

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Knesset Approves Revised 2023 Budget

Israel's revised 2023 state budget has been approved by the Knesset in its second and third readings. The budget was passed by 58 votes in favor and 44 against. The government will now begin legislation on the 2024 budget. The Knesset approved adding another NIS 25.9 billion ($7 billion) to the national budget to help cover costs of the war in Gaza, such as compensation for military reservists and emergency housing for the internally displaced. The amendment increased the 2023 budget to NIS 510 billion ($139 billion). Israel passed the original 2023 budget along with a 2024 budget in May.

The changes in the budget following the outbreak of the war include additional spending of NIS 28.9 billion, of which NIS 17 billion is in defense expenditure and NIS 12 billion is for other spending including assistance for the Gaza border settlements and their residents.

About 90% of the increased spending will be funded by widening the fiscal deficit. Only 10% of the expenditure, some NIS 3 billion, will come from budget sources by cutting existing spending, of which less than NIS 1 billion had been allocated to coalition funds. The small cut in the coalition funds is due to Minister of Finance Smotrich's opposition to transferring more substantial amounts from coalition allocated funds to the war effort. (Globes 14.12)

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* 1. New Israeli Cannabis Regulation Postponed by Three Months

IM Cannabis Corp. announced a 3-month delay of the anticipated medical cannabis reform announced by the Israeli ministry of health on 7 August 2023. Due to the Hamas assault on Israel, the anticipated implementation of the medical cannabis regulatory reform, originally scheduled for 29 December 2023, has been postponed by three months. The new regulations were designed to alleviate many of the stringent restrictions in the sector, thereby enhancing access to medical cannabis for patients.

In addition to the regulatory reform, the Medical Cannabis Unit of the Ministry of Health released new report that shows, among other statistics, data on the number of patients obtaining medical cannabis licenses. There was a notable surge in the number of new medical cannabis patients in November 2023, with 3,254 new patients receiving licenses, the largest increase in new patients per month since 2021. (IMC 08.12)

ISRAEL MARKET & BUSINESS NEWS

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* 1. ReGrow Israel Emergency Fund Will Help Farming Communities Restore and Rebuild

Israel's leading Agricultural NGO, Volcani International Partners and Western Negev Farmers launched [ReGrow Israel](http://www.regrowisrael.org) – an Emergency Fund to restore and rebuild farming communities hardest hit by the 7 October Hamas terrorist attacks. The initiative seeks to raise $50 million that will be immediately distributed to farmers to address the significant losses.

Restoration of more than 100,000 acres of agricultural land within the next six to twelve months is critical to the entire country's food and economic security. The Western Negev distributes a substantial portion of staples like potatoes and tomatoes, produce and dairy to the Israeli population.

The 45 kibbutz and moshav communities that live and farm in the Western Negev region will lead the assessment of needs and allocation of dollars with support from scientists, applied R&D experts and agronomists and technology leaders from around the world.

ReGrow Israel has generated support from leaders around the world such as former US Secretary of Agriculture Glickman, who serves as an advisor to the fund. He underscores the importance and urgency of ensuring the stability of Israel's food supply and the country's continued contributions to a more sustainable food system. (ReGrow Israel 12.12)

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* 1. Lufthansa Group to Resume Flights to Israel

Lufthansa Group is to resume flights to Israel on 8 January, the carrier says. The German carrier, like almost all foreign airlines, suspended flights to Tel Aviv following the Hamas attack on Israel on 7 October, due to the lack of insurance when war was officially declared.

Israeli carriers El Al, Arkia and Israir have been flying to Ben Gurion Airport since October, as well as a few foreign airlines that include Ethiopian Airlines to Addis Ababa, Etihad Airways to Abu Dhabi, flyDubai to Dubai, Uzbekistan Airways to Tashkent and Azimuth Airline and Red Wings to Russia.

But Lufthansa's decision to recommence flights is a significant development for Israel aviation and the tourist industry as the German carrier is the world's fourth largest airline and second biggest carrier in Europe and includes Austrian and Swiss Airlines.

Lufthansa says that initially it will offer four weekly flights between Tel Aviv and Frankfurt and three weekly flights between Tel Aviv and Munich. Austria Airlines will offer eight weekly flights between Tel Aviv and Vienna and Swiss Airlines will offer five weekly flights between Tel; Aviv and Zurich. This is only 30% of the number of flights to Israel offered by the Lufthansa Group before the war. (Globes 17.12)

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* 1. Delta & El Al Israel Airlines Conclude Strategic Codeshare Agreement

In a significant move likely to reshape the landscape of transatlantic air travel, Delta Air Lines and EL AL have formalized a long-term codeshare agreement, effective now, with travel operations scheduled to commence on 1 January 2024. Effective 15 January, Delta and EL AL will provide reciprocal benefits to their top-tier frequent flyer members. Travelers will now have the ability to earn and redeem SkyMiles or Matmid points across both carriers, broadening the scope for rewards and loyalty accrual.

Delta customers originating from North America will gain access to EL AL’s nonstop services departing from key locations, including New York-JFK, New York-Newark, Boston, Los Angeles, Miami and Fort Lauderdale bound for Tel Aviv. Conversely, EL AL’s code will be integrated into Delta’s non-stop Tel Aviv flights (once reinstated), as well as up to 280 same-day connections via Delta’s US gateways in New York-JFK, Boston, and Los Angeles, spanning destinations such as Atlanta, Washington DC, San Francisco, Las Vegas, Seattle, Dallas and Toronto.

Delta and EL AL will provide reciprocal benefits to their top-tier frequent flyer members, including preferred seat access, priority check-in and boarding, additional baggage allowance, and lounge access where applicable. This represents a strategic alignment of services, enhancing the overall travel experience for both Delta and EL AL customers. (JP 19.12)

REGIONAL PRIVATE SECTOR NEWS

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* 1. ADIO and Gradiant Forge Water Security Partnership

The Abu Dhabi Investment Office (ADIO) announced that Boston's Gradiant, an MIT-founded water and wastewater solutions unicorn, has decided on the UAE capital for the home of its new EMEA HQ and global innovation center. ADIO and Gradiant signed the cooperation agreement during COP28, the United Nations’ Climate Change Conference, with the company joining Abu Dhabi’s thriving hub of innovators spearheading the development and commercialization of global climate change solutions.

ADIO supports the growth of Abu Dhabi’s economy by attracting innovative companies in high-growth economic sectors aligned with the Emirate’s long-term vision. Its collaboration with Gradiant, which has a valuation of $1bn, positions Abu Dhabi at the forefront of a rapidly growing industry. The value of the global water and wastewater treatment market is expected to reach $1.1 trillion by 2030.

ADIO is providing Gradiant with a comprehensive range of growth-enabling support and connections to the Abu Dhabi ecosystem and international trade opportunities. The US company, which has over 900 employees worldwide, is uniquely positioned to address the world’s increasing water challenges created by industrialization, population growth and water stress. Its technologies enable the world’s essential industries including semiconductors, pharmaceuticals, food and beverage, renewable energy, refining & chemicals and energy to optimize their mission-critical operations and reduce their water footprint. (Gradiant 07.12)

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* 1. LSINC to Sell in the Middle East Via New Partnership with PRO TECHnology

LSINC Corporation, based in Huntsville, Alabama, announced a new partnership with PRO TECHnology – one of the first companies to introduce UV printing in its region – to sell its line of direct-to-object digital printers in the Middle East and North African (MENA) region. PRO TECHnology, based in Dubai, UAE, will be LSINC's exclusive dealer in the region, selling and servicing the LSINC line of printers that print directly on cylindrical and tapered objects.

LSINC's award-winning line of printers include: the PeriQ360, the fastest production unit in its class with the ability to print four items at a time on clear or opaque media; the PeriOne, which is groundbreaking in functionality and speed among other single spindle units on the market today; and the Perivallo360m, that prints along the curve of contoured media. From vibrant signage to intricate design applications, PRO TECHnology's commitment to pushing technological boundaries continues to elevate businesses in the region. LSINC's printers continue that mission. (LSINC 07.12)

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* 1. UAE’s Pure Harvest Smart Farms to Acquire Saudi’s RedSea Farm Operations

UAE-based [Pure Harvest Smart Farms](https://pureharvestfarms.com) is to acquire the Saudi Arabian farming operations of Saudi-UAE agtech RedSea. Pure Harvest said the decision to acquire the farming operation will support its transition into a pure-play Agri Climate tech company, while also doubling Pure Harvest’s own Saudi Arabian production capacity.

The UAE-based company will assume operations at RedSea’s Alajaweed Farm near Riyadh in January and will invest in the farm site, including deploying RedSea’s heat-blocking greenhouse roof technology, a statement said.

The deal also secures a 40-hectare land back to develop up to 28 hectares of additional production capacity in the kingdom, Pure Harvest said. A letter of intent (LOI) was signed to take over the existing six-hectare controlled-environment production facility, the company added. (Zawya 11.12)

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* 1. Andalusia Labs Secures $48 Million in Series A Funding at $1 Billion Valuation

[Andalusia Labs](https://andalusia-labs.com/‎) successfully raised $48 million in Series A funding round, positioning the company’s equity valuation north of $1 billion. Prominent Silicon Valley venture capital firm Lightspeed Venture Partners led the round with participation from Mubadala Capital, the asset management subsidiary of Mubadala Investment Company, a $280 billion global sovereign investor headquartered in Abu Dhabi, and existing investors Pantera Capital, Framework Ventures, Bain Capital Ventures, and Digital Currency Group. Other existing investors include industry giant Coinbase, Proof Group, Nima Capital, Naval Ravikant and founders, general partners, and executives from leading global organizations.

In conjunction with the round, Andalusia Labs announced the establishment of its global headquarters in Abu Dhabi’s Financial Center, Abu Dhabi Global Markets. For Andalusia Labs, this strategic move underscores the company's commitment to expanding its global footprint and highlights Abu Dhabi as a leading financial hub for digital assets that nurtures growth and fosters innovation through its progressive regulatory structure, unique connectivity to eastern and western markets, and being home to some of the world's largest sovereign wealth funds providing strong access to institutional capital.

Andalusia Labs is a collection of leading technology solutions addressing the security challenges prevalent in the blockchain industry including Karak, a revolutionary risk management infrastructure for digital assets; Subsea, a pioneering risk management marketplace for digital assets; and Watchtower, an institutional security platform for digital assets. In response to the escalating security concerns and financial risks within the blockchain industry, Andalusia Labs is dedicated to providing secure environments for institutions, developers and consumers.

Andalusia Labs intends to utilize the funds to accelerate product development, enhance institutional partnerships, and continue global expansion. The team is rapidly expanding, and hiring across finance, business development, AI, cryptography, distributed systems, and security engineering, among many other roles. (Andalusia Labs 13.12)

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* 1. Midori Raises $200,000 in a Pre-Seed Round at COP28

Midori Network, nurtured within the ecosystem of TECOM Group PJSC business incubator in5, has secured a substantial $200,000 in funding from Kirill Veselov, an angel investor and former investment director of venture capital firm Mint Capital, at COP28. The development was announced at Dubai's COP28 climate conference, where Midori Network was among the startups presented by in5 to showcase the business incubator’s vision for enabling sustainable and eco-conscious entrepreneurship that has global resonance.

The infusion of $200,000 represents pre-seed funding for Midori Network and is a testament to the support it is attracting from strategic investors as it positively disrupts the plastic recycling industry. The capital infusion will be used to launch the first prototype of a container-based mobile recycling module that can be easily deployed in rural areas where installing large recycling facilities may not be economically viable.

Dubai's [Midori Network](https://midorieyewear.com/) has pivoted since its inception as sustainable eyewear brand to emerge as a distributed recycling specialist and plans to develop 1,000 mobile recycling modules within seven years, converting over 1 million tonnes of plastic waste per year into affordable solutions for local communities in key global markets including Brazil, India, Pakistan, Indonesia and China. (Midori Network 12.12)

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* 1. Omniful, an E-Commerce Startup, Emerged From Stealth with $5.85 Million

Supply chain and e-commerce enablement startup Omniful has emerged from stealth with $5.85 million seed funding led by VentureSouq, with participation from 500 Global, DASH Ventures, Jahez Group, SEEDRA Ventures, Bunat Ventures, Hala Ventures, RZM Investments and several family offices, including Al Rasheed, Siraj Holding, Al Bawardi and Al Nafea.

Omniful has built systems for ordering, warehouse management and transport management, enabling merchants to tap hyperlocal and omnichannel commerce, manage their orders efficiently and inventory in real time. It also equips third-party logistics providers (3PLs) to manage their workflows efficiently.

Omniful is equipping merchants and third-party logistics providers with a solution that includes tools for insights. Large enterprises and small merchants using its tech gain the capability to leverage different sales channels, and are able to reduce their workforce costs per store and fulfillment time by up to 40% and 70%, respectively. The earliest customers of Omniful’s globalized product include some of the biggest retailers and third-party logistics providers in several markets, including KSA and the UAE.

Riyadh's [Omniful](https://www.omniful.com/) is a fast-growing B2B SaaS startup. They provide best-in-class, robust cloud-based solutions for supply chain execution and warehouse management. Omniful specializes in e-commerce and omnichannel retail technology solutions with a focus on real-time inventory visibility and performance analytics. Our mission is to enhance the speed and accuracy of order fulfillment and throughput for organizations of all sizes. (Omniful 05.12)

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* 1. Lendo Secures $28 Million in Series B Funding Led by Sanabil Investments

[Lendo](https://lendo.sa), a Saudi Arabia-based shariah-compliant debt crowdfunding marketplace, has raised $28 million in Series B funding led by Sanabil Investments, a wholly-owned company by the Public Investment Fund (PIF). The round saw participation from Shorooq Partners, AB Ventures, and other investors.

The Lendo platform is a community of creditworthy borrowers and sophisticated investors looking for alternative investments. The platform is licensed by the Saudi Central Bank (SAMA). Lendo will use the funds to support its fast-growing customer base in Saudi Arabia which has grown 3X year-on-year, introduce more innovative financing products, and accelerate market expansion plans.

Lendo previously raised a $7.2 million Series A funding round in 2021 led by Derayah Ventures with participation from Seedra Ventures and other investors, bringing the fintech’s total funding to $35.2 million. Since the inception of Dec 2019, Saudi fintech Lendo has processed more than 2,500 financing transactions on its platform, providing over SAR 1 billion ($300 million) in financing to SMEs and generating SAR 140 million ($37 million) returns for investors. (Lendo 10.12)

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* 1. Naeem Closes Pre-Seed Round Led by Lunment

Riyadh's [Naeem](https://naeem.com.sa/), a Saudi platform specializing in digital solutions for the personal care sector, announced the closing of a Pre-Seed financing round with an undisclosed value, led by Lunment and a group of angel investors.

Naeem was founded in 2022 and is considered one of the leading companies based on developing advanced digital solutions for the personal care sector, specifically in the field of salons and beauty centers. The company aims to provide technical solutions that keep pace with modern transformations in this sector, with a focus on improving the customer experience and enhancing the efficiency of operations for commercial activities operating in this field.

Naeem offers a comprehensive digital platform with a wide range of technical solutions for personal care service providers, such as salons, barber shops, health care and spas. It relies on an internal business model for managing points of sale (POS), reservations, financial and operational management, and an external business model based on providing a platform for customers to manage their operations and electronic payment solutions. (Naeem 12.12)

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* 1. Blink Closes $2.1 Million Seed Round to Enhance Presence in Saudi Arabia

Riyadh's [Blink](https://www.blinkco.io/ar) has successfully closed a $2.1 million seed funding round with participation from 500 Global and Global Founders Capital, alongside existing investors, including Orbit Startup/SOSV. Blink helps restaurants make higher profit margins and reduce their dependence on delivery aggregators by launching and growing their direct online ordering channels. Over the last 12 months, the company processed 4.5 million orders for its partner restaurants and surpassed $0.5 million in annual recurring revenue.

Founded in 2020, Blink has helped over 1200 restaurants across the MENAP region process more than 8 million direct orders. Blink's edge remains its powerful growth and marketing engine, enabling brands to acquire and retain customers through machine-learning-driven personalized campaigns. What sets Blink apart is not only its innovative solutions but also the seamless experience it offers restaurants. Going live with Blink's online ordering websites and apps is fast and easy, providing a hassle-free solution for businesses looking to establish and expand their direct online presence.

The current funding round will enable the company to accelerate their growth in Saudi Arabia, the fastest-growing market in the GCC region, where they have already established an impressive footprint, led by the CEO's presence in Riyadh. (Blink 08.12)

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* 1. Tamara Receives $1 Billion Valuation with $340 Million in Series C Funding

Riyadh's [Tamara](https://www.tamara.co/en), the leading fintech platform to shop, pay and bank in Saudi Arabia and the wider GCC region, has achieved the historic milestone of becoming the Kingdom’s first homegrown fintech unicorn by securing $340 million in a Series C equity funding round.

This round was co-led by SNB Capital, the leading regional financial institution, and Sanabil Investments, a wholly owned company by the Public Investment Fund (PIF) with participation from Shorooq Partners, Pinnacle Capital, Impulse and others, joining existing investors such as Coatue, Endeavor Catalyst and Checkout.com. It is also among the largest investments in a fintech company in the region, following on from last month when the Company secured additional debt financing to upsize its warehouse facility to up to $400 million, led by Goldman Sachs and Shorooq Partners. With this transaction, Tamara will have raised a total of $500 million in equity funding, and well above $400 million in debt financing since its inception in late 2020.

The Company’s offering makes it a commerce enabler to its partners through the surge in high intent shoppers resulting from co-marketing and a flexible, seamless payment journey. Tamara’s partners include regional and global brands such as SHEIN, IKEA, Jarir, Noon, eXtra and Farfetch, as well as local small and medium businesses. Today, over one-third of Tamara’s users start their shopping journey from the app itself, which leads to a significantly higher return on advertising spend for Tamara’s partner merchants.

Buy Now, Pay Later (BNPL) is growing rapidly in Saudi Arabia, with the number of customers registered with a service going from 76,000 in 2020 to 3 million in 2021 and reaching 10 million in 2022, according to SAMA. With nearly 30% of the population using BNPL, the industry is being driven by a number of factors, including the increasing popularity of e-commerce. (Tamara 19.12)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Masdar to Develop Green Hydrogen Plant in Jordan

Masdar, known as Abu Dhabi Future Energy Company, signed a joint development deal with the Jordanian Ministry of Energy and Mineral Resources to develop a green hydrogen plant. The two parties will join forces to create a 1 GW wind project, with a battery energy storage system (BESS). The green hydrogen project will be established near the Port of Aqaba to produce the most cost-competitive hydrogen, using desalinated seawater and renewable power.

The joint project comes as a part of Jordan's initiatives to transition towards the use of clean energy as it aims to achieve net zero. Established in 2006, Masdar has developed and partnered in projects in over 40 nations across six continents. Its worldwide portfolio of investments has a combined value of more than $30 billion. The UAE-based company recently joined an €11 billion investment into the UK’s renewable energy sector. (Zawya 07.12)

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* 1. UAE to Establish a National EV Infrastructure Firm

The UAE is planning to launch an EV infrastructure firm tasked with manufacturing charging networks, managing daily operations of EV charging stations, and developing a pricing strategy for charging services. The launch date of the new government firm, named UAE Electric Vehicle Charging Stations Company, was not disclosed.

The UAE plans to set a pricing structure for EV charging nationally by year’s end or in early 2024 as part of a target to have EVs make up 50% of the Emirates’ auto sector by 2050, the country’s Energy and Infrastructure Minister Al Mazrouei said last month. The cabinet approved the National Electric Vehicles Policy earlier in August, aiming to create a countrywide network of EV chargers to accelerate the transition to green mobility and push down the transport sector’s energy consumption by 20%. (Enterprise 12.12)

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* 1. Oman’s 500 MW Manah Solar Project Secures $301 Million in Funding

Oman’s 500 MW Manah solar project — developed by a consortium comprising French power utility EDF Renewables and Korea Western Power (Kowepco) — has secured $301.8 million in funding from three major international financial institutions. Société Générale, the Korea Eximbank, and Bank Muscat of the Sultanate of Oman have signed on to finance the solar project.

The project, which broke ground in September, will boast around 1 million bifacial PV modules and provide clean energy for approximately 50k homes while offsetting 780k tons of CO2 annually. EDF Renewables and Kowepco tapped Australian engineering services firm Worley as owner engineer for the project. Manah 1 is one half of a larger project by Oman’s Power and Water Procurement Company to build a solar plant with a combined capacity of 1 GW. The combined cost of Manah 1 and Manah 2 will amount to over $780 million and will be the largest in the sultanate. A JV made up of Singapore’s Sembcorp Utilities and China’s Jinko Power was selected to develop the Manah 2 solar plant in March, and both Manah 1 and Manah 2 are expected to be operational by 2025. (Enterprise 11.12)

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* 1. Hydrom to Launch Green Hydrogen Infrastructure Company

Hydrogen Oman (Hydrom) is establishing a green hydrogen infrastructure company with Oman Electricity & Transmission Company (OETC), Nama Water Services, and OQGN serving as main stakeholders. Financial details and a timeline for the launch were not disclosed.

Hydrom plans to take an equity share in any planned green hydrogen projects in exchange for the supply of water, electricity and a pipeline network. The company is also expecting to receive bids for the second round of the country’s land auction for integrated green hydrogen projects in late January and will award the contracts by H2/24.

Hydrom signed an MoU with Special Economic Zones and FreeZones (Opaz) in October allocating 150 square km of land for a wind and solar energy generation project with a capacity of 250-500 MW. Hydrom also signed three new agreements with the SalalaH2 consortium to boost Oman’s hydrogen sector. Hydrom said it’s looking to raise $20-30 billion in investments from its second round of auctions for green hydrogen projects in the Dhofar region last month. (Meed 14.12)

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* 1. Morocco Ranks Ninth in International Climate Change Performance Index

The 2023 Climate Change Performance Index (CCPI) has ranked Morocco as ninth globally after Denmark, Estonia, the Philippines, India and the Netherlands. The CCPI does not give the top three spots in the ranking because it believes that no nation in the world performs well enough across all index areas to receive a very high overall score.

Morocco ranked among the leading countries when it comes to making efforts to slow down global warming, with a score of 69.82 points. The North African country ranked ahead of countries such as the United States, France, Germany, Spain, China, and Japan. It also remains the top-performing African country, surpassing Nigeria (17th), Egypt (22nd), South Africa (45th), and Algeria (54th).

In the Greenhouse Gas Emissions and Energy Use categories, Morocco ranked highly, while performing moderately well in the Renewable Energy and Climate Policy categories. According to the report, Morocco’s ranking “owes to its low GHG emissions, trend towards greater energy efficiency, and progress in renewable energy production.” Published yearly since 2005, the CCPI is an independent monitoring tool that tracks the performance of 63 countries in addition to the EU in climate protection. (MWN 10.12)

ARAB STATE DEVELOPMENTS

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* 1. Jordan's Economy Performance Indicators Show Improvement

The official data showed that the Kingdom's exports of goods and services increased by 15.3%, reaching about $11 billion during the first half of 2023. Jordanian expatriates' remittances recorded $2.862 billion during the past ten months of 2023, marking an increase of 1.1%, compared to the corresponding period in 2022, which amounted to $2.829 billion. However, inflation rose from the beginning of 2023 until the end of last October by 2.21%.

During the second quarter of 2023, total flows of inward foreign direct investment (FDI) into the Kingdom surged by 85.7%, reaching $383.8 million, compared to the same period last year, according to statistics. Meanwhile, value of inward foreign direct investment flows into the Kingdom amounted to about $776 million during the first half of 2023, marking an increase of 20.9% against the corresponding period of 2022.

Assets of the Social Security Investment Fund (SSIF) increased to about JD14.5 billion at end of the third quarter of 2023, with a growth rate of 5.2%, the figures revealed. The total area of licensed buildings in the Kingdom also rose from the beginning of 2023 until the end of last September to 7.058 million square meters, compared to 6.538 million square meters, constituting an 8% increase. (Petra 10.12)

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* 1. Jordan & U.S. Sign $845.1 Million Grant Agreement for National Budget Support

On 12 December, the annual United States grant agreement was signed, aimed at bolstering Jordan's national budget, totaling $845.1 million. The accord was signed by Minister of Planning and International Cooperation Touqan and Leslie Reed, the Mission Director of the United States Agency for International Development (USAID) in Jordan. Prime Minister Khasawneh and United States Ambassador Lempert attended the ceremony. Touqan expressed the government's gratitude for the support, emphasizing its role in advancing development priorities and economic reforms outlined in the Economic Modernization Vision (2023-2025) and the Public Sector Modernization Roadmap.

The cash grant, part of the annual U.S. economic aid program, aligns with the strategic MoU signed in September 2022 for 2023-2029, amounting to $10 billion. Additionally, the U.S. Congress earmarked an extra $200 million beyond the agreed-upon annual support rates within the 2023 budget. (Petra 12.12)

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* 1. Social Media Dominates Jordan’s Digital Landscape with 95.8% Engagement Rate

In the digital landscape of Jordan, social media has emerged as the primary driver of Internet usage, according to a recent survey on the adoption and use of communication and information technology in households in 2022. The survey, jointly conducted by the Ministry of Digital Economy and Entrepreneurship and the Department of Statistics, showed that engagement with social media platforms such as Facebook, WhatsApp, Snapchat, Twitter, TikTok and Instagram ranked at the forefront of services utilized by individuals aged five years and above with a staggering engagement rate of 95.8%.

Activities on these platforms range from watching and downloading photos, films and videos to listening to music and engaging in electronic gaming, with a prevalence of 78.6%. The survey underscores the need for businesses to align their marketing and communication strategies with the preferences of the majority, who are actively present on various social media platforms. (JT 17.12)

►►Arabian Gulf

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* 1. Qatar’s LNG Expansion to Boost its 2024 Credit Outlook

Qatar has a strong credit outlook for next year due to its liquefied natural gas (LNG) expansion and improving public finances, according to Standard Chartered. In its latest MENA Credit Outlook 2024, the bank noted that the Gulf state’s economic growth will continue next year, supported by positive indicators. During the first nine months of the year, Qatar recorded a fiscal surplus for $11.5 billion, approximately 4.9% of the GDP. Contributing to the country’s positive outlook are the country’s efforts to increase LNG production. This is in addition to a decline in government-funded capex following a period of elevated spending in the run-up to the 2022 FIFA World Cup.

The bank estimates that Qatar’s debt-to-GDP should drop further, as the government continues to use sizable fiscal surpluses towards debt repayment. Last October, state-owned QatarEnergy started work on the North Field expansion project, which will raise Qatar’s LNG output capacity from 77 million tonnes per annum (mtpa) to 126 mtpa by 2026.

The report also noted that banks in Qatar are seeing a decline in foreign liabilities following regulatory directives by the central bank and slowing credit growth. Qatar posted strong economic growth in 2022, driven by the World Cup boom. Last November, the International Monetary Fund (IMF) said the country’s economic growth has normalized this year and that the trend will continue in the near term. Medium-term outlook will be favorable, supported by the LNG production expansion and “intensifying reform efforts”, the IMF said. (Zawya 12.12)

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* 1. UAE Set to Double its Growth in 2024 on High Oil Revenues & Non-Oil Growth

The UAE is on track to double its growth next year on the back of strong expansion in the non-oil sector and high revenues from oil. The country’s gross domestic product (GDP) is expected to reach 4.8% in 2024, up from 2.4% in 2023, the latest Economic Insight commissioned by ICAEW and compiled by Oxford Economics said. The report noted that the country’s GDP already grew by 3.7% year-on-year in the second quarter of 2022, supported by the non-oil sector’s performance.

Fiscal surpluses will be above 5% of GDP in the near and medium term. Last year, fiscal surpluses already exceeded 9% of GDP, the second highest in the region after Qatar, driven by revenue growth of 31.8%, largely due to higher oil revenues. The oil output is expected to average at 3.35 million barrels per day in 2024, which the report considers as robust, though significantly below the UAE’s maximum capacity of around 4.5 million barrels per day.

Also expected to drive economic growth, particularly in the non-oil sector, is the UAE’s efforts to implement development plans. The report noted that after the hosting of COP28, sustainability-linked initiatives are likely to intensify. The UAE is also making significant headway in green sukuk financing, allocating funds to sustainable projects and advancing its net-zero transition. Post COP28, the UAE is expected to intensify efforts towards fulfilling its net-zero commitments. (Zawya 14.12)

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* 1. Ruler of Dubai Forms Investment Fund to Oversee Government Investments

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, has issued Law No. (25) of 2023 establishing the Dubai Investment Fund as an independent public entity operating on a commercial basis. The Law also endows the Fund with the financial and administrative independence to pursue its objectives along with the legal mandate to do so.

As per the Law, Dubai Investment Fund will be responsible for investing Dubai Government funds, surpluses and the general reserve locally and internationally. The investments thus made will seek to generate returns benefiting both current and future generations while implementing best practices and the investment policy approved by the Fund’s Board of Directors. The Fund also seeks to bolster the financial stability of the Dubai Government by financing the government’s deficit and establishing strong financial reserves, thereby promoting long-term financial sustainability.

The Dubai Investment Fund also endeavors to actively contribute to the realization of the emirate's strategic priorities and endorsed public policies through efficient investments in strategic and development projects. Priority is accorded to initiatives that foster Dubai's sustainable development across vital sectors, including the economic and social spheres, while diversifying income sources.

The law specifies that the Dubai Investment Fund will focus on investments in stocks, bonds, and securities to achieve sustainable returns and can explore prospects in local or international financial markets while following investment policies approved by the Board of Directors. Additionally, it can deal in movable and immovable assets, manage funds, provide mortgages and guarantees, besides participating in the financial derivatives business, all in compliance with Dubai's laws. (WAM 11.12)

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* 1. UAE Launches 'Waste to Zero' Initiative at COP28

In a landmark event at the COP28 summit, the UAE took a significant step towards environmental sustainability and climate action. The Ministry of Climate Change and Environment (MOCCAE), in collaboration with Tadweer (Abu Dhabi Waste Management Company), unveiled the ambitious 'Waste to Zero' initiative, marking a new era in waste management and circular economy efforts globally.

The 'Waste to Zero' initiative will host a series of discussions, workshops, and awareness programs worldwide, focusing on sustainable resource management, circular economy objectives, and innovative waste management and carbon emission reduction technologies.

Aligning with the UN Sustainable Development Goals, the initiative aims to attract investments in infrastructure, create employment, reduce reliance on natural resources, and strengthen regulatory frameworks in the waste management sector. This collaborative effort seeks to highlight the sector's vital role in addressing climate change and achieving the goals of the Paris Agreement. (WAM 11.12)

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* 1. Saudi Third Quarter GDP Shrinks by 4.4% in Annual Terms

Saudi Arabia's real gross domestic product (GDP) contracted by 4.4% in the third quarter, government data showed, as oil activity plummeted 17% compared with a year earlier following crude output cuts under OPEC+ agreements. 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.

Despite the sharp contraction, the government still expects 2023 GDP growth to come in at 0.03%, according to the 2024 budget released on Wednesday. Growth for 2024 is seen at 4.4%, the budget statement said.

The General Authority for Statistics said Q3 non-oil activity increased by 3.5% year-on-year with government activities growing by 1.9%. Earlier official estimates had indicated Q3 GDP would shrink 4.5%. Saudi Arabia's 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. (CAS 07.12)

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* 1. Saudi Arabia Says Some of its 2030 Projects are Delayed

Saudi Arabia has delayed some of the projects launched as part of its economic transformation plan past 2030. This is the first time that the Kingdom has acknowledged a shift in the timeline for meeting the goals of Vision 2030. The government, which is forecasting budget deficits every year through 2026, has decided on the extension to build capacity and avert huge inflationary pressures and supply bottlenecks, said Finance Minister Al Jadaan. The names of the specific projects were not disclosed.

Saudi Arabia recently approved its state budget for 2024, which forecasts a fiscal deficit next year of 79 billion riyals ($21.07 billion), state news agency SPA reported. The kingdom estimated total revenues at SAR 1.172 trillion in 2024, while total expenditure was projected at SAR 1.251 trillion. (Zawya 07.12)

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* 1. Saudi Arabia to Grant 30-Year Tax Breaks to Companies Moving HQs to Riyadh

On 5 December, Saudi Arabia announced it would grant a 30-year tax relief break to multinational companies establishing their regional headquarters (RHQ) in its capital city Riyadh. The Ministry of Investment’s announcement comes less than one month before the 1 January deadline for multinationals to open their regional headquarters in Saudi Arabia or lose out on government contracts. The tax-relief package includes a zero-percent rate for corporate income tax and withholding tax, the ministry said in a statement. It also includes the ability to apply for unlimited work visas and a 10-year waiver on quotas for hiring Saudi nationals.

Announced in February 2021, the RHQ Program aims to attract companies to set up their headquarters in Saudi Arabia and position the Kingdom as the leading commercial, industrial and investment hub for the MENA region, offering a range of benefits and premium support services. The program has so far licensed over 200 companies to operate their RHQ from Saudi Arabia. (Al Arabiya 06.12)

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* 1. Saudi Arabia Allies with University of Chicago to Drive Growth & Policy Innovation

Saudi Arabia is collaborating with the University of Chicago to advance research and implement effective public policies, focusing on nurturing local talent and enhancing economic opportunities within the Kingdom. Saudi's Ministry of Economy and Planning has signed a three-year research agreement with the university’s Division of Social Sciences to conduct economic research contributing to the development of social and economic policies.

The agreement encompasses the research and study of various policy areas, including macroeconomics, international organizations, social development, as well as labor market dynamics. The collaboration with the University of Chicago aligns with the Ministry of Economy and Planning directives to formulate policies based on scientific and empirical evidence, establish partnerships with local and international entities, and promote growth and innovation in the private sector.

Saudi Arabia has been strengthening research and investment opportunities in the private sector as the Kingdom steadily diversifies its economy away from oil, in line with the goals outlined in Vision 2030.

In November 2023, MEPX, a composite index released by the Ministry of Economy and Planning, revealed that corporate stability has helped Saudi Arabia’s private sector maintain its continued expansion in the third quarter of this year. The robust expansion of the private sector in the third quarter of 2023 signifies economic growth and contributes significantly to addressing employment needs in Saudi Arabia, added the ministry in the report. (AN 04.12)

►►North Africa

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* 1. Egypt Inflation Hits a Six-Month Low

Egypt's inflation eased for the second consecutive month in November to reach its lowest level in six months on the back of slowing food price increases. Figures published by CAPMAS showed that inflation in urban areas slowed to 34.6% y-o-y during the month from 35.8% in October. However, monthly inflation accelerated to 1.3% in November from 1% the month before.

Core inflation — which excludes volatile items such as food and fuel — fell to 35.9% y-o-y in November from 38.1% the month prior, according to central bank figures. Meanwhile, monthly core inflation fell to 1% from 1.8%. Food and beverage price growth — the largest component of the basket of goods and services used to calculate inflation — slowed to 64.5% y-o-y from 71.3% in October. The rapid rise in inflation at the end of 2022 and first half of 2023 should help temper the annual figures over the coming months (all else being equal).

Egyptian inflation has hit record highs this year on the back of a series of currency devaluations and supply shortages caused by the shortage of foreign currency. (CAPMAS 10.12)

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* 1. Egypt Has at Least $42 Billion in Foreign Debt Repayments Next Year

New Egyptian central bank projections see the country spending at least $42.3 billion on foreign debt repayments in 2024. Egypt will have to pay some $32.8 billion — 20% of total external debt — to fulfill medium and long-term debt obligations in 2024. This marks a $3.6 billion increase from the bank’s September estimates, which put our medium and long-debt repayments at $29.2 billion for next year.

Egypt will have to repay an additional $9.5 billion in short-term debt obligations during the first half of 2024. The largest chunk of the payment is scheduled for February and March. Short-term debt payment projections don’t extend beyond June. By the end of FY2022-2023, Egypt’s total external debt sat at $164.7 billion, down from $165.4 billion in March 2023, but still about $9 billion higher from the figure recorded at the end of the fiscal year 2021-2022.

Egypt’s external debt has quadrupled over the past decade, reaching a record high of $165.4 billion at the end of March due to increased borrowing from multilateral lenders and international debt markets. This is around 40.3% of GDP, below the IMF’s 50% threshold for manageable debt levels. More than two-thirds of the country’s external debt is denominated in USD. (Enterprise 08.12)

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* 1. Eni & Partners to Invest $7.7 Billion in Egypt Over the Next Four Years

Eni and its partners will invest $7.7 billion in their Egypt operations over the next four years. This was announced during a meeting between Eni’s CEO Descalzi and President El Sisi on 10 December, in which they discussed the company’s energy exploration and production plans.

Eni was among the five multinationals Oil Minister El Molla recently said will spend $1.8 billion in fresh gas exploration. Eni, along with Chevron, ExxonMobil, BP and Shell, will drill 35 exploration wells over the next two years, the minister said. Eni is looking to drill new exploration wells at several concessions in the Eastern Mediterranean, which according to an unconfirmed report in the local press in April, includes North East Hap’y.

Eni, along with its partners, is responsible for producing around 60% of Egypt’ natural gas and operates the country’s largest field, Zohr, alongside the Egyptian General Petroleum Corporation. It also owns 50% of the Damietta LNG plant, one of the country’s two liquefaction facilities that are key to the government’s long-term export ambitions. Earlier this year it said it had made a “significant” gas discovery in the Eastern Mediterranean in cooperation with Chevron. BP said it will invest $3.5 billion in its Egypt operations over the next three years. (Various 11.12)

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* 1. Suez Canal Reveals Damage Caused by Houthis

Fifty-five ships have rerouted away from the Red Sea and sailed around Africa's Cape of Good Hope since the Iranian backed Houthi rebels hijacked the roll-on-roll-of Galaxy Leader on 19 November. These figures were released by Suez Canal chairman Rabie. He said that during that time 2,128 ships have sailed through the Suez Canal.

The Suez Canal is the gateway and northern entrance to the Red Sea along which 12% of the world's shipping cargo moves as well as 5% of crude oil, 8% of liquefied natural gas, and 10% of petroleum products. The Red Sea can only be entered from the south by the narrow Bab el-Mandeb strait between Yemen and Djibouti and the site of the Houthi attacks. Fifty ships pass daily through the Suez Canal, representing 30% of the world's shipping container traffic and providing a vital source of income for Egypt.

In the 2022-2023 fiscal year, Egypt earned $9.4 billion from Suez Canal fees, up from $8 billion the previous year. As it recovered from the COVID pandemic, Suez Canal revenues helped Egypt record 6.6% economic growth in 2022. In H1/23, Suez Canal revenues made up 2% of Egypt's GDP.

At the end of last week four global shipping giants: MSC, Maersk, CMA CGM and Hapag-Lloyd announced they were halting using the Suez Canal and Red Sea route following the Houthi attacks. Hong Kong shipping company OOCL and global shipping container giant Evergreen have also suspended the route and today BP said it is halting all shipments of oil and gas through the Red Sea and Suez Canal. A major significance of this rerouting is that 13,000 kilometers and 10-14 days will be added to sailings, making prices of goods and commodities more expensive. (Globes 18.12)

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* 1. US Pledges to Support Morocco’s Position as Continental Leader in Cybersecurity

The US has pledged to support Morocco’s efforts to consolidate its position as a continental leader in cybersecurity. Deputy Assistant for Cyber and Digital Policy Bachus voiced the US' pledges in Rabat during a meeting on cybersecurity and cyber diplomacy organized by the US Consulate General.

The US embassy in Morocco also issued a press release, conveying Bachus’ impression on Morocco’s progress in the field, while expressing the US willingness to be a key partner in the process of consolidating the country’s position as a continental leader. Recalling threats posed by cyberattacks, she said that artificial intelligence has become a key driver to boost efficiency in tackling the issue. She also emphasizes the importance of integrating AI into cybersecurity systems, saying that this offers considerable benefits that enables faster threat detection, and predictive analysis of malicious behaviors and automated response to incidents. Morocco has frequently emphasized the importance of strengthening cybersecurity, with several recent reports having highlighted cyberthreats facing the country in several fields, including banking.

Last April, the African Cyberthreat Assessment Report found that Morocco is the most affected African country by banking trojans and malware with 18,827 attacks detected in 2022. (MWN 08.12)

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* 1. Morocco’s Tourism Industry Soars, Breaking All Records

Morocco's tourism industry has witnessed an unprecedented boom, welcoming a staggering 13.2 million visitors during the first eleven months of 2023, surpassing the previous annual record of 12.9 million set in 2019, the Ministry of Tourism, Crafts, and Social and Solidarity Economy said.

Compared to the same period in 2022, growth stands at an impressive 36%, reflecting the effectiveness of Morocco’s strategic promotional campaigns and air travel initiatives. November 2023 alone witnessed an influx of approximately one million tourists, marking a notable 9% increase compared to the same month in 2022.

Morocco’s tourism sector holds paramount significance in the country’s economy, contributing substantially to the GDP and playing a pivotal role in job creation. The impressive statistics, revealing a 20% year-on-year increase in tourism revenues, affirm the sector’s robust performance, with earnings reaching MAD 88.4 billion ($8.7 billion) in the initial ten months of 2023, according to the November update from the Office d’Echange (OC). The success story of Morocco’s tourism surge can be attributed to a combination of factors, including robust promotional efforts and the country’s increasing appeal as a sought-after tourist destination. (MWN 14.12)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Central Bank Says Cypriot GDP Growth at 2.4% for 2023

Cyprus’ GDP growth rate for 2023 will be 2.4% and annual inflation is anticipated to reach 3.9%, with the island’s economy displaying resilience under pressure from hiking interest rates and uncertainty caused by conflicts in the region, according to the Central Bank of Cyprus. Praising the island’s economy’s resilience, the CBC underscored that hiking interests and uncertainty deriving from conflicts in the region, may undermine progress recorded in dealing with non-performing loans in recent years. Releasing its Financial Stability Report for 2022, the CBC said that the Cypriot economy experienced robust growth of 5.6% in 2022, surpassing the 3.5% increase in the Eurozone.

This growth is attributed to better-than-expected performance in tourism, the economic impact of foreign companies attracted under the strategic framework for attracting companies for establishment and/or expansion of activities in Cyprus (international headquartering), and a minimal reliance on natural gas compared to other European countries.

Despite domestic inflation reaching historically high levels of an average 8.1% in July 2022, primarily due to the adverse effects of the Russian invasion in Ukraine on energy and food prices, the Central Bank is optimistic about the Cypriot economy’s continued positive trajectory in 2023. The latest forecasts from September 2023 project a GDP growth rate of 2.4% in 2023, followed by 2.7% in 2024 and 3.1% in 2025. The predictions also anticipate a substantial reduction in inflation to 3.9% in 2023, with further easing expected in 2024 and 2025, at 2.7% and 2%, respectively. (FM 18.12)

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* 1. Construction of Greece-Cyprus Power Cable to Begin Next Year

Construction of the €1.9 billion section of an electricity cable that will connect the power grids of Greece and Cyprus is slated to begin in the new year, with the project renamed Great Sea Interconnector, that will eventually connect Israel’s power grid as well. The new project developer, Greece’s Independent Power Transmission Operator, said that contracts are also expected to be signed with Siemens next year for the construction of converter stations in Crete and in Cyprus, that are key to the flow of electricity through the cable.

Cyprus Energy Minister Papanastasiou that the Crete-Cyprus section of the 1,208 km cable should be ready by 2029 at the latest, thus pushing the delivery date back by a year, from the initial plan. Technical talks on moving ahead with the Cyprus-Israel section are on hiatus because of the Hamas attacks on Israel. Papanastasiou said the Cyprus government is expected to make a decision by the end of January on funding the project with a €100 million capital investment from the Recovery and Resilience Fund (RRF). The government said the connected power grids would mean cheaper and cleaner energy for Cyprus and help to ensure the nation’s energy security.

The cable construction and laying contract has already been concluded with French giant Nexans, ad is expected to be manufactured at the company’s Norway plant. Due to global demand for more electricity interconnectors. (FM 08.12)

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* 1. New Agency in the Works to Shield Greece from Cyber Attacks

A national cybersecurity authority will be created in Greece with a bill to protect the public sector, as well as private companies in sectors such as the manufacturing and distribution of chemicals and food products. The bill provides for the creation of a central public authority, in the form of a legal entity under public law, called the National Cybersecurity Authority, which until now was a directorate of the Ministry of Digital Governance and is now being upgraded to an agency.

The NIS1 program, which until now has been concerned with cybersecurity, has been extended to specific sectors such as transport (for example, a hit on an airport), banking, financial market infrastructure or health. A European directive has now issued NIS2, which extends to many sectors and is expected to be implemented from October 2024.

From this point forward, over 2,000 organizations will be covered by cybersecurity, including the entire public sector and regions, postal and courier services, waste management, and, of course, private businesses that are involved in vital industries like chemical manufacturing, production and distribution, food production and processing, and the construction sector. According to the guideline, medium-sized businesses with more than 50 workers and a balance sheet of more than 10 million euros are eligible. Still, it is a given that the requirements for a business to be included in cybersecurity will only broaden with time. (eKathimerini 08.12)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Fast of the 10th of Tevet‎

The tenth of Tevet (Asarah B'Tevet), the tenth day of the Hebrew month of Tevet, is a fast day ‎in Judaism. Falling this year on 22 December, it is one of the minor fasts observed from before ‎dawn to nightfall. This observance is one of four public fasts (Asarah B’Tevet, Tzom Gedaliah, Shiva Asar B’Tammuz, and Ta’anit Esther) which are alike in that there do not apply any additional physical constraints, such as the prohibition of washing or of wearing leather shoes, etc. It is the one fast day that is observed when it falls on a Friday, as opposed to being moved to a day earlier.

The fasting commemorates the beginning of the siege of Jerusalem by ‎Nebuchadnezzar II of Babylon, an event that eventually culminated in the destruction of ‎Solomon's Temple (the First Temple) and the conquest of the Kingdom of Judah (today in ‎south-central Israel). In the State of Israel, *kaddish* (the Jewish prayer for the deceased) is recited on this day for people whose date or place of death is unknown. Consequently, many rabbis designated it as a day of remembrance for the Holocaust.

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* 1. Ultra-Orthodox Girls Lead in Mathematics & Reading Scores In Israel

For the first time, ultra-Orthodox (Haredi) female students are outperforming their peers across Israel in mathematics and reading, as revealed by the 2022 Programme for International Student Assessment (PISA) exam. The international study, conducted in 81 countries, highlights a sharp decline in the academic achievements of most students in OECD countries, likely stemming from the widespread impact of the COVID-19 pandemic on learning. Consequently, Israel has risen in the global rankings, securing the 30th spot in reading, 37th in science and 38th in mathematics.

After years of criticism for the lackluster academic performance of the ultra-Orthodox community, a groundbreaking international study in education, examining achievements in mathematics, science and reading, reveals a significant shift in trends. Beyond excelling in reading and mathematics, ultra-Orthodox girls are now outperforming their counterparts in science, marking a notable improvement compared to national-religious and Arab-Israeli female students.

Education experts attribute the success of ultra-Orthodox girls to their ability to maintain achievements while facing a sharp decline in global mathematics scores and a widespread drop in all areas among religious Jewish girls in Israel. They further explain that the emphasis on skills for the job market in ultra-Orthodox educational networks, driven by the economic necessity for ultra-Orthodox women to contribute to household income, plays a crucial role.

According to released data, ultra-Orthodox girls scored 474 in mathematics, compared to 473 for secular girls, 454 for religious girls, and 388 for Arab-speaking girls. In reading, ultra-Orthodox girls opened a 12-point gap compared to state-educated girls, and in science they scored 9 points higher than national -religious girls.

In mathematics, Israel's achievements are similar to those of the United States and Turkey, while Singapore, China, Japan, South Korea and Estonia top the list. In science, Israel's achievements resemble those of Vietnam and Slovakia. In both subjects, despite the improvement, Israel still lags significantly behind the average performance in developed countries, whereas in reading, Israel is positioned close to the OECD average of 476 points. (Ynet 05.12)

\*REGIONAL:

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* 1. Kuwait’s Emir Sheikh Nawaf Passes Away At 86, Official Mourning Announced

Kuwait’s ruler, Emir Nawaf Al-Ahmad Al-Jaber Al-Sabah, has passed away, the country’s leaders announced. Kuwait has announced an official mourning for 40 days and the closure of official departments for three days. Kuwait’s Prime Minister, Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah, chaired an extraordinary cabinet meeting following the passing away of the Emir.

Kuwait’s Deputy Prime Minister and Minister of State for Cabinet Affairs and Minister of State for National Assembly Affairs, Essa Al-Kanderi, said in a statement that Kuwait’s Crown Prince Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah would be the Emir of the State of Kuwait. (GB 16.12)

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* 1. Egyptian President El Sisi Re-Elected to a Third Term

Egyptian President Abdel Fattah El Sisi was re-elected to a third term in office with 89.6% of all ballots cast. The National Election Authority (NEA) said at a press conference on 18 December that El Sisi will take the oath of office in early 2024 for a six-year term that will see him lead the country through 2030. The election results were as follows:

• Abdel El Sisi received 39.7 million of the votes cast;

• Hazem Omar (Republican People's Party) — 4.5% and nearly 2 million votes;

• Farid Zahran (Egyptian Social Democratic Party) — 4% and 1.8 million votes;

• Abdel Sanad Yamama (Al Wafd Party) — 1.9% and 822,000 votes.

Over 44.8 million people cast ballots, putting the official turnout rate at 66.8% — well over the 41.05% rate during the 2018 election that handed El Sisi his second term. Some 98.9% of all ballots cast were valid.

The president acknowledged the challenges facing Egypt “on all fronts,” and reaffirmed his vow to “continue building the new republic” and offered thanks to both voters and his rivals at the polls.

Pundits have been suggesting for months that the president would approve the floating of the EGP after the election, though few have suggested a timeline. (Enterprise 19.12)

ISRAEL LIFE SCIENCE NEWS

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* 1. Scinai Announces Promising Results in a Psoriatic Human Skin Model

Scinai Immunotherapeutics announced a successful preclinical trial results of its innovative anti–IL–17 VHH antibody ('NanoAb') as a local treatment for the large and underserved population of mild to moderate plaque psoriasis.

The study aimed to evaluate the anti-inflammatory effects of Scinai's NanoAbs. Genoskin's proprietary human skin models were induced for expression of plaque psoriasis symptoms to enable ex–vivo examination of the therapeutic effects of drugs targeting underlying mechanisms in the pathogenesis of plaque psoriasis, particularly the IL-17 family of pro-inflammatory cytokines. This disease-induced skin model reproduces key features of plaque psoriasis tissue morphology as well as the cytokine profile associated with the inflammatory state of plaque psoriasis lesions. Genoskin's model has been successfully validated as a reliable ex-vivo system for testing drugs aimed at plaque psoriasis.

The statistically significant results demonstrated the potential for Scinai's anti-IL-17 NanoAbs to noticeably improve psoriatic skin lesions as indicated by skin viability and structural integrity. This finding was corroborated by cytokine release analysis, which showed significantly reduced IL-17 release (p<0.001) as compared to the untreated control, similar to the effects of Betamethasone and Cosentyx. These results were further supported by histopathology results demonstrating improved skin structure following a single dose, which appeared more eﬃcient than Betamethasone in reducing inﬂammation-induced skin and at least as eﬃcient as Cosentyx.

Jerusalem's [Scinai Immunotherapeutics](http://www.scinai.com) is a biopharmaceutical company with two complementary business units, one focused on in-house development of inflammation and immunology (I&I) biological products beginning with an innovative, de-risked, pipeline of nanosized VHH antibodies (NanoAbs) targeting diseases with large unmet medical needs, and the other a boutique CDMO providing services to help biotech companies efficiently bring their products to market by leveraging Scinai's drug development and GMP and non-GMP manufacturing capabilities for pre-clinical and clinical studies. (Scinai 12.12)

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* 1. Teva & Biolojic Design Develop a Therapeutic Antibody for Atopic Dermatitis and Asthma

Teva Pharmaceutical Industries and Biolojic Design announced an exclusive license agreement to develop a potential novel antibody-based therapy for the treatment of Atopic Dermatitis and Asthma. BD9 is a dual specific antibody that can block both TSLP (Thymic stromal lymphopoietin) and IL-13, and has the potential to deliver treatment across typically TH2-driven inflammatory diseases, such as atopic dermatitis and asthma. Existing drugs currently approved by health authorities focus on only one of these two drivers of inflammation, and do not respond to pathway dynamics. When TSLP or IL13 is upregulated BD9 can bind to either target with both arms and with high affinity, therefore having the potential to help more patients and improve outcomes.

Under the terms of the agreement, Teva will receive exclusive rights to develop, manufacture and commercialize BD9 worldwide. In exchange, Biolojic will receive an upfront payment, and will be eligible to receive subsequent milestone payments over the next several years, based on the achievement of certain pre-clinical, clinical, regulatory, and commercial milestones. Biolojic is also eligible to receive tiered royalties in the mid-single to low-double digit on product sales should Teva successfully commercialize a therapy.

Rehovot's [Biolojic Design](https://biolojic.com/) aims to transform antibodies into intelligent medicinal solutions through AI and computational design. Biolojic’s AI platform generates computationally designed antibodies that bind to predefined epitopes, thus allowing for the design of specific functions: agonism, antagonism and selective binding. The platform can generate multi-specific antibodies that act as logic gates executing “and” or “or” function and can serve as molecular switches. (Teva 14.12)

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* 1. Rapid Medical Announces Japanese Approval for TIGERTRIEVER

Rapid Medical announced Japanese approval for its TIGERTRIEVER revascularization device. With Pharmaceuticals and Medical Devices Agency (PMDA) approval, TIGERTRIEVER serves as the first device to offer individualized solutions for mechanical thrombectomy.

TIGERTRIEVER technology is inspired by advancements in aerospace engineering and transforms thrombectomy procedures from a passive to an active approach. Compared to traditional stent retrievers, TIGERTRIEVER offers user control–this is of particular importance in Japan and other Asian countries with a high prevalence of underlying intracranial atherosclerotic disease (ICAD). The device can be expanded and reduced on demand, activating clot integration and potentially reducing the risk of vessel perforation or damage during device retrieval.

A published clinical study demonstrated superiority to conventional stent retrievers. The results of the TIGER multicenter trial presented 3 statistically significant improvements–in restoring blood flow to the brain, good clinical outcomes, and reducing emboli to new territory–compared to an average from six pivotal stent retriever trials. Additionally, the TIGER trial showed fast procedure times, on par with aspiration alone, driven by a very high first-pass success rate. A subgroup analysis maintained these excellent results even in challenging stenotic ICAD patients.

Utilizing proprietary manufacturing techniques, Yokneam's [Rapid Medical](http://www.rapid-medical.com)’s products are remotely adjustable and fully visible. This enables physicians to respond in real time to the anatomy and tailor the approach to every patient for better procedural outcomes. TIGERTRIEVER 13, 17 and 21, COMANECI and COLUMBUS/DRIVEWIRE are CE marked and FDA cleared. (Rapid Medical 13.12)

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* 1. Craniomaxillofacial Tumor Surgery Improved Using 3D Printed Tailored Surgical Guides

Stratasys shared that the University Hospital Birmingham in England is delivering improved outcomes for head and neck cancer patients, with the hospital reporting reduced surgery times of up to three hours through the use of tailored, 3D printed cutting guides.

This success is attributed to the integration of a Stratasys J5 MediJet 3D printer that enables the hospital to create highly accurate, patient-specific cutting guides ahead of operations, transforming the way tumors are removed from head and neck cancer patients. Previously, these would have been created by cutting and bending a piece of metal by hand while the patient was on the operating table, resulting in a time-consuming process with a large margin for error.

Using 3D printing, the surgical team can now produce highly accurate devices using patient scans, with a resolution of within 150 microns, helping to support surgical outcomes. These are produced in Biocompatible Clear MED610; a rigid, transparent resin suitable for applications requiring long-term contact (more than 30 days) with intact skin and limited contact (up to 24 hours) with tissue, bone or mucosal membranes. Stratasys’ GrabCAD Print Software that works alongside this printer, has also proven to deliver additional benefits. Its ability to automatically build support material contributes to the overall end-to-end timesaving facilitated by the 3D printing workflow.

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, healthcare, fashion and education. 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 13.12)

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* 1. Can-Fite Received FDA Positive Response to Psoriasis Pediatric Plan

Can-Fite BioPharma received a positive response from the U.S. FDA on the Pediatric Study Plan for the treatment of children suffering from psoriasis with Piclidenoson. The plan has been submitted to allow enrollment of children with psoriasis to Can-Fite’s upcoming Phase 3 pivotal clinical psoriasis studies, aiming at registration of Piclidenoson with both the FDA and the European Medicines Agency (EMA) for the treatment of plaque psoriasis.

There is a high market need for a safe and efficacious drug for the treatment of children who suffer from psoriasis. There are a couple of small molecule or biological drugs on the market, however all have safety issues and are not satisfactory regarding efficacy. Therefore, there is a high market need which will enable Can-Fite to position Piclidenoson with its favorable safety and good efficacy as a treatment for this chronic and devastating disease.

Can-Fite believes the inclusion of children in one or both of the Phase 3 studies significantly broadens any future market launch potential of the drug. Psoriasis affects millions of people worldwide, including a significant number of children who endure the physical and emotional burden of this challenging disease.

Petah Tikva's [Can-Fite BioPharma](http://www.canfite.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 18.12)

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* 1. Azura Ophthalmics Positive Results for Patients with Contact Lens Discomfort

Azura Ophthalmics announced positive topline efficacy and safety results from a Phase 2 study of AZR-MD-001 in patients with Contact Lens Discomfort (CLD) who could not comfortably wear their lenses as desired and who demonstrated signs of Meibomian Gland Dysfunction (MGD). The trial met its primary endpoint of showing a statistically significant improvement in Meibomian Glands Yielding Liquid Secretion (MGYLS; number of open glands).

The study also met additional secondary and clinically meaningful endpoints, including significant improvements in meibum quality (measured by Meibomian Gland Score, MGS); tear stability (measured by tear break up time, TBUT); ocular surface staining (measured by both fluorescein and lissamine green staining); and contact lens wear time. AZR-MD-001 was safe and well tolerated. All observed adverse events were mild to moderate in severity and none resulted in treatment discontinuation. This is the second positive Phase 2 study of AZR-MD-001 to demonstrate statistically significant improvements across multiple sign and symptom endpoints in patients with MGD.

Azura’s lead clinical-stage, investigational drug candidate AZR-MD-001 harnesses the power of selenium sulfide (SeS2) in an easy-to-use ophthalmic ointment preparation applied directly to the meibomian glands in the lower eyelid. AZR-MD-001 is thought to have a multi-modal mechanism of action that treats the pathophysiology of MGD along with the resulting ocular surface symptoms. AZR-MD-001 is currently being studied to evaluate the safety, efficacy, and tolerability of the study drug in patients with clinical signs of MGD.

Tel Aviv's [Azura Ophthalmics](http://www.azuraophthalmics.com) is utilizing deep understanding of ocular surface diseases and drug development to deliver a new therapeutic class of Ophthalmic Keratolytics to treat underserved ophthalmic conditions. Their differentiated approach combines ophthalmologic and dermatologic solutions to harness the unique properties of keratolytics to treat the root cause of numerous underserved ocular indications. Their internally discovered pipeline of new chemical entities allows development of a portfolio of first-in-class ophthalmic therapeutics for significant unmet needs. (Azura 18.12)

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* 1. 32°N Sunglasses by DeepOptics Take Home the Dezeen Award for Product Design

32°N Sunglasses by Deep Optics announced it has been named the Winner in the Product Design (consumer design and wearables) category of the year 2023. The annual Dezeen Awards program identifies the world's best architecture, interiors, design and sustainability projects, as well as the studios and the individual architects and designers producing the most outstanding work. Organized by Dezeen, the world's most influential architecture and design website, Dezeen Awards is now in its sixth year and has become the benchmark for international design excellence and the ultimate accolade for architects and designers everywhere.

32°N Sunglasses is the first and only adaptive focus sunglasses. 32°N Sunglasses enable users to seamlessly switch between "reading mode" for near vision and "scenic mode" for far distances without changing their opacity. 32°N Sunglasses addresses the needs of people suffering from presbyopia, an age-related, irreversible gradual loss of the eye's ability to focus on nearby objects, usually occurring after the age of 45, to use both reading glasses and sunglasses. Using patented dynamic Liquid Crystal lenses, the glasses switch from sunglasses to reading glasses with a single swipe. Users can add their own reading prescription using the 32°N app, making the glasses 100% personalizable.

Founded in 2011 by a group of entrepreneurs with vast experience in the electro-optics industry, Petah Tikva's [DeepOptics](http://www.deepoptics.com) was created to disrupt the traditional eyewear industry with technology-driven, adaptable optical solutions that provide customers with a seamless experience. 32°N Sunglasses is Deep Optics' first commercial product. (Deep Optics 18.12)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Grip Security Named to Fortune ‘Cyber 60’ List of Top VC-backed Startups

Grip Security has been named to the ‘Cyber 60’ list of top venture-backed startups that offer enterprise-grade cybersecurity solutions in the marketplace. The Cyber 60 is an inaugural report from Lightspeed Venture Partners presented in conjunction with Fortune magazine.

Since its founding in 2021, Grip Security has been on an extraordinary growth trajectory, raising $66 million in series B funding from YL Ventures, Third Point Ventures, Intel Capital and The Syndicate Group. Over the past year alone, bookings surged by over 400%, indicating strong market demand and customer trust. Notably, Grip Security boasts an impressive client roster, including multiple Fortune 500 companies. To support the company’s skyrocketing success, the workforce has nearly tripled. Grip Security's rapid growth positions it as a formidable player in the cybersecurity industry.

Tel Aviv's [Grip Security](https://www.grip.security/) is a pioneer in SaaS identity risk management, providing innovative solutions to help enterprises address the security risks associated with widespread SaaS adoption. The company’s SaaS Security Control Plane platform helps companies discover, prioritize, secure and orchestrate the mitigation and remediation of risks. The innovative approach of leveraging identity as the key control point allows companies to secure all SaaS applications and empowers enterprises to embrace SaaS adoption securely. (Grip Security 13.12)

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* 1. Brenmiller Ready to Handover First U.S. bGen to SUNY

Brenmiller Energy successfully completed commissioning of a bGen thermal storage-based co-generation station at State University of New York (SUNY). Brenmiller will hand over its bGen TES system to SUNY in mid-January, following training. The bGen “charges” using both exhaust gas and electricity and is expected to eliminate approximately 550 metric tons of greenhouse gas emissions annually. Developed and deployed in partnership with the New York Power Authority, the largest state power organization in the U.S., the project was financed in part by a grant from the Israel-U.S. Binational Industrial Research and Development (BIRD) Foundation.

According to a study commissioned by the Renewable Thermal Collaborative, thermal batteries deployed at scale have the potential to eliminate nearly 800 million metric tons of emissions per year in the United States. Globally, the market for thermal energy storage is predicted to reach over $2 trillion by 2040, according to McKinsey.

Rosh HaAyin's [Brenmiller Energy](https://bren-energy.com) delivers scalable thermal energy storage solutions and services that allow customers to cost-effectively decarbonize their operations. Its patented bGen thermal storage technology enables the use of renewable energy resources, as well as waste heat, to heat crushed rocks to very high temperatures. They can then store this heat for minutes, hours, or even days before using it for industrial and power generation processes. (Brenmiller 14.12)

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* 1. Senser Enhances Enterprises' Production Performance with New Management Suite

Ramat Gan's Senser launched their AI-powered product suite to continue supporting enterprises in the cybersecurity, financial services, and software and technology sectors effectively manage service level agreements (SLAs) and service level objectives (SLOs). The new offering extends Senser's core technology to assist DevOps and site reliability engineering (SRE) teams by intelligently and proactively managing SLAs using SLOs and service level indicators (SLIs).

Senser harnesses the power of groundbreaking extended Berkeley Packet Filter (eBPF) technology and machine learning (ML) to continuously and non-intrusively collect data on a company's production environment; automatically create a topology of their infrastructure, network, applications, and APIs; and deliver automated insights into root cause and business impact when issues like outages or service degradations arise.

[Senser](https://senser.tech) is the AIOps platform that delivers immediate intelligence into an enterprise's production environment, with zero instrumentation or configuration required. The platform harnesses the power of eBPF for non-intrusive data collection across distributed systems and uses machine learning (ML) to automatically identify the root cause and business impact of outages and service degradations, accelerating time to detect and remediate issues. Enterprises rely on Senser to massively reduce the cost of observability and maintain the health and reliability of mission-critical production systems. (Senser 14.12)

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* 1. HUB Security New Agreement with International Entertainment Corporation

HUB Security announced the expansion of its collaboration with a top entertainment company, reinforcing a successful ongoing partnership. The industry-leading entertainment company operates globally. As part of this large-scale deal, the entertainment company will integrate HUB Security's cybersecurity services across its global branches, fortifying digital infrastructure and enhancing protection against emerging cybersecurity threats.

[HUB Security](http://www.hubsecurity.com) was established in 2017 by veterans of the elite intelligence units of the Israeli Defense Forces. The Company specializes in unique cyber security solutions protecting sensitive commercial and government information. The company debuted an advanced encrypted computing solution aimed at preventing hostile intrusions at the hardware level while introducing a novel set of data theft prevention solutions. (HUB 18.12)

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* 1. Imagry's Mapless Autonomous Driving Solution Receives Frost & Sullivan Award

Imagry was recognized by the international consulting firm Frost & Sullivan as best-in-class in Europe's autonomous driving industry for enabling technology leadership. Frost & Sullivan described Imagry's mapless autonomous driving software as "agile and flexible," capable of being easily tailored to fit multiple local regions and driving conditions. The product is "easily deployable across vehicle OEMs, regardless of the vehicle's platform, model, trim level, chip, or systems used," the firm said. Frost & Sullivan also recognized Imagry's focus on innovation tailored to industry needs.

Unlike most AV systems that rely on expensive, data-intensive, high-definition maps, Frost & Sullivan found that Imagry's mapless software removes the need for wireless network connectivity and can operate outside narrow geofenced areas. Imagry's solution was also noted for being "top-down," meaning it can handle complex scenarios expected under Level 5 autonomous driving while being able to scale down to meet less complex autonomous challenges.

In its six years of working on automotive applications, Haifa's [Imagry](https://imagry.co/‎) has developed a reliable, mapless autonomous driving software solution for passenger vehicles and buses. Imagry's bio-inspired technology combines real-time vision-based perception and imitation-learning artificial intelligence (AI) for a driving decision-making network that is economical, easily deployable, and scalable. Using low-cost sensors, it eliminates the need for external digital mapping of roads and cities. Imagry's system has been selected by Tier-1s and OEMs for passenger vehicles, and for public buses in three locations to date.

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* 1. Argus Cyber Security Unveils Aftermarket Product to Prevent Cyber Vehicle Theft

Argus Cyber Security unveiled its Argus vDome product, a first-of-its-kind aftermarket anti-theft solution focused on protecting vehicles from CAN injection attacks. CAN injection attacks, for example, exploit vulnerabilities in a vehicle's CAN bus to allow thieves to steal vehicles in under 30 seconds without physical break-in. Using ready-made hacking devices, available for purchase on the darknet, thieves can disable the immobilizer, unlock doors, start the engine and drive away with the vehicle.

Argus vDome is a patented, AI-powered lifetime protection solution that proactively detects and neutralizes malicious devices in under 200 microseconds. It identifies all ECUs on the CAN bus and creates a unique electrical signature for each ECU signal, which represents a distinct 'fingerprint' that cannot be faked. When a hacker connects an unauthorized device to send commands to the CAN bus, Argus vDome instantly identifies the rogue device and blocks the attempt to steal the car in real time. Optional integration with a Multi-Factor Authentication (MFA) system offers an additional layer of security.

Founded in 2014, Ramat Gan's [Argus](http://www.argus-sec.com), a global leader in automotive cyber security, provides in-vehicle and cloud-based cyber security technologies for automakers and suppliers, to ensure that vehicle components, networks and fleets are secured and compliant throughout their life cycle. Argus' innovative methods and solutions are based on decades of cyber security and automotive research and have culminated in over 100 granted and pending patents. (Argus Cyber Security 19.12)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's Inflation Rate Falls in November

The Central Bureau of Statistics announced that Israel’s Consumer Price Index (CPI) fell unexpectedly by 0.3% in November. In the twelve months to the end of November 2023, the index rose by 3.3%, down from 3.7% from the 12 months to the end of October. In the 11 months since the start of 2023, prices have risen by 3.1%.

There were notable price falls in November in fresh fruit, which fell 4.8%, transport (1.2%), footwear (1%), culture and entertainment (0.6%), housing costs (0.4%) and furniture and household equipment (0.3%). There were notable price rises in fresh vegetables, which rose 0.7% and food (0.5%).

The Central Bureau of Statistics also released figures for home prices, which are not part of the CPI. A comparison of deal prices in August-September 2023 with deals in September-October 2023 shows prices unchanged, in part due to the holidays and then the start of the war, with few deals struck. A comparison of deal prices in August-September 2023 with deals in September-October 2023 shows prices rose 2.2% in Jerusalem, fell 1.4% in the north, fell 0.3% in Haifa, rose 0.1% in the Central Region, fell 0.5% in Tel Aviv, and rose 1.5% in the south. In the 12 months ending September-October 2023, housing prices in Israel fell 1.3%. (CBS 15.12)

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* 1. Israel's Fiscal Deficit Keeps Widening

Israel's fiscal deficit widened to 3.4% of GDP at the end of November 2023, amounting to NIS 62.3 billion over the past 12 months, the Ministry of Finance Accountant General Division announced. Israel's fiscal deficit was up from 1.5% at the end of September and 2.6% at the end of October. With government spending growing since the start of the war and revenues shrinking, the fiscal deficit is expected to reach 4% by the end of 2023, when the original forecast in the budget, before the outbreak of the war, was just 0.9%.

In November alone, the fiscal deficit amounted to NIS 16.7 billion compared with NIS 1.7 billion in November 2022. Since the start of the year the fiscal deficit amounts to NIS 43.8 billion. In November 2023, government spending amounted to NIS 47 billion and has totaled NIS 445 billion since the start of the year. War expenditure alone amounted to an estimated NIS 5.8 billion in November. Government revenues have amounted to NIS 401.5 billion since the start of 2023, down 6.2% from NIS 427.9 billion over the same period of 2022. (MoF 10.12)

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* 1. Israel's Unemployment Rate Continues to Fall in November

Unemployment in Israel fell to 2.8% in November from 3.1% in October, the Central Bureau of Statistics announced. Despite the war, the Central Bureau of Statistics reported a continued fall in unemployment - both the official figure and the broad unemployment figure that includes employees placed on unpaid leave.

Unemployment in Israel fell to 2.8% in November from 3.1% in October. This figure does not include army reservists who might not have a civilian job and those on unpaid leave. The broad unemployment figure in November was 8.5% compared with 9.6% in October. The downward trend is because about 50,000 on unpaid leave returned to work in November. The broad unemployment figure also does not include those serving in the army reserves.

Participation in the workforce fell to 60.5% in November from 61% in October. In other words 44,000 people left the workforce. (CBS 18.12)

IN DEPTH

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* 1. LEBANON: Moody's Changes Lebanon's Outlook to Stable from No Outlook

On 13 December, [Moody's Investors Service (Moody's)](http://www.moodys.com/) affirmed the Government of Lebanon's issuer rating at C and has changed the outlook to stable from no outlook. Moody's also affirmed Lebanon's senior unsecured Medium Term Note (MTN) Program rating at (P)C and affirmed the other short-term rating at (P)NP.

The C rating reflects Moody's assessment that the losses incurred by bondholders through Lebanon's ongoing default since 16 March 2020 are likely to exceed 65%. The country is steeped in an economic, financial and social crisis, which very weak institutions and governance strength appear unable to address. The collapse of the currency in the parallel market and the concomitant surge in inflation fuel a highly unstable environment. In the absence of key steps toward plausible economic and fiscal policy reform, official external funding support to accompany a government debt restructuring is unlikely to be forthcoming in the near term.

The stable outlook reflects Moody's expectation that the rating will remain C for the foreseeable future, given the very high likelihood of significant losses for private creditors and Moody's expectation of a very unstable economic environment persisting as a result of recurrent political deadlock and weak institutions. Lebanon's exposure to a further intensification of the Israel-Hamas conflict partially reverses recent gains in the tourism industry and further undermines economic activity.

The local currency ceiling remains unchanged at Ca, one notch above the issuer rating, and the foreign currency ceiling remains at the same level at Ca. The local currency ceiling at Ca reflects the very weak reliability and predictability of institutions and government action in addition to pervasive domestic and geopolitical risks resulting in high country risk. The foreign currency ceiling at the same Ca level reflects the trend toward effective dollarization in the economy amid depositors' current foreign currency transfer and convertibility restrictions which Moody's expects to remain in place until a comprehensive debt restructuring occurs. Meanwhile, the economy continues to rely on large cross-border transfers through informal channels that bypass the banking system.

**RATINGS RATIONALE**

**Rationale for the C Rating Affirmation: Very Weak Institutions Underpin Continued Delay With Comprehensive Debt Restructuring, With Expected Losses Exceeding 65%**

Following the government's default on Eurobond debt service recorded in March 2020 and the subsequently announced decision to restructure both local- and foreign-currency public debt, subsequent governments have been unable to implement the restructuring. The strong interlinkages between the public sector, the Banque du Liban (BdL) and commercial banks point to a comprehensive debt restructuring involving all three sectors in order to restore debt sustainability, and as a condition to unlock IMF financial support.

Reflecting the large public debt stock accumulated before the default at over 170% of GDP, and further losses accumulated since then driven by the sharp economic contraction, the collapse of the currency in the parallel market and rampant inflation at 215.4% at the end of October 2023 compared to one year before, Moody's expects losses for private sector investors to exceed 65%, informing the C rating.

Progress with respect to the debt restructuring will depend on the government's policy implementation capacity. However, continued institutional deadlock is reflected in parliament's inability to elect a new president following the expiration of former President Michel Aoun's term on 31 October 2022. Without the election of a new president, the government led by Prime Minister Najib Mikati remains in a caretaker capacity until a new government is appointed with full powers. Similarly, the BdL is led by former first deputy governor Wassim Mansouri as acting governor since the term of former governor Riad Salameh expired at the end of July this year. Although the Government of Lebanon has a long history of institutional challenges, the persistent political vacuum increases the risk of protracted economic, financial and social crisis.

**Rationale for the Stable Outlook**

The stable outlook reflects Moody's expectation that the rating will remain C for the foreseeable future, given the very high likelihood of significant losses for private creditors and Moody's expectation of a very unstable economic environment persisting as a result of recurrent political deadlock and weak institutions. In addition, Lebanon's exposure to a further intensification of the Israel-Hamas conflict partially reverses recent gains in the tourism industry and further undermines economic activity.

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

C is the lowest rating in Moody's rating scale. It is unlikely Lebanon's rating would move from its current position before restructuring, given the extent of the macroeconomic, financial and social challenges and Moody's expectation of very significant losses.

If there are any upward movements in Lebanon's sovereign rating after the debt restructuring, they are likely to be limited for a considerable period of time. For Lebanon's rating to migrate above levels associated with very high probability of future re-default and significant losses, the implied pace of fiscal consolidation and structural reform implementation would have to be much faster than currently expected, over a number of years. A further precondition for a substantial upgrade is that the key drivers of the country's debt dynamics — such as economic growth, interest rates, privatization revenue, and the ability to generate and sustain large primary surpluses — were to evolve in a way that would ensure debt sustainability in the future. (Moody's 13.12)

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* 1. IRAQ: IMF Staff Concludes Staff Visit with Iraq

A staff team of the [International Monetary Fund (IMF)](https://www.imf.org/) met with the Iraqi authorities in Amman, Jordan during 12-17 December to discuss recent economic developments and outlook as well as policy plans.

At the end of the mission, the IMF issued the following statement:

“Against the background of a large fiscal expansion, non-oil GDP is expected to grow by 5% in 2023. Continued budget execution should help sustain strong non-oil growth in 2024. However, lower oil production, following the closure of the Iraq-Turkey pipeline and OPEC+ production cuts, will reduce overall GDP growth in 2023 and 2024. Inflation has declined from its January peak and is projected to stabilize in the coming months—helped by the Central Bank of Iraq’s (CBI) tighter monetary policy, pass through from the exchange rate revaluation, lower international food prices, and normalization of trade finance as compliance to the new anti-money laundering/combating the financing of terrorism (AML/CFT) [GM1] framework improved.

“The three-year budget approved in June 2023 marked a shift in Iraq’s budgeting practice, envisaged to improve fiscal planning and continue important development projects over the medium term. Despite a late start of budget implementation, the fiscal balance is expected to shift from a large surplus in 2022 to a deficit in 2023. Staff projects that the deficit would widen further in 2024 reflecting the full year impact of recent measures. The large fiscal expansion, including a substantial increase in public hiring and pensions creates permanent spending that will put pressure on public finances over the medium term.

“Ensuring fiscal sustainability, in context of uncertain outlook for oil prices, requires gradually tightening the fiscal policy stance while safeguarding critical infrastructure and social spending needs. This would require mobilizing additional non-oil revenues, containing the large government wage bill and reforming the pension system. These measures should be supported by moving toward a more targeted social safety net that better protects the vulnerable.

“The mission welcomed the government’s plans to strengthen public financial management including steps towards the establishment of the Treasury Single Account. In this context, the mission reiterated the importance of adhering to the framework for managing government guarantees.

“The CBI has appropriately tightened its monetary policy, including by increasing its policy rate and reserve requirement. The mission welcomed the progress in strengthening the domestic liquidity management framework and encouraged continued efforts to mop up excess liquidity and develop an interbank market to strengthen monetary policy transmission.

“Structural reforms to spur private sector led economic diversification and job creation remains pivotal for sustainable and inclusive growth. Priorities include creating a level playing field for the private sector through banking and electricity sector reforms, reducing distortions in the labor market, and continuing efforts to enhance governance and reduce corruption. (IMF 19.12)

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* 1. KUWAIT: Emir Nawaf’s Passing and the Future Leadership of Kuwait

Simon Henderson posted on 18 December in [TWI](http://www.washingtoninstitute.org) that geographic location and oil wealth give the sheikhdom significance far exceeding its size and population.

The death of eighty-six-year-old Emir Nawaf al-Ahmad al-Sabah was not unexpected. He had been hospitalized for undisclosed reasons in November, and his increasingly poor health had already caused him to give Crown Prince Mishal al-Ahmad al-Sabah de facto control in 2021. But Sheikh Mishal, a half-brother, is already himself eighty-three, which will prompt much speculation about who the wider al-Sabah clan favors as heir apparent to Mishal and whether a much younger person—more capable of a longer reign—will be chosen. In the Kuwaiti system, the new emir, who has not yet taken the oath before parliament, has twelve months to choose an heir. No names of likely candidates have yet emerged in public.

For the moment, Kuwait is engaged in protocol. Emir Nawaf’s death was announced on 16 December. He was buried after a funeral service attended by family members and the speaker of Kuwait’s parliament on 17 December. Regional and world leaders are now making condolence visits. The first to arrive was Emir Tamim bin Hamad al-Thani of Qatar, followed by King Abdullah of Jordan and King Hamad bin Isa al-Khalifa of Bahrain. Iranian foreign minister Hossein Amir-Abdollahian, Palestinian leader Mahmoud Abbas and Iraqi's Prime Minister Mohammed Shia al-Sudani were next. Crown Prince Muhammad bin Salman, known informally as MbS, represented Saudi Arabia, which suggests that his father, King Salman, who at eighty-eighty next year is the oldest Gulf leader, was not well enough to travel.

The memory of Iraqi leader Saddam Hussein’s invasion in 1990 and the subsequent liberation by U.S.-led forces evokes Kuwait’s vulnerable position at the northern end of the Persian Gulf, sandwiched between Iraq and Saudi Arabia, with Iran just a few miles across the water. OPEC member Kuwait has nearly 10% of the world’s oil, and with a population just exceeding 4 million—70% of them expatriates—its name has become synonymous with wealth.

Yet despite this, the country has been plagued by divisive governance and maladministration. The fifty members of the National Assembly frequently criticize the current government, led by Prime Minister Sheikh Ahmad Nawaf, the eldest son of the deceased emir. As a consequence of the tough grilling ministers face in the chamber, Sheikh Ahmad, appointed in July 2022, is already on his fourth cabinet. The latest edition of the Middle East Economic Survey (MEES) energy newsletter described his relations with parliament as “tumultuous” and reported: “Amid such an acrimonious relationship, much needed fiscal and economic reforms continue to go unaddressed.” A glaring example is the emerging need to lease ship-based electricity-generating plants because the existing onshore infrastructure is barely adequate to provide power for the summer months, when air-conditioning demand peaks.

Kuwait’s leadership looks to the United States for military support and hosts more than 13,000 American personnel in the country. Washington must be wishing Sheikh Mishal well in his leadership role and hoping he can choose a capable and probably younger al-Sabah to eventually succeed him.

*Simon Henderson is the Baker Fellow and director of the Bernstein Program on Gulf and Energy Policy at The Washington Institute.* (TWI 18.12)

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* 1. OMAN: Moody's Upgrades Oman to Ba1, Changes Outlook to Stable

On 7 December, [Moody's Investors Service (Moody's)](http://www.moodys.com/) upgraded the Government of Oman's long-term issuer and long-term senior unsecured ratings to Ba1 from Ba2 and changed the outlook to stable from positive. Moody's has also upgraded the Government of Oman's senior unsecured medium-term note program rating to (P)Ba1 from (P)Ba2.

The upgrade reflects Moody's expectation that the further improvements in Oman's debt burden and debt affordability metrics during 2023 will last, as the government's actions amplify the oil prices windfall gains through spending restraint and prioritization of debt repayment. A lower debt burden increases the sovereign's resilience to potential future shocks, and the improving track record of fiscal prudence and policy effectiveness increases the likelihood that the stronger debt burden and debt affordability metrics will be maintained in the next few years even if oil prices become less supportive.

The stable outlook captures the balance of risks at the Ba1 rating level. Oman's still heavy economic and fiscal reliance on the hydrocarbon sector exposes the sovereign to a potentially large and protracted deterioration in its fiscal and external accounts in case of a decline in global oil demand and prices. Upside risks are related to the government's improved reform momentum since 2020 and its efforts to increase economic and fiscal diversification, which support the prospect that, over time, Oman's reliance on hydrocarbons will decline.

This rating action also applies to Oman Sovereign Sukuk S.A.O.C, a special-purpose vehicle domiciled in Oman, whose obligations, in Moody's view, are ultimately the obligation of the Government of Oman. The entity's backed senior unsecured ratings and its backed senior unsecured medium-term note program rating were upgraded to Ba1 from Ba2 and to (P)Ba1 from (P)Ba2, respectively.

Oman's local currency (LC) and foreign currency (FC) country ceilings were raised by one notch. The LC country ceiling at Baa2, two notches above the sovereign issuer rating, incorporates the economy's heavy reliance on a single revenue source, the government's large economic footprint, and Oman's track record of material external imbalances, partly mitigated by predictable institutions and moderate political risk. The FC country ceiling at Baa3, one notch below the LC ceiling, reflects relatively modest transfer and convertibility risks, supported by the sovereign's robust foreign-currency buffers and Oman's track record improving fiscal policy effectiveness, set against the economy's overall high, albeit declining, level of external indebtedness.

**RATINGS RATIONALE**

**Rationale for the Upgrade to Ba1: Debt Metrics Improved Further Amid Supportive Oil Prices and Spending Restraint**

Oman's fiscal and external sector metrics continued to benefit from supportive oil prices during 2023. Moody's estimates that the government's fiscal balance remained in a robust surplus of around 3.5% of GDP (including oil revenue transferred to the Petroleum Reserve Fund) following a surplus of 7.5% of GDP in 2022, the highest surplus in 10 years, and a deficit of 3.1% of GDP in 2021. While most of the fiscal improvement during 2022-23 was a result of higher hydrocarbon revenue, the government's spending restraint and the value-added tax introduced in April 2021 contributed to maximizing the fiscal windfall. Moody's estimates that the increase in non-interest expenditure excluding spending related to oil and gas production during 2022-2023 (equivalent to around 2% of 2023 GDP) was broadly offset by the increase in non-hydrocarbon revenue.

As during 2022, the government continued to prioritize debt reduction. Moody's estimates that during 2023 the nominal value of Oman's outstanding government debt declined by at least 11% (equivalent to $5 billion of mostly external debt) after falling by 15% (or $8.2 billion) in 2022. As a result, the debt burden likely declined below 38% of GDP by the end of 2023 from 40% of GDP at the end of 2022, the lowest debt-to-GDP ratio since 2016 and close to half its peak in 2020. This additional reduction in debt further increases Oman's fiscal space and its fiscal resilience against potential future shocks.

Some of the government debt reduction during 2022-23 was facilitated by a delegation of previously on-budget spending related to oil and gas production to government-owned Energy Development Oman (EDO), which in turn financed some of this spending from own borrowing. Nevertheless, EDO's debt increased by only around $2 billion (or 2% of GDP) in 2023 after remaining unchanged in 2022 (excluding the shareholder bridge loan from the government), indicating that only a small portion of the government debt reduction has been achieved at the cost of rising broader public sector debt.

Moody's believes that the government's adherence to fiscal prudence and its prioritization of debt repayments during the period of supportive oil prices in 2022-23 increases the likelihood that the improvements in the government debt metrics will be sustained in the medium term even if oil prices continue to moderate in the next few years. Moody's assumes that oil prices will average $80-85/barrel in 2024-25 before declining gradually to the medium-term fundamental range of $55-75/barrel. Under these baseline assumptions, Moody's projects Oman's government debt burden to decline to around 35% of GDP in the next three years.

On the external side, Moody's estimates that Oman's current account balance remained in surplus during 2023 (around $2 billion or 2% of GDP), following a surplus of 5% of GDP in 2022. This has allowed the government to pay down $4 billion of its external debt without causing a significant reduction in central bank foreign-currency reserves, which declined to $16.1 billion at the end of September 2023 from $17.6 billion at the end of 2022. Under its baseline oil price scenario, Moody's expects Oman's current account to remain in a small surplus during 2024-25 before returning to a small deficit in 2026 due to lower oil prices.

**Rationale for the Change of Outlook to Stable: Still Heavy Reliance on Hydrocarbons Balances Improved Reform Momentum**

Credit risks at the Ba1 rating level are broadly balanced. The medium-term fiscal outlook remains exposed to declines in global oil demand and prices given the sovereign's heavy economic and fiscal reliance on the hydrocarbon sector, as was underscored by the past eight years of high oil price volatility and the subsequent very significant erosion of the government's balance sheet. Furthermore, while Oman's government liquidity and external vulnerability pressures have diminished substantially since 2020, the sovereign remains susceptible to a potentially large and sudden increase in funding needs whenever oil prices decline significantly, which is also likely to be accompanied by a tightening of financing conditions facing the government.

Oil prices that Moody's assumes over the next couple of years afford the government additional time to advance its structural economic reform agenda initiated in 2020, increasing the likelihood that Oman's vulnerability to potential future declines in global oil demand and prices will be reduced to a point consistent with a higher rating level. The ongoing reforms include strengthening of public finance management through the introduction of the treasury single account, improving tax administration to reduce the tax gap, a gradual broadening of government non-hydrocarbon revenue streams, improving efficiency of Oman's public pension and social security system, better targeting of social spending including subsidies and advancing economic diversification by improving Oman's business and investment environment. Structural reforms also include improving transparency and provision of economic statistics, such as quarterly GDP estimates.

The planned development of a large green hydrogen production capacity in Oman could, if successful, contribute to mitigating the sovereign's longer-term credit risks stemming from global carbon transition. However, Oman's relatively limited proved hydrocarbon reserves compared to most regional peers, estimated at around 15 years of production for crude oil, are a distinct source of a longer-term downside risk, in particular if the current one-for-one rate of replacement of extracted barrels with new reserves cannot be maintained.

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

Steadily diminishing vulnerability to cyclical declines in oil demand and prices and to longer-term risks stemming from global carbon transition would, over time, exert upward pressure on Oman's credit profile, allowing for migration to higher rating levels. Such pressure would likely be reflected in declining non-hydrocarbon fiscal and current account deficits, underpinned by a material expansion of the government's non-hydrocarbon revenue base and growth in non-hydrocarbon exports, and a trend improvement in non-hydrocarbon sector growth, jointly pointing to reduced economic and fiscal reliance on the hydrocarbon sector. In the meantime, further strengthening in the government's debt metrics through continued fiscal prudence and improving non-oil revenue generation could prompt an upgrade.

A material and durable reversal of the improvements in the debt burden and debt affordability metrics achieved during 2022-23 would exert negative pressure on the rating. Such pressure could result from a large and persistent oil price shock unmet by an equally large fiscal policy adjustment, or from a significant reversal of the fiscal adjustment implemented by the government in recent years, increasing Oman's exposure to potential future declines in oil demand and prices. In the longer term, materially slower progress in implementing further fiscal reforms and advancing economic and fiscal diversification than Moody's currently expects would constrain and possibly exert negative pressure on the rating, in particular if accompanied by growing evidence that global carbon transition is accelerating compared to Moody's current baseline. Evidence of a significant tightening of financing conditions facing hydrocarbon producers, when investors begin to price in risks related to accelerating carbon transition, would also exert downward pressure on the rating. (Moody's 07.12)

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* 1. SAUDI ARABIA: Saudi Regional Headquarters Program Deadline Looms

The [Arab Gulf States Institute in Washington](https://agsiw.org/‎) (AGSIW) Robert Mogielnicki reported on 5 December that beneath Saudi officials’ tough talk on the Regional Headquarters Program lies a strong desire for constructive engagement with top global firms and attracting greater inflows of foreign investment.

The implementation deadline for Saudi Arabia’s Regional Headquarters Program is fast approaching. The program requires most multinational companies to set up a regional headquarters in the country by the beginning of 2024 to secure government contracts. Despite the tense regional mood imposed by the Hamas attack on Israel and global uncertainties associated with the Russia-Ukraine war, Saudi officials nevertheless struck a confident tone about the RHQ Program at the 2023 Future Investment Initiative conference in Riyadh. The Saudi finance minister, Mohammed Al-Jadaan, said, “The deadline is not new, and yes it will be implemented,” and the minister of economy and planning, Faisal Al-Ibrahim, explained that the RHQ program is “not just a negative reinforcement. There’s a lot of positive reinforcement as well.” Earlier in November, the Saudi minister of investment, Khalid al-Falih, said, “We tick all the boxes,” as a destination for investment flows.

Neighboring Gulf Cooperation Council states – especially the United Arab Emirates – are concerned that the RHQ Program policy pushes regional economic competition beyond acceptable boundaries. Multinational firms with existing or prospective business interests in the Middle East are pondering the implications for their regional operations and investment strategies. The key question is how strictly Saudi officials will set about policy enforcement. The commercial stakes are high: Saudi government spending in 2024 is projected to reach $333 billion – with an emphasis on advancing giga-projects, other major development initiatives, and the non-oil economy.

**Exuding Economic Confidence**

Many Saudi government and business actors exude confidence about their country’s economic horizons. There is an undeniable buzz to Riyadh, where new developments and an influx of visitors and professionals support the capital’s economic momentum. A continuous stream of initiatives and projects in other parts of the country – such as in Neom, which recently announced ultra-luxury tourism developments Epicon and Siranna – offer a long pipeline of commercial opportunities for firms and investors. Hosting high-profile global events over the next few years will require billions of dollars more in development spending, in addition to shining an international spotlight on the country. Saudi Arabia won the bid to host the World Expo in 2030, is set to host the 2034 FIFA World Cup, and is preparing an Olympics bid.

There are some indications that this economic momentum has helped support the RHQ Program. According to Khalid al-Falih, around 180 licenses have been issued for companies setting up a regional headquarters during 2023, exceeding the annual target of 160 companies. The utilization of a new methodology for calculating foreign direct investments resulted in 2022 figures jumping from $8 billion to $33 billion. The massive correction raises eyebrows, but the intended message from the data revision is that key economic indicators are moving in a positive direction.

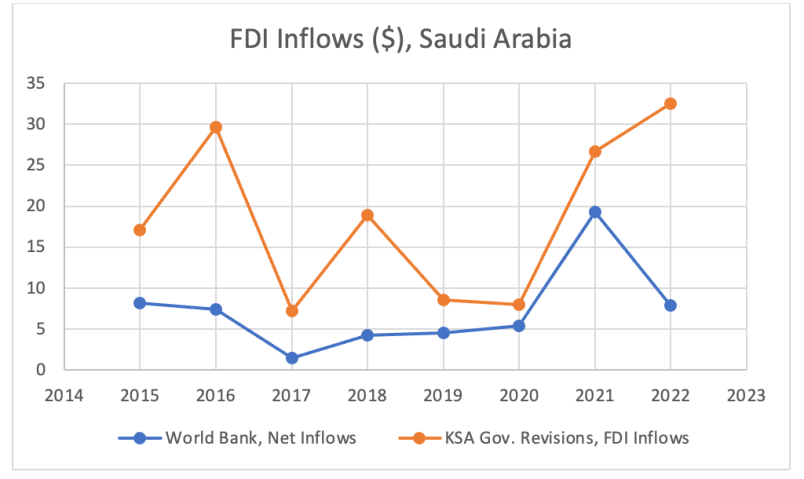
Saudi Arabia’s market size and an extraordinarily fast-paced development agenda do represent important drivers of international commercial interest in the country, but other factors matter too. Attracting greater FDI flows and ensuring that top-tier multinational companies establish a long-term presence in Saudi Arabia are ultimately better accomplished by constructive dialogue than being a stickler over a relatively new policy. Both commercial carrots and sticks are required to encourage foreign firms to create new value in the domestic economy, especially through employment creation and skills transfer, as envisioned in the government’s broader plan for economic development. The RHQ Program implementation will therefore likely involve a certain degree of fuzziness – not for a lack of execution ability but rather to enable greater policy flexibility moving forward.

**Manageable Headwinds on the Immediate Forecast**

Meanwhile, a sense of uneasiness looms over the region. The Hamas assault on Israel and concerns that it could spark wider regional instability is the pressing issue of the moment. Foreign flows into Saudi stocks have proved volatile, with inflows resuming after an exodus in October. According to S&P Global, the economies in Saudi Arabia and most other GCC countries would remain resilient even amid a spread of the conflict.

This coincides with slowing economic growth. Real gross domestic product growth in Saudi Arabia is forecasted to register 0.8% for 2023, down from 8.7% in 2022, according to the International Monetary Fund. The World Bank projects Saudi Arabia’s oil sector will contract by 8.4% in 2023 alongside 4.3% growth of the non-oil sector, but it expects overall growth to rebound to 4.1% in 2024. The non-oil growth rate has remained robust, offering some positive news for ongoing economic diversification efforts.

However, FDI is still falling short of expectations, no matter how the government decides to measure inflows. When $12.4 billion from an oil pipeline deal in 2021 and $15.5 billion from a natural gas pipeline deal in 2022 are stripped from the totals, the foreign investment narrative looks less impressive. The National Investment Strategy aims to boost annual FDI to more than $103 billion by 2030, a lofty ambition given historical inflows.



**Source: World Bank and Saudi Press Agency**

Recent surges in Saudi government spending will result in year-on-year deficits, raising concerns over the commitment to fiscal discipline and a familiar willingness to slip “back to the pro-cyclical fiscal policy of the past.” The 2023 fiscal deficit is expected to reach nearly $22 billion, and that of 2024 is projected to rest around $21 billion. However, Saudi officials are less concerned about the short-term impact of deficits. Such deficits demonstrate the government’s commitment to spend amid revenue streams still heavily influenced by oil prices.

**Medium-Term Challenges Ahead**

Over the medium term, Saudi officials will have to work assiduously to assuage investment-related concerns. Talent availability registers high on this list. Foreign firms want to see a clear alignment between their workforce needs and the skills present in the local labor market or be confident that they can draw upon a pool of talented expatriates within the country or overseas. In Gulf countries with large local populations like Saudi Arabia, the prospect for increasingly strict workforce nationalization requirements – known as Saudization – weighs on investors’ minds. Foreign firms and investors are likewise on the hunt for commercial incentives – often in the form of tax exemptions and other subsidies. Indeed, Saudi officials are in the process of undertaking major income tax reform to better align their system with global standards.

Maintaining regulatory consistency amid a fast-paced economic transformation process is not an easy task, nor can a trusted track record on commercial regulation emerge overnight. Regulatory overhauls (even if intended to improve the ease of doing business) introduce uncertainty and disruptions that do not always strike the right chord with the business community. Despite the creation of the Saudi Center for Commercial Arbitration in 2016, business leaders worry about commercial dispute settlements, especially given the lack of international arbitration awards being enforced in practice.

Moreover, certain companies operating in strategically sensitive industries – such as defense and security, technology, and government contracting – may struggle to conduct their region wide operations out of a Saudi headquarters. Still other foreign firms wonder how a preexisting Middle East regional headquarters outside of the Gulf may impact their eligibility to win Saudi government contracts.

Several subsidiary issues can present obstacles for convincing senior personnel to staff new headquarters in Saudi Arabia, especially if these professionals are relocating with their families. The quality and availability of international schools for children is a key concern. Saudi Arabia’s health-care system, though well established, is not as highly regarded as that of the UAE. Moreover, better connectivity to destinations within and outside of the country is needed for senior business leaders and investors with busy travel schedules.

To its credit, the Saudi government recognizes these areas for improvement and is advancing on various fronts. Saudi Arabia’s legal reforms seek to strike a balance between improving the business environment and “upholding the centrality of sharia in the kingdom’s judicial and legal systems.” The health-care sector has its own transformation program under Vision 2030. The government has committed to building a new airport in Riyadh along with a second national carrier. However, it will take years to achieve major strides in quality improvement. The newly established airline, Riyadh Air, will not take passengers until 2025.

Neighboring Gulf countries remain a factor in the RHQ Program equation. The brisk pace of Saudi Arabia’s economic transformation under Vision 2030 has not occurred in a regional vacuum but rather alongside ongoing economic policymaking and reforms in other countries. In recent years, the UAE has implemented a raft of policies, reforms and initiatives intended to improve the country’s livability and attractiveness for multinational companies. These measures are paying off. Major global investment banks, such as Rothschild & Co. and Morgan Stanley, are opening offices in Abu Dhabi Global Market, the capital emirate’s financial free zone. The remaining GCC states with smaller economies must select niche economic domains within which to compete or cooperate with Saudi Arabia.

When it comes to the RHQ Program, the Saudi Arabian government may be the main player at the table, but it doesn’t hold all the cards. Strict policy enforcement of the program is not more important than the overarching objective. Saudi officials ultimately desire deeper engagement with top global firms and sustainable flows of FDI that create new value within the domestic economy. Such an outcome is more likely achieved through frank discussions in boardrooms than by overly rigid directives.

*Robert Mogielnicki is a senior scholar at the Arab Gulf States Institute in Washington.* (AGSIW 05.12)

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* 1. EGYPT: Egyptian Elections and Elite Dynamics

Maria Gloria Polimeno noted in [Sada](https://carnegieendowment.org/sada/91242) on 14 December that as part the Egypt Vision 2030 development agenda, elections were a necessary measure for the regime to demonstrate unity among the country's political and military elite.

This week, Egyptians headed to the polls to cast their ballots in the 2023 presidential election. The results announced on 18 December found Egyptian President Abdel Fattah al-Sisi had secured a third term in office. The elections took place at a time of economic turmoil that has dragged on for the past two years, accelerating in early 2023 as a result of the exponential rise in the inflation rate. This crisis has come on top of the austerity measures and the devaluation of the currency that already deeply affected the country during the height of the COVID-19 pandemic in 2020.

Many have argued that the 2023 elections were part of al-Sisi’s move to reassert his political legitimacy prior to embarking on a new package of austerity measures. But this implies that al-Sisi already obtained and renewed a social mandate to rule in previous elections. Political legitimacy has many interpretations, but in its most basic as a “social mandate” to rule, it involves political pluralism—a precondition that is nowhere to be found in Egypt. Instead, the 2023 elections should be understood through the lens of Egyptian intra-elite politics, which is closely intertwined with the government’s program of transitioning to a green economy, part of Egypt Vision 2030.

A set of amendments to the penal code introduced between 2014 and 2017 have been detrimental to civil society, shutting down spaces for political debate and pluralism. During the past eight years, al-Sisi’s government has suppressed or banned political opposition—religious and secular alike—and imprisoned human rights defenders, forcing many to flee the country. Political parties have been eclipsed by the regime, to the point that the Wafd Party, the oldest and most influential in Egypt, backed al-Sisi in the 2018 elections.

During the current round of presidential elections, the outspoken opposition candidate and former Egyptian parliamentarian Ahmed Al-Tantawi was harassed by the military and forced to end his presidential run in October. Now facing trial for “circulating unauthorized endorsement forms,” Al-Tantawi and his candidacy reveals the complex relationship between al-Sisi, the armed forces and the silenced opposition. As discussed in my forthcoming book, the Egyptian military is not a unified actor, and the cohesion of the military elite depends on a variety of social, political, and economic factors. Even if it is unlikely that al-Tantawi would have won the elections, his candidacy could have attracted dissenting voices and mobilized a large, if deeply unorganized, opposition. Indirectly, this could have opened rifts within the military, thus exposing the political authority to risks.

The remaining three opponents included Abdel Sanad Yamama of the Wafd Party, Omar Hazem of the Republican People’s Party and Farid Zahran of the Egyptian Social Democratic Party. A former chairman of the Foreign Relations Committee in Egypt’s Senate, Hazem also oversees an Egyptian tourism development company, while Zahran maintains connections to Abbas Kamel, Director of Egyptian General Intelligence. Yamama does not have specific relations with Egypt’s network of political or business elites, but he has never criticized al-Sisi for his political or economic reforms.

While the legal structure that ensures the absence of any true opposition has remained unchanged since the 2018 elections, when al-Sisi won 97% of the vote, the shift to these three “symbolic” candidates reveals a change in the regime’s political strategy. The goal of elections has been to prevent any fractures from the within the elite which could undermine Egypt Vision 2030: rather than proving political legitimacy, the presidential authority needs a pledge of allegiance by the elite, particularly amidst growing criticisms about the envisioned model of “green” development. Al-Sisi’s survival entirely depends on the success of Egypt Vision 2030—and thus the opposition candidates, despite the election results, have performed a critical political role for the regime.

*Dr Maria Gloria Polimeno is Research Fellow at SOAS University of London and the author of Egypt and the rise of fluid authoritarianism: political ecology, power and crisis of legitimacy, forthcoming from Manchester University Press. She is also a Fellow of the Royal Society of the Arts.*  (Sada 14.12)

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* 1. TUNISIA: Fitch Affirms Tunisia at 'CCC-'

On 8 December, [Fitch Ratings](http://www.fitchratings.com/) affirmed Tunisia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'CCC-'. Fitch typically does not assign Outlooks to sovereigns with a rating of 'CCC+' or below.

**High Financing Risk, Resilient Reserves:** Tunisia's 'CCC-' rating reflects the heightened uncertainty around the government's ability to meet its large budget financing needs - revised up in the absence of progress on key subsidy reforms - and increasing debt maturities. The affirmation balances our revised assumption that an IMF program is unlikely to be reached in 2024 with the better than expected resilience of international reserves despite the limited availability of external funding.

**Increasing Fiscal Financing Needs:** We expect fiscal financing needs to be consistently at or over 16% of GDP (over $8 billion) per year in 2023-2025 compared with 14% (about $6 billion) in 2022, and well above the 2015-2019 average of 9%. This is one of the highest among 'CCC+' or lower peers. This results from persistent wide budget deficits, and increasing domestic and external debt maturities, at about 10% of GDP per year in 2024-2025.

Domestic maturities are pushed up by the government's increasing reliance on shorter-term domestic financing to compensate for scarce external financing. External maturities are higher, partly because of upcoming Eurobond repayments (€850 million in February 2024, and $1 billion in January 2025).

**Limited External Financing Prospects:** At end-September 2023, Tunisia had received $1.3 billion (2.6% of GDP) in external financing. This compares with $5.5 billion (11% of GDP) envisaged in the 2023 funding plan, including significant bilateral partner commitments, mostly conditional on an IMF program that did not materialize. We expect external financing to reach about $2 billion by year-end. We do not expect Tunisia to access an IMF program in 2024, constraining external financing prospects.

We believe the government could mobilize about $2.5 billion (5% of GDP) in 2024, including an additional $500 million loan from Saudi Arabia (after $400 million received this year), $500 million from AfreximBank, appearing in the draft 2024 budget law. We include another $500 million financing in our forecasts as the government is negotiating new financing with partners. We have no visibility on the advancement of these negotiations and the parties engaged, but we believe support from Saudi Arabia, which previously seemed to insist on an IMF as precondition, could signal slightly better prospects for financing from Gulf partners.

**Saturating Domestic Market:** In our baseline assumptions, the government would need to raise the equivalent of 12% of GDP in domestic financing in 2023-2024 to cover the financing gap. We see this as a stretch to the domestic market capacity to absorb the public sector financing needs. Exposure to the public sector already represents more than 20% of the banking system's total assets, reaching up to 40% for some public banks. The sector has limited liquidity and banks' ability to fund the government increasingly relies on central bank purchases of government debt on the secondary market.

There are political discussions about changing the status of the central bank to allow direct financing of the government. In our view, this would endanger the credibility of the central bank and raise pressure on prices and the exchange rate.

**Reserve Resilience, FX Tightness:** Official international reserves have been unexpectedly resilient to the limited availability of external funding, recovering to $8.4 billion in October 2023 from $7.8 billion at end-2022, despite weaker financing. This was partly supported by a significant reduction of the current account deficit (CAD), expected at 4.2% of GDP in 2023 compared with 8.6% in 2022. Strong tourism and remittances receipts contributed to the improvement, but we believe tightening financing conditions for the public sector also constrained imports by SOEs.

We see the CAD widening to about 5% of GDP in 2024-2025, as we believe imports will recover somewhat from 2023's constrained levels, with the energy and food balance continuing to weigh on the trade balance, although tourism and remittances will remain strong. We expect reserves to deteriorate materially over 2024-2025, in the absence of additional government external financing, as external government maturities are likely to be partly met by drawing reserves.

**Limited Reforms, IMF Program Prospects:** The government has implemented revenue measures and achieved a wage deal that reduces fiscal pressure from the wage bill. However, progress towards reforming the subsidy system, another prior action for the IMF program, has stalled and there is clear political opposition to increasing prices of regulated food and energy products. Negotiations with the IMF on a program have consequently paused, and we do not expect reforms will progress in 2024, in the context of the presidential election.

**Fiscal Slippage:** The government has revised the 2023 budget, pushing the expected deficit to 6.8% of GDP (including grants) from the initial target of 5%, and after 6.7% in 2022. We forecast the fiscal deficit to land at 6.5%, as the revised budget incorporates some buffers on expenses, and to then consolidate at a slow pace to 6.4% in 2024 and 5.7% in 2025.

The higher deficit is mostly the result of larger subsidies and transfers to SOEs and the increased cost of debt compared with the initial budget, drafted under the assumptions of the staff level agreement reached with the IMF last year. This reflects the absence of reform of the subsidy system, and the large shortfall in external financing compared with the budget financing plan, increasing the recourse to more expensive domestic financing.

**High and Vulnerable Debt:** We forecast debt to rise to around 83% of GDP in 2024-2025 from 80% in 2023, as the expected moderate primary balance improvement and low growth will remain insufficient to reduce the debt ratio. The debt trajectory remains highly sensitive to fiscal shocks - in a context of high vulnerability to international commodity prices volatility - and to currency depreciation.

Tight foreign-exchange market management and regulation kept the exchange rate broadly stable in 2022-2023, but scarce external financing may raise pressure on the currency, and sharper depreciation would substantially increase debt/GDP given the high foreign-currency debt, although the high share of official sector debt entails favorable financing terms.

**Growth to Remain Subdued:** We expect GDP growth to fall to 0.9% of GDP in 2023 from 2.4% in 2022, as a result of the sharp contraction of the rain-fed wheat production, impacted by rain shortfalls. We project a mild recovery to 1.5% average in 2024-2025, supported by a favorable base effect. We expect growth will remain constrained by the high sovereign risk impacting the business environment and investor sentiment, high inflation (expected to average 9.3% in 2023), and the increasing crowding-out impact on the private sector from the government's high financing needs.

**RATING SENSITIVITIES**

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

-Public Finances: Increased signs that a default is probable, for example, because of the inability to mobilize sufficient financing externally and domestically to cover budgeted expenses and debt maturities.

-External Finances: Increased pressures on the external accounts materializing into a drop in FX reserves or large-scale currency depreciation.

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

-External Finances: Improved access to external financing providing higher confidence that the resilience of FX reserves is sustainable and raising confidence in the ability to handle upcoming external debt maturities.

-Public Finances: Improved policy credibility and commitment to reform implementation, supporting the reduction of the fiscal deficit and debt reduction. (Fitch 08.12)

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* 1. ALGERIA: IMF Staff Completes 2023 Article IV Mission to Algeria

An [International Monetary Fund (IMF)](http://www.imf.org/) mission visited Algiers during 3–14 December for the 2023 Article IV consultations with Algeria. At the end of the mission, the IMF issued the following statement:

“Economic growth is projected to reach 4.2% in 2023, supported by robust activity in the hydrocarbon, industry, construction, and services sectors. The current account is expected to record a surplus for the second year in a row despite lower hydrocarbon prices, and international reserves are at a comfortable level, equivalent to about 14 months of imports as of end-October.

Average annual inflation is projected to remain elevated at 9.2% in 2023, with fresh food prices continuing to be a major driver and even though the exchange rate appreciation helped contain imported inflation. Monetary policy has remained accommodative, despite the central bank’s action in April to increase reserve requirements and step up liquidity absorption in the banking sector. The budget deficit would reach 6.7% of GDP, driven in part by an increase in the public wage bill, transfers, and investment spending.

Near-term prospects are broadly favorable. Growth in 2024 is expected to remain robust, inflation to moderate, and the current account would record a small surplus as hydrocarbon prices are expected to ease further and imports would pick up moderately. The fiscal deficit is expected to continue to widen in 2024 reflecting a higher public wage bill, transfers, and public investments. The deficit would be financed in part by a drawdown of accumulated hydrocarbon revenue in the Revenue Regulation Fund.

The economic prospects are subject to several risks. Inflation could remain elevated and the volatility in hydrocarbon prices could affect growth and budget revenues. Sustained large fiscal deficits would erode fiscal buffers, resulting in tightening financing constraints and rising public debt. The Algerian economy is also highly vulnerable to the effects of climate change, as the recent droughts have amply illustrated. Conversely, medium-term economic prospects would rise with sustained reforms to diversify the economy (thus reducing dependence on the hydrocarbon sector) and create higher and sustained growth and job creation. Such reforms would require steady implementation of the government’s action plan, higher private investment and improvements in the business climate more generally, more developed domestic financial markets, and new export opportunities for nonhydrocarbon products—as the authorities are currently pursuing.

The mission recommends a gradual rebalancing of fiscal policy to contain the projected increase of financing needs and public debt over the medium term. The adoption of a medium-term budget framework could help shield fiscal policy from the volatility of hydrocarbon revenue and other shocks. Also, preparing medium-term financing plans would help diversify financing sources (such as long-term savings products) and thus reduce dependence on the domestic banking sector. The mission welcomes the continued progress in public finance reforms such as the introduction of program budgeting and introduction of performance contracts for managers, which will improve the transparency and accountability of budget execution.

As inflation is still at risk of becoming entrenched, a gradual tightening of monetary policy would support containing inflation, and this by using the various instruments of monetary policy available to the central bank, including a more active use of the policy rate to help signal the central bank’s resolve to address inflation concerns.

The mission commends the authorities for the adoption of a new monetary and banking law, which aims to stimulate financial innovation and inclusion (such as the introduction of digital banking and Islamic banking), modernize the central bank’s toolkit for financial supervision and crisis management, and reform the central bank’s organization and its monetary policy operations. Strengthening monetary policy transmission will require proactive liquidity management, improved analysis and forecasting tools (including an update to the Consumer Price Index basket), and deepening money and public debt markets. More flexibility in the exchange rate would help in shock absorption and strengthen the effectiveness of monetary policy.

The Algerian authorities have taken several initiatives to strengthen the business climate, diversify the economy and promote private investments. The new investment law aims to support private sector initiative and will be implemented by a new investment promotion agency (including through one-stop windows and electronic platforms for investors). Algerian banks have recently started to open branches abroad to better support export businesses, and the authorities are implementing a broad digitalization strategy to improve service delivery, governance, and transparency. The mission encourages the authorities to continue along this reform path by removing administrative barriers and making product and labor markets more flexible.” (IMF 14.12)

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