

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israel’s Energy Minister Visits UAE & Advances Trilateral Deal with Jordan

Israel’s Energy Minister Katz visited the UAE on 14 August, where he met with Emirati, Jordanian and US officials to advance the trilateral 2022 water-for-energy deal to ease the impact of climate change on both Israel and Jordan. The MoU, signed last November in Sharm el-Sheikh on the sidelines of the COP27 Climate Conference, sees Jordan establishing a 600 MW solar power capacity plant, constructed by an Emirati firm and with Emirati financing. Israel will purchase solar power from the new Jordan-based facility, and Jordan will purchase desalinated water from an Israeli site to be constructed along the Mediterranean coast. The deal sees Israel providing water-scarce Jordan with 200 million cubic meters of water.

The water-for-energy Prosperity Project was launched in 2021 as a byproduct of the Abraham Accords normalizing ties between Israel, Bahrain, the UAE and Sudan. Also, the deal aims to contribute to better relations between Israel and Jordan. The memorandum was signed under the Bennett government, which made it a priority to reach out to the Jordanians. In fact, shortly after taking office, Prime Minister Bennett met in Amman with the Jordanian monarch and offered to double the amount of water Israel supplies to the Hashemite kingdom from the Jordan River.

That being said, King Abdullah called Netanyahu in November last year to congratulate him on his electoral win. Last January, the king hosted Netanyahu in Amman in a rare meeting after years of strained relations between the two leaders. Also, Minister Katz has been invested in the water-for-energy project, pushing since taking office to advance its implementation. Katz, who is slated to become foreign minister as of January 2024 for a period of two years, is the first Israeli minister to visit the Emirates since the Netanyahu government came to power in December. (Al-Monitor 14.08)

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* 1. Paraguayan President Plans to Reopen its Jerusalem Embassy Soon

On 15 August, Paraguay's new president Santiago Peña announced that he will reopen its embassy in Jerusalem in the coming months. This would make it the fifth country to have relocated its embassy to the Israeli capital, following the US, Kosovo, Guatemala and Honduras. Peña, who was sworn in on 15 August, met with Israeli Foreign Minister Cohen just hours after his inauguration.

Paraguay moved its embassy to the capital in 2018 but several months later closed it after it elected a left-wing president. Israel was outraged and shut down its embassy in the country in response. (JP 16.08)

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* 1. US Approves Sale of Arrow 3 to Germany in Largest-Ever Israeli Arms Export

The United States has approved Israel's sale of the Arrow 3 missile defense system to Germany, the Israeli Defense Ministry announced on 17 August. The $3.5 billion military contract is Jerusalem's largest ever. Berlin wants the system, which is capable of intercepting exo-atmospheric ballistic threats, to defend against the threat of Russian missiles.

The Arrow 3 was jointly developed by the Israeli Missile Defense Organization and the US Missile Defense Agency, and is manufactured by Israel Aerospace Industries. In June, German lawmakers approved advanced payments of up to $606 million for the system, which will be transferred to Israel after a letter of commitment is signed in the coming weeks. The full contract of $3.5 billion will be signed by the end of this year, subject to approvals from the Israeli and German parliaments. The German Air Force is slated to take delivery of the Arrow 3 by Q4/25.

Because the system was jointly developed, Israel requires American approval to sell it to a third party. The Arrow 3 is operational in Israel, as part of the country's multi-tier air-defense program. Israel Aerospace Industries is now developing the Arrow 4, which will operate both within and above the atmosphere. Israel defense exports in 2022 accounted for a record $12.6 billion. (i24NEWS & ILH 18.08)

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* 1. Israel Approves Increased Gas Exports from Tamar Field to Egypt

On 23 August, Israel's Minister of National Infrastructures approved additional exports of gas from the Tamar reservoir to Egypt. This was based on the recommendation of the Fuel Administration in the Ministry of National Infrastructures. Egypt has earlier pressed Israel to allow the partners in the Tamar reservoir to raise exports from 11 BCM annually to 16 BCM. The additional exports are based on an Egyptian commitment to increase its purchases of gas by 4 BCM annually for twelve years. This means that Tamar’s total export quota goes up from 28 BCM to 76 BCM. The aim of the deal is not just the supply of gas to Egypt for local use, which is certainly important to the Egyptian government, but also that some of the gas will go to the liquefaction facilities in Egypt, for export to Europe.

A decision on a request by the partners in the Leviathan gas reservoir to allow increased exports will be made at an upcoming ministerial meeting. The partners wish to set up a floating gas liquefaction plant next to the Leviathan production platform that would facilitate the export of 7 BCM of gas annually for twenty years. They have asked the Ministry of National Infrastructures for an export quota of 175 BCM over 25 years, albeit the dilemma is whether this would not result in a local shortage. (Various 23.08)

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* 1. BIRD to Invest $3.85 Million in Critical Infrastructure Cybersecurity Projects

While the cybersecurity industry experienced record-breaking investments and continuous growth in recent years, most cyber companies have focused on developing solutions for banking and insurance companies, defense, eCommerce, and other verticals with generous budgets. Yet, cybersecurity requirements on the national level are growing at a rate faster than industry can support. To address these challenges, the U.S. Department of Homeland Security (DHS) Science and Technology Directorate (S&T), the Israel National Cyber Directorate (INCD), and the Israel-U.S. Binational Industrial Research and Development (BIRD) Foundation, established the BIRD Cyber Program, a joint initiative to enhance the cyber resilience of vulnerable critical infrastructure in both the United States and Israel. The program is managed by the BIRD Foundation.

The BIRD Foundation's Board of Governors recently approved funding for four joint cybersecurity projects submitted by U.S. and Israeli companies in response to the first BIRD Cyber solicitation. The projects were jointly selected through a rigorous review and award process by DHS S&T, INCD, and the Board of Governors of the BIRD Foundation. In addition to the BIRD grants, the projects will leverage private-sector funding, boosting the total value of the projects to approximately $10 million. The projects approved for funding are:

* Rescana (Tel-Aviv, Israel) and Trend Micro (Irving, Texas) to develop an operational cyber threat intelligence capability to inform cyber risk maritime decision-making.
* Salvador Technologies (Rehovot, Israel) and Bastazo (Fayetteville, Arkansas) to develop a solution for Industrial Control Systems (ICS) vulnerability management, monitoring, and rapid recovery from cyber-attacks.
* Cyber 2.0 (Rishon LeZion, Israel) and Cincinnati / Northern Kentucky International Airport (Hebron, KY) to develop a platform for airports and air traffic that will provide continuous cyber visibility, real-time monitoring, and data traffic detection to minimize risks and boost compliance with regulations.
* A project of developing an airport cyber protection solution across the entire attack surface.

The [BIRD (Binational Industrial Research and Development) Foundation](https://www.birdf.com/) encourages and facilitates cooperation between U.S. and Israeli companies in a wide range of technology sectors and offers funding for selected projects. The BIRD Foundation supports projects without receiving any equity or intellectual property rights in participating companies or their projects. BIRD funding is repaid as royalties from sales of products that were commercialized as a result of BIRD support. (BIRD Foundation 17.08)

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* 1. Israel Eases Medical Equipment Imports Regulations

Israel's Ministry of Health has published a series of changes in medical equipment imports to Israel. The main changes will shorten registration times for most medical equipment already approved for sale overseas. The Ministry of Health and its Department of Medical Device (MDM) will focus on registration, regulation, and licensing of new equipment, to encourage the registration of medical equipment developed by Israelis, with the Ministry of Health as the primary regulator, thus encouraging R&D innovation in Israel.

This is the third significant step announced by the Ministry of Health this month, in addition to significant changes in cannabis and food import regulation. Here too, the approach is to lower regulatory barriers and transfer responsibility to the companies as much as possible.

Products will be divided into categories. Category 1 products can now be marketed in Israel with only a Declaration of Foreign Manufacture. Among these are wheelchairs, rehabilitation equipment, medical pads, and syringes. These products make up about 40% of all the medical equipment registered and marketed in Israel. Category 2 comprises low-to-medium risk products. These will be registered partly on the basis of a Declaration, and partly through a shortened 60-day licensing procedure, provided they are registered with the FDA and marketed in the US. They are mainly minimally invasive, not implantable products. Category 3 products are those defined as high-risk, for example stents or other implants. These will be approved using the same procedure that has been in effect until now.

Changes to a product will automatically be accepted in the Declaration after having received approval in Europe and the US, unless the changes are material. The question of what constitutes a material change will be determined in accordance with EU Medical Device Regulation (MDR) guidance. (Globes 21.08)

ISRAEL MARKET & BUSINESS NEWS

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* 1. env0 Raises $35 Million Series A Round Led by Venture Guides

env0 has secured an additional $18.1 million of funding to conclude its Series A investment round with a total of $35.1 million. The company grew by 450% in FY 2022, signing a number of new customers including MGM Resorts International, PayPal and VMware. env0 will use the new funds to accelerate research and development of new products to scale customer cloud operations safely.

This latest round, which brings env0’s total funding to $41.9 million, is led by Venture Guides, a new firm formed by industry veterans from Bain Capital Ventures. The round includes new investors StepStone Group and Knollwood Investment Advisory, with all existing investors boldstart ventures, Grove Ventures, Microsoft’s M12 and Crescendo Venture Partners participating as well. The funding is Venture Guides’ first major investment from their initial $200 million fund.

Ramat Gan's [env0](http://www.env0.com) is the best way to deploy and manage IaC, including Terraform, Terragrunt, CloudFormation, Pulumi, Kubernetes and others. The env0 platform enables users and teams to collaborate and provide self-service cloud deployments, all with advanced policies to meet governance and compliance. With env0, every engineer, from development, operations, and DevOps can deploy infrastructure simply, quickly, and safely. (env0 17.08)

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* 1. US-China Tech Rivalry Hits Israel as Intel Cancels Tower Semiconductor Deal

Intel announced on 16 August the cancellation of its acquisition of the Israeli chipmaker Tower Semiconductor, demonstrating how the US-China technology rivalry is affecting Israel’s tech sector. Intel said it mutually agreed with Tower Semiconductor to cancel the acquisition and will pay $353 million to the Israeli company. Intel agreed to purchase Tower Semiconductor last year in a $5.4 billion deal.

It was reported that the deal fell through after the companies failed to obtain the necessary regulatory approval from Chinese authorities. Intel and Tower Semiconductor both have facilities in China. The collapse of the deal comes amid the growing technology rivalry between China and the United States. The tensions have made obtaining approval for deals involving both countries difficult, particularly with regard to semiconductors.

The deal's collapse complicates Intel’s plans to strengthen its foothold in Israel. Intel has a strong presence in Israel, and the Tower Semiconductor deal would have been its sixth acquisition of an Israeli firm in the past five years. Israel’s technology and infrastructure relations with China have caused tensions in the US-Israel relationship. The United States particularly opposed the opening of a port in 2021 in Haifa that is run by a Chinese firm. (Al-Monitor 16.08)

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* 1. Haveli Leads $100 Million Investment into Israel's Candivore

Austin, Texas' Haveli Investments, a technology and gaming-focused private equity firm, acquired a minority interest in Candivore, the maker of the hit multiplayer match-3 puzzle game, Match Masters, for approximately $100 million.

Founded in 2018 and based in Tel Aviv, Israel, [Candivore](https://www.candivore.io/) is an independent studio focusing on the development of mobile games. Its flagship game, Match Masters, is an innovative match-3 puzzle game where players challenge each other from all over the world and compete in large-scale tournaments and events. Match Masters has seen over 50 million downloads and generated more than $300 million in revenue to date.

Launched in 2022, Haveli Gaming has previously invested in London-based Omeda Studios, whose title Predecessor is currently in Early Access and Montreal-based Behaviour Interactive, the developer and publisher behind the hit online, genre-leading game Dead by Daylight. (Haveli Investments 14.08)

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* 1. BBT.live Extends Seed Funding to $8.4 Million for Secured Connectivity as a Service

BBT.live, developer of the BeBroadband SaaS platform, an SD-WAN/SASE as a Service built for service providers, has extended its seed funding round to $8.4 million. BBT.live has a unique business model which decreases service provider sales cycles and customer acquisition costs.

BeBroadband is an all-in-one secured cloud solution for service providers to deploy software-defined networking to their business customer clients. The solution includes Secure Access Service Edge (SASE) cyber security, connectivity, WAN optimization, and management and controls through a multi-tenant self-serve orchestration portal. All elements of the solution are part of a single subscription, including edge appliance hardware. Competing solutions are complicated and expensive to deploy, leaving many businesses without the network efficiency and security benefits of software-defined networking.

Founded in Tel Aviv in 2020, [BBT.live](https://bbt.live/) offers SD-WAN/SASE as a Service security and connectivity designed for service providers with the BeBroadband platform. The tech-agnostic solution fits use cases across multiple verticals. Partnerships with Checkpoint for cyber-security protection and Rohde & Schwarz for Deep Packet Inspection enable WAN Optimization; BeBroadband offers an all-in-one SASE solution for managing and controlling business networks. (BBT.Live 21.08)

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* 1. Compedia to Open US Headquarters in Cedar Park, Texas

Compedia, an Israeli company, is to make Cedar Park, Texas its North American headquarters, where it could ‎employ at least 228 people in the next decade.‎ Compedia USA may receive $855,000 in incentives that requires approval from both ‎the Cedar Park Economic Development Type A Corp. and Cedar Park City Council. Compedia was introduced to Cedar Park by [Atid, EDI](https://atid-edi.com/), the Israel representative for foreign direct investment on behalf of the City of Cedar Park.

Compedia said the process of zeroing in on Cedar Park began a little ‎more than a year ago, when officials from the Texas city traveled to Israel to try to recruit ‎companies. Compedia leaders were interested but wanted to make sure there were ‎enough projects here before committing to the move. Compedia has already ‎launched partnerships with the University of Texas and Austin Community College.

The 10-year economic development performance agreement would provide Compedia with ‎‎$150,000 if it occupies the facility no later than 1 December, up to $450,000 based on employee and ‎salary requirements that max out at 228 employees earning at least $22.8 million combined no ‎later than 1 December 2033, or an average salary of $100,000; employee relocation bonuses that ‎equate to $10,000 per home purchased, for a maximum of $250,000; and a $5,000 membership ‎to the Cedar Park Chamber of Commerce.‎ City officials estimated that the rate of return on the public dollars being invested in the project ‎would be nearly 13% that the EDC would recoup the value of ‎the investment in roughly eight years via taxes and other sources of revenue.‎

Founded in 1988, Ramat Gan's [Compedia](http://www.compedia.net) is a world leader in the development of advanced technologies, platforms and systems/products used in corporate training and education. Compedia has developed dozens of award-winning products that are used by millions of people in 50 countries and in 35 languages. Compedia can offer expertise in visual computing, augmented reality, virtual reality and advanced systems, as well as instructional design and UX. (Cedar Park 25.08)

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* 1. Intuition Robotics Raises $25 Million in Additional Funding

Intuition Robotics has secured a first closing of a new funding round amounting to $25 million, $20 million in venture capital and $5 million in venture debt, and led by Woven Capital, the growth fund of Toyota, with participation from Toyota Ventures, OurCrowd, Western Technology Investment and additional investors. The funding will help the company meet surging demand for its AI care companion ElliQ across government aging agencies and healthcare organizations. It will also allow the company to deepen integrations into the healthcare system and help aging populations better connect with others, and better access much-needed products and services while reducing costs.

Intuition Robotics has pioneered ElliQ, an AI companion designed to enhance the lives of older adults by combating loneliness and promoting healthy and independent living. In an era dominated by groundbreaking technologies, ElliQ has consistently demonstrated its ability to engage users over time and positively impact the lives of older individuals with its proactive suggestions and conversational capabilities. ElliQ provides companionship and support for older adults through daily health check-ins, cognitive and physical activities, connection to family and friends, and more using a simple and intuitive interface.

Ramat Gan's [Intuition Robotics](http://www.intuitionrobotics.com) is on a mission to empower older adults to live happier, healthier and more independent lives at home. The company's ElliQ, is a proactive care companion for older adults. ElliQ helps keep users healthy, engaged and informed, while alleviating the effects of loneliness and social isolation. (Intuition Robotics 29.08)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Numa Bridges the Fintech Gap for Freelancers

Freelancers and micro businesses, those that employ two to three people, have been left without a viable solution when it comes to financial and banking services. They are effectively too small for company accounts and too big to rely solely on personal accounts. This is a gap that Jordan-based [Numa](https://www.usenuma.com/) is hoping to fill with its all in one platform for freelance workers in the Arab world. Founded earlier this year, Numa is a fintech platform that sits on an existing bank’s infrastructure. It offers a digital bank account with virtual IBAN and a virtual prepaid card, making it easier for freelancers to get paid and make transactions.

According to the ILO, there are more than 40 million self-employed workers in the Middle East and North Africa (MENA). Numa estimates based on its own data that of these, four million are digital freelancers and creators with an average salary of $10,000, making it a $4 billion market. Numa fills the gap in between consumer and business banking without the need for extensive paperwork and licenses.

Numa’s solution offers not only the banking services and a virtual prepaid card, it also offers other financial services like contract invoicing, helping with tax returns and expenses management. It is also developing a credit scoring system that accommodates the complex income patterns of freelancers, laying the groundwork for future lending products for this segment. Numa will be partnering with banks to provide the banking services. It recently launched its platform in private beta testing, amassing customers like software developers, creative designers, digital marketers, and solo entrepreneurs across various fields in Jordan, after raising a pre-Seed funding round from investors including BLDR Ventures and Oasis500. Numa is currently free for users and will apply a freemium model as part of its monetization policy. (Numa 17.08)

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* 1. ISSF Invests $1.5 Million in Sadu Capital to Invest in Jordanian Startups

The Innovative Startups and SMEs Fund (ISSF) announced an investment in Sadu Capital’s early-stage fund, a venture capital fund focused on empowering technology startups and SMEs in Jordan and the region. As part of this collaboration, ISSF has committed an investment of $1,500,000 in Sadu Capital, further fulfilling its mission to fuel economic growth and technological advancement in Jordan.

Sadu Capital’s fund focuses on investing in early-stage (Pre-Seed, Seed, and Series A stages) startups across various sectors, with a particular emphasis on B2B companies. Their investment strategy spans multiple geographies, including Jordan, KSA, UAE and Egypt.

This partnership between ISSF and Sadu Capital marks a milestone in the advancement of Jordan's startup ecosystem. By combining their extensive networks, resources, and expertise, the investment aims to accelerate the growth of startups and SMEs in the country. This alliance will not only provide financial support but also foster groundbreaking innovation, and job creation, and contribute to the overall economic diversification of the region. Together, ISSF and Sadu Capital are positioned to drive change and establish Jordan as a thriving hub for entrepreneurial success in Mena. (ISSF 16.08)

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* 1. Illuminati Capital Raises $50 Million for Web3 and Gaming Investments

The new Dubai-based crypto venture fund [Illuminati Capital](https://www.illuminati.capital/index.html) has raised $50 million for a fund that aims to invest in early-stage blockchain and Web3 gaming startups. The hope of the new VC fund is to bring the founders’ experience from the blockchain and investment worlds to the evolving landscape for Web3 investments. Illuminati Capital explained its approach to investing, saying it prefers to partner with companies and offer hands-on help with scaling their projects.

Also known as GameFi, Web3 gaming is a growing niche within the crypto world that attracted significant investments in the previous crypto bull cycle with massively popular projects such as Axie Infinity (AXS) and The Sandbox (SAND). (Illuminati Capital 16.08)

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* 1. Emirates & Air Canada Expand on Montreal Codeshare Partnership

The Dubai-based carrier Emirates has extended its codeshare partnership with Air Canada to connect 11 of Canada’s domestic points through Montreal. Customers will now be able to travel between 11 cities in Canada and connect with the Emirates international network through Montreal on a single ticket. The cities include Halifax, Edmonton, Ottawa and Calgary.

Emirates launched its services to Montreal in July, offering seven weekly flights on its Boeing 777 aircraft. The airline also connects Dubai with Toronto through daily services aboard the A380. The expanded network of Canadian points in the codeshare partnership also includes an additional 69 points accessible from the gateway, on an interline basis. (Zawya 17.08)

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* 1. Lumi AI Raises its First Round of Funding Ahead of Its Launch

Lumi AI announced its successful first round of funding from leading New York-based B2B SaaS investors Forum Ventures, UAE-based Annex Investments, and angels. Founded in April 2023, Dubai's [Lumi AI](https://www.lumi-ai.com/) is on an ambitious mission to democratize access to data, insights, and predictive analytics. By equipping businesses with the ability to generate custom reports and run statistical models using plain language, Lumi AI is poised to redefine how organizations interact with their data.

In just three months, Lumi AI has demonstrated its value in the market. The company launched a successful beta product, enlisted five UAE-based customers, and even helped one user identify a $1.5 million inventory issue, confirming the platform's immense potential. Lumi AI's core technology comprises proprietary algorithms and workflows capable of understanding enterprise operational systems and transforming vague user prompts into high-quality, AI-friendly instructions. This advanced approach minimizes AI hallucinations, offering an unparalleled level of accuracy and utility.

The founding team at Lumi AI comprises seasoned data and AI professionals, each with a track record of developing numerous enterprise-grade data and AI products designed to optimize and automate supply chain operations. Their collective expertise, honed in senior leadership roles at unicorn tech startups, top-tier consulting firms, and multinational corporations, positions them uniquely to revolutionize business intelligence for companies operating within physical supply chains. The funding will be instrumental in propelling Lumi AI's next phase of growth. It will fuel the development of its unique platform and scale its go-to-market team, preparing the company for its full platform launch in the fall. (Lumi AI 16.08)

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* 1. Energy Capital Group Closes First $150 Million Fund

Saudi Arabia's Energy Capital Group (ECG) announced the first close of its $150 million fund that targets the creation of national leaders in energy and energy-related technologies. The Fund was anchored by Jada Fund of Funds. The successful fundraising effort is a validation of ECG’s strategy that aims to create and develop industrial services and technology-oriented National Champions across the energy sector in line with Saudi’s Vision 2030 and Aramco’s IKTVA program. The end goal for ECG is to strengthen current supply market constraints to the energy and industrial value chain and asset base to further the industrial growth of Saudi Arabia and the broader GCC.

The successful first close is a testament to the expertise and leadership of Energy Capital Group in driving forward the region’s industrial growth. The fund plays a pivotal role in helping achieve the ambitious industrial development agendas of Saudi Arabia and that of the GCC region.

Founded in 2008, Saudi Arabia's [Energy Capital Group](https://www.ecgsaudi.com) (ECG) comprised prominent industrial and financial sector leaders who closed over $5 billion of local and international transactions. In 2021, ECG launched its latest fund after merging with Cayan Holdings and Watar Partners. The ECG team has a solid track record in building key strategic partnerships with local and global service providers. With significant investments in Saudi Arabia and the region, ECG is supported by experienced operating partners in the sector and a network of experienced and successful leaders in the energy space. (Energy Capital 15.08)

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* 1. Air Lease's $300 Million Deal for Five Boeing 737 Aircraft with Royal Air Maroc

Air Lease Corporation announced long-term lease contracts for five Boeing 737 aircraft with Royal Air Maroc (RAM), including four new Boeing 737-8s and one Boeing 737-800. The new aircraft are scheduled to deliver to the Moroccan flag carrier in 2024 from ALC’s order book with Boeing. These new contracts are augmenting already placed ALC owned aircraft operated by RAM.

Air Lease Corporation is a leading global aircraft leasing company based in Los Angeles, California that has airline customers throughout the world. ALC and its team of dedicated and experienced professionals are principally engaged in purchasing new commercial aircraft and leasing them to its airline customers worldwide through customized aircraft leasing and financing solutions.

Royal Air Maroc is the Moroccan national carrier, as well as the country's largest airline. The airline has established a network reaching 80 destinations in 41 territories around the world, including frequent departures towards the biggest capitals in Europe, North America, South America, Africa, the Maghreb region and the Middle East. Its main hub is located at Mohammed V airport in Casablanca. (ALC 16.08)

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* 1. MD Helicopters Contracts with Middle East Customer for Six Cayuse Warrior Helicopters

Mesa, Arizona's MD Helicopters (MDH) announced a contract signing with a Middle East customer to provide six Cayuse Warrior Plus Attack/Scout aircraft with precision weapons capability and six MD 530F glass cockpit upgrades. The twelve aircraft will support counter insurgency and counter terrorism operations by providing area security, tactical reconnaissance, convoy escort, and drug interdiction throughout the country. The Armed MD 530F aircraft will receive glass cockpit upgrades at MD Helicopters in Mesa, AZ. Deliveries are scheduled to begin in 2024 for all twelve aircraft. The Middle East selection includes a complete logistics package including initial provisions, spares, and pilot and maintainer training.

The Cayuse Warrior and the MD 530F are proven tactical scout and light attack aircraft valued for their unmatched power, safety, speed, agility, and unparalleled confined area capabilities. The ‘Plus’ version features mission enhancements that include the precision weapons system, avionics improvements, and armor.

MD Helicopters (MDH) manufactures high-performance rotorcraft solutions that support operators flying military, commercial, law enforcement, utility, and VIP mission profiles. With thousands of aircraft in service worldwide, MDH has been designing and building aircraft known for their safety, versatility, responsiveness, speed, and reliability since 1947. (MDH 09.08)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Lebanon Rolls Out Waste Management Project

Lebanon’s government approved a new waste management project as part of efforts to regulate the solid waste sector. The project will be implemented over the next four years in the Akkar, South and Nabatieh governorates to reduce pollution from the uncontrolled burning of solid waste in these areas. In December last year, the World Bank announced a $8.86 million grant from the Global Environment Facility for the project in Lebanon.

Open dumps have proliferated across the country since a major waste crisis erupted in 2015. The crisis began when the Naameh landfill in the Shouf region, in Mount Lebanon governorate, closed that July under pressure from the area’s residents, who complained about the landfill’s environmental and health effects. The Naameh landfill first opened in 1997 as a temporary site for the collection of garbage from Beirut and Mount Lebanon. But 18 years later, the landfill had largely exceeded its intended capacity of 3 million tons at more than 15 million tons of solid waste.

Despite the government knowing months beforehand about the impending closure of the Naameh landfill, it did not have any alternative. As a result, trash began piling up in the streets. With nowhere to store waste, collectors would dump the garbage under bridges and in vacant areas across Beirut and Mount Lebanon. Images of mountains of trash and rivers of garbage infuriated the population and prompted anti-government protests accusing the country’s ruling elite of corruption and mismanagement. Since then, the government as well as international groups have suggested several waste management plans, but political bickering has prevented their implementation. Years later, garbage dumping and trash burning continues to plague the country. (Al-Monitor 22.08)

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* 1. Jordan Plans $140 Million Solar Cell Plant

Jordan will invest some $140.9 million to build a solar cell production plant in Amman. Construction on the 130,000 square meters factory is expected to break ground by the end of the year. The government did not specify the developers of the project or the expected launch date for the plant.

Solar and wind currently make up more than 20% of Jordan’s national electricity capacity. The country is expected to bring up its solar energy capacity to 2.7 GW this year from 1.7 GW in 2020. Jordan wants to have renewables account for half of its energy mix by 2030 in a bid to wean itself off fuel imports and push down carbon emissions. The country aims to slash 31% of its carbon output by 2030 compared to 2012 levels, according to its latest Nationally Determined Contribution (NDC).

The government plans to launch its long-term energy strategy in 2024, with incentives geared at boosting renewable energy, power storage, and green hydrogen production. The kingdom is also expected to announce its green hydrogen strategy this quarter. (Enterprise 28.08)

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* 1. Jordan Discards 100 Million Plastic Bags Every Year

Each Jordanian citizen on average consumes around 500 plastic bags per year, with approximately 100 million plastic bags discarded into the Jordanian environment yearly. This increases the total annual plastic waste volume by 17%. Jordan suffers from excessive use of plastic and that plastic bags constitute an additional burden on the environment, according to a study that revealed that the spread of these bags resulted in the death of 2,200 head of livestock.

Regarding measures to reduce plastic pollution in Jordan, Jordan's Environment Ministry has distributed 50,000 reusable bags to encourage a substitution culture, reducing plastic’s spread in the environment. The ministry also distributed seven machines which consumers can use to exchange plastic containers for a material return that can be used for shopping. Furthermore, the ministry will continue to work on international programs aimed at enhancing the circular and green economy. (JT 23.08)

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* 1. Dubai Targets 100% Recycled Water Use by 2030

An ambitious water reclamation program, spearheaded by Dubai Municipality for over five decades, has been a crucial component of the emirate’s efforts to manage its ecological assets. The program has helped Dubai achieve an impressive water reuse rate of 90% and significantly curb its reliance on desalinated water and groundwater. By 2030, Dubai aims to increase recycled water utilization to 100%. Dubai Municipality’s water reuse strategy aligns with the goals of the emirate’s Net Zero Carbon Emissions Strategy 2050. In the next seven years, Dubai has set itself the target of reducing the use of desalinated water and related power consumption by 30%.

Today, Dubai extensively uses reclaimed water to irrigate green spaces and landscaping, distributing it through a network managed by the Waste Management and Sanitation Department of Dubai Municipality. Stretching approximately 2,400 kilometers, this network, which covers most areas of the city, has facilitated the use of about 265 million cubic meters per year of water for green spaces. Recycled water is used to irrigate an area of about 10,400 hectares in Dubai, including public gardens and green spaces, as well as landscaped areas in property developments. On average, about 22 million cubic meters of reclaimed water is used monthly for irrigation purposes in the city.

Between 1980 and 2022, Dubai has produced over 4.5 billion cubic meters of reclaimed water. By limiting the consumption of desalinated water and groundwater, the use of reclaimed water has resulted in substantial annual savings of approximately Dhs2 billion. By 2030, Dubai aims to double its production of recycled water to over 8 billion cubic meters. In 2022, over 6 million cubic meters of reclaimed water was used in central cooling stations, resulting in cost savings of around 47%. (GB 21.08)

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* 1. Saudi Arabia’s Red Sea Global Sets Up Farm Cooperative to Boost Agriculture Economy

Saudi Arabia’s PIF-owned Red Sea Global (RSG) has started a farm cooperative to boost the agriculture economy in the country’s Tabuk region. The Tamala initiative, a farm-to-table concept, is expected to bring together more than 3,000 farms in the Tabuk region, enabling them to sell their produce directly to the company’s resort properties. RSG, which is developing the Red Sea and Amaala tourism giga-projects in the kingdom’s western region, said that Tamala will also support the local farming community by introducing new farming technologies to increase production, while also prioritizing sustainable practices.

Saudi Arabia has been actively adopting national food strategies as a part of its Vision 2030, which includes boosting domestic production of agricultural produce, diversifying import sources, reducing waste, and building reserve capacity. A recent study by the Kuwait-based Marmore MENA Intelligence stated that Saudi Arabia has also embraced agritech concepts such as vertical farming to enhance supply chains and increase food production. (Zawya 28.08)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon’s Inflation Hits High of 251.5% in July 2023

According to Lebanon's Central Administration of Statistics (CAS), the Consumer Price Index (CPI) registered another high level of 251.53%. Certainly, inflation has maintained historically elevated levels due to the predominant surge in tourism during the peak season, resulting in escalated prices. Additionally, the increased customs dollar rate and the widespread adoption of dollarization for everyday expenditures in Lebanon have further contributed to maintain this upward trend in prices.

Specifically, the cost of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.4% of the CPI) added a yearly 233.81% by July 2023. Also, Owner-occupied rental costs increased by 322.74% year-on-year (y-o-y) and the prices of water, electricity, gas, and other fuels followed a significant increase by 161.24% y-o-y. Looking at the prices of Food and non-alcoholic beverages (20% of CPI), it surged by 278.50% 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 222.34% and 257.31% respectively by July 2023. Also, Restaurant and Hotels (2.8% of CPI) increased yearly by 301.87% by July 2023. In the same token, costs of Clothing and Footwear (5.2% of CPI) surged by 273.19% by July 2023, and the prices of Communication (4.5% of the CPI) increased by 475.44%. Finally, 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 268.32%, 380.10%, and 167.66%, respectively, by July 2023. (CAS 23.080

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* 1. Offshore Gas Rig Sets Up in Cash-Strapped Lebanon

A drilling rig arrived in the Mediterranean Sea off Lebanon’s coast on 16 August to begin offshore oil and gas exploration later this month. The Transocean Barents rig set up at Block 9, about 120 kilometers off the coast of Beirut. Lebanese officials are pinning their hopes on drilling operations to help the cash-strapped country recover from a devastating economic crisis.

In February 2018, Lebanon signed its first oil and gas offshore drilling contract with a consortium of international oil giants comprising France’s TotalEnergies, Italy’s ENI and Russia’s Novatek to explore two of 10 blocks in the Mediterranean Sea. In April 2020, the companies stopped operations on Block 4, north of Beirut, after they failed to find a commercially viable amount of gas to develop.

Meanwhile, operations on Block 9 in the south, near the border with Israel, had been repeatedly postponed due to a dispute on maritime borders between the two countries. However, last October, the two countries reached a landmark US-mediated deal on the demarcation, reviving Lebanon's hopes for lucrative gas exploration.

In January, Lebanon, TotalEnergies and Eni signed an agreement with QatarEnergy to transfer Novatek’s 20% stake in exploration of Blocks 4 and 9 to the Qatari firm in addition to 5% each from ENI and TotalEnergies. Thus, QatarEnegry now holds a total 30% interest in exploration, while TotalEnergies and ENI each have 35% stakes. (Al-Monitor 16.08)

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* 1. Jordan's Trade Balance Deficit Drops by 10% in First Half

Jordan's trade balance deficit has fallen by 10% in the first half of this year, dropping to JD4.454 billion from JD4.947 billion during the same period last year. The Department of Statistics' monthly report showed that national exports (products manufactured by local institutions and companies) rose by 2.3% to JD4.198 billion during January to June 2023, compared to JD4.104 billion for the same period last year. A report indicates that the value of total exports (including local and imported products that were re-exported) has increased by 0.9% to reach JD4.514 billion by the end of June, compared to the same period last year, where the value was 4.473 billion dinars.

In terms of re-exports, the value was JD316 million in the first half of this year, which is a decrease of 14.4% compared to JD369 million in the same period last year. Additionally, imports decreased in value by 4.8% to reach JD8.968 billion in the first half of this year, compared to JD9.420 billion for the same period last year.

In June of 2023, the total exports had a value of JD831 million, which is a decrease of 15.8% compared to the same month of the previous year. Moreover, imports in June topped JD1.320 billion, a decrease of 29.1% compared to the same month of the previous year. According to the report, the trade balance deficit decreased by 44.1% in June 2023, reaching JD489 million in comparison to the same month of the previous year. (Petra 24.08)

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* 1. Jordan's Foreign Currency Reserves Stand at $17.5 Billion

Jordan's foreign exchange reserves stand at $17.5 billion, which cover the Kingdom's imports for more than 7 months, said Central Bank of Jordan (CBJ) Governor Sharkas. Sharkas added that the inflation rate of 2.7%, which was recorded in the first seven months, will remain the same for the rest of the year. He said that the CBJ resorted to raising interest rates to ensure the stability of monetary policy and maintain a positive margin for the exchange rate of the Jordanian dinar against foreign currencies, as well as keep inflation rates at acceptable levels.

The CBJ governor said that when the world began recovery from the repercussions of the COVID-19 pandemic, a conflict broke out between Ukraine and Russia, increasing the supply imbalance in the production chains due to the persistent strain in the supply chains, and leading to unprecedented global inflation rates during the past year.

Sharkas explained that the 4.2% inflation rate recorded in Jordan last year was among the lowest in the region, thanks to the CBJ's monetary policy along with government measures to stabilize prices in the local market and ensure a 12-month stock of wheat, which spared the kingdom from rising global prices, which soared to $650 per ton. (Petra 19.08)

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* 1. New BRICS Members Include Saudi Arabia, Ethiopia, Egypt & UAE

The BRICS bloc of developing nations agreed on 24 August to admit Saudi Arabia, Iran, Ethiopia, Egypt, Argentina and the United Arab Emirates in a move aimed at accelerating its push to reshuffle a world order it sees as outdated. In deciding in favor of an expansion - the bloc's first in 13 years - BRICS leaders left the door open to future enlargement as dozens more countries voiced interest in joining a grouping they hope can level the global playing field. The expansion adds economic heft to BRICS, whose current members are China, Brazil, Russia, India and South Africa. It could also amplify its declared ambition to become a champion of the Global South.

But long-standing tensions could linger between members who want to forge the grouping into a counterweight to the West - notably China, Russia and now Iran - and those that continue to nurture close ties to the United States and Europe. Originally the bloc was founded as an informal four-nation club in 2009 and added South Africa a year later in its only previous expansion. The six new candidates will formally become members on 1 January 2024.

The entry of oil powers Saudi Arabia and UAE highlights their drift away from the United States' orbit and ambition to become global heavyweights in their own right. Russia and Iran have found common cause in their shared struggle against U.S.-led sanctions and diplomatic isolation, with their economic ties deepening in the wake of Moscow's invasion of Ukraine.

BRICS countries have economies that are vastly different in scale and governments with often divergent foreign policy goals, a complicating factor for the bloc's consensus decision-making model. Though home to about 40% of the world's population and a quarter of global gross domestic product, internal divisions have long hobbled BRICS ambitions of becoming a major player on the world stage. The BRICS states have set up the BRICS Development Bank. (Various 24.08)

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* 1. Dubai Set to See Housing Shortage in Population Explosion

According to a forecast by real estate consultancy Knight Frank, external drivers such as the recently announced Dubai Economic Agenda ‘D33’, which outlines a roadmap for the emirate to double its GDP by 2033, will result in a demand for human resources. The population by this stage is expected to approach six million, up from 3.5 million today, with the Dubai Urban Master Plan 2040 taking this number to 7.8 million a few years later.

The predicted growth in the city’s population necessitates a large-scale residential development boom. Indeed, the city’s current housing stock will virtually need to double if the population targets are to be met, which the government expects to swell to 7.8 million by 2040. The indicators are already pointing to the projected shortfall in homes over the long-term. First there is Dubai’s GDP which grew by 2.8% in the 12 months ending Q1/23, with sectors like retail, trade, aviation and hospitality continuing to dominate, driving the city to earn the accolade of the highest average hotel occupancy levels in the world during H1 at 78% across the emirate’s nearly 150,000 rooms. Furthermore, the emirate’s non-oil sector PMI has remained in expansionary territory for over two and a half years. Businesses are actively recruiting and expanding, resulting in an office supply crunch.

Although supply already remains tight in prime neighborhoods across Dubai, the construction pipeline for new homes across the rest of the city continues to expand, according to experts. By the end of 2028, Knight Frank expects 85,200 homes to be delivered, with 69% of them being apartments (59,000 units). About 40,000 homes are projected for completion this year alone, with a portion likely delayed to next year.

According to figures released by the Dubai Land Department, the real estate sector in the emirate saw 76,119 transactions worth $77 billion in H1/23, with the coveted Golden Visa also boosting demand amongst foreign investors. Latest findings by Knight Frank revealed that a continued sustained demand has driven up the price of homes across Dubai, with the sector recording a 4.8% increase in Q2/23 over the first quarter, with a 17% spike reported over 12 months. (Zawya 21.08)

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* 1. Dubai Airport 2023 Passenger Forecast Rises to 85 Million

Dubai International (DXB) has raised its passenger traffic forecast for the year from 83.6 million to 85 million, just shy of the annual traffic levels reached by the airport in 2019, as it expects record-breaking numbers during the winter season. For H1/23, the airport crossed the pre-pandemic level with 41.3 million passengers, 49% higher than the number recorded for the prior year period, Dubai Airports said. DXB, a major regional hub for international travel, handled 20.3 million passengers in Q2, up nearly 43% year-on-year (YoY). May was the busiest month during Q2 with 6.9 million passengers.

For DXB, India was the top country destination in terms of traffic volume H1 with 6 million passengers. Saudi Arabia was second with 3.1 million passengers, followed by the UK (2.8 million passengers) and Pakistan (2 million passengers). London was the top destination city by traffic with 1.7 million passengers, followed by Mumbai (1.2 million) and Riyadh (1.2 million).

Cargo volumes at DXB surged in Q2 by 16% y-o-y to reach 453,500 tonnes, bringing the total freight volume for the first half of the year to 853,500 tonnes, down 6.2% compared to last year. (Zawya 22.08)

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* 1. Saudi Household Wealth Put at $2.3 Trillion and UAE's at $1.2 Trillion

The total household wealth amounted to $2.3 trillion in Saudi Arabia, compared to $1.2 trillion in the United Arab Emirates (UAE), according to estimates by the latest Global Wealth Report, launched jointly by Credit Suisse and UBS. However, owing to Saudi Arabia’s higher population, wealth per adult in the UAE at the end of 2022 ($152,556) was 68% higher than that in Saudi Arabia ($90,975). The proportional difference has fallen over time. Earlier, wealth per adult in the UAE was more than double that of Saudi Arabia.

According to the report estimates, the share of financial assets in gross assets is similar in the two countries and remained relatively stable until 2022. At the end of 2021, financial assets made up 59.5% of gross assets in Saudi Arabia and 58.8% in the UAE, the report estimates. However, in 2022, these ratios fell to 56.7% in Saudi Arabia and 56.5% in the UAE. Household debt is low by international standards. The ratio of household debt to gross assets in 2022 was 5.5% in Saudi Arabia and 7.8% in the UAE, with little change since 2021.

Net worth per adult in Saudi Arabia rose 8.4% in US dollar terms in 2021 using current exchange rates and continued to rise in 2022 by 6.6%. In the UAE, growth rates of wealth per adult were again similar in 2021 using current exchange rates at 18.7%. The share of the top 1% in the wealth was 37.6% in Saudi Arabia and 44.6% in the UAE. These values place both countries toward the top of the international inequality ranking. The UAE hosts a disproportionate number of wealthy expatriate entrepreneurs, some of whom relocated after the global financial crisis, the report said. (TradeArabia 18.08)

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* 1. Saudi Arabia and China Sign $1.33 Billion in Housing Deals

Entities from Saudi Arabia and China signed several housing and infrastructure agreements at the Saudi-China Business Forum in Beijing on 16 August, further demonstrating warm relations between the two countries. The event focused on investment opportunities between the two countries related to urban infrastructure, housing, real estate development and financing. Chinese firms were invited to invest in the kingdom’s real estate sector. Unspecified Saudi and Chinese entities signed 12 agreements at the forum related to infrastructure development and financing. The agreements’ value is over $1.33 billion.

Saudi Arabia and China are growing closer in several ways. In March, China brokered the agreement that resumed diplomatic relations between the kingdom and Iran. On the economic front, Saudi Arabia hosted the Arab-China Business Conference in June. The event yielded more than $10 billion in deals. Last month, Saudi Aramco acquired a $3.4 billion stake in the Chinese petrochemical firm Rongsheng Petrochemical Co. Saudi Arabia was also China’s top oil supplier in 2022. (Al-Monitor 17.08)

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* 1. Saudi Arabia’s NWC Announces $1.3 Billion New in Desalination Projects

Saudi Arabia’s National Water Co (NWC) has revealed its ambitious infrastructure plan, launching work on 12 major desalination projects valued at over $1.3 billion across strategic areas including Dammam, Al Khobar, Jubail, Al Ahsa and Qatif. The undertaking by NWC includes the construction of 40 water tanks with a collective capacity of 1.6 million cubic meters. The projects also include the establishment of pumping stations and the laying of 493 kilometers of strategic pipeline networks. NWC highlighted the completion of work on 11 tanks, amounting to a combined capacity of 530,000 cubic meters, in Dammam.

In Al Qatif, NWC is actively constructing eight reservoirs with a cumulative capacity of 322,000 cubic meters. The projects involve the creation of six tanks (158,000 cubic meters) and seven more tanks (310,000 cubic meters) in Jubail and Al-Ahsa respectively. The ongoing projects in the Eastern Province encompass a network of 21 pumping stations, distributed as follows: 5 in Dammam, 3 in Khobar, 5 in Al-Qatif, 6 in Jubail, and 2 in Al-Ahsa. The initiative necessitates the installation of approximately 500,000 meters of pipeline networks. Of this, 197,000 meters are designated for Dammam, 52,000 meters for Khobar, 108,000 meters for Jubail, 62,000 meters for Al Qatif, and 73,000 meters for Al Ahsa. (NWC 16.08)

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* 1. Saudi Imports from UAE Amounted to $960 Million in June 2023

The UAE is among the top 10 trading partners of Saudi Arabia, with imports as of June 2023 reaching $960 million. The figure represents 7% of the value of goods imported to the kingdom and ranks third after China, which accounted for 19.5% of total imports and the United States, according to Saudi Arabia’s General Authority for Statistics. The other top sources of imports were India, Switzerland, Singapore, Germany, Egypt, Italy and Russian Federation. Imports from the ten countries amounted to 60.3% of total imports.

As for exports, China emerged as the main destination for goods from Saudi Arabia. Exports to the Asian country amounted to SAR 13.7 billion, or 15.5% of total exports, in June 2023. South Korea and India followed next with SAR 8.1 billion and SAR 7.7 billion, respectively. Japan, United States, UAE, Egypt, Malaysia, France and Singapore were the other countries that ranked in the top 10 destinations. Overall, exports of Saudi Arabia to the ten countries represented 66% of total exports. (Zawya 26.08)

►►North Africa

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* 1. Egypt’s Unemployment Drops to 7% in Second Quarter

Egypt's Unemployment rate fell to 7% in Q2/23, down 0.1% from the first quarter of the year, according to data released by statistics agency CAPMAS on 22 August. Unemployment was down 0.2% compared with the same period last year.

By definition, the official unemployment rate only includes people who are looking for work. The labor force participation rate — which counts everyone aged 15-64 either in work or actively looking for work — recorded 43%, unchanged from last quarter and up from 42.6% in the same quarter of 2022.

The jobless rate among women dropped 1.9% q-o-q to 17.3%, while unemployment among men inched up 0.3%age points to 4.8%. Unemployment among women is consistently much higher than men. The rate of unemployment among 15-29 year-olds accounted for 61.8% of all jobless people in Q2/23, compared to 63% the previous quarter. (CAPMAS 23.08)

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* 1. Drought Puts Morocco’s Water Infrastructure Projects into Overdrive

Repeated droughts and dwindling water resources have pushed Moroccan authorities into emergency mode. As the country grapples with its worst drought in 40 years, the building of critical water infrastructure has emerged as a key element of government policy.

In late July during the Russia-Africa summit held in Saint Petersburg, the Moroccan firm Water & Energy Solutions signed a MoU with the Russian energy company Rosatom to jointly research and develop small-scale seawater desalination plants for the kingdom, potentially using nuclear energy to lower the costs associated with the process. In November 2022, the National Office of Electricity and Water (ONEE), the kingdom’s utility, signed a cooperation deal with Israel's National Water Company to work together on desalination and water reutilization projects.

Morocco currently has a water resource capacity of 600 cubic meters per person a year. This is dangerously close to the threshold of absolute water scarcity, which the United Nations has set at 500 cubic meters of water per person a year. Moreover, Morocco's current capacity level is well below that of the 1960s, when it stood at 2,600 cubic meters of water yearly. In 2020 as part of the broader National Water Plan (2020–2050), budgeted at $40 billion, the government launched the national program for the supply of potable water and irrigation, 2020–2027 (PNAEIP, Programme National pour l’Approvisionnement en Eau Potable et l’Irrigation 2020–2027), with a budget of DH 115 billion ($11.7 billion). The PNAEIP calls for building new dams and desalination plants, transferring water resources to the areas with most demand, exploiting underground aquifers, reusing treated water and improving water distribution in rural areas.

After an exceptional agricultural season in 2021, low rainfall over the winter led to the worse drought in 40 years mentioned above. Agricultural GDP fell by 15%, pushing economic growth down to 1.1% for 2022, compared to 7.9% for 2021. The drought necessitated the imposition of water access restrictions in cities and towns, while rural areas fared even worse.

Morocco is also leveraging its relationships with multilateral financing institutions to help fund climate mitigation projects. In July, the World Bank approved a $350 million financing scheme to support Morocco’s water program. The funding will be used to improve governance in the water sector, promote efficient water use and leverage non-conventional water resources. The new projects planned will help Morocco overcome its water scarcity and adapt to a dryer and more unstable climate. For the time being, drought is expected to continue to impact economic performance and gradually change Morocco’s agricultural landscape. It is a race against time. (Al-Monitor 29.08)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cypriot Price Increases Recorded for Over 30 Staple Foods in July

Prices for 32 out of 45 categories of staple foods rose in July, the Prices Observatory conducted by the Consumer Protection Service (CPS) recorded. The CPS said that price reductions were recorded for 13 staple food categories. There was an overall price increase of 1.21% compared to June, which is attributed to increased prices of fresh and processed agricultural products, it said.

It was noted that the most significant price increase was recorded in greens by 25.3%, frozen fish by 2%-5.5%, sugar by 3.7%, coffee by 3.3% and water by 3.3%. A 5.7% reduction was recorded in gas cylinders, 15% in fresh fish, 2.8% in condensed milk, 1.2% in pulses and 1.2% in baby food. The increase in prices reflects the 8.9% inflation in food during the first semester of 2023, the CPS noted. (CPS 28.08)

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* 1. Greek Interest in Private Universities Gains Traction

A private equity fund with a strong presence in the international higher education sector and a Spanish university are reportedly in the frame of those interested in investing in private Greek higher education. Given that a Cypriot institute of higher education has already announced its plans to do so, the announcement of the institutionalization of non-state higher education has piqued interest.

The National Authority for Higher Education will play a key role in the licensing of the proposals submitted, but many issues are still under development. The Education Ministry plans to present the relevant bill around the end of 2023 or early 2024.

The moves by foreign institutes of higher education and funds have caused turmoil in the market for Greek private colleges operating as branches of European universities as the industry believes it will be “strangled” by competition. However, crucial issues such as how students of foreign universities will be selected and what evaluation process will be used to recruit lecturers remain to be clarified.

According to high-ranking ministry officials, the selection of students will be based on the system followed by the parent university and not on national examinations, as is the case in public Greek universities. The same will happen with the selection of lecturers, as well as the percentage of lecturers holding doctoral degrees. The National Authority for Higher Education will assess whether each proposal for a non-state university meets the academic conditions, as well as the financial conditions, for the viability of the institution. At the same time, each file will have to include a specific plan for the development of facilities and infrastructure, to avoid universities in a rented apartment building. (eKathimerini 29.08)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Israel Approves Extension of Humanitarian Aid to Refugees from Ukraine

The extension of Israeli humanitarian aid to refugees from Ukraine has been approved, in line with instructions given by Prime Minister Netanyahu at the 27 August cabinet meeting, his office reported in a statement. To finance the aid, the government has approved a 0.06% cut in the ministries' budgets, starting in 2023 fiscal year.

The budget will enable the Ministry of Social Affairs and Welfare to continue operating the administration designed to provide humanitarian aid to Ukrainian citizens who have fled the war, until the end of the year. The aid also includes the extension of medical insurance coverage to include life-saving treatments. In the meantime, insurance coverage will be maintained from August 2023.

Earlier this month, the Ukrainian Foreign Minister discussed the matter with his Israeli counterpart, who assured him that health insurance for Ukrainians in Israel would remain in place. Since the start of the war, Israel has denounced Russian aggression but prefers to provide humanitarian aid in order to preserve its relations with the Kremlin. i24NEWS 29.08)

\*REGIONAL:

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* 1. Jordanian Students Head to School as New Academic Year Begins

On 20 August, more than 1.7 million students woke for school in the Ministry of Education, UNRWA and Military Culture schools. According to the Ministry of Education, 1.7 million students are enrolled in 4,271 schools, 4,062 of which are run by the Ministry of Education. Over 15,700 children left private schools and enrolled in public schools. The number is subject to increase within the first two weeks of the academic year, after which public schools would stop admitting new students.

The Ministry announced that the number of teachers appointed reached 2006, including 766 teachers holding a pre-service teacher qualification and preparation diploma. According to the Ministry, the number of applications for fixed-term teachers is 107,000. The number of administrative and teaching staff assigned to Syrian-student schools reached 5,800. (Petra 19.08)

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* 1. Baseball United Reveals Schedule for its Upcoming Dubai Showcase Games

Baseball United, the first-ever professional baseball league focused on the Middle East and the Indian Subcontinent, has released the official fixtures of its Dubai showcase games. The league announced the games will take place from 10 to 12 November in Dubai. All games will be played at the Dubai International Stadium – currently a cricket pitch that will be transformed into a baseball field.

The first professional baseball game in the history of the entire region – will feature a world-renowned, international rivalry – India versus Pakistan. The Mumbai Cobras will serve as the home team, hosting the Karachi Monarchs on 10 November. This historic matchup brings together the most populous metropolitan areas of the region’s two largest nations.

According to Baseball United’s research, there are 800,000 avid baseball fans comprising more than a dozen nationalities living within the UAE. Up to 50% of those avid baseball fans live in Dubai. The remainder of the showcase schedule will include a doubleheader beginning with the Karachi Monarchs hosting the Abu Dhabi Falcons. The second game will feature the Mumbai Cobras versus the home team, Dubai Wolves. The games represent a historic milestone for the UAE, with both its professional baseball franchises debuting on the same day. The showcase finale will feature the latest inter-Emirates rivalry, with the Dubai Wolves taking on the Abu Dhabi Falcons. (GB 21.08)

ISRAEL LIFE SCIENCE NEWS

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* 1. Voiceitt2 Stand Alone Application for People with Speech Disabilities

Voiceitt released Voiceitt2. The new web application, powered by the company's next-generation technology, will be available to customers through its partner and authorized reseller, the assistive technology company, RAZ Mobility. Voiceitt 2 revolutionizes the way people with speech disabilities interact with technology. After an initial onboarding, the web application allows people with speech disabilities to speak spontaneously and be understood by family, friends, teachers, and others. The app allows someone with a speech disability to be understood by translating the user's non-standard speech into standard speech. The app also enables users to transcribe conversations, dictate notes, and seamlessly integrate with popular AI assistants such as ChatGPT, in an abundance of new contexts. Webex capabilities are available as a Voiceitt add-on enabling accessible transcription and captioning during video meetings.

Voiceitt's new web app employs voice AI to help people with disabilities connect, communicate, and be more independent. Voiceitt2 will be available in English as a browser-based software license for purchase for organizations and individuals in North America. Availability in the UK and Australia is anticipated in 2024, with additional languages and geographies expected to follow.

Ramat Gan's [Voiceitt](https://www.voiceitt.com/) was founded with the mission to apply its machine learning and speech recognition technologies to help people with speech disabilities resulting from stroke, degenerative disease, or developmental disorders live more connected, independent lives. Its proprietary automatic speech recognition (ASR) makes voice AI accessible — enabling people with speech impairments to interact with mainstream voice technologies, communicate by voice and be understood. (Voiceitt 16.08)

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* 1. Nurami Medical's ArtiFascia Dura Substitute Receives FDA Clearance

Nurami Medical has received 510(k) clearance from the US FDA for its electrospun nanofiber-based product, ArtiFascia Dura Substitute, a resorbable Dural repair graft. Sales in the US will begin in the upcoming period.

Neurosurgeries require replacing the Dura Mater, which protects the brain and cerebrospinal fluid (CSF). ArtiFascia combines two layers of electrospun nanofibers that form biomimetic scaffolds and a non-porous barrier layer. This unique structure is dual functioning: the scaffolds are engineered to promote dural tissue regeneration and rapid healing, whereas the barrier layer is designed to address CSF leakage from suture holes and bacterial penetration. Similar in thickness to native dura, ArtiFascia can be effortlessly sutured, accelerating surgeon workflow and lowering healthcare costs. The implant is strong, pliable, fully absorbable, synthetic and easy to handle and cut.

Haifa's [Nurami Medical](http://www.nurami-medical.com) is a medical device company co-founded in 2014 by experts in nanofibers and biomaterials. The company develops innovative implants and sealants that are based on electrospun fibers to improve patient outcomes and enhance recovery in soft tissue related surgeries. (Nurami Medical 21.08)

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* 1. RedDress Receives Vizient Contract for Advanced Wound Care Solution ActiGraft PRO

RedDress' ActiGraft PRO product is now available through Vizient, the US' largest provider-driven healthcare performance improvement company. RedDress secured an Innovative Technology contract with Vizient in October 2022 and G-Code reimbursement status from Medicare and Medicare Advantage in July 2023.

The ActiGraft PRO system is an autologous, point-of-care wound management solution created from patient's whole blood. Once applied, the blood clot serves as a protective covering and optimizes the body's own healing potential. ActiGraft PRO is designed to jump-start wound healing and to meet the needs of today's high-volume practices and centers, offering practitioners a wound healing solution that delivers a quick, easy, and clean procedure. Applied directly to the wound surface, the ActiGraft PRO blood clot is created at the patient's bedside in under five minutes by mixing fresh whole blood with our proprietary coagulation powder. ActiGraft PRO contains whole blood cells including white cells, red cells, plasma, platelets, and fibrin, in the optimal concentration required in the wound healing process. Once applied, ActiGraft PRO reignites the healing cascade, serving as a protective covering that supports wound healing processes which occur naturally in the body. Since RedDress received FDA clearance and a CE Mark in 2020, ActiGraft has helped over 6,000 patients across the spectrum of healthcare facilities in the United States and 30 other countries.

Pardes Hanna's [RedDress](http://www.reddressmedical.com) is the leading provider of personalized and autologous wound management solutions created from patients own blood. The company's suite of ActiGraft products are transforming wound care, treating a wide variety of chronic wounds including diabetic and neuropathic ulcers, venous ulcers, pressure injuries, traumatic wounds, post-surgical wounds, skin tears, surgical wounds and more. ActiGraft PRO, the company's most advanced wound care product is exclusively available in the US. The ActiGraft wound care system is available internationally only, already commercially available in 30 countries across five continents. (RedDress 22.08)

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* 1. Magenta Completes Enrollment to Feasibility Study for World's Smallest Heart Pump

Magenta Medical announced completion of enrollment to its FDA-approved Early Feasibility Study with the Elevate percutaneous Left Ventricular Assist Device (pLVAD) for the high-risk percutaneous coronary intervention (HR-PCI) indication. The Elevate Early Feasibility Study was approved by the FDA to evaluate the safety and feasibility of the Elevate System in providing temporary mechanical circulatory support during HR-PCI procedures, and constitutes the first step in a clinical program intended to secure approval for the device in the US for this indication.

Having secured FDA Breakthrough Device Designation, Magenta Medical's proprietary technology miniaturizes a powerful blood pump to fit an 8 Fr delivery system - the smallest crimping profile of any such device. The percutaneous Elevate heart pump is inserted over a guidewire through commercially available 10 Fr introducer sheaths that require a small puncture in the groin. The flow of the pump is adjusted based on the clinical circumstances of the patient, with the ability to surpass 5 L/min of mean flow, making it the most powerful pump of its kind.

Kadima's [Magenta Medical](https://magentamed.com) is a privately-held company dedicated to the development of miniaturized blood pumps intended to provide minimally-invasive support to the native heart during acute episodes of dysfunction that could lead to dangerously low blood pressure and compromised perfusion of vital organs. Magenta's Elevate percutaneous Left Ventricular Assist Device (pLVAD) is currently in clinical testing, with the ultimate goal of securing approval for at least two indications: patients undergoing high-risk coronary interventions and patients with cardiogenic shock. (Magenta Medical 22.08)

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* 1. Nevia Bio $3 Million Seed Round for Early Detection of Women-Related Diseases

Nevia Bio (formerly Gina Life) completed a $3.1 million Seed Round. The round included MindUP Digital Health Incubator and additional existing investors and was joined by Pitango HealthTech, Alive Israel HealthTech Fund and the Technion investment arms. This Seed round comes on the heels of a $1.9 million Pre-Seed Round which brings the company's total funding to date to $5 million. The funding will be used to support the company's clinical trials in ovarian cancer, and to expand its pipeline to additional indications in women's health space, in addition to enhancing the company's data science capabilities.

The Nevia groundbreaking platform decodes information from women's vaginal secretions by applying Machine Learning tools to identify specific proprietary biomarkers signatures to detect the disease in its early and late stages. The use of an untapped biofluid and an innovative scientific approach will enable the detection of women's related diseases, saving and improving women's lives. Specifically, a simple vaginal swab will be collected from women, proprietary protein panel will be measured which will enable detection of ovarian cancer.

Haifa's [Nevia](https://www.nevia.bio/)'s platform is designed to decode biomarkers data from vaginal secretions, by the use of machine learning and data science strategies. These specific proprietary biomarkers enable identification of women's diseases. The first proof of concept is detection of ovarian cancer using a simple vaginal swab. (Nevia Bio 29.08)

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* 1. BioProtect Gets FDA Clearance for its Biodegradable Balloon for Rectal Protection

BioProtect announced that their BioProtect Balloon Implant System has been cleared by the FDA. The biodegradable balloon is a new generation spacer designed to provide optimal, consistent, and reproducible protection to the rectum during prostate cancer radiation therapy. The BioProtect Balloon offers the opportunity to optimize treatment for almost all men with prostate cancer, even those with high-risk disease. The fact that it provides additional space with a pre-formed contour, the ability to adjust its position, and high visibility with all imaging modalities would make it the choice for patients.

Tzur Yigal's [BioProtect](http://www.BioProtect.com.‎) is backed by Triventures, Almeda ventures, KB investment, Peregrine Ventures, Consensus Business Group of Vincent Tchenguiz and other leading VCs. (BioProtect 28.08)

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* 1. 3B Scientific Acquires iNNOGING Medical

Hamburg, Germany's 3B Scientific, a leading manufacturer and marketer of medical simulation products and anatomical models for healthcare education, reached an agreement to acquire iNNOGING Medical.

iNNOGING Medical has developed the pioneering cloud-based SaaS solution e Sono for ultrasound simulation that enables users to train and analyze ultrasound scans, anywhere, anytime using any internet-connected device on real-life scenarios as if the patient was right next to them.

Founded in 2018, Rosh HaAyin's iNNOGING Medical has undergone four years of technological development. The company successfully addressed a critical technology gap in ultrasound diagnosis and turned it into a web-based SaaS ultrasound simulator. The e Sono ultrasound simulator empowers medical students and practitioners to practice real ultrasound scenarios via the internet, from any location, without the need for specialized equipment. This solution designed to accommodate an unlimited number of users and includes both basic content packages and a smart curriculum creator. (3B Scientific 28.08)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Silicom's New High-End Edge Product Line Wins $3.5 Million Initial Order

Silicom launched a new line of advanced high-end Edge platforms together with a major design win and initial $3.5 million order. The order for these feature-rich, high compute-power products was placed by a security solution vendor, one of Silicom's long-time customers, to support its advanced compute and networking-intensive use cases. Deliveries of first production units are planned for the first quarter of 2024. In parallel, Silicom is in discussions and POCs regarding these products with other customers for a diverse range of AI, cybersecurity, SASE, SD-WAN, content delivery and additional applications.

Kfar Saba's [Silicom](http://www.silicom.co.il) is a leading provider of high-performance networking and data infrastructure solutions. Designed primarily to improve performance and efficiency in Cloud and Data Center environments, Silicom's solutions increase throughput, decrease latency and boost the performance of servers and networking appliances, the infrastructure backbone that enables advanced Cloud architectures and leading technologies like NFV, SD-WAN and Cyber Security. (Silicom 16.08)

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* 1. InfiniBox SSA II Named “Most Innovative Hyperscaler Implementation”

Infinidat's InfiniBox SSA II received a Best of Show Award at the Flash Memory Summit 2023. Infinidat’s all-flash solution was recognized as “Most Innovative Hyperscaler Implementation.” The InfiniBox SSA II continues to stand out as the industry’s fastest all-flash storage array with unprecedented low latency and unmatched cyber resilience.

The InfiniBox SSA II utilizes 100% solid state technology for persistent storage, which, when coupled with Neural Cache and the company’s software advancements with autonomous automation, takes groundbreaking performance to the next level. The new InfiniBox SSA II delivers lower latency than any other enterprise storage platform in the industry, delivering an unprecedented 35 microseconds of latency, which drives optimal real-world application and workload performance.

In addition, the InfiniBox SSA II delivers 100% availability, white glove service, and lower total cost of ownership that defines the industry acclaimed InfiniBox customer experience. The company offers a comprehensive portfolio of enterprise storage and cyber resilient solutions powered by a common software architecture across our InfiniBox, InfiniBox SSA II and InfiniGuard platforms, including Infinidat’s cyber storage resiliency solution − InfiniSafe. The InfiniBox SSA II is available with Infinidat’s flexible consumption options, including Storage-as-a-Service with Infinidat’s FLX program, Capacity on Demand with Infinidat’s Elastic Pricing model, and traditional purchase.

Herzliya's [Infinidat](http://www.infinidat.com) helps enterprises and service providers empower their data-driven competitive advantage at scale. Infinidat’s software defined storage architecture delivers microsecond latency, 100% availability, cyber storage resilience and scalability with a significantly lower total cost of ownership than competing storage technologies. (Infinidat 16.08)

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* 1. Proggio's Adaptive Project Management Platform Wins US Patent

Proggio received U.S. patents for its intuitive, "visual-first" project management solution that provides project managers and their organizations unprecedented, real-time clarity and insights across the entire project portfolio. The first PPM solution to abandon clunky, archaic Gantt charts, Proggio's adaptive technology takes a truly fresh approach to project management with its unique Project Map that structures and tracks projects and tasks the way humans do—with a top-down approach that starts with the end goal in mind.

Proggio's visual-first approach to project management gives stakeholders--executives especially--detailed insight into project status, resource allocation and capacity, and accurate scenario planning at a glance to help leaders make better decisions that align with company goals and drive bottom line impact. Proggio eliminates hassle using a layered data structure, visual-based project map, and intuitive workstreams. Project managers can build project maps starting with the big picture, then work down to add tasks, dependencies, deadlines and details—just like you would naturally sketch out a plan. Because Proggio provides a real-time, interactive and dynamic view of projects and the entire portfolio, reporting is a snap, and there's no need to waste time creating slideshows. Stakeholders can quickly see where projects stand anytime and spot potential bottlenecks by simply accessing the Proggio dashboard.

Kfar Saba's [Proggio](http://www.Proggio.com) is a next-generation, adaptive project portfolio management solution for enterprises and mid-market companies. By bringing clarity and simplicity to project portfolio management, Proggio accelerates digital transformation in a segment that is primarily using spreadsheets and presentations. The solution was designed to quickly adapt to a change-driven environment, with an unprecedented level of user interface simplicity. (Proggio 17.08)

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* 1. Zero Networks & HighPoint Partner in Zero Trust Principles for Network Security

Zero Networks and New Jersey's HighPoint, a leading provider of technology infrastructure solutions, announced a new partnership that enables HighPoint to offer Zero Networks' cutting-edge, zero trust solutions for superior protection against advanced cyber threats.

HighPoint will offer Zero Networks' unified security suite that combines microsegmentation with ZTNA, enabling businesses to bolster their security posture while embracing the principles of Zero Trust. Zero Networks Segment is an automated, agent-less microsegmentation solution that leverages just-in-time multi-factor authentication to stop ransomware. Zero Networks Connectis an advanced ZTNA solution that combines the best aspects of VPN (speed) and ZTNA (security) to ensure secure access to the network at maximum performance. HighPoint will offer Zero Networks' unified security suite for microsegmentation & ZTNA, embracing Zero Trust principles

Tel Aviv's [Zero Networks](http://www.zeronetworks.com) provides a simple, unified Zero Trust platform for secure remote connectivity and software-defined segmentation for any asset: IT/OT, on prem and in the cloud. The Zero Networks product suite enables full East/West and North/South network security for enterprises of any size, via automated, agentless, MFA-enabled microsegmentation and advanced ZTNA solutions. (Zero Networks 17.08)

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* 1. Spanish Fashion Boosts Inventory Management with AI-Powered Naiz Fit from MySize

MySize announced that La Garrocha, a distinguished fashion brand from Spain known for its equestrian-themed creations, has successfully utilized Naiz Fit, the innovative apparel sizing tool developed by MySize, to improve its business metrics including better inventory management, increased customer conversations, and higher sales. Through this implementation, La Garrocha has managed to enhance several essential business metrics.

Over the past two years, La Garrocha customers utilizing Naiz Fit have generated nearly $654,000 in purchases. La Garrocha, driven by data insights, has meticulously tracked the influence of Naiz Fit on its business operations. From the onset of 2023, 14.28% of first-time visitors to La Garrocha's e-commerce platform who used Naiz Fit proceeded to make purchases. Notably, customers engaging with Naiz Fit exhibited a 127% higher likelihood of completing a purchase compared to those who did not employ the sizing tool. Given that a significant portion of La Garrocha's sales occur online, these metrics wield a substantial impact on the brand's bottom line.

Airport City's [MySize](http://www.mysizeid.com) is an omnichannel e-commerce platform and provider of AI-driven measurement solutions including MySizeID and recently acquired Naiz Fit to drive revenue growth and reduce costs for its business clients. MySize recently launched FirstLook Smart Mirror, a mirror-like touch display that provides in-store customers an enhanced shopping experience and contactless checkout. FirstLook Smart Mirror extends MySize's reach into physical stores and is expected to contribute to revenues through unit sales and recurring service fees. (My Size 17.08)

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* 1. ZOOZ Power Completes Milestone in its Penetration to the American Market

ZOOZ Power announced that, as part of its reported collaboration with a global leading provider of car rental services, the company has placed the ZOOZTER-100 system at the pilot site – the rental station at LaGuardia Airport in New York - and successfully completed the field evaluation required as the final step of the system's UL certification process.

Completing the UL certification process is an important milestone that will allow ZOOZ to proceed with its planned US pilot installations of the ZOOZTER-100 and to accelerate its marketing efforts in the US. The company expects that presenting the system's unique solution in these pilot sites, will lead to additional collaborations and will generate a backlog of orders in the American market. The company is awaiting the completion of the LaGuardia pilot site ahead of system integration with the ultra-fast-charging equipment, expecting the pilot to be launched in the coming weeks.

Lod's [ZOOZ](http://www.zoozpower.com) is a leading provider of Flywheel-based Power Boosting solutions enabling ultra-green, ultra-fast electric vehicle charging anywhere. ZOOZ is committed to helping to accelerate the mass adoption of electric vehicles around the world. ZOOZ's goal is to enable the vast roll-out of cost-effective ultra-fast charging infrastructure while sustainably overcoming existing grid limitations. (ZOOZ Power 21.08)

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* 1. Elbit Wins $55 Million Contract to Supply a Counter UAS Solution to the Netherlands

Elbit Systems was awarded a contract worth approximately $55 million to supply multi-layered ReDrone Counter Unmanned Aerial Systems (C-UAS) to the Netherlands. The contract will be performed over a period of four years. As part of the contract, Elbit Systems will supply several mobile, stationary and deployed configurations of the ReDrone integrated Counter-UAS solution along with a logistic support package and training.

The ReDrone Solution is comprised of Elbit Systems' advanced DAiR Radar, signal intelligence (SIGINT) sensors, and COAPS-L electro-optical (EO) payload which provide an enhanced integrated aerial picture, along with high-end electronic attack capabilities, all fully controlled by a unified Command and Control system. The ReDrone system provides functionalities beyond the common active and passive sensors that enable it to rapidly detect and locate multiple drones simultaneously within the protected area. The system can detect, identify, locate, track and neutralize hostile UAS during day and night, both in urban and rural environments and under various weather conditions.

Haifa's [Elbit Systems](https://elbitsystems.com) is an international company engaged in a wide range of defense, homeland security and commercial programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance, unmanned aircraft systems, advanced electro-optics, electro-optic space systems, EW suites, signal intelligence systems, data links and communications systems, radios, cyber-based systems and munitions. (Elbit Systems 21.08)

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* 1. Pecan AI Recognized as Meta Business Partner for Marketing Measurement

Pecan AI has been named a Meta Business Partner within the Measurement specialty. This achievement reflects Pecan’s deep experience in marketing mix modeling (MMM) and marketing campaign measurement using machine learning. This recognition is offered only to companies selected by Meta as trusted experts who provide top-tier technical knowledge and high-quality service to their customers. Only a select few startups achieve this level of recognition from Meta, making this achievement all the more notable at this stage in Pecan’s growth.

Pecan’s marketing mix modeling and predictive analytics capabilities offer marketers a complete toolkit for measuring and improving marketing performance. These capabilities help brands unlock the full potential of their Meta advertising campaigns. Meta Business Partners are skilled Meta collaborators who can guide their customers toward efficient growth. They also can leverage exclusive Meta resources that help them support advertisers in achieving optimal campaign outcomes. Obtaining a Meta Business Partner badge requires a comprehensive evaluation against stringent criteria.

Founded in 2018, Ramat Gan's [Pecan](http://www.pecan.ai) is a low-code predictive analytics platform that makes predictive modeling accessible to business teams without hiring data scientists. With Pecan, companies can use customer and transaction data to accurately predict customer behavior, refine marketing budget allocations, optimize marketing campaigns, and other business outcomes. Pecan automates data preparation, model building, and deployment in a user-friendly interface. (Pecan AI 21.08)

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* 1. Advantech & Hailo Partner to Expand Energy-Efficient Edge AI Portfolio

Taipei's Advantech, a leading provider of AIoT platforms and services, announced a new strategic partnership with Hailo. Through this collaboration, Advantech will leverage Hailo's AI accelerators to develop exceptional performance-and-price-per-watt edge AI systems and AI acceleration modules, catering to compact and robust edge AI applications such as factory AOI defect inspection, warehouse AMR object detection, and public parking lot management.

Edge AI use cases are highly diverse, driving the need for diversity in AI computing capabilities, power consumption, and industrial designs. Power sensitivity is a crucial consideration when integrating edge devices into robotics or autonomous devices, where efficient power consumption preserves battery life and prolongs operational duration. Hailo's product portfolio includes the Hailo-8 AI accelerator, which seamlessly integrates with edge platforms, empowering real-time deep learning inference tasks at the edge with 26 TOPS at a low power consumption of 2.5W, small size, and low cost.

Tel Aviv's [Hailo](https://hailo.ai/) industry-leading Hailo-8 edge AI processor features up to 26 tera-operations per second (TOPS). One small, low-power and self-contained chip can process high-resolution video in real-time or multiple video streams and neural network models simultaneously, all within a small power budget and rigid heat dissipation constraints. Hailo offers a range of standard form-factor modules and an on-PCB design track, as well as a robust and mature software toolchain. (Advantech 15.08)

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* 1. Polestar Selects Mobileye to Bring Autonomous Technology to Polestar 4

Sweden's Polestar and Mobileye are to collaborate to bring autonomous technology to Polestar 4 with potential for other vehicles, using the Mobileye Chauffeur AV platform that will be manufactured and integrated by ECARX. The intended collaboration reflects Polestar’s mission to not only deliver world-class design and sustainability in its cars, but cutting-edge innovation as well. Mobileye Chauffeur will add an extra layer of on-demand convenience to Polestar’s performance electric vehicles that are primarily designed for driver engagement and exciting dynamics.

Polestar 4, which went on sale in China and globally in 2024, lays the foundation for this technology by featuring a Mobileye SuperVision-based advanced driver assistance system from the start. At launch, Chauffeur will offer hands-off and eyes-off, point-to-point autonomous driving on highways, as well as eyes-on automated driving for other environments, in identified operational design domains. Both SuperVision and Chauffeur feature Mobileye’s EyeQ systems-on-chip, RSS-based driving policy, 360-degree surround camera system, and REM-powered Mobileye Roadbook map. Chauffeur upgrades SuperVision with the newest EyeQ6 system-on-chip along with next-generation active radar and lidar sensors, providing the additional sensing layer needed for eyes-off autonomous operation – demonstrating how existing eyes-on systems build a bridge to fully autonomous driving.

Jerusalem's [Mobileye](https://www.mobileye.com) leads the mobility revolution with its autonomous driving and driver-assistance technologies, harnessing world-renowned expertise in computer vision, artificial intelligence, mapping and data analysis. Since its founding in 1999, Mobileye has pioneered such groundbreaking technologies as REM crowdsourced mapping, True Redundancy sensing and Responsibility Sensitive Safety (RSS). These technologies are driving the ADAS and AV fields towards the future of mobility – enabling self-driving vehicles and mobility solutions, powering industry-leading advanced driver-assistance systems and delivering valuable intelligence to optimize mobility infrastructure. (Polestar 25.08)

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* 1. FAA Selects D-Fend Solutions' EnforceAir for UAS Detection & Mitigation Testing

D-Fend Solutions, the leader in radio frequency (RF), cyber-based, non-kinetic, non-jamming, counter-drone detection and takeover technology, has been selected for participation in the Federal Aviation Administration (FAA)'s Airport UAS Detection and Mitigation Research Program, under Section 383 of the FAA Reauthorization Act of 2018. D-Fend Solutions' core C-UAS system, EnforceAir, will undergo initial testing at Atlantic City International Airport (KACY) and potential further evaluation at other airport environments.

D-Fend Solutions' EnforceAir is the first RF-cyber based advanced protocol full takeover UAS detection and mitigation system selected for the program. The EnforceAir system design is specifically optimized to empower airports with a surgical counter-drone approach to threat detection and mitigation that allows nearby authorized drones to continue operations with no collateral effect on navigation or communications systems, damage to infrastructure, or excessive burden to human resources. The system provides 360 degree and long-range directional protection and coverage to protect airport facilities and takeoff and landing airspace corridors.

Ra'anana's [D-Fend Solutions](https://d-fendsolutions.com/) is the leading counter-drone takeover technology provider, enabling full control, safety and continuity during rogue drone incidents across complex and sensitive environments, to overcome current and emerging drone threats. With hundreds of deployments worldwide, EnforceAir, the company's core offering, focuses on the most dangerous drone threats in military, public safety, airport, prison, major event and critical infrastructure environments. EnforceAir autonomously executes RF, cyber-takeovers of rogue drones for a safe landing and outcome, ensuring the smooth flow of communications, commerce, transportation and everyday life. (D-Fend Solutions 29.08)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's Second Quarter Growth Meets Pundit's Forecasts

The Central Bureau of Statistics announced on 16 August that Israel’s gross domestic product (GDP) grew at an annual rate of 3% in the second quarter of 2023. This growth rate matches the annual forecast by the Bank of Israel, and is slightly higher than the estimate by the Ministry of Finance that economic growth would be 2.7% this year. The OECD’s current forecast for economic growth in Israel this year is 2.9%. The annualized growth rate in the first quarter was higher at 4.2%.

Taking into account the growth in Israel’s population, the economy is growing at about 1% annually. GDP per capita grew at an annual rate of 1.1% in the second quarter, as did private consumption.

A breakdown of spending by the public shows that day-today private consumption, which includes spending on such items as food, housing, fuel, and power, actually fell by 0.6% in Q2/23. Spending on less routine or vital products, such as fashion and footwear, leisure and entertainment, and personal items, fell substantially, by 11.2%. Spending on vehicles for private use declined even more sharply, by 14.5% on an annual basis.

The Central Bureau of Statistics said that with quarterly growth of 0.7%, Israel is in a respectable position. The US, recorded quarterly growth of 0.6%. In Britain, growth was only 0.2% while Germany recorded no growth at all. The Austrian economy shrank by 0.4%. (CBS 16.08)

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* 1. Israelis' Average Wealth Fell by $24,000 in 2022

According to the "Global Wealth Report" published by UBS, global private wealth shrank last year for the first time since 2008. The average wealth owned by Israeli adults shrank by $24,000 in 2022 to $235,000, according to the latest Global Wealth Report released on 16 August. The decline is not only in absolute terms, but also relative; while in 2021, Israel was in sixteenth place worldwide for average wealth, it fell to nineteenth place in 2022. In the median wealth rankings, Israel was not in the top twenty.

Although the report does not specify reasons for the decline in wealth in Israel, it would appear that the weakening of the shekel against the US dollar played a large part. The report states that in terms of per capita wealth, Switzerland continues to top the list followed by the USA, Hong Kong SAR, Australia and Denmark despite sizeable reductions in mean wealth versus 2021." UBS estimates that global wealth will rise by 38% over the next five years, reaching $629 trillion by 2027, or $110,270 per adult. (UBS 16.08)

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* 1. Israel Leads OECD for Cost of Living

A recent comparative cost of living report from the OECD put Israel in first place for the cost of living in 2022 among the countries that make up the organization. According to the report, which weights the cost of living in accordance with purchasing power in each country, price levels in Israel are 38% higher than the OECD average.

In comparison with popular tourism destinations for Israelis, such as Turkey and Portugal, the gap is even wider, and reaches 60% or more. After Israel in the cost of living table come Switzerland, Iceland, the US, Australia, Canada, New Zealand, Norway and Denmark. In the monthly ranking of price levels, however, updated to the beginning of August 2023, Israel falls to fourth place, after Switzerland, Iceland and Ireland.

A report by the Knesset Research and Information Center at the end of 2022, which examined the same period as is covered by the OECD report, indicates that prices of milk and dairy products are substantially higher in Israel than the OECD average, as are prices of housing, healthcare and transport. (Globes 27.08)

IN DEPTH

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* 1. GCC: Gulf Countries Explore Water Solutions to Mitigate Impacts of Climate Change

Kate Dourian wrote on 25 August in [AGSIW](https://agsiw.org/%E2%80%8E) that the wide-ranging effects of water scarcity in the Gulf are likely to get worse without accelerated mitigation and adaptation measures.

Recent record-breaking heat waves, which have caused devastation in the United States, Europe and China, have exposed another critical problem that is particularly acute in the Middle East and North Africa. Water, already a scarce commodity in the region and even more so in the desert states of the Gulf, is one casualty of an overheating planet. The situation is likely to get worse without accelerated mitigation and adaptation measures.

**Desalination Challenges**

The Gulf Arab states are heavily reliant on desalinated water, and demand for it is growing. Desalination is also an energy-intensive process, though the amount of energy required varies depending on the technology used. Population growth, demand from agriculture, climate change and geopolitical risks are driving growth in demand for desalinated water. As agriculture accounts for some 70% of water usage, water scarcity also endangers food supplies. Several North African countries are feeling the impact of drought on the agriculture sector, which accounts for around 11% of the gross domestic products of Morocco and Algeria.

Around 2 billion people lack access to safe drinking water and 40% of the world’s population is affected by water scarcity, the United Nations reported at the conclusion of its 2023 Water Conference in March. Due to rising demand, pressure on freshwater supplies is projected to increase by more than 40% by 2050, the U.N. stated. Moreover, only 0.5% of the water on Earth is usable for human consumption, and climate change threatens this scarce supply.

Water scarcity is a particular challenge for the arid Gulf Arab states, where desalination is the main option for meeting water needs. A 2022 French Institute of International Relations report noted that desalinated water makes up 90% of Kuwait’s water supply, 86% of Oman’s, 70% of Saudi Arabia’s and 42% of the United Arab Emirates’. In 2022, more than 21,000 desalination plants were in operation worldwide, nearly twice as many as a decade ago.

**Desalination Capacity in the Middle East is Expected to Almost Double by 2030**

Given that energy-intensive desalination plants run on electricity produced primarily from natural gas or liquid fuels, growing desalination capacity will make it even more challenging to control carbon dioxide emissions. Moreover, the release of salt-loaded waste into the sea during the desalination process raises salinity in coastal areas and affects marine life. There is also the problem of losses of desalinated water in transmission, which the French Institute of International Relations estimates are higher than 50% in some Gulf countries.

The Gulf states have woken up to the challenge and are gradually working to switch to solar energy to power desalination plants. However, this could prove difficult in countries such as Kuwait, where total renewable energy capacity in 2022 was a paltry 106 MW. As the Middle East accounts for just 1% of total global renewable generation capacity, the region’s challenge, for desalination and more broadly, is scaling up solar and other clean energy technologies from a very low base.

Moreover, as a 2019 Houthi rocket attack that nearly struck Saudi Arabia’s Shuqaiq desalination plant highlighted, critical infrastructure projects are vulnerable to attacks or sabotage. Given Riyadh’s acute dependence on desalination plants to meet its growing population’s need for potable water and the fine balance between available capacity and demand, damage to a sizable plant such as Shuqaiq would have serious implications. Nonetheless, the biggest threat to water security is climate change.

**Water Solutions**

The Middle East’s oil exporting states have been blessed with an abundance of oil and gas but not water, which has prompted efforts to develop different solutions to meet water needs. Libya under Muammar al-Qaddafi opted for the headline-grabbing “Great Man-Made River” irrigation project, which was costly to build but quite affordable to operate once completed, rather than desalination. Neom, the megacity under construction in Saudi Arabia planned to run solely on renewable energy, is also being touted by its developers as an incubator for water solutions. The UAE is considering using condensation from air conditioning units to produce recycled water.

**Water-Energy Dynamics in Iran Illustrate Broader Regional Challenges**

Receding water levels are also affecting agriculture and hydropower capacity in Iran, which has the highest hydropower capacity in the Middle East, prompting protests in the southern province of Sistan and Baluchistan in recent months. The region has been hit by drought and increasing dust storms as well as power cuts – in a country with the world’s second-largest conventional gas reserves. On 2 August, as soaring temperatures strained Iran’s power grid, authorities ordered a two-day emergency shutdown. The situation is not expected to improve as Iran is suffering from the extreme heat that has gripped much of the Northern Hemisphere.

The water crisis in Iran has been exacerbated by poorly designed water and dam-building policies. While Iran’s hydropower generation has given it the energy mix with the highest share of renewable energy in the Middle East, its hydropower production has declined sharply in recent years. Iran’s hydropower output fell from 32.158 gigawatt hours in 2019 to 15.084 gigawatt hours in 2021, according to the International Renewable Energy Agency.

Iran has made some progress in boosting gas production, but its infrastructure is in bad repair, and rising demand has strained power generation capacity during peak demand periods. Iran relies on natural gas and oil for nearly all its primary energy consumption, and sanctions have prevented it from expanding its crude oil production capacity, a large portion of which is shut in. These technical issues are indicative of the growing strain that Iran’s energy sector has faced due to the re-imposition of international sanctions in 2018.

Importantly, water and energy go together. According to the International Energy Agency, water is “essential for almost every aspect of energy supply,” and the global energy system used “roughly 10% of total global freshwater withdrawals” in 2021. Water is needed to cool thermal power plants and, in Iran’s case, the Bushehr nuclear power plant. Large volumes of natural gas are reinjected into aging oil fields and cannot easily be replaced by water for enhanced oil recovery.

Despite efforts by some Middle Eastern countries to reduce water stress, such as switching to combined cycle power plants or using air for cooling, the only durable solution is to transition to clean energy. “If global greenhouse gas emissions are not mitigated, and fossil-fueled thermal power plants in the region continue to operate, around 32% of coal power plants, 15% of gas power plants and 9% of oil power plants may face a ‘significantly’ drier climate, which would have even greater impacts on cooling water availability,” IEA analysts stated.

IEA analysts wrote recently that from 1980-2022, temperatures across the Middle East and North Africa increased by 0.46 degrees Celsius per decade, well above the world average of 0.18 C. “Precipitation patterns have also changed significantly, aggravating existing water scarcity in some” countries in the region, “with droughts in Morocco in 2022 and Tunisia in 2023, while causing intense floods in 2022 in the United Arab Emirates, Iran, Saudi Arabia, Qatar, Oman and Yemen,” they added.

Some southern and eastern Mediterranean countries most affected by drought have taken measures to adapt to the new climate reality. Morocco is gradually replacing coal-fired power plants with natural gas combined cycle plants that require less cooling, while Egypt has adopted more water-efficient options, using an air cooling system for one power plant and seawater for another.

Food, agriculture and water are among the themes included in the agenda for the U.N. Climate Change Conference, COP28, in the UAE in November. Food and water security are inextricably linked, and the impact of global warming on these vital sectors poses a threat to human, animal, and marine life. Tackling climate change requires not only reducing greenhouse gas emissions but also preserving the Earth’s ecosystem because, without water, there can be no life.

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* 1. GCC: Middle East Reaps Gains from India’s Economic Boom

[Fanack](https://fanack.com/) posted on 17 August that the countries of the Middle East, particularly those in the Gulf Cooperation Council and Iraq, are observing as India transforms into a prominent and rapidly expanding economic powerhouse.

Currently, India is often likened to the new China, emblematic of its evolution into a promising global industrial cornerstone. This dynamic unfolds vast possibilities for trade and investment collaborations between India and its neighboring economies, encompassing the Middle Eastern nations. Moreover, Middle Eastern countries stand to seize a pivotal opportunity to increase their geopolitical significance and broaden their global economic engagements, capitalizing on the growth of the Indian economy.

**A Developmental Miracle in India**

India is undergoing a rapid and sustained economic upswing, attributed to its strategic public policies alongside pertinent political and demographic factors. As per the International Monetary Fund, the Indian economy is projected to be the world’s fastest growing in 2023, with a 6.1% anticipated rise in GDP. This rate outpaces the 4% average growth of emerging markets and is five times the 1.2% mean growth of industrialized nations’ markets.

This impressive growth isn’t an abrupt occurrence; rather, the Indian economy has methodically amassed strengths over preceding years, enabling it to rival the world’s leading economies.

A decade ago, India ranked 11th in GDP size among the world’s major economies, while the United Kingdom held fifth place. Progressively, India rose in the ranks, culminating in it passing the United Kingdom in late 2021, claiming fifth place compared to the latter’s sixth. In short, a notable economic phenomenon, often deemed a developmental marvel, is unfolding in India. Though it entered the scene later than neighboring East and South Asian countries, it is now on par with prominent global economic forces, signifying one of contemporary history’s most substantial economic leaps.

According to the Indian government’s plans, the nation is poised to surge to third place worldwide, following the United States and China, in terms of domestic product size over the next five years. This projection owes much to the rapid expansion witnessed in India’s industrial sector.

**Indian Demographic Strength**

India’s diverse economic strengths position it as a formidable competitor to China and other East Asian nations, both in development and in attracting investments in the productive sectors. Central to these strengths is India’s demographic prowess, intricately tied to its abundant labor pool. According to the United Nations Population Fund, India’s population has now eclipsed China’s, exceeding a staggering 1.4286 billion as of mid-2023, solidifying India’s status as the world’s most populous nation. Unlike China, whose population has peaked and begun a decline due to demographic aging, India’s populace is expected to continue to grow in the coming decades.

A pivotal facet of India’s demographic advantage lies in its youthful populace in contrast to China’s. With over half of India’s population under 30, China faces a challenge with its youth accounting for a mere 17% of its total. This significant demographic disparity furnishes India with a decisive edge in the competition for foreign industrial investments, which seek access to skilled labor at cost-effective wages.

The advantages of India’s labor force extend beyond its youthfulness and high fertility rates. Contributing to its allure include proficiency in advanced digital and technical sectors, coupled with widespread English language proficiency among Indian graduates. India boasts the world’s largest university education system, encompassing an extensive network of colleges and students, producing a staggering 20 million annual graduates entering the job market. Collectively, these attributes have made India a sought-after hub for foreign corporations in search of fresh production bases, as a compelling alternative to China.

**The Impact of Modi’s Foreign Policies and Trade Restrictions on China**

In parallel with these competitive advantages, Indian Prime Minister Narendra Modi pursued reforms and policies aimed at harnessing the potential of the local labor force and attracting foreign investments. After Modi assumed power in 2014, during his initial five-year term, Indian power station capacity grew by 66%, rural road networks expanded by 85% and highways extended by 45%. These infrastructure improvements bolstered economic growth and industrial expansion.

Simultaneously, Modi maintained a pragmatic foreign policy, strategically engaging with global powers both economically and politically. For instance, he leveraged sanctions against Russia in 2022, securing a deal with President Vladimir Putin for cost-effective Russian oil purchases, benefiting Indian domestic industries. Concurrently, Modi revitalized negotiations with the European Union, seeking a free trade agreement to unlock European markets for Indian industries.

Internally, Modi introduced a set of incentives and facilities to attract foreign investment, including subsidized loans covering 50% of semiconductor and electronics factory costs, along with 30% coverage for smart screen manufacturing. These measures aimed to encourage investments in fields that complement production chains in technologically advanced sectors, while tax incentives sought to facilitate the integration of production chains from other countries into India.

Subsequently, U.S. sanctions and restrictions on Chinese companies created an environment discouraging foreign investment, particularly in the tech sector. In recent years, India has reaped the rewards of Modi’s policies since 2014, with several major global companies like Apple, Google, Microsoft and Dell shifting significant portions of their production chains from China to India.

These political, demographic and economic factors have collectively laid the foundation for India’s ongoing economic renaissance, expected to sustain growth in the years ahead. However, this transformation raises concerns among East and South Asian nations, such as China, about India potentially diverting foreign investments away from their regions and toward itself.

**Opportunities for Middle Eastern Countries**

All these developments are poised to create significant opportunities for Middle Eastern countries, given the historical interdependence between the Indian economy and the economies of these nations, particularly the Gulf states. Geographical proximity between India and the Middle East further augments these prospects. These opportunities extend beyond mere investment and trade, and include potential political shifts stemming from India’s economic ascent.

Today, India ranks as the world’s third-largest importer of oil and gas, trailing only China and the United States, with annual energy imports amounting to a staggering $119 billion. Despite benefiting from reduced Russian oil prices, the Gulf nations, particularly Qatar, the UAE and Saudi Arabia, continue to fulfill 60% of India’s energy requirements.

Hence, the expansion of Indian industries will inevitably lead to heightened demand for Gulf oil and gas, securing a reliable market for such exports. Notably, the proximity between India and the Gulf states enables energy supply chains to remain unaffected by security and military tensions that could imperil supplies in other regions. Furthermore, India’s growing demand for Gulf energy sources is of particular importance in the LNG market, especially for Qatar, which relies heavily on gas exports. The procurement of gas production through long-term contracts stands as a pivotal prerequisite for the development of existing gas fields.

It’s worth noting that Petronet, India’s premier gas importer, expressed its intent in February 2023 to increase its Qatari liquefied gas purchases by around 1 million tons annually. This strategic arrangement complements Qatar’s efforts to expand its North Gas Field operations, thereby augmenting liquefied gas production.

At the same time, India’s burgeoning industrial sectors serve as a magnet for Gulf sovereign investments and funds, which are seeking tempting prospects in South Asian markets to diversify beyond Western markets. The Indian government’s provision of substantial tax exemptions on sovereign wealth fund profits stemming from investments in India has attracted entities like the Abu Dhabi Investment Authority, the UAE’s Mubadala Investment Company and the Saudi Public Investment Fund. These entities have ventured into long-term investments within India’s infrastructure, energy and industrial sectors.

In addition, Gulf countries’ inclination to invest in India aligns with efforts by leaders like Saudi Crown Prince Mohammed bin Salman to reduce reliance on strategic ties with the United States and Western nations. From this perspective, the reasons behind bin Salman’s move to establish a dedicated council for strategic partnership with India, aimed at bolstering defense, security and oil collaborations, grow apparent.

Meanwhile, as Iraq aspires to become a pivotal regional transportation hub in the Middle East, the growth of Indian exports will spur demand for Iraqi infrastructure, facilitating the northward transportation of these exports toward Europe. Notably, India currently ranks as Iraq’s second-largest trading partner, with China leading the charts. This reciprocal trade dynamic could transform Iraq into a hub for re-exporting Indian products after the completion of investments essential for its transformation into a Middle Eastern transport hub.

In the coming years, the countries of the Middle East will have to deepen their political and economic relations with India, a formidable global economic force. The Gulf states stand to benefit from shared interests with India in foreign policy, given their balanced and pragmatic relationships with Western powers, Russia and China. These commonalities will enable India and the Gulf to explore avenues of strategic collaboration, untethered from polarizations caused by escalating international conflicts. (Fanack 17.08)

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* 1. KUWAIT: IMF Executive Board Concludes 2023 Article IV Consultations

On 23 August, the Executive Board of the [International Monetary Fund](http://www.imf.org/) (IMF) announced the conclusion of Article IV consultation with Kuwait and considered and endorsed the Staff Appraisal on a lapse-of-time basis without a meeting.

Benefiting from high oil prices, Kuwait’s economic recovery continues, and inflation is contained. Non-oil GDP growth rose to an estimated 3.4% in 2021, benefiting from a recovery in domestic and external demand, and strengthened further to 4.0% in 2022. This, together with a pickup in oil production, resulted in a rebound in overall real GDP growth to 8.2% in 2022. While oil GDP growth is expected to decline in 2023 due to oil production cuts, non-oil GDP growth would stay robust, driven by domestic demand, and is foreseen to remain steady over the medium term. After peaking at 4.7% y-o-y in April 2022, headline inflation has receded to 3.7% in May 2023. Subsidies on basic food items such as rice and sugar, and caps on domestic gasoline prices, helped contain inflation, as did tighter monetary policy. Core inflation (excluding food and transport items) has also been trending down since 2022Q2.

The fiscal and external balances have strengthened, and external buffers are increasing. The overall fiscal balance turned into a surplus of 6.5% of GDP in FY2021/22, while the non-oil balance (less investment income) improved by about 9% of non-oil GDP to -90.1%, and fiscal financing needs fell substantially. The fiscal surplus is estimated to have improved to 23.4% of GDP in FY22/23, benefiting mainly from high oil revenues, but also from expenditure restraint which helped increase the non-oil balance by about 2% of non-oil GDP to about -88.3%. Helped by higher oil revenue, the current account surplus is estimated to have reached 33.8% of GDP in 2022 and is projected to remain high in 2023. Official reserve assets stood at $48.2 billion as of end-2022 (10.4 months of prospective imports).

Financial soundness indicators and the authorities’ stress tests suggest the banking system is stable and resilient to severe shocks. Banks are well-capitalized and highly liquid. Non-performing loans remain sufficiently provisioned. Profitability is also recovering.

The risks surrounding the baseline macroeconomic outlook are elevated and are tilted to the downside. Volatility in oil prices and production—arising from global factors—poses two-sided risks to growth and inflation, as well as to the fiscal and current account balances. A deeper global growth slowdown, possibly caused by further monetary policy tightening or banking sector stress in major advanced economies, would adversely impact Kuwait’s economy. Deepening geo-economic fragmentation would reduce potential growth, while structurally worsening the fiscal and current account balances. As for domestic risks, delays in needed fiscal and structural reforms could amplify the risk of pro-cyclical fiscal policy and undermine investor confidence. Such delays would also hinder progress towards diversifying the economy, making it more vulnerable to climate transition risks. On the upside, a resolution to the political gridlock could accelerate needed fiscal and structural reforms, boosting investor confidence, and stimulating private investment.

**Executive Board Assessment**

The economic recovery continues but risks to the outlook remain substantial. Non-oil growth remains robust in 2023, with declining headline inflation and a large current account surplus. Nonetheless, elevated risks surround the baseline economic outlook, especially those associated with volatility in oil prices and production arising from global factors. Given Kuwait’s large fiscal and external buffers, it can undertake needed reforms from a position of strength. However, political gridlock between the government and Parliament could continue to delay reforms. Resolving the impasse is critical to accelerate reform momentum, and to thereby boost growth and diversify the economy.

Comprehensive and growth-friendly fiscal consolidation is needed to reinforce fiscal sustainability and support intergenerational equity. The fiscal expansion envisaged in the draft FY 23/24 budget is appropriate given the negative non-oil output gap. Starting next fiscal year, fiscal consolidation should aim to increase non-oil revenue and tackle current spending rigidities while increasing capital outlays to raise potential growth. Revenue measures could include introducing the GCC-wide excises and VAT, as well as expanding corporate income taxation to cover domestic firms. Expenditure measures should focus on curtailing the wage bill and gradually phasing out energy subsidies while improving targeted income support.

A robust medium-term fiscal framework with a clear fiscal anchor would support consolidation. Given the sensitivity of the headline fiscal balance to oil prices, a target for the non-oil structural primary balance could serve as an appropriate fiscal anchor. Conducting fiscal policy under a robust framework could help resist spending pressures when oil prices rise, preventing pro-cyclical spending and ensuring durable adjustment gains.

Strengthening fiscal governance and transparency would boost accountability and policy credibility. Reforms should aim to enhance fiscal data coverage and reporting, strengthen corporate governance, and enhance public procurement. They should also reinvigorate the integrated asset-liability management framework, to assess the costs and benefits of investment and borrowing decisions, as well as broader macro-financial implications, in a holistic manner.

The fixed exchange rate regime—based on the peg to an undisclosed basket of currencies—remains an appropriate framework for monetary policy. This framework provides the CBK with some monetary policy autonomy and has enabled it to deliver low and stable inflation for many years. Fiscal consolidation to support intergenerational equity and structural reforms to diversify the economy should be pursued to strengthen the external position (which is weaker than the level implied by fundamentals and desirable policies) and support the peg.

The banking system is stable and systemic risk is contained, supported by a strong prudential framework that should continue to be enhanced. To proactively manage emerging financial stability risks arising from global monetary policy tightening, the CBK should continue to closely monitor banks’ dollar funding liquidity and credit quality. Now that all pandemic-related financial regulatory support measures have been unwound, the CBK should consider adjusting the composition of capital requirements to make macroprudential policy more countercyclical. The interest rate ceiling on commercial loans should be phased out to support efficient risk pricing and credit supply to SMEs, while the existing blanket guarantee on bank deposits should be replaced with a limited deposit insurance framework to address moral hazard.

A structural reform package is needed to boost labor productivity and non-oil private sector-led growth. Strong non-oil private sector-led growth is needed to absorb new labor market entrants. This requires a comprehensive set of reforms that tackle deep-rooted structural challenges. To incentivize Kuwaitis to seek careers in the private sector, labor market reforms to promote a market-aligned wage structure are needed. In particular, compensation and working conditions should be gradually aligned across the public and private sectors, while labor market policies should be steadily harmonized between nationals and expatriates. Social safety net reforms should proceed in parallel to ensure adequate social protection for nationals during the transition period. In the meantime, it is critically important to press ahead with reform measures that strengthen governance and the business environment to enhance competition and promote investment, including relaxing foreign ownership restrictions on firms and improving public land allocation for commercial development with longer lease terms. Investing in human capital would also promote long-term productivity growth. (IMF 23.08)

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* 1. SAUDI ARABIA: Signs That Economic Diversification is Working in Saudi Arabia

Tim Callen posted in [AGSIW](https://agsiw.org/%E2%80%8E) on 23 August that Saudi Arabia’s economic diversification plans are showing signs of progress, although the economy remains heavily reliant on oil.

Countries as heavily reliant on oil exports as Saudi Arabia have found economic diversification very difficult. Few, however, have approached the challenge with such strong political commitment, such a comprehensive plan, and the vast resources to finance the needed investment as Saudi Arabia. The government has implemented an impressive list of economic reforms under Vision 2030, including improving the business climate and legal framework, reducing restrictions on women’s employment, strengthening domestic capital markets, reducing energy subsidies, and developing new sectors of the economy, such as tourism. There is considerable interest in whether these reforms are working to diversify the Saudi economy away from oil and create a more dynamic private sector. Evaluating progress across four dimensions – exports, output, government revenue, and employment – reveals that, although oil remains a dominant force in the Saudi economy, the kingdom’s diversification efforts appear to be starting to bear fruit.

**A Simple Way to Look at Diversification**

Oil is dominant in the Saudi economy, and oil prices and production vary considerably year to year. This can make it difficult to discern trends in diversification because progress in growing the non-oil sector can be overshadowed by developments in the oil sector. One simple way of accounting for the impact of year-to-year swings in oil export revenue, and therefore better examine longer-term developments, is to compare years with similar levels of oil exports.

In 2022, Saudi Arabia’s oil export revenue was exceptionally high, at around $325 billion, as the war in Ukraine pushed oil prices above $100 per barrel for part of the year. To assess diversification trends against the background of high 2022 oil revenue, diversification indicators in 2022 are compared to those in 2012-13, the last time Saudi oil export revenue reached a similarly high level.

**Progress on Four Dimensions**

**Exports:** Oil (crude and refined products) still dominated the Saudi economy in 2022, accounting for 74% of total exports of goods and services, but this is well below the 84% average share in 2012-13. Most of the decline in the share of oil in Saudi exports is due to the expansion of petrochemical exports and tourism. The share of petrochemicals rose from 9% of goods and service exports in 2012-13 to 12% in 2022. Travel exports (what Saudi Arabia receives from non-nationals visiting the country) increased from 2% in 2012-13 to 5% in 2022.

**Output:** The private sector’s share of the kingdom’s nominal GDP grew from 37% in 2012-13 to 39% in 2022. The non-oil sector, which includes the public and private sectors, made up 56% of GDP in 2022, up from just under 52% in 2012-13. Correspondingly, the private sector’s share of GDP in real terms (after adjusting for price effects) was 41% in 2022, compared to 39% in 2012-13. Within private non-oil activities, real estate, retail and wholesale trade, manufacturing (likely mostly petrochemicals), and community, social and personal services had the most significant growth. The correlation between non-oil private sector GDP and oil prices remains high but has fallen since 2013. This decline is suggestive of private sector economic activity becoming less dependent on oil prices than in the past.

**Government Revenue:** Saudi Arabia has made significant progress in diversifying the sources of government budget revenue. Non-oil revenue rose to 32% of total government revenue in 2022, up from less than 10% in 2012-13. The introduction of the value-added tax in 2018 and the rate increase from 5% to 15% in 2020 have provided most of the boost to non-oil revenue.

**Employment:** Diversification in the labor market is more difficult to define than in the three areas considered above. Here, labor market diversification is equated to a reduced reliance by private companies on non-Saudi workers and a lower reliance by Saudi nationals on employment in the public sector. Across both dimensions, progress has been made, although data limitations prevent a complete analysis. Saudi workers accounted for 23% of total employment (Saudi and non-Saudi) in the private sector at the end of 2022, compared to 16% in 2016 (the earliest year for which data is available). The share of Saudi workers identified as employed in the public sector fell to 42% at the end of 2022, down from 45% in 2016. While this data understates the number of Saudis working in the public sector as it excludes those working in the military and security services, it also excludes private sector workers not registered with the general organization for social insurance, such as “gig” workers. It is not clear how these omissions affect the share of public sector employment reported here.

**Cautious Optimism for Diversification**

Saudi Arabia’s diversification efforts do seem to be bearing fruit, with progress in all four areas considered. Nevertheless, oil remains the dominant source of Saudi export and fiscal revenue and directly accounts for 40% of output. There is also debate about whether the expansion of the petrochemical sector, a key driver of non-oil export growth, represents true diversification given the sector’s close links to oil, although future petrochemical demand will be driven by different factors than those associated with oil demand, and the sector provides additional value added.

Looking forward, continued progress with economic diversification will require the deepening of ongoing reforms and their consistent implementation to raise productivity in the economy. To achieve this, efforts to attract more foreign investment and the technology transfer it will bring will be essential. Despite welcome progress in increasing the participation of women in the economy, there is more to be done. Improved education and training for Saudi nationals will also be critical to expand existing sectors and develop new ones. Last, a careful balance will need to be struck between pursuing public sector-led initiatives through the Public Investment Fund and ensuring there is room for a dynamic and independent private sector to develop. New sectors with large upfront capital needs will require public sector support, but overreach of the public sector into all aspects of the economy will stymie needed private sector development.

*Tim Callen is a visiting fellow at the Arab Gulf States Institute in Washington.*  (AGSIW 23.08)

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* 1. SUDAN: Sudan Threatens to Become Next Big Conflict for Its Neighbors and the Gulf

On 17 August Ambassador William Roebuck posted in the [Arab Gulf States Institute in Washington](https://agsiw.org/%E2%80%8E) that the four-month-old military conflict in Sudan seems poised for rapid descent into a broader, full-scale civil war if stalled diplomatic efforts are unable to get traction in the coming days and weeks. A U.S. and Saudi-led mediation effort in Jeddah, currently on pause, is likely to kick back into gear shortly. Meanwhile, on the ground, Sudan’s capital, the epicenter of the fighting, has been catastrophically damaged and systematically looted, with an accompanying collapse in basic services, commerce and banking. The fighting has spread to several provinces, including volatile Darfur, the scene of horrific atrocities and devastating loss of life in the 2003-05 Darfur conflict.

The current conflict pits Sudan’s army, led by de facto head of state Lt. Gen. Abdel Fattah al-Burhan, against the paramilitary Rapid Support Forces, led by Lt. Gen. Mohammed Hamdan Dagalo, popularly called Hemedti. The Rapid Support Forces is a formidable, battle-hardened ground force, although it lacks the air power and armor of the armed forces. Fighting between the two armed factions erupted in mid-April after their partnership in a post-coup transition government fell apart over anticipated steps that would have required the integration of the Rapid Support Forces into Sudan’s regular armed forces.

**Rivals Seek Upper Hand While Sudan’s People Suffer the Fallout**

The Rapid Support Forces presently has the upper hand in Khartoum, with its forces also surrounding the besieged army headquarters and leadership, including Burhan. The Rapid Support Forces is also strong in Darfur, which includes the tribal and power base of Hemedti (who is of Chadian Arab descent), centered in areas along the border with neighboring Chad. Sudan’s armed forces dominate much of the rest of the country, including strategic Port Sudan. Each side at present seems to believe, for different reasons that time is on its side. The Rapid Support Forces is focused on its successful siege of army leadership and control of Khartoum, while the army is convinced its control in other parts of the country and the Rapid Support Forces’ narrow base of support will keep the Rapid Support Forces isolated and vulnerable if the conflict spreads.

In the meantime, Sudan’s people are suffering as the country’s institutions for basic service provision, trade and finance have collapsed. Its elites have fled, thrusting the already impoverished country headlong into a humanitarian nightmare. The conflict has displaced some 4 million people, including nearly 890,000 who have fled to neighboring countries, and 24 million people (half of the country’s population) are in need of food and other basic relief.

**The Risks Spelled Out**

The risks if this conflict continues, or escalates, are enormous. For starters, there is the possibility of all-out civil war and state collapse if some kind of diplomatic intervention is unable to bend the current trajectory toward a mediated, peaceful outcome. There is also the risk of destabilizing neighboring countries, including Chad and South Sudan. Additionally, there is the likelihood of intervention by neighbors or others, through proxy forces and shipments of arms, in support of either of the warring factions or other warlords and tribal leaders in Sudan likely to jump into the conflict if the fighting isn’t tamped down. Egypt has close, long-standing ties to Sudan’s armed forces and deep concerns about an increasing terrorist threat on its southern border and the Rapid Support Forces’ close ties to Egypt’s regional rival, Ethiopia. While Egypt could invade, it is more likely to continue covert support, including sharing intelligence and tactical support or, possibly, arms. Thickening the strategic plot, Egypt’s long-time ally and financial backer, the United Arab Emirates, is a strong ally of the Rapid Support Forces, likely rendering any overt Egyptian intervention difficult. Recent media accounts report the UAE has been surreptitiously sending arms to the Rapid Support Forces, which the UAE has denied.

Stability in the Sahel and Horn of Africa could also be put at risk. While the Sudan conflict did not directly influence the late July coup in Niger, developments in the volatile Sahel region, Africa’s “coup belt,” are clearly reverberating. In the meantime, the Sahel, which Sudan borders on the east, has become the “global epicenter” of terrorism. The 2021 coup in Sudan and the violence it is provoking, and the five other military coups in the region since July 2021, have dealt a “significant blow” to counterterrorism efforts in the Sahel, according to counterterrorism experts.

**Prospects for U.S.-Saudi Mediation**

The U.S. and Saudi-led mediation channel has had little to show for its efforts. It functioned from May to July with intermittent disruptions before running aground over cease-fire violations and is expected to resume again shortly. Some observers believe Washington and Riyadh should consider inviting the UAE and Egypt, key states with influence over the military rivals, to join the mediation initiative. Given the risk of competing, distracting mediation initiatives, U.S. and Saudi diplomats also have to weigh the advantages of including the African Union. To date, Sudan’s civilians have not been included, apparently at the insistence of warring parties, but that is also likely on the agenda to address, possibly in a parallel set of discussions.

Despite, or perhaps because of, the dire circumstances on the ground, diplomats have no choice but to try to move forward with mediation to try to contain the fighting in Sudan and prevent the worst scenarios analysts are warning about. Resumed diplomatic efforts are likely to draw significant attention as limited prospects for success alternate with predictions of failure. A number of other aspects of the crisis are also likely to attract continued attention. Observers will be carefully assessing which countries are intervening to shape the fighting on the ground. The question many will be asking is whether the conflict in Sudan risks reversing the general trend in the broader region for consolidation, retrenchment, and extrication from conflict. Observers are also likely to continue to contribute to the intense post-mortem on the United States’ failed democracy efforts in Sudan and more broadly, with partisans calling for building it back better and democracy’s skeptics engaging in schadenfreude finger wagging to dismiss its relevance. Finally, given the Wagner Group’s active role in Sudan, Niger and other countries of the Sahel, there are likely to be a few lines of inquiry about the extent to which Russia and its narrative and Wagner Group have stolen a march on the West, in the Global South.

*Ambassador William Roebuck is the executive vice president of the Arab Gulf States Institute in Washington*. (AGSIW 17.08)

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* 1. NORTH AFRICA: Russia Pushes North African Trade Area as Ukraine Sanctions Bite

Jack Dutton reported in [Al-Monitor](https://www.al-monitor.com) on 19 August that a few days after hosting the second Russia-Africa summit in Saint Petersburg at the end of July, Russian President Vladimir Putin called a cabinet meeting. At that meeting, he said that Russia and four North African countries — Algeria, Egypt, Morocco and Tunisia — were working on a free trade area that would be integrated into the Eurasian Economic Union, an economic bloc comprising Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan.

Russia’s trade with Africa is low and heavily concentrated in four countries: Egypt, Algeria, Morocco and fellow BRICS member South Africa. In 2022, Russian-African trade amounted to $18 billion, including $4.7 billion in food. That amount is dwarfed by the $282 billion recorded that year between China and African nations.

But there is potential for growth. For example, Morocco is Russia's third-largest trading partner in the region and trade between the two countries is on the rise. From 2020 to 2021, trade rose by 42% to reach $1.6 billion, Spanish outlet Atalayar reported. Bilateral trade has increased by 25% since 2021, a trend that Morocco’s Foreign Ministry says continued into the first months of 2023.

Russia's main exports to Morocco are chemicals, food, metals, technology, hydrocarbons and derivatives such as ammonia and potash, which are used in fertilizer. Morocco’s main exports to Russia are vegetables and fruit, such as lemons and tomatoes as well as fish. Morocco has also been importing discounted diesel from Russia amid the Ukraine war. Diesel imported from Russia to Morocco rose from 66,000 tons in 2021 to 735,000 in 2022, Atalayar reported.

Sanctions by the European Union, other G7 countries and Australia over the war have blocked $326 billion of Russian Central Bank reserves and 70% of assets in Russia's banking system are under sanctions, according to the European Commission. With the sanctions starting to bite, Russia is looking in other places to grow its economy.

Intissar Fakir, a senior fellow and director of the Middle East Institute's North Africa and Sahel program, says that it makes sense for the four North African countries to want closer Russian ties too. “Morocco imports a lot of coal from Russia and Morocco still relies significantly on coal for electricity generation. They've managed to maintain those imports because that's excluded from the sanctions regime,” she told Al-Monitor, referring to the sanctions from the West imposed on Russia over its invasion of Ukraine in February 2022.

**The Benefits**

Sabina Henneberg, a Soref fellow at the Washington Institute, said that Tunisia and Egypt in particular would benefit from a free trade area with Russia as it will allow them to import Russian grain and fertilizers more cheaply. “Ideally this agreement would also help correct some of the trade imbalances between Russia and the region, since Russian export levels to these countries are much higher than Algerian/Tunisian/Egyptian exports to Russia,” she told Al-Monitor. “The agreement is also reportedly meant to encompass a range of sectors including tourism — an important economic sector in Tunisia and Egypt and one that Algeria should be trying to grow.”

Jon Alterman, director of the Middle East Program at the Center for Strategic and International Studies, believes that a free trade agreement with Russia would not be a game changer for these African countries, but would provide “some marginal benefit.” “Presumably, Russia’s isolation means it will offer goods on attractive terms, so that helps them. They are all major food importers, and Russia produces grain and other staples,” he told Al-Monitor. “In addition, they buy themselves some understanding with Russia, whose foreign policy actions throughout the African continent affect their national interests."

Indeed, Russia has influence across Africa, and strengthening ties on the continent was part of the plan long before Moscow invaded its neighbor last year. The Kremlin views many African countries as places with high economic potential, and this has been evident given the expanding presence of the Wagner Group on the continent, for example. As well as being a mercenary group, Wagner Group also operates a business and is accused of having stakes in gold mines and exploiting other natural resources in Africa.

Russia also enjoys a decades-long relationship with Algeria and has had a strong presence in Libya since the fall of dictator Moammar Gadhafi in 2011. Fakir noted that nobody has managed to get the North Africa economies to become more integrated and trade more with each other. “Purely from a geopolitical perspective, if Russia manages to do that, then that's a huge bit of influence that they can achieve in North Africa,” she added.

Dionis Cenusa, a political risk analyst and visiting fellow at the Eastern Europe Studies Centre, said that free trade agreements help create interdependencies that can be exploited in the long term for geopolitical purposes. "Russia is willing to compete for geopolitical influence in the EU's eastern neighborhood in North Africa after losing a big share of relevance in Eastern Europe," Cenusa told Al-Monitor. He added that free trade could be attractive for North African countries that depend on imports of agri-food products. “Food security is becoming an increasingly pressing issue both because of the implications of the war in Ukraine and because of the consequences of climate change,” he said. “Both are exploited by Russia even in the context of new free trade initiatives.”

**The Risks**

There is a risk of the West sanctioning these countries for entering into a formal free trade arrangement with Russia, given its invasion of Ukraine. However, trade deals take a long time to materialize. But one positive, Fakir said, is that this one is being negotiated by a partner Algiers views as “a sympathetic actor.”

“Algeria, Morocco and Tunisia are eager for any kind of economic support partnership at this point,” she added, noting that Rabat and Tunis are keen to build stronger relationships with actors beyond the European Union. A recent example is Morocco and Israel signing the Abraham Accords and the latter recognizing Western Sahara as Moroccan territory in July, a move that irked Algeria, which supports the pro-independence Polisario Front. “In many instances, with Morocco and Tunisia, you see a lot of frustration for their partnership with the EU and that it hasn’t borne out all of the benefits that they wanted or that they feel a certain sense of being overlooked or unappreciated,” Fakir said, adding that the free trade area with Russia could give them more leverage with their main allies like the European Union.

Russian influence across North Africa is varied. “It obviously has close ties already with Egypt and Algeria, but despite levels of trade with Morocco being relatively high compared to Russian trade elsewhere on the continent, it does not have the same kind of strategic partnership there that the US does,” Henneberg said.

Algeria also sees the United States as a key ally. Algeria’s foreign minister was in Washington recently trying to spur US investment in some of the same sectors where Russia is now seeking to deepen trade, such as energy, agriculture and pharmaceuticals. “Signing an FTA agreement with Moscow might deter American investment," said Henneberg. "Still, another barrier is the deep hostility between Algeria and Morocco [over Western Sahara], which has been preventing North African countries for decades from deepening their economic integration. I can't see how those two countries would find sufficient benefit from forming an FTA with Russia to be willing to put aside their disagreements.”

Henneberg said that Russia would gain politically from the optics of working collectively with countries that have never been able to form an economic union among themselves. “Moscow has also been trying to remind the world and the United States of its presence and relevance in Africa, so this would be another such reminder,” she said. Fakir said the free trade area is unlikely to succeed, but "if anybody can do it, given the failure of everybody else, maybe Russia can.” (Al-Monitor 19.08)

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* 1. TURKEY: IMF Executive Board Concludes 2022 Article IV Consultations

On 18 January 2023, the Executive Board of the [International Monetary Fund](http://www.imf.org/) concluded the 2022 Article IV Consultation with the Republic of Türkiye. This press release summarizes the views of the Executive Board as expressed during its 18 January 2023 consideration of the 2022 Article IV and the 2022 Financial System Stability Assessment staff reports.

Türkiye made impressive economic gains over the past two decades. In the early 2000s, broad-based macroeconomic and structural reforms supported income catch-up towards advanced economies, poverty reduction and marked disinflation. This moved Türkiye firmly into the upper middle-income bracket, while lifting nearly 30% of the population out of poverty. In recent years, however, as reforms waned, productivity gains slowed, and growth became increasingly dependent on externally-funded credit and demand stimulus. The newly-adopted Türkiye Economic Model—comprising low interest rates as well as a complex set of regulatory measures to direct credit to selected sectors and promote greater use of the lira in the economy—has exacerbated vulnerabilities.

Driven by the lagged effects of an outsized credit impulse in 2020, the relaxation of mobility restrictions, and robust external demand, Türkiye’s output rebounded by more than 11% in 2021—a much stronger recovery from the pandemic than in most countries—and robust growth carried over into the first half of 2022. GDP is now significantly above its pre-pandemic trend and the rates of unemployment and labor force participation have more than fully recovered.

Despite strong growth and inflation four times above target, policy rates were cut aggressively in late 2021, leading to significant pressure on the lira, which was relieved only through large foreign exchange intervention and the introduction of an FX-protected deposit scheme. These moves were followed by an increasingly distortionary and complex set of macro-financial measures to encourage the holding of lira assets. Inflation has accelerated sharply, reaching a 24 year high of 85% in October, among the highest in large EMs. External imbalances have widened, aggravated by the war in Ukraine, and reserve buffers remain low, despite increasing somewhat in recent months. Public debt declined to under 40% of GDP, but spending pressures and fiscal risks, including from contingent liabilities from Turkish Lira FX-protected deposits and exposure of public debt to FX shocks, are rising. Financial risks are also high and rising owing, among other things, to a strong FX liquidity nexus between the central bank and the banks, while the recent credit slowdown is driven by increasingly distortionary measures. Non-financial corporations showed resilience through the pandemic, but leverage and FX mismatches remain large.

Reflecting lower growth carryover, weaker external demand, especially in Europe, binding external financing constraints, and squeezed real incomes, growth is expected to decline to 3% in 2023 from about 5.5% this year. Inflation is expected to fall to about 70% by end-2022, and to fall further, to 36%, by end-2023—driven by fading exchange rate pass through, favorable base effects and expected lower commodity price pressures. But inflation is expected to remain much higher than the target and in peer countries, given loose policies, inflation inertia and un-anchored inflation expectations. Near-term growth may surprise on the upside, as unexpected sources of external financing could allow the continuation of pro-growth policies and a wider current account deficit, but, overall, risks are skewed to the downside and, with limited buffers, vulnerabilities remain acute. On the domestic front, doubling down on pro-growth policies without enough external financing could weigh on confidence and fuel pressures on the lira, hurting bank and corporate balance sheets, with spillovers to the public sector. External risks have also intensified, including from larger- or faster-than-expected tightening by advanced market central banks, escalating geopolitical tensions, higher commodity prices, higher global risk aversion and weaker global growth.

Türkiye’s FSSA found that financial stability risks are high and growing. In particular, FX liquidity risks have risen given the tightening bank-central bank nexus and scarce readily available central bank FX reserves. Also, banks could face capital adequacy pressure should rapid credit growth resume, and uncertainty over banks’ asset quality and capital adequacy remains. The authorities’ idiosyncratic macro-financial policy mix has introduced distortions in financial price formation, with some measures working at cross purposes or diverging from international standards. Operational autonomy has been eroded in key agencies, while policy and resource pressures have resulted in banking supervisory practices and a regulatory framework that require critical enhancement. Several gaps in the crisis management framework identified in the last FSAP remain.

**Executive Board Assessment**

Executive Directors agreed with the thrust of the staff appraisal. They commended Türkiye for its remarkable recovery from the pandemic, noting the contribution of stimulative policies and a dynamic private sector. However, the policies that buoyed growth also exacerbated vulnerabilities. Directors noted that the policy rate cuts in late 2021 led to significant pressure on the lira, and measures to relieve those pressures, while helping, did not address the root causes of Türkiye’s economic problems, with the lira remaining under pressure for much of 2022, inflation reaching multi-year highs and core reserves remaining deeply negative. The spillovers from Russia’s invasion of Ukraine also exacerbated Türkiye’s external imbalances and added to inflation pressures.

With high inflation at risk of becoming entrenched, Directors stressed that prompt and sizable interest rate hikes are needed, complemented with steps to strengthen central bank independence. They also emphasized the importance of carefully phasing out regulatory measures, allowing the policy interest rate to act as the primary monetary policy instrument. Directors welcomed the authorities’ aim to replenish international reserves as conditions allow.

Directors acknowledged that Türkiye’s public debt burden remains low and commended the authorities’ commitment to fiscal discipline. Nonetheless, Directors cautioned against rising fiscal risks from growing spending pressures and contingent liabilities, including from FX-protected schemes. They recommended maintaining a tight fiscal stance to preserve buffers and contain domestic demand, while focusing on targeted measures to support the most vulnerable. Directors welcomed the authorities’ progress in enhancing fiscal governance but encouraged further steps to increase transparency and strengthen debt management more durably.

In the financial sector, Directors underscored the importance of phasing out regulatory measures to minimize distortions to price formation and capital allocation, while reducing the role of the state in credit provision. They shared the emphasis on strengthening prudential standards and encouraged reversing regulatory forbearance measures to improve asset quality and capital adequacy transparency. Directors recommended integrating crypto assets into the supervisory framework, while taking any further required steps to fully implement the FATF action plans. Directors also broadly supported recommendations in the FSSA, in particular, the importance of increasing attention to FX liquidity monitoring and contingency planning. They underscored the need to strengthen banking supervision, including by adequately resourcing supervision activities. Directors also encouraged reforming the emergency liquidity assistance framework and strengthening the crisis management framework.

Directors called for targeted structural reforms to foster stronger sustainable growth and increase the economy’s resilience to shocks. They welcomed the focus of the consultation on female labor force participation and climate change. Improving the business and regulatory environment, labor market flexibility, and the quality of human capital will be important, as well as closing labor market gender gaps. A comprehensive strategy would help meet Türkiye’s climate goals. (IMF 18.08)

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