

**The FORTNIGHTLY**

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

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**EDI stands in solidarity with Israel's security forces in its efforts against the Hamas terrorists and free the 242 hostages held in Gaza. We mourn with the families of the fallen and pray for the speedy recovery of the wounded.**

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israeli Government Advances Legislation for Same-Sex Partners of Fallen Soldiers

The Knesset has approved in a first reading legislation that would recognize same-sex partners of fallen Israel Defense Forces (IDF) soldiers. The initiative follows the death of Sagi Golan, a member of the LGBTQ+ community and an officer who was killed while defending Kibbutz Be'eri from Hamas. His partner struggled at first to receive formal recognition as a spouse, but the Israeli Defense Ministry said it would already interpret the existing law as including same-sex partners. The couple intended to get married on 20 October.

This came in response to Israel's Knesset Speaker, Amir Ohana, who said that he received complaints from LGBTQ+ soldiers who feared discrimination if the worst happened to them. After Golan's death, there was some controversy over what an IDF representative informed his partner, saying that he needed to apply to the Defense Ministry to be recognized as a spouse since same-sex marriages were under different legal authorities in Israel. The bill is expected to be put to a vote on second and third readings soon and could then be formalized in the Israeli Legal Code. (i24NEWS 01.11)

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* 1. Israel Innovation Authority Extends $25 Million Lifeline to Startups Amid War

The [Israel Innovation Authority](https://innovationisrael.org.il/en/), which is responsible for Israel's tech policies, will allocate NIS 100 million ($25 million) in assistance grants to provide about 100 cash-strapped startups with a lifeline to cope with the challenges posed by the war situation. As part of the authority’s R&D fund program, a fast-track channel of grants will be made available to Israeli startups who are struggling to raise capital from their existing investors during the war period. Application for the program will open in November.

Israel has already called up more than 300,000 reservists, many of whom are working in local tech firms and companies, as Israel declared war on Hamas after more than 1,500 terrorists broke through the Gaza border on 7 October and murdered some 1,300 people, most of them civilians, including babies, children and the elderly. Many were murdered in their homes and some 260 were massacred at an outdoor music festival.

Israel's high-tech industry contributes some 18% to local GDP, versus less than 10% in the US, and about 6% in the EU. About 14% of all employees work in the high-tech sector and in tech jobs in other sectors. The Israeli economy relies on high-tech products and exports, which make up about 50% of total exports, as well as high-tech taxes.

The Israel Innovation Authority said that the fast-track grant channel is for tech companies that are at the product development or initial sales stage, including startups in the active fundraising phase. Applications will be evaluated according to a startup’s technological assets, financial runway, its investors’ available funding, and the impact on employees and infrastructure.

This is the first in a series of further short-term and long-term provisions the Finance Ministry is working on with the Israel Innovation Authority, in coordination with the high-tech industry. (IAA 25.10)

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* 1. Defending Israel from Hamas Aggression May Cost the Economy Over $17 Billion

Defending Israel from the most recent Hamas onslaught is expected to cost over NIS 70 billion ($17.2 billion), about 3.5% of GDP, according to the chief economist of [Meitav Investments House](https://en.meitav.co.il/). He divides the damages into four categories: the direct cost of the war, compensation for property damage, economic assistance (business continuity, household support), and loss of state income due to economic disruption. This estimate is higher than that of the Bank of Israel and the Treasury, which unofficially have estimated that the impact will be a loss of 2-3% GDP.

According to Meitav's estimates, the war is expected to last about 60 days and will be costlier than any other recent conflict. Its direct cost will be approximately $6.17 billion, including ammunition and mobilization of reservists, and will be double the cost of the Second Lebanon War. Meitav estimates that compensation for all those affected (individuals and businesses) could reach $4.2 billion and a loss of tax income due to a GDP reduction of $7.6 billion. Meitav calculates that the loss of tax-based state revenues will translate to about a 1.5% GDP loss, or about $6.9 billion.

Additionally, Meitav suggests that by the end of 2023, the deficit will rise to 3% of GDP, compared to the pre-war forecast of about 1.5%. As a result of the expected increase in the deficit, gross borrowing may rise by approximately $12.3 billion by the end of the year, assuming that the Ministry of Finance uses about $2.4 billion from cash reserves.

For 2024, a GDP deficit of 4% is forecast, compared to a pre-war estimate of 2.5%, which would require the finance ministry to maintain a monthly borrowing pace of about $2.9 billion in the local bond market, in addition to raising about $6.1 billion in foreign markets. According to Meitav's estimates, by the end of 2024, the debt-GDP ratio will grow to about 62%, compared to about 59% today. All of this is against the backdrop of an expected decrease in economic growth to 2.8% this year and to 2% in 2024. (Meitav 24.10)

ISRAEL MARKET & BUSINESS NEWS

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* 1. AU10TIX Recognized as a Leading Innovator in Frost & Sullivan's 2023 KYC Radar

AU10TIX announced that the company has been named an innovation leader in the Frost Radar: 2023 Fraud Detection and Prevention (Know Your Customer) report by Frost & Sullivan. The report places AU10TIX in the leading position on the Innovation Index, emphasizing its commitment to research and development, focus on homegrown technologies and to protecting against advanced synthetic forgeries.

The report acknowledges AU10TIX's pioneering work as creator of an innovative, fully automated ID verification and document authentication platform. The company's end-to-end solution completes the verification process within 4-8 seconds and combines nearly 150 AI-based tests, advanced biometrics capabilities, forensic-level identity verification, and a unique Serial Fraud Monitor platform to enable a robust KYC solution for clients. AU10TIX's customers include some of the world's largest companies, including Uber, Google, PayPal, Thomson Reuters, Microsoft, Airbnb and many others. Its technology supports over 4,000 types of IDs and multiple languages in more than 200 countries.

Tel Aviv's [AU10TIX](http://www.AU10TIX.com) is on a mission to obliterate fraud and further a more secure and inclusive world. The company provides critical, modular solutions to verify and link physical and digital identities so businesses and their customers can confidently connect. (AU10TIX 26.10)

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* 1. Ormat Buys Geothermal & Solar Energy Assets in the US for $271 Million

Ormat Technologies reported the acquisition of six assets in the US for $271 million. The acquired assets include: Cove Fort geothermal power plant in Utah, which sells its clean electricity generation to the Salt River Project under a long-term agreement; Stillwater Hybrid geothermal and solar in Nevada, which consists of a geothermal binary unit, Solar PV plant, and solar thermal plant that sells its clean electricity under a long-term agreement to NV Energy; Stillwater Solar PV II in Nevada, which sells its electricity output to Wynn Las Vegas under a long-term deal; Salt Wells geothermal power plant in Nevada, which has a long-term deal with NV Energy; Woods Hill Solar PV Park - located in Windham County Connecticut, this Solar PV facility sells its electricity output to seven different off-takers under a long-term deal; and Greenfield development projects - Ormat has acquired the rights to explore and potentially develop two greenfield projects, one adjacent to the Cove Fort power plant, and the other in a high-potential geothermal resource area in California.

Ormat says these acquired assets have collectively generated an annual revenue of $35 million and an EBITDA of $24 million for 2020-2022. In March, Ormat raised $300 million on the NYSE, for general corporate purposes, including working capital and capital expenditures, and for potential acquisitions, including complementary businesses, technologies or assets.

Yavne's [Ormat](https://www.ormat.com) designs, manufactures, operates, owns, and sells geothermal and REG power plants primarily based on the Ormat Energy Converter – a power generation unit that converts low-, medium- and high-temperature heat into electricity. With 77 U.S. patents, Ormat’s power solutions have been refined and perfected under the most grueling environmental conditions. Ormat has over 1,400 employees around the world. (Ormat 23.10)

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* 1. Elbit Awarded $170 Million to Partner in Swedish Army's LSS Mark Digitization Program

Elbit Systems Sweden was awarded a contract worth approximately $170 million to become the integration partner for the Swedish Army digitalization program LSS Mark. The contract will be performed over a ten year period. As the integration partner, Elbit Systems Sweden will lead the roll-out of the Swedish Armed Forces digitization program for the army and integrate, install, maintain and upgrade command and control systems on a variety of platforms from command posts, vehicles, through to dismounted systems, and as such both support the growth of Swedish army as well as capability enhancements.

The work will take place at Elbit Systems Sweden’s facilities, increasing the local footprint, employing dozens of system engineers, technicians and field support engineers over the next few years, enhancing Elbit Systems’ commitment to grow and expand local know-how and capabilities of Elbit Systems Sweden.

Haifa's [Elbit Systems](https://elbitsystems.com) is an international high technology company engaged in a wide range of defense, homeland security and commercial programs throughout the world. The Company also focuses on the upgrading of existing platforms, developing new technologies for defense, homeland security and commercial applications and providing a range of support services, including training and simulation systems. (Elbit 25.10)

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* 1. Shift4 Acquires Finaro to Accelerate European Expansion and eCommerce Capabilities

Allentown, Pennsylvania's Shift4, a global leader in integrated payments and commerce technology, has completed its previously announced acquisition of Herzliya, Israel's Finaro, a cross-border ecommerce payments provider and fully licensed bank with a large European presence. The completion of this acquisition significantly expands Shift4’s total addressable market both in terms of geographic coverage and industry verticals.

Finaro will provide the global infrastructure and cutting-edge technology needed to drive Shift4’s international expansion into Europe and beyond. In addition to expanding Shift4’s geographic footprint, the acquisition will enhance the company’s cross-border ecommerce capabilities to deliver a unified global payments platform for merchants and partners around the world.

This acquisition not only augments Shift4’s ecommerce offering, but will also enable Shift4 to soon offer its card-present technology across Europe – including the company’s SkyTab restaurant point-of-sale system and VenueNext stadium solution. Additionally, Shift4 has more than 500 software integrations and over 200,000 merchant customers, many of which have a multinational presence and provide immediate international opportunities that can now be unlocked as a result of this acquisition. (Shift4 26.10)

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* 1. Israel Distributes New Gas Concessions to BP & Eni Despite Attacks from Gaza

On 29 October, Israel’s Ministry of Energy and Infrastructure said it awarded 12 licenses to six companies, including BP and ENI, for natural gas exploration off the country’s Mediterranean coast. The offshore tender is the fourth bidding round for natural gas exploration in Israeli waters, whereby the ministry intends to boost competition as well as grow domestic supply and exports.

Two consortia won the bids: one comprising Italy’s ENI, Scotland’s Dana Petroleum and Israeli business Ratio Energies, while the other consists of BP, State Oil Company of the Azerbaijan Republic (SOCAR) and Israel’s NewMed Energy. The companies will explore two areas next to Israel’s Leviathan field, the country’s largest and one of the world’s biggest deep-water gas discoveries.

The Hamas attacks saw the shutdown of Israel's Tamar offshore gas field, the country’s second-largest, on 8 October. The site is owned by Chevron, Dor Gas Exploration Limited Partnership, Everest Infrastructures, Isramco Negev 2, UAE-based Mubadala Investment and the Israeli company Tamar Petroleum. Before the shutdown, the field typically met around 70% of Israel’s power generation needs. The country has since been backfilling the supply from other fields to avoid disruptions to flows. (Al-Monitor 30.10)

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* 1. Allstate & Allianz Invest $265 Million in Next Insurance

Allstate and Allianz made a $265 million strategic investment in Next Insurance, an insuretech startup focused on the small business market. For Next, which serves over a half million customers and is nearing $1 billion in premium revenue, it’s the largest equity round in its history, eclipsing a previous round of $250 million. The deal is also the largest in the insuretech space this year, according to PitchBook. Next Insurance ranked No. 37 on the 2022 CNBC Disruptor 50 list.

Next’s online platform offers coverage including general liability, commercial property, and workers’ compensation. Liabilities covered in the small business market cover a wide range of risks, from workers on job sites getting injured or breaking property to business equipment. Next, which says it is the largest provider of “embedded” digital commercial insurance products in the U.S., sells through partnerships with Intuit, benefits provider Gusto, captive insurance agents and independent insurance agencies.

Founded in 2016, Kfar Saba's [NEXT Insurance](https://www.nextinsurance.com/) has a one-stop-shop platform that leverages AI technology that now serves over 1,300 classes of business, including restaurant owners, accounts, fitness professionals and general contractors. NEXT Insurance received an ‘A-Excellent’ rating from AM Best, reimagining the servicing process for providing SME insurance to make policy offers bespoke to each organization. (NEXT 01.11)

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* 1. Myrror Security Emerges from Stealth with a $6 Million Seed Round

Myrror Security emerged from stealth with $6 million in seed funding from Blumberg Capital and Entrée Capital to secure enterprises' SDLC (Software Development Life Cycle) process amid a growing wave of software supply chain attacks exploiting open-source dependencies and CI/CD pipelines. The funds will enable the company to expand its product capabilities and scale its go-to-market distribution channels.

The Myrror Security platform seamlessly unites the two essential pillars required to effectively address real threats in the modern software supply chain - the detection of malicious packages and CI/CD attacks, and the prioritization of known vulnerabilities. By employing proprietary binary-to-source code analysis capabilities with advanced AI matching techniques, the company detects known and unknown threats, such as malicious packages, malicious code and CI/CD breaches, in real-time — before they even reach production. In addition, by using an advanced reachability model, the company's Code Aware SCA (Software Composition Analysis) solution determines whether a vulnerable function is used in the code, reducing the noise generated by traditional SCA tools. Myrror Security also provides comprehensive mitigation plans to ensure companies can quickly and effectively remediate the risk.

Tel Aviv's [Myrror Security](https://myrror.security) is a pioneering DevSecOps company seamlessly uniting the two essential pillars required to effectively address real threats in the modern software supply chain - detecting malicious packages and CI/CD attacks and prioritizing known vulnerabilities. By employing proprietary binary-to-source code analysis capabilities with advanced AI matching techniques, the company detects unknown threats, such as malicious packages, malicious code, and CI/CD breaches, in real-time — before they even reach production. (Myrror Security 07.11)

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* 1. Palo Alto Networks Acquires Israel's Talon Cyber Security

On 6 November, Palo Alto Networks announced that it has entered into a definitive agreement to acquire Israeli startup Talon Cyber Security, the developer of a corporate browser. The valuation of the deal was not reported in the official announcement of the companies; however, as it was already published exclusively on Sunday in Calcalist, it is estimated to be around $625 million.

The TalonWork browser simplifies endpoint security by serving as a secure access point to corporate applications and data on any device, managed or unmanaged, and on any operating system. With Talon, security teams benefit from deep visibility into browser and application activity, as well as native security features like authentication, data loss prevention, and Zero Trust controls.

Tel Aviv's [Talon Cyber Security](https://talon-sec.com/) was founded in 2021 and currently employs 130 people. Talon won the RSA Conference's prestigious Innovation Sandbox contest in 2022. The co-founders will continue leading their teams when they join the Prisma SASE team at Palo Alto Networks after closing. Talon's Enterprise Browser provides a solution that, when combined with Prisma SASE, will enable users to securely access business applications from any device, including mobile and other non-corporate devices, while delivering seamless user experiences. (Palo Alto Networks 06.11)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Dubai’s New $163 Million VC Fund Aims to Drive Tech Businesses

Oraseya Capital, a new AED 500 million ($136 million) venture capital fund launched in Dubai, is expected to drive the growth of tech businesses. The fund is the new venture capital arm of Dubai Integrated Economic Zones (DIEZ), which encompasses Dubai Airport, Silicon Oasis and CommerCity free zones. Its key aim is to foster innovation and drive the growth of start-ups in the UAE and beyond.

The initiative acknowledges the potential held by startups that play a critical role in driving growth and innovation across economies. Oraseya will provide support from the pre-VC stage until the critical Series B funding round stage, with resources, and create collaboration between innovators and entrepreneurs to foster adaptability and stay at the forefront of technological advancements. (Various 01.11)

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* 1. US Green Mobility Sector First Target for Neom’s Newly Launched Investment Fund

Saudi Arabia’s Neom is investing in Rhode Island's electric seaglider manufacturer [Regent](https://www.regentcraft.com/) and California's autonomous driving company [Pony.ai](https://www.pony.ai/) to establish operations for both green vehicles in the smart city. The investment is being made through the Neom Investment Fund (NIF) established earlier this week.

The investment made by Neom is part of a multi-year partnership with Regent to establish electric seaglider passenger operations in the region. Regent will also establish a Middle East research, development and training hub to support expansion in seaglider operations and infrastructure and conduct on-site testing to be ready for operational roll-out by 2025. Neom is investing $100 million in Pony.ai in parallel with setting up a JV to develop, manufacture, and deliver autonomous driving services, advanced vehicles, and smart vehicle infrastructure in Neom and other key markets in the MENA region. The JV will also establish a local autonomous vehicle manufacturing and R&D facility. Pony.ai has developed a wide range of vehicles, from all-electric passenger Robotaxis to long-distance freight trucks. (Enterprise 26.10)

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* 1. Viridi Expands Global Presence with Launch of MENA Subsidiary

Buffalo, New York's Viridi, a developer of innovative battery technology that can be safely installed and operated in nearly any environment or location, is expanding its global presence through the launch of Viridi MENA. This subsidiary, headquartered in Al Khobar, Saudi Arabia, will work with partners in the region to manufacture and deploy Viridi's unique fail-safe lithium-ion battery energy storage systems throughout the Middle East and North Africa (MENA).

According to the Middle East Institute, MENA countries are ambitiously aiming to generate between 15% - 50% of their power from renewable energy sources by 2030. To meet the burgeoning energy demand, the region anticipates the installation of an estimated 92 GW of new power generation capacity by 2025, a substantial 27% increase over the 2018 capacity levels. MENA remains well-positioned to harness its competitive advantages, including abundant renewable energy resources, cost-effective procurement options, and readily available financing, to scale up the deployment of energy storage solutions.

Viridi designs and builds battery systems that redefine energy storage and powering the transition to renewable energy. Its innovative, fail-safe battery systems, developed from materials used for aerospace and military applications, bring on-demand, affordable power wherever it is needed, replacing applications that have been historically dominated by fossil fuel energy sources. (Viridi 25.10)

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* 1. Zenlayer & Mobily to Supercharge Cloud Computing and Connectivity in Saudi Arabia

Diamond Bar, California's Zenlayer, the world's first hyper connected cloud, and Mobily, Saudi Arabia’s second largest internet service provider (ISP), revealed their new strategic partnership. The alliance aims to deliver high performance edge compute and connectivity services to businesses deploying infrastructure in Saudi Arabia and potentially beyond.

Zenlayer, renowned for its extensive network of edge infrastructures and expertise in fast-growing emerging markets, will bring its cutting-edge technology and services to Mobily's data centers in Saudi Arabia. In turn, Mobily will provide a broad portfolio of data center and network services to Zenlayer's clients. This synergy will not only expand Zenlayer's global network coverage, but also enhance Mobily’s service offerings, reinforcing its position as a leading ISP in Saudi Arabia.

The partnership holds immense promise for a wide range of industries, with gaming companies being a prime example. Saudi Arabia ranks as the 19th largest gaming market in the world, experiencing a remarkable 41.1% year-on-year growth. With over 21 million gamers in the country, the Kingdom's investment of $180 billion annually to establish itself as a global gaming hub further solidifies its significance in the gaming industry. Zenlayer and Mobily’s joint solutions will provide gaming companies with ultra-low latency and enhanced user experiences. Other industries such as energy, healthcare and retail also stand to gain advantages from this collaboration. (Zenlayer 28.10)

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* 1. Egypt’s Almouneer Raises $3.6 Million in Seed Investment

Egypt healthcare platform [Almouneer](http://www.almouneer.com/%E2%80%8E), a digital healthcare platform for patients and doctors across the Middle East and Africa (MEA), announced it raised a seed round investment of $3.6 million. The seed round was led by Dubai-based Global Ventures, with participation from other renowned international investors: Proparco and Digital Africa, through the Bridge Fund, Wrightwood Investments – the family office of Diane & Henry Engelhardt (UK) – and other leading international funds. The funding follows rapid growth for Almouneer as it serves over 120,000 patients, with business volumes doubled in the last year. The proceeds will primarily support the development and expansion of MEA’s first patient-centric platform, DRU.

DRU is Almouneer’s flagship product; it is a patient-centric digitally enabled lifestyle and diabetes management platform that aims to serve millions of individuals in MEA. It helps in the process of prevention and management of diabetes, pre-diabetes, and obesity – and will serve millions in Egypt and MEA. The scalable platform uses cutting-edge patient and doctor-facing applications, and an extensive provider network. The new funding will enhance DRU’s state-of-the-art technology further, and grow its wider provider ecosystem (doctors/health coaches/labs/nutritionists).

Almouneer will also build MEA’s first online, patient-customized treatment plans. DRU currently connects to Continuous Glucose Monitors and other glucometers and will soon enable connection to wearables such as smartwatches. According to its coming year plan, Almouneer will launch its DRU app for doctors – connecting healthcare providers with millions of patients. The Company’s strategy is to expand regionally and internationally – with market entries to Saudi Arabia, the UAE and African countries including Nigeria and Kenya – anticipated by next year. (WAYA 31.10)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. UAE Takes Lead in Climate Tech Funding, Raises $401 Million

The UAE has secured the top spot as the most funded country for climate tech ventures in the Middle East and North Africa (MENA) and Turkiye region, receiving $401 million or 62% of the total venture funding across 45 deals between 2018 and 2022, according to a report by MAGNITT. Turkiye and Saudi Arabia followed with $124 million and $68 million, respectively, in climate tech funding. The last two spots went to Egypt ($42 million) and Tunisia ($6 million) over the past five years, the research firm said in “The State of Climate Tech” report.

Over the past five years, the region has witnessed a significant surge in venture capital (VC) activity, amassing $651 million in funding across 225 deals. Currently, climate tech accounts for 5% of total VC funding, signifying 11-fold growth since 2018. A further $40 million in climate tech funding was invested in the first half of 2023 as the UAE gears up to host COP28 later this year.

Across the MENA region, venture funding for the climate tech sector has grown gradually, reaching its peak in 2022 at $270 million. Meanwhile, renewable energy was ranked first by deals (39) between 2018 and 2022, accounting for 17% of total transactions in the MENA and Turkiye region. The farming sector followed at 55 transactions during the period. (Zawya 31.10)

ARAB STATE DEVELOPMENTS

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* 1. UAE & Jordan Sign Investment Cooperation MoU for Key Sectors

The Ministries of Investment of the UAE and Jordan have signed a memorandum of understanding (MoU) aimed at creating a framework for investment cooperation in key areas including infrastructure and development projects, while further strengthening the two countries’ strategic partnership. The UAE Ministry of Investment identified potential opportunities worth over $2 billion in Jordan.

Abu Dhabi-based investment and holding company, ADQ, entered into a strategic partnership agreement to create a joint investment fund with Jordan Investment Fund, marking a milestone in ADQ’s commitment to advancing sustainable development initiatives in Jordan and the region. ADQ and Jordan Investment Fund aim to enhance infrastructure development, boost export industries and promote innovation that aims to create a sustainable impact on Jordan’s economy.

The MoU also enables the UAE and Jordan to explore opportunities to boost bilateral investments and enhance both nations’ GDP, through investment in multiple sectors such as renewable energy, industrial projects, manufacturing, transport, pharmaceuticals, and food processing. (WAM 02.11)

►►Arabian Gulf

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* 1. Kuwait Only Gulf State Facing Negative GDP Growth

The World Economic Outlook report issued by the International Monetary Fund on 29 October expects Kuwait to record a negative growth rate in real GDP this year, of -0.6%, making it the only Gulf country that will record negative growth in 2023. According to the published figures, from Kuwait’s GDP (at current prices) is likely to reach $159.69 billion.

The IMF expects the inflation rate (according to the average consumer price index) in Kuwait to reach 3.4% this year, which is the highest in the Gulf. It is expected that the UAE will record an inflation rate of 3.1%, Qatar 2.8%, Saudi Arabia 2.5%, and Oman 1.1%.% and Bahrain 1%. As for the unemployment rate, it is expected in Kuwait to reach 2.2% in 2023.

On the other hand, Kuwait ranked fourth in the Gulf in terms of expected per capita GDP (at current dollar prices) for this year, as it is expected to reach $32,220, compared to $81,970 in Qatar and $50,600 in the UAE, $32,590 in Saudi Arabia,$28,460 in Bahrain and $21,270 in Oman. In terms of per capita GDP according to purchasing power parity, it is likely to reach $51,760 in Kuwait in 2023, and the current account balance will reach $48.415 billion or 30.3% of GDP in 2023. (AT 02.11)

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* 1. Oman’s Annual Household Food Consumption Hit $7 Billion in 2022

Oman’s annual household food consumption reached 2.7 billion rials ($7.02 billion) in 2022, with the food sector accounting for 4.5% of the sultanate’s GDP. The data was shared at the Food Security Laboratory 2023 summit hosted in the country, with a focus on reducing sultanate’s reliance on food imports. The total value of imports to the sultanate stood at OMR 14.8 billion in 2022, of which imports of food commodities constituted 14.8% or OMR 2.19 billion. Exports of food commodities stood at OMR 1 billion. Oman has earlier announced its plans to increase local food production, with a target of 100% food sufficiency by 2040. (Zawya 30.10)

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* 1. Saudi Arabia's GDP Crosses $1 Trillion Mark for First Time in 2022

Saudi Arabia’s GDP crossed the $1 trillion mark for the first time in 2022, fueled by robust investment from the private and public sectors, non-oil revenue growth and continued diversification, PwC said in its inaugural “Saudi Economy Watch” report. The economic success has propelled Saudi Arabia to the 17th position in the global rankings, boasting the largest GDP size in 2022 and targeting 15th place by the year-end.

The Kingdom can achieve $1.3 trillion in fiscal revenue by the end of 2028, the report said, citing the International Monetary Fund (IMF) forecast. According to PwC, the Kingdom’s non-oil private sector grew 5.8% year-on-year (YoY) in Q2 2023, surging 13.9% compared to 2019. Conversely, growth in the non-oil government sector slowed to 3.8% YoY, while the oil sector contracted by 4.3% YoY due to production cuts. Non-oil revenues grew by two and a half times the baseline of $163 billion to $411 billion in 2022, with expectations of a further 11% increase this year, PwC said.

Female workforce participation rose to 36% in Q1 2023, beating the 2030 target of 30%, supported by social liberalization and Saudization policies. This resulted in a boost to household incomes, which has been a critical factor in rising consumption and broader economic growth. Meanwhile, homeownership among Saudi nationals expanded from 47% to 67%, surpassing the US and France. These strong results can be attributed to a range of initiatives to boost the supply of affordable homes, including a tax on undeveloped urban land and improved access to finance. The report said that the 2030 target of 70% homeownership is now close to being achieved. (PwC 25.10)

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* 1. Saudi Arabia's Q3 GDP Shrinks by 4.5% as Oil Cuts Are Felt

Saudi Arabia's real gross domestic product (GDP) contracted by 4.5% in the third quarter, according to preliminary government data, weighed down by a sharp fall in oil activity on the back of cuts to crude production.

Economic growth surged last year amid a huge windfall from high oil prices which averaged about $100 per barrel, resulting in the highest GDP growth among G20 nations and the country's first budget surplus in almost a decade. But oil activities decreased by 17.3% in the third quarter from a year earlier, the General Authority for Statistics data showed, pulling overall growth lower despite non-oil growth of 3.6% and expansion in government activities of 1.9%. The kingdom has extended a voluntary production cut of 1 million barrels per day until the end of the year which it says is a preemptive move to stabilize the market.

Non-oil growth is forecast at around 6% in 2023 with higher government spending over the coming years expected to boost domestic demand further and support non-oil GDP. (Reuters 31.10)

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* 1. Saudi Arabia to Enforce January Deadline to Move Regional HQs to Riyadh

Saudi Arabia will implement its January 2024 deadline requiring international firms that wish to secure government contracts in the kingdom to locate their regional headquarters to Riyadh, the finance minister said. Riyadh announced in February 2021 plans to cease contracting with companies whose regional headquarters are not located in the kingdom by 1 January 2024, to help create local jobs for ambitious economic diversification plans and as regional competition grows.

Foreign firms have for years used neighboring United Arab Emirates as a springboard for their regional operations, including for Saudi Arabia. Some companies have raised concerns over the regulatory framework, including taxation, and there is speculation the government could extend the deadline to accommodate investor doubts.

Saudi Arabia's economy is expected to slow sharply in 2023 on lower oil production and prices after last year's bumper year, which helped the kingdom swing to its first fiscal surplus in almost a decade. It now projects a deficit until at least 2026 according to its latest preliminary budget statement released in September, as it boosts spending significantly, but remains cautious on revenue estimates. (Various 26.10)

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* 1. Saudi Arabia Exploring Female Buying Power with Women Making 30% of Work Force

On 29 October, [Al-Monitor](https://www.al-monitor.com) observed that the percentage of Saudi Arabian women of working age who have a job has roughly tripled since 2013 to reach 30%. Although the economic participation of Saudi women is still less than half that of men, the narrowing gap is one of Vision 2030's major achievements. The social and economic reform plan spearheaded by Crown Prince Mohammed bin Salman aims to redraw the country’s economy after decades of religious conservatism.

The increase in Saudi households’ purchasing power supports the kingdom’s efforts to reach some of its 2030 targets, most notably growing GDP to $1.7 trillion, raising homeownership among Saudi citizens from 47% to 70% and more than doubling spending on cultural and entertainment activities. Five years ago, Saudi households’ expenditures stood at $4,300 per month, but women-headed households spent a third less due to lower income, according to data from the latest available survey.

Also, the rising share of Saudi women in the total workforce will help the kingdom to retain a greater share of wages that have historically gone abroad through remittances sent to their families by migrant workers, who hold 77% of all private sector jobs. The World Bank estimated that remittances worth more than $39 billion left the kingdom in 2022. (Al-Monitor 29.10)

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* 1. Saudi Arabia Among Countries Signing Bletchley Declaration to Ensure Safe Use of AI

Twenty-eight countries, including Saudi Arabia, the UAE and Israel, have signed the “Bletchley Declaration,” an agreement that aims to ensure the safe development and use of artificial intelligence technologies. The signing took place on day one of the two-day AI Safety Summit, a major international event at Bletchley Park in North West London. The UK, the US, the EU and China were among those who agreed to work together to ensure that AI technologies are developed and used in a safe and responsible manner, given the potentially catastrophic risks and unintended consequences of such technologies for humanity.

The summit identified three key areas to address: identification of the risks posed by AI, the development of risk-based policies by nations, and support for an international research network to study the safety of AI. The declaration was described by officials as a step toward enhancing cooperation among stakeholders in the development and use of modern technologies, which calls for the sharing of information, transparency and accountability in the field of AI, with a focus on the importance of joint action for the common good and to minimize risks. (AN 03.11)

►►North Africa

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* 1. How Gaza Fighting is Impacting Egyptian Pound in the Black Market

The Egyptian pound has witnessed a remarkably rapid depreciation in the parallel market losing more than 15% of its value in two weeks, a development that experts relate to the uncertainty triggered by the Hamas assault on Israel. At the end of October, the pound hit a new trading low at nearly 47 against the dollar on the black market, where the exchange rate had stabilized around 40/dollar for several weeks until the Hamas attack. Meanwhile, the official rate remains at 30.9/dollar.

The ongoing fighting in Gaza comes at a time where the Egyptian economy is still struggling to reel out of the economic ordeal caused by consecutive external shocks including the global pandemic and the Russian war on Ukraine. In recent years, the government has been grappling with a widening financial gap, dwindling foreign reserves and a pressing forex shortage.

The sharp depreciation of the pound might exacerbate inflationary pressures since a portion of the economy prices off the local market. In September, Egypt’s annual urban consumer price inflation reached a historic high of 38%. Since January, Egyptian regulators have pegged the pound to 30.9 against the dollar in the official market. This policy has contradicted the terms of the agreement signed last year with the IMF, where Egyptian regulators pledged to commit to a flexible exchange rate in return for a $3 billion loan. The resistance to devalue the pound has prompted the IMF to delay its first review, initially scheduled for March 2023, and hence the disbursement of the second tranche of the assistance package.

It is widely believed that the government is holding off on any further depreciation of the pound until after the presidential poll-slated for December for fear of social unrest. In recent years, oil-rich Arab countries have constantly extended a lifeline to Egypt in the midst of every major economic crisis. The total amount of Arab countries’ deposits with the Central Bank of Egypt has reached $29.9 billion, which constitutes almost 87% of Egypt’s foreign reserves. The amount is divided between long-term and short-term deposits which are usually rolled over at maturity. (Zawya 27.10)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Turkey’s Inflation Slightly Eases in October, But Remains Above 60%

Turkey’s year-on-year inflation slightly eased to 61.36%, according to official data released amid ongoing monetary tightening policies. The modest dip in Turkey's annual inflation came after three months of increases. Following an eight-month downtrend, largely due to a favorable base effect from the corresponding month of the previous year, inflation began to rise again in July, hitting 61.53% in September.

Data released by the Turkish Statistical Institute (TUIK) showed monthly inflation at 3.43%, with clothing, housing, and restaurant and hotel baskets as the top three drivers. The year-end projection for 2024 was also raised by 3 percentage points, to 36%. The peak of annual inflation will be recorded in May 2024 due to base effects stemming from natural gas prices.

Following a major overhaul in the management of the economy after the May general elections, the Turkish government departed from its previous policy of boosting economic growth at the expense of a dramatic depreciation of the Turkish lira and skyrocketing inflation. Turkey’s annual inflation peaked in October 2022 at a 24-year high of 85.5%.

Despite breakneck inflation, previous Central Bank administrations kept interest rates below 10% under the influence of Turkish President Erdogan, who advocated that higher interest rates cause high inflation. The bank has lifted interest rates since July from 8.5% to 35% in successive hikes. The increases came alongside a series of monetary tightening policies, including significant tax hikes in goods and services. (Al-Monitor 03.11)

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* 1. Turkish Exports Climb by More Than 7% in October

Turkey’s exports amounted to $22.9 billion in October, rising 7.4% from the same month of last year, data from the Trade Ministry have shown. Twelve-month rolling exports hit $254.8 billion last month, surpassing the record $254.2 billion of exports at the end of 2022. Last month’s numbers were the all-time-high October exports. The upward trend in exports, which started in July despite all challenges, continued in August and October.

Some 115,000 exporters have shipped 12,600 products to more than 200 countries with over 60% of exports to go to developed nations’ markets. Turkey targets to generate $267 billion in export revenues next year, while the target for 2026 is $302 billion.

Imports grew 1.3% in October to stand at $29.6 billion, the Trade Ministry data showed. Consequently, Turkey posted $6.7 billion of foreign trade deficit last month, down by 14.9% from a year ago. The exports-to-imports coverage ratio improved from 72.9% in October 2022 to 77.3% last month. Excluding energy, the export/import coverage ratio was higher at 87.7%, the ministry said in a statement, adding that when energy and gold were included the ratio was 92.6%.

As was the case in the previous months, Germany was Turkey’s largest export market. Last month, shipments to Germany amounted to $1.76 billion. Iraq ranked second at $1.3 billion, followed by the U.S. at $1.25 billion. Turkey’s imports from China and Russia amounted to $3.76 billion and $3.29 billion, respectively, while imports from Germany were $2.6 billion. The foreign trade deficit increased by 3.2% to $93.95 billion in the January-October period. (TurkStat 07.11)

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* 1. Greek Crackdown on Businesses Finds €33 Million in Hidden Revenues

Ramped-up inspections on businesses across Greece are bringing results at the Independent Authority for Public Revenue (AADE), which issued a progress report outlining its performance from the start of the year until 31 October. According to the report, AADE carried out 67,000 inspections in that period, 31% of which yielded breaches of the tax law. A total of 1.4 million violations, coming to €33 million of undeclared revenues and losses to state coffers worth €7 million stemming from uncollected value-added tax.

Many of the violations concerned money paid to businesses electronically for which proper receipts were never issued. The operating licenses of 830 businesses were suspended for 48 hours and 170 businesses were fined. All 170 were hotels, which are protected from closure because of the nature of their work.

According to AADE’s report, part of its success was due to the expansion of its inspections on businesses outside the region where they are headquartered as well as on the ability to cross-reference information between different digital platforms and the receipts from electronic transactions. (eKathimerini 07.11)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Mixed Israeli-Arab School in Jerusalem Wins World’s Best School Prize

The Max Rayne Hand in Hand Jerusalem School was one of five schools internationally that won the World’s Best School prizes recently for such things as fostering unity, helping the local community and supporting mental health. The winners, also in Brazil, Colombia, India and South Africa, shared a $250,000 prize at the awards, launched last year by T4 Education, a global network for educators.

The Max Rayne Hand in Hand Jerusalem School, which is bilingual, won the Overcoming Adversity prize for its integration of Jewish and Arab students. Lessons are taught in both Hebrew and Arabic to more than 600 students. The school won the prize amid Hamas' war against Israel launched on 7 October. (JP 04.11)

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* 1. Kibbutz Launches Crowdfunding Campaign to Secure NIS 1 Million for Revival

Kibbutz Nir Am has turned to an international crowdfunding initiative aimed at raising NIS 1 million for its rehabilitation and recovery after the Hamas massacre a month ago. Nir Am, positioned close to the Gaza border, managed to avert terrorist infiltration and safeguard its residents from harm, largely due to the prompt and decisive response of its security coordinator, coupled with actions of a former Israeli Special Forces soldier residing in the village.

The initiative, "Saving Nir Am," has been set in motion on the Giveback platform, drawing attention to the community's urgent needs after the traumatic events of 7 October. With the evacuation of around 700 members, the need for substantial support is critical as they confront the aftermath of these events. The crowdfunding campaign is structured to underpin a variety of key areas, including psychological support for trauma and post-trauma for both adults and children, the creation of a provisional educational setup during these turbulent times, and the reinstatement of community activities that foster strength and unity. Moreover, there are plans to reconstruct the regional cultural center that stands as a cornerstone of the kibbutz's cultural identity.

In an act of solidarity with the kibbutz's plight, the Giveback platform has waived all fees for this campaign, ensuring that every shekel donated goes directly towards the kibbutz's cause. Interested donors can contribute to the NIS 1 million goal by visiting the campaign's link provided here or by searching for "Saving Nir Am" on the Giveback site. (JP 07.11)

\*REGIONAL:

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* 1. Saudi Arabia Endorses Gregorian Calendar for All Governmental Matters

Saudi Arabia has officially endorsed the use of the Gregorian calendar for all governmental matters. This decision was reached during a cabinet meeting held on 31 October, presided over by Saudi Crown Prince and Prime Minister Mohammad bin Salman. The Council of Ministers has unanimously agreed to adopt the Gregorian calendar for measuring time in all official procedures and transactions.

However, specific exceptions will apply when dealing with durations related to Islamic Sharia rulings based on calculations from the lunar Hijri calendar or when there is an explicit requirement to use the Hijri calendar for calculating time periods.

Back in 2012, Saudi Arabia had imposed a ban on the use of the Gregorian calendar in official dealings by both government and private agencies. During that period, all ministries, and organizations were obligated to adhere strictly to Hijri dates and the Arabic language. Nevertheless, they were permitted to refer to the Gregorian calendar as long as it was connected to the corresponding Hijri date. (Various 02.11)

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* 1. Saudi Arabia Releases Census Findings

The Saudi General Authority for Statistics, relying on a recent census, reported that the total population of the kingdom stood at 32.2 million with foreigners constituting approximately 41.5%, or 13.4 million individuals.

Among the foreign nationals in Saudi Arabia, Asian citizens from three particular countries make up more than 42% of the total foreign population as indicated by the census data. Leading the list are Bangladeshi nationals, accounting for 15.08% of the overall expatriate population in Saudi Arabia with a total of 2.1 million. They are followed by Indians, numbering 1.88 million, and Pakistanis, with 1.81 million residents.

Yemenis rank fourth among expatriate communities with 1.8 million, while Egyptians and Sudanese follow closely with 1.4 million and 819,000, respectively. Filipinos and Syrians also contribute significantly to the foreign population, with 725,000 and 449,000 residents, respectively. (Various 02.11)

ISRAEL LIFE SCIENCE NEWS

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* 1. Can-Fite to Harness Artificial Intelligence to Develop Novel Anti-Cancer Drugs

Can-Fite BioPharma entered into an agreement with North Carolina's Collaborations Pharmaceuticals (CPI) to develop anti-cancer drugs utilizing artificial intelligence (AI) and machine learning (ML) techniques. This project will aim to develop a next-generation A3 adenosine receptor drug agonists that significantly reduce the development time and cost of bringing such drugs to market.

CPI will utilize, apply and use AI and ML tools, including their MegaSyn generative AI method, to design new molecules with high affinity and selectivity to the A3AR Can-Fite target. CPI will also perform the chemical synthesis of the newly designed molecules with the ultimate goal of developing novel and robust anti-cancer drug candidates. Can-Fite will perform the testing of the biological anti-cancer effects and validate the molecular mechanism of the novel, chemically synthesized drug candidates.

Petah Tikva's [Can-Fite BioPharma](http://www.can-fite.com) is an advanced clinical stage drug development Company with a platform technology that is designed to address multi-billion dollar markets in the treatment of cancer, liver and inflammatory disease. The Company’s lead drug candidate, Piclidenoson recently reported topline results in a Phase III trial for psoriasis and is expected to commence a pivotal Phase III. Can-Fite’s cancer and liver drug, Namodenoson, is being evaluated in a Phase IIb trial for the treatment of steatotic liver disease (SLD), a Phase III pivotal trial for hepatocellular carcinoma (HCC), and the Company is planning a Phase IIa study in pancreatic cancer. (Can-Fite 26.10)

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* 1. Magenta Medical Positive Results for Elevate Heart Pump for Circulatory Support

The US Early Feasibility Study of Magenta Medical's Elevate System, designed to provide temporary mechanical circulatory support during high-risk percutaneous coronary intervention (HR-PCI) procedures, has successfully met its objectives. Elevate is the smallest and most powerful percutaneous Left Ventricular Assist Device (pLVAD) in the world.

Mechanical circulatory support is often necessary for high-risk patients with coronary artery disease undergoing a catheterization procedure to open blockages in the arteries feeding the heart to improve quality of life and reduce the risk of heart attacks. Since the duration of support for this indication is relatively short (up to 6 hours), with patients ambulatory soon following the procedure, it is particularly important to limit the insertion profile of the device in order to minimize vascular access complications. Magenta Medical's Elevate Pump addresses this unmet clinical need.

The Elevate percutaneous Left Ventricular Assist Device (pLVAD) is a miniaturized heart pump that fits an 8 Fr delivery system. The Elevate Pump can be inserted over a guidewire, using a 10 Fr commercially available femoral introducer sheath, providing the smallest crimping profile in the industry. The flow of the pump is adjusted based on the clinical circumstances of the patient and can exceed 5 L/min of mean flow. This makes it the most powerful device of its kind.

Kadima's [Magenta Medical](https://magentamed.com/%E2%80%8E) 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 trials to be evaluated for at least two indications: patients undergoing high-risk coronary interventions (HR-PCI) and patients with cardiogenic shock. (Magenta Medical 25.10)

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* 1. Study Demonstrates Efficacy of Nerivio for Treatment of Migraines

Theranica announced the publication of a comprehensive clinical study in Advances in Therapy examining the long-term utilization, clinical efficacy and safety of Nerivio, a Remote Electrical Neuromodulation (REN) device for the treatment of migraines. The study included 409 participants across the entire US who used Nerivio device for acute treatment of migraine for 12 consecutive months, reporting their data prospectively. The results showed consistent and persistent efficacy in pain relief, pain freedom, functional disability relief, and functional disability freedom, as well as consistent adherence.

Controlled by a smartphone app and self-administered, Nerivio wraps around the upper arm and uses sub-painful Remote Electrical Neuromodulation (REN) to activate nociceptive nerve fibers in the arm to send signals which trigger a descending pain management mechanism in the brain called conditioned pain modulation (CPM), which turns off migraine pain and associated symptoms without medication. In simpler terms, the upper arm is stimulated to unleash a natural process in the brain to abort or relieve migraine headaches and other associated symptoms. Each treatment lasts 45 minutes and is applied every other day for prevention or at the start of a migraine attack for acute treatment.

Netanya's [Theranica](https://theranica.com/) is a neuromodulation therapeutics company dedicated to creating effective, safe, affordable, low-side-effect therapies for idiopathic pain conditions. The company's award-winning flagship wearable, Nerivio, is an FDA-cleared and CE-marked prescription device for complete care of migraine - acute and/or preventive treatment of chronic or episodic migraine with or without aura in people 12 years or older. (Theranica 25.10)

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* 1. Scinai Immunotherapeutics Wins Grant Supporting its New CDMO Business Unit

Scinai Immunotherapeutics announced that the Israel Innovation Authority (IIA) has approved a non-dilutive grant covering 66% of the costs of an approximately $900,000 project aimed at ramping up Scinai’s new CDMO business unit. The grant is neither subject to repayment nor tied to royalty payments of any kind. Scinai’s comprehensive contract development and manufacturing organization (CDMO) services empower other biopharmaceutical companies by providing tailored drug development and GMP manufacturing for clinical trials to help bring their innovative therapies to market efficiently and effectively.

The publicly funded IIA is part of Israel’s Ministry of Economy. Following intensive due diligence, the IIA recognized Scinai’s capabilities to fill an underserved need in Israel’s pharmaceutical R&D ecosystem. In particular, the IIA believes that Scinai’s state-of-the-art GMP biologics manufacturing facility and adjacent R&D and QC laboratories, along with its experienced personnel, are well-positioned to provide highly sought-after R&D and manufacturing services.

The new business unit, marketed under the brand “Scinai Bioservices,” provides biopharmaceutical and biotech clients in Israel and around the world with manufacturing process development for protein-based drugs, including host cell transfection / transformation, upstream and downstream process development and scale-up, analytical method development, and cGMP manufacturing for clinical trial supplies, including automatic aseptic filling.

Jerusalem's [Scinai Immunotherapeutics](http://www.scinai.com) is a biopharmaceutical company focused on developing, manufacturing, and commercializing innovative inflammation and immunology (I&I) biological products primarily for the treatment of autoimmune and infectious diseases. With a state-of-the-art facility for biopharmaceutical product development and manufacturing and highly experienced pharmaceutical industry leadership, Scinai offers end-to-end boutique CDMO services in parallel to developing its own pipeline of diversified and commercially viable products beginning with an innovative nanosized VHH antibody (NanoAb) pipeline targeting diseases with large unmet medical needs. (Scinai 06.11)

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* 1. Inspira Announces Grant for New VORTX Disposable Blood Oxygenation Technology

Inspira Technologies announced the recent approval of a grant from the Israeli Innovation Authority (IIA) for the groundbreaking VORTX Disposable Blood Oxygenation Technology. At the core of the Company's technology lies the VORTX Disposable Blood Oxygenator, specifically being designed for compatibility with the INSPIRA ART Device line of products. Distinguishing itself from conventional hollow fiber membrane-based oxygenators in the market, the VORTX is being engineered to oxygenate blood and remove carbon dioxide, mitigating common fiber-membrane complications, such as device failure, coagulation and hemolysis. VORTX's disposable unit is being strategically designed to potentially offer a more cost-effective alternative to the fiber-based oxygenators currently available in the market.

This grant underscores the IIA's endorsement of the Company and its new cutting edge solutions. The IIA has committed to supporting the VORTX development project by granting funds equal to 40% of the first-year IIA approved budget of $1 million.

Ra'anana's [Inspira Technologies](https://inspira-technologies.com) has a clear mission to revolutionize acute respiratory care through innovation. Empowering breathing without lungs, the flagship INSPIRA ART500 is designed to boost blood oxygen saturation levels in minutes, even as the patient remains awake. They strive to deliver blood circulation technology. The Company's products have not yet been tested or used in humans and have not been approved by the FDA or any regulatory entity. (Inspira Technologies 06.11)

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* 1. SHL Telemedicine Establishes US Nationwide Cardiology Network for Telehealth Visits

SHL Telemedicine announced the establishment of a comprehensive network of cardiologists aimed at catering to the needs of its B2B clientele and supporting the Direct-to-Consumer (D2C) sales of its SmartHeart technology across the US.

A keystone of clinical cardiology, the electrocardiogram (ECG) remains the most widely performed test. While computer-interpreted ECG programs (CIE) aid physicians in interpreting ECGs, they cannot replace the critical analysis provided by seasoned physicians. Recognizing this, SHL remains steadfast in its commitment to harness the capabilities of its SmartHear, a portable 12-lead ECG and cloud-based platform, to deliver top-notch clinical care. This initiative ensures that both consumers and busy clinicians have the assurance of a board-certified cardiologist's expertise.

In establishing a US Nationwide Cardiology Network, SHL has collaborated with HeartNexus, a team of nationally recognized, board-certified cardiologists specializing in cardiac test interpretation, peer-to-peer consultations, and on-demand patient telemedicine visits.

Tel Aviv's [SHL Telemedicine](http://www.shl-telemedicine.com) develops and markets personal telemedicine systems and the provision of medical call center services, with a focus on cardiovascular and related diseases, to end users and to the healthcare community. SHL Telemedicine offers its services and personal telemedicine devices to subscribers utilizing telephonic and Internet communication technology. (SHL Telemedicine 06.11)

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* 1. Virtual-Ports & Mitsubishi Japan Healthcare Division Increase Surgical Performance

Virtual-Ports announced its strategic partnership with MC Medical, a subsidiary of Mitsubishi Corporation and a renowned market leader in advanced surgical devices within Japan. Effective immediately, MC Medical will serve as the exclusive distribution channel for Virtual-Ports products in Japan, delivering a higher value to local surgical practice.

As a prominent player in the Japanese healthcare sector, MC Medical represents top-tier brands and specializes in Minimally Invasive Surgery (MIS), a field that demands improved precision through innovation to meet growing patient demand for better clinical results and reduced operational risk. With this collaboration, Virtual-Ports aims to augment the value provided to Japanese surgeons through its all-in-one medical devices platform.

Hod HaSharon's [Virtual-Ports](https://virtual-ports.com/) is committed to empowering surgeons with innovative devices utilizing its proprietary MicroAnchoring technology to enhance laparoscopic procedures. They pioneered the 'Freedom to Operate' revolution, ensuring safer, cost-effective clinical outcomes and increased revenue for healthcare systems. (Virtual-Ports 07.11)

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* 1. SolvEat's Botanical Composition Supports Blood Sugar Balance in a Chocolate Delight

SolvEat brings research-supported botanical compositions to the functional foods space. The bioactive solution is designed to help maintain healthy blood sugar levels when used as part of a regular diet. SolvEat collaborated with a chocolate company to develop a chocolate bar prototype as a first proof of concept. The incentive for creating a functional chocolate was a prediabetes diagnosis received by one of the founders, Udi Peretz, CEO of SolvEat while managing a herbal biotech company. Colleagues suggested an herbal approach that was effective. However, Peretz found the herbs to be incredibly bitter and needing a significant amount of effort to prepare.

The patent-pending herbal solution is a composition of eight different herbs, including golden thread (Coptis chinensis), Chinese foxglove (Rehmannia glutinosa), and Hawthorn Berries (Crataegus pinnatifida) which work together to support balanced blood sugar levels. In vitro analysis confirmed the composition's sugar-balancing effect on muscle cells, one of the body's biggest consumers of sugar. The results demonstrated a significant uptake of excess glucose, comparable to the action of insulin. Interestingly, this effect was observed when utilizing a low dose of the full spectrum of the formula, indicating its potency and holistic action. Higher doses did not yield any further enhancement in the results.

Misgav's [SolvEat](http://www.solveat-health.com) was established in 2020 with a mission to sweeten the approach for consuming botanicals by including them into everyday foods. The company's new composition is flavorless, microencapsulated and can be incorporated into snack bars, yogurts, crackers, cookies, and other products. SolvEat's proprietary food-tech platform for fortifying its sugar-free chocolate as well as variety of foods employs advanced technology designed to not only mask the bitter taste of the botanicals but also maintains the integrity and bioactivity of the active ingredients after ingestion. (SolvEat 07.11)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. aiOla & Cloocus to Bring Advanced Generative AI Speech Capabilities to Korea

aiOla announced a new partnership with Cloocus, a renowned digital transformation provider, to bring aiOla's innovative AI offerings to companies across South Korea. The strategic alliance aims to combine aiOla's advanced speech-driven AI platform with Cloocus's expertise in digital transformation, data analytics, and cloud consulting. Together, the companies will deliver transformative AI solutions tailored to South Korean enterprises looking to streamline operations, boost productivity and gain data-driven insights.

Regardless of an organization's digital journey, data quality is crucial for their success. Although speech is a widely used form of communication, it often struggles to effectively capture data due to challenges related to business-specific jargon, accents, intonation, language understanding and background noise. aiOla has the ability to adapt digital and paper processes into speech-driven systems for multiple languages, including Korean. This transformation allows businesses to realize value in a matter of weeks.

Herzliya's [aiOla](https://aiola.com/) revolutionizes AI adoption with its multilingual speech technology, elevating businesses to the next level. It offers a seamless path to augmenting processes through AI integration, optimizing operations, embracing data-driven strategies, and maximizing potential. (aiOla 25.10)

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* 1. Sapiens' Decision Model.AI is a Generative AI Solution to Enhance Automation Speeds

Sapiens International Corporation announced the launch of Sapiens Decision Model.AI, integrating Microsoft Azure OpenAI Service into Sapiens Decision to transform the way that business decision models are created. Decision modelers can now input business policy from virtually any source, written in conversational English, and have it automatically translated into a decision model. Sapiens Decision Model.AI is expected to reduce the time required to create a conventional decision model by 30% or more, and further decrease reliance on constrained IT resources.

Sapiens plans to further enhance its Decision AI portfolio in early 2024 with Decision Integrate.AI which will enable business users to easily integrate machine learning (ML) models within their decision models. Analysts and their stakeholders will gain full insight into the end-to-end components that go into their decision, providing complete traceability of ML model inputs/outputs used in decision making to improve auditability and reduce regulatory risk. The Sapiens AI strategy applies a consistent approach, without the need for specialized or technical skills, to enable a much broader set of users across the business who can increase the speed and efficacy of decision making and automation. Sapiens Decision also provides a technology-independent solution to fit any architecture, allowing organizations to reuse their existing infrastructure and governance models.

Holon's [Sapiens International Corporation](https://sapiens.com/) empowers the financial sector, with a focus on insurance, to transform and become digital, innovative and agile. With more than 40 years of industry expertise, Sapiens' cloud-based SaaS insurance platform offers pre-integrated, low-code capabilities across core, data and digital domains to accelerate our customers' digital transformation. (Sapiens 25.10)

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* 1. Backslash Security Launches Application Security Posture Management Platform

Backslash Security announced the general availability of its Application Security Posture Management (ASPM) platform for enterprise AppSec and product security teams. Backslash provides unprecedented application-centric visibility with complete cloud-context, solving the most pervasive challenge AppSec teams face today: risk prioritization.

The solution weaves together ASPM capabilities with core AppSec functions including SCA, SAST, SBOM, VEX and secrets detection in a single, visualized platform. It is the sole ASPM solution available that not only seamlessly detects vulnerabilities across multiple fronts, but also offers built-in technology to prioritize them according to their reachability and exploitability. By seamlessly integrating native risk assessment with reachability analysis, Backslash unveils otherwise concealed risks, and provides a comprehensive view of the highest risk vulnerabilities and their real world impact.

Tel Aviv's [Backslash](https://www.backslash.security) is an enterprise-scale Application Security Posture Management (ASPM) solution. By providing unprecedented application-centric visibility and prioritization to the organization’s AppSec control center, Backlash enables AppSec and product security teams to identify the most toxic code flows and take action on the highest risks. Unlike traditional AppSec tools and methods, Backslash simplifies the AppSec decision-making process with rich cloud-context. On average, Backslash identifies one critical toxic code flow for every 100 security alerts produced by other AppSec tools, significantly reducing alert noise and allowing AppSec teams to focus on what matters most. (Backslash Security 01.11)

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* 1. Netline Unveils Modular Man-Portable Counter IED and Drone Device

Tel Aviv's [Netline Communications Technologies](https://netlinetech.com/), a leading developer and manufacturer of high-end electronic warfare and spectrum dominance systems for defense forces and homeland security agencies, unveiled its new C-Guard Microsystem. This compact, portable, full-coverage Explosive Ordnance Disposal jamming unit has been designed for use by military forces and law enforcement personnel, to support bomb disposal squads during EOD missions, roadblocks, and anti-terror missions.

The C-Guard Modular ManPack is modular, consisting of five independent modules that can be configured according to the requirements of different missions. This design allows for customization while maintaining the basic protection features of the C-Guard Series. The system is also designed to be scalable in response to new threats and changing frequencies. The C-Guard Modular ManPack aims to meet the demand for a comprehensive yet portable solution for field operations.

The system is designed to be compact and lightweight, with the ability to operate in harsh environmental conditions. It meets MIL-STD 810 certification standards and provides continuous coverage with reactive and active protection modes. (Netlinetech 31.10)

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* 1. Stratasys’ Newest Printer has Improved Accuracy, Uptime & Twice the Output

Stratasys' new F3300 Fused Deposition Modeling (FDM) 3D printer is an innovative printer that offers unparalleled value to manufacturing customers with reduced labor, maximized uptime and higher part quality and yield. Built for manufacturing by the inventors of FDM, the F3300 will be the most sophisticated industrial 3D printer on the market. Its design and advanced features will transform how additive manufacturing is used in the most demanding industries such as aerospace, automotive, government/military and service bureaus. The F3300 is expected to be available for shipment beginning 2024.

The F3300 is the latest addition to the Stratasys FDM family which includes the F900, F770, F450mc, and the F123 series. F3300 complements Stratasys’ F900, which is known for its dependability, large capacity, and use of high-performance materials.

Rehovot's [Stratasys](http://www.stratasys.com) is leading the global shift to additive manufacturing with innovative 3D printing solutions for industries such as aerospace, automotive, consumer products and healthcare. Through smart and connected 3D printers, polymer materials, a software ecosystem, and parts on demand, Stratasys solutions deliver competitive advantages at every stage in the product value chain. The world’s leading organizations turn to Stratasys to transform product design, bring agility to manufacturing and supply chains, and improve patient care. (Stratasys 02.11)

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* 1. Glasgow Caledonian Selects CyberArk to Reduce Identity Security Risk for Thousands

CyberArk announced that Glasgow Caledonian University (GCU) has selected the CyberArk Identity Security Platform to power its mission-critical identity and access management modernization initiatives and improve security for its more than 27,000 staff and students.

The top-performing modern university in Scotland, GCU has campuses in the center of Glasgow and London and is well known for its academic teaching and research programs, especially in the area of healthcare. Centered on intelligent privilege controls, the CyberArk Identity Security Platform secures human and machine identities and flexibly automates the identity lifecycle – all with continuous threat detection and prevention to enable Zero Trust and enforce least privilege.

Petah Tikva's [CyberArk](https://www.cyberark.com) is the global leader in identity security. Centered on intelligent privilege controls, CyberArk provides the most comprehensive security offering for any identity – human or machine – across business applications, distributed workforces, hybrid cloud environments and throughout the DevOps lifecycle. (CyberArk 06.11)

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* 1. Variscite Unveils i.MX 95-based System on Module for Next Generation Edge Platforms

Variscite announced the upcoming release of the new DART-MX95 for high-performance edge applications including industrial, medical, aviation, IoT, robotics, vision-capable and smart edge devices. Designed for high-end scalable computing, DART-MX95 is based on NXP’s i.MX 95 application processor family. This energy flex architecture includes multiple heterogeneous processing domains with up to 6 cores, 2.0 GHz Arm Cortex®-A55, two independent real-time co-processors for safety/low-power, and real-time use, consisting of 250 MHz Arm Cortex-M7 and 800 MHz Arm Cortex-M33.

The platform presents an impressive 2D/3D graphics accelerator powered by Arm Mali, advanced multimedia, integrated NPU accelerator and ISP, high safety and security capabilities that meet the ASIL-B and SIL2 compliances, and a rich high-speed connectivity set. DART-MX95 is part of Variscite’s DART Pin2Pin family which enables compatibility with modules based on the i.MX 8M/ 8M Plus/ 8M Mini. The Pin2Pin family provides an extended lifespan, reduced development time, costs, and risks as well as scalability to additional modules.

Lod's [Variscite](https://www.variscite.com) is a worldwide leading System on Module designer and manufacturer, setting the bar for embedded solutions since 2003 with high-quality modules. The company provides the broadest ARM-based SoM portfolio in the embedded market with a wide range of configuration options that cover an entire embedded product and application range; from entry-level to high-performance solutions. (Variscite 02.11)

ISRAEL ECONOMIC STATISTICS

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* 1. War Costs Israel’s HMOs Another NIS 200 Million per Month

The ongoing war against Hamas and Hezbollah aggression is costing Israel’s health maintenance organizations an additional NIS 200 million ($50.2 million) per month. This adds to the financial woes of the four HMOs, which were already facing a combined deficit of NIS 3 billion ($929 million) for 2023.

Knesset Health Committee chair Mashriki has called on the Health Ministry and Finance Ministry to cover the irregular expenses resulting from the war to protect the availability and quality of the healthcare provided to Israelis. Mashriki has asked the government to immediately advance payments to the HMOs to cover their unusually high cash flow needs. In a recent Health Committee meeting, representatives of the HMOs reported that they are dealing with unexpected additional expenses resulting from the need to boost infrastructure, add protected spaces to facilities and increase equipment and supply inventories. The organizations are also shifting to more at-home care and online services, enhancing security, and adding operational hours requiring more human resources.

Some of the unforeseen expenditures are the result of the HMOs having quickly set up clinics in locations where evacuated and displaced citizens are temporarily being housed, such as Eilat, the Dead Sea, Jerusalem, Tel Aviv and Kibbutz Shefayim in central Israel. (ToI 02.11)

IN DEPTH

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* 1. ISRAEL: The Gaza War’s Impact on Energy Security in the East Mediterranean

On 1 November, Noam Raydan posted in [The Washington Institute for Near East Policy](http://www.washingtoninstitute.org) that prior to the Gaza war, natural gas discoveries in the East Mediterranean offered attractive prospects. As Israel boosted its gas production from 16.11 billion cubic meters (bcm) in 2020 to 21.92 bcm last year, it expanded energy cooperation with Egypt. Washington, meanwhile, brokered a historic maritime boundary deal between Israel and Lebanon allowing the two to commence gas exploration and drilling in once-disputed waters. On the surface, the region appeared to be entering a phase of energy cooperation and security. Then came Hamas' war assault on Israel.

On 9 October, two days after the surprise Hamas assault, Israel suspended output from Tamar, its second-largest gas field, due to safety concerns. This cast uncertainty over gas exports to Egypt, which has been grappling with rising domestic consumption. Subsequently, Israel’s oil terminal in Ashkelon was closed to vessels amid rocket attacks. If the conflict broadens to include Hezbollah, it will exacerbate Lebanon’s already acute energy crisis.

**Israel’s Prewar Gas Gains**

In recent years, Israel has brought new offshore gas fields onstream, allowing it to increase production for the domestic market, reduce the use of more polluting fuels like coal for power generation, and expand its gas exports. During the first half of 2023, Israel took in over $263 million in natural gas royalties according to government figures, a 23% increase over the same period last year.

Before the 23 trillion cubic foot (tcf) Leviathan field came online in 2020, Tamar (13 tcf) had been driving Israel’s output since 2013, when it started production. (Both fields are operated by Chevron.) Last year, Israel’s gas production stood at 21.92 bcm, led by Leviathan (11.4 bcm) and Tamar (10.2 bcm). A total of 12.71 bcm was consumed domestically, mainly in the power sector, while 9.21 bcm was exported.

The development of Leviathan and Tamar, along with the smaller Karish field, which started production in October 2022, is forecast to add more than 15 bcm/year of supply by 2026. Such an increase could bring significant revenue to Israel. While the country’s potential gas exports to the European Union are less than 15% of the 155 bcm that Russia sold to the EU in 2021, before the Ukraine war, Israeli gas could be useful to European governments as they seek to diversify supplies and reduce their reliance on Moscow. To that end, the EU signed a memorandum of understanding with Egypt and Israel in June 2022 for shipping gas produced in either country to the continent via Egypt’s two underused liquefied natural gas (LNG) facilities: the Shell-operated Edku facility and Eni-operated Damietta plant. Increasing output from Egypt, however, would require increasing production and developing infrastructure.

**Gas Flows to Egypt: What’s at Stake?**

Israeli government figures show that in 2022, 63% of its gas exports went to Egypt and 37% to Jordan. The exports to Egypt, which are transferred from Ashkelon to al-Arish, have been increasing since 2020. Last year, Israeli gas flows to Egypt via the East Mediterranean Gas (EMG) pipeline increased to 5.81 bcm, from 4.23 bcm in 2021 and 2.16 bcm in 2020.

While Egypt produces its own gas and aspires to become a regional hub for that sector, it has experienced a production decline in recent years, affecting its ability to meet domestic demand and export LNG. According to the Joint Organizations Data Initiative, Egypt’s estimated oil production during the first seven months of 2023 was 5.076 bcm, a roughly 12% decline compared to the same period in 2021. Meanwhile, Egypt’s LNG exports have declined in 2023 due to rising domestic consumption; at their current pace, they would total around 3.4 million metric tons by year’s end, compared to 7.1 million in 2022.

Amid rising domestic gas demand in summer 2022, Egypt was heavily reliant on Israeli imports, particularly to fuel the gas-fired plants that account for about three-quarters of its power supply. This affected its ability to maintain LNG exports. To fill the gap, Egypt arranged for increased gas exports from Tamar that August. This deal, which would have improved Israel’s revenues and bolstered diplomatic ties with Cairo, is now shrouded in uncertainty with production from Tamar suspended. On 29 October, Egypt announced that gas flows from Israel had come to a halt, raising questions about its ability to resume LNG exports after a difficult summer.

**War Disrupts Israel’s Oil Imports...**

In the meantime, Israel’s crude oil imports were disrupted after it closed the Ashkelon terminal. Data from Kpler indicates that in September, 179,000 barrels per day (b/d) of Israel’s 205,000 b/d in crude imports came through Ashkelon and the rest via Haifa port. Since Ashkelon’s closure, at least one crude shipment has been imported via the Red Sea port of Eilat. Because most of Israel’s imports originate from the Mediterranean and the Black Sea, a protracted war could force more tankers to sail a longer route—through the Suez Canal to Eilat instead of Ashkelon, adding about four days to the trip and raising freight costs. According to Kpler, however, Israel had about 10.72 million barrels of crude in its inventories as of 27 October, from which it can draw if needed.

This is the second time Israel’s oil imports have experienced interruptions this year. In March, flows of Iraqi Kurdish crude from Turkey’s Ceyhan terminal were halted due to an ongoing dispute between Baghdad, Erbil and Ankara. As a result, Israel had to increase crude imports from other sources, mainly Azerbaijan (whose shipments to Israel are loaded at Ceyhan) and Kazakhstan (whose crude flows are carried by the Caspian Pipeline Consortium system and loaded at the Yuzhnaya Ozereevka Black Sea terminal near Novorossiysk, Russia). Yet replacing crude types is not always easy given that quality varies from one supplier to another, and the switch can lead to higher freight costs.

**...And Amplifies Lebanon’s Energy Insecurity**

Since 2020, Lebanon’s financial crisis has had a severe impact on its fragile energy sector. The government has been struggling to purchase oil product shipments to fuel four coastal power plants. Only the two running on gas oil—Zahrani in the south and Deir Ammar in the north—have been operating recently, albeit with frequent interruptions.

Amid severe power shortages, Lebanon’s private oil importers have increased imports of diesel, which is mainly used to operate private power generators. If Israel-Hezbollah tensions get worse, Lebanon’s caretaker government does not have the ability to address new emergencies. During the 2006 war, Israel bombed oil storage tanks at the Jiyeh power plant in southern Lebanon, causing a major spill of heavy fuel oil into the Mediterranean and leading to an environmental disaster. A wider conflict would also affect shipping traffic into Lebanon, increasing pressure on its struggling economy.

In 2022, the U.S.-brokered maritime boundary deal between Israel and Lebanon enabled offshore exploration activities in Lebanon’s southern region. Yet despite the country’s high hopes, drilling by TotalEnergies at the Qana 31/1 exploration well did not lead to the discovery of hydrocarbons. Lebanon’s politicians should now switch their attention away from gas pipe dreams to implementing long-delayed reforms.

**Conclusion**

Over the past few years, Washington has encouraged East Mediterranean states to diversify their energy sources, all the while tackling climate change. This energy diplomacy succeeded in some places, but the Gaza war has exposed the area’s high geopolitical risks. If the war expands, the hydrocarbon sector will not be spared the economic ramifications, and the energy plans of regional governments will be postponed for years to come.

*Noam Raydan is a senior fellow at The Washington Institute.* (TWI 01.11)

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* 1. EGYPT: Fitch Downgrades Egypt to 'B-'; Outlook Stable

On 3 November, [Fitch Ratings](https://www.fitchratings.com) downgraded Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B-' from 'B'. The Outlook is Stable.

The downgrade of Egypt's IDRs reflects the following key rating drivers and their relative weights:

**High**

**Rating Downgrade, Stable Outlook:** The downgrade reflects increased risks to Egypt's external financing, macroeconomic stability and the trajectory of already-high government debt. The slow progress on reforms, including the delay on the transition to a more flexible exchange rate regime and on IMF program reviews, have damaged the credibility of exchange rate policy, and exacerbated external financing constraints at a time of increasing external government debt repayments. Downward pressures on the currency have increased, and the path to policy adjustment has become more complicated, in our view.

The Stable Outlook reflects Fitch's baseline expectation that reforms - including privatization, slowdown of megaprojects, and exchange rate adjustment - will accelerate after presidential elections in December, likely paving the way for a new and potentially larger IMF program and additional support from the GCC.

**Challenging Policy Adjustment:** The stability of the official exchange rate since February contrasts with the Central Bank of Egypt's (CBE) stated commitment to a durably flexible exchange rate. Confidence in the currency arrangement appears weak, with foreign currency (FC) shortages at the official rate, the persistence of a widely different parallel market rate and the hoarding of FC by the private sector.

In our view, the CBE's ability to restore exchange rate and monetary credibility is uncertain. Floating the Egyptian pound, without rebuilding confidence and FX availability in the official market, may be associated with significant overshooting of interest rates and inflation (which was already 40% y-o-y in September), to the detriment of macroeconomic and social stability and public finances. Delays in adjustment aggravate these risks, in our view.

**Higher External Debt Maturities:** The general government (GG) will face a significant rise in external debt maturities to $8.8 billion in the fiscal year ending June 2024 (FY24) and $9.2 billion in FY25, from $4.3 billion in FY23. The government is at advanced stages to receive $1.5 billion backed by guarantees from multilaterals, on top of about $4 billion direct financing from official partners, including the IMF. Another sukuk issuance to GCC investors remains a possibility in FY24. We currently forecast negative net external GG borrowing of about $2 billion in FY24, to be covered with proceeds to the treasury from state asset sales.

**CAD Contraction Unlikely to Persist:** The current account deficit (CAD) narrowed sharply to 1.2% of GDP ($4.7 billion) in FY23 from 3.5% ($16.5 billion) in FY22, helped by a surge in tourism and Suez Canal receipts. However, a large part of the improvement is due to a $16 billion import contraction that we think is largely related to limited FC availability and will be increasingly difficult to sustain as it constrains economic growth and exports. As a result, we forecast the CAD to expand to 2.8% of GDP ($10.6 billion) in FY24 and 2.2% of GDP ($9 billion) in FY25.

We expect receipts from tourism, the Suez Canal and a recovery of remittances will help contain financing needs from larger imports. In Fitch's view, the Israel-Hamas war poses significant downside risks to tourism, although we build in some near-term hit.

**Limited External Financing Options:** Egypt is increasingly reliant on FDI to cover its CAD, as investor sentiment constrains prospects for portfolio investments and commercial borrowing. We forecast net FDI inflows to grow to $12 billion in FY24 from $9.7 billion in FY23, supported by the government's privatization plan, which target $5 billion in sales proceeds by end-FY24, advised by the IFC. This is subject to significant execution risk, in our view, as the success, timing, and scale of the privatization plan remain uncertain, despite recent progress ($1.9 billion sales in July), with limited alternative options except a further drain on external liquidity buffers (adding to the $5.4 billion deterioration in banks' net foreign assets in FY23).

The risk of further portfolio outflows, after the $3.7 billion drain in FY23, is still significant, as the foreign holdings of domestic government debt remains high, at $16.5 billion at the end of August (50% of gross official reserves, at $35 billion in September). However, these have stabilized since the beginning of 2023, highlighting substantial resilience to shocks.

**Debt Trajectory at Risk:** GG debt to GDP jumped to about 95% in FY23, from nearly 87% in FY22, mostly due to the weaker currency. We forecast it to decline to 90% in FY24 and 87% in FY25, supported by primary surpluses, negative real interest rates, and average GDP growth of 3.8%. This is considerably above Fitch's 2023 'B' median of 56%. A 10% currency depreciation above our forecast would increase debt by about 3pp of GDP, in our projections. We forecast interest-to-revenues will exceed 50% in FY25, one of the highest among the sovereigns we rate and pointing to marked solvency pressure.

**Medium**

**Security and Social Stability Risks:** Egypt's proximity to the Israel-Hamas conflict, and the potential influx of refugees, increases the security risk, especially in the Sinai region. We believe the impact of persistent high inflation (expected to average 33% in FY24) on living standards will be sizable and hard to reverse, despite the government's efforts to address it. Social tensions have remained contained so far, but the risk of political instability lingers, given structural problems, including weaknesses in governance and high youth unemployment.

Egypt's 'B-' IDRs also reflect the following key rating drivers:

**Fiscal Discipline, High Contingent Liabilities:** The central government (CG) budget deficit was 6.0% of GDP in FY23 (5.7% GG deficit), in line with budget plans, despite the considerable additional pressures from higher interest rates, subsidies and social spending and repeated step devaluations. We expect the CG primary surplus to improve in FY24 and FY25 from 1.6% of GDP in FY23, supported by continued fiscal discipline, and revenue measures taken. However, higher interest costs will push up the overall CG deficit to 7.4% in FY24 and 8.4% in FY25 in our forecasts.

There is limited visibility on the extensive and complex broader public sector. This creates significant uncertainty on the potential contingent liabilities, and the overall fiscal risk, with recurrent below-the-line transfers.

**Rating Sensitivities**

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

* -External Finances: Greater external financing strains weakening international reserves and/or other liquidity buffers, for example, as a result of the inability of the authorities to restore confidence in the currency or to secure sufficient financing from multilateral, bilateral or market sources.
* -Public Finances: Increased debt sustainability risks, for example, as a result of loosening of fiscal policy, and/or failure to reverse the recent deterioration in interest/revenue and government debt/GDP in the medium term.
* -Structural: An escalation of the Israel-Hamas conflict increasing instability and security risk in Egypt, with substantial negative spill-over impact on tourism, investor sentiment, or increasing the domestic socio-political challenge to implementing reforms.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

* -External Finances: Reduction in external vulnerabilities, for example, through improved international market access, a sustained reduction of the current account deficit, and build-up of international reserves or other liquidity buffers.
* -Macro and Public Finances: Policy adjustments that reduce economic distortions, improve access to external financing and support a decline in government debt over the medium term and lower interest costs.
* Sovereign Rating Model (SRM) and Qualitative Overlay (QO)

Fitch's proprietary SRM assigns Egypt a score equivalent to a rating of 'B-' on the Long-Term Foreign-Currency (LT FC) IDR scale.

**Country Ceiling**

The Country Ceiling for Egypt is 'B-', in line with the LT FC IDR. This reflects no material constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments. (Fitch 03.11)

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* 1. MOROCCO: Fitch Affirms Morocco at 'BB+'; Outlook Stable

On 20 October, [Fitch Ratings](http://www.fitchratings.com/) affirmed Morocco's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB+' with a Stable Outlook.

Morocco's 'BB+' ratings are supported by a record of sound macroeconomic policies that underpin resilience to shocks, strong official creditor support, a favorable debt composition and comfortable liquidity buffers. Set against these strengths are development and governance indicators that are lower than peers, a high budget deficit and public debt, and Morocco's vulnerability to adverse weather conditions.

**Impact of the Earthquake:** Morocco experienced an earthquake in the High Atlas Mountain in early September, claiming more than 3, 000 deaths and resulting in the destruction of housing and infrastructure. We assume the economic impact of the earthquake will be limited in 2023, as the areas do not house key centers of industrial activity such as the automotive manufacturing sector. While the earthquake could somewhat disrupt the tourism recovery, sector receipts were already above the pre-pandemic level (8M23: MAD71.4 billion; +32.5% y-o-y).

**Spending Pressures Slow Consolidation:** Fitch forecasts a central government (CG) deficit of 5% of GDP in 2023 down from 5.2% in 2022. Mild revenue growth (+0.9% y-o-y through September) has been supported by higher tax collections, but government spending has faced upward pressures (+7.2% y-o-y), as the drought affected food supply and high inflation. Although gas subsidies were lower than budgeted, subsidies on food and for farmers increased and investment in water infrastructures accelerated.

**High Deficits, Fiscal Risks:** We forecast the CG deficit to decline to 4.8% of GDP in 2024 and 4% in 2025, above the 'BB' median forecast of 3.2%, but there are significant risks to the gradual fiscal consolidation scenario. First, the authorities have announced a reconstruction plan of MAD120 billion (8.5% of GDP) over five years. We assume the government will bear part of the cost of the reconstruction reflected by higher capex, through on-budget spending, but the pace of execution remains uncertain.

Reconstruction efforts will coincide with the start of a cash transfer program benefiting vulnerable households, which aims to phase out costly subsidies (butane gas, sugar, wheat) estimated at 2.2% of GDP in 2023 (after at 3.1% in 2022). Revenues could benefit from mobilization efforts including the reform of the corporate income tax system and VAT harmonization as well as monetization of public assets. Reconstruction efforts could increase the challenges to the implementation of the New Model of Development, which aims to increase social spending by 4% of GDP by 2025 to improve education and health and expand social benefits.

**High Debt, Favorable Structure:** We expect CG debt to increase to 74.1% of GDP by 2025 from 71.6% in 2022 under our current fiscal consolidation baseline scenario. We forecast general government debt (consolidating CG, social security and local authorities) to rise to 67.9% of GDP in 2025 from 66.2 % in 2022, significantly above the projected 'BB' median of 51.9%. The share of dirham-denominated CG debt is high at 73.1% (end-2022), and close to 90% is fixed rate, limiting currency and interest rate risks.

Morocco's financing flexibility is underpinned by access to a large domestic investor base and strong official creditor support, which we expect will help finance reconstruction-related costs and higher borrowing requirements.

**Growth Recovery, Weather Risks:** Real GDP growth slowed to 1.3% in 2022, reflecting the decline in agricultural production (-12.9%). Fitch projects GDP growth at 2.7% in 2023, driven by base effects as agriculture improved, and reconstruction efforts may provide a boost to economic growth in 2024 and 2025, reaching 3.2% and 3.3%, respectively, supported by infrastructure spending, strong industrial performance and recovery in domestic consumption.

However, Morocco's growth remains vulnerable to rainfall level and normalization of agriculture. Moreover, worsening global economic developments increasing commodity prices volatility and feeding inflationary pressures as well as a slowdown in the Eurozone are downside risks to our growth outlook.

**Easing of Inflationary Pressures:** Inflation peaked at 10.1% in February before declining to 5.0% in August, owing to temporary export restrictions and lower energy prices. We project inflation to average 5.8% in 2023 and to fall to 2.4% in 2025, below the projected 3.4% 'BB' median, as energy prices and inflation expectations decline and agriculture output improves. In September, the central bank maintained the policy rate at 3%, due to the slowdown in inflation and uncertainties relative to international developments and the impacts of the earthquake.

**Lower Current Account Deficits:** Fitch forecasts the current account deficit (CAD) to narrow to 2% of GDP in 2023, primarily driven by a reduction in the import bill due to lower energy costs, strong industrial exports and tourism recovery. However, the CAD will widen slightly to 2.5% in 2025 as imports increase due to recovery of domestic demand. We project exports will remain robust, but subject to a slowdown in the Eurozone.

**Strong Liquidity Buffers:** Morocco's foreign-exchange reserves improved in 2023, owing to Eurobond issuance ($2.5 billion) and strong export performance, reaching $35.3 billion in September 2023. We expect reserve coverage, averaging 5.9 months of current external payments in 2024-2025, to remain stronger than peers (4.4 months for the forecast 'BB' median) supported by smaller CADs and increase in FDI.

**Rating Sensitivities**

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

* -Public Finances: Failure to consolidate public finances and/or materialization of contingent liabilities on the sovereign's balance sheet that lead to further significant increase in government debt/GDP.
* -Macro: Weaker growth prospects or increased risk of macroeconomic instability, for example, due to a weakening in the policy framework. This could lead to the removal of the +1 qualitative overlay notch adjustment on Macro.
* -External Finances: Increase in external vulnerabilities, for example, a sizeable drawdown in international reserves or persistently wide current account deficits leading to steep rise in net external debt/GDP.
* -Structural: Adverse security developments or social instability affecting macroeconomic performance or leading to significant fiscal slippages.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

* -Public Finances: A material and sustained fall in general government debt/GDP over the medium term, for example, due to more resilient growth and progress with fiscal consolidation.
* -Macro, Structural: Stronger medium-term growth prospects underpinned by economic reforms and diversification that reduce Morocco's exposure to extreme weather events and reduces the gap vs. rating peers in terms of GDP per capita.

**Country Ceiling**

The Country Ceiling for Morocco is 'BB+', in line with the LT FC IDR. This reflects no material constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments. Morocco does not publish data on the general government budget. (Fitch 20.10)

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