

**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. Free Trade Agreement Between Israel & UAE Goes Into Effect

On 26 March, the free trade agreement between Israel and the United Arab Emirates (UAE) went into effect with the signature of the customs agreement in Jerusalem by Prime Minister Netanyahu, Foreign Minister Cohen and Emirati Ambassador to Israel Al Khaja. The deal covers 96% of the trade between the two countries, which in 2021 reached $885 million and has grown since. It will extend to food, agriculture, cosmetics, medical equipment and other commodities.

The 2020 normalization deal reached between the two countries was one of a series of US-brokered agreements known as the Abraham Accords. The UAE deal was the first, with Bahrain joining shortly after, followed by Sudan and Morocco. Following the normalization agreement, the nations have also embarked on a series of cooperative ventures, including a joint research and development fund to promote tech projects by Israeli and Emirati firms. Tourism has also boomed, with an estimated 150,000 Israelis visiting the UAE in 2022. (i24NEWS 26.03)

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* 1. FM Cohen Visits Poland as Israel Announces End to Crisis

The foreign ministers of Israel and Poland hailed a meeting they had on 22 March as a breakthrough in restoring a relationship that has been badly damaged for years due to disagreements over how to remember Polish behavior during the Holocaust. The ministers signed an agreement that they said would allow for the resumption of Israeli youth trips to Poland, one of several tension-causing points of contention between the two countries.

Israeli Foreign Minister Eli Cohen's visit to Poland was the first at that level since 2018. Poland's Foreign Ministry said Israeli President Herzog plans to attend observances next month for the 80th anniversary of the Warsaw Ghetto Uprising, an armed 1943 revolt by Jews in German-occupied Poland.

Poland has been one of Israel's closest allies in Europe over the years, and Israel appears eager to restore that relationship. The tensions of the past years were marked by a withdrawal of ambassadors and Poland's prime minister canceling a planned visit to Israel in 2019. Israel has since returned an ambassador to Poland, but there is still no Polish ambassador in Israel. FM Cohen said that Poland has agreed to return an ambassador to Israel and PM Netanyahu said that this marks a positive step forward in diplomatic relations.

The disagreements between the nations are rooted largely in the Holocaust and how to remember Polish involvement in the killing of Jews by German forces during World War II. Poland's governing nationalists have sought to depict Polish crimes as a marginal phenomenon and focus almost exclusively on remembering the Polish heroes who helped Jews. Historians, Israeli authorities and Jewish survivors who suffered persecution at Polish hands before, during and after the war have condemned the nationalist position and accuse the government of seeking to whitewash history.

Ties began to deteriorate when Poland passed a Holocaust speech law in 2018 that made it illegal to blame Poland as a nation for the Holocaust. The legislation eventually was watered down, and it still has not been applied in practice. Three years later, Poland's parliament passed a law that effectively left Holocaust survivors and their descendants unable to reclaim property seized by the post-WWII communist regime. (Various 23.03)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Bath & Body Works to Open 30 Stores in Israel

Caesarea's [Delta Israel Brands](https://delta-israel.com/en/investors-lobby-english/) announced that it has signed an exclusive franchise agreement to establish and operate a chain of Bath & Body Works stores and website in Israel. As part of the agreement, the company plans to launch the online site in 2023 and is expected to open at least 30 stores by 2026, with an estimated investment of over $15 million. The agreement states an initial contract of seven years from the date of signing, with an option to extend for another seven years.

Bath & Body Works is an American cosmetics and home goods chain owned by the Limited Brands Group, which also owns Victoria's Secret. Its products include a wide variety of body creams and lotions, candles, fragrance diffusers and soaps, which are primarily made in the United States and are characterized as high quality products at affordable prices. The brand's sales in 2022 were approximately $7.5 billion and it has more than 1,800 stores in the United States and Canada. In October 2010, it opened its first stores outside of North America in Kuwait. (i24NEWS 15.03)

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* 1. SmartBear Acquires Aspecto to Give Developers Greater Application Visibility

Somerville, Massachusetts SmartBear, a leading provider of software development and visibility tools, announced the acquisition of Israel's Aspecto. Aspecto has been instrumental in driving and defining the OTel project and community since its founding in 2019. The acquisition provides developers a unique capability to rapidly identify and correct bugs in distributed environments through the integration with the market-leading error tracking and performance monitoring solution, BugSnag from SmartBear.

With this acquisition, SmartBear will provide development teams with extended end-to-end visibility across the software development lifecycle (SDLC). Developers can use Aspecto’s OpenTelemetry-based observability platform to visualize complex traces, optimize performance, deliver greater collaboration with APIs, better explore microservices and improve the testing and analysis of staging and production infrastructures. The visibility will enable developers to build competitive apps with the confidence to deploy faster and more often.

Powered by OpenTelemetry, Tel Aviv's [Aspecto](http://www.aspecto.io) delivers a best-in-class distributed tracing experience for developers. The company’s observability platform provides visibility into every interaction and performance issue occurring within distributed services, allowing developers to troubleshoot bottlenecks and errors while correlating root causes across traces, logs and metrics. (SmartBear 21.03

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* 1. TripleW Raises $16.5 Million to Produce Lactic Acid & Bioplastic from Food Waste

TripleW has raised $16.5 million in Series B funding led by Firstime VC and with participation of Israel Oil and Gas Fund, LG Technology Ventures, Millennium Food-Tech VC, Consensus Business Group, Eddy Shalev, John Zyskind and Tal Shapira. The company previously raised $19 million, including major grants from the EU’s Horizon 2020 Program with the Waste2Func consortium, Flanders Innovation & Entrepreneurship (VLAIO, Belgium), Israel Innovation Authority and the BIRD Foundation (US).

TripleW’s lactic acid and PLA bioplastic is made from 100% food waste and provides a low cost, versatile alternative to fossil-based materials, without the need for green premiums. The food waste is fermented using microorganisms that produce the lactic acid product, then separated via several purification steps. The company is developing several full-scale upgrade projects around the world with tier 1 waste management companies.

Since 2015, Netanya's [TripleW](https://www.triplew.co/) has committed to addressing the environmental and financial challenges of waste management, through the development of superior circular solutions. Bioplastics, renewable and highly in-demand, are the perfect vehicle for creating value from food waste and closing the loop. Through intensive R&D, the company has developed a process that can be implemented anywhere in the world where food waste is discarded, diverting waste from landfills, generating green jobs and reducing the financial burden of ratepayers. (TripleW 22.03)

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* 1. Fairmatic Raises $46 Million In New Funding

Fairmatic has raised $46 million in new funding, six months after its oversubscribed Series A, bringing its total financing to $88 million. Battery Ventures led the round with participation from current investors and Bridge Bank.

Fairmatic is creating a new commercial auto insurance category with its AI-driven underwriting approach that unlocks continuous savings opportunities for fleets. By providing an easy way to monitor driving events and offering actionable improvement tips, Fairmatic is giving fleets more proactive control over their risk management approach. This fair and transparent underwriting approach unlocks a better understanding of risk, ensuring fleets are only evaluated based on factors within their control. With Fairmatic, fleets are incentivized for safer driving and not penalized for unavoidable incidents. This diverges from traditional insurance models that rely on historical data, which has led to losses and overpriced premiums, especially upon renewal.

Tel Aviv's [Fairmatic](http://www.fairmatic.com) is creating a new commercial insurance category by delivering the first data-driven fleet insurance that rewards safety with savings. Fairmatic’s new approach leverages AI-powered technology in combination with deep telematics data to drive meaningful cost savings for fleets by valuing responsible driving leading to safer roads. The Fairmatic underwriting model has been trained and tested with over 200 billion miles of driving data to help fleets proactively manage safety issues with actionable insights. (Fairmatic 16.03)

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* 1. Backslash Emerges from Stealth to Fuse Code Security with Cloud-Native Context

Backslash Security emerged from stealth, announcing an $8 million round led by StageOne Ventures, First Rays Venture Partners, D. E. Shaw & Co. and a roster of security veterans as angel investors, including technology entrepreneur and investor Shlomo Kramer, Ron Zoran (former CRO at CyberArk) and Brian Fielder (General Manager and CTO Enterprise Security at Microsoft), among others.

Already in use by leading technology organizations and Fortune 100 companies, Backslash is the new enterprise AppSec solution to provide unified code and cloud-native security by correlating cloud context to code risk, bolstered by automated threat modeling, code risk prioritization and simplified remediation across applications and teams. With Backslash, enterprise AppSec teams can now see, prioritize and easily act upon high-risk code combinations, called “toxic code flows,” in their cloud-native applications.

Backslash was specifically designed to address the persistent, time-consuming and manual ways of discovering and mapping application code risks, and the cloud-native context gaps left unaddressed by previous generation, noisy SAST tools. Backed by extensive cloud-native application expertise and experience across cloud/ serverless and microservices, the Backslash Cloud-Native Application Security solution provides AppSec teams with security insights and business context to the code risk, while tracking the security posture of different applications and teams involved.

Tel Aviv's [Backslash](https://www.backslash.security) is the first Cloud-Native Application Security solution for enterprise AppSec teams to provide unified security and business context to cloud-native code risk, coupled with automated threat modeling, code risk prioritization, and simplified remediation across applications and teams. With Backslash, AppSec teams can see and easily act upon the critical toxic code flows in their cloud-native applications; quickly prioritize code risks based on the relevant cloud context; and significantly cut MTTR (mean time to recovery) by enabling developers with the evidence they need to take ownership of the process. (Backslash Security 22.03)

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* 1. Elbit Systems Signs MoU with Nippon Aircraft Supply & Itochu Aviation in Japan

Elbit Systems, Nippon Aircraft Supply (NAS) and Itochu Aviation signed a strategic cooperation MOU to promote mutual cooperation for a range of solutions between the companies. As part of the MOU, Elbit Systems will provide the main components, technology and knowledge to NAS and Itochu. NAS will provide the capabilities for local integration, manufacturing, test and maintenance and Itochu will lead the marketing of the products in Japan. This cooperation will address the growing Japanese interest in the field of defense while fully aligned with the local requirements that Elbit Systems provides Japan-based production and qualities.

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 also focuses on the upgrading of existing platforms, developing new technologies for defense, homeland security and commercial applications and providing a range of support services, including training and simulation systems. (Elbit Systems 15.03)

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* 1. BP and UAE's ADNOC Bid for Stake in NewMed Energy

BP and Abu Dhabi National Oil Company (ADNOC) have made a non-binding offer to take NewMed Energy through an acquisition of the free float and a partial acquisition of Delek Group's stake for approximately $2 billion. The Israel-based NewMed Energy is an energy partnership in the exploration, development, production and sale of natural gas and condensate. This would result in ADNOC and BP holding 50% of NewMed Energy.

NewMed Energy is a subsidiary of Delek Group and holds 45.34% of the Leviathan Reservoir, the largest natural gas reservoir in the Mediterranean. Last year, Abu Dhabi's Mubadala Petroleum acquired from Delek Drilling a 22% stake in the east Mediterranean Tamar gas field for about $1 billion. ADNOC and BP intend to form a new joint venture that will be focused on gas development in international areas of mutual interest, including the East Mediterranean. This proposed transaction with NewMed Energy would be a significant first step in establishing the JV with BP.

Meanwhile, NewMed Energy said in a regulatory filing on the Tel Aviv Stock Exchange (TASE) that the ADNOC-BP consortium will make a cash offer of NIS 12.05 ($3.37) per share for all of the partnership's shares held by the public and some of the units held by Delek Group. NewMed's outstanding stock currently amounts to 1.17 billion, valuing the whole company at $3.94 billion. (ZAWYA 28.03)

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* 1. Ecoppia Expands with Projects in Spain & Chile with Matrix Renewables

Ecoppia announced an agreement to deploy its robotic solutions in 4 projects developed by Matrix Renewables, the TPG Rise-backed global renewable energy platform. This collaboration will mark Ecoppia’s first project in the Spanish region.

Ecoppia will deploy two robotic models at these PV sites – the Ecoppia H4 and the Ecoppia T4. Both robots are water-free and perform highly efficient cleaning while proven to be fully safe on the modules and structure. Ecoppia will also provide the operations and maintenance (O&M) to the robotics fleet for the projects’ lifetime. This announcement follows the recent announcement by Ecoppia about a 181.25 MWac project in Chile with global player ENGIE with expected up to $7.2 million in total revenue.

For over a decade, Ramat HaHayal's [Ecoppia](https://www.ecoppia.com/) has been the world leader in robotic cleaning solutions for PV. Offering a cloud-based platform and a suite of advanced solutions, Ecoppia’s fully autonomous robots cost-effectively maximize the performance of utility-scale PV sites. Remotely managed and controlled, the Ecoppia platform allows solar sites to maintain peak performance with minimal costs and human intervention. (Ecoppia 27.03)

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* 1. Zorro Leaves Stealth with $11.5 Million to Revolutionize Employee Health Benefits

Zorro announced its launch out of stealth, along with an $11.5 million seed funding round co-led by Pitango and 10D. The funds will be used to further expand R&D efforts and scale customer operations.

Zorro analyzes employers' benefit objectives to create a top-down predictable budget and benefit allowance per employee or group of employees. It also provides an end-to-end insurance management solution that offers a single, comprehensive platform making administering benefits seamless and effective. Additionally, Zorro acts as a financial companion and analyzes employees' healthcare needs, family situation, risk tolerance and other personal characteristics. It then generates a recommended benefit bundle consisting of health insurance, supplemental coverages, specialized digital health solutions, and other financial value-add services.

Tel Aviv's [Zorro](https://myzorro.co/) is to be the healthcare financial companion of the future by improving access to quality healthcare to millions of Americans. Zorro provides an end-to-end solution optimizing the employee, employer, and broker benefits experience. Its platform optimizes how to allocate employers' budgets, moving from a "one-size-fits-all" offering to a modular, personalized model for employees. (Zorro 28.03)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Dubai Opens 100% Plant-Based Meat Factory

The IFFCO Group, one of the UAE’s producers of food products, has opened the first 100% plant-based meat factory in Dubai. Located in Dubai Industrial City, the Thryve factory will catalyze the move towards a more sustainable and healthy food chain in the Arabian Gulf. The factory will leverage advanced food technologies to produce tasty, healthy, sustainable and culturally relevant food that meets the needs of the local consumer. In addition, IFFCO is working closely with the government to create regulatory standards for plant-based food products.

The factory also contributes to Dubai’s economic diversification journey in line with the goal of the Dubai Economic Agenda D33 to consolidate the emirate’s status as one of the top three global cities. The Dubai Industrial City is home to a growing number of Dubai-based food manufacturers who are introducing innovative food products. This new enterprise adds value to the industry while strengthening our reputation as facilitators of a self-reliant food program. (GB 17.03)

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* 1. Qlub Raises $25 Million in its Latest Funding Round

Dubai's Qlub has raised $25 million in its latest funding round, bringing its total fundraising to $42 million. The new round was co-led by Cherry Ventures and Point Nine with participation from other global venture capital firms, including STV, Raed Ventures, Heartcore, Shorooq Partners, FinTech Collective, and several angel investors. The round was also supported by new investors, including the global investment firm Al Dhabi Capital and major family-owned businesses in the UAE. The startup plans to use the proceeds to fuel growth as well as develop and launch new services for restaurants and customers who already use Qlub.

Founded in 2021, [Qlub](https://qlub.io/en/‎) enables customers to instantly pay their bills in restaurants within 10 seconds by scanning a QR code with their phone, even without an app or any registration, which increases table turnover, tips for waiters, and returning customers. Dubai's Qlub is bringing the dine-in experience to a new level with an ultra-fast payment solution. Everybody has experienced these annoying 20 minutes wasted waiting for the bill. With Qlub, it takes no more than 10 seconds to pay by simply scanning a QR code, paying with one click, and walking away. All this is possible even without the need to download an app. If dining with friends, it has never been easier to split your bill. (Forbes Middle East 15.03)

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* 1. UAE’s Al Futtaim Group Launches New EV-Focused Company

UAE-based retail giant Al Futtaim Group has established an EV-focused company named Electric Mobility Company, which combines an EV dealership, charging stations, and an after-sales hub for the country’s EV market. The new company has partnered with Chinese automaker BYD as its first new energy vehicle partner. BYD showcased 2 of its EVs — the Han and Atto 3 — during the Future Mobility Day event held in Dubai recently, where Al Futtaim unveiled the launch of the new EV dealership.

Al Futtaim also signed an agreement with Siemens for the supply and deployment of its Charge2Moov EV charging stations. Al Futtaim Automotive group, which is Volvo’s UAE representative, will introduce the Volvo EX90 — a 7-seater EV SUV — in the UAE as early as 2024. Al Futtaim expects the EV industry to grow at a CAGR rate of 30% over the next five years in the UAE. (Zawya 21.03)

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* 1. United Resumes Services to Dubai With Daily Flight from New York

On 27 March, United Airlines said that it had launched a new nonstop daily service between its New York/Newark hub and Dubai International (DXB). United is thus the only US airline to offer nonstop flights between Dubai and the US.

In September last year, Dubai-based carrier Emirates agreed on a codeshare and interline arrangement with United. By way of that agreement, customers from the US flying to Dubai can travel onwards with Emirates or its sister airline flydubai to over 100 different cities, whilst customers flying from Dubai to New York can avail of onward connections with United to over 80 destinations across the Americas. The agreement between also extends to the airline’s respective loyalty programs.

The service marks United’s return to Dubai, which it previously served until 2016. The commencement of this route is also expected to boost tourism arrivals from North America to Dubai. (GB 27.03)

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* 1. Halcyon Hosts Mission-Driven Start-ups in Abu Dhabi

Washington, D.C.-based incubator, Halcyon concluded a week-long program in Abu Dhabi recently with a cohort of 28 founders representing the region's most promising impact-driven businesses. This year's cohort marks the second year of Halcyon's Middle East and North Africa (MENA) Fellowship, which brings together founders from across the region for skills building and networking. This two-year program has been conducted in partnership with the U.S. Department of State and Amazon Web Services (AWS), with the support of Leana and Marc Katz. The delegation's visit to the UAE was in collaboration with Access Abu Dhabi, a program supported by the Abu Dhabi Investment Office (ADIO), which is open to all US businesses and includes various support to accelerate expansion and growth in the UAE capital.

Halcyon's 2023 MENA Fellows, from seven countries across the region, are bringing innovative solutions to market for a wide range of issues, from clean water and affordable medical devices to sustainable food systems, and access to education for disabled students. They join Halcyon's network of over 300 fellows from around the world solving 21st century challenges through impact-driven business. Highlights of the residency in Abu Dhabi included a mentorship session hosted at ADIO, where the Halcyon's 2023 MENA Fellows were introduced to the opportunities available to tech startups in Abu Dhabi's innovation ecosystem.

[Halcyon](http://www.halcyonhouse.org) accelerates the impact-driven future of business. We believe there's a competitive advantage to having a social mission in your DNA, and that impact-driven businesses represent a powerful opportunity to drive equity and inclusivity in the workplace and society. (Halcyon 22.03)

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* 1. Flat6Labs Launches New $95 Million VC Fund for Africa & Egypt

Flat6Labs, MENA’s leading seed investor, launched a new $95 million Seed Fund to nurture the growth and development of early-stage tech startups on the African continent. Flat6Labs has a proven track record in promising startups in North Africa, with more than $16 million invested in startups, and over $191 million raised in follow-on funding while creating more than 2,500 direct jobs and 80,000 indirect jobs through its first two funds in Egypt and Tunisia.

Headquartered in Egypt, the Africa Seed Fund (ASF) will focus on three main investment territories in Africa: North Africa, West Africa and East Africa. Flat6Labs will be extending its reach into several new territories including Nigeria, Ghana, Kenya, Morocco, and Senegal, among others. The fund will invest in more than 160 early-stage startups over the next five years that operate in the technology sector in Africa, with a focus on sectors accelerating digital inclusion through IT and those addressing social challenges, such as HealthTech, FinTech, EdTech, GreenTech, AgriTech, ClimateTech and other sectors.

The Africa Seed Fund (ASF) is being established by Flat6Labs, project (SAIS) with the support of the GIZ on behalf of the German Government, and through the Egyptian Agricultural Innovation Project (AIP) and Scaling Digital Agricultural Innovations through Start-ups project (SAIS). (Flat6Labs 14.03)

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* 1. Saudi Venture Capital to Invest $1.6 Billion in Startups

The [Saudi Venture Capital (SVC)](https://svc.com.sa/en/) and the Capital Market Authority announced the launch of ‘Investment in Fintech VC Funds’ to secure financing for startups. The initiative is to support startups and SMEs from pre-Seed to pre-IPO by pumping $1.6 billion through investment in funds and co-investment in startups. The Financial Sector Development Program will be also a main partner for launching the new product.

The main goal of the new product is to secure financial tools for both startups and (small and Medium Enterprises (SMEs) in Saudi Arabia. Around $80 million has been earmarked from the investment portfolio for the product ‘Investment in Fintech VC Funds’. Overall, SVC has invested in 525 companies through 904 deals. (WAYA 20.03)

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* 1. Tamara Secures $150 Million Debt Facility from Goldman Sachs

Riyadh's [Tamara](https://tamara.co/en/index.html) has secured a debt facility of up to $150 million from US investment bank Goldman Sachs despite the challenging global macroeconomic conditions. The latest round brings Tamara’s total funding in equity and debt to up to $366 million since its launch in September 2020. According to the company, the facility - the first in the region - will help finance the accelerating demand for its flagship buy-now-pay-later product and drive its growth across new verticals. Tamara has taken on six million customers since its launch across Saudi Arabia, UAE, Kuwait and Bahrain.

Tamara acts as a commerce enabler for over 15,000 partner merchants, including regional and global brands such as SHEIN, IKEA, Jarir, Noon and H&M. The company is targeting the Millennials and Gen Z, as around 70% of the GCC population are young and tech-savvy. (ZAWYA 17.03)

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* 1. Egypt's TileGreen Turns Plastic Bags Into Interlocking Outdoor Paving Tiles

Cairo based TileGreen makes paving tiles and other building materials using plastic waste. The company has recycled upward of 5 million plastic bags at their factory in 10th of Ramadan City and aims to recycle more than 5 billion by 2025.

Plastic waste is shredded, turned into a thick sludge, and combined with other materials, then undergoes thermal treatment and high-pressure compression to produce tiles that the company claims are twice as strong as concrete. TileGreen uses different kinds of plastics and products — repurposing around 125 plastic bags per tile — which would otherwise be difficult to separate and recycle. The company has produced some 40,000 tiles since it began selling outdoor tiles last year.

[TileGreen](https://www.linkedin.com/company/tilegreen/?originalSubdomain=eg) is a startup that has its own state-of-the-art manufacturing process that replaces the traditional cement, and all its environmental hazards, with plastic waste whose disposing process also represents a critical challenge. TileGreen's eco-friendly interlocking tiles have more prominent specifications and highly competitive advantages over the traditional ones in the market. (TileGreen 22.03)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Melodea's New Solution for Plastic Pollution

Melodea launched VBseal, its new sustainable packaging solution to cut back plastic waste in consumer-packaged goods. The green coating solution is resistant to water vapor, oil and aroma and has heat-sealing properties. To further these efforts, the company has opened a pilot plant and innovation center, allowing it to serve its customers as well as to demonstrate the new solution. The new site will also test out existing barrier coating products and produce coated reels and pouches at pilot scale.

VBseal has exceptional resistance to water vapor and heat-sealing properties, all in one coating. It Joins Melodea's existing eco-friendly barrier coating products, MelOx for oxygen and VBcoat for water vapor and oil and grease. The material is designed to line packaging of fresh foods, cereals, fast foods, confectionary such as biscuits and ice-cream as well as detergents and cosmetics. It is fully recyclable, gives high performance protection, and in coating machines is a one-stop solution for both water vapor and heat sealing, avoiding the need for two different passes, making it easy to apply and reduces production costs. The VBseal is free of paraformaldehyde (PFA) and bisphenol A (BPA) and is FDA and BfR-compatible.

Rehovot's [Melodea](https://melodea.eu/) is a global supplier of sustainable plant-based barrier coating products. The coatings are produced and commercialized globally using Melodea's proprietary technology which is protected by an impressive 14 patents. The company was a winner of the prestige Worldstar Packaging Award for 2020. (Melodea 27.03)

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* 1. Egypt’s SCZone Partners with Greece’s V Group on Waste Management Facility

Egypt’s Suez Canal Economic Zone (SCZone) and Greek waste management company Antipollution — a subsidiary of marine services company V Group — will form a joint stock company named Antipollution Egypt to establish of a waste treatment plant in Egypt’s SCZone. The waste treatment facility will process fluid and soluble waste collected from vessels transiting through the Suez Canal to be repurposed as part of Egypt’s efforts to boost its blue economy.

The Sovereign Fund of Egypt (SFE) signed a MoU with Australia’s Fortescue to begin conducting feasibility studies on its planned $10 billion 9.2 GW green hydrogen project back in August, announcing in December that its plant could become operational as early as 2027, and noting that it is currently in talks with the country’s Suez Canal Authority for land allocation. In total, Egypt signed nine framework agreements during COP27 worth some $ 83 billion with a number of companies to construct several green hydrogen and ammonia facilities in the Suez Canal Economic Zone. (Various 21.03)

ARAB STATE DEVELOPMENTS

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* 1. High Inflation in Lebanon Reached 189.67% in February 2023

According to the Central Administration of Statistics (CAS), Lebanon’s inflation rate eased from a 214.59% in February 2022 to 189.67% in February 2023, albeit higher than the previous month of January 2023 at 123.53%. Unfortunately, inflation remains at a historical elevated level and is expected to further increase in the months ahead as Lebanon’s economy seems gradually moving towards a fully dollarized economy, especially after supermarkets adopted dollar prices.

The cost of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.4% of the CPI) added a yearly 77.93% by February 2023. Owner-occupied rental costs increased by 21.57% year-on-year (YOY) and the prices of water, electricity, gas, and other fuels followed a significant increase by 206.69% YOY. The prices of Food and non-alcoholic beverages (20% of CPI) surged by 260.54% yearly. In turn, the average prices of Transportation (13.1% of the CPI) and Health (7.7% of the CPI) recorded hikes of an annual 196.76% and 315.46% respectively by February 2023. Restaurant and Hotels (2.8% of CPI) increased yearly by 274.39% by February 2023 as the hospitality sector had been authorized to adopt prices listed in dollars. Costs of Clothing and Footwear (5.2% of CPI) surged by 274.33% by February 2023, and the prices of Communication (4.5% of the CPI) increased by 379.80% as mobile phone bills are currently charged in dollars as of *Sayrafa* rate which is continuously increasing. Prices of Furnishings and household equipment (3.8% of CPI), Alcoholic beverages and tobacco (1.4% of CPI), and Recreation, amusement, and culture (2.4% of the CPI) increased by 266.06%, 306.05%, and 181.20%, respectively, by February 2023. Inflation rate by February 2023. (Various 23.03)

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* 1. Lebanon’s Bank Chief Charged With Corruption

Lebanon’s powerful Central Bank Governor Salameh was charged in absentia with corruption and ordered to be detained after failing to show up on 15 March at a hearing before a local judge alongside European investigators in a money laundering case. Salameh is currently being investigated in a multinational probe over the embezzlement of more than $300 million from the bank between 2002 and 2015. Judge Helena Iskandar, representing the Lebanese state, also charged Salameh’s brother and his assistant in the same case.

The 73-year-old governor, who has occupied his position for nearly three decades, is facing multiple probes stemming from allegations of illegal enrichment and money laundering, both domestically and abroad. He denies any wrongdoing. In a memo submitted by Salameh’s attorney to the prosecutor general, the governor has refused to appear at the European-led hearing as he considers it a violation of Lebanon’s sovereignty.

Lebanon is currently grappling with its worst economic crisis in decades. The country’s ruling political elite, including Salameh, has been blamed for the country’s economic collapse. Meanwhile, bickering among political rivals has hindered the reforms required by international financial institutions for Lebanon to receive loans that could pull the country out of its crisis. (Al-Monitor 15.03)

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* 1. UAE Central Bank Projects GDP Growth Rising to 4.3% in 2024

The Central Bank of the United Arab Emirates (CBUAE) has published its 4th Quarterly Economic Review, in which it projected the country’s annual real GDP growth will expand by 4.3% in 2024. For 2023, growth is estimated at 3.9%. While oil production is expected to moderate in line with the OPEC+ agreements, the non-oil sector is expected to continue to support aggregate output, even if at a more modest pace.

The central bank added that oil production averaged 3.1 million barrels per day in Q4 and the UAE hydrocarbon GDP is estimated to have grown by 10% Y-o-Y, in line with the OPEC+ agreements (10.1% for 2022).

Following the robust growth in the previous quarter, the non-oil sector is estimated to have grown at a similar pace in Q4/22. Non-oil GDP growth for 2022 was estimated at 6.6%. The central bank highlighted the main drivers of this strong performance to be the real estate and construction sectors and a robust manufacturing sector, such as refineries and aluminum production. In addition, the FIFA World Cup in Qatar and other global events that took place in the region boosted travel and tourism to the UAE. For 2023 and 2024, the central bank projects the real non-oil GDP to expand by 4.2% and 4.6% respectively – in line with global growth trends.

The UAE’s consumer price index (CPI) increased by 4.6% in Q4/22, compared to 6.5% in the previous quarter. While the rise in inflation is in line with global trends, it is significantly below the global average. CPI inflation averaged 4.8% for 2022, close to the CBUAE forecast of 4.9%. In 2023, inflation is projected to decelerate to 3.2%, on the back of softer price increases in all categories, especially transport and food and beverages. Imported inflation is expected to be modest owing to the disinflation trend worldwide, while rents and wages are also expected to contribute moderately. In 2024, inflation is projected to slow further at 2.8%, in line with global trends. (CBUAE 28.03)

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* 1. UAE’s Tax Revenue Jumped 29% in Fourth Quarter

The UAE government's tax revenues rose 29% in Q4/22 to 75 billion dirhams ($20.4 billion) from AED58 billion in the year-ago period, the finance ministry announced. Total revenue in the period rose 7% year-on-year (YoY) to AED143.1 billion versus AED133.9 billion. Other streams of revenue netted AED64.2 billion during Q4 of 2022, compared to AED 72.4 billion during Q4/21. Total expenditure reached AED120.3 billion during Q4/22, compared to AED136.2 billion during Q4/21. Net borrowing by the government came in at AED22.8 billion, the data showed. (ZAWYA 16.03)

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* 1. UAE to Invest $30 Billion in South Korea Over the Next Few Years

The UAE has reiterated its commitment to invest $30 billion in South Korea over the next few years, covering several important economic sectors as the two countries seek to expand economic cooperation. The Minister of State for Foreign Trade Dr Thani Al Zeyoudi explored joint investment opportunities with his South Korean counterpart in several priority fields including trade, industry, real estate, insurance, health, technology, digital transformation and food security. Al Zeyoudi underlined the strength and vitality of the UAE’s strategic partnership with South Korea, which is the result of the two countries’ commitment to continuously develop and strengthen it.

The UAE’s foreign trade minister and his South Korean counterpart agreed to enhance joint efforts to implement the MoU that was recently signed between the two countries. The MoU aims to boost trade exchanges between the two countries by facilitating import and export procedures for exporters and importers in both markets to create more investment and trade opportunities. The efforts are expected to encourage SMEs and startups in both countries to expand their businesses into each other’s markets, giving rise to new future-ready partnerships.

There has been a frequent exchange of visits by high-level officials and trade delegations between the UAE and South Korea. South Korean President Yoon Suk Yeol visited the UAE in January during which he met with President Sheikh Mohamed bin Zayed Al Nahyan to explore the strengthening of bilateral relations between the two countries. The two countries signed 13 MoUs during President Yoon’s visit including an agreement between the state-run Korea Development Bank and Abu Dhabi’s Mubadala to cooperate for investment in South Korean companies. (GB 16.03)

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* 1. UAE & Georgia Sign Comprehensive Economic Partnership Agreement

Georgia and the UAE have signed a comprehensive economic partnership agreement (CEPA) to build stronger and more integrated economic relations between the two nations. The signing took place in Tblisi during a UAE delegation’s visit to the country, which included a meeting of the UAE-Georgian Business Forum. The CEPA will enhance and diversify bilateral trade and economic relations by eliminating or significantly reducing tariffs, removing non-tariff barriers and promoting trade in goods, services and investment.

The deal is coming amid rapidly advancing trade and investment ties between the UAE and Georgia. In 2022, bilateral non-oil trade was worth $468 million, representing an impressive 110% growth compared to 2021. The UAE now accounts for more than 63% of the total volume of Georgia’s trade with Arab countries, while its investments into Georgia represent 5% of its total FDI, making the UAE its sixth largest global investor. The countries had begun talks regarding the CEPA in September last year.

The UAE’s new foreign trade agenda is a core component of the nation’s growth strategy that seeks to double the size of the economy from $381 billion to $762 billion by 2030. The UAE has now signed CEPAs with India, Israel, Indonesia and Turkiye, and is set to conclude negotiations with other strategically important nations. (GB 20.03)

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* 1. UAE's ChatGPT Rival Launched in Abu Dhabi with 40 Billion Parameters

The UAE now has its very own home-built rival to ChatGPT. Abu Dhabi's [Technology Innovation Institute (TII)](https://www.tii.ae/), the applied research pillar of Abu Dhabi’s Advanced Technology Research Council (ATRC), has launched 'Falcon LLM,' a foundational large language model (LLM) with 40 billion parameters - which outperforms ChatGPT3. AI and Digital Science Research Center’s (AIDRC) AI Cross-Center Unit, the team behind building Noor, the world’s largest Arabic language model, built Falcon LLM, which is trained on one trillion tokens. The model uses only 75% of GPT-3’s training compute, 40% of Chinchilla’s, and 80% of PaLM-62B’s. (Various 16.03)

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* 1. Dubai is Proactively Developing Plans to Accelerate Digital Growth

Dubai is proactively developing plans to accelerate its ambition to become one of the world’s leading digital economies, according to Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince and Chairman of The Executive Council of Dubai. Hamdan said part of the plan to transform Dubai into a “leading global digital economy hub” is to adopt new technologies through collaborative partnerships between government entities, international businesses and the broader private sector.

The directives are aimed at accelerating the UAE's plans to make Dubai one of the top 10 digital economies in the world, aligning with the Dubai Economic Agenda D33. In April 2022, Dubai launched the “Digital Economy Strategy”, which seeks to double the contribution of the digital economy to the UAE’s gross domestic product (GDP) to nearly 20% within 10 years. The country’s digital economy is forecast to grow to more than $140 billion in 2031, up from $38 billion in January 2023. (Zawya 20.03)

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* 1. Canada’s VPorts to Establish eVTOL “Vertiport” at UAE’s Ras Al Khaimah Airport

Mirabel, Québec based air mobility infrastructure developer Vports signed an MoU with UAE’s Ras Al Khaimah (RAK) Airport to build and operate a micro-scale airport — known as “vertiports” — designed for electric vertical take-off and landing (eVTOL) aircrafts. Information on the expected project timeline and financial details were not disclosed.

The RAK vertiport will be established on a 10,000 sq2 site designed to accommodate all types of eVTOLs. By 2030, VPorts plans to extend its vertiport network to all major industrial areas across the UAE including Dubai South, Jebel Ali, Abu Dhabi and Sharjah. In December, the company signed a 25 year lease agreement with the UAE’s General Civil Aviation Authority and the Mohammed bin Rashid Aerospace Hub to build a 37,000 square meter eVTOL flight testing site at an initial investment of $40 billion over the next three years. The center — which is expected to become operational in 2024 — is expected to generate some $7 billion in direct revenues over the lease’s lifecycle. Japan’s SkyDrive will be testing its eVTOLs at the site as part of its preparation for its aircraft launch set for 2025. (Vports 20.03)

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* 1. UAE & Oman Call for Bids on $3 Billion Transnational Railway Project

Oman Rail and Etihad Rail Company are inviting pre-qualification bids from companies specialized in executing mega infrastructure projects in Oman, as part of a $3 billion joint venture to develop and build a railway network between the two countries. The move aims to expand the role of the private sector in the state-owned project and the national economy of both nations, with the project meant to connect Oman’s Sohar Port to the north of the country with the United Arab Emirates (UAE) National Rail Network.

The 188 mile railway is part of a larger project to connect to the UAE National Rail Network launched last month, which aims to link all seven emirates of the country via one main railway extending 560 miles. The train is expected to improve the logistics surrounding the transport of goods, materials and also people between the two countries more efficiently by reducing travel times. Passenger trains are designed to cut travel time in almost half from Oman’s northern coast city of Sohar to the region of Al Ain from 1 hour and 40 minutes to an estimated 47 minutes, traveling at speeds of 200 kilometers (124 miles) per hour.

Etihad Rail and Oman Rail announced their partnership with the UAE sovereign wealth fund Mubadala in September 2022 in order to build the $3 billion rail network. According to Etihad Rail, the UAE railway is also meant to be an integral link to an anticipated Gulf Cooperation Council railway network that would connect in the future to countries such as Saudi Arabia, Kuwait, Bahrain and Qatar. (Al-Monitor 23.03)

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* 1. Saudi Arabia to Purchase 121 Boeing-787s in Unprecedented $37 Billion Deal

Saudi Arabia announced two agreements to purchase up to 121 Boeing-787s known as Dreamliners which will used in part by the kingdom’s newly announced second national airline, Riyadh Air. The combined agreements make up the fifth-largest commercial order by value in Boeing’s history and are valued at nearly $37 billion. These two deals were finalized between Saudi Arabia and the American manufacturer after intense negotiations and years of discussion.

The White House said the two agreements are expected to support over 1 million US jobs in the aerospace supply chain across 44 states. This will be an addition to recent deals with the Saudi Kingdom that have already supported more than 140,000 jobs in the country, with many filled by people without a four-year college degree.

Earlier, the state-owned Jeddah-based airline, Saudia, and the new national airline, Riyadh Air, were expected to buy a total of 78 Dreamliners split between the two buyers, with the option to buy another 43 each. This deal follows Saudi Arabia’s Public Investment Fund (PIF) announcement of its new national carrier, Riyadh Air, which is expected to serve as a hub between Africa, Europe and Asia, and connect to over 100 global destinations by 2030.

The PIF — full owners of the airline — stated that the goal of this airline over the years is to improve travelers' connections to Saudi Arabia’s cultural and natural attractions, create more than 200,000 jobs and add $20 billion to non-oil gross domestic product. (Al-Monitor 14.03)

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* 1. Saudi’s Fintech Sector Begins to Rival UAE & Egypt as Number of Firms Double

The number of companies in Saudi Arabia's fintech sector has nearly doubled and is starting to rival other markets in the Middle East and North Africa (MENA) region, including the UAE and Egypt. Through August 2022, the kingdom saw a 79% year-on-year (YoY) increase in the number of operating fintech firms, according to the US-Saudi Business Council. As of the latest count, Saudi Arabia has 147 active fintech businesses, compared to just 10 in 2018.

Capital also continued to flow into the sector, which recorded SAR 1.5 billion ($402.2 million) in total investments between September 2021 and August 2022. Fintech businesses accounted for the highest number of total investment deals in the first half of 2022.

Saudi Arabia looks to expand the number of active fintech players to at least 230 businesses, which will account for 70% of non-cash transactions, and boost the sector's GDP contribution to SAR 4.5 billion. By 2030, the kingdom's fintech sector is expected to generate around 18,200 direct jobs and account for 525 active fintech companies by 2030. Saudi Arabia is also aiming to reach SAR 13.3 billion ($3.6 billion) direct GDP contribution by 2030, up from SAR 1.2 billion in 2021.

In recent years, a growing number of Saudi consumers have also embraced the use of card and electronic payments, particularly during the COVID-19 pandemic. (Zawya 28.03)

►►North Africa

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* 1. Cairo to Start Marketing State Companies to Investors in April

Cairo's Madbouly government will begin the sale of some of the state-owned companies marked for privatization in its rebooted offering program, as announced by Finance Minister on 15 March. The government could add another eight names to its list of companies destined for privatization, Maait said, without elaborating. Prime Minister Madbouly said last month that the government plans to partially privatize 32 companies by March 2024 via public offerings on the EGX, sales to strategic investors, or a mix of both.

The program could include up to five state-owned banks, such as the state’s 20% stake in Alexbank, as well as Banque du Caire, AAIB and United Bank. All of them are already on the list and the United Bank has attracted interest from the Saudi sovereign wealth fund, but talks have reportedly stalled due to disagreements on valuation. It’s not clear to us which other bank(s) the state may be willing to exit, in whole or in part. CI Capital has reportedly started marketing military-owned firms Safi and Wataniya to strategic investors, and is looking to sell at 10% of each company.

The privatization push is part of the country’s new state ownership policy which outlines how the government intends to more than double the private sector’s role in the economy to 65% and attract $40 billion in private investment by 2026. Under its recent loan agreement with the IMF, the government has committed to reducing the role of state- and military-owned firms in the economy, which it will do via public share offerings, stake sales to strategic investors, and expanding public-private partnerships. (Enterprise 16.03)

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* 1. Egypt Secures a $7 Billion World Bank Loan to Support Private-Sector & Climate Goals

The World Bank will lend Egypt $7 billion over the next five years to support private-sector job growth, health and education services, and climate measures. The Country Partnership Agreement, approved by the bank’s executive board will see the International Bank for Reconstruction and Development (IBRD) provide $1 billion a year through to 2027 and the International Finance Corporation (IFC) lend $2 billion during the period.

The agreement looks to achieve its goals by creating more and better private-sector jobs, improve the provision of health and education services, and strengthen the country’s resilience to macro-economic and climate-related shocks. The previous CPF initially covered FY 2015 - 2019, and was extended for an additional two years to end in 2021. It included a total of $8 billion of WBG financing — of which $6 billion was allocated from the IBRD and, again, $2 billion from IFC. (Enterprise 26.03)

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* 1. Egypt Offers Cash to Families For Birth Control

In an effort to stem population growth, the Egyptian government plans to pay EGP 1,000 (roughly $32) annually to married women who have two children or less, under a protocol that was signed this month between the Finance and Planning and Economic Development ministries. The cash will be disbursed under an incentive program initiated by the government to reduce the fertility rate for women ages 21 to 45. Each woman with two children or less will get the accumulated amount when she turns 45 based on her age when she joins the program. The woman, however, will lose her right to claim any amount if she gives birth to a third child. The incentive program is part of the National Project for Development of the Egyptian Family, which aims to tackle the overpopulation by improving demographic characteristics.

A country of over 104 million, Egypt is the most populous nation in the Arab world and the third-largest in Africa, according to the state statistics agency, CAPMAS. According to a study prepared by the United Nations Population Fund, the fertility rate per woman in Egypt was 5.6 births in the 1970s before it dropped to 3 births in 2008, thanks to government efforts to curb population growth. The rate, however, rose again to 3.5 births in 2014 in the wake of political unrest that followed the uprising that unseated President Hosni Mubarak in 2011, before it declined again to 2.8 births in 2022. A 2014 study by the Egypt Demographic and Health Survey showed that around 59% of married women in Egypt were using contraceptives. This rose to 66% in 2021.

In 2022, Egypt's population rose by 1.6 million, according to CAPMAS. The agency estimates that the country’s population will reach 192 million by 2052 if current growth rates continue. However, it says this projection could be reduced to 143 million if state efforts to reduce fertility rates are intensified. The Egyptian government estimates that it will need to double its spending on infrastructure and development projects over the coming 30 years to accommodate the expected growth. (Al-Monitor 28.03)

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* 1. $1.6 Billion in Deals Signed with Private Developers for Sokhna & Dekheila Ports

On 15 March, the Madbouly government signed two agreements worth $1.6 billion with two international consortia to develop new container terminals at the Ain Sokhna and Dekheila ports. Hutchison Ports has entered a consortium with Cosco and CMA CGM to construct a new terminal at Sokhna port, and is working with MSC on a terminal at Dekheila. The companies will operate and maintain the terminals for 30 years. The two terminals will almost triple the two ports’ combined capacity: The Sokhna terminal will add 3.5 million TEU in annual capacity while capacity at Dekheila terminal will increase by 1.5 million TEU. Sokna currently has a 1.75 million TEU capacity while Dekheila has 1 million TEU. The new terminals will also create some 2,000 direct and indirect jobs.

The companies signed the initial agreements for the projects last August. The House approved the agreements earlier this year. The two terminals are expected to bring in around $5 billion in revenues over the duration of the 30 year contracts, the cabinet said.

The Egyptian government is seeking to develop its Red Sea and Mediterranean Sea ports in an effort to improve the domestic economy. In September of last year, President Abdel Fattah al-Sisi announced three new yacht ports would be established along the Suez Canal. The Egyptian economy has been struggling with inflation over the past year. The government announced that annual headline inflation reached 32.9% in February, largely due to food price increases. Egypt’s foreign currency reserves are also decreasing, as Moody’s noted when it downgraded Egypt’s credit rating in February. More business flowing into Egypt’s ports could help remedy the situation. (Enterprise 16.03)

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* 1. Consumer Prices in Morocco Continued to Rise in February

Morocco’s High Commission for Planning released the figures on 22 March for the Consumer Price Index, citing that the CPI rose by 1.7% compared to the month before, and by 10.1% year-on-year. The reported monthly increase is a result of the rise in the food price index which climbed by 3.9% and the stagnation that the non-food price index has experienced. Meanwhile, the year-on-year increase is attributed to the growth in food prices by 20.1% and that of non-food products by 3.6%. Core inflation rose by 0.8% over the same month, reaching a yearly average increase of 8.5%, HCP data says.

The underlying rise in food prices between January and February was primarily triggered by a 17.8% hike in vegetable prices, a 5.7% rise in fruit prices, 0.5% in coffee, tea, and cocoa, 4.3% in meat, and a 1.3% in oils and fats. The price of dairy products grew by 2.3%. For non-food products, the increase has mainly affected fuel prices by 1.3%, the report detailed. However, the prices of fish and seafood dropped by 1%. Healthcare prices increased by 0.4%, while transportation prices increased by 8.3% year-on- year.

In light of soaring inflation, Morocco’s central bank, Bank Al-Maghrib, raised central bank interest rates by 50 basis points to 3% on March 21. BAM raised interest rates for the third time within less than two years–a first since 2006– in an effort to rein in the country's inflation. BAM also announced that inflation in Morocco is expected to ease, yet remain elevated by the end of 2023, emphasizing that the high rate is primarily due to a “surge in prices of certain food products. (MWN 22.03)

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* 1. Renault’s Tangier Plant Will Produce 120,000 Hybrid EVs in 2024

French automaker Renault group says its Tangier plant in Northern Morocco will begin to manufacture the hybrid Dacia Jogger model in Q2/24. Renault Group’s Tangier manufacturing plant — launched in 2012 — will produce some 120,000 Dacia Jogger hybrid EVs once production is launched in the second half of next year. Renault says it plans to retrain 550 employees in its Morocco plant in a bid to acclimate them to manufacturing the EV and other upcoming models.

Renault signed an agreement in June last year with Moroccan mining firm Managem for the supply of 5,000 tons of cobalt sulfate — to be used in EV production — for seven years starting in 2025. Renault Maroc is aiming to produce 17,000 Mobilize Duo EVs each year at its existing auto assembly plant in Tangier when it becomes fully operational. Morocco is targeting the production of around 1 million EVs in the next three to four years. Renault and Stellantis already operate EV assembly facilities producing 700,000 cars each year. Citroen also produces around 50,000 EV buses per year with plans to double that output in two years. (MWN 22.03)

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* 1. Morocco Projected to Set Avocado Export Record as Water Concerns Loom

Morocco’s agriculture industry has a chance of setting a new record in avocado exports in the 2022/3 season. The North African country has already set a new record for the volumes of avocado exported between July and January, reaching 35,500 tonnes or 60% more than what was recorded during the same period last season. Moroccan exporters will need to only export 7,000 more tonnes to foreign markets before June to break the record, a number that East Fruit expects to be met seamlessly based on trends from past years.

The country’s avocado production has been consistently increasing over the past five years, as Morocco went from the world’s 12th largest exporter to ninth at the end of 2022. European countries also remain the biggest destinations for Moroccan avocados, with Spain receiving almost 40% of exports, followed by France, the Netherlands and Germany.

Meanwhile, exporters and officials continue to voice concerns over the effect of the country’s ongoing water crisis on the avocado crops. Morocco’s climate, with its mild winters and warm streams from the Atlantic Ocean, proved perfect for avocado production. Exports of the fruit brought the country almost $90 million in 2021. But with avocados also being a very water-demanding crop, their production is now entering challenging times with the country going through a period of drought.

Morocco’s water resources took heavy hits over the past few years due to the effects of climate change and the severe drought in 2022 which was the country’s worst in three decades. In September 2022, the Ministry of Agriculture and Fisheries and the Ministry in charge of the budget decided to end irrigation subsidies for avocados, watermelon, and citrus fruits. The decision came after calls from several Moroccan environmental associations to end the cultivation of avocados and melons, which are very water-intensive crops that have at the same time been important exports for the country. (MWN27.03)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cypriot Inflation Reached 6.7% in February

Cyprus' annual inflation in February rose by 6.7% as fuel prices continued their downward trend after hitting an all-time peak last summer. According to the Cyprus Statistical Service, the increase in the cost of living was powered by housing, electricity, and heating fuel. Compared to February 2022, the largest changes were noted in Housing, Water, Electricity, Gas and Other Fuels (18.8%) and Food and Non-Alcoholic Beverages (9.5%). Compared to January 2023, the largest change was recorded in Food and Non-Alcoholic Beverages (3.6%). Energy costs recorded a year-on-year increase of 13.5% but dropped by 0.4% compared to the previous month. Non-energy industrial products are down by 1.8%.

The Harmonized Index of Consumer Prices (HICP) rose 0.8% in February compared to the previous month. For January – February, the HICP rose by 6.8% compared to the previous year. The inflation rate has been dropping, reaching 8.1% for 2022, driven by higher energy bills and pump prices. Cyprus saw a record inflation rate in July when it peaked at 10.9%; the previous high was 10.8% in December 1981. (FM 22.03)

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* 1. Greek Tax Revenues Exceed Target in January-February

Greek tax revenues for January-February 2023 have increased by €1.245 billion or 14.2% compared to the target, according to the execution data of the state budget, on a modified cash basis. This significant excess comes mainly from the over performance in the collection of value-added tax and income tax.

Based on these figures, there was a €2.31 billion surplus in the balance of the state budget compared to the target for a surplus of €36 million for the corresponding period of 2023 in the introductory report of the 2023 budget and a deficit of €910 million in the corresponding period of 2022. The primary result was a surplus of €4.215 million compared to the target of a primary surplus of €1.816 million and a primary surplus of €840 million for the same period in 2022. (Intime News 28.03)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Israel Ranked 4th Happiest Country in the World

Israel is the fourth happiest country in the world, according to a report by a UN office on happiness. The study released by the UN Sustainable Development Solutions Network is based on data from global surveys of people in more than 150 countries. Countries are ranked for their level of happiness based on their average life evaluation over the previous three years, in this case 2020 to 2022. The report identifies the happiest nations, those at the very bottom of the happiness scale, and all those in between, as well as the factors that tend to lead to greater happiness.

For the sixth year in a row, Finland is the happiest country in the world, while Denmark and Iceland complete the podium. In general, the Nordic countries all score highly on the criteria the report uses to reach its conclusions: healthy life expectancy, GDP per capita, social support, low corruption, a generous community where people care for each other, and freedom to make key life decisions.

Israel moves up to fourth place this year, up from ninth place last year. The Netherlands (5th), Switzerland (8th), Luxembourg (9th) and New Zealand (10th) are also in the top 10. According to the report, global benevolence is about 25% higher than its pre-pandemic level. The report also states that global happiness did not suffer during the three years of the COVID-19 pandemic. (i24NEWS 20.03)

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* 1. Israeli Fashion Week Raises Awareness of Breast Cancer

On 19 March, Israeli Fashion Week was launchedף this year it's not just about models and clothes. The four-day-long event, including many well-known Israeli designers. But for the first time, before every fashion show, a panel sits to discuss different topics, such as fashion in the digital and virtual world, violence and shaming on social media, menopause and others.

One of the panels is to raise awareness of breast cancer. It's discussing the technological advances in curing and early detection of the illness. Each year about 4,000 women are diagnosed with breast cancer in Israel. Surviving breast cancer has improved drastically during the last few years. It has become about 90%, because of early breast cancer diagnosis. The technology has improved and the diagnosis has also become much better. Early diagnosis significantly increases the chances of survival. Events and panels like the one during fashion week can make all the difference. (i24NEWS 21.03)

\*REGIONAL:

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* 1. Eid el Fitr Holiday in 2023 Expected to be on 20 April

The Eid el-Fitr holiday that follows the end of Ramadan could be marked by about a four day holiday for many people in the UAE. The end of Ramadan will be marked by a holiday for both the public and private sectors, which starts on the 29th day of Ramadan and lasts until the third day of Shawwal, the 10th month. This means the holiday will probably begin on Thursday, 20 April and end on Sunday, 23 April, if Ramadan is 29 days, giving many people a four -day break. Confirmed dates for Eid el Fitr will only be announced in Dubai according to relevant lunar sightings. (Various 22.03)

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* 1. In 2023 Middle East Happiness Rankings, UAE & Israel Happiest

Lebanon is the least happy nation in the Middle East region, and Israel and Gulf nations are the most, while Turkey continues to decline in happiness rankings according to a new edition of the World Happiness Report. The UN Sustainable Development Solutions Network’s 2023 World Happiness Report ranks 137 countries based on several criteria including income, health and a sense of freedom to make key life decisions.

The Middle East and North Africa is the least happy region after sub-Saharan Africa, the report shows, but a comparison of the 2022 and 2023 rankings shows that several countries including Israel, Iraq and Iran have become happier over the past year.

Israel, which remains the happiest nation in the region, climbed to the fourth happiest country across the world from ninth. While Gulf nations, the United Arab Emirates, Bahrain and the region’s powerhouse Saudi Arabia are the second group of happiest countries in the broader Middle East and North Africa region, all three of them have become less so over the past year, the rankings showed.

The UAE, the second happiest nation in the MENA region, dropped two places from 24th to 26th globally. Saudi Arabia, the third happiest nation, fell five places, landing at 30th in the global rankings. In the Gulf group, Bahrain registered the biggest decline by dropping to 42nd from 21st globally, but the nation is the fourth happiest nation in the region.

Algeria, Iraq and Morocco follow the Gulf nations in the global rankings. Algeria appears to be happier in comparison to the 2022 rankings by climbing to 81st place from 96. Iraq also saw a significant leap, climbing to 98th in 2023 from 107th in 2022. Iran, which has been engulfed in nationwide anti-regime protests, also became happier over the past year, rising its ranking from 110th to 101st from the previous period. Tunisia also seems happier than the previous period, as its ranking has risen to 110 from 120. Turkey, meanwhile, slid six ranks in the 2023 report, dropping from the 106th to the 112th happiest nation globally.

Egypt, Jordan and Lebanon are the least happy nations in the Middle East and North Africa region. Yet, Egypt and Jordan seem more happy by rising their ranks eight and 11 ranks, respectively, from the previous period. Lebanon, meanwhile, is the least happy nation, along with Afghanistan globally. (Al-Monitor 21.03)

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* 1. Lebanon PM Reverses Daylight Saving Time Decision After 48 Hours of Anarchy

On 27 March, Lebanon’s government announced the reinstatement of daylight saving time, reversing an earlier decision to postpone the move by a month that had caused uproar and confusion across the country. Lebanon usually adopts daylight saving time, which aligns with the Eastern European time zone, from the end of March to the end of October. But 23 March, the government announced a last-minute decision to postpone the switch to the end of April, which coincides with the end of the Muslim holy month of Ramadan. The move was seen as a favor to the Muslim community, which would have allowed the fast to end an hour earlier, at sunset.

Social media users had circulated leaked footage of an informal meeting between Mikati and parliament speaker Nabih Berri casually discussing the delay issue hours before the announcement was made, prompting a wave of criticism and mockery. The previous decision also caused division among the Lebanese, in some cases taking on a sectarian nature. It also added to the wave of protests and upheaval that the country is seeing in response to the economic crisis and the political void since October.

In defiance of the government move, the Maronite Patriarchate announced that it will adopt the summer time according to international standards. Several schools and news outlets also said they would not abide by the government decision. Meanwhile, Muslim institutions and businesses appeared set to remain in winter time.

Many rushed to denounce the sectarian debate caused by the decision, expressing their anger at the politicians they accuse of sowing strife among the Lebanese, while failing to address the pressing problems in the country. Lebanon, which is grappling with a crippling economic crisis, has been without a president since October 2022. (Al-Monitor 27.03)

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* 1. World Bank to Provide $250 Million to Support Morocco’s Education Reform

The World Bank has approved an additional $250 million in financing for Morocco's 2015-2030 Education Reform. The educational reform program, which began in 2019 with an initial $500 million loan, aims to support the Moroccan government in implementing an ambitious education reform agenda.

The World Bank stated that the $250 million program’s objectives are to expand quality early childhood education services, support primary and secondary education teaching practices, and strengthen management capacity and accountability for better learning outcomes. Citing the program’s achievements since its inception, the World Bank recalled that it has contributed to improving the quality of early childhood education, enhanced the capacities of the teaching workforce, and management capacity and governance, particularly at the regional level.

The bank’s statement also highlighted that the additional financing aims to achieve more ambitious results for the sector while enabling accessibility and resilience of education more comprehensively and effectively in the post-COVID era. The additional financing also introduces an Investment Project Financing (IPF) into the program, which offers technical assistance to the ministry of national education, preschool, and sports to implement important reforms that will improve educational outcomes. (MWN 22.03)

ISRAEL LIFE SCIENCE NEWS

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* 1. Sofwave Gets FDA Clearance for the Precise SUPERB Applicator

Sofwave Medical announced receipt of FDA clearance of the Company’s 510(k) notification submission for its “Precise” compact SUPERB applicator to improve facial lines and wrinkles, lift the eyebrow, and lift lax submental (beneath the chin) and neck tissue; which can also affect the appearance of lax tissue in the submental and neck regions. The “Precise” applicator is also FDA cleared for short-term improvement in the appearance of cellulite.

Sofwave’s SUPERB System consists of two main functional components: 1) the console and 2) the applicator. The console includes the power sources, cooling unit, electrical components and the user interface. The applicator is comprised of an array of ultrasonic transducers that emit continuous acoustic waves and an active cooling element that is used to cool the skin area in contact with the applicator’s transducers.

Yokneam Illit's [SofWave Medical](http://www.sofwave.com) has implemented an innovative approach to wrinkle reduction lifting and cellulite using proprietary breakthrough technology. SUPERB, Synchronous Ultrasound Parallel Beam technology is FDA-cleared head to improve facial lines and wrinkles, lift the eyebrow, and lift lax submental (beneath the chin) and neck tissue; which can also affect the appearance of lax tissue in the submental and neck regions and for short-term improvement in the appearance of cellulite providing physicians with smart yet simple, effective, and safe aesthetic solutions for their patients. (SofWave Medical 15.03)

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* 1. Hadassah Selects YonaLink’s EHR-to-EDC Clinical Trial Platform

YonaLink's EHR-to-EDC data integration platform has been implemented by Hadassah Medical Organization (HMO) in Jerusalem. Recognized worldwide for setting the standard of excellence for medical care and research in Israel, Hadassah is leveraging YonaLink’s SaaS solution to stream and map up-to-date, real-time patient data directly from electronic health record (EHR) systems to electronic data capture (EDC) systems, enabling greater speed, quality, and efficiency in clinical trial data collection.

Every year, Hadassah initiates close to 500 new clinical trials and publishes more than 1,000 research studies in peer-reviewed, scientific publications. The partnership with YonaLink is part of Hadassah’s larger focus on driving innovation in medical research and making Hadassah and Israel hubs for global clinical trials across therapeutic areas, ensuring the continued delivery of tomorrow’s cutting-edge treatments to patients today. Using YonaLink’s technology will enable Hadassah to partner with clinical trial sponsors and research stakeholders around the world and expand access to the medical center’s R&D capabilities led by physicians and scientists renowned for developing novel therapeutics, diagnostics, and devices that are improving outcomes and quality of life for patients.

Jerusalem's [YonaLink](http://www.yonalink.com) equips research teams with the ability to extract up-to-date patient data from an EHR and stream that data into a clinical trial electronic data capture (EDC) system in real time, reducing clinical trial timelines and costs. YonaLink is bringing new levels of speed, quality, and efficiency to clinical trial operations across the globe, simplifying the complexity of clinical data collection and validation, and enabling true scalability. The Company’s SaaS platform has the capabilities to stream up-to-date data from any clinical site’s EHR platform, in any part of the world, and populate it within YonaLink’s next generation EDC. (YonaLink 22.03)

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* 1. Inspira Technologies Announces First in Human Test of HYLA Blood Sensor in Clinical Study

Inspira Technologies announced the first in human test of a patient undergoing open-heart surgery in the HYLA research clinical study at Sheba Medical Center, Israel. The HYLA Blood sensor is a non-invasive optical blood sensor, being developed using machine learning based algorithms to measure blood key parameters, continuously and in real-time during extracorporeal procedures including VV-ECMO, VA-ECMO and open-heart surgery. The HYLA sensor measurements are designed to alert physicians of sudden changes in a patient's blood key parameters, as well as alert perfusionists of sudden changes in oxygenator performance and blood recirculation.

The HYLA research clinical study is a first in human study designed to compare parameters measured by the non-invasive HYLA sensor to a standard blood gas analyzer that requires blood draw from the patient. The prospective data collection will further support the final product design.

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. (Inspira Technologies 22.03)

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* 1. V-LAP Allows Heart Failure Patients to Self-Adjust Medication

Vectorious Medical Technologies presented interim results from its Left Atrial Pressure (LAP) Guided, Patient Self-Management (PSM) pilot study during a featured abstract session at THT 2023 in Boston. The study, which has enrolled 13 patients to date, includes New York Heart Association (NYHA) class II and III HF patients, irrespective of left ventricular ejection fraction, who are implanted with the V-LAP sensor in the left atrium. Direct LAP readings captured by the sensor are visible to patients who use a dedicated app and novel treatment paradigm for self-management of diuretics and early intervention in cases of high LAP.

The V-LAP System allows HF patients to take a more active role in managing their disease. Using the V-LAP System, patients can better understand the correlation between their daily medication routine, daily life activities and their fluid volume status. When LA pressure is out of the optimal range, patients are guided to adjust diuretics based on the predefined treatment plan. If the LA pressure is in suboptimal ranges, the medical team is notified and can provide additional instructions to prevent further deterioration.

Tel Aviv's [Vectorious](https://vectoriousmedtech.com/) was founded in 2011. The company's V-LAP System enables heart failure patients to better control their disease and live fuller, longer lives by remotely monitoring the heart's Left Atrial Pressure (LAP) to detect fluid accumulation in the earliest stages of disease, prior to physiological symptoms. A patient app further empowers the patient to self-titrate medication in real time based on data extracted from the heart. (VMT 22.03)

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* 1. ChickP Protein Stars in Compelling Dairy Cheese Analog

ChickP Protein's patented chickpea isolate demonstrates its capacity to act as an exceptional plant-based protein alternative for cheese analogs. The foodTech start-up has created prototypes of chickpea-powered cream cheese and firm cheddar cheese. The new innovations match real dairy cheese in appearance, flavor, and are highly nutritious.

ChickP's breakthrough formulations will be instrumental in helping manufacturer's fast-track customization of plant-based cheese products that genuinely respond to consumer's cravings for a delicious cheesy experience. The new cheese applications join the company's expanding line of plant-based alternative prototypes, including egg-free mayonnaise, ice-cream, and chickpea-based barista coffee creamer illustrating the functional versatility of ChickP's ingredient.

ChickP broke down the barriers to the perfect protein for creating a no-compromise cheese alternative. The start-up's formula is based on its proprietary, high-functioning chickpea isolate. The isolate embodies a 90% whole protein composition and provides a powerful and nutritional boost to plant-based food applications. The isolate also is clean-label, with a neutral flavor, making it a highly versatile ingredient to work with. The company currently is developing analogs of other popular cheeses, such as emmental, parmesan and mozzarella. ChickP is cooperating with global alternative dairy producers and traditional dairy manufacturers segue into the alt protein arena, helping them tailor signature cheese products. ChickP will provide them with raw materials, recipe, and technical expertise.

Rehovot's [ChickP](https://www.chickp-protein.com/) was driven by a desire to create a protein that can help feed the world while benefiting consumers and food manufacturers. ChickP helps its customers to develop nutritional, plant-based products with speed-to-market and reliability. ChickP is ISO-certified, kosher and halal certified, and has self-affirmed GRAS status. (ChickP Protein 22.03)

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* 1. FDA Grants GrayMatters Health 510(k) Clearance to Market Prism for PTSD

GrayMatters Health (GMH) has received a 510(k) clearance from the U.S. FDA to market its flagship product, Prism for PTSD, the first non-invasive, self-neuromodulation adjunct digital therapy for post-traumatic stress disorder (PTSD). GMH is the first to use advanced statistical models fusing EEG and fMRI data to develop biomarkers of brain-mechanism-specific activity associated with mental disorders, named EEG-fMRI-Pattern (EFP). The company's products use these biomarkers with an interactive audio/visual interface to help patients regain control (agency) over the relevant brain activity.

Prism for PTSD trains patients to lower the amygdala-derived-EFP biomarker, which is associated with the amygdala and emotion regulation system, using self-neuromodulation techniques (through neurofeedback). Prism for PTSD augments standard of care PTSD therapy, treating the proven underlying mechanisms of the condition and enhancing clinical outcomes. The FDA 510(k) clearance is based on results of a study evaluating 79 patients with chronic PTSD, at least one year since experiencing trauma.

Haifa's [GrayMatters Health (GMH)](https://graymatters.health) develops digital self-neuromodulation therapies for mental disorders. GMH is the first to use advanced statistical models fusing EEG and fMRI data to develop biomarkers of brain-mechanism-specific activity associated with mental disorders, named EEG-fMRI-Pattern (EFP). The company's products use these biomarkers with an interactive audio/visual interface to help patients regain control over the relevant brain activity. GMH's flagship product, Prism for PTSD, using the amygdala-derived-EFP, received U.S. FDA 510(k) clearance as an adjunct therapy for PTSD. (GrayMatters 21.03)

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* 1. Israeli Scientists Make Breakthrough Discovery to Treat Pancreatic Cancer

In a study published on 22 March in Nature, Israeli scientists revealed through experimentation on mice that it is possible to eliminate the metastatic capacity of pancreatic cancer cells taken from patients so that they cannot form metastases. The researchers compared about 400 non-metastatic stage pancreatic cancer tumors to metastatic cells and found that it was change in the processing of RNA molecules, rather than genetic changes in DNA, that causes tumors to become metastatic.

The study showed that by using a drug that inhibits the activity of a certain group of genes – and which is currently used to treat patients who have had organ transplants – it is possible to delay the formation of metastases pancreatic cancer. Through genetic intervention in processing the RNA (polymeric molecule) of target genes, the researchers also revealed that it’s possible to inhibit the metastatic capacity of pancreatic cancer cells taken from patients so that they cannot metastasize when transplanted into mice.

Pancreatic cancer is considered among the deadliest of all cancer types, and only a few patients survive the disease. Currently, there is no effective treatment for the cancer, which is generally discovered at its metastatic stage. (i24NEWS 22.03)

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* 1. Protai Receives $12 Million Investment to Advance Drug Discovery with AI

Protai has secured $12 million in a Seed round extension, bringing the total amount to $20 million. The capital came from existing investors – Israel-based Grove Ventures and Pitango Healthcare and was joined by Copenhagen-based Maj Invest Equity Fund.

Protai will use the funds to build its oncology drug discovery pipeline, expand data acquisition, as well as increase its discovery activities via pharma partnerships. According to Protai, Genetic biomarkers are useful in only about 15% of tumors, which limits their applicability. However, protein-level biomarkers can identify patient groups that cannot be detected through genomic methods because they directly measure proteins, their interactions and their functions.

Protai has developed an AI-based platform for proteomics that comprehensively analyses protein-level data to unlock its potential. The platform can map the progress of the disease at the protein level, enabling better predictions of drug response for patients and the identification of previously undiscovered drug targets that were not found using genomic approaches. These discoveries have the potential to significantly speed up drug discovery and clinical development, reducing the time and costs of research and development.

Since its initial funding last year, Tel Aviv's [Protai](https://www.protai.bio/) has opened laboratories at its Israel R&D center for data acquisition, biological validation, and drug discovery activities, and recruited an experienced drug discovery team. Protai also established collaborations with several leading hospitals and now has access to over 100k well-defined banked samples for its comprehensive tumor mapping process, focused on gyno-oncology and lung cancer indications. (Protai 15.03)

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* 1. Germany's BioNTech to Produce Trial Cancer Vaccine in Jerusalem

German biotechnology company BioNTech, which developed the COVID-19 vaccine marketed by Pfizer, has confirmed the announcement by Jerusalem mayor Moshe Lion of its intention to set up a vaccine plant in the city. BioNTech has signed an agreement with the Jerusalem municipality, the Foreign Trade Administration in the Ministry of the Economy, and the Jerusalem Development Authority. The plant is to employ between 200 and 300 people, and it will be built within two to three years on land already allocated for the project. The project is still at an early stage, the company says, and it is not yet known how much will be invested in the facility. Investment in projects like this one can amount to tens of millions of dollars.

Since the start of the COVID-19 pandemic, Israel has been looking for someone who will set up a vaccines production facility in Israel that can be rapidly converted to production of emergency vaccines in the event of another pandemic. The arrival in Israel of BioNTech, one of the world’s two leading companies in mRNA vaccines, is an excellent answer.

The factory will be a new facility and BioNTech will manufacture a future product there: a therapeutic immunization against cancer. The technology on which the immunization is based is similar to that of the COVID-19 vaccine and is also based on RNA, but the aim of the treatment is different. The company wants to "teach" the vaccine the characteristics of cancerous growths, and then let it attach a growth specifically. Clinical trials will start only this year. (BioNTech 22.03)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Nayax’s EV Meter to Launch Electric Vehicle Charging Solution in North America

Nayax announced that EV Meter, an innovative electric vehicle charging business powered by Nayax, will be launching their charging solutions in North America at the EV Charging Summit & Expo. EV Meter’s solution includes residential and public charging stations, an OCPP agnostic management platform, and a full embedded payment system. These solutions enable operators to easily monitor their electrical network and charging stations 24/7.

[EV Meter](http://www.evmeter.com), powered by Herzliya's Nayax, is an innovative EV charging technologies company that develops OCPP hardware agnostic management platforms. EV Meter also offers payment, billing, and clearing services (Merchant of Record) powered by Nayax in over 70 countries and over 40 currencies. By adapting to very complex environments and implementing their technologies in those environments, EV Meter is making the world a more EV-friendly place.

[Nayax](http://www.nayax.com) is a global commerce enablement and payment platform designed to improve retailers' revenue and operational efficiency. Nayax offers a complete solution including localized cashless payment acceptance, a management suite, and consumer engagement tools, enabling merchants to conduct commerce anytime, anywhere. Nayax has connections to more than 80 merchant acquirers and payment method integrations and is a recognized payment facilitator worldwide. (Nayax 16.03)

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* 1. NVIDIA to Accelerate Beamr Technology on NVIDIA GPUs

Beamr Imaging announced that its video encoding technology, which enables significant reduction in video bitrate while maintaining visual quality, officially supports NVIDIA GPU acceleration, offering up to 10x faster encoding speed on NVIDIA GPUs compared to CPUs. Beamr’s optimization was previously required to be run offline for an entire content library to benefit from large video file size reduction before being able to stream it. Businesses running Beamr on NVIDIA GPUs can now benefit in real time from storage and bitrate gains for live video streams, preserving quality for optimal user experience.

Beamr on NVIDIA GPU supports AVC, HEVC and royalty-free AV1, spanning across the three leading video codec standards available on the market, serving all needs up to 8K HDR quality. NVIDIA GPUs are available on all major cloud platforms.

Herzliya's [Beamr](http://www.beamr.com) is the world leader in content adaptive video solutions. Backed by 53 granted patents, and winner of the 2021 Technology and Engineering Emmy® award and the 2021 Seagate Lyve Innovator of the Year award, Beamr's perceptual optimization technology enables up to a 50% reduction in bitrate with guaranteed quality. (Beamr Imaging 27.03)

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* 1. AU10TIX Collaborates with Microsoft on Decentralized Verifiable Credentials

AU10TIX announced it is working with Microsoft, a global technology company with a commitment to be carbon negative by 2030, on Reusable ID - a breakthrough in verifiable credentials (VC) architecture for identity management. AU10TIX's forensic-level document and biometric verification technology and the award-winning Instinct identity monitoring tool for synthetic fraud provide strong verification, encrypted as verifiable credentials assets. Reusable ID allows enterprises to simplify and accelerate ongoing ID verification, reduce customer onboarding costs, automate workflows, and enhance the security of sensitive data. It also enables end users to store their information locally in a tamper-proof digital wallet and decide what to disclose to third parties.

Microsoft Entra Verified ID enables the solution, which uses AU10TIX's 25 years of experience in identity intelligence. Reusable ID enables businesses to simplify a wide variety of identity verification use cases across verticals such as finance, healthcare, education, hospitality, telecom, entertainment, and others. These applications include fraud detection, KYC reuse, money transfers, legal identities, user verification, insurance claims, and many more. This announcement builds on the 2021 collaboration that rolled out Microsoft Azure Active Directory verifiable credentials and brought AU10TIX's identity verification automation to the Microsoft ecosystem. AU10TIX is a Microsoft Verified ID credentials issuer and verification partner, managing identities based on attributes such as documents, biometrics, and electronic data.

Hod HaSharon's [AU10TIX](http://www.AU10TIX.com) is on a mission to obliterate fraud and further a more secure and inclusive world. The company provides critical, modular solutions to verify and link physical and digital identities so businesses and their customers can confidently connect. Over the past decade, AU10TIX has become the preferred partner of major global brands for customer onboarding and customer verification automation – and continues to work on the edge of what's next for identity's role in society. (AU10TIX 27.03)

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* 1. Coralogix Unveils Remote Query Solution to Enable Instant Access Archive

Coralogix announced the launch of "Coralogix Remote Query" that extends the platform's functionality as an end-to-end, full-stack observability platform. With the new solution, organizations can now query their own Amazon S3 bucket, at high speed, without indexing or retention limitations. The result is companies can infinitely retain and endlessly explore their data, with the ability to uncover insights like never before using the powerful DataPrime analytics language.

New features and benefits of Coralogix Remote Query include Infinite Storage Without Vendor Lock-In: Store data in your own cloud account, in an open standard format based on Parquet, for a fraction of the cost, as well as Query Your Archive Directly Without Reindexing: Leverage the infinite scalability of cloud storage like Amazon S3, and enjoy instant access without rehydrating or reindexing. Organizations can almost eliminate the cost for data like compliance logs that will rarely be queried.

Tel Aviv's [Coralogix](https://coralogix.com/‎) is the leading in-stream observability platform. It uses proprietary Streama technology to provide modern engineering teams with real-time insights and in-stream analysis without reliance on storage or indexing. (Coralogix 28.03)

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* 1. Easyway Integrates GPT-4 for Hotel Communications with Cutting-Edge AI Technology

Easyway announced a groundbreaking integration of the cutting-edge GPT-4 architecture into its platform. This move places Easyway at the forefront of the hospitality industry, enabling hotels to harness the power of artificial intelligence to enhance their guest communications, build stronger relationships, and deliver exceptional experiences. The integration of GPT-4 technology into the Easyway platform represents a bold step towards revolutionizing hotel-guest interactions. By combining the state-of-the-art AI capabilities of GPT-4 with Easyway's existing AI models, the platform will provide hotel staff with an unparalleled level of assistance, accuracy, and efficiency in guest communications. This innovative approach sets a new industry standard for communication, ensuring a consistent and personalized guest experience.

As a result of this integration, Easyway is proud to launch its first GPT-4 powered feature, Easyway Genie. Easyway Genie is a game-changing AI assistant designed to help hotel receptionists communicate effortlessly with guests, save time and enhance the guest experience. By analyzing guest messages and conversation history in real time, Easyway Genie offers personalized response suggestions that hotel receptionists can review and send with just a click.

[Easyway](https://try.easyway.ai/) is a Tel Aviv-based end-to-end guest journey platform that enables hotels to personalize and manage the entire guest experience in one place. By integrating cutting-edge AI technology, Easyway empowers hotel staff to communicate more effectively, deliver exceptional guest experiences, and elevate their brand's reputation in any language. With seamless integration into popular messaging apps such as WhatsApp, Easyway provides immediate two-way translation in over 100 languages, revolutionizing the hospitality industry and setting a new standard for hotel operations. (EasyWay 28.03)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's Unemployment Rate Falls Below 4% in February

Israel's unemployment rate fell from 4.3% in January 2023 to 3.9% in February 2023, according to the Central Bureau of Statistics. Despite concerns about a financial crisis in the US and expected interest rate cuts later this year, Israel's employment market remains tight and is likely to fuel inflation. In recent interest rate decisions the Bank of Israel Monetary Committee said that the employment market in Israel was an important factor in the rate hikes due to upwards pressures on salaries.

The Central Bureau of Statistics also announced a drop in job offers, suggesting a decline in demand. While the market is still very tight, it is possible that its importance as a factor in the interest rate decision will be lessened because of the reduced demand for labor. (Various 20.03)

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* 1. Report Finds Over 34% of Israelis are Overweight

A new report from the National Institute for Health Policy Research found that more than 34% of Israelis aged 20 to 64 are overweight, with obesity rates particularly high in Jerusalem and Nazareth and very low in Tel Aviv. Those with a lower socioeconomic status have a higher incidence of diabetes and tend to smoke more.

The data also show a significant increase in the obesity rate among the lower strata between 2015 and 2021, from about 24% to about 36%. In comparison, obesity rates among the upper classes remained relatively stable, from about 14% to about 15%. Diabetic morbidity rates are also higher in the lower status, with gaps widening between the lower and upper strata from 2.19 to 2.39 times between 2015 and 2021.

Additional data show an increase in the proportion of smokers in all segments of the population between 2016 and 2021. However, the largest increase was observed among the lower socioeconomic status, where smoking levels are nearly twice as high as among the upper status. (i24NEWS 20.03)

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* 1. Housing Building Starts Decline by 23% in Fourth Quarter

The Central Bureau of Statistics announced that there were 14,661 housing building starts in Q4/22, compared with 15,024 building starts in the third quarter, falling 23% from 18,959 building starts in Q4/21. 2022 saw 67,070 building starts, although there were only 63,660 building starts overall because 3,400 homes were demolished in urban renewal programs. Last year's building starts figure was slightly higher than the 2021 figure of 63,600 building starts. In the first quarter there were 19,628 building starts, which gave hope that the government could reach its ambitious target of 80,000 building starts in 2022.

Rising interest rates helped to lower the level below 70,000 building starts in 2022. Tel Aviv had the biggest number of building starts in 2022 with 4,659, followed by Jerusalem (4,456), Bat Yam (3,158), Beit Shemesh (2,659), Rishon LeZion (2,552), Ashkelon (2,446), Netanya (2,413), Petah Tikva (2,079), Beer Sheva (2,035), and Ramat Gan (1,634). (CBS 20.03)

IN DEPTH

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* 1. LEBANON: IMF Staff Concluding Statement of the 2023 Article IV Mission

An International Monetary Fund (IMF) mission visited Beirut from 15 to 23 March to conduct the 2023 Article IV consultation, assess the economic situation, and discuss policy priorities.

Lebanon is at a particularly difficult juncture. For over three years, it has been facing an unprecedented crisis, with severe economic dislocation, a dramatic depreciation of the Lebanese lira and triple-digit inflation that have had a staggering impact on people’s lives and livelihoods. Unemployment and emigration have increased sharply and poverty is at historically high levels. The provision of basic services like electricity, public health and public education have been severely disrupted, and essential social support programs and public investment have collapsed. More broadly, capacity in public administration has been critically weakened. Banks are unable to extend credit to the economy and bank deposits are mostly inaccessible to customers. The presence of a large number of refugees exacerbates Lebanon’s challenges.

Despite the severity of the situation, which calls for immediate and decisive action, there has been limited progress in implementing the comprehensive package of economic reforms, set out in the Staff Level Agreement, notwithstanding some efforts by the government. This inaction disproportionately harms the low-to-middle-income population and undermines Lebanon’s long-term economic potential. The Government, Parliament and the Central Bank (BdL) must act together, rapidly and decisively to tackle longstanding institutional and structural weaknesses to stabilize the economy and pave the way for a strong and sustainable recovery.

The economy remains deeply depressed. After contracting precipitously by about 40% since the start of the crisis, economic activity appears to have stabilized somewhat in 2022, driven by some recovery in tourism, further deleveraging of the corporate sector, and continued strong remittances inflows, which have supported consumption. However, many economic trends remain negative:

* Inflation is in triple digits, driven by a dramatic depreciation of the Lebanese lira, reflecting a lack of confidence in the Lebanese financial system, large increases in money supply, and the complex interplay of BdL circulars that gives rise to multiple exchange rates and speculative arbitrage.
* The collapse in budget revenue has forced a drastic and disorderly cut of public spending to minimal levels. Still, the government relies on central bank financing, accumulation of arrears and some donor assistance to support a budget deficit of over 5% of GDP. The deficit could be even higher, if the ongoing quasi-fiscal operations by the central bank—such as provision of FX at subsidized rates—are included.
* The banking sector is under enormous strain with an eroding capital position and substantial unrealized losses looming ahead.
* After sharply improving in 2020-21, the current account deficit is estimated to have widened significantly to over 25% of GDP in 2022, mainly due to high oil and food prices and accelerating imports ahead of an expected exchange rate adjustment for tax purposes. The weak external position and ad hoc monetary policy decisions have led to a steady decline in foreign reserves to about $10 billion as of December 2022 (excluding gold), compared to $36 billion prior the crisis.

Lebanon is at a dangerous crossroads, and without rapid reforms will be mired in a never - ending crisis. Poverty and unemployment will remain high, and economic potential will continue to decline. A continuation of the status quo would further undermine trust in the country’s institutions and additional delays in implementing reforms will keep the economy depressed, with irreversible consequences for the whole country, but especially low-to-middle income households. High uncertainty will further weaken the external position and the BdL will continue to lose scarce international reserves. Exchange rate depreciation and spiraling inflation will remain unabated, accelerating the already high cash dollarization of the economy. The informality of the economy will further increase, reducing the scope for taxation and further depressing budgetary spending, while increasing the risk of illicit activities becoming entrenched in the economy. Without acknowledging and credibly addressing the large financial gap in the banking sector, the banks will not be able to provide meaningful credit to support the economy, and small depositors will continue to incur large losses on their FX withdrawals, while medium-to-large deposits will remain indefinitely locked. Emigration, particularly of skilled workers, would accelerate, undermining future growth prospects even further.

There is an alternative path that would lead to stability and growth. The mission emphasized the urgency of implementing the following package of comprehensive reforms:

* **A medium-term fiscal strategy to restore debt sustainability and create space for increasing social and development spending.**  The first step should be to adopt a 2023 Budget that uses a unified market exchange rate for customs and tax purposes, adjusts specific taxes to inflation, and makes the first steps toward restoring public administration. The Budget should also provide the necessary funding for essential social spending and initiate important public sector reforms which over time would improve efficiency. In subsequent years, strengthening public finances would require revenue mobilization reforms focused on broadening the tax base, closing existing loopholes, and improving tax compliance across taxpayers through strengthened and modernized tax administration. The revenue mobilization effort is critical to support a gradual scale up of priority social and development spending to more appropriate levels. The overall fiscal strategy should be supported by reforms to eliminate SOE losses and phase out transfers from the budget, particularly to the energy sector, improve public administration, and advance sustainable pension system reforms. Gradual fiscal consolidation will be critical to complement the needed debt restructuring that should aim to reduce public debt to a sustainable level over the medium term.
* **Credible restructuring of the financial system to restore its viability and support economic recovery.** This requires acknowledging and addressing upfront the large losses incurred by the central bank and commercial banks, respecting the hierarchy of claims, protecting small depositors, and limiting the recourse to the public sector given its current unsustainable debt position. Viable banks should be restructured and recapitalized under a time bound plan, and unviable banks should exit the market. The effective implementation of the strategy requires amending the Banking Secrecy Law to address outstanding critical weaknesses, notwithstanding the important improvements from the recent reform. In particular, relevant agencies should have access to data on individuals’ transactions and deposits at the client level. In addition, the legal and institutional framework of the central bank and other banking authorities should be modernized to strengthen governance and accountability so that trust in institutions is rebuilt. To increase transparency, the special audit of the central bank should be published.
* **Unification of exchange rates and tightening monetary policy to rebuild credibility and improve the external position of the economy.** Unification would remove harmful distortions, eliminate rent-seeking opportunities, reduce pressures on the central bank’s FX reserves, and pave the way for a market-determined exchange rate. The process should be accompanied by temporary capital controls to help guard the limited FX resources in the financial system needed to ensure an equitable solution for depositors. To help reduce inflation following unification, tight monetary policy would need to make use of all the available tools, and central bank financing to the government should be strictly prohibited. Foreign exchange interventions will need to be very limited and only for the purpose of addressing disorderly market conditions.
* Ambitious structural reforms to supplement economic policies and create an enabling environment for stronger growth.

o Strengthening the public finance management (PFM) framework to ensure proper oversight of public finances, enhance fiscal discipline and improve transparency of budgetary process. The introduction of a modern PFM law would provide an overarching strategy for reforms that should include enhancing internal and external controls, formulating a medium-term fiscal framework, restricting the use of treasury advances and establishing a fully integrated treasury single account.

o Reforming state-owned enterprises to ensure good governance, transparency, financial and operational viability, better provision of services and to contain fiscal risks. Preparing a comprehensive inventory of SOEs and completing and publishing financial audits of the largest SOEs would be the first step, followed by development of an ownership strategy that would establish strategic purposes, and oversight and management principles of SOEs. Moreover, it will be critical to address long-standing issues in the electricity sector through swift implementation of sector reforms already approved by the cabinet in March 2022.

* Enhancing governance, anti-corruption, and anti-money laundering/combating the financing of terrorism (AML/CFT) frameworks to re-gain social trust of government policies and promote inclusive growth. The ongoing governance diagnostic will provide the roadmap to reform, including to enhance the independence and integrity of the judiciary system, and to improve accountability across the public sector. Moreover, the approved procurement law, which is in line with the best international standards, should be implemented promptly, starting with the full functionality of the Procurement Authority and the e-procurement platform.

The IMF remains committed to supporting Lebanon, and to continue its close engage with the authorities through policy advice and technical assistance. Collaboration and support from multilateral and bilateral partners are also critical for the successful implementation of the authorities’ reform efforts. However, this support will also hinge on Lebanon’s commitment and steadfast implementation of a comprehensive and ambitious reform program. In this regard, we welcome the authorities’ commitment to work with the IMF and other international partners for the implementation of policies to address current challenges and place Lebanon’s economy on a sustainable path, including under an IMF-supported program. (IMF 23.03)

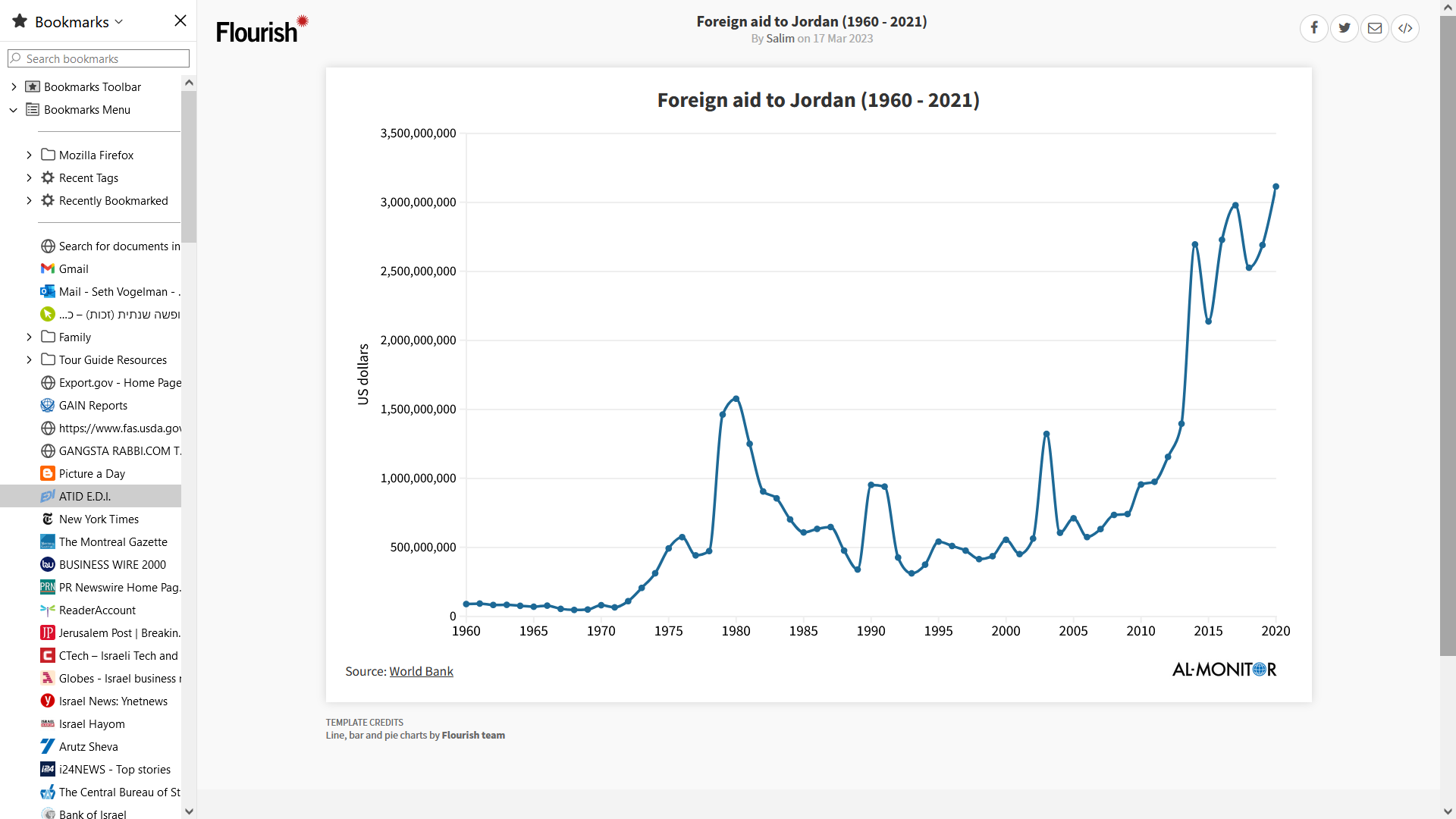
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* 1. JORDAN: Jordan Economic Rating Shows Upswing, But Problems Remain

[Al-Monitor](https://www.al-monitor.com) reported on 20 March that Jordanians in the private sector are praising their government's ambitious economic strategies, but still see systemic inefficiencies as a barrier to making them a reality. Jordan’s Finance Minister Mohamad Al Ississ said S&P Global’s decision to keep the kingdom’s sovereign credit rating at B+/B lately was a sign of confidence in its implementation of International Monetary Fund (IMF) reforms.

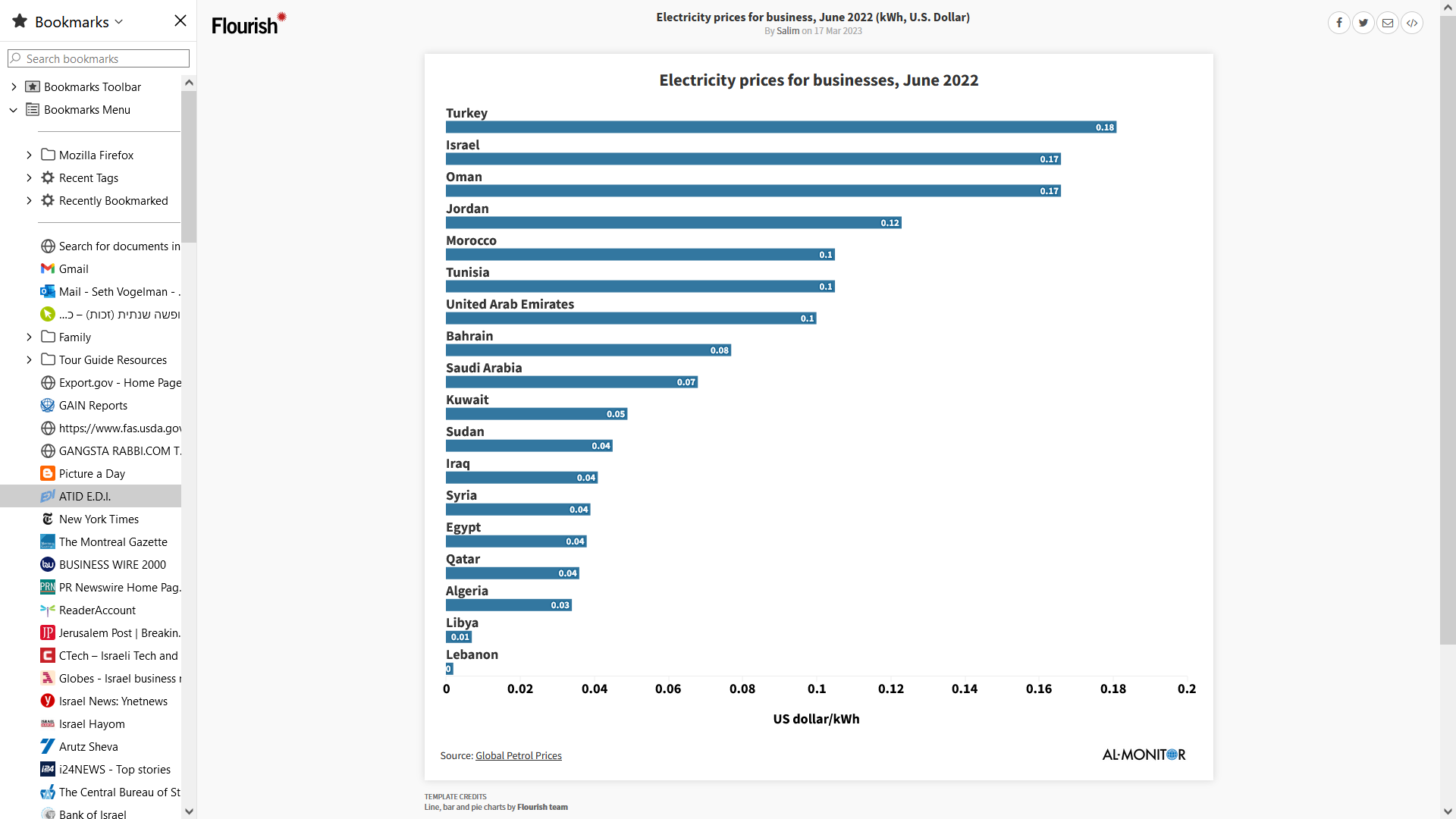
"This is ... a collective validation across rating agencies in recent months in their confidence in Jordan's monetary and fiscal policy," Ississ told Reuters, at a time when other emerging markets were being downgraded. The three-phase Economic Modernization Vision ambitiously claims it will increase average real income per capita by 3% annually, create one million jobs, and more than double the nation's gross domestic product (GDP) with an injection of $57.83 billion over 10 years.

Laith Alajlouni, a Jordanian political economist and researcher, said Jordan can compete globally in a variety of promising sectors, including tourism, which took in about $2.87 billion in the first seven months of last year. He said another developing sector is information communications and technology, which saw 6% growth during the pandemic and made up 3.8% of the country's GDP last year with total annual revenue exceeding $2.3 billion. However, Alajlouni said that Jordan’s aid dependency, which now stands at more than $3 billion annually, has created a system of inefficiency and prevented the country from enacting economic reform policies.



“First, the money trickles down through a sort of distribution to key tribal leaders, state officials and their social networks,” he said. “You’ll have someone who wants to build a street, hospital, or university somewhere as a favor, and the money gets distributed without proper needs-based assessment.” King Abdullah tried to change this deep-rooted system, but he was unsuccessful. Alajlouni said, “It’s not easy to combat these forces because it will upset so many people in this ingrained system.”

Jordan’s former Minister of both State for Investment affairs and Labor, Maen Al Qatamin, who shifted back to the private sector in 2021, believes the reform plan does not address Jordan’s core obstacle. “We have a very inefficient bureaucracy,” he told Al-Monitor. "This has meant resources such as fuel have been mismanaged for decades, preventing real economic growth that averaged at a sluggish two% for GDP over the past decade."



Jordan is import-dependent for water, energy, and food, making its security vulnerable to external shocks. It is one of the most water-scarce countries globally, yet loses up to 60% of its water supply due to leakage and theft, according to research agency Fanack Water.

The IMF stated in December that “electricity and water sector reforms are critical for preserving the sustainability of public finances.” Jordan imports 90% of its energy, despite having an abundance of renewable resources such as wind and solar, said Qatamin, which can power most of the country if managed properly. In December, gas price hikes to finance the country’s modernization vision were announced, which led to mass truck driver protests. Four years earlier, thousands protested similar reforms that forced out the prime minister at the time, Hani Mulki.

Levying taxes, fees, and extra costs is always Jordan’s fiscal policy answer, said Qatamin, contributing to a growing deficit, which reached an 88.4% debt ratio by September 2022. The result is a lack of private sector growth, he said, accompanied by 22.6% unemployment in mid-2022. How to break this mindset of mismanagement and the country’s expanding economic dependency, said Qatamin, “is the million-dollar question.” But some in the private sector believe that this time, it’s different.

Alaa Abu Khazneh, a board member at the Chamber of Industry and an elected representative of the plastics private sector, said, “This is the first time that the royal court is involved. So policies won’t be thrown away if the government is changed, which happens about once every year or more” — although many see royal power expansion as a cause of a revolving state government. However, other challenges continue. "Paying 20% income tax and a 16% sales tax limits growth potential," said Abu Khazneh.

What's more, electricity prices for businesses in Jordan are the second highest in the Arab world after Oman, paying about $0.123 kilowatts per hour as of June 2022, reported Global Petrol Prices.

Abu Khazneh and others who spoke to Al-Monitor said Jordan’s 10-year economic vision is promising, but conditional. “King Abdullah II is respected throughout the world, and the world is helping Jordan. But Jordan has to help itself with domestic reform,” said Alajlouni, who believes that the status quo is changing, but not as quickly as it should be. (Al-Monitor 20.03)

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* 1. QATAR: Qatar Reshuffles Cabinet and Its Relations in the Gulf and Beyond

The [Arab Gulf States Institute in Washington](https://agsiw.org/) reported that on 7 March, Qatari Emir Tamim bin Hamad al-Thani named Foreign Minister Mohammed bin Abdulrahman al-Thani the new prime minister, the centerpiece of a Cabinet reshuffle that marks the country’s first major internal realignment since the 2021 agreement in Al-Ula that ended the boycott of Qatar. Mohammed bin Abdulrahman, who retains his Foreign Ministry portfolio, had also served as deputy prime minister since 2017. He replaces Khalid bin Khalifa bin Abdulaziz al-Thani, who had held the post of prime minister since 2020 while also serving as minister of interior. Some analysts viewed Khalid as the last link in government to the "father emir,” Hamad bin Khalifa al-Thani, who abdicated in 2013 to pave the way for his son Tamim. The new prime minister, at 42, is the same age as the emir and of the same generation as the newly appointed minister of interior, Khalifa bin Hamad al-Thani, who most recently headed up the security effort when Qatar hosted the 2022 FIFA World Cup.

**Helping Qatar Rebuild Its Global Image at a Moment of Inflection**

As the key diplomat who helped steer Qatar through the nearly four-year crisis in relations with fellow Gulf states Saudi Arabia, the United Arab Emirates, and Bahrain, as well as Egypt, Mohammed bin Abdulrahman is viewed as a pivotal figure who can help Qatar rebuild its global image now that it has mended fences with its former Gulf antagonists. Put another way, the appointment is a sign Qatar will be significantly more “outward looking,” building on the huge success the World Cup represented.

Qatar’s reshuffle comes at a moment of inflection and uncertainty in Gulf dynamics – one influential Emirati analyst speculates about a new “Arab axis,” for example. But it is also a moment with significant promise. Two years out from the Al-Ula agreement, the settling process of Qatar’s relations with its Gulf neighbors continues unevenly and with different trajectories open in the future. The Abraham Accords with Israel have upended decades of diplomatic and strategic verities, with Qatar, along with its more powerful neighbor Saudi Arabia, on the outside looking in. Russia’s invasion of Ukraine has transformed Qatar – for a generation to come – into the key swing gas supplier for a beleaguered Europe abruptly cut off from Russian energy supplies. Recently reestablished Saudi-Iranian diplomatic ties point to the looming, shifting influence of Iran in the Gulf, which all the countries in the region, including Qatar, struggle to manage. The effort to manage Iran’s influence also points to Qatar’s relations with the United States, given Doha’s key intermediary role in recent years.

**Relations With Key Gulf Countries**

In terms of post-Al-Ula relations with other Gulf states, the report card for Qatar is mixed but with above-average marks. The UAE recently unblocked several Qatari websites, including those of media powerhouse Al Jazeera in Arabic and English, that had been blocked since the row with Qatar erupted in 2017. The media easing came just days after the visit to Doha of Emirati senior royal and entrusted National Security Advisor Tahnoun bin Zayed al-Nahyan and other senior officials. Although few details have leaked into public view, that visit is seen as an effort to add strategic and trade detail to Emirati President Mohammed bin Zayed al-Nahyan’s early December 2022 visit to Qatar and the ceremonial visit of Dubai ruler and Emirati Prime Minister Mohammed bin Rashid al-Maktoum to the opening ceremony of the World Cup in November. In the other direction, Mohammed bin Zayed hosted Tamim in Abu Dhabi – along with the leaders of Egypt, Bahrain, Jordan and Oman, but notably, not Saudi Arabia – for a January summit on “Prosperity and Stability in the Region.” A telephone call in recent days between Mohammed bin Zayed and Tamim – confirming the UAE would withdraw its bid for 2026 World Bank-International Monetary Fund meetings in favor of Qatar – capped off this nearly frenetic level of contacts aimed at entrenching the normalization of relations.

**Downsized Ideological Agenda**

On the Saudi side of the ledger, Qatar has already notched a significant improvement in relations. Many observers saw the Al-Ula agreement largely as a bilateral Saudi-Qatari instrument that left the other Gulf antagonists scrambling to reimagine relations with Qatar. Saudi Crown Prince Mohammed bin Salman and Tamim shook hands and wore the other country’s national colors at the opening ceremony of the World Cup, underscoring bilateral and Gulf solidarity and mutually reinforcing the two states’ nationalisms. Some analysts noted that the 2017 split with Qatar coincided with a crackdown on dissent in Saudi Arabia, with individuals arrested under accusations of harboring then-treasonous pro-Qatari sentiments. However, one prominent analyst views the current improvement in relations with Qatar in the context of a resurgent Saudi Arabia, confident in its positioning to lead the broader region. From this perspective, the long split and Al-Ula reconciliation have helped facilitate this Saudi reemergence. While Qatar has emerged with immense wealth, soft power, and pivotal energy resources, it has discarded its previously dominant ideological agenda, having reduced support for its Islamist partners and seemingly “downsized its ambitions” for leadership in the region. For now, at least, Doha no longer appears to have the strategic capability or ambition to compete with Saudi Arabia.

In this uncertain period with, at least for now, muted strategic ambitions in the region, Qatar appears satisfied to be wooed by its two influential, competing Gulf neighbors as it continues its sustained fence-mending. To round out the picture, Qatar’s relations with its other Gulf antagonist, Bahrain, are only slowly and haltingly improving. A recent call from Bahraini Crown Prince Salman bin Hamad al-Khalifa to Tamim points to warming relations, but significant frictions remain. Besides Manama’s resentment that Doha has slow-rolled normalization with the least powerful of the three original Gulf antagonists, there are still legacy issues that have created problems for the relationship, including maritime boundary disputes and accusations of meddling in each other’s internal affairs.

**An Unlikely Signatory to the Abraham Accords … for Now**

The Cabinet reshuffle is unlikely to lead – any time soon – to Qatar joining the Abraham Accords. Qatar has for years, even decades, found ways to deal with Israel while strengthening relations with the Palestinians, including by paying civil servants’ salaries in the Hamas-controlled Gaza Strip. But it has made clear it would continue to champion the Palestinian cause, evident most recently in the manner in which it hosted the World Cup, and steer clear of the Abraham Accords. Operating, as it appears for now, in Saudi Arabia’s strategic shadow, Qatar will be able to maintain such a stance without significant pressure so long as Riyadh similarly refuses to reach a formal agreement with Israel. When that day comes, as many predict it will, Qatar may find it necessary to revise its position.

**The United States Welcomes Cabinet Reshuffle, Qatari Assistance**

Unsurprisingly, given the current positive tenor of U.S.-Qatari relations, the United States welcomed Qatar’s Cabinet reshuffle, with Secretary of State Antony Blinken expressing gratitude for Washington’s “enduring partnership” with Doha. Recent media accounts report critical Qatari efforts as an intermediary in support of a sensitive (and yet to be concluded) Iranian-U.S. prisoner swap – an exchange some analysts see as a precursor to intensified efforts to revive the Joint Comprehensive Plan of Action nuclear deal in some form. Additionally, Tamim visited Tehran in May 2022 and Mohammed bin Abdulrahman traveled to Tehran in January 2022, standing beside Iranian Foreign Minister Hossein Amir-Abdollahian at a press conference and meeting hardline President Ebrahim Raisi. U.S. officials have also made clear how much they appreciated Qatari support during and in the wake of the chaotic withdrawal from Afghanistan, as Doha received thousands of foreign troops and civilians in 2021, after having for years facilitated and hosted the sensitive U.S. negotiations with the Taliban that presaged the withdrawal. U.S. gratitude was on full display during the foreign minister’s February visit to Washington, just after his foray to Tehran. Influential U.S. military figures, at leadership levels of U.S. Central Command and in the Pentagon, have long been convinced of Qatar’s importance and lauded the contributions Doha has made in hosting CENTCOM’s forward headquarters and other U.S. forces at Al Udeid air base.

Cabinet reshuffles in the Gulf are a fairly regular occurrence. In a region without political parties and other indicia of the hurly-burly of contested electoral politics, reshuffles help signal mild political change and transition for the future. While the significance of the reshuffle in Qatar should not be overstated, the move to form a new Cabinet is helpful in understanding some of the pressures on Qatar, some of the possibilities on its horizons, and some of the broader dynamics in the Gulf. The latter, of course, include relations among former antagonists, relations with the United States, developments among Iran, the Gulf states, and the United States, and even give a glimpse of strategic competition between key Gulf states in the coming decade.

*Ambassador William Roebuck is the executive vice president of the Arab Gulf States Institute in Washington.* (AGSIW 14.03)

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* 1. UAE: Moody's Affirms the United Arab Emirates' Aa2 Rating; Maintains Stable Outlook

On 21 March 2023,  [Moody's Investors Service (Moody's)](http://www.moodys.com/) affirmed the Aa2 long-term local and foreign currency issuer ratings of the Government of the United Arab Emirates (UAE). The outlook remains stable. Moody's has also affirmed the foreign currency senior unsecured debt and program ratings at Aa2 and (P)Aa2, respectively.

The rating affirmation is underpinned by Moody's assessment that the UAE federal government's debt level will remain very low, supported by its continued adherence to balanced budget targets and limited spending needs due to the scale of fiscal decentralization within the country. Although the country is exposed to longer-term carbon transition risks and persistent regional geopolitical tensions, solid institutions and policymaking that contribute to the significant progress in economic diversification away from hydrocarbons help contain these challenges.

The stable outlook reflects Moody's expectation that continued efforts by the governments across the UAE to expand non-hydrocarbon revenue, promote the development of non-hydrocarbon sectors and attract foreign businesses and talent may reduce the federal government's indirect exposure to oil price cycles and a potential acceleration in global carbon transition over the medium term, further strengthening its credit profile. However, uncertain global geopolitical developments and downside risks to global growth may slow the diversification momentum, while tangible impact of the government's initiatives and policies are likely to take time to materialize. Moreover, the scope for durable strengthening of the credit profile may be limited if not accompanied by enhancements to data and policy transparency and disclosure to levels comparable with higher rated peers.

The UAE's local and foreign currency country ceilings remain unchanged at Aaa. The two-notch gap between the local currency ceiling and the sovereign rating reflects the country's effective and forward-looking institutions and very strong external accounts position, which takes the ceiling to the maximum level of Aaa. The zero-notch gap between the foreign currency and local currency ceilings reflects extremely low transfer and convertibility risks given the central bank's ample foreign exchange reserves and Moody's view that Abu Dhabi's vast government financial assets invested in foreign currencies could be used to support the exchange rate if needed. The UAE's constitution provides that certain governmental responsibilities, notably currency and banking, should be discharged at the federal level. This leads us to conclude that the UAE ceilings are relevant to the country's issuers regardless of the emirate within which they are based.

**RATINGS RATIONALE**

**Rationale for the Rating Affirmation: Federal debt to remain very low amid adherence to balanced budget targets that limit fiscal risks**

The federal government targets balanced budgets and has consistently met or modestly exceeded these targets, including through the oil price shock over 2015-17 and during the peak of the coronavirus pandemic in 2020. Moody's expects the government to continue delivering balanced budgets even as it increases spending from a narrow base. The increase in expenditure is supported by a corresponding increase in revenue, as robust growth in nonhydrocarbon economic activity will contribute to higher collection of value-added tax (VAT, of which the federal government retains some portion and distributes the rest to the individual emirates), while the ongoing inflow of businesses, expatriates and digital nomads will increase the collection of services fees. The introduction of corporate income tax (CIT), effective 1 June 2023, will also raise government revenue from 2025 based on a revenue sharing model that is likely to be similar to the VAT. Meanwhile, the scope for spending is still limited at the federal level, given the significant level of fiscal decentralization across the federal government and individual emirates, and the substantial spending by Abu Dhabi including for some projects such as the national rail network (Etihad Rail) and on defense and one-off social programs.

Given the federal government's fiscal framework, Moody's expects federal government debt to only grow gradually over the next few years, reaching 4.3% of GDP by the end of 2025 compared to 1.9% of GDP at the end of 2022. The UAE's federal government debt is among the lowest across sovereigns Moody's rates. In general, federal debt is accumulated mainly for market development purposes, specifically to develop a local currency yield curve and to provide risk-free assets in local currency, and the government does not issue debt for deficit financing even though 15% of its debt can be used to finance infrastructure spending. All of the local currency debt proceeds are also invested in financial assets by the Ministry of Finance, while proceeds from opportunistic issuances of foreign currency debt are converted into long-term investments by the Emirates Investment Authority (EIA). Federal debt issuance is capped at 250% of the government's stable revenue base, which translates to an effective cap of around 6-7% of GDP based on Moody's estimates – a very low level.

The budgetary and debt controls, which Moody's expects strong adherence to, limit the fiscal risks of the federal government and supports its very high fiscal strength. In addition, although the federal government has very limited government financial assets (GFA), Moody's believes that there will be extraordinary direct or indirect support from Abu Dhabi during episodes of stress or shocks, should the federal government's balance sheet not have the capacity to provide countercyclical spending or absorb the shock. Moody's estimates that Abu Dhabi's GFA amounted to around 325% of GDP as of the end of 2022. The strength of Abu Dhabi's balance sheet also fosters confidence in the country's currency peg to the dollar and keeps external risks very low.

**Progress in economic diversification, credible institutions contain longer term risks including from carbon transition & regional geopolitics**

The UAE economy and indirectly the federal government are exposed to oil price cycles and a potential acceleration in global carbon transition, a key long-term credit challenge for the government's credit profile. The federal government's exposure to hydrocarbons is mainly confined to the contribution of the sector to real GDP and incomes and wealth, as well as hydrocarbon exports sustaining the country's strong balance of payments position. Although the federal government does not receive revenue that is linked to hydrocarbon production, it has indirect exposure as grants from Abu Dhabi can be considered hydrocarbon-linked.

At the same time, progress in economic diversification in the UAE is also relatively advanced compared to peers in the Gulf Cooperation Council (GCC), as the country is the main services hub in the region for transport and logistics and business and financial services, as well as the main destination where multinational companies establish their regional headquarters. The contribution of the hydrocarbon sector to GDP is around 25%, lower than GCC peers except for Bahrain. The UAE's economic competitiveness underpins its development and diversification, and is supported by its relatively advanced physical and digital infrastructure, transport and logistics capacity and linkages, the availability of a full suite of services companies that can support businesses under legal and judicial systems that foster confidence and trust (via Abu Dhabi Global Markets and Dubai International Financial Centre), and conducive time zone that can access most global markets during business hours. The UAE's rapid reopening post-pandemic, recent changes to its visa regime allowing expatriates to obtain longer term visas more easily and attracting remote workers, and changes to the work week from Monday to Friday also enhance its international appeal.

Meanwhile, persistent regional geopolitical tensions remains a latent tail risk, notwithstanding efforts by the UAE and some other GCC countries to improve relations with neighbors in the region. Any escalation of tensions into military conflict can affect the production and export of oil, and increase perceptions of risk and instability in the region with the potential to weaken long-term economic diversification prospects.

However, the UAE's institutions have demonstrated their credibility and effectiveness over time, which provides confidence in their ability to address the longer-term challenges and absorb shocks. Notably, the authorities have introduced VAT and are introducing CIT to expand federal government revenue and diversify the country's overall revenue base away from hydrocarbons, managed the pandemic effectively to allow a swift reopening of international borders, and implemented changes to visa requirements and social rules and laws to take advantage of post-pandemic trends and even global geopolitical shifts.

The UAE's credit profile is also constrained by policy and data disclosure and transparency practices that lag similarly rated peers, especially in government finance. The Federal Competitiveness and Statistics Centre has made some progress in making data more available and timely, although there are constraints arising from the uneven capacity across the individual emirates to collect and compile data, which slows publication. At the federal level, government financial data is not made available publicly to the same extent as peers, although this is in part a policy decision.

**Rationale for the Stable Outlook**

On the upside, momentum in development of nonoil sectors could accelerate and strengthen the UAE's credit profile beyond Moody's expectations as a result of shifts in work practices and business strategies post-pandemic, and in the current geopolitical climate that is seeing human capital and financial flows gravitating towards the country. This would reduce the country's exposure to hydrocarbon sector developments beyond what the rating agency currently assumes.

Under Moody's baseline assumptions, the effects of the post-pandemic inflows are likely to become tangible only in the medium to long term beyond a short term cyclical boost, because the gestation of new investments is likely to take time and the economic impact of some sectors that are being targeted especially in the digital economy may also be hard to quantify. Moreover, some of the boost in economic activity resulting from geopolitical conflicts may be one-off, if investment and spending is targeted at less productive capital, such as the real estate. Moody's expect the UAE's real GDP growth to moderate to 4% in 2023, compared to 7.6% in 2022 and 3.9% in 2021, driven by the modest contraction in oil output as agreed with the Organization of the Petroleum Exporting Countries and its partners. The non-hydrocarbon economy is nevertheless likely to remain buoyant, growing 6% in 2023.

On the downside, global and regional geopolitical developments remain uncertain and risks to global growth remain skewed to the downside with global interest rates still high relative to the past decade. Although Moody's sees the potential for the UAE to benefit from global geopolitical trends, there is a significant element of unpredictability in these developments that could raise the perceptions of risks in the country. Separately, substantially weaker global growth may dis-incentivize the global expansion and investment plans of multinational companies, while significantly lower oil prices because of weaker demand may also weaken economic sentiment and lower public and private investment in the region. These developments – while not in Moody's baseline – would weigh on the UAE's medium-term growth prospects.

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

Upward pressure on the rating would develop if regional geopolitical tensions decline significantly and durably, or if the UAE's resilience to carbon transition scenarios materially increases further. A marked improvement in policy transparency and data disclosure practices at both the federal and emirate levels would also lead to a more positive assessment of the government's creditworthiness. Additionally, given the importance and size of Abu Dhabi's economy and balance sheet and strong interlinkages between the federal and Abu Dhabi governments, an upgrade of Abu Dhabi's rating may exert upward pressure on the UAE's rating.

Downward pressure on the rating would likely emerge from an escalation in regional political tensions that significantly affects the UAE's ability to produce and export oil, or develop its nonhydrocarbon sectors. Perceptions that support from Abu Dhabi for the federal government, including for some spending that is the responsibility of the federal government, is declining without a corresponding increase in self-sustaining revenue may also lead to a more negative assessment of the federal government's creditworthiness. In addition, a downgrade of Abu Dhabi's rating may exert downward pressure on the UAE's rating. (Moody's 21.03)

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* 1. SAUDI ARABIA: Moody's Changes Outlook to Positive, Affirms A1 Ratings

On 17 March, [Moody's Investors Service (Moody's)](https://www.moodys.com) changed the outlook on the Government of Saudi Arabia to positive from stable and affirmed its long-term issuer and senior unsecured ratings at A1. Moody's also affirmed the Government of Saudi Arabia's (P)A1 senior unsecured medium-term note program ratings.

The change of outlook to positive reflects the increasing likelihood that, through reforms and investment in various non-oil sectors, the sovereign's economic and fiscal reliance on hydrocarbons will, over time, materially decline, thereby reducing its exposure to oil price cycles and a potential acceleration in global carbon transition, while also diminishing the pressure on the government to support the kingdom's implicit social contract through growth in public spending. The government is making progress in implementing its broad-based structural reform agenda, which will support the sustainability of the economic diversification efforts over the medium and long term. In addition, momentum is gathering behind a wide range of government-sponsored diversification projects and initiatives, which if successfully executed and, importantly, supported by private sector investment, will be the main driver of the expansion of Saudi Arabia's non-hydrocarbon sector and employment over the coming years.

The affirmation of the A1 ratings reflects the government's moderate debt burden, lower than most similarly-rated sovereigns, availability of robust fiscal buffers in the form of government financial assets, and high economic strength underpinned by Saudi Arabia's highly competitive position in the global oil market. Saudi Arabia's rating is constrained mainly by its structural vulnerability implied by its economic and fiscal reliance on the hydrocarbon sector, and by its susceptibility to event risks related to regional geopolitical tensions. Over the next few decades, Moody's expects oil exports to produce less robust revenues at peak oil prices and weaker revenues at trough oil prices compared to historical experience because global initiatives to limit the adverse impacts of climate change will increasingly constrain the use of hydrocarbons and accelerate the shift to less environmentally-damaging energy sources. For Saudi Arabia, the credit impact of carbon transition is mitigated by the sovereign's demonstrable adjustment capacity and its progress on economic and fiscal diversification.

Today's rating action also affirms the A1 backed senior unsecured ratings of KSA Sukuk Limited, and its (P)A1 backed senior unsecured medium-term note program rating. KSA Sukuk Limited, a special purpose vehicle incorporated in the Cayman Islands, is wholly owned by the Government of Saudi Arabia and its debt issuances are, in Moody's view, ultimately the obligation of the Government of Saudi Arabia. Moody's has also affirmed Saudi Arabia's Aaa.sa senior unsecured debt and senior unsecured MTN program ratings on the national scale.

Saudi Arabia's local currency (LC) and foreign currency (FC) country ceilings remain unchanged. The LC country ceiling at Aa2, two notches above the sovereign rating, incorporates reliance on a single revenue source for the government and non-government issuers and geopolitical risk, partly mitigated by relatively predictable institutions and external balance of payments stability. The FC country ceiling at Aa2, in line with the LC ceiling, reflects very low transfer and convertibility risks, given the central bank's very large foreign currency buffers.

**RATINGS RATIONALE**

**Rationale for the Change of Outlook to Positive from Stable: progress in implementing broad-based structural reform agenda**

Over the past three years the government made significant progress in advancing the multifaceted structural reform agenda, which it had launched in 2016 to support its economic and fiscal diversification efforts and to deliver on its social commitments under the Saudi Vision 2030. The key areas where significant progress has been made (and continues to be made) include social reforms, judicial system reforms, education system reforms, as well as comprehensive regulatory and economic reforms, all of which will function as enablers for more robust private sector investment and growth in the non-hydrocarbon sector.

Transformative social reforms, albeit from a low base, have already unlocked an array of growth opportunities in the domestic tourism, leisure and entertainment sector, which constitute a large share of the initial diversification agenda, and will increase longer-term attractiveness of Saudi Arabia for home-grown as well as foreign talent to support growth in the knowledge-based economy. Judicial reforms have significantly improved access to justice and the efficiency of contract enforcement and dispute resolution through digitization, newly-established commercial courts, and stronger regulation. Educational reforms, while still at a relatively early stage, hold the promise to reduce longer-term constraints on growth due to the lack of supply of adequately educated and skilled labor force. The most notable regulatory and economic reforms include removing restrictions on 100% foreign ownership for most sectors, and a broad suite of new laws and regulations relating to government tenders and procurement, commercial mortgages, bankruptcy proceedings, expedited customs clearance, immigration policies and tourism, as well as various laws enhancing women's participation in the economy and promoting gender equality. All of these reforms will contribute to improving Saudi Arabia's competitiveness and enhancing its appeal as destination for private and foreign investment, thereby, over time, increasing its growth potential and economic resilience.

The progress on reform implementation increases the likelihood that the ongoing economic diversification drive will be sustained in the longer term, beyond the initial phases where – due to the low starting point – many goals and targets are likely to be met relatively easily. The reforms, which are improving Saudi Arabia's business environment and investment climate, also raise the prospect that robust non-hydrocarbon sector growth and employment growth will be sustained without excessive reliance on public spending, either from the budget or from the assets of the sovereign wealth fund. In turn, if effective, this will enhance the sovereign's resilience to oil price cycles and grow the government's potential non-hydrocarbon revenue base for when oil revenues becomes less robust due to the effects of accelerating global carbon transition on hydrocarbon demand and prices.

**Gathering Momentum Behind a Wide Range of Economic Diversification Projects and Initiatives**

During the past two years a number of government-sponsored diversification "giga projects" have started to enter the construction phase, following several years of design and pre-implementation planning. During this period, the Public Investment Fund, which is responsible for managing and initially funding most of the giga projects, deployed from its capital only a small fraction of the estimated total contract value of the announced projects of more than $700 billion (around 65% of 2022 GDP). However, as more projects enter their construction phase and meet the required project milestones, Moody's expects the annual deployment to increase significantly over the next few years.

Increasingly, Moody's also expects that a growing portion of funding for the giga projects will come from private investors, which will ensure long-term commercial viability of the projects and limit pressure on the government balance sheet, including in the form of contingent liabilities.

While most of the diversification projects unveiled to date are concentrated in the field of urban development, tourism and entertainment, the growing list also includes industrial ventures, spanning from petrochemicals, non-hydrocarbon mining and low-carbon energy alternatives such as blue and green hydrogen to defense and electric vehicle manufacturing, broadening the scope of diversification efforts across the full economic spectrum.

The evidence of progress in diversifying the economy as captured by economic data is still tentative, given the initial stages of implementation. However, value-added growth in the private non-hydrocarbon sector, which averaged more than 6% during 2021-22, indicates that diversification is gaining traction, in particular when contrasted with economic slowdown during 2022 in most other G-20 economies. Saudi Arabia's strong non-hydrocarbon sector growth is underpinned by a strong contribution from private investment and accompanied by strong growth in Saudi citizens' employment, which reduced the Saudi citizens' unemployment rate below 10% during 2022 for the first time in at least 15 years. Looking forward, Moody's expects that private non-hydrocarbon sector growth will average close to 5% in the next five years with the risks tilted to the upside.

**RATIONALE FOR AFFIRMING THE A1 RATINGS: High Fiscal and Economic Strength and Improving Institutional Capacity Mitigate Structural Vulnerabilities Due to Reliance on Hydrocarbon Sector**

Saudi Arabia's key credit strength is the government's very strong balance sheet. The government debt burden was moderate at less than 25% of GDP (78% of revenue) at the end of 2022 and its debt affordability was very high, stronger than the medians of Aa-A rated peers. Furthermore, Moody's estimates that Saudi Arabia's government financial assets, excluding equity stakes in state-owned enterprises, were equivalent to more than 30% of GDP at the end of 2021. Government financial assets include deposits with the central bank, which were equivalent to nearly 12% of GDP. The central bank's own foreign-currency reserves were more than 40% of GDP ($435 billion, excluding gold, SDRs and the IMF position) at the end of 2022 and covered more than 21 months of projected imports of goods and services, providing an exceptionally strong external buffer, which limits the sovereign's external vulnerability risks as well as fiscal risks related to the government's stock of foreign currency-denominated debt.

Based on an assumption that oil prices average $80-85/barrel in 2023-24, Moody's expects the government fiscal balance to remain in surplus over the next two years, with debt and debt affordability metrics remaining very robust. Over the longer term, Moody's expects that fiscal stability will be supported by the implementation of the fiscal rules that the government is currently developing and calibrating under its Fiscal Stability Program.

The sovereign's economic resilience is underpinned by its improving institutional capacity to adjust to shocks, as demonstrated during the past years in response to structural and cyclical oil price shocks. Furthermore, Saudi Arabia's economic resilience benefits from its high GDP per capita, which supports adjustment capacity, and from the economy's large size. While carbon transition poses longer-term downside risks to the sovereign's credit profile, its economic strength also takes into account the country's highly competitive position in the global energy market due to its very large hydrocarbon reserves, low extraction costs, its large share of global oil production (12.2% in 2021, including crude oil, condensates and natural gas liquids), its large spare crude oil output capacity, and its de facto leadership of the Organization of Petroleum Exporting Countries (OPEC). While continuing to expand its hydrocarbon production capacity, Saudi Arabia is also one of the first movers to develop large-scale production of alternative low-carbon energy sources, such as blue and green hydrogen. Extraordinary competitiveness in energy allows the accumulation of wealth, which in turn enhances the economy's capacity to absorb shocks.

Economic and fiscal reliance on the hydrocarbon sector will remain the key credit challenge for Saudi Arabia. In Moody's baseline scenario, the direct contribution of the oil and gas sector to overall nominal GDP will remain 25-30% over the next five years (albeit down from an average of 46.1% in 2005-14) and, in particular, the contribution of hydrocarbon revenue to total government revenue will remain around 55-65% (albeit down from 90.5% in 2010-14), exposing the sovereign to cyclical declines in oil demand and prices that would significantly impair revenue collection and jeopardize fiscal strength.

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

An upgrade would be supported by increasing evidence that the ongoing diversification efforts, supported by structural reforms, are likely to significantly reduce Saudi Arabia's economic and fiscal reliance on oil revenues over the medium term, strengthening the sovereign's resilience to shocks and positioning it more favorably to address longer-term global carbon transition challenges. Such evidence would include a combination of a relatively stable or declining government debt burden and increasing fiscal buffers independent of oil price cycles, and sustained robust growth in the non-hydrocarbon sector of the economy driven increasingly by private sector investment.

An increasing likelihood that the diversification efforts will fall substantially short of increasing Saudi Arabia's resilience to future adverse oil market shocks would likely exert a downward pressure on the rating. Negative pressure would also come from evidence of a reversal in the fiscal policy direction, such as captured by significant increases in the non-hydrocarbon primary deficit. A significant escalation of regional geopolitical risks that would threaten Saudi Arabia's oil production and export capacity would also exert downward pressure on the rating. Finally, evidence that global carbon transition is accelerating markedly would also exert negative pressure on the rating, unless Saudi Arabia was able to adjust its economic and revenue bases equally rapidly. (Moody's 17.03)

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* 1. OMAN: Omani and Saudi Economic Zones Create Avenues for Cooperation

On 17 March, Robert Mogielnicki observed in the [Arab Gulf States Institute in Washington](https://agsiw.org/) that given Saudi Arabia’s economic might and Oman’s specialized knowledge, cooperation – rather than competition – in the economic zone space may serve both countries’ interests.

In late January and early February, Omani and Saudi officials held the Saudi-Omani Investment Forum in Riyadh. Under the theme “Partnership and Integration,” the four-day summit sought to enhance long-term economic partnerships between the two countries. Among a raft of agreements, Oman and Saudi Arabia signed a memorandum of understanding to finance the construction of an integrated economic zone in Oman’s Al Dhahirah governorate. Oman’s Public Authority for Special Economic Zones and Free Zones also signed an agreement with Saudi Arabia’s Economic Cities and Special Zones Authorities to increase the appeal of economic zones in both countries.

Economic linkages between Oman and Saudi Arabia have grown stronger in recent years. Political transitions – especially the ascension of Omani Sultan Haitham bin Tariq in 2020 – appear to have reset relations between the two Gulf Arab states in a more collaborative manner. A 450 mile road between Oman and Saudi Arabia opened in December 2021, enhancing connectivity in a manner that may boost economic activity in remote parts of both countries. Senior level trade and investment delegations have become a regular facet of Omani-Saudi relations, and the volume and value of trade exchanges between the two countries are on the rise. Moreover, in October 2022, the Public Investment Fund, Saudi Arabia’s sovereign wealth fund, set up a regional investment office in Oman.

As Oman and Saudi Arabia’s economic ties grow, economic zones would seem to be a logical component of their deepening collaboration. Yet the region’s free zones and special economic zones generally do not work together closely, often competing over clients, lower prices for registration and services, and commercial reputations. There is even competition among zones within a given country: The Duqm Special Economic Zone competes with the Sohar Port and Freezone in Oman, while free zones in the United Arab Emirates jockeyed for tax exemptions when the government rolled out a value-added tax in 2018. There are some limited examples of authorities overseeing multiple zones or entities, such as the Dubai Free Zone Council, which can help mitigate unhealthy competition. However, commercial competition among economic zones in different countries, which have fewer incentives to collaborate, tends to be even stiffer.

Nonetheless, for several reasons Omani and Saudi officials have a mutual interest in supporting the growth of each other’s economic zone sectors. First, the UAE has a clear advantage in this sphere, meaning that not only do comparable sectors in other Gulf countries have much ground to make up but also that most intraregional collaborations with Emirati economic zones are likely to be highly unbalanced. Past discussions about Dubai’s Jebel Ali Free Zone Authority assuming management responsibilities over Oman’s Salalah Free Zone never went anywhere, as Oman worried about losing sovereignty over its zone and it being used to relocate undesirable clients.

Emirati economic zones – generally labeled free zones – are older, more numerous, better known among international investors, and contain more registered firms than their counterparts in other Gulf states. Companies in the Jebel Ali Free Zone alone generate over $104 billion in trade value annually, whereas the combined value of Oman’s total exports and imports reached just $57.5 billion in 2020. With more than 40 free zones in the UAE, investors and firms can find a hub specializing in or catering to nearly any industry. For instance, the UAE’s newest free zone, RAK Digital Assets Oasis, focuses on digital and virtual asset companies.

Second, better linkages to Saudi Arabia through economic mechanisms, such as economic zones, can make Oman a more attractive trade and investment destination. There is tremendous global interest in the economic opportunities available in Saudi Arabia, owing to the ambitious projects associated with Vision 2030 and the Public Investment Fund’s outsized domestic role. A poll released in early March by EFG Hermes found that investors and executives see Vision 2030 as the most important source of regional investment opportunities. Indeed, Oman operates in the economic shadow of its Saudi neighbor: Oman’s gross domestic product was just $88.19 billion in 2021, whereas Saudi Arabia’s stood at $833.54 billion. As economic zones facilitate trade and investment flows into the region, they offer Oman an opportunity to encourage positive spillovers from the massive market next door.

Third, Saudi Arabia can benefit from collaboration with more established Omani zones. The Saudi government launched ambitious economic city projects in the early 2000s and currently oversees various industrial cities. Yet the country’s mix of free zones and special economic zones remains underdeveloped. While Saudi Minister of Investment Khalid al-Falih said in January 2021 that the kingdom is working to establish as many as 20 more special economic zones, progress has been slow. Likewise, Riyadh has demonstrated its ambitions by creating new centers for economic zones and revamping regulatory authorities, but concrete developments in the sector have been limited. The Special Integrated Logistics Zone, outside of King Khalid International Airport in Riyadh, was established in 2018 and only launched in October 2022.

Meanwhile, Oman possesses deep experience and expertise in the development and management of free zones and special economic zones. The Public Authority for Special Economic Zones and Free Zones oversees the Special Economic Zone at Duqm, Sohar Free Zone, Al Mazunah Free Zone, and Salalah Free Zone as well as Knowledge Oasis Muscat, a technology-focused park nestled under the portfolio of Madayn, a government institution that also manages 10 industrial cities. Oman established its first free zones in the late 1990s and early 2000s, and the country created domestically oriented industrial cities, often referred to as industrial estates, even earlier in the 1980s. A formal Free Zones Law was implemented through royal decree in 2002. With decades of experience in the economic zone sector, the Omanis can offer their Saudi counterparts knowledge and best practices on exemptions and commercial incentives for investors.

There are also overlapping geographic interests beyond the two countries’ physical borders. Commercial activity in and around the Red Sea corridor creates additional incentives to better link nascent Saudi zones on the Red Sea coast with Omani zones at Salalah and Duqm, which lie along the Arabian Sea and Indian Ocean. Oman’s Al Mazunah Free Zone on its border with Yemen could also support a post-conflict strategy for economic engagement with the war-torn country.

During the twilight of Sultan Qaboos bin Said’s reign, many Omanis looked enviously at the ambitious economic and social transformations taking place under Saudi Crown Prince Mohammed bin Salman. Sultan Haitham has pushed ahead with needed economic reforms since taking power three years ago, but attracting investments within a competitive region remains challenging. It appears that Omani and Saudi officials believe more cooperation – rather than competition – in the economic zone space may serve both countries’ interests.

*Robert Mogielnicki is a senior resident scholar at the Arab Gulf States Institute in Washington.* (AGSIW 17.03)

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* 1. EGYPT: Cairo Presses On With Mega Water Projects Despite the Burden on State Coffers

Ayah Aman in [Al-Monitor](https://www.al-monitor.com) observed on 19 March that as water scarcity threatens Egypt’s food and national security, the state is moving forward with megaprojects to secure alternative water sources. In the desert along the northwestern coast of Egypt, the Ministry of Water Resources and Irrigation is building the longest man-made artificial river to ensure sustainable water resources to cultivate about 1 million feddans (1.04 million acres) within the New Delta project, which is part of the goals set by the state to protect the country’s water and food security. The implementation of this mega water project comes at a time Egypt suffers from water scarcity and a water share lower than 560 cubic meters per capita per year.

The artificial river is approximately 114 kilometers (71 miles) long, including 22 kilometers (14 miles) of underground water pipelines, in addition to the open path of the river extending for 92 kilometers (57 miles). The river is expected to generate about 10 million cubic meters of water. Egypt's Minister of Water Resources and Irrigation Hani Sewilam explained earlier that the river will use agricultural drainage water in the west of the Nile Delta region, which will then be transferred to a water treatment plant in el-Hammam in Matrouh governorate. A total of 12 stations will be built along the artificial river to transport the water to the main el-Hammam station where it will be treated to be used for irrigation purposes. The total cost of the transport operations, including the treatment operations and the construction of the pipelines, will reach EGP 60 billion (around $2 billion), according to the minister.

Safwat Abdel-Dayem, a water expert at the World Bank, talked to Al-Monitor about the timing of the water projects to guarantee Egypt's basic food needs. “The implementation of mega water projects may be costly for the state budget, but the recent world events — including the outbreak of the coronavirus pandemic, and the Russia-Ukraine war and its subsequent repercussions on food security and safety — call for the need to implement such projects to secure the basic food needs in the country," he said.

According to 2020 data by the Central Agency for Public Mobilization and Statistics (CAPMAS), Egypt’s total cultivated areas amount to 9.5 million feddans (10 acres). Other CAPMAS statistics from 2020 revealed that the country’s strategic production includes 9.1 million tons of wheat and 4.4 million tons of rice. However, these wheat quantities are not enough to achieve self-sufficiency and represent only 41.4% of the country’s total needs. The rest is secured through imports, which had not been stable the past year in light of Russia's war on Ukraine and the devaluation of the local currency.

“It is necessary to implement projects to produce food locally even if water is scarce. This can be done by maximizing access to water, renewable and alternative water sources, and benefitting from every single drop of water through modern irrigation techniques in modern agricultural projects,” Abdel-Dayem noted.

Egypt heavily depends on the Nile River to meet 97% of its water needs — not including agricultural expansion projects. Add to this water scarcity and the lack of sustainable natural water sources, which have pushed the state to implement alternative water supply projects and increase water efficiency through agricultural drainage water and wastewater treatment projects and the use of treated water in agriculture.

These projects include the Bahr el-Baqar wastewater treatment plant, which contributes to the reclamation of 456,000 feddans (473,000 acres) in the Sinai Peninsula at a cost of $739 million, and al-Mahsama water reclamation plant, built at a cost of EGP 3.5 billion ($113 million) and used to transport around 1 million cubic meters of treated wastewater daily from the west of the Suez Canal to irrigate lands in Sinai and east of the canal.

The state’s focus on the water reuse projects is part of its policy to counter the anticipated negative effects of the unilateral filling and operation of the Grand Ethiopian Renaissance Dam on the Blue Nile, the main tributary of the Nile River. The floods over the past three years, which coincided with the filling of the dam’s reservoir, reduced the risks on the flow rate that reaches Egypt and Sudan. Yet the two downstream countries are still concerned that the flow of water will be reduced during periods of drought and prolonged drought amid the impact of climate change on the East Nile Basin.

The state’s policy of expanding wastewater treatment projects and of reusing treated water in agriculture comes after a years' long controversy over the availability of alternative water sources to the Nile, as Egypt’s share of the Nile water is no longer enough to meet the domestic needs, while demand is increasing due to population growth. Several studies conducted by experts over the past 10 years revealed the existence of giant underground reservoirs in the Western Desert. Yet there is no proof that this groundwater can be used for sustainable agricultural production.

Egypt is also working on the National Water Resources Plan (NWRP 2037), which aims to maximize the country’s water resources to meet the growing needs. The total cost of this plan amounts to $50 billion, which adds to the funding sources-related challenges amid the currency devaluation.

Ahmed Galal, dean of the Faculty of Agriculture at Ain Shams University, spoke about the financial aspect of the megaprojects. “The decision to implement projects that serve the national interest and protect food and water security can’t be measured through their financial cost,” he told Al-Monitor. “Any irrigation scheduling models designed to achieve higher agricultural [production] will improve food security and meet the people’s growing needs, which subsequently boosts national security and stability,” he said.

“Many researches are being implemented to study the impact of treated water on the produced crops, to determine crop pattern and select high-value crops, and to focus on the production of crops that are directly related to the basic needs of the population, including wheat and major feed grains,” Galal added.

Each year, the Egyptian government develops an annual plan to determine the crop pattern and areas to be cultivated with basic crops such as rice, based on the available irrigating scheduling models, through a coordination committee between the Ministry of Agriculture and Land Reclamation and the Ministry of Water Resources and Irrigation. The quantities of grain and agricultural commodities to be imported are determined based on this plan in order to meet local needs and preserve the strategic stock. Yet, despite these efforts, the prices of basic commodities, such as rice and wheat, increased significantly this year.

Despite the man-made river project’s high economic cost, technical challenges and the length of the pathways for the transport of agricultural drainage water, the state was left with few costly options to protect food and water security and achieve stability and balance between the quantities of locally produced food and imports, which are constantly subject to fluctuations in light of global politics. (Al-Monitor 19.03)

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* 1. LIBYA: Staff Concluding Statement of the 2023 Article IV Mission

On 17 March the [IMF](http://www.imf.org/) announced that its mission held discussions for the 2023 Article IV consultation for Libya in Tunis, Tunisia during 11-17 March. The mission issued the following statement at the conclusion of the mission:

We welcome the opportunity to reengage with Libya via an Article IV consultation after a decade-long hiatus. The fragmentation of the country that followed the fall of the Ghaddafi regime in 2011 effectively suspended the production of key economic indicators and complicated policymaking, resulting in difficulties in conducting Article IV consultations. The authorities have recently made commendable progress towards improving data collection, sharing and transparency. Together with the flexibility afforded by the IMF’s new Fragile and Conflict-Affected States (FCS) strategy, this has paved the way for a resumption of Article IV consultations.

Libya’s institutional framework has helped the country through a period of significant macroeconomic volatility and turmoil. There have been exceptional swings in oil production and revenues since 2011. Despite this, the measures taken by the Central Bank of Libya, including the currency’s devaluation, helped maintain a large stock of international reserves. Looking ahead, the stability of the exchange rate will remain an important anchor for monetary policy.

Libya’s economic fortunes will hinge on oil and gas production for the foreseeable future. Hydrocarbon production is projected to grow by around 15% in 2023 following an increase in oil production from 1 million barrels per day in 2022 to around 1.2 million barrels per day in 2023, and increase gradually thereafter. Looking ahead, assuming fiscal spending remains contained, the baseline projection is for gradually declining fiscal and external surpluses over coming years. The key risks to the outlook are lower oil prices due to lower-than-expected global growth, and renewed conflict and/or social unrest that leads to disruptions in oil production.

There is an urgent need for a clear economic vision for the country. The speed at which the international community is mobilizing to reduce carbon emissions and recent leaps in clean energy technology pose a risk of disorderly adjustment for economies dependent on oil. Libya is at risk of falling behind these important global trends. Looking ahead, Libya faces the daunting challenge of reducing its reliance on hydrocarbons while fostering stronger and more inclusive private sector-led growth. Structural reform efforts should focus on strengthening institutions and developing a more purposeful and transparent economic strategy for the future. This would be an opportunity to rally the population behind a clear plan to optimize the use of oil revenue to achieve economic diversification and improve living standards and inclusivity. (IMF 17.03)

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* 1. GREECE: Moody's Affirms Greece's Ba3 Ratings, Outlook to Positive from Stable

On 17 March, [Moody's Investors Service (Moody's)](https://www.moodys.com‎) changed the Government of Greece's outlook to positive from stable and affirmed the local currency (LC) and foreign currency (FC) long-term issuer and LC senior unsecured ratings at Ba3. Moody's has also affirmed the FC senior unsecured shelf and MTN program ratings at (P)Ba3, the LC commercial paper rating at Not Prime (NP), and the FC other short-term rating at (P)NP.

The main drivers for the outlook change to positive are prospects of a period of higher nominal GDP growth than in the past decade, partly the result of improvements in governance and effective past economic and banking sector reforms which are more visibly bearing fruit. Together with continued commitment to sound fiscal metrics supported by the implementation of fiscal measures, higher nominal GDP growth will contribute to a marked decline in Greece's debt burden in the next few years.

The affirmation of Greece's Ba3 ratings reflects a balance between the improvements seen in many areas of Greece's credit profile with persisting challenges. In particular, further reforms in the areas of justice, education, business environment and labor markets would support a higher rating. Moreover, the government debt burden remains very high and supported by official creditors, with future improvements and full return to market-based financing involving the maintenance of large primary surpluses for years to come.

Greece's local and foreign currency country ceilings remain unchanged at A3. For euro area countries a six-notch gap between the local currency ceiling and the local currency issuer rating as well as a zero-notch gap between the local currency ceiling and foreign currency ceiling is typical, reflecting benefits from the euro area's strong common institutional, legal and regulatory framework, as well as liquidity support and other crisis management mechanisms. It also reflects Moody's view of *de minimis* exit risk from the euro area.

**RATINGS RATIONALE**

**Rationale for Changing the Outlook to Positive from Stable: more robust nominal GDP growth outlook**

Over the coming years, Greece's real GDP growth will be supported by investment, both through European Union funds and private investment. Together with the effects of past reforms – for instance reflected in an improved business environment – and continued structural reforms, including improving public sector and judicial efficiency, this is likely to lift potential growth to 2% to 3% over the coming five years, and support long-term potential growth. In addition, and in contrast to the decade until 2020, as excess economic capacity is absorbed, disinflationary and deflationary pressures will recede and moderate inflation will support nominal GDP growth.

Greece has recovered quickly from the pandemic and weathered the energy crisis well, highlighting its overall economic resilience. Real GDP grew by 5.9% in 2022, after 8.4% in 2021. Strong growth was mainly driven by very strong tourism, domestic consumption and investment. The better-than-feared energy situation in Europe will support growth in Greece, which Moody's forecasts at around 1.8% in 2023 and 2024, mainly driven by robust consumption and continued strong growth in investment.

Moreover, the NextGeneration EU (NGEU) framework will support investment and continued reforms in areas like energy transition, digitalization, and productivity and competitiveness-enhancing growth areas. Under the NGEU's Recovery and Resilience Facility (RRF), Greece has access to €30.5 billion in total (18% of 2021 nominal GDP split into €12.7 billion in loans and €17.8 billion in grants). Greece is among the frontrunners in implementing its national recovery and resilience plan (NRRP), with more than €11 billion already disbursed. Together with inflows from the regular EU budget this will more than double public investment to €14 billion per year during 2023-26 compared to the average before 2020. Moody's estimates that Greece could see a boost to its potential growth rate of around 0.4%age points annually by 2030.

Combined with inflation at moderate but positive levels, once the current energy price shock recedes, Moody's expects nominal GDP growth at around 4-6% in the next few years, compared to below 2% and often negative growth rates in the decade to 2020.

**Sustained Improvements in the Banking System**

Greek banks significantly reduced legacy non-performing exposures (NPE) in 2021 and 2022, mainly through securitizations with the government's asset protection scheme (Hercules) that helped clear banks' balance sheets from bad assets. The Hercules scheme was introduced in late 2019 and officially ended in October 2022. As of the end of 2022, total government guarantees under the scheme amounted to €17.9 billion (8.6% of GDP). Moody's estimates that the average weighted NPE ratio for the four systemically important Greek banks reached 6.3% of gross loans in December 2022, suggesting a further decline in the system-wide ratio which was 9.1% at the end of the third quarter of 2022, compared to a peak of 49% in December 2016.

Greek banks' margins and net interest income will benefit from higher interest rates and new corporate lending, which will mitigate the impact from NPE sales that reduced loan balances in the last couple of years. Accordingly, Moody's expects banks' profitability to improve, supported also by higher fee income, cost containment (balanced by ongoing investment in technological innovation) and modest loan loss provisions over the next 12-18 months. Improved profitability will support banks' internal capital generation through retained profits, despite the potential for modest dividend payments in 2024. In turn, improvements in banks' financial health will allow them to support credit growth and economic activity.

**Rapid Decline in Greece's Government Debt Burden**

More robust nominal GDP growth will set the conditions for Greece's government debt burden to fall markedly in the next few years. In addition, a return to primary surpluses, helped by the economic recovery and fiscal consolidation, will also reduce the debt burden. Between 2021 and 2023, Moody's projects for Greece one of the largest reduction in the debt burden of all rated sovereigns and the largest among advanced economies and euro area members, with government debt declining to 162% of GDP in 2023 from 194.5% reported in 2021. Overall, government debt to GDP should fall to less than 150% of GDP by 2026.

Moody's estimates that Greece's fiscal deficit narrowed significantly last year, to 3.2% of GDP from 7.5% in 2021. For 2023, Moody's forecasts a further improvement in the budget deficit to -1.5% of GDP and a primary surplus of 1.2% of GDP in 2023. Primary surpluses will rise to around 2% from 2024, driven by a normalization of spending levels to below 50% of GDP mainly as a result of reduced subsidy and transfer payments as temporary support measures are phased out. At the same time, Moody's projections take into account slower growth in revenues because of the permanent reduction in social security contributions and the abolition of the solidarity surcharge.

Maintaining solid primary surpluses in the medium term will in part result from the improvement in Greece's institutions and governance strength. Commitment to continued fiscal consolidation is credible and implementation of structural reforms has already brought tangible progress in areas including tax administration and compliance, which in Moody's view reflects an improved quality of legislative and executive institutions.

**Rationale for Affirming the Rating at Ba3**

Greece's Ba3 rating is supported by robust economic strength in a global context, albeit with some weaknesses. Greece's relatively high wealth levels are balanced by the moderate size of the economy and equally moderate level of economic diversification and complexity. Unemployment rates have declined significantly to 12.4% in 2022 from 14.8% in 2021, but youth unemployment remains high and the informal sector continues to play a significant role in the economy. Income inequality is above the EU average, and despite improvements since 2015, the share of persons at risk of poverty is comparatively high. Greece also faces a highly adverse demographic profile, which will weigh on potential growth.

Despite significant improvements over the past ten years, Moody's assessment of Greece's institutional strength is still negatively affected by the government's restructuring of private-sector debt in 2012. Control of corruption and improving the quality and efficiency of the judiciary remain a challenging area, with negative implications for the business and investment environment in case of slowing reform momentum or reversal of decisions.

Greece will still have one of the highest debt burdens globally over the next 3-5 years, notwithstanding the expected significant reduction. Large and repeated debt relief provided by Greece's euro area creditors is reflected in debt affordability metrics (interest payments in relation to GDP and government revenue) which are significantly stronger than what the debt burden metrics would suggest.

Greece's susceptibility to event risk remains determined by risks related to the banking sector. Despite significant improvements there are still weaknesses which combined with the relatively large size pose a large potential contingent liability that could crystallize on the government's balance sheet. The favorable government debt structure, marked by a long average term to maturity of about 20 years, together with Greece's large cash buffer are important mitigants and shield the credit profile from rising interest rates.

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

**What Could Change the Ratings Up?**

A continuation of economic policies and commitment to fiscal consolidation pointing to faster improvements in economic competitiveness and/or a faster improvement in fiscal strength than in Moody's baseline scenario would support a higher rating. Further improvements in the banking sector, bringing asset quality and capitalization closer to the euro area average, would also be credit positive.

**What Could Change the Ratings Down?**

The positive outlook signals that a rating downgrade is unlikely in the near term. However, a protracted period of heightened political uncertainty that points to a potential reversal of the policy path seen over the past years, weighing on business sentiment and investment could move the outlook back to stable. A sustained, material deterioration of the government's fiscal position in combination with a sharp deterioration of the banking sector's health would trigger a negative rating action. An escalation in the geopolitical situation in Europe involving NATO would also likely lead to downward pressure on the rating. (Moody's 17.03)

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