

**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* *and we will do what we can to assist you.*

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israel's Cabinet Approves Budget Cut Despite Finance Minister's Opposition

On 18 April, in an unprecedented move, Israel's cabinet approved a flat budget cut in all ministries despite resolute opposition by the Minister of Finance. The budget cut, totaling NIS 225 million, was imposed after a bitter struggle with Minister of Finance Smotrich. Usually budget cut proposals are submitted to the cabinet by the Minister of Finance. On this occasion Prime Minister Netanyahu submitted the proposal.

The budget cut is to provide money for prisons to house the large number of security prisoners detained since the start of the war. The population of Israel's prisons has risen by 5,000 since October. Although there was a consensus on the matter, the Ministry of Finance demanded that the Ministry of Internal Security provide a budget for the matter from the large budgetary bonus it received in the revised 2024 budget approved last month.

Two weeks ago, a proposal for an even larger across-the-board cut totaling NIS 576 million, was supposed to be submitted to the cabinet for approval, to be deducted from the 2025 and 2026 state budgets. The vote was postponed at the last minute, and finally a compromise was found, by which the Ministry of National Security will receive a budget increase of NIS 450 million. Half of the amount will come from the cut, and the rest from the budget of the Ministry of Defense. (Globes 18.04)

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* 1. Israel's Electricity Supply Market to be Fully Competitive from July

On 10 April, the plenum of the Israel Electricity Authority yesterday approved Minister of Energy and Infrastructures Cohen's plan for the electricity supply market to be fully competitive. From 25 July, the market will be fully open with Israel's 3.1 million electricity consumers able to choose a supplier regardless of what type of meter they have. Until now only households with a remote meter were able to switch suppliers. Switching suppliers could bring savings of between 5% and 20%.

There are 47 companies which have received a license to supply electricity, with 18 of these companies already active. The Israel Electric Authority regulates procedures by which consumers can switch from the Israel Electric Corp. to a private supplier.

Since 1 February, electricity has cost NIS 0.61.45 per Kw/hour including VAT from IEC. The biggest private suppliers, w2hich can provide electricity below the IEC prices, include Electra Power, telecoms Cellcom, Partner, Bezeq and Hot, and gas companies Pazgas and Amisragas. (Globes 11.04)

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* 1. Planned Metro Excavations Have Revived the Artificial Island Idea

The digging of tunnels for the Metro in the Greater Tel Aviv area will involve the removal of 40 million cubic meters of earth, and the Ministry of Transport is examining the possibility of using this material to build an artificial island off the coast of Israel. The examination is being led by NTA - Metropolitan Mass Transit System and Israel Ports Company, and is coordinated by the Ministry of Transport. The planned Metro system consists of three underground railway lines passing under 24 local authorities in Gush Dan (the Greater Tel Aviv area). It will be built in stages, and is due to be completed by 2040.

The huge amount of earth that will be excavated requires creative solutions for storage and transport, say sources involved in the venture. The Israel Land Authority and Israel Railways are also being consulted about the use of the excavated material. The current examination includes testing of the nature of the material. It is not yet known how much of it will be usable. The information is being gathered from dozens of sites at which NTA is carrying out test borings. In addition to the construction of an artificial island, the possibility of using the material to fill disused quarries is also being examined.

When Haifa Bayport, which opened in 2021, was in the planning stage, Israel Ports Company examined whether it was worth transporting the earth excavated in the construction of the light rail Red Line in Tel Aviv to use in constructing the new port, but in the end the idea was dropped because of the small amount of material, difficulties in transporting wet sand, the timing of the works on the line and the port, and the cost of using this sand versus mining sand at sea.

The challenges are considerable and the examination is only in the initial stages. In a Planning Administration policy document on Israel’s coastline, the possibility was examined of constructing an artificial island in the Hadera area, which was perceived as less vulnerable than other locations, but the idea was not included in the final draft because of environmental risks. In the past, the Ministry of Transport even carried out a feasibility study for the construction of an airport on an artificial island, which came to a negative conclusion, while other initiatives have been proposed by government ministries. (Globes 10.04)

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* 1. Government Presents Draft Plan for Rehabilitation of Northern Israel

On 11 April, the Netanyahu government presented its "Northwards" program for both the immediate and near-term solutions for the northern region. At a meeting held in Nazareth, local authority heads in the north were presented with the details of the plan, which is shortly due to be approved by the government. The plan lays the groundwork for the activity of a coordinating body that will provide a response to residents of settlements on the northern border who have been evacuated since the start of the Swords of Iron war more than six months ago, due to the attacks from Lebanon by the Hezbollah terrorist organization.

The proposal is for the formation of a team of directors general of government ministries that will monitor implementation of the plan. Alongside this team will be a "Northwards staff" for the rehabilitation and long-term development of the northern region, authorized to coordinate the work of monitoring and controlling the program. It will consist of ten posts in the Prime Minister’s Office, and will operate for five years from the date that the plan is approved.

Some NIS 5 million will be allocated for planning the construction of temporary sites with the aim of providing a solution for settlements that need a collective long-term housing solution. The plan also states that within 45 days a work plan will be formulated under the leadership of the director general of the Ministry of Construction and Housing for finding community housing solutions for settlements that wish it, as close as possible to schools and employment. Many northern residents are still living in hotels around Israel. Others have found housing solutions outside of the hotels, individually and independently. (Globes 11.04)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Lumana Emerges from Stealth with Next Generation AI

Kiryat Bialik's [Lumana](https://www.lumana.ai/) emerged from stealth with a next-generation video security platform that uses artificial intelligence (AI) and distributed hybrid cloud architecture, enabling organizations to unlock the full potential of their visual data. Lumana’s cutting-edge technology empowers organizations to enhance security and safety measures, boost operational efficiency, and streamline incident response. Capable of analyzing millions of hours of video in real-time across disparate locations, Lumana optimizes its proprietary AI models based on captured video to deliver meaningful insights and greater visibility of any environment.

With $24 million in seed funding from Norwest and S Capital, and a strong leadership team experienced in computer vision and machine learning, Lumana transforms any security camera into an AI-powered device capable of identifying complex events and potential risks as they occur. These capabilities position Lumana to take advantage of a rapidly growing video analytics market, which Forbes Business Insights projects will more than quadruple from over $8 billion this year to almost $38 billion by 2030.

Lumana’s platform is built on a distributed hybrid cloud architecture. This approach dynamically integrates cloud and on-premise resources to run computation where it is needed most, providing highly efficient AI processing and more accurate event detection capabilities than legacy offerings. Lumana is ideally suited for applications across diverse sectors, including education, government, manufacturing, retail, and hospitality. (Lumana 02.04)

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* 1. TelevisaUnivision & AlvaLinks Optimize Video Networking Workflows

TelevisaUnivision, the world's leading Spanish-language media company, announced a strategic partnership with AlvaLinks. Leveraging AlvaLinks' expertise and Google Cloud's advanced technology will strengthen content delivery, viewer engagement, and operational efficiency for TelevisaUnivision. The partnership focuses on optimizing TelevisaUnivision's broadcast operations through the transition to an all-IP network, integrating with Google Cloud's infrastructure to modernize distribution platforms and production systems. AlvaLinks' Cloudrider Observability Suite will play a crucial role in ensuring real-time visibility and quality in live video delivery across IP networks.

By combining TelevisaUnivision's leadership in Spanish-language media, AlvaLinks' innovative networking solutions, and Google Cloud's technology, this partnership is poised to deliver excellent media experiences to Spanish-speaking audiences worldwide. This collaboration signifies a leap forward in broadcasting technology, setting new standards for delivering high-quality video.

Tel Aviv's [AlvaLinks](https://alvalinks.com/) is at the forefront of live video networking solutions, driving innovation in the broadcast and media industries. Specializing in IP network optimization and real-time video delivery, AlvaLinks leverages cutting-edge technology to help companies achieve seamless, high-quality broadcasting experiences. (AlvaLinks 10.04)

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* 1. Victoria's Secret Opens its First Two Israel Stores

After several months delay because of the war, Delta Brands has launched its first two Victoria's Secret lingerie outlets in Israel, in the Ofer Mall in Petah Tikva and the Ofer Grand Canyon in Haifa. NIS 5.5 million has been invested in the 500 square meter store in the Petah Tikva mall and NIS 4.5 million in the 400 square meter Haifa store. The next two Victoria's Secret stores will open in Eilat and Netanya.

Delta has waited some time for appropriate and good space in the malls and decided while waiting to launch its online store in Israel, which began operating last year. The company chose not to hold a large launch or invest in advertising before opening due to the war, among other things following concerns by the international brand. That an international chain has opened its first store in Israel during the war is a statement in support of Israel.

Victoria's Secret was founded in 1977 in California to manufacture and distribute lingerie products. In 1982 the chain was sold to US businessman Les Wexner for $1 million, he being the former chairman of L Brands, the parent company of the brand. In 2023, Victoria's Secret's revenue totaled $6.1 billion. (Globes 11.04)

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* 1. RAAAM Memory Technologies Closes $4 Million Seed Round

RAAAM Memory Technologies completed a seed financing round of $4 million. Investors include Serpentine Ventures, J-Ventures, HackCapital, Silicon Catalyst Angels, Claves Investments and large multi-national semiconductor company as a strategic investor.

RAAAM’s Gain-Cell Random Access Memory (GCRAM) technology is a unique on-chip memory solution that only requires 3 transistors to store a bit of data, as opposed to 6-8 transistors needed for the existing SRAM-based highest-density memory technology. The GCRAM solution reduces area by half and power consumption by a factor of five and can be manufactured cost efficiently using the standard CMOS process. RAAAM's GCRAM technology was successfully validated on silicon in various nodes including Bulk CMOS, FD-SOI and FinFET processes of leading foundries. RAAAM currently aims to migrate its GCRAM memory technology to nodes smaller than 5nm and to fully qualify it for production.

Petah Tikva's [RAAAM](http://www.raaam-tech.com) has developed the most cost-effective on-chip memory technology in the semiconductor industry, providing 50% area reduction over high-density SRAM and reduced power consumption by a factor of five. RAAAM’s patented technology can be used by semiconductor companies as a drop-in replacement for SRAM in their SoCs and can be manufactured cost efficiently using the standard CMOS process allowing to significantly reduce the die size. (RAAAM 15.04)

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* 1. Cynomi Announces $20 Million in Funding to Bring vCISO Platform to SMEs

Cynomi announced $20 million in new funding. The financing was led by Canaan, with Flint Capital, s16vc, and Aloniq among the return investors. This funding will fuel Cynomi's international expansion efforts, enabling the company to enhance its vCISO platform offerings and empower partners to overcome the cybersecurity skill gap and scale their businesses.

Cynomi's AI-powered vCISO platform is a strategic technological solution for MSPs and MSSPs aiming to grow their cybersecurity services business. The company's innovative platform combines CISO-level knowledge and AI to automate many of the vCISO tasks, helping service providers achieve cyber resilience for their end clients – typically SMEs – at a fraction of the cost of hiring an in-house CISO.

Tel Aviv's [Cynomi](https://www.cynomi.com)'s vCISO platform empowers MSSPs, MSPs, and consultancies to offer structured cybersecurity services to SMEs at scale and provide them with proactive cyber resilience. Combining proprietary AI algorithms with CISO-level knowledge, Cynomi helps partners overcome the cybersecurity skill gap and scale their business. (Cynomi 16.04)

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* 1. Argmax Acquires AI Startup Ginzi to Bolster Customer Support Solutions

Argmax acquired Tel Aviv's [Ginzi](https://ginzi.io/), an innovative startup specializing in AI solutions for customer support teams. This strategic acquisition marks a significant expansion in Argmax's footprint in the AI industry. Ginzi, which emerged from stealth mode just 11 months ago, has developed groundbreaking technology that revolutionizes how customer support teams interact with AI, enabling them to address each inquiry uniquely and efficiently. The acquisition of Ginzi represents a strategic expansion of Argmax's offerings in the AI industry. Ginzi's innovative AI technology for customer support teams, complements and enhances Argmax's existing services. This integration allows Argmax to offer more sophisticated, AI-driven solutions to its clients.

The Ginzi Platform will enable Argmax to deliver a more comprehensive suite of services, setting new industry standards in AI-powered customer support. The merger not only broadens Argmax's capabilities but also solidifies its position as a leader in AI innovation, opening up new avenues for growth and development in this rapidly evolving sector.

Ramat Gan's [Argmax](https://www.argmaxml.com), a leader in AI services, excels in utilizing artificial intelligence to align user needs with opportunities, particularly in advertising, marketing, and financial sectors. Their innovative AI algorithms are tailored to enhance customer engagement and optimize business efficiency. (Argmax 15.04)

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* 1. TIGI Solar Acquires Austria-based SOLID

TIGI has received the Austrian court's confirmation of the restructuring process of Graz' SOLID, a global player in the renewable heat domain, of which TIGI holds 90%. This strategic consolidation enables TIGI to combine its renewable heat technology with SOLID's global experience and execution capacity in solar-thermal systems, placing TIGI in a key position to expand into new markets and become a leader in the International Renewable Heat Energy sector.

SOLID, a pioneer with decades of experience in solar thermal systems, has successfully installed more than 300 systems worldwide. In 2023, TIGI joined forces with SOLID to build and operate a large-scale system for generating and storing heat for a large industrial plant in California. The system provides heat-as-a-service, with no up-front investment from the plant, minimizing the use of natural gas, leading to increased efficiency and reduction in cost and emissions.

Hod HaSharon's [TIGI](http://www.tigisolar.com) develops renewable heat generation and storage solutions, generating savings and reducing environmental impact. It supplies systems that include its own patented and highly efficient solar thermal collectors, industrial heat pumps, smart storage and cloud services. (TIGI Solar 15.04)

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* 1. Magnus Metal Raises $74 Million in Series B Funding for its Digital Casting Technology

Magnus Metal raised $74 million in Series B funding, co-led by Entrée Capital and Target Global with additional participation from Caterpillar Ventures, Tal Ventures, Deep Insight Ventures, Awz Ventures, Lumir Ventures, Discount Capital, Lip Ventures, Cresson Management, Next Gear Fund and Essentia Venture Capital. Magnus Metal will use the latest capital to further develop its innovative casting technologies, while expanding its operations locally and globally to support its Fortune 100 customers.

Magnus Metal innovates the centuries-old metal casting industry by providing an Industry 4.0-based fully automatic manufacturing solution that makes the process faster, safer, and environmentally friendly while both improving quality and reducing cost. The Digital Casting technology blends the benefits taken from both additive manufacturing and traditional casting, while avoiding the typical associated deficiencies, allowing for a streamlined and flat supply-chain, digital inventory, and remote manufacturing hubs, without the need for a traditional foundry infrastructure.

Kibbutz Tzora's [MagnusMetal](https://www.magnusmetal.com/%E2%80%8E) has experience in everything from 3D printing to chemistry and metallurgy. The company’s team holds more than 80 patents combined. Magnus' mission is to bring traditional casting into the 21st century with the patent-pending Digital Casting solution. (Magnus Metal 18.04)

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* 1. H&O Kids Opens First of 20 Stores in Israel

Fashion and retail chain H&O Group has opened the first store in Israel of its H&O Kids sub-chain. H&O Kids will offer US children's fashion brands Oshkosh, Carters and Skip Hop as well as its own H&O Kids in-house brand for new born babies through to 12 year olds. The first store was opened in the Azrieli shopping mall in Modi'in. H&O Israel invested NIS 500,000 in the 110 square meter store with 20 stores planned around the country in shopping centers and malls. The company is currently in advanced talks with mall groups to secure additional commercial space around Israel.

Israel children fashion retail market is worth an estimated NIS 2.5 billion annually with major players including Golf, Fox, Kiwi, Keds, Castro, Delta, Urbanix and Delta.

H&O Group was founded in 1994 and has 28 stores around Israel with 1,200 employees. Brands marketed by the company include Nike, Adidas, Nautica, Lee, Wrangler and Delta. (Globes 18.04)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Microsoft to Invest $1.5 Billion in UAE’s G42 for a Minority Stake

Microsoft is set to invest $1.5 billion in the UAE-based tech firm G42 for a minority stake and will join its board of directors, according to an official announcement. The Abu Dhabi-based artificial intelligence (AI) giant G42 will also partner with Microsoft to support the establishment of a $1 billion fund for developers to boost AI skills in the UAE and the broader region. Microsoft said the expansion of partnership between the two companies aims to deliver advanced AI solutions with Microsoft Azure across various industries and markets across the Middle East, Central Asia and Africa.

The companies said the commercial partnership is backed by assurances to the US and UAE governments through a binding agreement to ensure the responsible development and deployment of AI. The collaboration between G42 and Microsoft has expanded following a joint plan announced in April 2023 to develop AI solutions tailored for the public sector and industry. In September 2023, the companies entered into an agreement to introduce sovereign cloud offerings and collaborate on unlocking the potential of advanced AI capabilities on the Azure public cloud platform. (Zawya 16.04)

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* 1. Triton Liquid Selects Abu Dhabi for its Global HQ

Triton Liquid, a digital assets hedge fund, has established its global headquarters in Abu Dhabi and has received an in-principal approval for a license from the Financial Services Regulators (FSRA) of Abu Dhabi Global Market (ADGM). Triton Liquid is funded and incubated by New York-based FJ Labs, whose investments include major global financial services and marketplaces, such as Alibaba, Betterment, Stripe, Revolut, Klarna and UAE Future 100 company, ABHI The launch will provide a tailored platform for Middle East investors seeking to capitalize on the growth of blockchain technology and cryptocurrency adoption.

According to 2023 Chainalysis data, the MENA region reported $389.8 billion in on-chain crypto value between July 2022 and June 2023, representing almost 7.2% of global transaction volume. Triton Liquid said it was poised to provide investors with access to token liquidity, rigorous data-driven digital assets analysis, and robust portfolio diversification. Their investment edge is that they have built proprietary dashboards over the past two years that track relevant metrics across 24 digital asset verticals and combine it with ⁠VC-style due diligence with 20+ page deal memos for each project. (Triton Liquid 17.04)

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* 1. UAE’s Fintech Fortis Secures $20 Million in a Series A Round

Fortis announced the successful completion of Series A funding round, raising $20 million in investment led by Opportunity Venture (Asia). This funding marks a significant milestone in Fortis' journey as it embarks on a mission to revolutionize the retail tech and fintech landscape in MENA.

Fortis empowers entrepreneurs to seamlessly manage offline and online transactions, streamline orders, implement personalized loyalty programs, and efficiently operate their businesses. Now, with its expansion into the UAE, Fortis is committed to supporting local businesses to generate revenue by connecting merchants and customers in a simple yet efficient way.

Dubai's [Fortis](https://fortis.world/%E2%80%8E) is a renowned fintech and retail tech company, empowering small and medium businesses worldwide to streamline their operations and enhance customer interactions. With over a decade of experience, the founding team has gained the trust of 30,000 merchants across various industries in other countries and under another brand, serving more than 8 million customers. The company has recently launched in the UAE and is committed to supporting local businesses. (Fortis 17.04)

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* 1. HYAS & ZainTECH Enter Strategic Cyber Security Partnership

Dubai's ZainTECH, the integrated digital solutions provider of Zain Group, and Vancouver, British Columbia's HYAS Infosec, the adversary infrastructure platform provider that offers unparalleled visibility, protection and security against all kinds of malware and attacks, have entered into a strategic partnership to bring HYAS’ award-winning and industry leading Protect solution to various countries across the Middle East. ZainTECH already provides modern infrastructure solutions within its extensive portfolio of digital transformational solutions.

ZainTECH’s clients will benefit immediately from the partnership with HYAS and the implementation of these capabilities, ensuring not just superior protection today but a long-term partnership capable of new levels of protection and resiliency across the entire business spectrum.

ZainTECH is a regional integrated digital solutions provider, unifying Zain Group’s ICT assets to offer a unique value proposition of comprehensive digital solutions and services under one roof. The company is positioned to drive the transformation of enterprise and government customers in MENA by providing a center of excellence and managed solutions, across cloud, cybersecurity, big data, drones and robotics, and digital solutions. (ZainTech 16.04)

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* 1. ‘Reef Saudi’ Invests $16.2 Million to Elevate Saudi Arabia’s Coffee Production

With an ambitious vision, ‘Reef Saudi’ aims to escalate annual coffee production to an impressive 7,000 tons by 2026. The ‘Reef Saudi’ initiative, focused on Sustainable Agricultural Rural Development, is revolutionizing the Kingdom’s coffee industry. Since 2020, an initial investment of SR61 million has empowered 3,718 individuals engaged in coffee cultivation and production. This commitment signals a transformative surge in Saudi Arabia’s coffee output, soaring from 800 tons in 2020 to 1,485 tons in 2023.

The initiative strives to position coffee cultivation as a lucrative cash crop, diversifying the agricultural sector and fostering self-sufficiency while diminishing reliance on imports. Moreover, ‘Reef Saudi’ is poised to generate employment opportunities, particularly for youth, and enhance the income prospects of producers, thus uplifting rural livelihoods. Reef Saudi intends to provide financial assistance, promote best agricultural practices, and introduce innovative harvesting methods to minimize waste.

By fostering an enabling environment for small agricultural producers and facilitating market access, ‘Reef Saudi’ contributes significantly to food security, rural prosperity, environmental conservation and sustainable resource management. (Waya 08.04)

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* 1. Saudi Innovation Lab Expands with Two Centers in Riyadh

Saudi Aramco is expanding its Saudi Accelerated Innovation Laboratory (SAIL) with two new centers in Riyadh to provide tech solutions for government sectors and specialize in digital product manufacturing. The Riyadh centers are set to start operations by the end of 2025 and mid-2026, respectively. SAIL, launched last November, focuses on boosting digital capabilities and driving digital progress across Saudi Arabia. Aramco has signed agreements to expand the SAIL into a national hub.

Partners include the Saudi Authority for Research and Innovation Development, King Abdulaziz City for Science and Technology, the National Industrial Development and Logistics Program, and the Ministry of Communications and Information Technology. Through this initiative, the aim is to create a digital platform attracting global leaders and fostering innovation to meet current needs and invest in the future. It also seeks to empower Saudi businesses to excel in their fields and contribute to the digital economy's growth, keeping the Kingdom at the forefront of digital innovation. (Asharq Al Awsat 08.04)

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* 1. Penny Software Gets Investment by Iliad Partners, GSI & Knollwood Investment.

Riyadh's [Penny Software](https://penny.co), a leading Saudi B2B SaaS procurement startup, announced the successful completion of its Pre-Series A funding round, with significant investment from Iliad Partners, joined by GSI and US-based Knollwood Investments. This milestone also sees continued support from our existing investors, including Dallah Investment, Hambro Perks Oryx Fund, Class 5 Global, Altuwajiri family fund, and strategic angel investors. Other shareholders include investors such as Outliers Venture Capital, Shorooq Partners, and Wamda.

Penny Software's platform digitizes and streamlines the entire Source-to-pay process, enhancing spend efficiency and compliance. Additionally, the marketplace facilitates B2B sourcing across various sectors, proudly contributing to the Saudi Unicorn Program’s innovative ecosystem. Penny Software is set to manage Gross Transaction Value of over $1 billion this year, and ease procurement to thousands of companies globally. (Penny 18.04)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Acme & Hydrogenious Team on Green Hydrogen Exports from Oman to Europe

Indian renewables company Acme and Germany's liquid organic hydrogen carrier (LOHC) firm Hydrogenious LOHC Technologies have signed an MoU to jointly explore the development of hydrogen supply chains from Acme’s Omani plants to hubs in Europe. Acme secured $487.8 million last year for a green hydrogen and ammonia project it is building in Oman with Norway’s Scatec which is expected to produce 100,000 tons of green ammonia annually when the first phase is operational. The plant’s production capacity will later be expanded to 1.2 million tons per annum

Hydrogen produced from Acme’s projects in Oman would be stored in LOHC then sent to Europe by tanker. The companies aim to expand their collaboration to include hydrogen value chains between the US and Europe, according to the statement. Hydrogenious’ LOHC tech allows for transporting hydrogen in liquid carriers without the need for pressurized or cryogenic carriers by binding the molecular hydrogen to a thermal oil.

A group consisting of Egypt’s Suez Canal Economic Zone (SCZone), Orascom, and Elsewedy Electric met with Acme in New Delhi last June to discuss kicking off construction on a $12 billion green hydrogen plant in the SCZone. The plant, announced back in August 2022, will span 4.5 million sqm and have an expected initial annual production capacity of 100,000 tons during the first phase. The plant’s generational capacity will increase to 2.1 million tons of green hydrogen when fully operational. (Enterprise 15.04)

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* 1. Egypt to Build Two Solar Plants with EU Funds

Egypt unveiled plans to build two solar power plants for the state-owned Egyptian General Petroleum Corporation (EGPC) worth over EGP 1 billion to be financed by a grant from the EU. The first plant — an EGP 550 million project — will generate some 10 MW of power for EGPC subsidiary Assiut Oil Refining Company and is expected to be completed in 11 months. The government has tapped a consortium of state-owned petroleum-focused contractors Enppi and Petrojet to carry out the project. Another EGP 500 million will go towards a 6.5 MW capacity solar energy project for the EGPC.

The projects’ cost will be covered by a grant from the EU. While the statement doesn’t disclose if the grant is part of the recently announced €7.4 billion aid package Egypt is getting from the EU, it could be part of the €600 million in grants the bloc is providing. The EU also earmarked €35 million to develop the country's renewable energy capacities under the government’s Nexus for Food, Water and Energy initiative in 2022. Cairo wants to generate 42% of its electricity from renewable sources by 2030, and wants renewables to make up almost 12% of electricity output this fiscal year. (Enterprise 16.04)

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* 1. EBRD Provides €7 Million for Two Photovoltaic Solar Farms for Tunisia

The French independent power producer (IPP) Qair has secured €7.8 million in funding from the European Bank for Reconstruction and Development (EBRD) for the construction of two solar photovoltaic power plants in the governorate of Kasserine in Tunisia. At a time when the energy transition is at a standstill in Tunisia, the financing granted by the European Bank for Reconstruction and Development (EBRD) offers hope. This is part of a public-private partnership (PPP) involving the French independent power producer (IPP) Qair and Mazarine Energy.

With a combined capacity of 10 MWp, the two projects have been granted a 25-year land lease. In addition to the power plants, the two developers will build a 3km transmission line connecting the new facilities to the substation of Société tunisienne de l’électricité et du gaz (STEG). These two photovoltaic farms will help to reduce greenhouse gas (GHG) emissions linked to electricity production in Tunisia.

Tunisia is dependent on fossil fuels, in particular natural gas, which is used to produce 83% of its electricity. In 2019, renewable energies accounted for just 2.5% of the electricity mix out of an installed capacity of 5,653 MW. The Tunisian government now seeks to increase the share of renewable energies in the electricity mix to 30% by 2030. (Afrik21 19.04)

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* 1. Morocco Is World’s 6th Most Responsive Country to Climate Change

The 2024 Climate Change Performance Index has revealed that Morocco ranks an impressive 6th out of 63 countries assessed for their climate protection efforts. The annual global assessment rates countries across four key categories: greenhouse gas emissions, renewable energy, energy use and climate policy. While no country achieved an overall “very high” rating by performing strongly across all categories, Morocco stood out with “high” ratings in both greenhouse gas emissions and energy use.

Denmark topped the Climate Change Performance rankings for the third consecutive year, with high scores in emissions and renewable energy. Estonia followed in second place, focusing heavily on renewables and aiming for 100% renewable electricity by 2030. The Philippines, India and the Netherlands rounded out the top five. In the Arab world, Morocco is followed by Egypt, ranked 18th in the world, Algeria 50th, UAE 61st, and Saudi Arabia 63rd.

Morocco is one of the countries most affected by climate change, facing increasing droughts and water scarcity. The situation has been further exacerbated by increased evaporation due to rising temperatures. In August 2023, Morocco recorded its highest-ever temperature of 50.4°C. (MWN 18.04)

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* 1. OCP & Fortescue Form Green Hydrogen JV in Morocco

Morocco’s fertilizer giant OCP Group and Australian green energy firm Fortescue have formed a JV to develop green hydrogen and ammonia projects in Morocco. The partners will collaborate to supply fertilizers, hydrogen and ammonia domestically and export to European and global markets. There are also plans for manufacturing facilities and an R&D hub in Morocco.

The two companies intend to develop large-scale manufacturing facilities for green ammonia and fertilizer production complete with renewable energy generation, electrolysis and ammonification. The partnership will also include the manufacturing of green technology and equipment. The companies will also establish an R&D hub near Marrakech for renewable energy, green hydrogen and minerals processing research.

OCP Group received a total of $188 million in loans for desalination and renewable energy storage projects from the African Development Bank (AfDB), the Clean Technology Fund and the Canada-African Development Bank Climate Fund back in February. Fortescue signed a MoU with Egypt’s sovereign wealth fund in 2022 to begin conducting feasibility studies on its planned $10 billion 9.2 GW green hydrogen project. Oman’s Sohar International bank also signed a MoU with Fortescue in 2022 for green energy projects in Oman. (Enterprise 15.04)

ARAB STATE DEVELOPMENTS

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* 1. World Bank Says Jordanian Economy has Shown Resilience

According to the World Bank's latest report, Jordan has shown resilience amid successive external shocks, while maintaining macroeconomic stability with vulnerabilities associated with climate change and regional conflicts. The WB stressed the importance of addressing the structure of labor market challenges, stimulating the business environment and continuous focus on implementing reform to achieve a sustainable economy, and raising the growth rate by increasing productivity, pursuing investment and export-led growth.

The report pointed out that despite the challenges, growth over the past decade averaged about 2.2% annually, which came with the support of public finance, prudent monetary policy, and macroeconomic stability, while the Kingdom also made progress in domestic revenue mobilization. The recent Hamas/Iranian assault on Israel has affected the tourism, trade and investment sector across the region, noting that there is a longer and wider risk that the conflict may exacerbate existing challenges such as trade disruptions and high freight costs.

The WB said in its report that the Kingdom's growth rate may decline to 2.5% in 2024 due to the Hamas assault, but it will rise again to 2.6 % in 2025 and 2026, which confirms the ability of the national economy to absorb shocks, exceptional circumstances, and external economic fluctuations. (Petra 15.04)

►►Arabian Gulf

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* 1. IMF Sees the UAE's Economy Growing by 3.5% in 2024

The IMF has revised downward its 2024 growth forecast for the UAE to 3.5% in its latest World Economic Update report. The Fund forecast 4% growth for 2024 in October and it also estimates the UAE’s economy to grow by 4.2% in 2025. The World Bank and the UAE Economy Ministry both estimated the UAE’s growth to reach 3.9% in 2024. Oxford Economics, meanwhile, projects the economy will grow at 4.4%.

The IMF predicts a 2.1% rise in consumer prices in 2024 from 1.6% in 2023. This is a slight downward revision from the 2.3% annual inflation rate the IMF had forecasted for 2024 back in October. The report also sees inflation decelerating slightly to 2.0% in 2025. The IMF expects the UAE’s current account balance-to-GDP ratio to come in at 7.8% this year, a bit above the 7.7% that was projected in October. This figure will fall further to 6.9% in 2025. (IMF 14.04)

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* 1. Thermal Power to Dominate UAE’s Power Mix Until 2035

Thermal power will maintain its dominance in the UAE’s power generation mix between 2023 and 2035, due to the country’s extensive gas and oil reserves, GlobalData, a London-based analytics company, said in a new report. By the end of last year, thermal power generation constituted nearly 77.7% of the UAE’s total power generation mix. The installed capacity share of thermal power stood at around 80.4% in 2023, while gas-based thermal power capacity dominated the power capacity mix with a share of 80.2%.

Currently, the country is picking new locations to set up new infrastructure and seeking unconventional methods for hydrocarbon production. In 2023, gas was the dominant technology, accounting for 99.8% of thermal capacity. Oil and coal contributed around 0.1% each, respectively. The cumulative thermal power capacity is expected to increase further to 46.1 GW by 2035 from 41.2 GW in 2023, rising at a compound annual growth rate (CAGR) of 0.9% during the period. Most of the increase in capacity is expected in gas-based thermal power rather than oil, whose capacity is expected to remain almost unchanged. The UAE aims to become self-sufficient in gas supply by 2030 following the discovery of more onshore hydrocarbon reserves. (Zawya 15.04)

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* 1. UAE Signs Bilateral Trade Agreement with Costa Rica

The UAE and Costa Rica have signed a Comprehensive Economic Partnership Agreement (CEPA) that is expected to boost non-oil bilateral trade between the two countries, which stood at $65 million in 2023, up 7% from the previous year. The trade pact between the two countries is expected to enhance trade flows, increase private-sector collaboration, and provide new investment opportunities in priority sectors such as logistics, energy, aviation and tourism.

The trade agreement between the two nations is forecast to contribute $46 million annually to the UAE’s GDP by 2031 and $44 million annually to Costa Rica. It will also increase total cumulative direct UAE exports by the end of 2031 to $81 million and $134 million for Costa Rica. The trade volume between the two countries has expanded to a record $244.3 million over the past five years, rising from $34.2 million in 2019 to $64.6 million in 2023 – an increase of 88.9%. (WAM 18.04)

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* 1. UAE & Colombia Sign a Bilateral Trade Agreement

The UAE and Colombia have signed a Comprehensive Economic Partnership Agreement (CEPA), as part of the Gulf state’s foreign trade agenda that seeks to advance bilateral trade flows, remove trade barriers, and improve market access for both merchandise and service exports. It is also expected to open pathways for investment and joint ventures in strategic sectors such as energy, tourism and hospitality, and food production. The trade pact follows a significant increase in bilateral non-oil trade, which surged by 43% to reach a record $53.1 million in 2023 – more than double the total achieved in 2021.

The UAE has initiated a raft of bilateral trade, investment and cooperation deals since 2021 to bolster efforts aimed at diversifying income sources and economic sectors. Bilateral trade agreements with India, Israel, Indonesia, Türkiye, and Cambodia are now in full operation and are already making a significant contribution to the UAE’s non-oil foreign trade. The country also concluded trade pacts with Congo-Brazzaville, Costa Rica, Georgia, Kenya, Mauritius and South Korea. (WAM 19.04)

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* 1. Abu Dhabi Ranked Among the World's Top 10 Smartest Cities

Abu Dhabi has broken into the world's top 10 smartest cities in a new ranking as the emirate continues with its digital transformation agenda. The UAE capital climbed three places from last year to 10th in the Smart City Index 2024 compiled by Switzerland's International Institute for Management Development (IMD). Dubai also rose in the ranking of 142 cities, rising from 17th last year to 12th. Riyadh climbed five places to 25th, while Makkah and Jeddah came 52nd and 55th, respectively. Doha rose 11 places to 59th while Muscat was 88th. The list is based on assessments of economic and technological aspects of smart cities, as well as factors such as quality of life, environment and inclusion.

Abu Dhabi ranked high for safety (87.4%), culture and leisure (88.7%), public transport (83.8%), green spaces (84.7%) and medical services (86.3%). Dubai also ranked strongly for safety (88.5%), medical services (82.2%) and public transport (79.7%). The UAE cities have made significant strides with their smart city plans as they accelerate their strategies of becoming knowledge-based economies.

In a top 10 largely dominated by Europe, the Swiss city of Zurich retained top spot – a position it has held since 2019 (except for 2022, when the ranking was not released). Oslo came in second, also maintaining its position since the index began, while Canberra retained third place. Geneva, Singapore, Copenhagen, Lausanne, London and Helsinki rounded off the top 10. (TN 09.04)

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* 1. Inflation in Saudi Arabia Drops Despite Rise in Housing Rental Costs

Inflation in Saudi Arabia fell from 2.7 % in March last year to 1.6 % last month, signaling an easing in price increases in the Kingdom. On a month-on-month basis inflation further slowed from 1.8 % in February, according to the General Statistics Authority for Saudi Arabia (GSAT).

In March 2024, the Consumer Price Index (CPI) recorded a slight decrease of 0.1 % compared to February 2024. This monthly inflation index was influenced by a 0.7 % decrease in the food and beverage sector, which, in turn, was affected by a 0.6 % decline in meat and poultry prices. The index witnessed decreases in the prices of the following categories: transportation by 0.7 %, furnishing and home equipment by 0.7 %, recreation and culture by 0.9 %, communications by 0.3 %, and tobacco by 0.1 %.

The Consumer Price Index (CPI) in Saudi Arabia measures prices paid by consumers for a fixed basket of goods and services consisting of 490 items, which are organized into 12 broad categories ranging from food and beverages to health, transport and communications. However, the biggest category in the inflation basket in Saudi Arabia is that of housing, which makes up just over 20 % of all the items measured. This category further includes water, electricity and gas. In particular, rental prices have risen dramatically from data captured in March 2023. Actual housing rents increased by 10.5 % in March 2024, influenced by the increase in villa rents by 9.7 %, said GSAT. Saudi Arabia does not practice inflation targeting as the country’s currency is pegged to the US dollar at a rate of SAR3.75 to $1. (GB 16.04)

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* 1. World Bank Sees Saudi 2024 Growth at 2.5%, Down from its Previous Estimate of 4.1%

The World Bank has slashed Saudi Arabia’s growth forecast to 2.5% in 2024, down from the 4.1% it penciled in January 2024, according to the lender’s latest MENA economic update. The Finance Ministry is targeting GDP growth of 4.4% in its budget for this fiscal year, Finance Minister Al Jadaan said in December 2023. This is in line with the IMF forecast, which said in January that it sees the domestic economy growing at a 2.7% pace this year. The economy contracted 0.9% last year, down from 8.7% growth in 2022. The non-oil economy will grow a strong 4.8% in 2024, up from the 4.3% that was forecast in November 2023.

The World Bank expects the local economy to grow 5.9% next year, up from its January 4.2% forecast. This is in line with the IMF’s January forecast of a 5.5% growth in 2025. GDP per capita is expected to grow 0.5% this year and 3.8% in 2025, up from a contraction of 2.8% in the previous year. (Enterprise 16.04)

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* 1. Saudi Arabia’s E-Delivery Sector Records Massive 61% Growth

Demand for online delivery services is surging in Saudi Arabia, according to new data released by the Kingdom’s commerce ministry. According to a latest sectoral bulletin, Saudi Arabia has recorded a 61% increase in the number of registered e-delivery businesses in the Kingdom. The data shows how the number of e-delivery companies have increased from 2,903 in Q4/23 to 4,699 in Q1/24.

Meanwhile, the strong uptick in e-delivery services in Saudi Arabia is further accompanied by growth in the e-commerce sector. Here, the Kingdom has experienced a 17% increase in the number of registered e-commerce businesses between the final quarter of 2023 and the first three months of this year. The number of registered e-commerce businesses increased from 33,074 in Q4 of 2023 to 38,850 in Q1 of 2024.

The growth in Saudi Arabia’s e-commerce sector is one of the cornerstones of the country’s Vision 2030 objectives. As part of Vision 2030, Saudi Arabia has targeted increasing the contribution of modern trade and e-commerce to 80% of the country’s retail sector. (GB 11.04)

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* 1. Saudi Arabia Scales Back its Ambitious $1.5 Trillion Desert Project

Saudi Arabia has scaled back its medium-term ambitions for the desert development of Neom. By 2030, the government had hoped to have 1.5 million residents living in The Line, a futuristic city it plans to contain within a pair of mirror-clad skyscrapers. Officials expect the development will house fewer than 300,000 residents by that time. Officials have long said The Line would be built in stages and they expect it to ultimately cover a 170-kilometer stretch of desert along the coast. With the latest pullback, though, only 2.4 kilometers of the project will be complete by 2030. As a result, at least one contractor has started to dismiss a portion of the workers it employs on the site.

Crown Prince Mohammed intends for Neom, a $1.5 trillion development on the Red Sea coast, to be a showpiece that will transform his country’s economy and serve as a testbed for technologies that could revolutionize daily life. The pullback on The Line comes as the kingdom’s sovereign wealth fund has yet to approve Neom’s budget for 2024, the people familiar with the matter said. It shows that the financial realities of the trillions of dollars of investment are starting to cause concern at the highest levels of the Saudi government as it tries to fulfill its ambitious Vision 2030 program, the overarching initiative tasked with diversifying the kingdom’s economy.

Instead Neom’s main success has been the development of a more than $8 billion project to build solar and wind farms that will be used to create so-called green hydrogen. The kingdom hopes that it can become one of the world’s biggest producers of such fuel as it looks to reduce its reliance on oil sales. In 2022, the Crown Prince said the first phase of Neom was expected to cost $320 billion by 2030. (Various 05.04)

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* 1. Saudi Tourism Sees Strong First Quarter Despite Regional Issues

Saudi’s tourism sector has seen a strong Q1/24 despite rising geopolitical tensions. 2023 was a very strong year for the Kingdom, which saw the highest growth country among all G20 countries with 56% y-o-y growth in tourist arrivals. Half of all arrivals were religious trips, while the remainder came for business, sports, leisure and hospitality.

Saudi Arabia recently doubled its target for 2030, hoping now to be host to 150 million tourist trips after it hit its target last year ahead of schedule. The new 2030 target sees 80 million by domestic travelers and 70 million by international travelers. Riyadh is injecting some $800 billion into the sector under plans to build new future destinations, including Neom, the Red Sea, Diriyah and Qiddiyah among others. The private sector, supported by the Tourism Development Fund, is pouring investments to build new hotel.

In March, the Tourism ministry unveiled a new tourism investment program to facilitate doing business and attracting local and foreign investors. The Tourism Investment Enablers Program (TIEP) includes regulatory reforms for tourism licensing depending on type and scale of operations and reduced fees. It aims to lure in investments of up to $11 billion by 2030. (Enterprise 21.04)

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* 1. Saudi Arabia Give a $40 Million Loan to St Kitts & Nevis for Energy Development

The Saudi Fund for Development (SFD) has signed a $40 million loan agreement with the government of Saint Kitts and Nevis to bolster the island nation’s energy sector. SFD, a government fund that provides monetary assistance to developing countries, will finance the expansion of a power plant project. The project entails the establishment of a dual-fuel power generation station with a capacity of 18 MW. Since its establishment in 1975, the SFD has financed over 800 projects and development programs worldwide, with a total investment exceeding $20 billion. (Zawya 17.04)

►►North Africa

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* 1. Egypt's Inflation Eases in March Following Flotation of the Pound

Egypt’s annual urban inflation fell to 33.3% in March, down from 35.7% in February on the back of a softer increase in food prices due to a lower exchange rate, according to CAPMAS. Pundits were split on the impact floating the EGP would have on inflationary pressures. While some analysts predicted that the depreciation of the EGP in the banking system and fuel price hikes would send inflation soaring, a second camp that argued that prices were based on the EGP’s exchange rate in the now defunct parallel market seem to have been proven correct. Now that the EGP is trading in banks for considerably less than on the parallel market before the float, inflationary pressures have begun to ease.

Monthly headline inflation fell to 1.0%, its lowest rate since October, after reaching its highest recorded m-o-m jump of 11.4% in February. Annual core inflation — which excludes volatile items such as food and fuel — slowed to 33.7% in March, down from 35.1% in February, according to central bank figures. Meanwhile, monthly core inflation fell to 1.4%, down from 6.1% in February. Food and beverage prices — the largest component of the basket of goods and services used to calculate headline inflation — continued to rise but at a rate of 45% y-o-y compared to 50.9% in February. Prices increased by 0.7% m-o-m in March, compared to 16.7% m-o-m in February. (CAPMAS 14.04)

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* 1. Egypt's Foreign Debt Rises by $3.5 Billion in Fourth Quarter

Egypt's foreign debt climbed by $3.5 billion in Q4/23 to $168.0 billion, data on the planning ministry website showed. It ended September with total external debt of $164.5 billion, equivalent to 42.4% of GDP, the central bank said earlier this year. Some 81.6% of that was long-term debt. Egypt quadrupled its foreign borrowing over the past 10 years as it poured money into state projects. Last month it secured an $8 billion financial support package from the IMF. Finance Minister Maait projected that GDP would grow 2.8% in the fiscal year to end-June and by 4.2% next year. The IMF has forecast GDP growth of 3% in calendar year 2024. (Various 18.04)

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* 1. EU Releases Another $1.06 Billion to Egypt to Boost the Economy

The EU has mobilized another €1 billion ($1.06 billion) in aid to Egypt, to help the country’s struggling economy recover. This latest tranche is part of a larger €5 billion ($5.31 billion) loan package. The remaining €4 billion is scheduled for 2024–27, pending adoption by the 27 EU member states. The EU commission also stated that the financial assistance will be provided in the form of loans made available in one installment.

European Commission President von der Leyen arrived on 17 March in Cairo, accompanied by leaders of Austria, Belgium, Cyprus, Greece and Italy. The EU representatives pledged a package of €7.4 billion ($8 billion) for cash-strapped Egypt. Those funds will be disbursed over three years.

The IMF on 6 March revamped its support program up to €7.4 billion ($8 billion), which will be made available if the Egyptian government meets certain conditions. The IMF guarantee also follows a move by the UAE in February to invest $35 billion in Egypt under a deal that includes rights for the Gulf country to develop Ras el-Hekma, a resort on Egypt’s Mediterranean coast.

Egypt is experiencing its worst economic crisis in more than half a century, stemming from the COVID-19 pandemic and the Russian invasion of Ukraine. Egypt is reliant on imports from the Black Sea region, among them fertilizer and wheat. Shortages and price hikes due to that war caused runaway inflation. Egypt's population of 111 million also confronted a dire shortage of foreign currency, leading many Egyptians to turn to the black market for better dollar exchange. (Al-Monitor 12.04)

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* 1. World Bank Cuts Egypt’s GDP Growth for FY 2023/24 to 2.8%

The World Bank has downgraded Egypt's growth outlook for the current fiscal year yet again; it sees growth slowing to 2.8% in the state’s FY 2023-24 — a 0.7% drop from its previous forecast in January and a whole 1% drop from the previous fiscal year. The bank indicated that Egypt's sluggish industrial sector performance and high inflation in its assessment of the country’s growth trajectory. Egypt could also suffer the largest fiscal effects from the combined effects of the Suez Canal crisis and the conflict in the Middle East, as a result of lower fiscal revenues and tourism receipts.

Growth projections were scaled back 0.2% to 3.5% at the start of the year on the back of ongoing economic challenges and the risk of a heightened regional conflict intensifying pressures on external accounts through implications on tourism, remittances, and oil trade balance, exacerbating the inflation problem, eroding households’ purchasing power and constraining activity in the private sector.

The Bank now expects the country’s economic growth to pick up next year to 4.2% in the next fiscal year — in line with the Madbouly government’s forecast — a 0.3% upward revision on its previous outlook. The Madbouly government sees the economy growing at a 3.5% clip in the fiscal year ending June 2024, along with S&P Global Ratings. The IMF revised its growth outlook downwards to 3.0% in January.

The World Bank sees Egypt's budget deficit widening to 6.5% in 2024, up from 6% in 2023, as tax revenue shrinks from a slowing economy while interest payments rise because of a devalued currency and monetary tightening. (Enterprise 16.04)

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* 1. Egyptian Exports Increased by 5% y-o-y During the First Quarter

Egypt’s exports grew by 5.3% y-o-y in the first three months of the year to total $9.6 billion, a Trade Ministry report said, citing data from the General Organization for Export and Import Control. Turkey led the list of importers of Egyptian products for the quarter, importing some $874 million-worth of goods. It was followed by Saudi Arabia, the UAE, Italy and the US. Building materials were the most in-demand export in Q1/24, accounting for 20.4% of Egypt's total exports, followed by foodstuffs, chemical products and fertilizers, and agricultural exports. An increased export volume of citrus fruits, nitrogen fertilizers, and insulated cables, and gold, accounted for the overall increase in Egypt’s exports this year.

Boosting exports is at the forefront of President El Sisi’s third term in office. The government plans to launch a six-year export strategy— to increase exports every year by 15-20%, to reach $145 billion in exports a year by 2030. The plan is to establish ten specialized export zones, developing ten export-oriented industrial zones, and focusing on ten unidentified key export markets. (Enterprise 17.04)

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* 1. Tunisian AI Institute to be set up Next Academic Year

Tunisia's Ministry of Higher Education and Scientific Research is working to set up Tunisia's first AI institute at the University of Tunis, covering all training fields. Higher Education Minister Boukthir reiterated Tunisia's call to the international community to sign a memorandum of an agreement committing all signatory countries to ensuring the safe and positive use of AI without machines taking over from humans.

Tunisia is known for its expertise in the AI field thanks to its innovative start-ups, as well as the commitment of the government to technology and research. The UK had hosted the 1st Artificial Intelligence Conference, bringing together government delegations, experts and entrepreneurs in this field to boost cooperation between countries and the use of AI for economic and scientific progress. (AA 16.04)

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* 1. Morocco’s FM6I Launches “Startup Funds” Initiative to Boost Startup Ecosystem

The Mohammed VI Investment Fund (FM6I) has announced plans to establish dedicated “startup funds” in collaboration with key governmental and financial institutions in Morocco. This initiative signifies a pivotal moment in Morocco’s journey towards nurturing a vibrant startup ecosystem with global relevance. Working closely with the Ministry of Digital Transition and Administrative Reform as well as Caisse de Dépôt et de Gestion (CDG), the FM6I has initiated a call for interest aimed at selecting management companies to oversee these specialized funds.

Set against the backdrop of Morocco’s burgeoning tech scene, the open call seeks innovative solutions from management companies to expedite fundraising endeavors on national and international scales. With a submission deadline of 1 July 2024, interested parties are urged to participate and can find additional details on the FM6I’s official website.

The primary objective behind the startup funds initiative is to bolster financial resources available to startups, fostering a robust ecosystem conducive to innovation and technology. Notably the initiative extends its support to both Moroccan and foreign startups with substantial ties to Morocco, reflecting a commitment to fostering economic and social ties. Selection criteria for management companies will prioritize team caliber, their track record in managing similar funds, and the companies’ ability to attract investments while adhering to responsible investment practices. By providing tailored financing solutions at various developmental stages, the FM6I’s startup funds initiative aims to cultivate future Moroccan trailblazers in diverse sectors. (FM6I 16.04)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cypriot Trade Deficit Narrows in January-February

Cyprus' trade deficit for the first two months of the year fell to €1,144.4 million, compared to €1,929.6 million in January-February last year, on a significant 32% drop in imports and a 4% drop in exports, according Cystat. The foreign trade statistics are based on final data for January and provisional for February.

Cystat said that total imports of goods in February were €841.1 million compared to €770.5 million in February 2023, an increase of 9.2%. Imports from other EU states were €543.8 million, and €297.3 million from third countries, compared to €536.2 million and €234.2 million, respectively in February 2023. Imports in February include the transfer of economic ownership of vessels, with total value of €1.9 million as compared to €56.8 million in February 2023.

Total exports in February were lower at €243.1 million, compared to €260.8 million in February 2023, a decrease of 6.8%. Exports to other EU states were €116.2 million and to third countries €126.9 million, compared to €65.1 million and €195.7 million, respectively in February last year. Exports in February include the transfer of economic ownership of vessels, with total value of €21.7 million as compared to €87.6 million in February 2023.

Total imports of goods in January-February amounted to €1,698.4 million, compared to €2,505.6 million in the first two months of 2023, a decrease of 32.2%. Total exports of goods in January-February were €554.1 million compared to €576.0 million in January-February 2023, a decrease of 3.8%. The trade deficit was €1,144.4 million in January-February compared to €1,929.6 million in the same period of 2023. (FM 10.04)

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* 1. Greek Travel Receipts Soared by 24.5% During January & February

Travel receipts posted a remarkable 24.5% increase year-on-year in Greece in January and February, Bank of Greece data showed, helping moderate the country’s current account deficit. The travel receipts amounted to €589.7 million, making a dynamic start to the year, with an increase by nearly a quarter compared to same period last year (€457.5 million).

According to Bank of Greece data, non-resident traveler arrivals also increased by 20.7% compared to the first two months of 2023, showing that Greece is gradually meeting its target of turning into a 12-month destination. Also, in the first two months of 2024, the current account deficit showed a slight improvement compared to the same period in 2023, thanks to the improvement in the balance of secondary income and, to a lesser extent, the balance of services, which was partially offset by the deterioration of goods and primary income balances. In February, the current account deficit increased by €1.8 billion compared to February 2023 to €3.2 billion. (eKathimerini 19.04)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Yom HaShoah - Holocaust Martyrs' & Heroes' Remembrance Day 2024

Israel will mark Holocaust Martyrs' & Heroes' Remembrance Day (*Yom HaZikaron HaShoah ve-‎laGvura* in Hebrew) on Sunday evening, 5 May and Monday, 6 May. Holocaust ‎Remembrance Day (Yom HaShoah) is a national day of commemorating the six million Jews ‎murdered in the Holocaust. It is a solemn day, usually beginning at sunset on Hebrew date of ‎‎26 Nisan and ending the following evening. The internationally recognized date comes from the ‎Hebrew calendar and corresponds to the 27th day of Nisan on that calendar. It marks the ‎anniversary of the 1943 Warsaw ghetto uprising. This year the observance was moved to a day later to prevent the desecration of the Sabbath in preparation for the memorial services.‎

Places of entertainment are closed and memorial ceremonies are held throughout the country. ‎The central ceremonies, in the evening and the following morning, are held at Yad Vashem and ‎are broadcast nationally on television. Marking the start of the day, in the presence of the ‎President and the Prime Minister, dignitaries, survivors, children of survivors and their families, ‎gather together with the general public to take part in the memorial ceremony at Yad Vashem in ‎which six torches, representing the six million murdered Jews, are lit. The following morning at ‎‎10:00, the ceremony at Yad Vashem begins with the sounding of a siren for two minutes ‎throughout the entire country. For the duration of the sounding, work is halted, people walking ‎in the streets stop, cars pull off to the side of the road and everybody stands at silent attention ‎in reverence to the victims of the Holocaust. Afterward, there is a central ceremony at Yad ‎Vashem, while other sites of remembrance in Israel, such as the Ghetto Fighters' Kibbutz and ‎Kibbutz Yad Mordechai, also host memorial ceremonies, as do schools, military bases, ‎municipalities and places of work. Throughout the day, both the television and radio broadcast ‎programs about the Holocaust.

\*REGIONAL:

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* 1. Highest Rainfal Recorded in UAE Since Records Began in 1949

Storms that lashed the UAE on 16 April brought with them the highest ever levels of rain recorded over a 24 hour period in the country since the beginning of its climate data records in 1949. The ‘Khatm al-Shakla’ area in Al Ain witnessed 254.8 mm of precipitation in less than 24 hours.

Large storms, buoyed by a low pressure cell, swept into the UAE, sparking off widespread flooding on roads in cities such as Dubai. On a drive from Dubai’s Media City to Town Square on Tuesday afternoon, Gulf Business witnessed several cars getting stuck in flooded areas. This was despite lower-than-normal traffic amid many residents opting to work from home.

Authorities also announced a second day of school closures, while citizens and residents were advised to stay home as roads are cleared. Weather forecasts indicated that conditions cleared from the afternoon of 17 April, after which higher springtime temperatures set in. (Various 17.04)

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* 1. Greece Facing "Population Collapse" As Unexpected Deaths Soar

Greece's population is expected to fall drastically by 2050 and it could become the world's first country to suffer "population collapse", a new report has said. The report paints a scary picture claiming that heart failure, stroke, blood clots and cancer among otherwise healthy young people have caused the mortality rates to skyrocket in Greece. Prime Minister Mitsotakis called the prospect of population collapse a "ticking time bomb" and a "national threat".

Greece's birth rate fell by 30% from 2011 to 2021 to under 84,000 per year, slipping below the death rate, according to ELSTAT. This represented a loss of nearly €2 billion a year in state revenue over the long term considering each Greek paid on average €5,758 ($6,125) in taxes and social security contributions. The data further showed the Greece's population will fall by over a million by 2050. Prime Minister Mitsotakis said that the country effectively recorded just one birth per two deaths in 2022. (WN 15.04)

ISRAEL LIFE SCIENCE NEWS

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* 1. Biomed 2024 to be Held on 21 – 23 May in Tel Aviv

[Biomed Israel](https://kenes-exhibitions.com/biomed/?gad_source=1&gclid=CjwKCAjwrIixBhBbEiwACEqDJSKbc92aCqtoB_y2wsAF_55HueEPuYzBBGkEpkfkuheQAg3Fw5lEnhoCfCAQAvD_BwE), the premier international Life Science and HealthTech conference in Israel, will take place on 21-23 May 2024, at the David InterContinental Hotel in Tel Aviv, Israel. The event presents a unique opportunity for global healthcare and HealthTech leaders to experience Israel's innovative and vibrant life science and biomedical industry.

For the 22nd consecutive year, Biomed Israel is the largest and leading meeting venue between healthcare professionals from Israel and their colleagues and partners from around the world, who come together for three days of intensive networking to discover business opportunities and promote partnerships. As in previous years, more than 100 Israeli life science companies, both promising startups and more established companies, will present and exhibit their innovative products and technologies.

The conference will highlight the best of what Israel has to offer in a variety of areas and indications that coincide with the current trends that are of interest to the global life science industry. Experts will engage in thought-provoking discussions and presentations addressing a broad set of themes, from novel biological disease models to the vast amounts of available data that need to be curated and analyzed to turn into knowledge. These will be further coupled with discussion about concerns regarding global standards of living and the rising cost of healthcare. Whether it's chronic diseases, cognitive deficits, or cardiovascular and metabolic disorders, at this conference we will drill down to the interplay between specific trajectories and the therapeutic interventions designed to address them, both in terms of preventative measures and treatments. (Biomed Israel 18.04)

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* 1. EFA Technologies Enters Brazil After Approval of its Portable RevDx Device

EFA Technologies announced the start of its operations in Brazil, following approval last October of its leading portable blood lab device, RevDx, by Anvisa, the Brazilian health regulatory authority. The company also secured $6.5 million in funding, boosting EFA’s mission to further improve healthcare worldwide.

RevDx, EFA’s flagship product, is a sophisticated portable diagnostic device that leverages advanced technology to provide accurate and rapid medical testing locally. Its capabilities include identifying pathogens, analyzing biomarkers and aiding in disease diagnosis. Thereby revolutionizing the field of on-site diagnostics with its efficiency and precision. RevDx marks a significant breakthrough in medical diagnostics. It is portable, affordable and user-friendly, leveraging microscopy and AI to deliver instant results. This not only reduces costs and saves time, but also improves the doctor-patient relationship. With the capability to perform a full CBC count from just a single drop of blood, the device streamlines diagnostics and equips healthcare professionals with actionable insights.

Caesarea's [EFA (Engineering for All) Technologies](http://www.efa-technologies.com) was established in 2016 to develop its RevDx solution as a platform that will enable the creation of an ecosystem that can develop more diagnostic applications over time. RevDx innovation fits this approach in both its design and capabilities. EFA Technologies packages multi-channel capabilities into the device, starting with automatic microscopy and bio-sensing readers. The digital images and data generated from the system are the basis for further image-processed diagnostics and algorithms. (EFA Technologies 10.04)

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* 1. Inspira & Ennocure Show 100% Prevention of Bacterial Growth in Bloodstream Infections

Inspira Technologies, together with Ennocure MedTech, announced results from their collaborative development of a proprietary bio-electronic treatment to prevent associated bloodstream infections in patients in intensive care units. Once developed, Inspira plans to integrate the bio-electronic novel physical stimulation technology, into the INSPIRA ART patient treatment.

The results of the in vitro study showed a 75% reduction in bacterial growth 4 hours after the application of the treatment and a 100% reduction within 24 hours. The in vitro study was carried out at the Hebrew University of Jerusalem and involved testing bioelectric patches in an in vitro environment. As part of the in vitro study, bacteria were cultured and spread on agar in petri dishes. The bioelectric patch was then applied to the agar plate and activated for a pre-specified duration. Following the procedure, the agar plates were transferred to an incubation chamber for 24 hours and thereafter examined. This technology is based on the use of electrical pulses that inhibit bacterial proliferation. This technology may prevent bacteria from multiplying and spreading, a solution that does not require antiseptic and disinfectant agents.

Rehovot's [Ennocure](https://www.ennocure.com/) is a pioneer in the development of bio-electronic wound dressing. At the core of the technology is a proprietary bio-electronic wound dressing designed to prevent bacterial infections, while providing remote wound monitoring & infection alerts based on AI-driven therapy. Ra'anana's [Inspira Technologies](https://inspira-technologies.com) is an innovative medical technology company in the respiratory treatment arena. The Company has developed a breakthrough Augmented Respiration Technology (INSPIRA ART), designed to rebalance patient oxygen saturation levels. This technology potentially allows patients to remain awake during treatment while reducing the need for highly invasive, risky, and costly mechanical ventilation systems that require intubation and medically induced coma. (Inspira Technologies 10.04)

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* 1. ADAMA Launches New Cereal Fungicide Maganic for Reliable Ear Disease Control

ADAMA announced the launch of Maganic, a new T3 fungicide for European cereal growers that protects wheat against all ear diseases resulting in healthy crops, higher yields, lower mycotoxin levels and high quality grain. Maganic is powered by ADAMA's unique Asorbital Formulation Technology, for improved uptake and excellent systemic activity. It ensures reliable efficacy against all major ear diseases including Fusarium spp, Septoria and Rust.

Maganic is a multi-crop fungicide that is also suitable for use in crops such as barley, OSR and sugar beet. It is part of ADAMA's comprehensive cereal fungicide portfolio, which tackles the most serious diseases impacting farmer yields at each stage of the crop's reproductive phase. The new portfolio was first launched in Europe in 2023, and launches will continue across the continent throughout 2024.

Tel Aviv's [ADAMA](http://www.ADAMA.com‎) is a global leader in crop protection, providing practical solutions to farmers across the world to combat weeds, insects and disease. ADAMA's diverse portfolio of existing active ingredients, coupled with its leading formulation capabilities and proprietary formulation technology platforms, uniquely position the company to develop high-quality, innovative and sustainable products, to address the many challenges farmers and customers face today. (ADAMA 15.04

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* 1. BrainsWay Expands Deep TMS Access in Israel After Increase in Reimbursement Rates

BrainsWay announced the further expansion of access to its Deep TMS treatment in Israel. BrainsWay has steadily increased its presence in the country with 11 recent system installations, and this momentum has been driven in part by a 45% increase in reimbursement rates. The Company expects to have additional Deep TMS systems installed in Israel by the end of 2024.

Founded in 2003, Jerusalem's [BrainsWay](http://www.brainsway.com) is a global leader in advanced noninvasive neurostimulation treatments for mental health disorders. The Company is advancing neuroscience with its proprietary Deep Transcranial Magnetic Stimulation (Deep TMS) 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. Current indications include major depressive disorder (including reduction of anxiety symptoms, commonly referred to as anxious depression), obsessive-compulsive disorder, and smoking addiction. The Company is leading through superior science and building on its unparalleled body of clinical evidence. Additional clinical trials of Deep TMS in various psychiatric, neurological and addiction disorders are underway. (BrainsWay 17.04)

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* 1. Greeneye Technology Raises $20 Million to Expand U.S. Operations

Greeneye Technology completed a $20 million funding round led by Israeli investment company Deep Insight. The round is supported by existing investors Syngenta Group Ventures, JVP, Orbia Ventures, and other notable new investors. The investment will be used to significantly scale Greeneye's operation in the U.S. and to advance the technology's analytical capabilities to new inputs and crops. The next phase of expansion will see dozens more systems deployed in farmers' fields this year in the U.S.

Greeneye's breakthrough solution harnesses AI in combination with cutting-edge hardware to identify weeds among crops with high accuracy and spray chemicals only where they are needed – directly onto the weeds. Uniquely, it is designed to integrate with any brand, model or size of commercial sprayer, enabling farmers to seamlessly transition to precision spraying without having to invest in a costly new sprayer. In 2022, Greeneye became the first company to launch precision spraying technology commercially in the U.S.

Tel Aviv's [Greeneye Technology](http://www.greeneye.ag) develops alternative and sustainable solutions to crop protection practices to meet the growing global demand for food production, while increasing productivity and profitability for farmers. The company is pioneering the use of precision spraying technology by harnessing AI and deep machine learning which are proven to cut chemical use by 88% on average and improve weed control efficacy compared to standard broadcast spraying. (Greeneye Technology 17.04)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. PVML Unveils its Platform for Secure AI-Powered Access to Enterprise Data

PVML announced the general availability of its platform for secure AI-powered data access and $8 million in Seed funding led by NFX with participation from FJ Labs and Gefen Capital. PVML democratizes secure access to enterprise data, based on two pillars: Differential Privacy and AI. PVML helps connect, provide access, and guarantee privacy across multiple data sources, unlocking live insights even from sensitive data. The foundation lies in its unique Differential Privacy data protection. Differential Privacy is a mathematical framework that offers the strongest data safeguard in data-driven systems by adding controlled noise to the output. PVML is democratizing access to this groundbreaking framework pioneered by the likes of Google, Apple and Microsoft via its unique implementation.

Tel Aviv's [PVML](https://www.pvml.com/) is a rapidly growing data access platform that provides trustworthy AI-powered interfaces to enterprise data, secured by Differential Privacy. Headquartered in Israel, PVML is funded by world-renowned investors such as NFX, FJ Labs and Gefen Capital. (PVML 10.04)

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* 1. Mia Dynamics Develops Robot Defense Platform

Tel Aviv's [Mia Dynamics Motors](https://www.miadynamics.com/), a micro mobility company that develops patented mechanical transport platforms such as quad cycles and light electric quad boards, announced that it has entered the defense industries sector. The company's fully owned subsidiary Mis Dynamics is developing micro transportation robots based on the company's existing technology and designed for use in the defense market.

Mia Dynamics estimates it will soon develop its first prototype defense robot platform that can be operated by remote control and will move using batteries that can be quickly changed. The company is working so that it will be possible to mount military technologies developed by defense companies, onto its robotic platform, including various weapons. As part of its development aims, the company believes that the robotic device could be used for border patrol and security purposes, security of settlements, assistance for rapid response defense units and even for security tasks on military bases, as a robot completing a mission or as a robot operated remotely by the rapid response units.

The robot device is intended to be part of the combat systems in operational missions of reconnaissance, attack, ambushes and operate various weapons, and even assist in the supply of ammunition to the battlefield or other equipment without unnecessary risk to soldiers or heavy vehicles. (Globes 11.04)

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* 1. ParaZero Develops Counter Drone Solutions Leveraging Its Unique Technology

ParaZero Technologies recently announced its intention to enter the counter unmanned aircraft system (C-UAS or anti-drone) market, by developing dedicated solutions based on its advanced technology. Small, lethal drones are being utilized around the world with tremendous effectiveness and are reshaping the balance between humans and technology in war, raising demand for C-UAS countermeasures. Counter-drone technology encompasses a wide range of solutions that allow users to detect, classify, and mitigate drones and unmanned aerial vehicles. This includes everything from camera systems and specialist drone detection radars to net guns and cyber takeover systems.

Following an extensive due diligence process, the Company analyzed the expanding market of C-UAS technologies and believes that specific elements within its unique proprietary technology portfolio, as well as the Company’s ability to rapidly design, develop, and manufacture advanced UAS technologies, strongly positions the Company to offer a competitive edge in defending against threats and attacks from small UAS platforms. The decision to explore these avenues also correlates to global inquiries the Company has received from various entities to explore entering this market.

Tel Aviv's [ParaZero](https://parazero.com) is a world-leading developer of autonomous parachute safety systems for commercial drone and urban air mobility (UAM) aircraft. Started in 2014, ParaZero designs smart, autonomous parachute safety systems designed to enable safe flight operations overpopulated areas and beyond-visual-line-of-sight (BVLOS). (ParaZero Technologies 16.04)

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* 1. Sapiens Launches IntegrateAI, the Second Release in its DecisionAI Portfolio

Sapiens International Corporation announced the launch of IntegrateAI, the newest capability from Sapiens Decision, integrating machine learning models into the business-friendly decision model workbench. Sapiens Decision users can integrate machine learning models as another component of their decision model diagram, combining declarative and probabilistic constructs into one consistent and explainable model. Enabling non-technical users to incorporate the machine learning models from data science teams into a single decision model dramatically reduces business and technical complexities, driving greater operational control and efficiency.

IntegrateAI follows Sapiens Decision's recent ModelAI release, which brought a Generative AI (GenAI) copilot to decision modelers with integration to Microsoft Azure's OpenAI Service. The two releases fulfill the initial AI strategy and roadmap of Sapiens Decision to increase the access, speed and efficacy of decision automation for business users. Sapiens Decision is planning additional AI based products to support the full lifecycle of the decision modeling process, including ExtractAI (for extracting decision logic from legacy code) and OptimizeAI (to optimize business decisions for specific outcomes).

Holon's [Sapiens International Corporation](https://sapiens.com) empowers the financial sector, with a focus on insurance, to transform and become digital, innovative, and agile. With more than 40 years of industry expertise, Sapiens' cloud-based SaaS insurance platform offers pre-integrated, low-code capabilities across core, data, and digital domains to accelerate our customers' digital transformation. (Sapiens 18.04)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel’s Inflation Rate Rose by 0.6% in March

The Central Bureau of Statistics announced that Israel’s Consumer Price Index (CPI) rose 0.6% in March, slightly higher than the pundits' forecasts of 0.5%. In the twelve months to the end of March, the rate of inflation rose to 2.7% from 2.5% at the end of February.

The prices of clothing and footwear rose 2% in March, culture and entertainment prices rose 1.5%, housing maintenance rose 0.6%, health rose 0.5% and transport rose 0.4%. Fresh fruit and vegetable prices fell by 3% last month.

The Central Bureau of Statistics has also published the change in home prices (which are not part of the general CPI) between December 2023-January 2024 and January-February 2024. On average, prices rose by 1%. This was the third consecutive month that prices have risen after many months of declines. In the comparison between January-February 2024 and January-February 2023, the index of housing prices rose 0.3%. (CBS 15.04)

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* 1. IMF Reduces Israel's 2024 Growth Forecast

The International Monetary Fund (IMF) published its latest macroeconomic forecast for Israel. The IMF sees GDP growth of 1.6% in Israel this year, below the Bank of Israel's prediction of 2% growth and almost half of the IMF's last prediction of 3.1%. Israel's economy grew by 2% in 2023. The IMF sees GDP growth of 5.4% in 2025, higher than the Bank of Israel's forecast of 5%.

The IMF forecasts that inflation in Israel will moderate to 2.4% in 2024, well within the Bank of Israel's annual target range of 1%-3% and below the Bank of Israel's forecast of 2.8%. (Globes 16.04)

IN DEPTH

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* 1. ISRAEL: Israel Shows Resilient Growth in a Challenging Landscape

[Start-Up Nation Central](https://startupnationcentral.org/) released its First Quarter report for 2024. In its executive summary, the organization reiterated that once again, Israeli innovation has proven resilient. No matter what. Amid increasing regional instability and challenging global circumstances, Israel’s investment landscape achieved modest growth in Q1/24 compared to Q4/23.

**Private Funding Gains**

There was a 9% increase in private funding to $1.8 billion across 114 rounds, propelled by a rise in the average funding round size despite a decrease in the total number of rounds. This trend signals a solid move towards stabilization within the investment sector. After adjustments for undisclosed amounts, projected total investments are expected to reach $2.3 billion over more than 140 rounds, indicating a sustained recovery momentum.

**Ecosystem Parity with the US**

When setting aside regional conflicts, the Israeli ecosystem’s performance aligns with that of the US, both in the short-term (1-year) and medium-term (5-year) outlooks. This parallel points to a resilient and adaptable investment climate in Israel, mirroring some of the strengths seen in the US market.

**M&A Activity Soars**

Mergers and acquisitions grew to $2 billion, with four companies acquired for over $200 million each, marking the most active M&A quarter since Q1/22.

**Investor Focus on Quality and Scale**

The quarter was notable for six mega-rounds totaling $716 million, alongside a continued decrease in the number of rounds. This trend highlights investors’ preference for quality and scalability in their investments.

**Cybersecurity Dominance**

Cybersecurity stood out as a focal point for both investments and exits, featuring four of the six mega-rounds with $846 million in private funding. This sector alone accounted for nearly 50% of the total ecosystem funding and half the top six exits. The increased investment is partly due to more attractive valuations, while market demand continues to grow among customers and acquirers. Furthermore, M&A activity has been particularly strong, fueled by a spree of horizontal acquisitions among the two major players, underscoring the sector’s critical role and appeal in the current investment landscape.

**Public Funding Rebound**

Public funding rebounded from the Q4 slump, although the figures remain modest. This is a positive indicator, suggesting cautious but growing investor confidence.

**Sectorial Dynamics**

The quarter revealed diverse sector performance; Cybersecurity funding peaked, reinforcing its strong investor appeal. Climate tech and Agrifood tech made notable comebacks from previous downturns. However, Health tech faced declines in both funding amounts and the number of rounds. Similarly, the Fintech and Enterprise IT & Data sectors saw reductions compared to the final quarter of 2023.

**Global Context**

Global venture capital investments have faced headwinds due to higher interest rates, challenges in raising new funds, and a preference for less risky investment opportunities. These challenges are further intensified by local risk factors and geopolitical uncertainties, presenting a complex backdrop for the resilient Israeli tech ecosystem. (SUNC 15.04)

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* 1. ISRAEL: Israel Long-Term Ratings Lowered To 'A+' From 'AA-' On Heightened Risk

On 18 April, [S&P Global Ratings](http://www.standardandpoors.com/) lowered its long-term foreign and local currency sovereign credit ratings on Israel to 'A+' from 'AA-' and the short-term ratings to 'A-1' from 'A-1+'. The outlook on the long-term ratings is negative. We also revised the transfer and convertibility assessment to 'AA' from 'AA+'.

As sovereign ratings (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on Israel are subject to certain publication restrictions set out in article 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar. Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case, the reason for the deviation is the significant increase of geopolitical and security risks around Israel. The next scheduled ratings review for Israel is on 10 May 2024.

**Outlook**

The negative outlook reflects the risk that the Israel-Hamas war and the confrontation with Hezbollah could escalate or affect Israel's economic, fiscal, and balance-of-payments parameters more significantly than we currently expect.

**Downside Scenario**

We could lower the ratings on Israel if the ongoing conflicts widen, further increasing the security and geopolitical risks that Israel faces. We could also lower the ratings in the next 12-24 months if the impact of the conflicts on Israel's economic growth, fiscal position, and balance of payments proves more significant than we currently project.

**Upside Scenario**

We could revise the outlook to stable if we viewed the likelihood of military escalation as reduced and the broader security risks moderated.

**Rationale**

The downgrade follows what we view as a further increase in already high geopolitical risks that Israel faces in the aftermath of the first direct attack by Iran in mid-April 2024. Under our baseline scenario, we still expect a wider regional conflict will be avoided, but the Israel-Hamas war and the confrontation with Hezbollah appear set to continue throughout 2024. This is in contrast to our October 2023 expectation of military activity not lasting more than six months.

We currently see several possible military escalation risks, including a more substantial, direct and sustained military confrontation with Iran. Israel faces international pressure to contain its response to the 13 April attack, while Iran has communicated its intention not to escalate. Nevertheless, risks of accidents or miscalculation remain, in our view, particularly if there was further exchange of fire by the two sides.

Another scenario involves a widening of the conflict with Hezbollah at Israel's northern border. This could be the case, for example, if Hezbollah's attacks intensify or Israel decides to implement a military intervention in Lebanon to establish a safety zone and move Hezbollah further away from the border on Lebanon's side.

A widening of the current conflicts could present additional security and social risks for Israel, hurting a variety of economic and fiscal metrics, in contrast to our baseline scenario. Such scenarios remain difficult to reliably quantify.

Our updated baseline forecast for Israel is now based on the following assumptions:

* The Israel-Hamas war continues, likely with easing intensity, throughout 2024.
* A regular exchange of fire persists with Hezbollah at Israel's northern border, but this does not escalate into a more direct war.
* The conflict does not widen across the Middle East. We assume there will be no substantial continuing direct confrontation with Iran and no broader instability in Judea & Samaria.

Under the above assumptions, we expect real growth to be 0.5% in 2024, following 2% growth in 2023. In Q4/23, Israel's GDP contracted by 5.7% on a quarterly basis. Given the past resilience and arguably higher capacity of the Israeli economy to adapt to the impact of military conflicts, we expect a significant rebound in growth in the first quarter of 2024.

Nevertheless, quarterly output will remain below prewar levels throughout 2024 given the continuing disruption and high uncertainty. By expenditure, investment has registered the steepest fall of 26% in the final quarter of 2023, and we expect it will take the longest to recover the previous peak. In contrast, we expect consumption spending (combined public and private) already recovered in the first quarter of 2024.

By sector, we see several constraints that are likely to linger throughout the year. Construction and agricultural sectors, which constitute 5% of GDP and 1% of GDP, respectively, previously relied significantly on Palestinian workers, which have been absent since commuting from Gaza and the West Bank has been severely restricted. The government has already taken a number of measures to fill the gap with foreign workers, but such a solution is unlikely to fully materialize in the near future.

The foreign tourism sector has been significantly affected as well, with overseas arrivals sharply falling since October 2023. We expect this trend to persist even if the security situation improves because it will likely take time for confidence to fully return afterward.

We expect that as military activity gradually subsides by the end of this year, growth will rebound more firmly in 2025 by 5% as pent-up consumption and investments take place. That said, it remains uncertain whether there could be longer-term scarring for the Israeli economy--for example, as a result of foreign investors reassessing the risk premiums, resulting in lower direct investment flows. We currently project growth rates of 3.5% on average over 2026-2027.

We expect the general government deficit will widen substantially to 8% of GDP this year from 6.7% of GDP last year and 1.8% of GDP in 2022. The main reasons for the widening are additional defense spending and the adverse impact on revenue from lower economic growth and extra civilian expenditures to compensate for economic and physical damage from the ongoing conflicts.

Our forecasts incorporate the continuing financial support to Israel from the U.S. However, this could be put into question if disagreements between the two countries on developments in Gaza persist, given the U.S.'s publicly stated concerns about the mounting civilian toll of the conflict in Gaza.

We also expect wider budget deficits to persist over the medium term because the defense spending will likely be higher in light of elevated security risks. Positively, Israel has already taken some measures to contain the longer-term fiscal impact, in particular through a hike in the value-added tax rate from 2025.

Under these expectations, we forecast the net general government debt will peak at 66% of GDP in 2026, before stabilizing and declining gradually thereafter. This contrasts with our prewar projection of debt at 54% of GDP in 2026.

Israel's structure of debt remains very favorable. As of year-end 2023, 84% of government debt was held domestically and denominated in local currency. This, in turn, limits the confidence risks and potential for nonresident capital flight. Short-term debt constitutes close to 8% of total while the average time to maturity is nine years.

Israel also recently demonstrated continued access to the international capital market with an $8 billion bond issuance across different maturities (five, 10 and 30 years) in early March 2024. This was the first public international issuance since October 2023, and although the cost has increased, the issuance was several times oversubscribed.

We expect Israel's balance of payments will remain a key ratings strength. The country has been running a current account surplus for decades, primarily supported by the fast expansion of high-value-added information and communication technology services exports. The total external services surplus has averaged 7% of GDP in the past few years. As a result, Israel has shifted into a substantial net external asset position of about 30% of GDP - one of the highest among non-commodity-exporting sovereigns - and reduced its gross external financing needs.

In 2023, the current account surplus amounted to 5% of GDP, up from 4% of GDP on average over 2020-2022. Although the war has significantly affected the foreign tourism sector, it constitutes just 3% of Israeli current account receipts, while outbound tourism has also notably declined. We expect the exports of high-value-added technology goods and services will continue uninterrupted and Israel's current account surpluses will average 3.6% of GDP through 2027.

Following a dip in October 2023, the Bank of Israel's gross international reserves have recovered to above prewar levels, reaching $214 billion (42% of GDP) at the end of March 2024. This is a significant buffer, in our view, given that it covers by 1.5x the gross external debt of the whole economy (including the public sector, banks, and the nonbank corporate sector) and affords Israel policy room to maneuver. (S&P 18.04)

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* 1. TURKEY: The Revival of Turkish Politics: Escaping Erdoğan's Shadow

Emre Caliskan published in [Sada](https://carnegieendowment.org/sada/) on 16 April that the recent municipal elections in Turkey marked a pivotal shift away from the polarized political landscape dominated by pro- and anti-Erdogan sentiment.

On 31 March, Turkey’s ruling Justice and Development Party (AKP), led by President Erdoğan, suffered its worst performance since entering the political arena in 2002. Garnering only 35% of the vote in the country’s local elections, the AKP watched as the main opposition Republican People’s Party (CHP) claimed 38% of the nationwide vote and victory in key cities including İstanbul, Ankara, İzmir, and Bursa—their best result since 1977.

The electoral outcome reflects a broader change in Turkish politics, which had become increasingly narrow following the 2017 constitutional referendum. By moving Turkey from a parliamentary to a presidential system, the referendum facilitated Erdoğan’s complete consolidation of control over key pillars of governance—the legislature, the executive, the judiciary and the media—and altered the country’s democratic landscape. The parliament, reduced primarily to budget approval, was forced to abandon its traditional roles in decision-making and policy formulation.

Since this shift towards one-man rule in Turkey, elections have been largely framed as battles between pro- and anti-Erdoğan forces. For instance, in the 2018 elections, Erdoğan's party AKP and the Nationalist Movement Party (MHP) formed the People's Alliance. The opposition parties, the majority made up of executives from center-right and nationalist parties that had been in politics with Erdoğan before, came together to form the National Alliance—with their opposition to Erdoğan as the only common factor. This alignment distanced the CHP from its foundational principles of social democracy, and may have cost the party votes.

Despite significantly lower turnout and Erdoğan’s absence from the ballot, the 31 March elections have broken this trend. Moving beyond the binary pro- and anti-Erdoğan rhetoric, voters expressed their dissatisfaction with the AKP and its handling of the escalating economic crisis. In March, Turkey's inflation rate soared to 68.5%, and many voters believed that President Erdoğan's unorthodox economic policies were to blame. Cities that were traditionally AKP strongholds, such as Bursa, Balıkesir, Uşak, and Adıyaman, transferred their allegiance to the CHP. Similarly, conservative districts like Üsküdar in Istanbul and Keciören in Ankara also favored the CHP. This suggests that economic issues, rather than steadfast support or opposition to Erdoğan, influenced the electorate's decision-making.

Furthermore, parties known for their nationalist rhetoric, such as the MHP, the Good (İYİ) Party and the anti-immigrant Victory (Zafer) Party, also lost support during these elections. This shift signifies diminished voter attraction to the nationalist policies and discourse long promoted by Erdoğan's government. Notably, the main opposition, the Republican People's Party (CHP), deliberately avoided populist anti-immigration rhetoric in the lead-up to the local elections. Given that Turkey hosts nearly 4 million refugees, the electorate's move away from nationalist parties points to a broader appetite for change.

The New Welfare Party, an Islamist party in Turkey, secured over 6% of the vote, capturing a portion of the AKP’s conservative base. They did so in part by criticizing the government's policies towards Israel: despite Erdoğan's public criticisms of Israel's actions in Gaza, Turkey has maintained substantial trade with the country, exporting goods valued at $319 million. Moreover, a significant portion of these exports were conducted by members of the Independent Industrialists and Businessmen's Association (MUSIAD), an organization of Islamist businessmen closely allied with Erdoğan.

Erdoğan's influence in Turkish politics is expected to persist, given his party’s extensive control over the media. Yet the outcomes of the recent elections reveal a general mood of political revival, which extends beyond the local and municipal levels. Given that Erdoğan's increasingly authoritarian rule has served to stifle political engagement, the elections are a promising sign for the future of Turkish democracy. As voters grow weary of Erdoğan and the polarization of Turkish politics, the AKP’s power may be further reduced—paving the way for a potential shift back to a parliamentary system.

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