

**The FORTNIGHTLY**

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

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*If you would like to learn more about any of the items mentioned in the Fortnightly, please contact me at* [*seth@atid-edi.com*](mailto:seth@atid-edi.com) *and we will do what we can to assist you.*

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Ministry of Finance Reports Israel's Fiscal Deficit Widens Again

Israel's fiscal deficit continued to widen in March, reaching 6.2% of GDP over the past 12 months, or NIS 117.3 billion, the Ministry of Finance accountant general announced. The fiscal deficit widened by 0.6% or NIS 15 billion from 5.6% at the end of February 2024. Israel's revised 2024 budget, which was approved less than a month ago, was built around a predicted fiscal deficit of 6.6%. The latest fiscal deficit figure leaves the Ministry of Finance just 0.4% short of the target after just three months of 2024.

The Ministry of Finance already estimates that the annual deficit will reach a 7.5%-8%. The Ministry of Finance has no obligation by law to meet the deficit target set with the approval of the budget, but an increase of each percent of the deficit means deepening the deficit by NIS 20 billion.

The deficit growth trend is expected to continue in the coming months, but the accountant general estimates that it will begin to narrow towards the last quarter of the year. The deficit trend will remain higher than before the war, but it is likely that the deficit in October-December 2024 will be lower than in the corresponding period last year, when the war broke out, which resulted in severe immediate damage to the state's revenues and required bigger defense spending. Therefore, the cumulative deficit, calculated 12 months back, is expected to reach its peak in September and moderate after that until the end of 2024.

Since the beginning of the year, there has been a cumulative deficit of NIS 26 billion, compared with a cumulative surplus of NIS 14.2 billion in the corresponding period last year. At this advanced stage of the war, when the economy is showing some recovery, the deficit is being caused mainly on the expenditure side. The rate of increase in government spending since the beginning of the year has risen 38.1%. On the other hand, on the revenue side, a moderate increase of 0.3% was recorded in January-March 2024, compared with the corresponding period last year. (Globes 08.04)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Coro Secures $100 Million in Funding to Transform Cybersecurity for SMEs

Coro secured $100 million in Series D funding led by One Peak, with participation from existing investors Energy Impact Partners and Balderton Capital. This funding round brings the total funds raised to $255 million in the last 24 months. The new investment will reinforce Coro’s market dominance and accelerate its mission to empower SMEs and their service providers with enterprise-grade cybersecurity that’s accessible to all.

The new funding will be used to fuel product innovation, as Coro will continue to develop industry-leading security solutions tailored specifically for the SME market through both organic growth and strategic acquisitions, following the successful acquisition of Privatise in 2023. It will also accelerate global expansion by establishing local marketing and channel teams and investing in brand awareness to support Coro’s international partners.

Tel Aviv's [Coro](http://www.coro.net), the leading cybersecurity platform for the SME market, revolutionized cybersecurity with the introduction of the world’s first modular cybersecurity platform in 2023. Coro’s platform empowers organizations to easily defend against malware, ransomware, phishing, data leakage, network threats, insider threats and email threats across devices, users, networks and cloud applications. Coro’s platform automatically detects and remediates the many security threats that today’s distributed businesses face, without IT teams having to worry, investigate, or fix issues themselves. (Coro 28.03)

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* 1. Climate First Announces Second Cohort of Israeli Climatetech Startups

Tel Aviv's [Climate First](https://climatefirst.vc/), an Israeli-European climate accelerator, has launched their second cohort, where the participating startups visited the UK to meet with local government officials, senior executives, asset managers, and climatetech VC firms. The delegation is part of Climate First’s 8-week scale-up program designed to boost Israeli companies to the forefront of climate innovation.

The Climate First program is tailored for high-impact startups aiming to lead early-stage innovation and cut global emissions by 100 million tons of CO2 annually. The program connects these startups with a global network of experts, investors, and partners to facilitate international expansion, funding acquisition, and sales growth. The participating startups in Climate First’s second cohort are as follows:

* Carbon Blue is innovating in carbon dioxide separation from water for industrial applications.
* Chiral Energies develops technology to control the spin of electrons to improve efficiency in batteries, electrolyzers and fuel cells.
* Climate Crop advances crop yields and adaptability to new climate realities through photosynthesis improvement.
* First Airborne is working on wind turbine monitoring for enhanced energy production.
* Nitrofix is developing a chemical solution for the production of emission-free green ammonia.
* RepAir produces energy-efficient, large-scale direct air carbon capture technology requiring 70% less energy than conventional processes.
* SolCold develops a novel cooling coating that cools any object it covers without consuming electricity.
* Xfloat is designing optimized floating solar fields for land and sea to generate electricity.
* Polymertal can offer sustainable, lightweight metal alternatives for industrial use, lowering weight electricity consumption.

The delegation's journey commenced with an event at the UK’s House of Lords. The companies then also met with representatives from investment funds such as Blackrock, Temasek, Decarbonisation Partners, Beyond NetZero, General Atlantic, BP, Shell, Goldman Sachs, JPMorgan, Barclays, Centrica, Coca-Cola, HSBC, EBRD, Just-Climate and others. (Climate First 27.03)

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* 1. FundGuard Closes $100 Million Series C Funding Round

FundGuard announced the successful closure of its Series C funding round, amounting to $100 million. This latest round of investment - led by Key1 Capital and new investors including Euclidean Capital and funds managed by Hamilton Lane - marks another significant milestone on FundGuard’s path towards becoming the industry’s new era investment accounting utility.

The round also saw strong participation from existing strategic investors, plus the company’s earliest financial investors: Blumberg Capital and Team8. The funds raised in this round will be strategically deployed by FundGuard for ongoing investment in product innovation and continued onboarding of existing and new customers.

Tel Aviv's [FundGuard](http://www.fundguard.com) is a cloud-native SaaS platform for investment management and administration that is powered by AI. FundGuard helps asset managers and their service providers to manage mutual funds, ETFs, hedge funds, insurance products, and pension funds, supporting digital transformation, operations automation, AI-based insights, resiliency and migration to the cloud. (FundGuard 25.03)

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* 1. Israel Aerospace Industries Launches Aerospace Services India in New Delhi

[Israel Aerospace Industries (IAI)](https://www.iai.co.il) has opened Aerospace Services India (ASI), its Indian subsidiary in New Delhi. The opening of ASI is a strong demonstration of IAI's strong collaboration with the Indian government’s 'Atmanirbhar Bharat'- MAKE IN INDIA vision. This also shows the commitment to the partnership between IAI and DRDO in developing advanced systems for the Indian armed forces.

ASI is the sole authorized OEM Technical Representative for the entire Medium Range Surface-to-Air Missile (MRSAM) system. MRSAM is an advanced and innovative air and missile defense system that provides ultimate protection against a variety of aerial platforms. It is used by the Indian army, air force and navy. The system includes an advanced phased array radar, command and control, mobile launchers and interceptors with advanced RF seeker. MRSAM is jointly developed by IAI and DRDO for the Indian forces.

With its new facilities on the ground, ASI can significantly reduce turnaround times for repairs and service operations, ensuring swift and efficient support to our esteemed customers. Additionally, by operating locally, ASI is committed to reducing the cost of services and repairs, thereby providing tangible benefits to its valued customers. (IAI 28.03)

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* 1. Velox Secures $38 Million in Funding Led by Fortissimo Capital

Velox has secured a funding round of $38 million. The investment was led by Fortissimo Capital with participation from existing investors, JAL Ventures, O.R.T. Technologies, Ilan Holdings, Evonik, Waypoint Investors and Migdal Insurance & Finance.

Velox takes a new approach to direct-to-shape digital decoration for rigid cylindrical containers such as beverage cans. The company's proprietary technology and a variety of ink formulations enable digital printing at high volumes. Velox creates a paradigm shift for the rigid packaging industry, offering high-speed, direct-to-surface decoration with enhanced quality, allowing for more consumer-focused brands and greater marketing opportunities. The Velox technology requires near-zero setup time, offers efficiencies for shorter run customers, product proliferation and custom marketing communications directly onto the container. In addition, Velox uses a more sustainable decoration technology that eliminates hundreds of tons of shrink sleeves and plastic labels annually, as well as allowing for the recyclability of aluminum cans.

Kfar Saba's [Velox](http://www.velox-digital.com) develops industrial-grade direct-to-shape digital decoration solutions for the rigid container industry. Its proprietary technology, based on uniquely formulated inks and dedicated deposition architecture, introduces an entirely new approach to digital printing that is poised to disrupt the packaging decoration market. Velox's commercial solutions include industrial-grade digital decorators for mass production of beverage cans, tubes and aerosol cans. (Velox 02.04)

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* 1. British Airways Resumes Israel Flights Although Fares Remain High

On 1 April, British Airways resumed flights between London and Tel Aviv for the first time since the outbreak of the war, when it was among some 50 foreign carriers that canceled flights to and from Ben Gurion airport. British Airways joins a range of other airlines including Iberia, KLM, Air Canada, Air Seychelles and Bulgaria Air, which will be renewing their Israel flights in April.

The resumption of flights by British Airways will increase the range of flights available to tourists on the high-demand Tel Aviv-London route but it won't change the high fares prevailing in the market. In addition to the high fares being charged by British Airways, the airline is resuming Israel flights in narrow-bodied aircraft, while before the war it was operating on the Israel route with wider-body planes and a greater choice of seats.

While international airlines delayed their return, Israeli airlines have enjoyed a surge in revenue. In the final quarter of 2023, El Al saw its market share of flights to and from Ben Gurion airport jump to more than 80%, compared with about 22% before the war. According to Israel Airports Authority data, about 73% of the international flights to and from Israel in January were operated by El Al. Now with the return of the international airlines to Israel, Israeli passengers are hoping for a drop in fares, but in practice the return of foreign airlines is still not enough. (Globes 01.04)

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* 1. Nayax Acquires Roseman, a Leading EV Fleet & Management Solution Provider

Herzliya's [Nayax](https://www.nayax.com/), a leading global commerce enablement, payments, and loyalty platform designed to help merchants scale their business, announced the acquisition of Roseman Engineering Company and Roseman Holdings, a leading global fuel and electric vehicle (EV) management solution provider. The purchase price was approximately $5.7 million, which was paid in cash.

Tel Aviv-based Roseman provides a variety of solutions to fuel and EV charging station fleet owners with its innovative software that allows its customers to track fuel station income, reduce expenses, and increase operational efficiency, among other capabilities.

The acquisition and Roseman’s technology strengthen Nayax’s existing offerings in the energy sector, which includes Point of Sale (POS) devices and software that is utilized by EV charging station operators worldwide. The addition of Roseman’s expertise and technology provides Nayax’s customers with a comprehensive solution that addresses fleet management, cloud management, and AVI (Automatic Vehicle Identification) applications. Some of their customers include AssetWorks in the United States and Euromat in Greece. Roseman’s distributors around the world will now have the ability to expand their offering with Nayax’s open loop cashless payment solutions. (Nayax 04.04)

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* 1. HUB Cyber Security Acquires QPoint Technologies

HUB Cyber Security announced the successful acquisition for cash of Or Yehuda's [Qpoint Technologies](https://www.qpoint.co.il/en/). Following this acquisition HUB holds 100% of QPoint. This acquisition is strategically aligned with HUB’s mission to establish a leading global secure data fabric ecosystem. QPoint, boasting a diverse customer base of over 100 renowned brand clients, including partnerships with Rafael Advanced Defense Systems, the developer of the “Iron Dome”, the Israel Airport Authority and the Ministry of Defense of Israel.

Established in 2009, QPoint comprises five subsidiaries and provides solutions and consulting across various verticals, including innovative data management and security solutions. The strategic integration enhances HUB's capabilities in safeguarding sensitive information across various sectors. QPoint has expertise in software engineering, testing, cybersecurity, ICT, web, mobile, project management and complex integration processes, bringing invaluable additions to HUB portfolio and expanding market reach, revenue stability and customer support. There is a significant cross-selling opportunity between QPoint and HUB's expanded offerings, with customers spanning the healthcare, government, energy, defense and financial sectors.

Tel Aviv's [HUB Cyber Security](https://hubsecurity.com/) specializes in unique cyber security solutions protecting sensitive commercial and government information. The company debuted an advanced encrypted computing solution to prevent hostile intrusions at the hardware level while introducing a novel set of data theft prevention solutions. (HUB 04.04)

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* 1. M Ventures Backs Nucleai to Advance Its Spatial AI Biomarker in Clinical Enrollment

Tel Aviv's [Nucleai](http://www.m-ventures.com/‎) has secured a $14 million investment led by M Ventures, the corporate venture capital arm of Merck KGaA, Darmstadt, Germany, and supported by existing investors, bringing the total funding to $60 million. The investment enables Nucleai to further deploy its AI algorithms for the prospective enrollment of patients in clinical trials – a first in the field and a significant advancement in personalized solutions tailored to the distinct needs of patients.

The funding exemplifies Nucleai’s growing momentum in the life sciences industry, evidenced by collaborations with over 60% of the top 20 biopharma companies, venture backing from renowned investors like Section 32 and Sanofi Ventures, and now with M Ventures. The funding will accelerate the deployment of Nucleai’s spatial analysis technology that transforms a static biopsy slide into a dynamic AI-guided action plan, empowering pathologists with the intelligence to anticipate and navigate complex diseases, like cancer, with unmatched precision.

By integrating AI algorithms for prospective patient enrollment in clinical trials, Nucleai is spearheading a first-in-field approach to personalized medicine. This process is crucial for enhancing the accuracy of treatment targeting and activation within the body, particularly for advanced therapeutics such as antibody-drug conjugates (ADCs) and bi-specifics. Nucleai's platform tailors therapy strategies to the intricate cellular landscape of each patient, optimizing clinical trial participant selection. This personalized approach not only improves the likelihood of successful clinical outcomes but also significantly contributes to the speed and efficiency of bringing new therapies to market. (Merck 03.04)

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* 1. McDonald's Buys Back Israel Franchise from Omri Padan

After 30 years as the franchisee, Omri Padan, owner and CEO of Alonyal, which operates and maintains the McDonald's Israel fast food chain, signed an agreement to sell the company to the McDonald's global chain. McDonald's Israel operates 225 fast food outlets and has 5,000 employees. When the deal is completed McDonald's will have full ownership of McDonald's Israel and says that the employment terms of the workforce will remain unaffected. The full terms of the agreement will be closed over the coming few months.

According to sources in the industry, after the deal is completed, McDonald's plans to sell the business to a new Israel franchisee as is customary for it worldwide. Some 95% of McDonald's fast food outlets are owned on the franchise model. (Globes 04.04)

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* 1. Cyera Raises $300 Million, Almost Tripling Valuation to $1.4 Billion

On 9 April, Cyera confirmed that it has raised $300 million in Series C funding at a $1.4 billion valuation. The funding round was led by Coatue and joined by new investors Spark Capital, Georgian and AT&T Ventures, alongside significant investment by all existing investors Sequoia, Accel, Redpoint and Cyberstarts.

Cyera’s DSPM (Data Security Posture Management) system is built on an agentless data security approach to discover, classify, assess, and protect structured and unstructured data across clouds, SaaS, data lakes and on-prem environments. As AI adoption accelerates, data becomes the lifeblood and most critical asset of every modern enterprise. Because of this, data has become the largest and fastest-growing attack surface for bad actors to compromise.

Founded in 2021, Tel Aviv's [Cyera](https://www.cyera.io/) is the data security company that gives businesses context and control over their most valuable asset: data. As a pioneer in Data Security Posture Management (DSPM), Cyera instantly provides companies visibility over all of their sensitive data, context over the risk it represents & their security exposure, and automated remediation to reduce the attack surface and ensure operational resilience. We are redefining the way companies secure their data. (Cyera 09.04)

REGIONAL PRIVATE SECTOR NEWS

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* 1. MENA Startups Raise $254 Million in March, Pushing First Quarter to $429 Million

Startups in the Middle East and North Africa (MENA) raised $254 million in March across 54 deals, up 186% month on month from February's $88.7 million and 1.17% year on year from the $251 million raised in March 2023. March saw a surge in investment activity, breaking the downward trend seen in January and February and bringing Q1 totals to $429 million through 129 funding rounds. However, activity remains 62% lower than in the same quarter last year.

LEAP24, held in Riyadh from 4–7 March, propelled Saudi startups to the top of the list once again, garnering a total of $198 million across 25 transactions, $130 million of which went to Salla's pre-IPO round, relegating the UAE to second place with $39 million raised by 12 startups. Meanwhile, Egypt was a distant third, with eight startups raising $7 million. Except for Salla’s deal, this month lacked big ticket sizes and later-stage funding, as seed rounds attracted $49 million from investors’ pockets, while four startups were given $38.5 million at their Series A stage. In the meantime, 16 startups won grants totaling $1.75 million.

The majority of funding went to software as a service (SaaS) providers, harvesting $130.6 million in nine deals, outpacing fintech, which saw $40 million over 12 transactions, while four e-commerce startups landed $18 million. One of the most noticeable trends is the decline in investment in the business-to-customer (B2C) model, which received $48 million, or 19% of total investment, while the business-to-business (B2B) sector drew the majority, with $188 million, some 74% of total rounds. (Wamda 01.04)

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* 1. Jordanians Spend $82.5 Million on Digital Games in 2023

According to a report by the Market Studies Unit of the Information and Communications Technology Association of Jordan (Intaj), the total expenditure on digital games in Jordan amounted to approximately $82.5 million in 2023. The spending was diversified across different categories, with approximately $17 million allocated to the purchase of paid games and $7.3 million dedicated to live in-game purchases. A total of $6.6 million was invested in in-game advertising, with mobile games accounting for the lion’s share at $45 million, while online games accounted for $6.5 million.

The report revealed that the total number of users engaging in activities such as downloading games, using live game streaming services, playing mobile games, and participating in online games reached 5.9 million users in 2023. The unit anticipated the spending to increase to approximately $103 million by 2027, based on annual growth rates, market size and competition among digital game developers. (JT 04.04)

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* 1. UAE Consumer Spending Rises by 13% in 2023

The UAE’s retail sector boomed in 2023, defying global trends, revealed the latest State of the UAE Retail Economy report released by regional retail giant Majid Al Futtaim. The report, which highlights key economic data, trends and insights into consumers’ behavior patterns, highlighted that the UAE’s economy witnessed a 3% GDP growth, driven by strong performances in non-oil sectors. Inflation stayed below the global average (at 6.9%) and considerably lower than the Middle East average (at 13.9%).

Consumer spending in the retail sector rose by 13% in 2023 compared to the previous year, showcasing sustained economic activity. While there was a temporary slowdown in the latter half of the year, attributed to a high base effect from the FIFA World Cup in 2022, overall spending remained evenly distributed across the year. Sectors that saw positive growth included fashion (31% rise), general retail (16% rise) and leisure and entertainment (15% rise).

The UAE’s e-commerce landscape witnessed exponential growth, with penetration doubling since 2019. This surge accounted for a 15% increase in consumer spending in 2023, with around 70% of transactions attributed to mobile phones. The retailer’s point of sales (POS) data also showed a 15% growth in e-commerce consumer spending in the UAE retail economy in 2023. The rise in e-commerce spend was driven by growth in consumer spending in hypermarkets and supermarkets (19%), and retail general categories such as F&B (57%), electronics (271 %), and hotels (10%). (GB 08.04)

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* 1. Dubai's Aviterra to Deploy Over 100 Flying Cars in MENA

Dubai-based aviation company Aviterra is acquiring more than 100 flying cars from Dutch firm PAL-V in a move that will change the public transport scene in the UAE and across the region. The deal, which will bring the Liberty flying car model to customers in the Middle East and Africa, has just been concluded. The companies did not share any details about the delivery of the vehicles or when the flying cars will be available for public use.

The PAL-V Liberty is dubbed as the world’s first real flying car because it is a combination of a gyroplane and a car. It promises to shorten commute and travel times and addresses the need for users to avoid congested roads, as well as boost travel flexibility. It has a flight range of up to 500 kilometers and a maximum airspeed of 180 kilometers per hour. Aviterra is backed by one of the founders of Jetex, a global leader in executive aviation. (Zawya 29.03)

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* 1. Statevolt to Launch a $3.2 Billion Battery Gigafactory in the UAE

Los Angeles, California's battery manufacturer Statevolt is set to establish a $3.2 billion battery cell gigafactory in Ras Al Khaimah. The factory, in the Ras Al Khaimah Economic Zone, will begin production with semi-solid state battery cells, and later transition to solid state technology as it reaches peak capacity. Construction will begin upon permit approval, with Statevolt targeting first-line production by the end of 2026.

The factory will target key export markets in Africa, India, the UAE and the Middle East where energy storage solutions are crucial for grid stability, renewable energy integration, and energy efficiency to reach renewable energy goals. The annual production capacity is estimated to be 40GWh once fully operational.

Schneider Electric signed a MoU with the UAE's energy storage manufacturer Volts to establish a battery energy storage systems industrial facility in Abu Dhabi last December. The UAE's first battery recycling plant Dubatt was also inaugurated in Dubai Industrial City in February. Emirates Water and Electricity Company (Ewec) invited developers to submit an Expression of Interest (EOI) for the development of a 400 MW Battery Energy Storage System (BESS) power project last month. (Various 08.04)

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* 1. Taaleem Posts a 53% Rise in Profit to $49 Million as Enrolments Surge

UAE private schools operator [Taaleem Holdings](https://www.taaleem.ae/) reported a 53% jump in earnings, supported by a surge in student enrolment. Total net profit (before tax) for the first half of the financial year ending 29 February 2024 reached AED182.8 million ($49.8 million), primarily driven by the growth in enrolment, the schools operator said. The huge income growth was also driven by the increase in the number of schools, as well as interest gains on cash reserves and low debt position.

During the period, Taaleem logged 37,961 students, up by 33.2% compared to a year earlier. It has added six new government schools and increased the students/teacher ratio to 13.6. Total revenue for the same period reached AED 548.7 million, up by 15%, while EBITDA also grew by 32.5% to AED 222.3 million. (Zawya 30.03)

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* 1. Aramco & GCT Sign MOU for 4G and 5G Ecosystem Development in Saudi Arabia

Aramco has signed a Memorandum of Understanding (MOU) with San Jose, California's GCT Semiconductor Holding, a leading designer and supplier of advanced 5G and 4G semiconductor solutions, setting the stage for a strategic collaboration that would further develop the 4G/5G ecosystem in Saudi Arabia for both mission-critical and public safety networks. The collaboration aims to design and co-develop chipsets and modules tailored for LTE, 5G and the NTN spectrum in order to support the localization of wireless end-user devices and IoT manufacturing throughout the Kingdom.

GCT is a leading fabless designer and supplier of advanced 5G and 4G LTE semiconductor solutions. GCT’s market-proven solutions have enabled fast and reliable 4G LTE connectivity to numerous commercial devices such as CPEs, mobile hotspots, routers, M2M applications and smartphones, etc., for the world’s top wireless carriers. (GCT 05.03)

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* 1. Canoo Enters a $30 Billion Market with Commercial Vehicle Sales in Saudi Arabia

Justin, Texas' Canoo, a leading high-tech advanced mobility company, signed a vehicle sales agreement with Riyadh's Jazeera Paints, a pioneering paint manufacturer in the Gulf Cooperation Council (GCC) and Middle East and North Africa. Jazeera Paints will initially purchase 20 Canoo's electric vehicles (EVs) into its fleet in 2024, with the option to expand up to 180 additional vehicles. This agreement taps into the Saudi Arabian EV market, which commands a total addressable market (TAM) of over $30 billion, and aligns with initiatives within the GCC region to enhance sustainable mobility solutions.

These vehicles will be one of Canoo’s first international sales exported to Saudi Arabia utilizing Canoo’s recently approved Foreign Trade Zone (FTZ) which contributes to lower unit cost and higher margins. In addition, these electric commercial delivery vehicles provide Canoo with a first mover advantage in the Saudi market and a competitive position in the Gulf Cooperation Council (GCC) region.

Jazeera Paints will be deploying Canoo's LDV 130 and LDV 190 delivery vehicles within its existing fleet, which operate throughout Saudi Arabia and MENA and support Jazeera Paints' commitment to the Saudi Green Initiative’s imperative that 30% of new car sales in the Kingdom are electric by 2030. (Canoo 08.04)

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* 1. Sprints Raises $3 Million to Expand its Offerings

Cairo's [Sprints](https://sprints.ai/), an Egyptian edtech company leveraging AI to bridge the tech talent gap, secured $3 million in a bridge funding round led by venture capital firm Disruptech Ventures. The investment also saw participation from EdVentures, CFYE, and other investors.

Founded in 2020, Sprints offers an end-to-end platform spanning talent assessment, personalized learning journeys, and guaranteed job placement upon successful program completion. Students only pay tuition fees after securing employment within three years. The startup aims to utilize the fresh funding to fuel an ambitious expansion into 10 new markets while scaling its operations to equip over 200,000 learners with in-demand tech skills. These include fields like artificial intelligence, data science, mobile app development, cybersecurity, and cloud computing.

Since its launch, Sprints claims to have facilitated over 2.5 million learning hours and helped secure tech jobs for more than 300 graduates globally. The startup boasts an average program rating of 4.8 and has partnered with governments in Egypt, Saudi Arabia, the UAE, the Netherlands, Germany and the US to deploy nationwide tech talent development initiatives. (Sprints 31.03)

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* 1. MoneyGram Expands Middle East Position via Partnership with Fintech App barraq

Dallas, Texas' MoneyGram International, a leading global financial technology company that connects the world's communities, announced a strategic partnership with innovative financial technology app barraq. Through this partnership, consumers in Saudi Arabia will be able to use the barraq mobile app to send funds to family and friends globally. This is made possible through MoneyGram's advanced cross-border technology platform that enables recipients to access their funds through a suite of digital methods and retail locations around the world.

MoneyGram has established itself as the preferred remittance partner in the Middle East digital ecosystem, evidenced by the Company's recent successes with digital partners and significant growth in the region. As MoneyGram continues to deepen relationships with existing partners in the Middle East, today's announcement highlights opportunities for even further expansion.

[barraq](https://barraq.com.sa/en/homepage/) is Saudi Arabia's latest innovative financial technology app. Developed by young Saudi talents, barraq obtained its license from the Saudi Central Bank in January 2024. barraq aims to provide financial products and services that will transform daily life and fulfill users' exact needs while combining both convenience and joy at every interaction. (MoneyGram 28.03)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. AD Ports Group & Archireef Deploy Eco Sea Wall Panels in Saadiyat and Al Aliah Islands

AD Ports Group and Hong Kong based Archireef, a pioneering nature-tech company, announced the deployment of Eco Sea Wall Panels at two locations in Abu Dhabi, Al Aliah Ferry Terminal and Saadiyat Marina and Ferry Terminal with the aim to attract marine biodiversity back to shorelines that have undergone development works.

The Eco Sea Wall Panels, which are made from nature-based materials including oyster shell powder, are installed as proof of concept across two sites in Saadiyat Island and Al Aliah respectively in partnership with Abu Dhabi Maritime, who are developing and managing the terminals. The design of the panels delivers increased natural complexity to flat quay walls, and as a result, are expected to attract intertidal marine life back to the shore. (AD Ports Group 29.03)

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* 1. Dubai’s Ban on Single-Use Plastic to be Put Into Effect

In a bid to tackle environmental concerns and promote sustainability, Dubai Municipality unveiled plans for a comprehensive ban on various types of single-use products, to be implemented in three distinct phases. This move follows the issuance of a single-use plastic ban in January. The primary aim is to mitigate plastic waste and instigate a shift towards recycling practices, thereby safeguarding the environment and fostering a culture of sustainability within both businesses and the community. Accordingly, the ban will roll out in three stages:

1 June 2024: A total prohibition on single-use plastic bags, alongside the discontinuation of the existing levy of 25 fils on such bags. The comprehensive ban on single-use bags will include all types of bags that are 57 micrometers thick and less. The ban is for bags that are 57 micrometers thick and less.

1 January 2025: Bans will extend to include plastic stirrers, Styrofoam food containers, plastic table covers, plastic cotton swabs, plastic straws and single-use Styrofoam cups.

1 January 2026: The final phase will see the prohibition of single-use plastic cups and lids, single-use plastic cutlery, plastic food containers, and plastic plates.

With these measures, Dubai Municipality aims to encourage responsible consumer behavior and prompt businesses to adopt eco-friendly alternatives. Fines of Dhs200 will be imposed for non-compliance with the policy of regulating the use of single-use products in Dubai. The penalty amount doubles in case of a repeated offense within one year from the date of the previous offense, not exceeding Dhs2000. (GB 30.03)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon’s High Inflation Rate Hits a Yearly 123.21% in February 2024

According to the Central Administration of Statistics (CAS), Lebanon’s inflation rate remained at high levels as it recorded a yearly 123.21% by February 2024. Moreover, the monthly CPI surge between January and February 2024 stood at 1.06%. The disruptions in the Red Sea have led to supply chain challenges, resulting in elevated inflationary pressures. As a result, the escalated costs associated with shipping, insurance, and raw materials could compel firms to adjust their pricing strategies upwards at an accelerated pace. Unfortunately for Lebanon, the country is already struggling with persistent high inflation since late 2019, thus it would encounter heightened difficulties in preserving price stability amid prolonged economic and political uncertainty.

In details, the cost of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.4% of the CPI) added a yearly 175.59% by February 2024. Similarly, Owner-occupied rental costs increased by 317.29% year-on-year (YOY) and the prices of water, electricity, gas, and other fuels followed a significant increase by 67.77% YOY. Prices of Food and non-alcoholic beverages (20% of CPI), it surged by 103.35% yearly. In turn, the average prices of Transportation (13.1% of the CPI) and Health (7.7% of the CPI) recorded hikes of an annual 65% and 76.27% respectively by February 2024. Also, Restaurant and Hotels (2.8% of CPI) increased yearly by 81.47% by February 2024.

Costs of Clothing and Footwear (5.2% of CPI) surged by 75.14% while the prices of Communication (4.5% of the CPI) increased by 95.51% by February 2024. Prices of Furnishings and household equipment (3.8% of CPI), Alcoholic beverages and tobacco (1.4% of CPI), and Recreation, amusement, and culture (2.4% of the CPI) increased by 41.51%, 87.06%, and 92.99%, respectively, by February 2024.

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* 1. Jordanian Inflation Rises by 1.72% in First Quarter Amid Sector-Specific Pressures

Jordan's consumer price index (CPI) rose by 1.72% in Q1/24, marking a climb to 110.12 points from 108.26 points during the same period in 2023. The analysis of the cumulative CPI for Q1/24 against the corresponding period in 2023 reveals sector-specific inflationary trends. Notably, the water and sanitation group experienced a 7.34% surge, personal effects escalated by 6.57%, contributions to unions increased by 5.86%, while tobacco and cigarettes saw a 5.26% hike. Additionally, prices for dried and canned vegetables and legumes rose by 4.21%.

In its monthly report, the Department of Statistics noted a 1.63% increase in the general CPI for March 2024, reaching 110.61 points, compared to 108.83 points in March 2023. The increase in the CPI for March is attributed mainly to the water and sanitation group (7.34%), personal effects (6.84%), contributions to unions (5.86%), tobacco and cigarettes (5.37%), and rents (4.12%). Conversely, the cost of oils and fats, home textiles, fuel and lighting, and furniture, carpets and bedding recorded declines. (Petra 08.04)

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* 1. Jordan & Iraq Electricity Interconnection Network Commences Operations

Iraqi Minister of Electricity Ziad Ali Fadel announced that the electricity interconnection between Jordan and Iraq commenced operations. Fadel said that the first phase of this project is now supplying electricity to the Rutba Power Station in Anbar province, located near the Jordanian border, adding that this move has ended a decade-long power shortage caused by sabotage from terrorist groups in 2014. He also noted that the power line, operating at a voltage of 132 kilovolts, spans 330 kilometers within Iraqi territory and extends an additional 6 kilometers within Jordanian territory.

Fadel also said that the initial stage is supplying approximately 40 MW of energy. He also said that upon completion of the line to the Qa’im Power Station, the second stage will boost the supply to 150 MW, adding that the supply capacity could potentially reach up to 500 MW in the future. (JT 31.03)

►►Arabian Gulf

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* 1. UAE Central Bank Downgrades its Growth Projections for 2024

The Central Bank of the UAE (CBUAE) expects the economy will grow at 4.2% in 2024, marking a downward revision of 1.5% from its December projection. The bank's revision is tied to the slow recovery of oil production following the OPEC+ agreement of voluntary oil output cuts in November, while the non-oil sector, although strong, is exhibiting signs of deceleration, according to the latest Quarterly Economic Review. The CBUAE sees growth accelerating to 5.2% in 2025, supported by steady growth in the non-oil economy and stable oil production levels towards the end of 2024.

Non-oil GDP growth slowed to 5.8% y-o-y in 3Q 2023, down from 7.3% in the previous quarter, primarily due to sluggish performance in financial and ins. services and manufacturing. However, this slowdown was partly offset by expansion in construction, transportation, storage, accommodation and food services. The central bank estimates that the non-oil sector’s growth will continue to decelerate to 4.7% in 2024 due to unfavorable base effects and a slowdown in demand caused by stabilized migration inflows.

Oil GDP could contract to 2.9% in 2024, according to the CBUAE, a decrease from the previously estimated 8.1%, with an average production of 3 million bpd. However, hydrocarbons are expected to increase by 6.2% in 2025.

The government recorded a fiscal surplus of AED 61 billion during 9M 2023, representing 4.4% of GDP, according to the report, but government revenues dipped 18.4% y-o-y to AED 370 billion. Total government expenditure for the first three quarters of 2023 came in at AED 309 billion, marking a 10.1% increase on the same period last year. (Enterprise 01.04)

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* 1. UAE Jumps 10 Places in Global FDI Confidence Index

The UAE climbed from 18th to 8th place on Kearney’s 2024 FDI Confidence Index, along with ranking 2nd on the Emerging Market Index after China, showcasing its successful economic diversification. FDI inflows to the UAE rose from $20.7bn in 2021 to $22.7 billion in 2022, representing 60% of total FDI attracted to Gulf Cooperation Council (GCC) countries.

The report has China, the UAE, Saudi Arabia, India, Brazil, Mexico, Poland and Argentina in the top eight positions, and they are the only emerging markets included in the world rankings. It notes that the UAE’s push towards building a business-friendly environment which includes world-class infrastructure, and a growing tech ecosystem have fueled investment in sectors like fintech, e-commerce, agri-tech, logistics, ICT, and renewable energy, have attracted considerable interest and funds, noted the report.

Regionally, the Americas has the most markets on the list with nine, followed by Asia Pacific at seven, the Middle East and Africa at five, and Europe at four. The 2024 Kearney FDI Confidence Index gathers primary data from senior executives of leading global corporations, with the UAE’s rise reflecting growing investor optimism and confidence in the country’s policies. (GB 05.04)

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* 1. UAE Secured 44.1 % of Japan's Crude Oil Needs in February 2024

The UAE secured 44.1%, namely 31.3 million barrels, of Japan's crude oil needs in February 2024, according to the Agency for Natural Resources and Energy in Tokyo. The agency, part of the Japanese Ministry of Economy, Trade and Industry, stated that the amount of crude that Japan imported during that month amounted to around 71 million barrels, of which, 68.74 million barrels -96.7% - originated from five Arab countries: UAE, Saudi Arabia, Qatar, Kuwait and Oman. (WAM 31.03)

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* 1. Abu Dhabi’s GDP Reached $310 Billion in 2023

Abu Dhabi’s GDP reached AED1.14 trillion ($310 billion) in 2023, according to The Statistics Centre. The emirate’s non-oil economy and real GDP grew by 9.1% and 3.1% during 2023 with non-oil contributing to more than 53% of the emirate’s GDP. Non-oil economic growth was almost on a par with 2022, during which it reached 9.2%. The overall economy grew 4.1% year-on-year during Q4/23, the data showed.

The emirate’s GDP in 2023 achieved its best performance in terms of value in ten years despite challenges and global markets fluctuations. The data showed construction activities up by 13.1% YoY with added value reaching AED 97 billion, contributing 8.5% to the emirate’s GDP.

Manufacturing reached AED101 billion, representing 8.8% GDP and was the largest non-oil contributor to overall GDP during this period compared to 2022. Financial and insurance achieved the highest growth rate at 25.5%, reaching AED 79 billion or 6.9% of GDP, while wholesale and retail trade activities grew by 7.9% to reach AED 63 billion or 5.5% of GDP. (Zawya 01.04)

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* 1. Oman Investment Authority Launches $5.2 Billion "Future Fund Oman"

In line with the national directive to boost Oman's economic development and attract international investors, Oman Investment Authority (OIA) has launched the 'Future Fund Oman' with a robust capital of $5.2 billion. Designated for deployment over the next five years at a rate of approximately $1 billion annually, the Fund will allocate 90% of its capital to investing directly in commercially and economically viable new or existing large-scale projects located in Oman. The Fund will also allocate 7% of its capital towards funding support small and medium-sized enterprises (SMEs), and the remaining 3% is set to be invested in startups.

Future Fund Oman is designed to partner with a diverse array of investor categories, including private sector entities, business proprietors, foreign investors, SMEs and startups. The Fund will be looking to invest in a variety of sectors, with a special focus on eight critical sectors which are tourism, manufacturing, green energy, fisheries, agriculture, ports and logistics, mining, and information and communication technologies. This focus is intended to rejuvenate these vital sectors and contribute significantly to Oman's broader economic objectives. In realization of its role to diversify the economy, the Fund will not be looking to invest in any oil and gas and real estate projects.

The Fund will adhere to OIA's quality standards, which have already positioned the Authority in second place globally in the Governance and Sustainability Development Index between 2022 and 2023. Governed by an Investment Committee and an Advisory Committee, the Fund ensures strategic alignment with broader economic objectives while overseeing investment decisions. (OIA 24.03)

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* 1. Saudi Unemployment Rates Fall to 4.4% in Fourth Quarter

Overall unemployment rate in Saudi Arabia fell to 4.4% in Q4/23, down 0.7% from the same period last year, according to new data released by the General Authority for Statistics (GASTAT). For Saudi nationals, the rate fell to 7.7% in Q4, a bit lower compared with the year-ago period.

Among Saudi females, the unemployment rate fell 2.6 basis points to 13.7% in Q4, compared with the previous quarter. However, labor force participation rate among women also fell slightly from the previous quarter to 35.5%. This reverses the recent trend of higher participation that followed unprecedented reforms in laws and regulations relating to them in a bid to grow the non-oil economy.

According to GASTAT, among Saudi males, the unemployment rate was unchanged at the level of 4.6%. Labor force participation rate among Saudi males fell slightly to 66.6%. Among Saudi male youth (15-24 years), the labor participation rate fell to 35.5% and while the unemployment rate edged higher to 13.8%. The GASTAT also quoted a survey which showed that 94.9% of unemployed Saudis would accept work in the private sector.

Saudi Arabia's economy is widely expected to rebound in 2024 from a 0.8% contraction in 2023 with growth driven by the non-oil sector. The hydrocarbon activities, which account for about 40% of total GDP, will continue albeit constrained by production cuts. (Zawya 28.03)

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* 1. Saudi Arabia’s Greenfield FDI More Than Doubles to $28.78 Billion

Saudi Arabia’s greenfield foreign direct investment (FDI) inflows more than doubled to $28.78 billion in 2023. The inflows surpassed the most recent peak of $17.57 billion of 2018 but are still below the 2008 record of $34.26 billion, Dubai-based lender Emirates NBD said in a report. The largest share went to the capital Riyadh in 2023 at $8.18 billion, followed by Ras Al Khair with $4.23 billion and Dammam with $772 million. The number of projects reached a new record, increasing year-on-year to 359 and Chinese investments accounted for 58% of greenfield inflows, reaching $16.75 billion from $1.47 billion the previous year. (Zawya 28.03)

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* 1. Saudi Arabia Blocks 3,317 Web Sites over IP Breaches

Saudi Arabia blocked 3,317 websites last year for violating intellectual property rights rules in the kingdom. The Saudi Authority for Intellectual Property, a government agency, added that it seized more than 41 million items that had infringed intellectual property rights last year. The Riyadh-based agency said it received 7,048 applications for patents last year, an increase of 21 % against 2022; 45,325 others for trade mark registration, up 13 % compared to the previous year; and 1,942 industrial design applications marking a 29% rise.

Earlier this year, Saudi Arabia announced the establishment of a prosecution unit tasked with protecting intellectual property. The decision came to build on a national strategy for intellectual property launched in late 2022 by Saudi Crown Prince Mohammad bin Salman with the aim of evolving an intellectual property system supporting creativity-based economy in the kingdom. The prosecution branch is responsible for investigating cases associated with violating intellectual property rights enshrined in the trade mark and the author’s copyrights systems, and filing related lawsuits. The ad-hoc prosecution is set to enhance work for providing all-out justice protection for intellectual property. The unit is staffed with well-trained prosecutors, who have gained the necessary skills in line with legal competency criteria with the ultimate aim of nurturing creativity and innovation. (GN 07.04)

►►North Africa

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* 1. Egypt's Cabinet Approves a $135.39 Billion 2024/2025 Budget

On 27 March, Egypt's cabinet approved the 2024/25 budget of EGP 6.4 trillion ($135.39 billion), including EGP 636 billion for social protection programs, while saying it would seek to curb public spending to reduce debt. The country relies on imports of wheat and other basic foods and fuel, and has been suffering from a major shortage of foreign currency and large budget and balance of payments deficits.

The cabinet allocated EGP 144 billion to the food subsidy program that provides staples including bread, rice and sugar at reduced prices to nearly 60 million of Egypt's population of more than 105 million. It also allocated EGP 154 billion for petroleum products subsidies.

The cabinet set for the first time a limit for public investment spending at one trillion pounds in the fiscal year 2024/25 as it aims to set the debt-to-GDP ratio on a downward path to reach 80% by 2027. The cabinet added that 50% of the revenues from selling assets would be used for directly reducing the government debt. Egypt set a target in 2022 to raise $10 billion annually over four years through private investment in state assets.

Egypt is targeting a preliminary GDP surplus of 3.5% in the same budget, with revenues expected at 5.05 trillion pounds, the cabinet said. It also targets a growth rate of 4.2% in the upcoming fiscal year, which starts July 1, Planning Minister al-Said said in a statement. Earlier, Finance Minister Maait said the currency shortage should ease as the country expects more than $20 billion in foreign currency inflows after an $8 billion IMF agreement in March. (ET 28.03)

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* 1. Egypt's Sisi Begins Third Term Following the Economic Bailout

Egypt's President Abdel Fattah al-Sisi began his third term on 3 April, buoyed by massive fresh financing, albeit pundits say the road out of economic crisis will still be long and arduous. Sisi won December's presidential election with 89.6% of the vote, standing against three unknowns. His six-year term is set to be the 69-year-old's last, unless another constitutional amendment again prolongs his tenure.

As 2024 began, Egypt seemed to be hurtling towards default and economic collapse, before it suddenly received more than $50 billion in loans and investments. Within weeks, the UAE announced a $35 billion land development deal for Egypt's Ras al-Hikma, the IMF more than doubled a $3-billion loan, and the World Bank and European Union signed new financing agreements.

Following the deals and a fresh currency devaluation -- the country's fifth since 2016 -- economic indicators seemed to be improving. Financial services companies raised Egypt's credit ratings, as months-worth of blocked inventory began to be released into the import-dependent economy. However, concern has mounted that, without major reform -- which the government has vowed to undertake -- Egypt could find itself in a new cycle of crisis. (AFP 01.04)

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* 1. Egypt's Net Foreign Assets Deficit Plunges Following Land Sale

Egypt's deficit in net foreign assets (NFAs) shrank by EGP 217.1 billion ($7.04 billion) in February, according to central bank data, after a $5 billion payment from the sale of development rights to prime Mediterranean land. Egypt received the initial $5 billion payment from the United Arab Emirates in its $24 billion deal at Ras El Hekma peninsula west of Alexandria. The February deficit dropped to EGP 679 billion. The figure did not yet reflect an $8 billion expanded financial support program with the IMF signed on 6 March.

Commercial bank foreign assets surged in February by EGP 911.3 billion month-on-month, while their liabilities dipped by EGP 15.73 billion, according to the data. Central bank foreign liabilities decreased by EGP 81.6 billion. NFAs represent both central bank and commercial bank assets held by non-residents, minus their liabilities. The central bank had been drawing on the country's NFAs to help support Egypt's currency over the past two and a half years. In September 2021, NFAs stood at a positive EGP 248 billion.

Egypt devalued its currency to under EGP 50 to the dollar as part of the March IMF agreement after having left it fixed at EGP 30.85 to the dollar for a year. Since then it has strengthened to EGP 47.10 to the dollar. (Various 02.04)

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* 1. Algeria to Partner with Russia on Nuclear Energy

Algeria’s Ministry of Energy and Mines has signed an agreement with Russia’s state-owned nuclear energy company Rosatom to partner on the use of nuclear energy for the next two years. The two nations will cooperate on initiatives in the healthcare sector such as radiotherapy, research reactors, nuclear pharmaceutical preparations, and scientific and technical personnel training. The agreement also focuses on the development and use of other nuclear technologies. Russia’s nuclear power company Rosatom sent a delegation to Algeria to discuss collaboration between Russia and the Atomic Energy Commission on nuclear power and its energy applications in March. (Enterprise 01.04)

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* 1. Morocco’s Trade Deficit Narrowed by 12% as Energy Prices Ease

Morocco’s trade deficit continues to narrow in February as the economy recovers from the consecutive shocks that had sent the value of imports soaring over the past three years. Over the first two months of 2024, the trade deficit in Morocco dropped by 12%, settling at MAD 41 billion ($4 billion), down from MAD 47.6 billion ($4.6 billion) a year earlier, according to a recent report from Office d’Exchange (OE).

At the end of the first two months of 2024, the value of imported goods slid by 1.4% totaling MAD 115.5 billion ($11.4 billion). The drop in the value of imports is the direct result of the drop in Morocco’s energy bill, food imports and raw materials. While national energy consumption rose by 8%, the value of energy imports dropped by 11% thanks to falling prices of petroleum gas and other hydrocarbon supplies. Likewise, food imports dropped by 4% as a result of decreased corn imports. The OE report explains that the decrease was offset by increased wheat supplies.

Meanwhile, exports saw a 6.1% uptick reaching MAD 73.7 billion ($7.2 billion), up from MAD 69.4 billion ($6.8 billion) a year earlier. The rise in exports is mainly due to the positive performance of Morocco’s major industries including the car industry, phosphate industry, and aeronautics. (MWN 02.04)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cypriot Inflation Drops to Lowest Point in Almost Three Years in March

The annual inflation rate declined to 1.21% in March, dropping to its lowest point of the last three years, driven mainly by a steep drop in electricity prices, according to Cystat. In March the Consumer Price Index (CPI) increased by 0.48 units to 115.41 units compared to 114.93 units in February 2024, with the annual percentage change amounting to by 1.2%. This the lowest inflation reading since April 2021.

For the period January-March 2024, the CPI increased by 1.6% compared to the corresponding period of the previous year. Electricity prices recorded the steepest drop 7.9%. In terms of goods and services, the largest annual change was recorded in restaurants and hotels with a 5.9% fall, whereas the highest annual drop was registered by Housing, Water, Electricity, Gas and Other Fuels with 1.07%. (Cystat 05.04)

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* 1. Cyprus Considers Raising Retirement Age & Ending Multiple Pensions for Officials

Cyprus is debating pension reform, with discussions focusing on modernizing the system and addressing sustainability concerns. Multiple pensions for government officials have emerged as a key point of contention. While multiple pensions for government officials is a hot-button issue, experts estimate it represents less than 10% of the system’s strain. Europe lacks a uniform approach, with each member state managing pensions differently.

Social security systems for employees and the self-employed have existed in Europe since 1971, governed by EEC Regulations. However, court rulings and national legislative changes have created a complex landscape, particularly for the pensions of officials who held multiple positions. EU regulations emphasize respecting national social security systems while ensuring equal treatment for citizens.

The Ministry of Finance proposes raising the retirement age for government officials and parliamentarians from 60 to 65, aligning them with the general population. A second proposal focuses on government officials, offering a higher lump-sum payment upon retirement in exchange for abolishing their pensions. The calculation method for the lump sum varies by position, with higher payouts for senior officials. The International Labor Organization (ILO) is studying the Cypriot pension system. Their preliminary recommendations highlight the need for a balanced and sustainable system. (CBN 05.04)

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* 1. Bank of Greece Anticipates Growth of 2.3% This Year

The Bank of Greece sees Greece’s economy growing by 2.3% this year, well above the euro zone average. The projection is lower than a government estimate of 2.9% expansion. Private consumption and investment will continue to be the main driving forces of growth, while increased investment activity will lead to considerably higher imports. Slower growth in Europe and geopolitical challenges would weigh on Greek domestic output. The Greek economy, which has outperformed those of other euro zone countries after exiting a decade-long debt crisis in 2018, grew by 2% last year, according to seasonally unadjusted data, with lower-than-expected investment and the cost of devastating floods weighing on public finances. (eKathimerini 08.04)

GENERAL NEWS AND INTEREST

\*ISRAEL:

* 1. Passover to be Celebrated Starting on Eve of 22 April

On Monday night, 22 April, Israel and world Jewry will begin the week-long celebration of the Passover (Pesach) holiday. Passover celebrates the liberation of the Jewish People from slavery in Egypt by the hand of G-d. It is central to Jewish identity and Jewish practice, since the Exodus and life in the wilderness led to the true birth of the Jews as a distinct people. Jacob and Josef came to Egypt numbering 70 souls and Moses led 600,000 out after the defeat of Pharaoh. Probably the most significant observance related to Pesach involves the removal of *chametz* (or leaven) from Jewish homes and businesses. This commemorates the Jews leaving Egypt in a hurry and they did not have time to let their bread rise (even converts to Judaism relate to the Exodus as if their own ancestors had left Egypt). Removing *chametz* is also a symbolic way of removing the "puffiness" (arrogance, pride) from our souls. Instead of *chametz*, a special non-leavened bread called *matzah* is consumed, among a myriad of other special holiday dishes.

On the first night of Pesach (first two nights for Jews outside of Israel), there is a special family meal filled with ritual to remind Jews of the significance of the holiday. This meal is called a *seder*, from a Hebrew root word meaning "order," because there is a specific set of information that must be discussed in a specific order. The *seder* is full of symbolism, all pointing to one salient point: that Jews all remember that G-d took us out of slavery in Egypt to freedom to observe his Torah. Pesach lasts for seven days (eight days outside of Israel). The first and last days of the holiday (first two and last two outside of Israel) are days on which no work is permitted. Work is permitted on the intermediate days. These intermediate days on which work is permitted are referred to as *Chol Ha-Mo'ed*, as are the intermediate days of Sukkot. Though work is permitted, many take vacations and a full work environment returns only after the holiday. Passover ends on 29 April in Israel, 30 April in the Diaspora.

\*REGIONAL:

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* 1. Eid al Fitr 2024 in UAE: 9-Day Break for Public Sector Confirmed

In an official announcement, the UAE cabinet announced the Eid Al Fitr holiday schedule for government employees across the nation. The UAE cabinet has sanctioned a generous one-week Eid al Fitr holiday for all government employees, commencing from Monday, 8 April through Sunday, 14 April. Normal work operations are set to resume on Monday, 15 April. This declaration translates into a nine-day long holiday combining the weekend of 6-7 April into the break period.

While the holiday dates for the private sector are yet to be announced, the UAE government has mandated an equal number of public holidays for both – federal and private sector employees. With the official holiday dates now confirmed, private sector workers are on holiday before returning to work on 15 April. (GB 31.03)

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* 1. Morocco Ranks 174th in Global IQ Survey, Trailing Behind Other Arab Countries

In a recent study conducted by CEOWORLD magazine, Morocco has been ranked 174th out of 199 countries in terms of average IQ, with a score of 67.03. This ranking places Morocco near the bottom of the list, not only globally but also among Arab and Maghreb countries.

Among Arab countries, Qatar ranks the highest with an average IQ of 80.78, followed by Jordan (80.7), Oman (78.7), Kuwait (78.64) and Saudi Arabia (76.36). Morocco’s score of 67.03 places it below other Maghreb countries such as Algeria (76) and Tunisia (79.22), highlighting the need for improvement in the country’s educational system and policies.

The report states that Japan has the highest average IQ, 106.48, followed by Taiwan (106.47) and Singapore (105.89). On the other end of the spectrum, Nepal ranks last with an average IQ of 42.99, followed by Liberia, Sierra Leone, Guatemala, Cape Verde, Gambia, Nicaragua, Guinea, Ivory Coast and Ghana. These countries face significant challenges in providing quality education and fostering an environment that promotes cognitive development.

Morocco’s low ranking in the global IQ survey serves as a wake-up call for the country to prioritize education and implement policies that promote cognitive development. By investing in R&D, improving access to quality education, and creating an environment that fosters learning and innovation, Morocco can enhance its population’s cognitive abilities and its ranking among nations. (MWN 29.03)

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* 1. Turkey's Local Elections Led to National Defeat for the AKP

Turkey's nationwide local polls on 31 March were historic in several ways. For the first time since its establishment in 2001, Turkish President Erdogan’s ruling Justice and Development Party (AKP) lost its position as the party with the highest vote share to the main opposition. The polls marked a historic success for the Republican People’s Party (CHP), a left-leaning secular party, which emerged for the first time since 1977 as the leading party in an election. The main actor in this surprising dynamic was Turkey's runaway inflation, which hit almost 70% year-on-year in March.

Candidates from the opposition Republican People's Party (CHP) buttressed their control of Turkey's largest city Istanbul and the capital Ankara with higher vote shares than five years ago. In 2019, CHP candidate Ekrem Imamoglu claimed the mayor's seat in Istanbul even after the vote had to be re-run -- but was faced with a municipal assembly dominated by AKP and its right-wing allies. In this election, the center-left wrested control of 26 out of 39 Istanbul districts, up from 14 five years ago. As well, AKP candidates lost even in conservative strongholds. In AKP bastions that held firm, such as Trabzon and Rize on the northeastern Black Sea coast, important districts came under opposition control.

Erdogan's AKP faced stiff competition from the Islam-based Yeniden Refah (New Welfare) Party, which received 6.2% of the vote to claim third place nationwide. New Welfare was founded in 2018 by the son of legendary Islamist leader Necmettin Erbakan, a mentor who inspired Erdogan with his "Nationalist View" ideology merging Turkish nationalist and Islamic identities. New Welfare toppled AKP from its strongholds of Sanliurfa in the southeast and Yozgat in central Anatolia and split the right-wing vote in Istanbul's Uskudar, helping CHP over the line.

Following parliamentary and presidential elections last May, when Erdogan won 52% of the national vote, the Turkish government abandoned populist economic policies and unleashed an aggressive monetary tightening scheme. Through consecutive hikes from June 2023 to February 2024, the Central Bank raised the country’s benchmark interest rate from 8.5% to 50%. Borrowing and access to capital have become harder, and inflation began to bite; in particular, food prices rose by 78%. It was also noted that many AKP supporters simply stayed home. (Various 01.04)

ISRAEL LIFE SCIENCE NEWS

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* 1. BrainsWay's Positive Results in Late-Life Depression Post-Marketing Analysis

BrainsWay announced positive results in a recently published post-marketing study of its Deep Transcranial Magnetic Stimulation (Deep TMS) for the treatment of late-life depression. The post-marketing study demonstrated real-world outcomes for older adults (60-91 years of age) suffering from major depressive disorder (MDD). In the study, data was analyzed from 247 depression patients at 16 clinical sites in this age group who had been treated with BrainsWay’s proprietary H1 Coil. The results showed a 79.4% response rate (≥50% reduction in symptoms) and a 60.3% remission rate for those patients who had received at least 30 treatment sessions, and were based on the rating scale that was most utilized for each individual patient. The outcomes were comparable to those reported in a post-marketing analysis of over 1,350 patients published in 2023.

BrainsWay’s existing FDA depression labeling does not extend to patients aged over 68, and the results of this study are subject to further review by the FDA.

Jerusalem's [BrainsWay](http://www.brainsway.com) is a global leader in advanced noninvasive neurostimulation treatments for mental health disorders. The Company is boldly advancing neuroscience with its proprietary Deep Transcranial Magnetic Stimulation platform technology to improve health and transform lives. BrainsWay is the first and only TMS company to obtain three FDA-cleared indications backed by pivotal clinical studies demonstrating clinically proven efficacy. (BrainsWay 28.03)

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* 1. Emet Surgical Opens Crowdsourced Investment Round via StartEngine

Emet Surgical has opened its StartEngine share offering that will help the company reach its goal of enhancing cancer patient surgery outcomes while providing improved ROI for healthcare providers and insurers. The company intends to use the net proceeds from its StartEngine offering to purchase components and contract manufacturing services needed for product production, fund research and development efforts, and cover the costs associated with patent applications and FDA approval, among others, all in accordance with the company’s general business plans and goals. StartEngine is the leading equity crowdfunding platform.

Emet Surgical’s progress to this point has been aided by its membership in the Colorado BioScience Association (CBSA), and participation in Startup Nation Central finder business platform, Israeli NGO promoting Israeli innovation around the world. Both organizations have provided guidance and enabled connections that set Emet Surgical apart from its competitors and other early-stage startups.

[Emet Surgical](http://www.EmetSurgical.com) is enabling true surgeon/pathologist collaboration. Emet Surgical’s TrueMargin tumor margin marking tools, now under regulatory review, provide surgeons and pathologists with specific in-vivo and ex-vivo tumor margin, location, and orientation details. TrueMargin tools for open, minimally invasive, and robotic procedures enable communication and collaboration not seen before. Founded in 2022, the company is headquartered in Denver with significant operations in Tel Aviv and Haifa, Israel. (Emet Surgical 26.03)

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* 1. First ReWalk Personal Exoskeleton Claim Paid by Medicare

ReWalk Robotics has received payment from Noridian Healthcare Solutions, a Medicare Administrative Contractor, for its first claim for the ReWalk Personal Exoskeleton. This marks coverage and payment by Medicare fee-for-service for the first-ever claim submitted for a ReWalk Personal Exoskeleton device. This milestone reflects an acknowledgement by Medicare that the ReWalk Personal Exoskeleton is a medically necessary device, as supported by a body of scientific evidence, when prescribed for an eligible Medicare beneficiary with spinal cord injury.

Founded in 2001, Yokneam Illit's [ReWalk Robotics](http://www.rewalk.com) is a medical device company that designs, develops, and commercializes innovative technologies that enable mobility and wellness in rehabilitation and daily life for individuals with neurological conditions. ReWalk’s mission is to fundamentally change the quality of life for these individuals through the creation and development of market leading technologies. (ReWalk 05.01)

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* 1. XRHealth to Deploy Solution in Every Police Station in Israel to Promote Mental Health

XRHealth was awarded a contract with the Israeli Police to deploy the XRHealth solution in every police station throughout Israel to promote mental health resilience. The goal is for police officers to use XRHealth to decrease stress and anxiety and improve work performance. Each police station will have a “quiet room” that has VR/AR headsets loaded with XRHealth’s Experience Space software, a solution that provides self-guided meditation, relaxation, stress and anxiety relief in fifty-three different environments and does not require a clinician. Police officers can engage in the mental health resilience program whenever they want since it is easily accessible in each station.

When police officers engage in mental health resilience practices it lowers levels of aggression and increases job performance by decreasing reactivity, improving coping skills, and improving quality of life.

[XRHealth](https://www.xr.health/‎) operates state-of-the-art therapeutic care Virtual Rooms, utilizing proprietary FDA and CE registered medical Extended Reality (XR) technology (virtual and augmented reality). XRHealth integrates immersive XR technology, licensed clinicians, and advanced data analytics on one platform, providing a comprehensive therapeutic care solution for patients to receive treatment from the comfort of their home. Founded in 2016, XRHealth is headquartered in Boston, Massachusetts and its R&D center is located in Tel-Aviv, Israel. (XRHealth 01.04)

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* 1. IceCure Submits FDA Filing for New XSense Cryoablation System with Cryoprobes

IceCure Medical has filed a 510(k) submission with the US FDA for clearance of its next-generation single probe cryoablation system, the XSense System and cryoprobes. The filing contains a request for clearance for all of the indications for which ProSense has already received the requisite FDA clearance, including general minimally invasive cryoablation applications for the kidney, liver, fibroadenomas and neurology. This new application for IceCure's next-generation single probe XSense with cryoprobes is based on the current clearance of the ProSense System, and is being processed separately from the Company's De Novo application for the breast cancer indication.

The ProSense Cryoablation System provides a minimally invasive treatment option to destroy tumors by freezing them. The system uniquely harnesses the power of liquid nitrogen to create large lethal zones for maximum efficacy in tumor destruction in benign and cancerous lesions, including breast, kidney, lung and liver. ProSense enhances patient and provider value by accelerating recovery, reducing pain, surgical risks and complications. With its easy, transportable design and liquid nitrogen utilization, ProSense® opens that door to fast and convenient office-based procedure for breast tumors.

Caesarea's [IceCure Medical](https://www.icecure-medical.com/) ProSense is an advanced liquid-nitrogen-based cryoablation therapy for the treatment of tumors (benign and cancerous) by freezing, with the primary focus areas being breast, kidney, bone and lung cancer. Its minimally invasive technology is a safe and effective alternative to hospital surgical tumor removal that is easily performed in a relatively short procedure. (IceCure Medical 02.04)

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* 1. Evogene & The Kitchen FoodTech Hub's Finally Foods Revolutionizes Protein Production

Rehovot's [Evogene](http://www.evogene.com), a leading computational biology company targeting revolutionizing life-science-based product discovery and development utilizing cutting edge computational biology technologies, across multiple market segments and [The Kitchen FoodTech Hub (TKH)](http://www.TheKitchenHub.com/‎), the foodtech incubator and investment arm of Israeli food giant Strauss Group, have jointly announced the establishment of Finally Foods.

Finally Foods secured pre-seed funding from TKH and the Israeli Innovation Authority (IIA). Evogene holds approximately 40% stake in the company, with the remaining ownership divided among TKH and the founding team.

Rehovot's [Finally Foods](http://www.finally-foods.com) is a new AI-driven company specializing in molecular farming for the food sector. The company was formed in collaboration with Evogene, a leading computational biology company and The Kitchen FoodTech Hub (TKH), the FoodTech incubator and the investment arm of the Strauss Group. Finally Foods produces animal-based proteins by modifying plants to serve as "bioreactors", leveraging Evogene's AI technology. Its first target protein is Casein. (Evogene 02.04)

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* 1. Omnix Medical Granted U.S. FDA Fast-Track for its Next-Generation Anti-Infective OMN6

Omnix Medical received fast-track designation for its novel anti-infective OMN6 from the U.S. FDA. OMN6 is Omnix Medical´s lead compound and a novel, first-in-class antimicrobial peptide (AMP) based on insect host defense peptides. Its mechanism of action (MoA) fundamentally differs from conventional anti-infectives by physically destroying bacterial cell membranes and allowing a fast and effective onset of action regardless of bacterial genotype or resistance phenotype.

In November 2023, Omnix Medical was granted an IND for a Phase II trial of OMN6 in patients with hospital-acquired bacterial pneumonia (HABP) or ventilator-associated bacterial pneumonia (VABP) caused by Acinetobacter baumannii complex (ABC). Both are life-threatening infections that currently lack fast and effective treatments, most of which fall short due to antimicrobial resistance.

Jerusalem's [Omnix Medical](https://omnixmedical.com/) was founded in 2015 to address the urgent unmet need for new life-saving anti-infective drugs. Omnix Medical´s proprietary technology eliminates bacteria by mimicking the innate immune system of insects which uses unique molecules to efficiently and selectively kill resistant bacterial strains without toxic effects. This mechanism, which is at the core of Omnix Medical´s technology, kills bacteria upon contact and has successfully evolved over 200 million years. The Company’s lead compound is being developed for the treatment of life-threatening hospital-acquired infections (HIA) and has shown significantly higher potency than currently available treatments. OMN6 is a novel, first-in-class antimicrobial peptide (AMP) based on insect host defense peptides. Its mechanism of action (MoA) is based on disruption of bacterial cell membranes and is therefore effective regardless of bacterial genotype or resistance phenotype, and it is fast-acting and bactericidal. (Omnix Medical 01.04)

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* 1. IR-MED’s PressureSafe Receives FDA Listing as Support Device for Pressure Injuries

IR-MED announced its PressureSafe decision support device has received U.S. FDA listing or the indication of pressure injuries. PressureSafe is classified as a Class I device and is exempt from 510(k) premarket submission. PressureSafe uses infra-red spectroscopy combined with an AI-based algorithm for the early, non-invasive, and skin color agnostic detection of pressure injuries with real-time analysis at the point of care.

PressureSafe achieved 92% efficacy in the early, non-invasive detection of pressure injuries, regardless of skin color, in a study conducted in Israel with the world’s second largest HMO, Clalit. Nearly 1,500 scans were performed on 154 body locations. Registration of a device establishment or assignment of a registration number does not in any way denote approval of the establishment or its products.

Rosh Pina's [IR-MED](https://www.ir-medical.com/) is developing a noninvasive spectrographic analysis technology platform, allowing healthcare professions to detect, measure and monitor, in real time, different molecules in the blood, in human tissue, and in body fluids without invasive procedures. PressureSafe, the first product under development, is a handheld optical monitoring device that is being developed to support early detection of pressure injuries (PI) to the skin and underlying tissue, regardless of skin tone as it calibrates personally to each patient’s skin. IR-MED’s technology is being developed to allow accurate readings of biomarkers in a non-invasive method that may provide caregiver the optimal decision support-system in cases where uncertainties disturb physicians in their decision processes. PressureSafe is currently undergoing usability studies at multiple medical centers. It is not yet available for commercial use. (IR-Med 05.04)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. SaverOne Signs Milestone OEM Agreement with IVECO

SaverOne signed an OEM agreement with IVECO, the brand of Iveco Group N.V. that designs, manufactures and markets light, medium and heavy commercial vehicles. The agreement seals the collaboration to develop a solution to prevent driver distraction from cellphone use. The OEM agreement covers the integration of SaverOne’s safety technology within IVECO’s vehicles through their manufacturing line. Initially, throughout 2024, SaverOne’s software will be integrated within IVECO’s hardware. Future further evolutions, may include the integration of SaverOne’s mobile app with IVECO's mobile app, and SaverOne’s hardware and software within IVECO’s assembly line. The first IVECO vehicles with the integrated SaverOne software solution are expected to be delivered this year.

IVECO and SaverOne will also collaborate within their service centers to offer comprehensive support for drivers that use this technology. SaverOne’s solution will be provided to IVECO’s customers under a software-as-a-service model. It will be included in IVECO’s services portfolio and will be delivered to customers under IVECO’s commercial responsibility. Technical development and integration will be delivered by SaverOne.

Petah Tikva's [SaverOne](https://saver.one/‎) is a technology company engaged in the design, development and commercialization of OEM and aftermarket solutions and technologies, to lower the risk of, and prevent, vehicle accidents. SaverOne’s system is installed in vehicles to provide a solution to the problem of driver distraction, as a result of drivers using distracting applications on the mobile phone while driving, in a way that endangers their safety and the safety of their passengers. SaverOne's technology specifically recognizes the driver area in the vehicle and prevents the driver from accessing distracting applications such as messaging, while allowing others (e.g. navigation, calls), without user intervention or consent, creating a safer driving environment. (SaverOne 27.03)

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* 1. CyberArk Launches Industry’s First Identity-Centric Secure Browser

CyberArk announced the general availability of CyberArk Secure Browser, the industry’s first identity-centric secure browser, providing enhanced security and privacy alongside a familiar, productive user experience. CyberArk Secure Browser is purpose-built for a cloud-first world, providing secure, consistent access to both on-premises resources and SaaS applications. It allows unprecedented visibility, control and governance for security teams, helping to prevent the malicious use of compromised identities, endpoints and credentials both at and beyond login. Secure Browser is a component of the CyberArk Identity Security Platform, enabling secure access for any identity — human or machine — to any resource or environment from anywhere, using any device.

Available to customers of the CyberArk Identity Security Platform, CyberArk Secure Browser safeguards the organization’s most valuable resources, enabling a secure passwordless experience, easy access to privileged information and assets and helping to prevent breaches resulting from cookie theft and session takeover attacks. Recent major security breaches and new research from CyberArk Labs demonstrates how easy it is for techniques like cookie theft to give threat actors unauthorized access to sensitive data and assets, completely bypassing authentication tools. Secure Browser can ensure that there are no cookies to steal.

Petah Tikva's [CyberArk](https://www.cyberark.com) is a global leader in identity security. Centered on intelligent privilege controls, CyberArk provides the most comprehensive security offering for any identity – human or machine – across business applications, distributed workforces, hybrid cloud environments and throughout the DevOps lifecycle. The world’s leading organizations trust CyberArk to help secure their most critical assets. (CyberArk 27.03)

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* 1. Teramount & GlobalFoundries Collaborate to Advance Silicon Photonics

Teramount announced its collaboration with New York's GlobalFoundries (GF) to address the challenge of connecting fibers to Silicon Photonics (SiPh) chips, to meet the ever-growing bandwidth demands and power challenges in datacom and telecom applications.

As part of this collaboration, Teramount integrates its Universal Photonic Coupler solution with GF’s 45CLO silicon photonics platform, GF Fotonix, to provide a scalable fiber packaging solution to customers who want to utilize high-speed optical connectivity for applications like AI/ML and data center. This collaboration will enable deeper integration of optics into semiconductor through a variety of innovative packaging technologies which provide scalability of bandwidth, power and latency performance to next generations of advanced computing applications.

Jerusalem's [Teramount](http://www.teramount.com) changes the world of optical connectivity by offering a novel solution for connecting optics to silicon for data center, advanced computing, sensors and other datacom and telecom applications. Its innovative Universal Photonic Coupler solution provides scalable connectivity of fibers to photonic chips and aligns photonics with standard semiconductor high-volume manufacturing. (Teramount 26.03)

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* 1. Essence Partners with GRAEF to Transform German Security Landscape with MyShield

Essence Security, part of Essence Group, announced its partnership with Berlin's GRAEF Gruppe, Germany's leading security service provider with a consortium of eight specialized security companies, to distribute and implement Essence's MyShield standalone connected smoke-generating intruder intervention solution across Germany. Under the partnership, GRAEF Gruppe will distribute MyShield through its vast network of security installers throughout Germany, incorporating the proactive smoke security system into major security projects to meet the growing demand for increased protection.

The award-winning, first-of-its-kind device fills a room with a veil of harmless yet disorienting smoke in about 30 seconds, forcing intruders off premises before they can cause harm to people or property. MyShield acts as a 'first responder,' significantly narrowing the window of time in which intruders can operate and providing an enhanced level of security to residential and commercial users -- particularly advantageous in high-risk environments where rapid response is crucial.

Herzliya's [Essence Group](https://www.essence-grp.com) is a global technology leader with a mission to develop and deploy innovative, cloud-based, end-to-end security and healthcare solutions, underpinned by supporting services that provide peace of mind to users. For over a quarter of a century, Essence has challenged convention by making care and safety both accessible and affordable. With over 80 million connected devices deployed worldwide, Essence helps people to live safer and more independent lives. (Essence Group 27.03)

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* 1. AU10TIX Introduces One-Stop Identity Verification Hub for Digital Identity

AU10TIX announced the expansion of its Digital ID solution, which enables businesses to rapidly, accurately and securely verify IDs of all types, including physical, digital, eID, verifiable credentials, and more. AU10TIX's fully automated Digital ID solution serves as a verification hub for business owners, enabling faster and more accurate identity verification. It enhances completion rates, improves the customer experience, and drives revenue growth. The solution ensures thorough verification of all digital IDs by validating the cryptographic signature and cross-checks the personal identifiable information (PII) displayed on the user's ID against government databases from countries like Brazil and India.

Tel Aviv's [AU10TIX](http://www.au10tix.com.‎) plays a pivotal role in establishing trust between individuals/companies and digital systems. Founded in 2002, it is the global leader in identity verification and management, protecting the world's largest brands against advanced fraud. The company's future-proof product portfolio helps businesses provide frictionless customer onboarding and verification in 4-8 seconds while staying ahead of emerging threats and evolving regulatory requirements. AU10TIX offers the world's only 100% automated global identity management system, as well as the industry's only solution that can detect organized mass attacks by analyzing traffic patterns and cross-checking data in a consortium of more than 60 major companies. (AU10TIX 27.03)

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* 1. Silynxcom & 3M PELTOR Strengthen Collaboration in Next Generation Headset Solutions

Silynxcom announced an expansion of its ongoing collaboration with 3M PELTOR. Peltor is recognized as the world leader manufacturer of over-the-ear headsets. Known for its commitment to innovation and quality, Peltor's products are designed to meet the rigorous demands of various environments, ensuring reliability and performance.

Peltor and Silynxcom agreed to expand their mutual distributor agreement to include Peltor's latest innovative product – the Peltor ComTac VIII Headset. The ComTac VIII Headset offers improved sound protection, hardware design and user application. The ComTac VIII Headset represents the pinnacle of Peltor's engineering excellence. Engineered for both communication and protection, the ComTac VIII Headset features advanced technology to enhance auditory situational awareness in noise-intense environments. This expansion underscores the commitment of both companies to providing cutting-edge communication solutions for tactical and operational environments.

For over a decade, Netanya's [Silynxcom](https://www.silynxcom.com/) has been developing, manufacturing and selling ruggedized tactical communication headset devices as well as other communication accessories, all of which have been field-tested and combat proven. The Company’s in-ear headset devices, or In-Ear Headsets, are used in combat, the battlefield, riot control, demonstrations and weapons training courses. The In-Ear Headsets seamlessly integrate with third party manufacturers of professional-grade ruggedized radios that are used by soldiers in combat or by police officers. (Silynxcom 01.04)

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* 1. Gilat Awarded Over $13 Million from Satellite Operators for SkyEdge Platforms

Gilat Satellite Networks was awarded over $13 million cumulative orders from multiple satellite operators to expand their global SATCOM networks utilizing Gilat’s SkyEdge IV multi-orbit, multi-service capabilities and leveraging its backward compatibility with SkyEdge II-c modems. These activities represent continuing orders resulting from the strategic partnerships forged with the selection of Gilat’s SkyEdge platforms by key satellite operators. SkyEdge platforms play a pivotal role in enabling in-flight connectivity, maritime mobility, cellular backhaul, and fixed data services.

Petah Tikva's [Gilat Satellite Networks](http://www.gilat.com) is a leading global provider of satellite-based broadband communications. Their portfolio includes a diverse offering to deliver high-value solutions for multiple orbit constellations with very high throughput satellites (VHTS) and software-defined satellites (SDS). Their offering is comprised of a cloud-based platform and high-performance satellite terminals; high-performance Satellite On-the-Move (SOTM) antennas; highly efficient, high-power Solid State Power Amplifiers (SSPA) and Block Upconverters (BUC) and includes integrated ground systems for commercial and defense, field services, network management software and cybersecurity services. (Gilat 01.04)

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* 1. NILIT Goes Circular with SENSIL Flow

Migdal HaEmek's [NILIT](https://www.nilit.com/), the global market leader, and a producer of high quality Nylon 6.6 for apparel and owner of the SENSIL brand, introduces SENSIL Flow, a new approach to Nylon 6.6 circularity that enables yarn, fabric, and, ultimately, apparel recycling to eliminate waste and further reduce apparel’s environmental impact. SENSIL Flow is more than just a sustainable performance product. It is an innovative approach that engages the entire supply chain to truly attain circularity through product design and partnership.

Today, apparel recycling is constrained by the complexity of sorting and separating materials before they can be recycled back to their original components, garments made with blended fibers and fabrics are especially difficult to recycle.

The SENSIL Flow approach addresses these obstacles on multiple fronts. First, SENSIL Flow is a yarn that delivers a mono-component fabric with comfort stretch that can be considered as an alternative to elastane in certain end uses. Engineered to provide inherent elasticity and recovery properties, SENSIL Flow creates comfortable, stretchable performance fabrics for the casual and lifestyle segments. These beautiful fabrics have excellent color absorption and exquisite 3D effects while at the same time making post-consumer recycling possible. Pure premium Nylon 6.6 yarns, fabrics, and garments are easily recycled using a process that requires no additional chemicals and generates minimal CO2 emissions.

Additionally, NILIT partners with recycling experts to facilitate the efficient recovery and recycling of fabric waste and post-consumer fabrics and clothing that would otherwise end up in a landfill or incinerator. These partners are expected to create high quality recycled Nylon chips that can be reintroduced into NILIT’s Nylon fiber spinning process, resulting in high quality outputs, as well as other engineering plastics. Certificates will validate circularity and provide transparency and accountability for partners committed to building a circular textile economy. (NILIT 02.04)

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* 1. XM Cyber Unveils New Capabilities to Prioritize High-Impact Cloud Exposures

XM Cyber announced new capabilities designed to help enterprises prioritize and fix critical exposures in their multi-cloud environments. In addition to identifying over-privileges, misconfigurations and vulnerabilities that expose cloud resources to attackers, XM Cyber instantly highlights the most high-impact exposures that should be remediated first, and provides the necessary information to address them.

This innovation empowers cloud security teams to build an actionable remediation plan that prevents high-impact attacks, increases efficiency, and enables accurate reporting on true risks across multi-cloud infrastructures. Furthermore, XM Cyber analyzes attack paths that span on-premises and cloud environments, ensuring comprehensive protection against threats that traverse hybrid enterprise environments.

Recognizing the evolving threat landscape, XM Cyber analyzes attack paths end-to-end, bridging on-premises and multi-cloud environments. Attackers operate without constraints in hybrid environments, and XM Cyber ensures that defenders remain one step ahead, fortified against emerging threats from the outside in. By proactively identifying and neutralizing threats, organizations can preemptively safeguard their assets against cyber adversaries.

Herzliya's [XM Cyber](https://xmcyber.com/) is a leading continuous exposure management company that is changing the way organizations approach cyber risk. XM Cyber transforms exposure management by demonstrating how attackers leverage and combine misconfigurations, vulnerabilities, identity exposures and more, across AWS, Azure, GCP and on-prem environments to compromise critical assets. (XM Cyber 02.04)

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* 1. AI21's Groundbreaking Hybrid SSM-Transformer Open-Source Model

AI21 unveiled Jamba, the world's first production-grade Mamba-style model – integrating Mamba Structured State Space model (SSM) technology with elements of traditional Transformer architecture. Jamba marks a significant advancement in large language model (LLM) development, offering unparalleled efficiency, throughput, and performance. Jamba revolutionizes the landscape of LLMs by addressing the limitations of pure SSM models and traditional Transformer architectures. With a context window of 256K, Jamba outperforms other state-of-the-art models in its size class across a wide range of benchmarks, setting a new standard for efficiency and performance.

Jamba features a hybrid architecture that integrates Transformer, Mamba, and mixture-of-experts layers, optimizing memory, throughput, and performance simultaneously. Jamba also surpasses Transformer-based models of comparable size by delivering three times the throughput on long contexts, enabling faster processing of large-scale language tasks that solve core enterprise challenges. Scalability is a key feature of Jamba, accommodating up to 140K contexts on a single GPU, facilitating more accessible deployment and encouraging experimentation within the AI community.

Tel Aviv's [AI21](http://www.AI21.com) is a leader in generative AI and Large Language Models, with the mission to empower businesses with state-of-the-art LLMs and AI systems. It was among the first companies to bring generative AI to the masses and, to date, offers enterprise solutions and consumer applications. With the developer platform AI21 Studio, businesses can build their own generative AI-driven applications and services. AI21's consumer product, Wordtune, is the first AI-based reading and writing assistant to understand context and meaning, enabling its millions of users to refine and generate text or read and summarize text within seconds. (AI21 28.03)

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* 1. Hailo Closes New $120 Million Funding Round and Debuts Hailo-10

Hailo has extended its series C fundraising round with an additional investment of $120 million. At the same time, the company announced the introduction of its innovative Hailo-10 high-performance generative AI (GenAI) accelerators that usher in an era where users can own and run GenAI applications locally without registering to cloud-based GenAI services.

The new funding round was led by current and new investors including the Zisapel family, Gil Agmon, Delek Motors, Alfred Akirov, DCLBA, Vasuki, OurCrowd, Talcar, Comasco, Automotive Equipment (AEV), and Poalim Equity. To date the company has raised more than $340 million.

The new Hailo-10 GenAI accelerator enables a whole spectrum of applications that maintain Hailo’s leadership in both performance-to-cost ratio and performance-to-power consumption ratio. Hailo-10 leverages the same comprehensive software suite used across the Hailo-8 AI accelerators and the Hailo-15 AI vision processors, enabling seamless integration of AI capabilities across multiple edge devices and platforms. By unlocking the power of GenAI on edge devices, such as personal computers, smart vehicles, and commercial robots, Hailo-10 allows users to completely own their GenAI experiences, making them an integral part of their daily routine. Hailo accomplishes this immersive GenAI experience through a Hailo-10 architecture that supports maximum GenAI performance with minimum required power.

Tel Aviv's [Hailo](http://www.hailo.ai), an edge AI-focused chipmaker, is developing specialized AI processors that enable data center-class performance on edge devices. Hailo’s processors are the product of a rethinking of traditional computer architecture, enabling smart devices to perform sophisticated deep learning tasks such as object detection and segmentation in real-time, with minimal power consumption, size and cost. (Hailo 02.04)

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* 1. Gilat Awarded Over $3 Million Order for Public WiFi Service in Latin America

Gilat Satellite Networks announced the award of more than $3 million for a public WiFi solution in Latin America. This follow-on order significantly extends the number of sites in the program and highlights the importance of social inclusion projects aimed at bridging the digital divide. The public WiFi solution provided by Gilat is being extended by hundreds of sites and will play a crucial role in expanding internet access to thousands more people across rural areas where terrestrial infrastructure is limited or absent.

Petah Tikva's [Gilat Satellite Networks](http://www.gilat.com) is a leading global provider of satellite-based broadband communications. With over 35 years of experience, they deliver deep technology solutions for satellite, ground and new space connectivity and provide comprehensive, secure end-to-end solutions and services for mission-critical operations, powered by our innovative technology. (Gilat 04.04)

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* 1. Cognni Again Revolutionizes Data Mapping and Protection

Cognni announced the launch of its Data At-Rest Discovery and Classification solution. Data At-Rest Discovery and Classification is a zero-effort solution that leverages Cognni's proprietary AI technology to autonomously scan, map, and classify data stored in databases, files, and cloud services. This solution provides actionable insights and recommendations, as well as assigns sensitivity labels and information types to each data element, mitigating data risks and ensuring compliance with data privacy regulations.

Data At-Rest Discovery and Classification is part of Cognni's Information Intelligence Platform, which also includes Data In-Motion Discovery and Classification, Data Subject Search, and Data Security Posture Dashboards. Cognni integrates seamlessly with Microsoft Purview Information Protection and other DLP vendors to enhance data protection and governance capabilities.

Tel Aviv's [Cognni](http://www.cognni.ai) is an AI-powered Information Protection Platform that provides groundbreaking data classification and risk analysis to autonomously detect and mitigate real vulnerabilities to unstructured data. Their intelligence revolutionizes the traditional approach to DLP, Insider Risks, DSPM, IGA and PAM to keep an organization's information secure. (Cognni 05.04)

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* 1. IWI Unveils Computerized Small Arms System

[Israel Weapon Industries](https://iwi.net/) (IWI), of the SK Group, unveiled a computerized small arms system - the Arbel. The system has three main components: a computer-based platform, an upgraded electronic trigger mechanism with sensors and a new firing mode. The Arbel system does not affect the operation of the gun, which can still be used as a standard weapon if the system’s removable battery runs out.

The Arbel system provides a solution to the need to react quickly to threats, while taking into consideration the continuous engagements on the battlefield and the heavy weight carried by combat soldiers, and compensates for the decline in the operator's physical and mental abilities because of exertion, fatigue, and stress, thus improving survivability. A further advantage is a saving of ammunition: the system’s accuracy enhances hit probability and lethality.

IWI’s Negev light machine gun is the first small arm to be fitted with the Arbel system. According to IWI, the electronic trigger, featuring the new firing mode "Arbel," along with a built-in fire control system, enhances accuracy, especially in time-sensitive situations. The company claims that the system increases the weapon’s lethality by up to three times, achieving an 80-90% hit rate on moving targets. The Arbel system offers up to 60 hours of continuous operation without recharging. It is optic-agnostic and operates normally in harsh environmental conditions, day or night. (IWI 07.04)

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* 1. Tabnine Introduces Real-Time Switchable Models for Tabnine Chat

Tabnine announced the ability for users to select the underlying large language model (LLM) that powers its software development chat tool, Tabnine Chat. Engineering teams can now select from a catalog of models to use the one best suited to their situation, and can switch between them at-will.

Tabnine Chat is the enterprise-grade, code-centric chat application that allows developers to interact with Tabnine AI models using natural language. Today’s update enables users to further adapt Tabnine Chat to the way they work and make it an integral part of the software development lifecycle (SDLC). It provides users control and flexibility to select LLMs that are the best fit for their needs and allows them to take advantage of the capabilities in newer LLMs and without getting locked to a specific model.

Tel Aviv's [Tabnine](http://www.tabnine.com]) helps development of every size use AI to accelerate and improve the software development life cycle. As the original AI coding assistant, Tabnine has been used by millions of developers to boost code quality and developer happiness using generative AI technology. (Tabnine 02.04)

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* 1. CodiumAI Rolls Out AI Coding Agent to Half a Million Software Developers

CodiumAI has deployed a proactive AI Agent to all 500K users of its software development tools. The semi-autonomous solution works in tandem with popular code completion tools to enhance the quality of AI-generated code, by proactively suggesting improvements to developers as they code. Alongside the agent, CodiumAI is also releasing its own code completion tool that emphasizes code integrity.

The Codiumate Agent provides an integrated and proactive solution to the software quality challenges facing developers. The semi-autonomous coding agent runs alongside developers as they work, suggesting relevant tests, drafting documentation and identifying code duplicates without prompting. By offering assistance to developers that complements popular code completion tools, the AI Agent empowers them to not only code faster but to create higher quality code. Designed to enhance CodiumAI's existing code integrity and testing offering, the agent brings proactive testing and validation directly into their existing development environment to supercharge AI-powered coding.

Tel Aviv's [CodiumAI](https://www.codium.ai) is a rapidly growing code integrity solution provider that analyzes code and generates meaningful tests to catch bugs before they reach production. CodiumAI is funded by world-renowned investors such as TLV Partners and Vine Ventures and angel investors. (CodiumAI 03.04)

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* 1. XM Cyber Unveils New Capabilities to Prioritize High-Impact Cloud Exposures

XM Cyber announced new capabilities designed to help enterprises prioritize and fix critical exposures in their multi-cloud environments. In addition to identifying over-privileges, misconfigurations and vulnerabilities that expose cloud resources to attackers, XM Cyber instantly highlights the most high-impact exposures that should be remediated first, and provides the necessary information to address them.

This innovation empowers cloud security teams to build an actionable remediation plan that prevents high-impact attacks, increases efficiency, and enables accurate reporting on true risks across multi-cloud infrastructures. Furthermore, XM Cyber analyzes attack paths that span on-premises and cloud environments, ensuring comprehensive protection against threats that traverse hybrid enterprise environments.

Herzliya's [XM Cyber](https://www.xmcyber.com) is a leading continuous exposure management company that is changing the way organizations approach cyber risk. XM Cyber transforms exposure management by demonstrating how attackers leverage and combine misconfigurations, vulnerabilities, identity exposures, and more, across AWS, Azure, GCP and on-prem environments to compromise critical assets. (XM Cyber 02.04)

ISRAEL ECONOMIC STATISTICS

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* 1. Israeli Startups Raised $1.6 Billion in First Quarter

IVC-LeumiTech reported in its Tech Review that Israeli startups raised $1.6 billion in 105 financing rounds in Q1/24, up 10% from the preceding quarter of 2023 but down 10% from the corresponding quarter of 2023.

While the number of financing rounds has been consistently falling since the start of 2022, they still reflects a 34% rise from Q4/23. The report found that the number of seed and Series A financing rounds completed in Q1/24 jumped to 80, up 40% from the preceding quarter. Earlier rounds represented 77% of the overall number of financing rounds in the first quarter, which is significantly higher compared with the average of these rounds out of total financing rounds in previous quarters.

Initial data also indicate that the involvement of foreign investors in Q1/24 increased compared with the previous quarter, while the downward trend in participation by local investors also ended in the first quarter of this year.

In addition, according to the initial figures, there were six major deals in Q1/24 of over $100 million, representing 47% of all the money raised in the quarter. Most of these deals were in cybersecurity. In these financing rounds, $752 million was raised in Q1/24, of which $620 million was raised by cybersecurity companies, representing 38% of the overall amount raised. (IVC-LeumiTech 28.03)

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* 1. Despite Challenges, Israel Shows Resilience in Investment, M&A Deals & New Funds

According to new Finder spotlight research by Startup Nation Central, in the months following the events of 7 October, the Israeli tech sector remains strong. Despite some immediate challenges to the sector such as a reduction in workforce availability with some 15% of the workforce drafted into the war and short-term funding gaps where smaller startups with a short runway were most impacted, the Israeli tech ecosystem is showing characteristic resilience and continues to attract investors and venture capital funds activity.

**Private investment rounds:** There were 220 private investment rounds announced since 7 October with an estimated $3.1 billion raised. The average investment amount was $19 million. The most notable investment was in Next Insurance which saw two foreign VCs invest $265 million. The leading sectors in the number of rounds were health tech (47), enterprise software solutions (42) and security technologies (39). The leading sectors in the amounts raised were security technology with close to $1.1 billion raised, and fintech and enterprise software solutions with almost $0.5 billion each. Compared to the US, the downward trend in investment in Israel is on par with the US.

**M&As:** The sum of M&As since 7 October is $3.7 billion. There were two very large M&A deals finalized with total acquisition amounts nearing $1 billion. Additionally, nine acquisition deals of over $100 million were finalized, six of which were in the security technology sector, including Talon Cyber Security (acquired for $625 million), Dig Security (acquired for $350 million), Avalor (acquired for $350 million) and Gem (acquired for $350 million). Flow Security and Spera Security were acquired for $200 million and $130 million respectively. Health tech had the third largest deal with CartiHeal acquired for $330 million and accounted for $425 million of total M&A values. Enterprise Software Solutions M&As reached $240 million.

**New Funds:** Since 7 October, over 20 new funds were established raising a total of $1.7 billion. Of these, 11 funds were established to address urgent startup funding needs due to the impact of the war and to show confidence in the Israeli tech ecosystem. These funds include Iron Nation; 1948 Ventures; OurCrowd – Israel Resilience Fund; SYN Ventures – Cybersecurity Seed; Trendlines – Startup Shield SPV; TechShield; Google Support Fund, and more.

[Startup Nation Central](https://startupnationcentral.org/) helps global solution seekers tackle complex challenges by giving them frictionless access to the expertise and solutions of Israel's problem solvers - and their bold and determined approach to innovation. Their free business engagement platform, Finder, grants unrestricted access to real-time, updated information and deep business insights into the Israeli tech ecosystem, explore potential opportunities and forge valuable business connections. (SNC 02.04)

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* 1. Israel's Minimum Wage Rises to NIS 5,880 per Month

An increased minimum wage went into effect in Israel starting on 1 April. The minimum wage rose to NIS 5,880 ($1584) a month for full-time positions, corresponding to an hourly minimum wage of NIS 32.31 ($8.70). According to a Bank of Israel report, about 17% of all workers in the State of Israel earn minimum wage – more than 565,000 people.

The increase follows an increase in the average wage last year. According to the Minimum Wage Law, the minimum wage must be updated annually in April and set so that it stands at least at 47.5% of the average wage (set at the beginning of the year by the National Insurance Institute). Last year, the monthly minimum wage rose from NIS 5,300 ($1428) to NIS 5,571.75 ($1501). The hourly minimum rose from NIS 29.12 ($7.84) to NIS 30.61 ($8.25). The increase in minimum wage also affects the minimum wage for youth, which is set as a percentage of the general minimum wage depending on the worker’s age. (Davar 04.04)

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* 1. Israel's Foreign Exchange Reserves at a Record High

The Bank of Israel announced that the country's foreign exchange reserves at the end of March 2024 stood at $213.768 billion, an increase of $6.947 billion from their level at the end of the February. This is a record amount, surpassing the previous record of $213 billion in December 2021. The level of the reserves relative to GDP was 42.2%. The increase was mainly the result of the government’s foreign exchange activities totaling approximately $4.858 billion and a revaluation that increased the reserves by approximately $2.265 billion.

Despite announcing in October 2023 at the start of the war a plan to sell up to $30 billion in foreign currency to support the shekel, the Bank of Israel again did not sell any foreign currency in February and has only sold $8.5 billion since the start of the war, most of it in October. In fact the foreign exchange reserves have risen from $200.486 billion to $213.768 billion over the past 12 months. (BoI 08.04)

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* 1. New Car Deliveries to Israel Declines Sharply in First Quarter

Israel's car import market recorded a strong fall in Q1/24, although electric cars claimed a far bigger market share. Some 89,041 cars were delivered in Q1/24, down 16.6% from the corresponding quarter of 2023. 25% of the cars delivered in the first quarter were electric compared with 14.6% in the first quarter of 2023.

In Q1/24, 20,440 of the cars delivered were manufactured in China, up 22% from Q1/23, and up 460% from the first quarter of 2022. Cars manufactured in China represented 23% of all cars delivered to Israel in Q1/24.

The best-selling brand in Israel in Q1/24 was Hyundai with 12,036 deliveries, down 34.1% from the first quarter of 2023, followed by Kia with 9,645 deliveries, down 22.7%. In third place was Toyota with 8,103 deliveries, down 7.5%. Chinese company BYD was in fourth place with 6,990 deliveries, up 18.6% from the first quarter of 2023, and in fifth place was Skoda with 6,017 deliveries, down 22.2%. The best-selling electric car model in Q1/24 was BYD's ATTO3, followed by the Hyundai Elantra and the Kia Niro. Car deliveries to Israel from Korea and Japan have been disrupted by the Houthi attacks in the Red Sea. (Globes 03.04)

IN DEPTH

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* 1. ISRAEL: Fitch Removes Israel from Rating Watch Negative; Affirms IDR at A+

On 2 April, [Fitch Ratings](http://www.fitchratings.com/) removed Israel from Rating Watch Negative (RWN), and affirmed the Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Negative Outlook.

**Key Rating Drivers**

**RWN Removed:** Geopolitical risks associated with the war in Gaza remain elevated and escalation risks remain present, but Fitch believes the risks to the credit profile have broadened and their impact may take longer to assess, so has removed the RWN on Israel's 'A+' rating.

**Negative Outlook:** The Negative Outlook reflects the combination of uncertainties around the fiscal trajectory and the war's duration and intensity, including the risk of regional escalation. We expect a near-term jump in debt/GDP and persistently higher military spending in the context of fractious domestic politics and uncertain macroeconomic prospects, which could limit Israel's ability to bring down debt in the future.

Risks of a widening of Israel's current conflict to include large-scale military confrontations with multiple actors - over a sustained period of time - remain high. This could include Hezbollah, other regional militant groups and Iran. This is not our base case, but such large-scale escalation, in addition to human loss, could result in significant additional military spending, destruction of infrastructure, sustained change in consumer and investment sentiment, and thus lead to a large deterioration of Israel's credit metrics.

**War Continues:** Israel has announced its intention to enter the city of Rafah in the south of Gaza, and we expect the war to continue in Q2/24 with a risk of intense operations continuing beyond. This implies continued high spending on immediate military needs, and disruptions to production in the border areas and in tourism and construction. Israel has demobilized most of its reservists, reducing the impact on the workforce.

**Risk of Broadening Conflict:** Continued operations in Gaza also keep the risk of a widening of the conflict at an elevated level. The Israeli army and Hezbollah have exchanged fire repeatedly and neither side has chosen to escalate to an all-out war, while an escalation remains possible. A widening of the conflict could include other regional militant groups and Iran.

**Wide Budget Deficits:** The war and associated economic disruptions contributed to a 6.6% drop in revenue in 2023, while a12.5% rise in spending was driven by mitigation measures for those affected and military spending. The budget deficit reached 4.1% of GDP versus the initial government budget of 0.9%. The Knesset passed a revised budget for 2024 which includes about 3.6% of GDP in new spending, largely related to the war, and about 0.9% of GDP in new revenue and spending cuts (0.3% of GDP in permanent measures). We forecast a budget deficit of 6.8%, slightly above the budget's forecast.

In 2025, we project a central government budget deficit of 3.9%, reflecting our expectation that war-related military spending will be phased out but permanent military spending will remain about 0.8% of GDP higher than in the 2023 budget. The surge in debt will also reduce fiscal space with higher interest costs. The authorities have announced a target of 3.5% for the budget deficit and the Knesset has adopted several permanent and temporary measures that it estimates could reduce the deficit by 1.1% of GDP if implemented.

**Debt to Rise:** Fitch projects debt-to-GDP to rise to 65.7% in 2024 and 67% in 2025, below the 2021 level of 68%. However, the combination of higher permanent military spending and uncertain macroeconomic trends could mean that debt will remain on an upward trend beyond 2025. Israel's debt is higher than the forecast 'A' peer median of 55% for 2025, while it has retained its ability to access international funding through the conflict.

**Domestic Politics Remain Fractious:** An emergency government was formed to include parties beyond the original coalition and form a war cabinet which includes National Unity party leader Benny Gantz. The emergency government is likely to be dissolved once the intense phase of the war passes or earlier, and the original coalition will return to power. It could remain until the next elections in October 2026, although coalitions rarely last a full term and this one will face pressure for early elections, given the events of October 2023. The upcoming legislation on exemptions to military conscription could also prove divisive within the coalition.

The precariousness of government coalitions has hindered fiscal consolidation in the past. The 2024 budget amendment included some coalition-related spending despite the surge in deficit.

**Higher Risks to Growth:** GDP growth slumped to 1.8% in 2023, and we estimate it would have been over 1.5ppts higher without the war. We project GDP growth of 1.9% in 2024 and 4.1% in 2025. Household current consumption has recovered, with credit card spending above the pre-war level in early 2024. However, the lack of Palestinian workers continues to hinder the construction sector, foreign tourist arrivals are few and foreign investment sentiment will remain negative, dragging on growth.

**Fragile Sentiment:** Investor sentiment will be important for the high-value-added high-tech sector which relies heavily on foreign investors and contributed to the buoyance of government revenue in recent years. Israel has experienced a sharp drop in funding raised by start-ups from the peak of 2021 and of greater magnitude than the US, the EU and Asia. Deals have continued to go through in Q4/23 and Q1/24, albeit at a slower pace. A sustained negative perception of Israel as an investment destination could harm potential growth, as could an outflow of skilled workers.

**RATING SENSITIVITIES**

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

- Structural: Escalation of the conflict that would have a material and prolonged impact on the economy and public finances.

- Public Finances: Sustained rise in debt/GDP, for example as a result of persistently higher military spending, failure to implement fiscal consolidation measures, or weaker growth.

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

- Structural: De-escalation of the conflict, containing the impact on the economy and public finances.

- Public Finances: Greater confidence that debt/GDP will return to a downwards trend, for example as a result of fiscal reforms. (Fitch 02.04)

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* 1. EGYPT: IMF Completes the First and Second Reviews of EFF Arrangement

The Executive Board of the [International Monetary Fund (IMF)](https://www.imf.org/en/Home) completed the first and second reviews of Egypt’s Extended Fund Facility arrangement with Egypt and approved an augmentation of the original program by about $5 billion (SDR 3.76 billion). This enables the authorities to immediately draw about $820 million (SDR 618.1 million). Egypt’s 46-month EFF arrangement was approved on 16 December 2022.

In completing the review, the Executive Board assessed that all but one of the quantitative performance targets for end-June 2023 were met. The Board approved the authorities’ request for a waiver for non-observance of the June performance criterion on Net International Reserves on the basis of corrective actions.

Macroeconomic conditions since the approval of the program have been challenging, with rising inflation, foreign exchange shortages and elevated debt levels and financing needs. The difficult external environment generated by Russia’s war in Ukraine was subsequently aggravated by the conflict in Gaza and Israel, as well as tensions in the Red Sea. These developments increased the complexity of macroeconomic challenges and called for decisive domestic policy action supported by a more robust external financing package, including from the IMF.

Within this context, external shocks and delayed policy adjustment weighed on economic activity. Growth slowed to 3.8% in FY2022/23 due to weak confidence and foreign exchange shortages and is projected to slow further to 3% in FY2023/24 before recovering to about 4½% in FY24/25. Inflation remains high but is expected to ease over the medium term as the policy tightening takes hold.

The recently announced $35 billion investment deal from an Abu Dhabi-based investment and holding company in Ras El-Hekma has alleviated near-term balance of payment pressures and, if used judiciously, will help Egypt rebuild buffers to deal with future shocks. Nonetheless, steadfast implementation of the economic policies under the program remains critical to sustainably address Egypt’s macroeconomic challenges, as does robust delivery on structural reforms to allow the private sector to become the engine of growth.

At the conclusion of the Executive Board’s discussion, Ms. Kristalina Georgieva, Managing Director and Chair made the following statement:

“Egypt is facing significant macroeconomic challenges that have become more complex to manage given the spillovers from the recent conflict in Gaza and Israel. The disruptions in the Red Sea are also reducing Suez Canal receipts, which are an important source of foreign exchange inflows and fiscal revenue.

“The authorities have significantly strengthened the reform package underlying the Extended Fund Facility arrangement, supported by an augmentation of access. Recent measures toward correcting macroeconomic imbalances, including unification of the exchange rate, clearance of the foreign exchange demand backlog, and significant tightening of monetary and fiscal policies, were difficult, but critical steps forward, and efforts should be sustained going forward. The authorities’ commitment to use a large part of the new financing from the Ras El-Hekma deal to improve the level of reserves, fast-track the clearance of foreign currency backlogs and arrears, and reduce government debt upfront is prudent.

“The authorities’ policies are well calibrated to entrench macroeconomic stability while protecting the vulnerable. The Central Bank of Egypt’s resolve to focus squarely on reducing inflation and to tighten further, if necessary, is key to preventing further erosion of the purchasing power of households. Implementation of the newly established framework to monitor and control public investment will help manage excess demand. The pursuit of a revenue-based fiscal consolidation will put debt firmly on a downward path and provide resources for expanding the social safety net. In this regard, it remains essential to replace untargeted fuel subsidies with targeted social spending as part of a sustained fuel price adjustment package.

“With policies to restore macroeconomic stability in place, the stage is set for accelerating implementation of the structural reform agenda intended to deliver inclusive and sustainable growth. Withdrawing the state and military from economic activity and leveling the playing field between the public and private sectors is key to attracting foreign and domestic private investment in Egypt.

“Achieving these goals is subject to risks. Externally, uncertainty remains high. Domestically, sustaining the shift to a liberalized foreign exchange system, maintaining tight monetary and fiscal policies, and integrating transparently off-budget investment into macroeconomic policy decision making will be critical. Managing the resumption of capital inflows prudently will be important to contain inflationary pressures and limit the risk of future external pressures.” (IMF 29.03)

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* 1. ALGERIA: IMF Executive Board Concludes 2023 Article IV Consultation

The Executive Board of the [International Monetary Fund (IMF)](https://www.imf.org/en/Home) concluded the Article IV consultation with Algeria on 27 March 2024.

The Algerian economy was still emerging from the COVID pandemic when spillovers from Russia’s war in Ukraine and recurrent droughts pushed up inflation, while high international hydrocarbon prices boosted government revenue and exports. The Algerian economy is estimated to have grown by 4.2% in 2023, a robust performance owing to a rebound in hydrocarbon production and strong performance in the industry, construction, and service sectors. The external position remained solid with a current account surplus for the second year in a row. However, inflation pressures persisted (primarily due to high food prices) and monetary policy remained accommodative. The fiscal deficit is estimated to have widened, albeit less than foreseen in the 2023 revised budget because of relatively slow execution rates.

The near-term outlook is broadly positive, but inflation remains a concern. Real growth is forecast to remain strong in 2024, at 3.8%, supported in part by large fiscal spending. Inflation would start to decelerate, particularly thanks to easing fresh food prices, although entrenchment at a relatively elevated level is a concern. The current account surplus is projected to narrow further in 2024 as hydrocarbon prices decline.

Medium-term economic prospects hinge on efforts to diversify the economy and the ability to attract private investment and are subject to several risks. Risks on the downside include stubborn inflation, volatility in international hydrocarbon prices, fiscal risks from contingent liabilities, large budgetary financial needs and rising public debt. Extreme climate events would affect the economy and the budget while a disorderly energy transition is a longer-term risk. On the upside, sustained, bold, and deep structural reforms and resolute efforts to diversify the economy, improve the business climate, attract investment, and tap new export markets could spur growth and job creation further.

**Executive Board Assessment**

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

**Executive Directors agreed with the thrust of the staff appraisal.** They welcomed Algeria’s sustained solid growth and external position, despite multiple economic headwinds. While the near-term outlook is broadly positive, inflation remains high and downside risks, including from volatile commodity prices and climate hazards, require continued vigilance. In this context, Directors emphasized that a sound policy mix, accompanied by sustained implementation of reforms to diversify the economy and reduce climate related risks, will be necessary to ensure macroeconomic stability and promote inclusive and sustainable growth.

**Directors welcomed the authorities’ commitment to medium-term fiscal sustainability.** Noting the importance of maintaining social equity, they indicated that the large projected near-term fiscal deficit and financing needs could increase financial, fiscal and inflationary vulnerabilities. In this vein, they encouraged the authorities to gradually rebalance fiscal policy to help preserve buffers and improve fiscal and debt sustainability, while ensuring targeted support for the most vulnerable. Directors underscored the role of fiscal policy in addressing climate mitigation and adaptation, including through reforming the energy subsidies and undertaking a C-PIMA. They also noted that improving public financial management and establishing a rules-based medium-term fiscal framework would help support the authorities’ medium term fiscal plans.

Directors emphasized that proactive tightening of monetary policy, through raising the policy rate and reserve ratio, combined with continued liquidity absorption, will help support disinflationary efforts. Strengthening the monetary transmission mechanism and specifying price stability as the primary objective of monetary policy will also be critical. Directors welcomed the adoption of the Monetary and Banking Law aimed at modernizing financial markets and central bank operations and governance. They also underscored that greater exchange rate flexibility would enhance its role as shock absorber.

**Directors welcomed the resilience of the banking system.** They encouraged the authorities to reinforce bank supervision, monitor NPLs, and strengthen governance of state-owned banks and other SOEs. These will help reduce the systemic risks posed by the intertwined economic and financial links between the government, public enterprises and state-owned banks. Further improvements in financial inclusion will also be critical.

Directors welcomed the authorities’ commitment to reforms, including efforts to boost investment, improve fiscal transparency, strengthen the AML/CFT framework, and address governance and corruption risks. They underscored the importance of continued structural reforms to improve the business environment, support youth and women labor force participation, and promote diversified, green, and private sector led growth. Directors also urged the authorities to improve the coverage and timeliness of statistics, supported by Fund capacity development, to better inform policy making. (IMF 29.03)

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* 1. MOROCCO: Outlook Positive on Improving Socioeconomic & Budgetary Reform

On 29 March 2024, [S&P Global Ratings](http://www.standardandpoors.com/) revised its outlook on Morocco to positive from stable. We also affirmed our 'BB+/B' long- and short-term local and foreign currency sovereign credit ratings on Morocco.

**Outlook**

The positive outlook reflects our expectations that Morocco will build on its recent track record of implementing socioeconomic and budgetary reforms, paving the way for stronger and more inclusive growth, and a reduction in budget deficits.

**Upside Scenario**

We could raise our ratings on Morocco within the next 12-18 months if the government continues to implement structural reforms, resulting in stronger economic growth and a broadening of the tax base, while budget deficits continue to decline.

**Downside Scenario**

We could revise the outlook to stable if economic growth, budgetary consolidation, or the reform momentum prove weaker than we currently expect.

**Rationale**

We believe the ongoing, albeit gradual, shift in Morocco's underlying economic structure will benefit the growth outlook, economic stability and fiscal trajectory. We forecast that Morocco's annual economic growth will accelerate and average 3.6% in 2024-2027, while the budget deficit will decline to 3% of GDP by 2027.

The Moroccan economy has weathered several global, regional, and local headwinds in recent years. These included the surge in energy and food prices tied to the Russia-Ukraine war, the COVID-19 pandemic and multiple drought episodes. Nevertheless, it has maintained unfettered access to external and domestic financing. In 2023, the number of tourist arrivals was 12.3% above 2019 pre-pandemic, a better performance than the global average, despite the earthquake in the Marrakesh region in September 2023. The current account deficit narrowed to 0.6% of GDP in 2023, against our previous estimate of 2.7%, partly reflecting the continued diversification in the economy; Morocco's main export-oriented sectors are now tourism, automotive, and phosphates.

We believe that extending social protection, combined with increasing digitalization, should enable the authorities to formalize more of the economy and make it more inclusive, and eventually widen the tax base. The number of people benefiting from the mandatory health insurance scheme has more than doubled since 2021. The authorities also implemented a unified registry to better target households eligible for social support programs, and will undertake a population census in 2024.

In our view, implementing structural reforms and social support programs will prevent budget deficits from falling sharply in the near term, but will underpin medium- to long-term fiscal consolidation. The authorities aim to gradually eliminate remaining subsidies on butane gas, wheat and sugar, which will free up resources to finance part of the extension of health care coverage and the targeted family allowance. The VAT reform enshrined in the 2024 finance law aims to simplify the tax system and incentivize formalization of businesses, according to the same approach that the authorities adopted for income and corporate taxes over the past two years.

We believe the reforms will take time to fully bear fruit, while water scarcity will likely continue to constrain growth in coming years. Despite ongoing diversification, economic growth in Morocco still relies significantly on rain-fed agriculture (10% of GDP but almost 30% of employment), making it sensitive to rainfall patterns. A series of business-friendly reforms seeks to prioritize investment in water and energy, and the modernization of the legal, institutional and regulatory framework. The government amended the Investment Charter at the end of 2022; it aims to increase the share of both domestic and foreign private investment to two thirds of total investment by 2035, from approximately one third currently. We believe this will hinge on the implementation of further complementary reforms that support Morocco's ability to increase its attractiveness for both foreign and domestic investments.

Morocco benefits from upfront access to significant IMF resources available for drawdown if requested, which are currently not utilized. We understand that the Moroccan authorities intend to treat the Flexible Credit Line (FCL) as a safety net and do not plan to draw down from it unless significant pressure materializes. This type of credit line helps countries hedge against external shocks. In September 2023, the IMF also approved a Resilience and Sustainability Facility, which aims to help Morocco address climate vulnerabilities and strengthen its resilience to climate change.

**Institutional and economic profile:**

* Per capita income remains relatively low, but ongoing economic reforms, diversification, and resilience support more robust growth prospects
* Annual economic growth will average 3.6% in 2024-2027, supported by robust exports and domestic demand, but likely constrained by sluggish agricultural sector growth.
* Inflation had become more broad-based, but will decelerate gradually to 3.6% in 2024 and approach 2.0% in 2027, from 6.1% in 2023.
* Morocco's low per capita income highlights persistent structural weaknesses, which ongoing reforms seek to address.

We forecast that Morocco's GDP will rise by 3.4% in 2024, from 3.1% in 2023--bolstered by robust performance within the tourism, automotive, and aerospace sectors--then average 3.7% in 2025-2027. Economic growth will be supported by stronger domestic demand helped by declining inflation and greater private investment, which will benefit from the economic reforms underway and stronger growth in the Eurozone, Morocco's main trade partner. The Moroccan economy will also gradually benefit from the development of large-scale projects in view of the Africa Cup of Nations in 2025 and the Football World Cup in 2030, the implementation of socioeconomic reforms and the expansion of Morocco's export capacity. The Tanger-Med port now has capacity of three million 20-foot equivalent units, making it the largest port in both the Mediterranean and in Africa.

The Moroccan economy's ongoing dependence on agriculture will limit growth through our forecast period ending 2027. The agricultural sector represents roughly 10% of GDP and 30% of employment, making the economy particularly vulnerable to weather and rainfall patterns. The period from 2019 to 2022 was the driest since the 1960s, according to the General Directorate of Meteorology, while 2023 was marked by low rainfall. Drought during the 2021-2022 agricultural season resulted in a 12.9% contraction in the agricultural value-added in 2022. Morocco has started to implement a large-scale action plan to mitigate water scarcity. This will involve heavy investment in infrastructure, including new dams and desalination and recycling plants, as well as measures to improve the efficiency of water consumption and optimize water resources, such as north-south water transfer programs. We understand that most of these plans will be in the form of public-private partnership, notably under the Mohammed VI Investment Fund that aims to finance large investment projects with domestic and foreign private investors.

GDP per capita will remain below that of several of Morocco's peers but will increase gradually to almost $5,000 in 2027 from around $4,000 in 2023. In our view, despite rapid reforms, Morocco's relatively low per capita income limits potential tax and funding bases. The country still has a large informal economy that remains largely untaxed; significant income disparities between urban and rural areas; and high unemployment, especially youth unemployment. Extending social protection to all Moroccans, combined with increasing digitalization, should enable the authorities to formalize more of the economy and widen the tax base. The authorities aim to improve targeting of social assistance with the unified social registry.

**Flexibility and performance profile:**

* Budgetary consolidation is slow, but the government's debt profile remains favorable
* We expect Morocco's budget deficit to narrow gradually to 4.1% of GDP in 2024 and approach 3% by 2027.
* Government debt stock levels will remain higher than pre-pandemic levels. Nevertheless, the average maturity is relatively long and over three-fourths is in domestic currency.
* We forecast the current account deficit will average 1.6% of GDP in 2024-2027, after falling to 0.6% in 2023.

We expect Morocco's general government budget deficit to narrow gradually to 3% of GDP by 2027. Public finances will benefit from rising revenue in key sectors such as phosphates and tourism and from continued budgetary reforms. For example, the VAT reform aims to simplify and align the tax system and incentivize formality via the establishment of new VAT withholding mechanisms. The reform should yield a total of Moroccan dirham (MAD) 1 billion by 2026, according to the 2024 finance law. Morocco started a series of similar budgetary reforms in recent years, including on income and corporate taxes. Central government revenue increased to 29% of GDP in 2023, from 24.1% in 2019. The budget deficit reached 4.4% of GDP in 2023--less than we expected in our September 2023 publication (4.9%) - benefiting in part from the increase in the surplus in the treasury special account to MAD17 billion, from MAD8.4 billion in 2022. This surplus includes revenue from the special fund created to manage the costs of budgetary support related to the earthquake of September 2023.

The authorities aim to gradually eliminate the remaining subsidies on butane gas, wheat, and sugar. This should free up resources to finance part of the extension of health care coverage and the targeted family allowance. The Moroccan government forecasts that the cost of subsidies will decrease to MAD7.8 billion (0.5% of GDP) in 2026, from about MAD30 billion (2.1% of GDP) in 2023 and MAD42 billion (3.2% of GDP) in 2022, according to the triannual budget planning. The Moroccan government eliminated the subsidies on premium gasoline and industrial fuel not used for electricity generation 10 years ago.

We forecast that general government debt, net of liquid assets, will remain around 64% of GDP by 2027. However, Morocco's exposure to refinancing risk and foreign exchange risk is relatively limited. Central government debt had an average maturity of more than seven years and an estimated average cost of 3.2% for the domestic debt and 3.6% for the external debt, as of end-2023. Foreign currency debt is mostly concessional and comprises less than a quarter of central government debt. Eurobond issuances represent about one-third of the foreign currency debt, and their redemption profile remains fairly smooth. We project that government interest will remain below 10% of government revenue, although the rise in domestic and international interest rates will push up interest spending. Guarantees to state-owned enterprises (SOEs) are estimated at more than 10% of GDP (based on relatively stable stock over the past few years). The government has started an exhaustive review of the SOE sector, which should reduce the associated financial burden and the contingent risks on the budget. It should also decrease the distortions that prevent market neutrality and hinder private sector development.

We forecast the current account deficit will average 1.6% of GDP in 2024-2027 on the back of stronger domestic demand. The current account fell to 0.6% of GDP in 2023, from 3.5% in 2022, despite the decline in phosphate exports. Tourism receipts surged by 11.7% in 2023, compared to 2022, and by 32.8% compared to pre-pandemic levels in 2019. Automotive exports rose by 27.4% and remittances by 4%. On the other hand, the energy bill reduced by 20.4%. Morocco imports more than 90% of its energy requirements and oil and gas represent about 15% of total imports. The government is promoting investment in renewable energy, aiming to increase renewable capacity to 52% of total capacity by 2030, from about 38% in 2022.

Morocco finances most of its current account through foreign direct investment (FDI) inflows and external borrowing, which have withstood a series of regional and global shocks over the past two decades. We expect FDI inflows will gradually increase in the coming years, as the implementation of structural economic reforms makes Morocco more attractive to investors. The country issued its latest Eurobond in March 2023 in two tranches: $1.25 billion with a 10-year maturity and a 6.5% coupon, and $1.25 billion with a five-year maturity and a 5.95% coupon. In April 2023, Morocco received a new FCL from the IMF, which provides upfront access to significant IMF resources available for drawdown if requested.

The central bank of Morocco raised its benchmark interest rate by 150 basis points to 3% between September 2022 and March 2023. In our view, the Moroccan banking sector has moderate capitalization and is unlikely to pose significant risks to the wider economy. Moroccan banks' expansion into sub-Saharan Africa has been profitable so far, but increases risk in the Moroccan banking system. Morocco was removed from the Financial Action Task Force gray list in February 2023 after the kingdom's progress in improving its anti-money laundering/counter financing of terrorism regime. We believe this could enhance Moroccan banks' ability to engage in trade finance operations with international banks, especially those in Europe, which is Morocco's main trade partner.

The Moroccan dirham is pegged to a currency basket of 60% euros and 40% U.S. dollars. In our view, a foreign exchange peg limits monetary policy flexibility, but provides a stability anchor. In 2020, authorities launched the second phase of the gradual transition to a more-flexible exchange rate regime by widening the fluctuation band for the dirham to plus or minus 5%, from the previous plus or minus 2.5%. We view exchange rate liberalization as supportive for our overall monetary assessment because we believe it underpins the country's external competitiveness and ability to withstand external macroeconomic shocks. (S&P 29.03)

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* 1. CYPRUS: Staff Concluding Statement of the 2024 IMF Article IV Mission

An [International Monetary Fund (IMF)](https://www.imf.org/en/Home) mission met with the Cypriot authorities during 19–29 March 2024 to discuss recent economic developments, the outlook and risks, and policy priorities. At the conclusion of the visit, the IMF mission chief for Cyprus made the following statement:

Supported by robust policies, Cyprus recovered swiftly from the pandemic, and has proved broadly resilient to multiple adverse shocks. Growth is above most European peers, and inflation is close to 2%. Fiscal performance continues to be strong, significantly reducing public debt.

**Key policy priorities are:**

* Fiscal surpluses should persist until debt falls comfortably below 60% of GDP.
* The authorities should resist additional indexation of public sector wages and avoid further extending poorly-targeted excise and VAT reductions.
* The financial sector appears resilient but requires continued vigilance, including in the non-bank financial sector.
* Following recent amendments, the foreclosure framework should be left to work without further changes.
* Further improvements are needed in the judiciary and education to strengthen long-term growth prospects.
* Additional climate mitigation and adaptation policies are needed to achieve emission targets and reduce climate risks.

**Robust Growth, Receding Inflation and Strong Fiscal Performance**

**Economic diversification has supported growth.** Despite headwinds from higher interest rates and weak activity in trading partners, growth in Cyprus was above most peers in 2023. Despite a steep drop in visitors from Russia, the tourism sector has continued its post-pandemic recovery. At the same time, the information and communication technology (ICT) sector is growing strongly, and financial services are becoming more diversified. Growth is expected to be around 2½% in 2024, as rising real incomes support consumption, and foreign direct investment (FDI) and EU Recovery and Resilience Program (RRP) financing inflows support investment. Labor markets are expected to remain strong.

**Inflation has normalized.** Led by falling energy prices and tighter monetary policy, headline inflation has fallen to around 2%. Core inflation remains slightly higher, with some stickiness persisting from robust domestic demand. Nevertheless, inflation is expected to remain contained going forward.

**Strong fiscal policy remains a key anchor for macroeconomic stability.** On the back of robust revenue performance, the primary surplus increased in 2023 to 4.4% of GDP. This, along with strong growth, reduced public debt to 77% of GDP, back to the favorable pre-pandemic trend. Among other factors, fiscal discipline, falling debt, ample cash buffers, and recently demonstrated economic resilience have supported credit rating upgrades and improved market sentiment.

**Risks have declined but remain to the downside.** Short-term risks include a downturn in major tourism markets and an escalation of regional conflicts that could slow Cyprus’s efforts to reorient its services exports. Over the medium- and long-term, there are adverse risks from climate change, while accelerated rebalancing of the growth model has upside potential.

**Fiscal Discipline Should be Maintained**

**Strong primary surpluses—which underpinned the post-crisis recovery—should be maintained.** In the near-term, budget targets for a continued large primary surplus remain appropriate. Further out, the overarching fiscal anchor should be to reduce debt to comfortably below 60% of GDP. To achieve this, it is important that fiscal space is preserved to address sizable long-term spending pressures, including from aging and climate change.

**Further wage indexation should be avoided, and temporary tax exemptions should be phased out.** Public sector wages should reflect macroeconomic and productivity developments, implying that further upward revisions of the cost-of-living adjustment (CoLA) should be avoided. The authorities should also resist any further expansions or extensions to poorly targeted VAT exemptions. Similarly, the electricity subsidy and fuel excise suspension should be allowed to expire, as planned. Capital expenditures should be prioritized in line with full absorption of RRP funds.

Finalizing the roll-out of the National Health Service (NHS) and governance reforms of State-Owned Enterprises (SOEs) remain critical. After delays associated with the pandemic, efforts to ensure that public hospitals achieve financial self-sufficiency are welcome. Efforts to strengthen the financial oversight of SOEs should continue.

**Ensuring a Resilient Financial Sector**

The banking sector has large capital and liquidity buffers, and financial sector risks appear to have eased. Banks are well capitalized and remain resilient under stress tests. Despite higher interest rates, asset quality does not appear to have deteriorated, supported by robust economic growth, declining unemployment, and rising property prices. Nevertheless, continued vigilance is required, including close monitoring of the recent uptick of loan renegotiations.

Macro-prudential policy is appropriately set, but the real estate sector requires careful monitoring. The increase in the positive neutral Counter-Cyclical Capital Buffer is welcome and will build policy space in the face of future shocks. Real estate plays an important role as collateral in the financial system. While property prices appear in line with fundamentals, risks remain, including in the non-bank financial sector. Careful regulatory vigilance is required, including through continuous and comprehensive assessment of real estate risks in the financial sector.

The foreclosure framework should be allowed to work without further changes. The large stock of legacy nonperforming loans (NPLs) remains a drag on private sector balance sheets and the efficient allocation of credit; uncertainty over collateral recovery inhibits new lending. As such, resolving NPLs—supported by measures such as the mortgage-to-rent scheme—remains a key priority.

**Building the Foundation for Long-Term Growth**

Strengthening the judicial and education sectors is critical for long-term growth. Ongoing efforts to reduce the backlog of court cases are welcome, but more is needed to simplify procedures, enhance physical and technological infrastructure, and address staffing needs. The education system should better focus on digital skills, which would allow more Cypriots to benefit from ICT job opportunities.

A robust anti-money laundering (AML) framework reduces reputational, regulatory and business risks. Cyprus has made good progress on AML issues, especially in the banking sector. However, the authorities should continue to strengthen the effectiveness of the framework by creating a single supervisory agency to oversee self-regulation by accountants and lawyers, and by strengthening AML/CFT efforts in real estate. The creation of a national sanctions enforcement unit will reduce risks from potential sanction evasion.

**Investing in Green Transition and Adaptation**

Greater energy integration and diversification will enhance energy security and support the green transition. Plans to connect the electricity network with neighbors, import LNG, increase the share of renewable energy sources, and introduce competition in the energy market are critical. But progress on these fronts has been slow, and efforts are needed to implement these plans more decisively.

Further measures are needed to reach Cyprus’s ambitious climate objectives. The introduction of the green tax will bring Cyprus closer to its climate targets. However, more effort is needed, particularly in sectors not covered by the EU Emission Trading System (ETS), other than transport. Hence, the scope of the tax should be widened. IMF analysis suggests that the growth and distributional effects of such an expansion will be manageable.

An adaptation strategy is needed to limit the cost of climate change. Extreme heat, drought and sea level rise pose risks to the Cypriot economy. Contingency planning, early warning systems and careful planning of coastal development and protection are important elements of a strategy to manage these risks. Public investments and reforms to boost private sector climate adaptation are needed. (IMF 29.03)

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