astronauts, Mariam Fardous and Ali Al Gamdi, will also be trained on all mission requirements. Through this program, Saudi Arabia seeks to activate scientific innovations at the level of space sciences, enhance its ability to independently conduct its own research, increase the interest of graduates in the fields of science, technology, engineering and mathematics (STEM), and develop human capital by attracting talents and the necessary skills, the report added.

The commission added that the space program comes in cooperation with the Ministry of Defense, the Ministry of Sport, the General Authority of Civil Aviation and King Faisal Specialist Hospital and Research Center, in addition to international partners such as Axiom Space.

In 2021, the UAE also selected its first female astronaut – Nora AlMatrooshi – as part of the second batch of the UAE Astronaut Program. Meanwhile, UAE astronaut Sultan Al Neyadi will head to the ISS this month. Al Neyadi and Hazzaa Al Mansoori were the first astronauts to be selected in the country’s astronaut program. (GB 13.02)

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* 1. Cyprus' President Will Not Enjoy a Parliamentary Majority

Newly elected Cypriot President Nikos Christodoulides will be sworn in before the House of Representatives on 28 February, where he does not hold majority support. A special plenary session for the swearing-in ceremony will take place as defined by the Constitution. The ceremony will serve as a milestone for the official resumption of Parliament in recess since approving the budget in December due to the election campaign. Parliament will resume sitting on 1 March, with the balance of power shifting since Cyprus’ two largest parties, conservatives Democratic Rally (DISY) and communists AKEL, will form the Opposition. DISY holds 17 seats and AKEL 15 in the 56-seat Parliament.

This means the new government is backed by a minority of MPs belonging to centrist parties DIKO and DEPA and social democratic party EDEK, which hold 16 seats in total. However, Christodoulides was voted in by a large swathe of DISY supporters, despite the party not officially backing him after Averof Neofytou failed to make it to the second round. Chirstodoulides has served as government Spokesman and foreign minister under outgoing President Nicos Anastasiades, who was elected for two terms with the support of DISY. (FM 13.02)

ISRAEL LIFE SCIENCE NEWS

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* 1. Purple Biotech Acquires Immunorizon and Its Portfolio for Cancer Treatment

Purple Biotech has entered into an agreement for the acquisition of Yavne's Immunorizon, a private company developing potential multi-specific T and NK cell engager oncology therapies that selectively activate the immune response within the tumor microenvironment. The acquisition will provide Purple Biotech with an expanded portfolio of investigational tri-specific antibody compounds that target multiple antigens and offer the potential to further expand to additional targets.

Immunorizon’s lead asset is a conditionally-activated tri-specific antibody that engages both T cells and NK cells to mount a strong, localized immune response within the tumor microenvironment. The third arm of the lead compound specifically targets the Tumor Associated Antigen (TAA) 5T4, that is expressed in a variety of solid tumors and is correlated with advanced disease, increased invasiveness and poor clinical outcomes. 5T4 is a well-known target that has been validated by multiple pre-clinical and clinical programs. The drug candidates Purple Biotech is acquiring are differentiated from other multi-specific cell therapies targeting 5T4+ tumors by its cleavable capping technology, which confines the compound’s therapeutic activity to the local tumor microenvironment, and thereby potentially increases the anticipated therapeutic window in patients. The acquisition will also provide Purple Biotech with additional preclinical assets targeting other TAAs through this technology platform.

Rehovot's [Purple Biotech](https://purple-biotech.com) is developing first-in-class therapies that seek to overcome tumor immune evasion and drug resistance. The Company’s oncology pipeline includes NT219 and CM24. NT219 is a dual inhibitor, novel small molecule that simultaneously targets IRS1/2 and STAT3. In a Phase 1/2 study of NT219, the Company is currently advancing it as a monotherapy treatment of solid tumors, and in a dose escalation in combination with cetuximab for the treatment of recurrent and metastatic squamous cell carcinoma of the head and neck (SCCHN) or colorectal adenocarcinoma. The Company has entered into a collaboration agreement with Bristol Myers Squibb for the Phase 1/2 clinical trials to evaluate the combination of CM24 with the PD-1 inhibitor nivolumab in addition to chemotherapy. (Purple Biotech 02.02)

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* 1. Meala FoodTech Secures $1.9 Million in a Pre-Seed Round

Meala FoodTech closed a $1.9 million round in pre-seed investment. The round was led by The Kitchen FoodTech Hub, part of The Strauss-Group and DSM Venturing (the corporate venture arm of the Dutch multinational Royal DSM); with participation of Milk & Honey Ventures, specializing in alt-protein investments. DSM Venturing's contribution marks its third investment in the Israeli FoodTech ecosystem in 2022.

Meala's multi-functional proteins vastly improve the texture of meat alternatives to more compellingly mimic the organoleptic qualities of real meat and deliver a more full-bodied flavor. Meala's proprietary platform creates functional proteins designed to be used as binding and gelling agents thanks to their superior water retention capabilities. The platform enables formulators to boost meat analogues with better nutritional value and functional properties using a short list of ingredients as in real meat.

The new funding will initially go toward continuing the development of the company's platform technology and accelerate from lab to pilot scale. The start-up's core technology enables the development of functional proteins for multiple meat replacements, including burgers, sausages, and nuggets with egg and fish alternatives in development. Meala's vision for plant-based alternatives is to have a short list of simple, recognizable "home kitchen" ingredients while delivering the same full-bodied flavor and texture of real meat. The platform works with a versatile range of plant proteins. The Meala solution can be easily integrated into CPG products through existing manufacturing lines.

Founded in 2021, [Meala](https://www.mealafood.com/) is revolutionizing the plant-based protein industry by developing innovative ingredients and processes that allow the creation of cleaner, healthier and tastier products with a better ecological footprint. After delving into the meat alternative category in depth, the founders joined forces on a mission to bridge the gap between processed vegan products currently available, and the perception that plant-based products are better for you, and to break down the last barriers between meat and meat analogs. (Meala FoodTech 08.02)

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* 1. MediWound Raises $27.5 Million on NASDAQ

MediWound has raised $27.5 million and plans to use the net proceeds from the offering primarily for the acceleration of the development of EscharEx for treating wounds, establishing a US commercial presence, supporting business development activities, and for general corporate purposes. The company may also use a portion of the net proceeds to in-license, invest in or acquire businesses, technologies, products or assets that it believes are complementary to its own, although it has no current plans, commitments or agreements with respect to any acquisitions or in-licenses at this time.

MediWound's share price has recovered in recent months after the company raised $30 million in September. In the year before that the share price had lost 51% but over the past few months it has risen nearly 40% to give a market cap of $80.8 million. Clal Biotechnology Industries holds 17% of the company.

Yavneh’s [MediWound](http://www.mediwound.co.il/) is a fully integrated biopharmaceutical company focused on developing, manufacturing and commercializing novel therapeutics based on its patented proteolytic enzyme technology to address unmet needs in the fields of severe burns, as well as chronic and other hard-to-heal wounds. MediWound's first innovative biopharmaceutical product, NexoBrid, received marketing authorization from the European Medicines Agency and from the Israeli Ministry of Health for removal of dead or damaged tissue, known as eschar, in adults with deep partial- and full-thickness thermal burns. NexoBrid represents a new paradigm in burn care management, and clinical trials have demonstrated, with statistical significance, its ability to non-surgically and rapidly remove the eschar earlier and, without harming viable tissues. (MediWound 05.02)

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* 1. NeuroSense & QuantalX Improve Early Detection of Neurodegenerative Diseases

NeuroSense Therapeutics and QuantalX Neuroscience are collaborating to improve early diagnosis and treatment of neurodegenerative diseases. The NeuroSense-QuantalX collaboration comes following NeuroSense's recent report on new biomarker data in Alzheimer's disease (AD) and its plans to initiate a Phase 2 AD clinical trial in the first half of 2023.

QuantalX's Delphi-MD is a breakthrough technology that supports clinicians' neurodiagnostic gaps at the point of care through real-time monitoring of brain functionality, resulting in improved patient care and reduced associated financial burden. Delphi-MD is expected to provide multiple clinically objective and accurate measurements of brain function in a safe and simple manner in NeuroSense's upcoming AD Phase 2 clinical trial.

In addition, the companies agreed that QuantalX's Delphi-MD will be used for early diagnosis and ongoing monitoring of trial participants in NeuroSense's planned future pivotal Phase 3 efficacy trial of PrimeC in people living with amyotrophic lateral sclerosis (ALS), pending the successful conclusion of its ALS Phase 2b trial.

Kfar Saba's [QuantalX Neuroscience](https://quantalx.com/) is dedicated to tackling current brain health challenges leading to late diagnosis and misdiagnosis of neurodegenerative diseases. Delphi-MD's breakthrough technology supports clinicians' neurodiagnostic gaps at the point of care through real-time monitoring of brain functionality; resulting in improved patient care and reduction of associated financial burden.

Herzliya's [NeuroSense Therapeutics](https://www.neurosense-tx.com/) is a clinical-stage biotechnology company focused on discovering and developing treatments for patients suffering from debilitating neurodegenerative diseases. NeuroSense believes that these diseases, which include amyotrophic lateral sclerosis (ALS), Alzheimer's disease and Parkinson's disease, among others, represent one of the most significant unmet medical needs of our time, with limited effective therapeutic options available for patients to date. (NeuroSense 09.02)

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* 1. Ibex's Galen Prostate First Standalone AI-Powered Cancer Diagnostic to Obtain CE Mark

Ibex Medical Analytics announced that Galen Prostate is now CE marked under the In Vitro Diagnostic Medical Devices Regulation (IVDR) for supporting pathologists in primary diagnosis of prostate biopsies. Galen Prostate is the first standalone AI-based cancer diagnostics product of its kind certified under the IVDR.

IVDR is the new regulatory standard set by the European Union, replacing the previous In Vitro Diagnostic Medical Device Directive (IVDD). The new regulation sets a new bar for product performance and clinical validation, as well as post marketing surveillance. Galen Prostate received its IVDR CE certificate following a rigorous review demonstrating the quality of the product and its meticulous development process, safety, and performance. During 2023, Ibex plans to migrate additional products, including its Galen Breast and Galen Gastric solutions, under the IVDR certificate.

To help improve the quality of cancer diagnosis, increase productivity and optimize pathology workflows, Galen Prostate uses AI to analyze biopsies ahead of pathologists' review, providing them with diagnostic insights to guide their diagnosis. Galen Prostate's algorithms were trained on large datasets from multiple pathology institutes around the world, enriched with rare prostatic malignancies. Galen helps pathologists diagnose cancer, provides additional insights, including a Gleason score, tumor size and associated morphologies for each cancer slide, and offers decision support tools to help accelerate diagnostic turnaround and reduce subjectivity.

[Ibex Medical Analytics](https://ibex-ai.com) is transforming cancer diagnostics with world-leading clinical grade AI-powered solutions for pathology. Empowering clinicians and supporting pathologists, Ibex is on a mission to provide accurate, timely and personalized cancer diagnosis for every patient. Ibex's Galen is the first and most widely deployed AI-powered platform in pathology. Pathologists worldwide use Galen as part of their everyday routine to improve the accuracy of cancer diagnosis, implement comprehensive quality control measures, reduce turnaround times and boost productivity with more efficient workflows. (Ibex 09.02)

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* 1. Sheba Approves Inspira Technologies' Clinical Study of the HYLA Blood Sensor

Inspira Technologies received approval by the Ethics Committee at Sheba Medical Center in Israel to conduct a clinical study of its HYLA blood sensor in patients undergoing open-heart surgery. The study is planned to commence in Q1/23. The HYLA blood sensor is a non-invasive optical blood sensor using machine learning based algorithms to measure blood parameters.

The HYLA blood sensor is being designed as a stand-alone or integrated device. Continuous and real-time measurements of key blood parameters will potentially provide alerts to physicians of sudden changes in a patient's condition, enabling prompt medical intervention, as well as alerts relating to sudden changes in extracorporeal blood oxygenation circuit performance (i.e., blood clotting, gas supply failure, system dysfunction and blood recirculation). Early medical intervention may improve patient outcomes, reduce complications, and reduce associated costs.

The purpose of the clinical study is to assess the correlation of blood parameters measured by the HYLA blood sensor versus a standard blood gas analyzer results. As a prospective data collection clinical study, it is designed to integrate clinical research into the product development cycle.

The INSPIRA ART introduces a new mode of acute respiratory care by supporting a patient's spontaneous breathing while they are awake and alert, potentially reducing the need for invasive mechanical ventilation. The ALICE is an extracorporeal blood circulation device designed to provide cardiac and pulmonary support. The HYLA blood sensor, as part of the INSPIRA ART system or ALICE Device, will allow for patient blood oxygenation while displaying continuous key blood measurements in real-time. This may empower medical teams' patient monitoring capabilities.

Ra'anana's [Inspira Technologies](https://inspira-technologies.com) is an innovative medical technology company in the respiratory treatment arena. The Company has developed a breakthrough Augmented Respiration Technology (INSPIRA ART), designed to rebalance patient oxygen saturation levels. This technology potentially allows patients to remain awake during treatment while reducing the need for highly invasive, risky and costly mechanical ventilation systems that require intubation and medically induced coma. The Company's products have not yet been tested or used in humans and have not been approved by any regulatory entity. (Inspira Technologies 13.02)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. MICHELIN DDi Selects Otonomo to Advance Road Safety Solutions

Otonomo Technologies announced that MICHELIN DDi (Driving Data to Intelligence), the business unit within Michelin Group specialized in driving behavior data analysis, has selected Otonomo to advance the development of its near-miss zone identification service in Europe. MICHELIN DDi will leverage acceleration and deceleration connected vehicle data events available through the Otonomo Smart Mobility Data Platform to identify potential accident hot spots and help European road authorities reduce risk and improve road safety for drivers, beginning in France and followed by additional countries across Europe.

Through the Otonomo Smart Mobility Data Platform, Otonomo will supply MICHELIN DDi with data sets on harsh braking and acceleration events from millions of connected vehicles. MICHELIN DDi will then leverage its own expertise on driving behavior and lateral acceleration analysis to develop a near-miss zone identification service, enabling European customers to identify roads with concentrations of atypical driving behavior and areas where accidents have been narrowly missed. These insights allow customers to identify areas of road safety concern that would have been difficult or impossible to detect from accident reports alone. Customers can then prioritize the necessary corrective actions to move from accident detection to accident prevention.

Herzliya's [Otonomo](http://www.otonomo.io), the platform powering the mobility economy, is igniting a new generation of mobility experiences and services and is making mobility more accessible, equitable, sustainable and safe. With Otonomo, over 100 providers in the transportation, mobility, insurance, and automotive industries are finally able to harness mobility data and insights and transform them into strategic assets and market advantages. Architected with privacy and security by design, the platform is GDPR, CCPA, and other privacy regulation compliant, ensuring all parties are protected and companies remain privacy compliant across geographies worldwide. (Otonomo 02.02)

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* 1. Elbit & ScoutCam Complete Major Stage in Real Time Video Monitoring Program

ScoutCam and Elbit Systems successfully completed a major development stage in the use of ScoutCam's real time video monitoring (RTVM) system. During the development stage, the RTVM system used on Elbit Systems' UAS platform acted as a replacement of manual pre and post flight visualization inspections of the aerial platform and provided clear visibility of areas that had previously been inaccessible to maintenance and operations teams. In addition, ScoutCam's RTVM provided visibility even when the operating ambience was not suitable for continuous real-time monitoring.

ScoutCam’s unique video-based sensors, embedded software, machine vision and algorithms support a variety of predictive maintenance and condition-based monitoring use cases for unmanned aerial vehicles in harsh environments and hard-to-reach locations. ScoutCam’s RTVM system features a modular open system architecture, enabling seamless integration with advanced unmanned aerial platforms. The RTVM system’s size, weight, and power (SWaP) are small, making the system a suitable choice for most aerial applications.

Omer's [ScoutCam](https://scoutcam.com) is pioneering the predictive maintenance (PdM) and condition-based monitoring (CBM) markets with its visualization and AI platform. Providing video sensor-based solutions for critical systems in the aviation, transportation, industry 4.0 safety critical markets and energy industries, ScoutCam leverages proven visual technologies and products from the medical industry. ScoutCam’s unique video-based sensors, embedded software, and AI algorithms are being deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases.

Haifa's [Elbit Systems](https://elbitsystems.com/‎) is an international high technology company engaged in a wide range of defense, homeland security and commercial programs throughout the world. The Company operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance (C4ISR), unmanned aircraft systems, advanced electro-optics, electro-optic space systems, EW suites, signal intelligence systems, data links and communications systems, radios, cyber-based systems and munitions. (ScoutCam 06.02)

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* 1. Oklahoma's Francis Energy Migrates to Driivz Platform to Power Growth

Driivz announced that Tulsa, Oklahoma's Francis Energy, LLC has migrated its network of more than 130 public DC fast EV charging locations across Middle America to the Driivz management platform. Following extensive market research, Francis Energy selected Driivz because it offers the scalability and flexibility required to support the company’s mission to eliminate range anxiety by building charging stations every 50 miles.

The Driivz solution for Francis Energy provides integrated software modules for EV charge point operations, including real-time operator dashboards, remote and automatic issue resolution, EV charging billing and complex reconciliations between ecosystem partners. Francis Energy also migrated its drivers to its branded version of the Driivz white-label mobile app, which enables drivers to locate a charger, start a charge, track usage history, and receive discounts and promotions. Today, Francis Energy is the fourth-largest owner and operator of fast-charging stations in the U.S., having successfully secured public grants in Oklahoma, Kansas, New Mexico, Missouri, Arkansas, Ohio and Alabama to build charging stations along highway corridors.

Hod HaSharon's [Driivz](http://www.driivz.com), an independent company and wholly owned subsidiary of Vontier, is a leading global software supplier to EV charging operators and service providers, accelerating the plug-in EV industry's dynamic and continuous transformation. The company's intelligent, cloud-based platform spans EV charging operations, energy management, advanced billing capabilities and driver self-service tools. Driivz's team of EV experts serve global industry players in more than 30 countries. (Driivz 07.02)

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* 1. Cyolo Recognized in 2022 Gartner Hype Cycle for Endpoint Security

Cyolo has been recognized as a Sample Vendor in the 2022 Gartner "Hype Cycle for Endpoint Security” report in the Zero-Trust Network Access (ZTNA) security category. The transition to hybrid and remote work brings even more complexity to enterprises’ architectures and exacerbates the number of security threats they face. Cyolo provides real zero-trust security aiming to build greater cyber resilience. Cyolo’s solution ensures all sensitive data and assets remain with the customer at all times offering a unified platform that securely connects all users to their working environments with ease.

Gartner positions ZTNA as the solution that makes possible an identity and context-based access boundary between any user and device to applications. Gartner further states that cloud based ZTNA "reduces an organization’s attack surface, improves user experience and remote access flexibility. Cyolo enhances security through an innovative approach that connects users to their work environment, effectively removing the need for transitive trust and verifying each device, user and identity prior to and after granting access to any organizational resources or applications.

Ramat Gan's [Cyolo](https://cyolo.io/) helps organizations in the IT and OT spaces to stay both secure and productive in an era of distributed workforces and unprecedented cyber threats. Cyolo’s next-generation zero-trust access solution enables all users, including employees, third parties and remote and on-site workers, to connect to their working environments seamlessly and securely via modern identity-based access. (Cyolo 09.02)

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* 1. ThetaRay and Piie Collaborate in AI Technology for Insurance Payments

ThetaRay and North Carolina's Piie, an insurtech providing an intelligent payment engine, announced a collaboration to implement an advanced AML solution for insurance claim payments. Through the agreement, Piie (Payments Intelligent Integration Engine) will integrate ThetaRay’s AI-driven SONAR transaction monitoring AML solution to monitor and detect anomalies pointing to suspected financial crime on its payments-as-a-service platform that includes mobile application support.

A scalable, secure payments platform headquartered in Charlotte, NC, Piie serves the insurance industry with an AI-driven real-time payments solution. Using ThetaRay’s transaction monitoring AML solution will further enhance and strengthen Piie’s current robust risk controls.

ThetaRay’s award-winning SONAR solution is based on a proprietary form of AI, artificial intelligence intuition that replaces human bias, giving the system the power to recognize anomalies and find unknowns outside of normal behavior, including completely new typologies. It enables fintechs and banks to implement a risk-based approach to effectively identify truly suspicious activity and create a full picture of customer identities, including across complex transaction paths. This allows the rapid discovery of both known and unknown money laundering threats, and up to 99% reduction in false positives compared to rules-based solutions.

Hod HaSharon's [ThetaRay](http://www.thetaray.com)'s AI-powered SONAR transaction monitoring solution, based on "artificial intelligence intuition,” allows banks and fintechs to grow revenues through trusted global payments. The groundbreaking solution also improves customer satisfaction, reduces compliance costs, and increases risk coverage. Financial organizations that rely on highly heterogeneous and complex ecosystems benefit greatly from ThetaRay's unmatchable low false positive and high detection rates. (ThetaRay 08.02)

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* 1. Stratasys Introduces First Monolithic, Multi-Color 3D-Printed Dentures Solution

Stratasys introduced TrueDent, the first monolithic, full-color 3D printed permanent dentures solution. The TrueDent resin enables labs to create permanent, natural looking gums with accurate tooth structure, shade, and translucency in one continuous print. TrueDent is an FDA-cleared (Class II) dental resin made specifically for the fabrication of dental appliances, including removable dentures. The resin was developed to be printed exclusively with the Stratasys J5 DentaJet 3D printer and GrabCAD Print software platform. The complete solution will allow dental labs to scale manufacturing by simplifying workflow and reducing processing time for dentures, while achieving a personalized, highly aesthetic dental appliance.

The global dentures market, estimated by Stratasys at $5.5 billion, is challenged to meet the rising global demand for dentures and appliances through conventional methods due to a shortage of skilled dental laboratory technicians. According to research from iData, in 2021, more than 4.2 million full dentures were created in the US and 18 million full dentures were sold worldwide. Of that total, only five% are estimated to be created through a 3D printed solution. The TrueDent solution offers a scalable alternative with a digital workflow that delivers a predictable, high-quality, fully finished result.

Rehovot's [Stratasys](http://www.stratasys.com) is leading the global shift to additive manufacturing with innovative 3D printing solutions for industries such as aerospace, automotive, consumer products and healthcare. Through smart and connected 3D printers, polymer materials, a software ecosystem, and parts on demand, Stratasys solutions deliver competitive advantages at every stage in the product value chain. The world’s leading organizations turn to Stratasys to transform product design, bring agility to manufacturing and supply chains, and improve patient care. (Stratasys 07.02)

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* 1. Spanish Menswear Brand Harper & Neyer Implements MySize's Naiz Fit Sizing Solution

MySize announced that Harper & Neyer, a leading Spain-based menswear brand, has fully implemented and gone live with the Naiz Fit sizing solution, a MySize product. Naiz Fit is being utilized across Harper & Neyer's global ecommerce sites to reduce returns related to size and fit issues. With a strong European presence through 21 stores in Spain, France, Italy, Andorra and Portugal, as well as Mexico, Harper & Neyer's "dressed to win" motto reflects a brand with a clear target for active men who love fashion and are in need of a stylish, elegant and casual outfit.

MySize's sizing solutions, MySizeID and Naiz Fit, are software-as-a-serve (SaaS) products offered to fashion brands and retailers worldwide.

Airport City's [MySize](http://www.mysizeid.com) is an omillionichannel e-commerce platform and provider of AI-driven measurement solutions including MySizeID and recently acquired Naiz Fit 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. (My Size 08.02)

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* 1. Razor Labs Secures $1.9 Million Order for High-Speed Conveyor Monitoring Solution

Razor Labs announced that following the signing of a Memorandum of Understanding with a global defense company in 2022, the company has successfully completed an initial test phase ahead of schedule. Upon reaching this significant milestone, Razor Labs received a $1.9 million order to deploy the solution that automatically detects and classifies various defects during the production process.

The Razor Labs solution utilizes CCTV-based visual inspection and advanced AI image processing to monitor high-speed conveyors for defects and anomalies. This breakthrough technology can detect structural patterns and anomalies in real-time and automatically classify and distribute them based on the type of defect.

Tel Aviv's [Razor Labs](https://www.razor-labs.com) offer an unprecedented all-in-one predictive maintenance solution that eliminates unplanned downtime, boosts productivity, reduces emissions, and improves staff safety. Razor Labs is publicly traded on the Tel Aviv stock exchange and has offices in Perth and Brisbane. CB Insights named the company one of the leading mining tech companies. (Razor Labs 08.02)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel Passes 10% Mark in Connecting Renewable Energy Production Facilities

A report published by the Electricity Authority said that Israel has passed the 10% mark for the first time in connecting facilities for the production of renewable energies. The Electricity Authority constantly monitors the electricity sector's compliance with government goals for energy production using renewable resources. In order to incentivize further establishment of these types of growth industries, appropriate regulations are set and adjusted as needed in order to support this goal.

Electricity Authority data showed that in 2022 the production facilities that had an average of 96 megawatts were connected in many different technologies every month, which increased it about 23% as opposed to production facilities in 2021 when they were at 78 megawatts every month and had an increase in 2020 with 43 megawatts per month. The capacity of renewable energy facilities that were installed at the end of 2022 rose to 4,765 megawatts, which brought the annual production capacity to 11.8% as opposed to the year prior's which was at 9.4% in 2021. (JP 13.02)

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* 1. Mortgage Taking in Israel Continues its Steep Decline

Mortgage taking in Israel fell to NIS 6.357 billion in January 2023, down 36% from January 2022, the Bank of Israel reported. Even so the scale of mortgage taking is still relatively high within the context of recent years. The amount of mortgages taken last month was similar to the figure in January 2021 and 5% higher than January 2020. Mortgage taking in Israel in 2022 totaled a record NIS 117.6 billion, up 1.3% from 2021, which was itself a record year. Last year's mortgage taking figure was double that of 2018.

Lower mortgage taking since interest rates starting rising from April 2022 is rapidly cooling off Israel's housing market in terms of the number of apartments being bought. According to the Central Bureau of Statistics, since September 2021 the number of apartments being sold is falling by 4% each month. (Globes 12.02)

IN DEPTH

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* 1. ISRAEL: A Third of Israelis Spend Almost a Third of Their Income on Housing

[Davar](https://www.davar1.co.il/) announced that a third of Israelis pay high costs for apartment living, according to the 2021 survey run by the Central Bureau of Statistics that examines indicators such as quality of life, sustainability and national resilience. The monthly housing expenditure for 2021 was NIS 3,763 ($1,065) on average for all households, representing 23% of their total household income.

Some 33% of Israelis spend over 30% of their net income on housing – an expenditure threshold that is far too high, and could lead tenants into poverty or risk apartment owner occupiers losing their property. The situation is particularly serious for apartment renters, over 67% of whom spend a large amount of their income on rent. In the lower income decile, 78% of renters are defined as spending high expenses on housing.

Breaking it down by deciles of net per capita income, the survey found that the lower the decile, the greater the percentage of household expenditure on housing. While the richest spend only 15% of their income on housing – in the seventh decile they spend 23.7%, and in the bottom decile at least 60% – so more than half of their income goes towards housing.

Since 2005, the number of households spending large sums on housing has dropped slightly, but because of a combination of wage erosion and rising prices, a significant jump of 3% was recorded in the number of at-risk households in the bottom decile in 2020. In the seventh and tenth deciles, however, the situation is much less serious, with an increase of only 1%.

**Ramat Gan is Israel's most expensive city to live in**

In a geographical analysis, Ramat Gan is at the top of the list of the most expensive cities to live in, in relation to residents’ average salaries. About half of Ramat Gan households (48%) spend over 30% of their income on housing. In the rental market segmentation, Bnei Brak leads the list of being most expensive for renters, with over 86% spending over 30% of their salary on housing. Among the largest cities in Israel, the highest monthly housing expenditure for renters was recorded in Tel Aviv-Yafo at NIS 6,802 ($1,925) per month, and the lowest in Haifa at NIS 2,890 ($818).

In all income deciles, the expenditure on housing amongst those renting was significantly higher than the expenditure on housing among those owning their homes. In the lower decile, the percentage of the total net financial income spent on housing was between 43.2%-27.8% for those living in apartments they owned and 59.4% for those who were renting. In the top decile, the percentage of total net financial income spent on housing was 16.7%-14.8% among those living in apartments they owned and 28.0% for renters. (Davar 10.01)

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* 1. LEBANON: Lebanon’s Economy at a Crossroad Between Recovery and Collapse

On 8 February, Group Research Department of [Bank Audi](http://www.bankaudigroup.com/‎) released its quarterly overview of the Lebanese economy.

**Real GDP growth slightly positive after severe contraction**

Following the significant 33% contraction in real GDP in the first two years of the crisis, Lebanon is back to a slightly positive real GDP growth in 2022. BDL and the government announced a 2% real GDP growth for the past year. The analysis of real sector indicators show that out of 17 indicators 11 were up last year. The tourist season was particularly strong in 2022 with 65% more tourists relative to the year 2021, while flight and hotel reservations were close to full during summer and Christmas holiday. Remittance inflows amounted to $6.8 billion in 2022, against $6.4 billion in 2021, growing by 7% year-on-year. In addition, a large number of companies are increasingly paying salaries in fresh dollars which is supporting domestic consumption.

**Imports up by 40% and exports down by 10% in 2022**

External sector figures released for the year of 2022 suggest a 59.5% hike in trade deficit amid a 39.7% growth in imports, while exports decreased by 10.1% relative to the year 2021. Imports grew from $13.6 billion to $19.1 billion between the two years, while exports decreased from $3.9 billion to $3.5 billion, generating a rise in the trade deficit from $9.8 billion to $15.6 billion. The rise in imports is partly tied to global inflation, especially related to oil and commodity prices that surged significantly last year, but also suggests a slight improvement in domestic private demand.

**LP on downward spiral amid darkened political outlook & tough reform challenges**

The past year saw the Lebanese pound plummet to new lows against the US dollar on the parallel FX market, which compounded with a large expansion in the money in circulation outside BDL and continuous FX reserves burn. This occurred despite all exceptional measures adopted by the Central Bank of Lebanon since late 2021 to curb currency collapse, allowing banks to purchase US dollar banknotes from BDL at the “Sayrafa” rate. The Lebanese pound’s unchecked nosedive against the greenback on the parallel market is mainly explained by a protracted multilayered political vacuum, worsened domestic political outlook, the slow progress in implementing IMF prior actions to secure much-needed international financial support, the full fuel subsidy removal since mid-September 2022, the shortage in foreign currencies because of the weakness in inflows, a large money creation and dwindling FX reserves.

Extended equity price rally in 2022 on hedging activity, bond prices plunging to mid-single digit levels on prolonged institutional vacuum and tough reform road Lebanon’s equity market continued to register strong price gains in domestic US dollar terms in 2022, as market players continued to flock to realty stocks to hedge against crisis. On the other hand, the Eurobond market plunged deeper into the red amid a protracted multilayered institutional void and tough reform challenges to reach a full fledge agreement with the IMF and unlock much-needed international financial support.

**Looking forward, the country seems on a crossroad**

In case of a positive political-economic scenario, the economic and social pressures would start to ease, and the country would begin to recover from its acute depression to register circa 5% of real GDP growth in 2023 and an inflation rate of less than 30% amid relative stability in the exchange rate. Such a positive scenario revolves around the election of a new President shortly, and the formation of a credible and efficient cabinet, followed by a full fledge agreement with the IMF on the basis of the Staff-level agreement reached last April, after meeting the prior actions to secure the Fund’s Board of Directors approval. As for the adverse scenario, it supposes that the political stalemate would continue to prevail, which would lead to deepened economic recession with negative real GDP growth, a severe currency collapse amid dwindling foreign exchange reserves, a large LP money creation, hyperinflation in consumer prices, and severe socio-economic pressures on Lebanese households. Between the two scenarios rises the Medium scenario, based on the election of a president, the formation of a new cabinet, yet with no implementation of reforms and no conclusion of a final agreement with the IMF. Within this scenario, economic and monetary forecasts for 2023 revolve around a real GDP growth close to that of last year (i.e. in the vicinity of 2%), an inflation rate of 80%, a slight decline in BDL reserves and a moderate balance of payments deficit. (Bank Audi 08.02)

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* 1. NORTH AFRICA: Is Italy Pursuing a 'Rebalancing' in North Africa?

Harry Clynch reported in [Al-Monitor](https://www.al-monitor.com) on 8 February that as Europe continues to reduce its dependence on Russian supplies, Algerian President Abdelmadjid Tebboune recently announced ambitious plans to double Algeria's liquefied natural gas (LNG) exports to the region. The news came just days after Italian Prime Minister Giorgia Meloni traveled to Algiers at the end of January to strengthen the energy relations between Italy and Algeria.

In 2021, Algeria supplied 23% of Italy’s piped gas imports and exported $6.62 billion worth of goods, the vast majority of which was natural gas. This energy relationship grew even more important to Italy in 2022, when Rome signed an agreement to boost imports of natural gas from Algeria. This agreement came in light of Italy’s decision to reduce imports of Russian energy following its invasion of Ukraine.

Aldo Liga, a research fellow at the Middle East and North Africa at the Institute for International Political Studies in Milan, spoke to Al-Monitor that ties between Rome and Algiers predated Algeria’s independence. He said, "This relationship is a pillar of Italy’s foreign policy in North Africa.” However, there are also signs that Italy is seeking to engage other economic partners in the Maghreb — not least Algeria’s main adversary, Morocco.

Since 2019, Italy has focused on markets in the Mediterranean in a bid to strengthen its exporting and manufacturing. According to Michael Tanchum at the Moroccan Institute for Policy Analysis, the success of this strategy has helped make Italy the European Union’s second largest manufacturer. This progress means that Italy has increasing economic interests in the Maghreb other than natural gas imports from Algeria. Morocco now imports more Italian goods than Algeria, exports over $500 million worth of automobiles and automotive components annually and is an important partner in several renewable energy projects.

Andrea Dessi, head of the Mediterranean, Middle East, and Africa Program at the Institute of International Affairs in Rome, told Al-Monitor that Italy’s closer economic relationship with Morocco is partly motivated by Italy’s desire to “regionalize” supply chains. “In the context of the COVID-19 pandemic and the conflict in Ukraine, the key driver of Italy’s approach to international trade has been a regionalization of supply chains,” Dessi said. “North Africa, along with the Balkans, is a key area in this — for geographic reasons, because of the cost of labor and because Italy has relatively stable political relations in the region.”

Are these changing dynamics in the region encouraging Italy to shift further away from Algeria and toward Morocco? Dessi believes that although bilateral trade with Algeria remains much bigger overall, Morocco is an increasingly attractive market for a wider range of Italian companies. “For Italy, when it comes to economic and trade relations with Algeria, there isn’t much more that can be done aside from energy and gas,” he said. “While if we look at the macroeconomic data, the relationship between Algeria and Italy is clearly more substantial in terms of money because energy is costly; the economic relationship with Morocco is more differentiated. It probably contains within it more opportunities for Italian companies, particularly small- and medium-sized enterprises, to engage Morocco,” Dessi added. In 2021, trade between Italy and Morocco totaled $3.5 billion, while trade between Italy and Algeria totaled $7.33 billion.

However, Liga emphasized the importance of Algeria as a natural gas partner. He told Al-Monitor, “Algeria and Italy have started to talk about the growing importance of energy transition, including renewables and green hydrogen,” which could indicate that Rome views Algiers as an important economic partner even as it gradually seeks to wean itself off fossil fuels. He also noted, “Natural gas is bound to maintain its predominant role in electricity generation for the coming decades,” meaning any potential “economic rebalancing” would also have to take place over an equally long period.

That said, both Liga and Dessi questioned whether Italy would have to “choose” between Algeria and Morocco. After all, on the divisive issue of Western Sahara, Rome has traditionally taken what Dessi called a “neutral, standard position.” Italy has supported the United Nations framework and the idea of holding an UN-led referendum in the region. Dessi argued that any changes to this position would “depend on broader international developments” and that Italy would be unlikely to take “a unilateral step” that broke with either the European or the transatlantic framework.

Because of this, Rome has the diplomatic space to pursue deeper economic relationships with both Algeria and Morocco. Liga does not foresee a situation in the immediate future that could drag Italy into the debate surrounding the Western Sahara. He told Al-Monitor, “Rome has the room to develop quite calm bilateral relations without being obliged to take a clear position on this.”

Morocco is certainly becoming a more important market for Italy in the MENA region as Italy seeks to regionalize its supply chains and develop other relationships apart from its decades-old energy partnership with Algeria. Under current geopolitical circumstances, pursuing strong ties with both Morocco and Algeria would appear to be feasible.

However, as these relationships progress, Dessi thinks that Italy’s attempts to maintain this economically lucrative position will need to be delicate. As it becomes an increasingly more important figure in the Maghreb, Rome could consider the risks surrounding the Western Sahara dispute to be of greater concern. Dessi said, “It is important to balance the two correctly so that Rome does not lose either one [of Algeria and Morocco]. But it is also important to avoid moves that may contribute to heightening tensions in an increasingly vital region for Italian energy and trade interests.” He went on, “In this respect it is inevitable that sooner or later renewed political and diplomatic effort must be directed towards resolving the outstanding dispute, particularly at a European level. Anything less will only postpone the challenge, heightening threats to all in the region.” (Al-Monitor 08.02)

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* 1. EGYPT: Moody's Downgrades Egypt's Ratings to B3, Changes Outlook to Stable

On 7 February, [Moody's Investors Service](http://www.moodys.com/) downgraded the Government of Egypt's long-term foreign- and local-currency issuer ratings to B3 from B2 and changed the outlook to stable from negative. Moody's has also downgraded Egypt's foreign-currency senior unsecured ratings to B3, and its foreign-currency senior unsecured MTN program rating to (P)B3.

The downgrade to B3 reflects Egypt's reduced external buffers and shock absorption capacity while the economy undergoes a structural change toward a more export- and private sector-led growth model under a flexible exchange rate regime. Liquid foreign exchange (FX) reserves have declined since the negative outlook assignment in May 2022 and FX liquidity buffers in the monetary system have dwindled (as measured by the build-up of large net foreign liability positions at the central bank and commercial banks), increasing external vulnerability at a time of fragile global conditions.

While the government's announced state-owned asset sale strategy starting this month as part of the new International Monetary Fund (IMF) program will support this structural adjustment and help generate sustained non-debt creating capital inflows to meet increased external debt service payments over the next two years, these measures will ultimately take time to tangibly reduce Egypt's external vulnerability risks. Moreover, notwithstanding the clear commitment to a fully flexible exchange rate, the government's capacity to manage the implications for inflation and social stability is yet to be established.

The stable outlook balances up- and downside risks. Downside risks relate to liquidity risks reflected in tight international capital market conditions, as well as higher domestic borrowing costs and social spending pressures in an inflationary environment. These risks are mitigated by the government's dedicated domestic funding base and the government's track record of consistently generating primary surpluses which Moody's expects will help reduce the debt burden after a temporary setback. Meanwhile, upside risks relate to the implementation of stated competitiveness reforms that may enhance the economy's export base and support foreign direct investment inflows which, in turn, would enhance the economy's external debt carrying capacity and sustainably reduce the economy's external vulnerability risks.

Moody's has concurrently lowered Egypt's local-currency ceilings (LC) to Ba3 from Ba2, maintaining the three-notch difference with the sovereign rating, which reflects the public sector's large footprint in the economy that inhibits private sector development and credit allocation, mitigated by a growing track record of implementation of structural competitiveness reforms and further progress that Moody's expects under the new IMF program. The FC ceiling was lowered to B2 from Ba3 previously, two notches below the LC ceiling from one notch previously, to reflect the narrow foreign currency liquidity buffer in the monetary system. The reported adoption of import restrictions and foreign currency withdrawal limits abroad point to potential risks of transfer and convertibility restrictions under scenarios of intensifying stress, mitigated by the agreed shift to a flexible exchange rate regime and the recent removal of letters of credit requirements that supports a gradual rebalancing of external accounts.

**RATINGS RATIONALE**

**RATIONALE FOR THE DOWNGRADE TO B3 FROM B2**

**Reduced External Shock Absorption Capacity While the Economy Undergoes a Structural Adjustment Toward Private Sector and Export Led Growth**

The drawdown of foreign currency liquidity buffers in the monetary system in response to sharp capital flow reversals and external market disruptions in the past year have reduced the government's external shock absorption capacity. While the situation may stabilize, Moody's does not expect Egypt's liquidity and external positions to rebound quickly.

Liquid FX reserves have declined to $26.7 billion at the end of December 2022 from $29.3 billion at the end of April 2022, while the net foreign liability position in the monetary system has increased to $20 billion at the end of December from $13 billion in April. The drawdown of FX liquidity has significantly reduced coverage of upcoming medium- and long-term external debt service (principal + interest) payments amounting to $20.4 billion in fiscal 2024 (ending June) and $23.2 billion in fiscal 2025, in addition to $26 billion in short-term debt, amid tight external funding conditions.

The rating takes into account a gradually narrowing current account deficit to a projected 3% in fiscal 2024 from 3.5% in fiscal 2022 and the financial support measures outlined in the $3 billion, 46 month Extended Fund Facility (EFF) program approved by the IMF on 16 December 2022 to cover the estimated cumulative $17 billion funding gap over the duration of the program, conditional on implementation of continued competitiveness reforms under a durably flexible exchange rate regime as announced by the Central Bank of Egypt on 27 October 2022. The financing sources include almost $9 billion in state-owned asset sales including to regional partners in the Gulf Cooperating Council (GCC) starting this fiscal year, in addition to about $5 billion from official lenders in addition to the $3 billion provided by the IMF.

While the government's announced state-owned asset sale strategy under the new State Ownership Policy approved by President Abdel Fattah El-Sisi at the end of 2022 will help increase private sector involvement and bolster the economy's foreign exchange liquidity buffers by generating non-debt creating direct investment inflows, these measures will ultimately take time to tangibly reduce Egypt's external vulnerability risks. In Moody's view, the existence of vested interests within the public sector also carries implementation risks, as highlighted by delays in previously envisioned asset sale programs.

**Track Record of Durably Flexible Exchange Rate Regime and Price Stability Credentials Under That Regime Have Yet to be Established**

Meanwhile, adhering to a fully flexible exchange rate will be credit positive for Egypt over the medium term. At this stage, the shift to a durably flexible exchange rate regime is complicated by already high inflation and domestic borrowing costs which are being exacerbated by the sharp unwinding of previous real effective exchange rate misalignments. In Moody's view, this complexity raises questions about the central bank's and government's capacity to manage the full consequences of the transition.

Since announcing the shift in exchange rate policy in late October 2022, the Egyptian pound has depreciated by almost 35% against the US dollar, bringing the cumulative depreciation since the start of the Russian invasion of Ukraine in February 2022 to almost 50%, largely replicating the impact of the initial flotation of the currency in November 2016 and among the largest depreciations witnessed globally.

While a truly flexible currency regime will foster increased price competitiveness to grow Egypt's export base and help rebalance external accounts by reducing excessive imports and demand for foreign exchange, the pass-through from higher exchange rate volatility in the future carries the risk of potentially prolonging inflationary pressures, resulting in higher than currently assumed interest rates and borrowing costs for the government, in addition to social risks in light of the population's deteriorating purchasing power. With headline inflation running at 21.4% year-on-year in December and core inflation at 24.5% and additional inflationary pressures resulting from the renewed devaluation in January, Moody's expects demand on social spending support measures to increase, reducing the government's spending flexibility.

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

**Elevated Government Liquidity Risks Are Mitigated By Dedicated Domestic Funding Base and Access to Official External Liquidity Support**

Egypt has very high annual gross financing needs at over 30% of GDP in comparison with other similarly rated peers, at a time when domestic and international liquidity conditions remain constrained. The short average maturity of the debt stock at 3.4 years generates large rollover needs of T-bills accounting for about 20% of GDP in the local currency market where the government benefits from a large and dedicated domestic funding base, albeit at higher yields. At the end of January, 91-day yields have increased to 20.6%, close to the post-flotation peak at 21.6% reached in July 2017. Inflation pass-through from the most recent depreciation in January points to a further rise in borrowing costs ahead.

However, Moody's expects the government to maintain continued access to local currency markets to meet its financing needs even at the cost of crowding out lending to the private sector where claims to total assets have ranged between 20-25% of total assets over the past five years compared to total public sector exposures at 40% - 50% over the same time period. In addition, fiscal authorities continue their effort to extend the average maturity of the debt stock including via the issuance of variable rate debt at longer maturities.

On the external side, liquidity risks relate to the increasing commercial bond and note debt servicing schedule (principal + interest) with $4.6 billion coming due in fiscal 2024 and $4.3 billion in fiscal 2025 as per IMF estimates, amid tight external market funding conditions and higher average borrowing costs as a result of higher risk-free rates in advanced economies.

In Moody's assessment, frontloaded official loan disbursements under the IMF program this fiscal year help cover immediate financing needs while the government is exploring market debt issuances backed by third-party guarantees to help support market access in the future in case of persistently tight financing conditions. Regarding official sector debt maturities, effective rollover needs are eased by the GCC's commitment to extend long- and short-term deposits during the duration of the IMF program. Overall GCC exposures account for 26% of the total external debt stock, or about $40 billion, representing the second largest creditor exposure after multilaterals at $51 billion, or 33% of the total.

**Current Fiscal Accounts Deterioration Mitigated By Continued Commitment to Primary Surpluses**

High imported inflation, exacerbated by sharp currency devaluation, is fueling higher domestic borrowing costs and inflating the value of the government's foreign currency debt, reversing previous improvements in debt affordability and in the general government debt/GDP ratio. However, Moody's expects that after increasing to over 90% of GDP in fiscal 2023 from about 85% in fiscal 2022, the debt ratio will resume an improving trajectory because of consistent realization of primary surpluses. Similarly, Moody's projects debt affordability as measured by general government interest/revenue to decline again after temporarily increasing to over 45% in fiscal 2023 and 2024 from below 40% in fiscal 2022.

In addition to the high interest bill, inflation is exacerbating social challenges which will increase demand for social spending and make the realization of primary surpluses more challenging. However, in Moody's assessment the government remains committed to preserving the track record of consistent primary surpluses since 2018. On the spending side, fiscal authorities have built in spending buffers in the budget to draw upon when needed without jeopardizing the primary surplus target. For instance, during the current fiscal year, the government has approved social spending measures worth 1.7% of GDP covered in the budget, including the expansion of beneficiaries of the Takaful and Karama targeted income support program by 25% to reach 5 million households, which is about 20% of the population, among other measures. On the revenue side, the government continues implementation of the Medium-Term Revenue Strategy that aims to expand the tax-to-GDP ratio by 2%age points of GDP in fiscal 2027 by improving the efficiency and progressivity of the tax system.

**Implementation of Competitiveness Reforms Supports Export Growth & External Debt Carrying Capacity Over Time**

Improved price competitiveness and the implementation of business environment reforms would over time enhance the economy's export base and support foreign direct investment inflows which would enhance the economy's external debt carrying capacity and sustainably reduce the economy's external vulnerability risks.

A comparatively low share of exports of goods and services at below 20% to GDP compared to a world average of closer to 30% currently constrains the amount of current account receipts generated to service the external debt burden which has doubled to 32.8% of GDP in fiscal 2022 since 2016. Regarding the financial account, the initiated shift to less cyclical foreign direct investment inflows and lower reliance on debt-creating inflows would strengthen the resilience of the economy's foreign exchange reserve buffer in the future.

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

The rating would likely be upgraded upon evidence of a structural shift to a growth model that generates the foreign exchange proceeds to meet external debt service payments on a self-sustained basis. This would be reflected in a growing non-hydrocarbon export share over time and a sustained build-up in the foreign exchange liquidity buffer supported by non-debt creating inflows. A sustained improvement in debt/GDP and interest/revenue metrics in line with peers as a result of continued primary surpluses and longer average debt maturities would also put upward pressure on the rating.

Conversely, reversal of adopted reform commitments or limited effectiveness of the reforms under the IMF program that leads to reduced official support; or a sustained deterioration in debt/GDP or interest/revenue metrics resulting from the materialization of social or political risk would exert negative pressure on the rating. (Moody's 07.02)

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* 1. EGYPT: Sisi’s Suez Canal Debacle

On 1 February, [Al-Monitor](https://www.al-monitor.com) reported that on 19 December, the Egyptian parliament offered preliminary approval for an amendment to law 30 issued in 1975 which pertains to the regulation of the operations of the Suez Canal Authority. The amendment to the law provides for the creation of a “Suez Canal Fund,” where surplus revenue from the operation of the Canal is to be invested. The fund is also allowed to lease, sell, and purchase assets, establish companies, and invest in financial instruments. The fund is planned to have a board of directors which is appointed by the Council of Ministers and led by the head of the Suez Canal Authority.

The aim of the law, according to a statement made by Pres. Sisi, is to allow the Suez Canal Authority to accumulate its own cash reserves for necessary Canal development projects without having to revert to the Ministry of Finance to procure the required funds. The amendment will also open up the Suez Canal Authority to private investors, if the proposed fund opts to sell some of its assets, or to establish a company with a private party. Notably missing in the proposed amendment, however, is any mention of legislative oversight for the operation of the fund.

Upon closer examination, it becomes clear that the regime’s decision to create the fund is an indication of a lack of political will to reform its militarized form of state capitalism. On the contrary, the regime seems to be doubling down on its policy. For example, the Suez Canal Authority has long been within the purview of the military establishment, with ex-naval officers acting as heads of the Authority without interruption since 1964, and the military taking an off-the-books commission for every ship that crosses the Canal.

In keeping with that tradition, Sisi announced that the fund will be under the supervision of a “sovereign entity,” which is a clear euphemism for the intelligence services or military establishment. Sisi made the statement even though the amendment places authority over appointments to the board of directors within the Council of Ministers, which is—theoretically—a civilian body. This, in essence, will grant the military access to an unsupervised fund where it can siphon off large amounts of Canal revenues with no civilian oversight.

The decision comes in the midst of a burgeoning economic crisis caused by a severe shortage of hard currency, which saw the value of the pound drop to a historic low against the dollar following three devaluations in less than one year. Since at least some of the Canal’s revenue will be redirected to the proposed fund, its establishment will only further deprive the state of an important source of hard currency which accounted for 7.4% of the current account receipts in the first quarter of 2021. This crisis situation is compounded by a shortage of basic goods and a five-year high rate of inflation that stood at 18% in November.

Thus, the development of the fund appears to have two primary goals. First, it aims to consolidate support for the regime within the military establishment in the midst of a deep economic and social crisis. Second, it seeks to create a compromise by allowing private investors to participate in the operations of the Canal without the loss of military control. Indeed, the plan sets the scene for the capitalization of the Canal without changes to its governance rules, or an increase in transparency regarding the use of its revenue. While this indicates that the regime is trying to have its cake and eat it too, it also shows that, in spite of the spectacular collapse of the state’s model of economic development, the regime insists on continuing down the defective path it has created. This means that the economic crisis will only get worse with devastating consequences for Egyptians. (Al-Monitor 01.02)

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

On February 1, 2023, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with Algeria and considered and endorsed the staff appraisal without a meeting.

The upswing in hydrocarbon prices has alleviated pressures on public and external finances and the post-pandemic recovery has likely gathered pace. In 2022, the current account balance is expected to post its first surplus since 2013 and international reserves have risen, halting the steady downtrend in recent years. Similarly, a fiscal surplus is expected in 2022 reflecting the hydrocarbon revenue windfall and large under-execution of budgeted spending. The economic recovery strengthened, with non-hydrocarbon GDP growth projected to accelerate to 3.2% in 2022 from 2.1% in 2021.

The rise in inflation is a major challenge, amid a loose monetary policy stance. Headline inflation picked up to 7.2% in 2021 and is estimated at a 26-year high of 9.3% in 2022. Despite steps towards more active liquidity management by the central bank, monetary policy remains accommodative.

The prospects for 2023 are favorable but growth is projected to decelerate and inflation to remain high in the medium term. Nonhydrocarbon GDP growth is forecast to accelerate to 3.4% in 2023 on substantial rise in fiscal spending and taper off to around 2% in the medium term. The current account is projected to remain in surplus in 2023 and record a gradually widening deficit from 2024 onwards. Inflation is projected to moderate somewhat to 8.1% in 2023 but remain relatively high over the medium term. The outlook is highly contingent on hydrocarbon prices. Upside risks stem from possible increased investment in the hydrocarbon sector and mining projects under development.

**Executive Board Assessment**

In concluding the Article IV consultation with Algeria, Executive Directors endorsed staff’s appraisal as follows:

The near-term outlook for the Algerian economy has materially improved, buoyed by the upswing in hydrocarbon prices. External and fiscal surplus are expected in 2022 for the first time in an extended period. Algeria’s external position in 2022 was stronger than the level implied by fundamentals and desirable policy settings. However, the outlook remains highly contingent on hydrocarbon prices and faces risks from a weaker global backdrop and commodity price volatility. The broad-based acceleration in inflation has become a major policy challenge.

Staff urges the Bank of Algeria (BA) to tighten monetary policy immediately to forestall possible de-anchoring of expectations and persistent high inflation. Recent dinar appreciation cannot substitute for needed monetary policy tightening. Staff recommends that the BA increase its policy rate and resume well-calibrated liquidity management to enhance monetary policy transmission. The forthcoming revision of the Law on Money and Credit is a welcome opportunity to strengthen the governance framework of the BA. Staff recommends a formal ban on monetary financing in the new law to enhance the central bank’s independence and its ability to act in defense of price stability.

The announced sizeable rise in spending under the 2023 budget could reverse the progress achieved on narrowing the deficit since 2018, weaken the resilience of public finances and add to inflation pressures. Financing constraints are likely to forestall full execution of announced spending. However, even continued low execution of budgeted spending could lead to a substantial deterioration of the fiscal deficit. Higher spending rigidity and a rapid drawdown of fiscal savings would exacerbate the vulnerability of public finances to gyrations in hydrocarbon prices—with the risk of abrupt adjustment should oil prices decline— and add to excess liquidity, complicating the conduct of monetary policy.

The medium-term deficit trajectory also carries risks for macroeconomic stability. Continued wide fiscal deficits and increasing principal repayments coming due on past monetary financing would result in large fiscal financing needs through the medium term. As the authorities have ruled out foreign borrowing, meeting these financing needs would heap significant pressure on the domestic banking system and pose risks to financial and macroeconomic stability.

Gradual fiscal rebalancing guided by a rules-based framework is needed to enhance the resilience of public finances and safeguard macroeconomic stability in the medium term. Staff recommends an adjustment to improve the non-hydrocarbon primary deficit excluding the BA’s dividends by 10% of NHGDP relative to its 2022 level and through 2027. Subsidy reform together with enhanced targeted social protection would help achieve the required fiscal rebalancing, alongside parametric pension reform, lower capital spending and continuation of tax reforms. Staff also proposes the adoption of a medium-term fiscal framework based on well-calibrated rules comprising a saving floor and a gross debt anchor, to guide fiscal rebalancing, reduce policy pro-cyclicality and protect priority spending. More diversified financing sources would afford space to stage fiscal adjustment over several years while limiting pressures on the banking system.

Staff welcomes the progress achieved on reforms of public finance management and calls for further efforts to strengthen the fiscal framework. The projected full implementation of the Organic Budget Law in 2023 would mark a major milestone for modernization efforts. To protect this progress, budget projections should be in line with execution capacity and available fiscal space. Budgets should also incorporate comprehensive and transparent financing plans and efforts should be deployed to strengthen cash management and improve transparency on budget execution.

Acceleration of structural reforms is needed to advance the transition to a more diversified, resilient and job-intensive growth model and further strengthen the governance framework. Legislative reforms recently adopted or underway, including the new investment law and the forthcoming laws on micro-entrepreneurship and renewable energies, could help create a more conducive environment to private sector activity. Staff cautions against the risks from tight import regulation measures—e.g., fueling inflation and incentivizing informality— and recommends further reforms to improve trade openness and competitiveness, including product and labor market reforms. It also urges the authorities to prioritize actions to address weaknesses in macroeconomic data quality and availability. Ongoing efforts to strengthen governance and reduce corruption risks are welcome and should be intensified. (IMF 01.02)

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* 1. MOROCCO: France’s Mending Relations & Ending Moroccan Visa Restrictions

Frances McDonough and Sabina Henneberg published on 25 January in the  [Washington Institute for Near East Policy](http://www.washingtoninstitute.org) that a recently announced visa decision and a presidential visit to Rabat indicate France’s eagerness to regain its diplomatic position in the region.

After more than a year of tension between France and Morocco over migrant issues, French foreign minister Catherine Colonna announced an end to restrictions on Moroccan visas during her mid-December visit to Rabat. Beyond addressing Moroccans’ publicized discontent with the visa cutbacks, the decision reflects France’s growing effort to rebalance relations with its North African partners. Such an effort is more essential now than ever before, as spats across the Maghreb threaten to ramp up.

**French-Moroccan Relations Hit a Rough Patch**

Although France’s relationship with Morocco during President Emmanuel Macron’s administration appeared to start off on the right foot—especially after the success of Macron’s first “friendship visit” to the kingdom in 2017—dialogue between the two countries had reached an impasse by 2020. At the center of the disagreement lay the perennial issue of migration from North Africa, with France pushing countries in the region to implement stricter measures to manage the outflow of migrants, which averages at about 100,000 arrivals per year. Frustrated with the lack of cooperation from Morocco, Tunisia and Algeria in readmitting nationals who had been denied visas after migration, France ultimately reduced the number of visas it issued to their citizens in September 2021.

This unprecedented move was particularly ill-received in Algeria and Morocco, where visas were cut by half. Moroccan foreign minister Nasser Bourita described the decision as “unjustified” and failing to “reflect the reality of consular cooperation in the fight against irregular migration.” The drastic cut also had a major impact on Moroccan citizens—an estimated 98,627 Schengen visas had successfully been issued to Moroccans in the year prior. With more than 700,000 people of Moroccan origin living in France, fewer visas meant greater difficulty visiting family members, studying abroad, accessing medical care, or seeking job opportunities for tens of thousands of Moroccans.

Over the following year, relations cooled further. Although official statements from both governments refrained from addressing the tensions directly, the unease was visible in France’s apparent hesitation to appoint a new ambassador to Morocco after the departure of Helene Le Gal in September 2022. One month later, Morocco responded by recalling Ambassador Mohamed Benchaaboun from Paris just weeks after his appointment. Investigations throughout 2020 and 2021 into Morocco’s alleged spying on French officials during the Pegasus spyware scandal only made matters worse.

**France’s Reassessment and Moroccan Balancing**

Colonna’s announcement in December marked an important step toward mending a relationship that had been on the decline. The first signal at an attempted rapprochement with the Maghreb came earlier in August, when Macron visited Algeria for the first time since making controversial remarks criticizing Algiers the previous year. During the visit, he expressed France’s desire for a “renewed partnership” with Algeria and discussed France’s continued role in regional developments. Soon after ending visa restrictions for Moroccans, French interior minister Gerald Darmanin announced the Algerian visa cut would also end.

These efforts at a return to direct diplomacy are slated to continue; Macron will reportedly be visiting Morocco in early 2023 for the first time in nearly five years. In the meantime, normal consular relations between the two countries have been restored. France has already appointed a new ambassador in Rabat, setting the diplomatic stage for further rapprochement.

While Morocco and Algeria may have capitulated somewhat on the migrant issue by cooperating with France’s readmission orders, this apparent attempt to reverse course and eagerly smooth things over likely reflects France’s concerns over a growing spat between these two North African countries.

Some observers fear a potential “arms race” between Algeria—Africa’s largest defense spender—and its rival Morocco as relations continue to worsen over the perennial tension point of Western Sahara. Rabat may be expecting firmer language from France in support of Morocco’s “autonomy plan” in Western Sahara, but France’s balanced approach in recent months seems designed to put the country back in a position to advocate for sustainable solutions to the conflict through international legal channels.

France remains comfortable voicing an opinion similar to European neighbors such as Spain—calling the autonomy plan “a basis on which serious and credible talks can be built” while not going as far as the United States—but its attempts to mend ties on both sides highlight the delicate balance France must maintain to do so. Meanwhile, Morocco is performing a balancing act of its own. With the Western Sahara conflict at the cornerstone of its foreign policy, Rabat has increasingly looked toward diverse economic and political international partners to develop more stable relations and garner support for the autonomy plan.

Such interlocking concerns highlight the ways in which bilateral issues—such as the question of migrant visas—overlap with regional and global ones. France’s balancing act becomes ever trickier as global conditions shift. As its North African neighbors find new strategies to pursue their goals, challenges will persist beyond the immediate positive press expected from Macron’s upcoming visit.

*Frances McDonough is a research assistant for Fikra Forum at The Washington Institute. Sabina Henneberg is a Soref Fellow at the Institute.* (TWI 25.01)

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* 1. MALTA: IMF Executive Board Concludes 2022 Article IV Consultation with Malta

The Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with Malta on 2 February 2023 and endorsed the staff appraisal without a meeting.

Malta’s economy has recovered strongly following the worst recession in decades due to the COVID-19 pandemic. With the easing of pandemic containment measures, output grew by 11¾% in 2021. The economy has continued to expand for the first three quarters of 2022, driven by strong net exports and private consumption, and staff expect growth of 6½% in 2022. Inflation has picked up but has remained among the lowest in the euro area, reflecting the government’s policy to freeze retail electricity and fuel prices for all consumers.

GDP growth is expected to slow to 3¼% in 2023 due to lower consumer purchasing power, dampening domestic demand and weakening external demand from Europe. Inflation is expected to gradually decline but remain elevated. Uncertainty is exceptionally high, and risks are tilted to the downside, including a deeper-than-expected recession in Europe, a possible de-anchoring of inflation expectations, and the realization of money laundering and terrorist financing risks. On the upside, lower-than-expected commodity prices would lead to stronger growth than forecast.

**Executive Board Assessment**

In concluding the 2022 Article IV consultation with Malta, Executive Directors endorsed staff’s appraisal, as follows:

Malta’s economic recovery from the pandemic is remarkable, but the indirect impact of Russia’s war in Ukraine weighs on the outlook. The strong economic recovery continued into 2022, driven by high net exports and consumption. GDP growth is, however, set to slow in 2023 as the confluence of global shocks weighs on the economy. Inflation is expected to gradually decline but remain elevated. Risks to the outlook are tilted to the downside, mainly because the growth slowdown in Europe could be deeper than expected.

The authorities should prepare an exit strategy from the fixed-energy-price policy while protecting vulnerable groups. The exit strategy should aim to contain fiscal costs and introduce market price mechanisms to enhance incentives for energy conservation and help accelerate the green transition while protecting vulnerable groups. The authorities should explore reform options with the aim of gradually rolling them out ahead of winter 2023/24. Ultimately, accelerating the green transition is the best way to strengthen Malta’s resilience to an energy shock.

The fiscal tightening planned for 2023 is appropriate, given the need to slow inflation and improve the public finances, but additional actions are needed to pursue consolidation over the medium term. While public debt is projected to remain just below 60% of GDP, it could be forced on an upward path if growth underperforms or contingent liabilities materialize. To protect against this risk, the authorities need additional measures to mobilize revenues and enhance spending efficiency over the medium term. In light of Pillar II of the global corporate tax reform, the authorities need to reform the taxation of multinational firms and consider broader reforms to the tax system and to revenue administration with the aim of simplifying and improving the efficiency of the tax system and reducing administration and compliance costs while protecting revenues. Efforts aimed at identifying the scope for rationalizing recurrent spending should continue, while further steps should be taken to improve the efficiency of public investment, including green investments. Long-term demographic trends should be closely monitored to properly plan pension-related reforms, and efforts should continue to promote voluntary occupational pensions and personal pensions.

The financial system remains sound, but emerging risks warrant continued vigilance and close monitoring of banks. The authorities should closely monitor banks’ risk management to ensure that provisions are continuously updated as economic prospects change. Given the banking sector’s large exposure to the housing market, the consideration of introducing a sectoral systemic capital risk buffer targeting mortgage loans is warranted. In addition, efforts to monitor cyber security risks and strengthen resilience against cyberattacks should continue.

Structural reforms are necessary to improve Malta’s long-term growth and address climate challenges. Malta’s Recovery and Resilience Plan will address part of its structural challenges, but more efforts will be needed, especially to address labor skill mismatches, increase STEM graduates, enhance vocational training, promote research and innovation, and advance the digital transformation of SMEs. Labor force participation should also be fostered through incentives for workers to delay retirement and flexible working solutions to address structural labor shortages. On climate change policy, concerted efforts involving all stakeholders should continue to implement the 2021 Low Carbon Development Strategy and seek decarbonization potential by exploiting various sources, including investing in renewable sources. (IMF 08.02)

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