

# ECONOMIC RESEARCH FORUM

# 2010

## ANNUAL REPORT

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ECONOMIC  
RESEARCH  
FORUM



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# ERF at a Glance

## Our Mission

The Economic Research Forum (ERF) is a regional network dedicated to promoting high quality economic research to contribute to sustainable development in the Arab countries, Iran and Turkey.

## Our Objectives

Established in 1993, ERF's core objectives are to build strong regional research capacity; to encourage the production of independent, high quality economic research; and to disseminate research output to a wide and diverse audience.

## Our Activities

ERF has a portfolio of activities to achieve these objectives. These activities include mobilizing funds for well conceived proposals; managing carefully selected regional research initiatives; providing training and mentoring programs to junior researchers; organizing seminars and conferences based on research outcomes and publishing research output through various of publications, including working papers, books, policy briefs and a newsletter – *Forum*. All the publications may be downloaded at our website [www.erf.org.eg](http://www.erf.org.eg)

## Our Network

The ERF network comprises a distinguished Board of Trustees (BOT), accomplished researchers from the region and highly dedicated staff. Located in Cairo, Egypt, ERF is supported by multiple donors, both from within the region and abroad.

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# Message from the Chairman of the Board of Trustees



**T**hese are interesting times for all of us and particularly for the Arab countries. The current political transformations that are taking place mean that life will never be the same for the region, or indeed the rest of the world. However, change provides promise as well as challenges for us all. I am confident that ERF will contribute to the debate on how to proceed. My sense of confidence in the ability of the ERF is based on its success in terms of both research and the ability to engage academics, policy makers and other individuals in the development debate.

There has been steady progress: an increase in research output, more engaging conferences and more thematic and training workshops that have given young researchers the opportunity to interact with and benefit from experienced, world-renowned economists, as well, great progress on making micro data available to researchers throughout the region.

This is the result of much dedicated effort on the part of ERF researchers and staff. However, it would not have been possible without the support of those who believe in ERF's potential. As Chairman of the Board of Trustees, I would like to extend my thanks to the World Bank for partnering with the Arab Fund for Economic and Social Development in supporting the Research Initiative for Arab Development (RIAD). I would also like to thank the International Development Research Centre, the Ford Foundation and the Swiss Government for their invaluable support. Finally, I must acknowledge the members of the Board of Trustees, all ERF fellows and the management and staff of ERF for their dedication and hard work.

Now more than ever, the region will need advice on policies based on solid academic research. With the support and dedication of all donors, network members and staff, I have no doubt ERF will play a vital role in aiding the region in making the transition to more open societies for the benefit of its people.

**Abdlatif Al-Hamad**

A handwritten signature in black ink, appearing to be 'Al-Hamad' followed by a stylized flourish.

*Chairman of the Board of Trustees*  
**Economic Research Forum**

# Message from the Managing Director

This year's Annual Report covers the period September 2009 through December 2010, henceforth referred to as 2010. It comes at a time when our region is undergoing two revolutions and countless protests demanding dramatic democratic and social reform. Once the initial victory is achieved, there will be a strong desire to go beyond the rejection of the policies that have not delivered in the past to seeking policies that will bring about job-creating growth and equality of opportunity for all. At that time, ERF will have much to offer in light of what has been achieved over the years, including 2010.



Focusing on last year, both the scope and the quality of our research have improved. At the end of 2010, ERF researchers were engaged in carrying out 28 research projects involving almost 200 researchers. This figure does not include another 33 projects engaging 66 researchers under FEMISE, which is managed by ERF and the *Institut de la Méditerranée*. Approximately half of these projects were regional while the other half were country-specific.

ERF has also stepped up its capacity building efforts, organizing no less than eight workshops and seminars and two training workshops. Additionally, 43 young researchers were either mentored or provided with support to participate in international conferences.

It has also been a bumper year in terms of communication, with a record 5 conferences, 78 working papers, 3 policy research reports, 2 books and 2 editions in the new policy perspective series. The ERF journal (MEDJ) is gaining credibility and is now being considered for inclusion in the Social Sciences Citation Index.

This effort has been matched by support from various donors who have seen the fruits of their commitment to ERF. The Arab Fund for Economic and Social Development and the World Bank have jointly renewed their funding for the RIAD initiative. The Swiss Government, the International Development Research Centre and Ford Foundation have continued to support ERF in terms of project and core funding.

All round, it was a year that ERF network members, staff and supporters can look back on with satisfaction. However, the only thing that success means to the dedicated is that the bar has been raised. We will have to exceed our achievements and everyone else's expectations. And this will be quite a challenge. However, with the support of our network members, donors and friends, I have no doubt we will succeed.

**Ahmed Galal**

A handwritten signature in dark ink, appearing to read 'A. Galal', written in a cursive style.

*Managing Director*  
**Economic Research Forum**

# ERF Network and Capacity Building

ERF's unique network comprises both the most accomplished and the most promising researchers in the Arab countries, Iran and Turkey. However, the business of strengthening the network and research capacity is an ongoing process. In 2010, progress was made on four fronts: making the network more inclusive, continuing to offer training and mentoring programs, supporting participation in international conferences and improving the way the network operates. The network continued to receive generous financial support from donors who believe in its mission.

## MAKING the Network More Inclusive

Due to the sustained effort to attract and retain qualified researchers from the region since its inception, ERF membership now includes a diverse community of researchers. At the end of 2010, ERF affiliates numbered 265 in total. As shown in Table 1, the majority (68 percent) of affiliates resides in the region. Females account for 20 percent and most countries in the region are represented (Table 2). More than half (56 percent) are Research Fellows; the rest are divided between Research Associates (26 percent), Senior Associates (16 percent) and the newly created category of Policy Affiliates (2 percent) (Figure 1). (A full listing of all affiliates is provided in Annex A).

The most notable change in membership in 2010 was the introduction of a new category: Policy Affiliates. The new category, proposed by the Advisory Committee and approved by the Board of Trustees, is intended to engage economists from the region who no longer conduct research but are in a position of influencing policymaking. Together with our Senior Associates, they enable ERF to bridge the gap between research and policymaking.

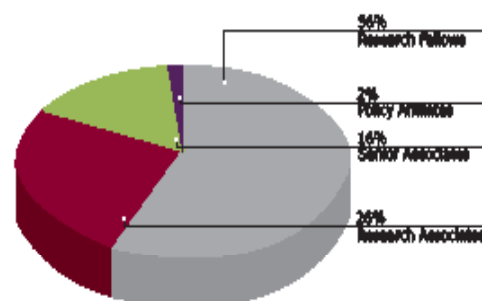
**Table 1. ERF Affiliates by Residency**

	Residency		
	Inside	Outside	Total
Research Fellows	88	61	149
Research Associates	57	13	70
Senior Associates	32	10	42
Policy Affiliates	3	1	4
Total	180	85	265
Percent	67.9	32.1	100

**Table 2. ERF Affiliates by Gender**

	Gender		
	Male	Female	Total
Research Fellows	120	29	149
Research Associates	50	20	70
Senior Associates	40	2	42
Policy Affiliates	2	2	4
Total	212	53	265
Percent	80.0	20.0	100

**Figure 1. ERF Affiliates 2010**



## BUILDING Research Capacity

ERF continued to foster the capacity to produce high quality research in 2010 through a combination of tailored training workshops, mentoring and supporting for participation in international conferences.

### Training

Two training workshops were offered in 2010:

*Measuring Inequality of Opportunity and Inequality of Outcomes Using Household Data, June 21-23, 2010, Cairo, Egypt*

This training workshop was led by Ragui Assaad, Djavad Esfahani and Nadia Belhaj. It covered techniques of measuring inequality of income, health and education status using a variety of survey data sets from Arab countries. It also covered both parametric and non-parametric methods of linking inequality of outcomes to underlying inequalities of circumstances, such as family background, ethnicity, gender and place of origin. The workshop involved 25 participants, selected on the basis of an open call for participation.

*Writing Winning Research Proposals and Papers, September 19-21, 2010, Cairo, Egypt*

Over the past few years, ERF has organized an annual training workshop for young researchers on how to write good proposals and publishable papers. While the thematic focus has varied, the formula has remained the same. Leading

researchers interact with the participants on issues of how to formulate research questions, address those questions analytically and produce publishable papers. The training material consisted of the proposals submitted by participants to the ERF annual conference. The first module focused on microeconomics and international trade, the second on labor and institutions and the third, the one held in 2010, on macroeconomics and finance. The training workshop was led by Khalid Sekkat, Imad Moosa and Hakan Berument and attended by nine participants.



*Participants in the Training Workshop on Measuring Inequality, June 2010.*



*Participants in the Writing Winning Proposals Workshop. From left to right: Imad Moosa, Mouyad AlSamara, Aysegul Ates, Souhir Slimi and Dorsaf Azouz Ghachem.*



# ERF Network and Capacity Building

## Mentoring

Besides offering tailored training workshops, ERF also continued to provide mentoring to promising young researchers. Mentors are typically reputed economists in their field and provide guidance on research methodology, interpretation of results, and the production of publishable papers.

In 2010, extensive mentoring was provided in the area of environmental economics. The mentors included: Alban Thomas (Universite des Sciences Sociales, Toulouse, France), Wictor Adamowicz (University of Alberta, Canada), Dale Whittington (University of North Carolina at Chapel Hill, USA), Gilles Lafforgue (Universite des Sciences Sociales, Toulouse, France) Glenn-Marie Lange (World Bank) and Nadia Belhaj-Hassine (ERF).

## SUPPORTING Participation in International Conferences

In 2010, ERF provided funding for the participation of 20 regional researchers and panel speakers at The African Econometric Society's Fifteenth Annual Conference. The conference was held at the American University in Cairo, Egypt on July 7-9, 2010.

With support from the Arab Fund, ERF also selected 17 young researchers from the MENA region to participate in the Global Development Network's Annual Conference, which took place in Prague in January 2010. The conference focused on globalization and regional integration in the context of the recent economic crisis.

## OPTIMIZING Network Operation

All ERF activities remained open to affiliates and non-affiliates in 2010. Similarly, the policy of awarding research grants and participation in events continued to be on the basis of merit. All grants were subject to peer reviews, while collaborative work was encouraged. Additionally, a few innovations were introduced to optimize network operation.

The first was the introduction of the idea of Thematic Leaders. The primary task of a thematic leader is to help ERF set up a research agenda under a particular theme and to ensure that the quality of research meets the highest standards. As of the beginning of 2011, Thematic Leaders include Ibrahim El Badawi (Natural Resources and Economic Diversification), Khalid Sekkat (Regional Integration) and Ragui Assaad (Labor Markets and human resource development).

Similarly, ERF initiated the process of a Visiting Scholars program, which will gain momentum in 2011. This program provides researchers with an opportunity to spend some time—while on sabbatical, for example—in Cairo. Their mandates would vary depending on the intersection between their research interests and those of ERF. They would also contribute to various network activities.

ERF has also made progress on new hiring to develop and carry out in-house research and/or to collect and harmonize micro data. Nadia Belhaj is now in charge of household survey data and Rana Hendy is in charge of firm level data. The work on labor market surveys continued to be led by Ragui Assaad. To give impetus to our outreach program, a communications



director, Mirette Mabrouk, joined ERF in October 2010.

Finally, the renovation of ERF's new premises in Cairo is in its final leg and should be completed by April 2011. The new premises will accommodate new staff and visiting scholars and also enable ERF to hold many of its events in-house.

## COLLABORATING with Other Networks

Besides its own activities, ERF manages, in partnership with the *Institut de la Méditerranée*, the FEMISE network. The work of FEMISE complements that of ERF as it focuses on the same issues in the Euro-Mediterranean area. FEMISE comprises over 80 member research institutes from Europe and the southern Mediterranean countries. Last year alone, this partnership resulted in 33 research projects engaging 66 researchers.

And as a Regional Partner to GDN, ERF also hosts the GDNet activities. GDNet is the arm of GDN that covers knowledge management and dissemination across various regions including that of the ERF.



Architect's rendering of new ERF premises

## CONTINUING Support from Donors

As dedicated as the members and staff of ERF are, the work would not be possible without the continued support of our donors. While much is said about the value of academic research, it is rare, and therefore gratifying, to find institutions who believe in this value enough to consistently act upon their beliefs and support its production. ERF is beholden to the Arab Fund for Economic and Social Development, the International Development and Research Centre and the Government of Switzerland for their generous and continued support toward our core funding. We are equally grateful to the World Bank, the Ford Foundation and the European Commission for their dedicated and innovative support for major projects.



World Bank and AFESD support for the RIAD initiative. From left to right: Ahmed Galal, Justin Lin and Abdlatif Al-Hamad

# Research Activities

ERF research activities in 2010 were extensive. A snapshot at the end of December 2010 (Table 3) indicates that ERF was undertaking as many as 28 projects, engaging 195 researchers, covering both country case studies and the region. These projects were either solicited or the result of an open call for papers. They cover a wide range of topics, focusing on predetermined priority areas. During the period of this report (September 1, 2009 - December 31, 2010) much has changed. Some projects were brought to conclusion, others remain ongoing and with many initiated (Table 5).

## COMPLETED Projects

ERF completed eight projects in 2010, covering education, natural resources and economic diversification, social policies and environmental economics. In addition, 16 projects were concluded in the context of FEMISE under the theme of Euro-med convergence.

### Financing Higher Education: A Comparative Assessment of Six Arab Countries

*Research Team Led by Ahmed Galal and Taher Kanaan*

This project assessed the adequacy, efficiency and equity of the level of spending on higher education in six Arab countries: Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia. It also attempted to identify

the factors that are likely to complicate the financing problem in the future, reviewed governments' reform efforts and made recommendations to relax the financing constraints without compromising on equity. The country case studies were analyzed comparatively and the final outcome of all papers published in the ERF Policy Research Report series. In line with ERF's policy of selectively expanding its publication repertoire in Arabic, the volume will be published in Arabic in the spring of 2011.

### Natural Resources and Economic Diversification

*Ibrahim El Badawi and Alan Gelb*

This project critically reviewed the literature on natural resources and economic diversification in the ERF region, identified knowledge gaps in and about the region and proposed a set of research

**Table 3. Summary of ERF Research Projects as of December 31, 2010**

How Projects Were Conceived	Geographical Coverage			
	Projects (number)	Researchers (number)	Country	Regional
Research Competitions*	18	151	10	8
Structured Research Projects	10	44	3	7
Total	28	195	13	15

*\*Of the 28 projects, the 16th Annual Conference is counted as one although it comprises 52 papers on 6 thematic areas by 100 researchers. The research competitions do not include those projects under the FEMISE umbrella, accounting for a further 33 projects and 66 researchers.*

questions for ERF to pursue over the next 3-5 years. The findings were discussed in a workshop for further verification of the proposed priorities and revised accordingly. The final outcome was published in the ERF Policy Research Report series.

## Social Policies

Work in this area was conceived in the context of the 8th and 9th rounds of the ERF-GDN research competition. Five projects were completed.

### *The Palestinian Health Care System: A More Equitable Approach*

Awad Mataria and Rasha Khatib

This project analyzed the performance of the Palestinian Health Care System from the point of view of equity. Particular attention was given to health care financing and utilization as well as the consequence of provider involvement in health care financing and provision. Finally, the study incorporated both users' and providers' perspectives into developing more equitable health policies.

### *Unemployment Insurance, Maternity Benefits and Unemployment Duration in Palestine*

Edward Sayre and Yousef Daoud

This project examined how social protection policies affect unemployment duration and employment stability in the West Bank and Gaza Strip. Specifically, it examined the coverage rates of various social protection policies that are contained in the Palestinian Basic Labor Law. The research provides policy implications concerning unemployment insurance and social insurance, focusing on the likely effects of future policy change.

### *Does Agricultural Trade Liberaliza- tion Help the Poor in Tunisia? A Mi- cro-Macro view in a Dynamic General Equilibrium Context*

Research Team Led by Nadia Belhaj Has-  
sine and Véronique Robichaud

This project explored the short and long run effects of alternative trade liberalization scenarios on agriculture and economic growth and attempted to synthesize poverty and inequality implications. The research asserted that the emphasis given to the role of agriculture in poverty reduction goes far beyond its direct benefit to rural poor livelihoods; the agricultural sector has particularly strong links to the rest of the economy and offers one of the most promising avenues to pro-poor growth.

### *The Dynamics of Poverty and Inequal- ity in an Era of Economic Liberaliza- tion: The Case of Egypt*

Alia El-Mahdi, Shireen AlAzzawi and  
Mona Said

This project studied the impact of growth on poverty and inequality in Egypt. More concretely, it examined in detail the effect of growth on poverty and income distribution changes between 1988 and 2006, analyzing the dynamics of moving in and out of poverty and inequality, and identifying the determinants of chronic and transitory poverty over this period and the determinants of moving between and within income groups.

### *The Efficiency and Effectiveness of the Palestinian Vocational Education and Training*

Mahmoud El-Jafari

The project aims at identifying the major factors that could improve the efficiency and the effectiveness of the Palestinian

# Research Activities

Vocational Education and Training (VET). The study aims to evaluate the demand for VET at vocational institutes and technical community colleges after the completion of high school on one hand and the demand by the labor markets for skilled workers who graduate from vocational institutes on the other.

## Environmental Economics

A call for papers was completed in 2009 and seven projects were selected for funding. One of those projects was completed in 2010.

### *The Impact of Trade and FDI on Pollution and Environmental Degradation in Tunisia.*

Houssein Eddine Chebbi

This project analyzed the impact of trade reforms on pollution levels and whether trade openness leads to more, or less, pollution in Tunisia using co-integration techniques. The research suggested that the direct effect of trade openness on CO2 emissions is positive both in the short and the long runs, while the indirect effect is negative, at least in the long run. The overall effect is positive both in the short and long runs, highlighting the importance for trade reforms being accompanied by strong environmental policies.

## Euro-Med Economic Convergence

In the context of FEMISE, 16 projects were completed in 2010. These projects are the results of collaborative work between members of the network in Europe and Southern Mediterranean Countries. They addressed issues that fall under the following themes: macroeconomic

performance and convergence, trade and services liberalization, liberalization of capital accounts, monetary policies and financial institutes, firm behavior, labor markets, social cohesion, migration and food prices. The findings of these projects have been published in the FEMISE Research Reports, available for public access on the FEMISE website ([www.femise.org](http://www.femise.org)).

In 2010, progress was made on 16 ERF projects in addition to another 16 under the umbrella of FEMISE. These projects fall under the themes of equity and inequality, regional integration, social policies, environmental economics and Euro Mediterranean economic convergence.

## ONGOING Projects

### Equity and Inequality

Three projects were initiated earlier under the theme of equity and inequality and continued during the year 2010.

### *Equity and Inequality in the Arab Region: Data, Measurement and Evolution*

Research Team Led by  
Nadia Belhaj Hassine

This research project aims at expanding access to—and improving the quality of—data on inequality in the region, as well as creating a harmonized dataset on the subject. It's hoped that it will enhance awareness of the various aspects of inequality. To ensure that the data harmonization process is carried out according to best practices, ERF organized an expert group meeting during April 29-30, 2010. The meeting included data harmonization experts, micro data users, in-

ternational organizations and representatives from National Statistical Offices (NSO) in Arab countries. Ultimately, ERF intends to make this data available to researchers.

*Inequality of Opportunity and  
Inequality of Outcomes in the Arab  
Region*

*Research Team Led by Ragui Assaad,  
Djavad Esfahani and Nadia Belhaj Hus-  
sain*

This project aims to develop a better understanding of the way in which inequality of opportunity translates into inequality of outcome through the behavior of markets for the acquisition and deployment of human capital, specifically in education and skills. To this end, it investigates the link between circumstances—such as family background—and the acquisition of education and skills. It will also examine the role of such institutional arrangements as mandatory basic education, tutoring, tracking of secondary school students into general and technical streams and guaranteed public employment for graduates in enhancing or amplifying inequality of opportunity in the acquisition of human capital. Last June, ERF organized a training workshop in Cairo for 25 young researchers from the region on the measurement of inequality of opportunities and inequality of outcomes in Arab Countries.

*Trends, Profile and Determinants of  
Inequality in Selected Arab  
Countries*

*Research Team Led by Sami Bibi*

This project attempts to measure, decompose and analyze the determinants of inequality in selected Arab countries. It will further study how and why inequality varies within and between countries.

The project will provide new empirical results for some Arab countries for which inequality patterns are unknown.

## **Regional Integration**

Under this theme, three projects were continued:

*Economic and Non-Economic  
Consequences of Intra and Extra Arab  
Migration*

*Research Team Led by Jackline Wahba  
and Michel Beine*

This project aims to examine the economic and non economic consequences of intra-Arab and extra-Arab migration. On the non-economic front, it will analyze the influence of Diasporas on the quality of institutions at home. On the economic front, it will study the effect of remittances and return migration in five countries, namely: Jordan, Egypt, Lebanon, Morocco and Syria.

*Arab Passengers' Airlines Framework  
and Performance*

*Research Team Led by Khalid Sekkat*

This project was designed to develop an in-depth understanding of the airline industry. It aims to assess the welfare impact of observed changes in the framework governing the airline industry on firms and consumers.

*Efficiency and Redistributive Effects  
of International Labor Mobility*

*Research Team Led by Frederic Docquier*

This project assesses the efficiency gains and redistributive implications of international labor migration, with the objective of constructing new extended databases on international migration by educational attainment. It also aims to quantify the



# Research Activities

macroeconomic implications of migration flows as a function of the characteristics of migrants on the one hand, and of source and destination countries, on the other.

## Social Policies

There are four projects ongoing in the context of the 8th and 9th rounds of the ERF-GDN research competition:

### *Poverty Alleviation in Southern Sudan: The Case of Renk County*

Adam Ahmed

The project aims at evaluating the poverty situation in Southern Sudan taking the Renk County as a case study, focusing on development policies biased in favor of certain areas in Sudan, neglecting large areas in the South and other parts of the country. This neglect resulted in the eruption of civil war between the north and the south in 1983.

### *Poverty Reduction, Growth and Inequality in the MENA Region*

Research Team Led  
by Mouna Charkaoui

This study aims at measuring the poorness of growth in five countries in the MENA region (Algeria, Egypt, Jordan, Morocco and Tunisia) taking into account both the rate of growth that is the scale of poverty reduction in absolute terms and the nature of growth that is its distributional impact.

### *Poverty and macroeconomic development in Algeria: What is the contribution of oil revenues?*

Mohamed Benbouziane

The project analyzes the relationship be-

tween macroeconomic growth and poverty reduction in Algeria and the impact of the social infrastructure on poverty reduction in an attempt to discover if the social infrastructure is favorable for a macroeconomic growth, and whether it allows for an equitable distribution of revenues.

### *Employment Growth and its Determinants in the Jordanian Private Sector (1980-2006)*

Ghassan Omet and Ibrahim Saif

The primary objectives of this project are threefold: first, to examine the employment growth of listed Jordanian firms over the period 1980 - 2006 and to compare this growth with the growth rate in total employment in the national economy. Second, it aims to trace the development of local, Arab and foreign ownership in the shares of listed companies since 1980. Finally, based on firm-level data, the study examines the determinants of employment growth during the period (1980-2006).

## Environmental Economics

In the context of the first competition on environmental economics, five projects are still ongoing:

### *The Environmental Consequences of the Households Fuel Choice in Sudan*

Kabbash Suliman

This project investigates the predictors of households' choices of primary cooking fuels in Sudan and indicates the likely associated environmental and health effects. Graphical, cross-tabulation and multinomial logistic regression methods are applied to data drawn from the Sudan Household Health Survey 2006.

*Sustainable Development and Environmental Challenges in the MENA Region: Should the MENA Region Establish National Environmental Accounts*

*Susan Sakmar and Osama Al Khazali*

This study addresses the major gaps in knowledge about environmental economics in the MENA region focusing on the importance of establishing environmental accounts to reach a widely accepted principle of sustainable development. The study also seeks to test the feasibility of constructing natural resource accounts for the MENA region as well as to determine which type of accounts would be more useful for policymakers in the region.

*Ancillary Health Benefits of Pollution Abatement Policies in a Small Open Economy: Illustration from Tunisia*

*Mohamed Chemigui*

This project addresses the contradictory missions of environmental and trade policies in the Tunisian economy in the light of the recent fluctuations in international oil prices. Employing a computable general equilibrium (CGE) model, the author seeks to assess the environmental impact of trade liberalization in Tunisia as well as to evaluate the costs and benefits of pollution abatement policy.

*Does Non-Renewable Energy Utilization in Egypt Generate Net Gain or Net Loss?*

*Heba El Dekken, Nouran Farrag and Soha Abdou*

This project evaluates the sustainability of Egypt's main energy sources. In its attempt to reach this evaluation, the study reviews Egypt's energy map high-

lighting the features of the energy sector in the Egyptian economy in general and petroleum sector in particular. To assess the effectiveness of government policies in a broader sustainability framework, the resource rent as a measure of sustainability is conducted for oil and gas.

*From Innovation System Perspective: Environmentally Friendly Technical Change and Small-and Medium-Sized Enterprises*

*Bahar Erbas and Pinar Geylani*

This project analyzes environmentally friendly technical change in Small and Medium Sized Enterprises (SMEs) where the research on the factors that affect environmentally friendly innovation and adoption of products and processes is limited. The project attempts to measure not only intra-firm characteristics, roles of environmental regulations and enforcement, but also the roles of innovation partners, external environmental pressures and competition through business competences, network involvement, and environmental orientation.

Simultaneously, progress was made on the following structured project:

*Economic Incentives and Environmental Regulation in the MENA Region*

*Research Team Led by Hala Abu Ali*

This project provides an assessment of the impact of the prevailing incentives in environmental regulation on environmental outcomes across various issues and countries. It also attempts to provide an explanation as to why the current incentives do not work as effectively as they should, and offers policy options for making incentives more effective.



# Research Activities

The project involves multiple papers and authors and the plan is to publish these papers along with an overview in an edited volume. For volume outline, please see Table 4.

## Euro Mediterranean Economic Convergence

In the context of the FEMISE network, progress was made on 16 projects. These projects cover different angles of Euro-Mediterranean economic relations, including migration and labor mobility, microeconomics and firm behavior, and the environment and sustainable development. A list of these ongoing projects can be found on the FEMISE website: ([www.femise.org](http://www.femise.org)).

## INITIATED Projects

ERF initiated 11 new projects in 2010. Of those, four projects were accepted in the context of the 10th Round of the ERF-GDN research competition on regulation and competition, four in the context of the second call for papers on the environment, two under labor markets and human resource development, and one on natural resources. In addition, 17 projects were initiated under the FEMISE competition.

## Regulation, Competition and Firm Competitiveness

In the context of the 10th Round of the ERF-GDN Regional Research Competition,

**Table 4. Economic Incentives and Environmental Regulation in the MENA Region**

Chapter	Author
Overview	Hala Abou-Ali and Ahmed Galal
Cost Assessment of Environmental Degradation in the MENA region	Bjorn Larsen
Willingness to Pay for Improving Poor Land and Water Conditions for Agriculture in Damietta, Egypt	Hala Abou-Ali
Regulating Traffic to Reduce Air Pollution in Greater Cairo, Egypt	Alban Thomas and Hala Abou-Ali
Mitigating Industrial Solid Waste in Tunisia	Chokri Dridi and Naceur Khraief
Regulating Cement Industry Emissions in Morocco and Algeria	Karim Zein and David Maradan
Integrated Water Management in Jordan	Velma Grover, Eliza S. Deutsch and Raouf Darwish
Managing Bluefin Tuna in the Mediterranean Sea	Rashid Sumaila
Climate Change Policy in the MENA Region: Prospects, Challenges, and the Implication of Market Instruments	Mustafa Babiker and Mohammed Fehaid
Water Reuse in the MENA Region: Constraints, Experiences and Policy Recommendations	Marc Jeuland

the call for papers focused on issues related to utilities and competition. This is an area where there is a glaring knowledge gap in the ERF region. Researchers were encouraged to submit proposals under the following sub-themes:

1. Regulatory regimes of utilities, firm behavior and welfare outcomes
2. Competition policy, enforcement agencies and anti-competitive behavior
3. Firm dynamics, whether large or small, covering such issues as entry and exit as well as innovation and survival.

Sixteen proposals were received and four selected upon review.

*An Analysis of the Mobile Telephone Sector in MENA: Potential for Deregulation and Privatization*

Sam Hakim and Simon Neaime

The project seeks to investigate how mobile rates influence the choice, timing, and structure of market reform. The countries covered are: Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE, and Yemen.

*The Role of broadband infrastructure in economic growth in Egypt and some Arab and Emerging countries*

Mona Badran

The project aims at examining the relationship between broadband infrastructure and economic growth in emerging countries. The project will look at 22 emerging countries both in MENA and outside.

*Palestinian Household Consumption Expenditures on Public Utilities: The Case of Electricity and Water*

Mahmoud El-Jafari

This project aims to examine the determinants behind Palestinian household expenditure on the two major public utilities: electricity and water.

*Regulatory Reforms in Public Utilities: Have Reforms Resulted in Increased Competition, Market Efficiency and Higher Welfare? Case Studies of Civil Aviation, Electricity and Telecommunications*

Amirah El-Haddad and Khaled Attia

This research will analyze the market structure resulting from the regulatory reforms in three sectors in Egypt—civil aviation, electricity and telecommunications—using partial equilibrium welfare analysis. The analysis will inform a discussion of the scope and nature of the operations of the Egyptian Competition Authority and the regulatory framework in the three sectors.

## Environmental Economics

A second call for proposals was launched at the end of 2009 in this area. Fourteen proposals were received; of which the following four projects were accepted and are currently underway:

*Comparative environmental economic analysis of the Tourism sector in the ERF region*

Karim Zein

This project will address the debate on the consequences of tourism activities in Jordan on the environment by conducting a monetary valuation of the environmental consequences (in terms of the value of lost workdays, lost agricultural production, lost amenities and the environmental inefficiency (in terms of loss of materials, waste of energy...etc.) observed in the tourism sector.

# Research Activities

## *Income level and environmental quality in the MENA countries: discussing the environmental Kuznets curve hypothesis*

*Hatem M'Henni*

This study will explore the impact of economic growth on the environment, by implementing recent bootstrap panel unit root tests and cointegration techniques to investigate the relationship between carbon dioxide emissions, energy consumption, and real GDP for 12 MENA countries over the period 1981–2005.

## *A Heterogeneous Panel Analysis of Growth and Natural Resources in the MENA Region?*

*Kamiar Mohaddes*

This project will attempt to study the impact of the level and volatility of commodity terms of trade on economic growth, as well as on the three main growth channels: total factor productivity, physical capital accumulation, and human capital acquisition.

## *The Impact of Imposing a Tax on the Use of Fertilizers by Farmers: A General Equilibrium Model for Egypt*

*Abeer Elshennawy*

This research attempts to assess the magnitude of the double dividend from the imposition of a tax on fertilizer use, given the widespread excessive use of fertilizer by farmers in Egypt with serious repercussions for water pollution and contamination of agricultural goods. The research will further assess whether there is a triple dividend effect from improved market access to agricultural goods following the reduction in fertilizer use.

## **Labor Markets and Human Resource Development**

In 2010, ERF initiated two projects in this area.

### *Labor Markets in Jordan*

*Research Team Led by Ragui Assaad*

This project capitalizes on the new labor market survey of Jordan, which was initiated by ERF in June 2010 and carried out in collaboration with the National Center for Human Resource Development (NCHRD) and the Jordanian statistical office. The dataset will be made available on the ERF website by March 2011. In the interim period, the team engaged in collecting the data and other researchers initiated a coherent set of papers to address different aspects of the labor market in Jordan. The papers will be presented in a pre-conference workshop in Antalya, Turkey in the context of the 17th Annual Conference of ERF and put together in an edited volume by Ragui Assaad.

### *Incentives in Higher Education*

*Research Team Led by Ahmed Galal and Ragui Assaad*

This project complements the previous one on Financing Higher Education in the sense that it is an attempt to explore another possible explanation for the poor performance of higher education in the region: namely the institutional structure governing the operation of universities. In practice, this means focusing on whether the incentive structure facing the provider of higher education is compatible with desired outcomes or not. The analysis will cover three countries: Egypt, Jordan and Turkey. Turkey will serve as a benchmark, given that it is one of the countries in the region where progress has been made, whereas Egypt and Jor-

can provide sufficient variations within the Arab countries. Within each of the three countries, the analysis will be carried out over three areas: the national level, the level of universities - one private and one public, and at a university departmental level - namely the Economics Departments.

## Natural Resources and Economic Diversification

### *Understanding and Avoiding the Oil Curse in the Arab World*

*Research Team Led by Ibrahim El Badawi*

Under the theme of natural resources and economic diversification, ERF initiated a new project focusing on the macro-institutional dimensions of oil management. This project addresses two interrelated issues: understanding the oil curse and its likely causes in the context of the Arab world, and the macroeconomic institutions for managing the oil resource and for avoiding the oil curse that are most suited for the Arab world. These include the optimum savings-investment strategies for oil-rich Arab countries, particularly with regard to the sovereign wealth funds (SWFs).

## Inclusive Growth in the Euro-med Region

FEMISE launched its annual internal competition in 2010 inviting members of the network to submit proposals on the convergence of the Euro-Med region, focusing on the following angles:

1. The impact of the Euro-Med partnership on convergence, including that of factor mobility.
2. Alternative measures, including col-

laborative efforts between the north and south, to ameliorate the macro and microeconomic consequences of the financial crisis.

3. The role of structural transformation in achieving more dynamic growth in the southern med region.
4. How to achieve more inclusive growth.

Upon review of received proposals, 17 were accepted and are currently underway. (See [www.femise.org](http://www.femise.org) for more on these projects).

## Micro Datasets

Finally, more work was carried out in the area of making micro data available to researchers. Progress was made on three fronts: household surveys, labor market surveys and to a lesser extent firm level data.

Before summarizing the work done, it is worth noting that ERF also made it a condition of grant agreements with researchers that all new datasets collected in the context of these projects be made available to other researchers through ERF. One example of this is the data compiled for the project on Efficiency and Redistributive Effects of International Labor Mobility.

### *Household Survey Data*

ERF collected 27 household surveys covering 11 Arab countries. Extensive effort has been devoted to the harmonization of these surveys to ensure their consistency and usability. The process involves significant investment upfront and a great deal of work down the road to maintain and update the information. Once sufficient progress is made, researchers will access these datasets within the con-

# Research Activities

straints of confidentiality agreements with statistical offices if necessary.

## *Jordan Labor Market Survey (JLMS)*

Building on the success of two ERF labor market surveys in Egypt, a similar exercise was started in Jordan in December 2009. The survey was conducted between January 15 and April 30, 2010. Data validation was completed on June 25, 2010 and ERF received the first draft of the raw data on June 30th. The data will be available on ERF website by spring of 2011.

## *Firm Level Data*

Progress in this area has been somewhat slow. The process was initiated by holding an Expert Group Meeting in Cairo on March 14, 2010 to review existing data and define a niche for ERF. While the meeting was informative in terms of identifying a number of data sources, it was concluded that a systematic review of the nature and accessibility of such datasets in the region was necessary. Accordingly, ERF commissioned a paper to that effect, to be written by Izak Atiyas.

**Table 5: Summary of ERF Research Projects**

Project	Team Leaders
<b>Completed Projects</b>	
Financing Higher Education: A Comparative Assessment of Six Arab Countries	Ahmed Galal and Taher Kanaan
Natural Resources and Economic Diversification	Ibrahim El Badawi and Alan Gelb
The Palestinian Health Care System: A More Equitable approach	Awad Mataria and Rasha Khatib
Unemployment Insurance, Maternity Benefits and Unemployment Duration in Palestine	Edward Sayre and Yousef Daoud
Does Agricultural Trade Liberalization Help the Poor in Tunisia? A Micro-Macro View in a Dynamic General Equilibrium Context	Nadia Belhaj Hassine and Véronique Robichaud
The Dynamics of Poverty and Inequality in an Era of Economic Liberalization: The Case of Egypt	Alia El-Mahdi, Shireen AlAzzawi and Mona Said
The Efficiency and Effectiveness of the Palestinian Vocational Education and Training	Mahmoud El-Jafari
The Impact of Trade and FDI on Pollution and Environmental Degradation in Tunisia	Housseem Eddine Chebbi
<b>Ongoing Projects</b>	
Equity and Inequality in the Arab Region: Data, Measurement and Evolution	Nadia Belhaj Hassine
Inequality of Opportunity and Inequality of Outcomes in the Arab Region	Ragui Assaad, Djavad Esfahani and Nadia Belhaj Hassine
Trends, Profile and Determinants of Inequality in Selected Arab Countries	Sami Bibi
Economic and Non-economic Consequences of Intra and Extra Arab Migration	Jackline Wahba and Michel Beine
Arab Passengers' Airlines Framework and Performance	Khalid Sekkat
Efficiency and Redistributive Effects of International Labor Mobility	Frederic Docquier
Poverty Alleviation in Southern Sudan: The Case of Renk County	Adam Ahmed
Poverty Reduction, Growth and Inequality in the MENA Region	Mouna Cherkaoui
Poverty and Macroeconomic Development in Algeria: What is the Contribution of Oil Revenues?	Mohamed Benbouziane
Employment Growth and its Determinants in the Jordanian Private Sector (1980-2006)	Ghassan Omet and Ibrahim Saif
The Environmental Consequences of the Households Fuel Choice in Sudan	Kabbash Suliman

**Table 5: Continued**

Project	Team Leaders
Sustainable Development and Environmental Challenges in the MENA Region: Should the MENA Region Establish National Environmental Accounts	Susan Sakmar and Osama Al Khazali
Ancillary Health Benefits of Pollution Abatement Policies in a Small Open Economy: Illustration from Tunisia	Mohamed Chemigui
Does Non-Renewable Energy Utilization in Egypt Generate Net Gain or Net Loss?	Heba El Dekken, Nouran Farrag and Soha Abdou
From Innovation System Perspective: Environmentally Friendly Technical Change and Small-and Medium-Sized Enterprises	Bahar Erbas and Pinar Geylani
Economic Incentives and Environmental Regulation in the MENA Region	Hala Abu Ali
<b>Initiated Projects</b>	
An Analysis of the Mobile Telephone Sector in MENA: Potential for Deregulation and Privatization	Sam Hakim and Simon Neaime
The Role of broadband infrastructure in economic growth in Egypt and some Arab and Emerging countries	Mona Badran
Palestinian Household Consumption Expenditures on Public Utilities: The Case of Electricity and Water	Mahmoud El-Jafari
Regulatory Reforms in Public Utilities: Have Reforms Resulted in Increased Competition, Market Efficiency and Higher Welfare? Case Studies of Civil Aviation, Electricity and Telecommunications	Amirah El-Haddad and Khaled Attia
Comparative environmental economic analysis of the Tourism sector in the ERF region	Karim Zein
Income level and environmental quality in the MENA countries: discussing the environmental Kuznets curve hypothesis	Hatem M'Henni
A Heterogeneous Panel Analysis of Growth and Natural Resources in the MENA Region?	Kamiar Mohaddes
The Impact of Imposing a Tax on the Use of Fertilizers by Farmers: A General Equilibrium Model for Egypt	Abeer Elshennawy
Labor Markets in Jordan	Ragui Assaad
Incentives in Higher Education	Ahmed Galal and Ragui Assaad
Understanding and Avoiding the Oil Curse in the Arab World	Ibrahim El Badawi



# Communications and Outreach

Research is at the core of ERF's mandate. However, research is most useful when properly disseminated and ERF actively pursues strategies that ensure that its research is available to those interested in the region. Accordingly, ERF stepped up its communication activities, significantly increasing its output in terms of both events and publications.

2010 was a busy year for ERF, as far as events went. ERF organized five major conferences on two continents and eight workshops, seminars and meetings that both provided new opportunities for young researchers and harnessed the knowledge and experience of ERF affiliates and friends. Some of these events were held in cooperation with other institutions.

As always, the conference provided a platform for over 250 economists to discuss topical issues in economic development, to present close to 55 papers in 6 parallel sessions and to interact with one another. In addition, the conference was preceded by two workshops: one on "Natural Resources and Economic Diversification," the other on "Poverty, Growth and Inequality in the MENA Region". (For more details, visit the ERF website: [www.erf.org.eg](http://www.erf.org.eg)).

## CONFERENCES

### ERF 16<sup>th</sup> Annual Conference

November 7-9, 2009, Cairo, Egypt

The ERF 16th Annual Conference was held in Cairo, November 7-9, 2009 under the theme of "Shocks, Vulnerability and Therapy". While the choice of the theme obviously reflected the recent financial and economic crisis, the likelihood of such events meant that the broader focus was on crises in general. The orientation of the plenary sessions was on three dimensions of crises: their determinants, impacts—especially on vulnerable countries and groups within these countries—and how crises might be avoided or their impact ameliorated. These sessions featured distinguished speakers such as Francois Bourguignon, Justin Lin, Anthony Venables, Hasan Ersel, Martin Ravallion, Mahmoud El Gamal and Gerardo della Paolera.



*From left to right: Abdlatif Al-Hamad, Ahmed Galal, Justin Lin and Anthony Venables*



*From left to right: Masood Ahmed, Mustapha Nabli, Mahmoud El-Gamal and Gerardo della Paolera*



## The 15<sup>th</sup> Annual Conference of the African Econometric Society

July 7-9, 2010, Cairo, Egypt

ERF collaborated with the African Econometric Society in holding their 15th Annual Conference, which was held over three days from July 7-9, 2010, at the American University in Cairo. Researchers from the ERF region not only benefited from presenting their papers and getting feedback on them but also from taking part in one of the largest conferences in Africa.

## Regional Conference on Environmental Challenges in the MENA Region

November 27-28, 2010, Casablanca, Morocco

Capitalizing on the extensive work carried out by ERF in the area of environmental economics, a large conference was held in Morocco to share the findings of the papers among researchers and policymakers. More than 70 participants took part in the conference, both from within the ERF region and abroad. One of the most interesting results of the sustained work and the conference is the emergence of the so-called the "Casablanca Group", which began a process of discussion among themselves regarding the next steps for research in this field.

## Second International Conference of GDRI DREEM on Innovation and Economic Development in the Mediterranean Countries

December 13-14, 2010, Cairo, Egypt

ERF and FEMISE joined Groupe de Recherche International (GDRI: DREEM) in



*Environmental Challenges Conference. From left to right: Hala Abou-Ali, Atif Kubursi and Amer Jabarin*



*Some participants in the Regional Conference on Environmental Challenges.*

the organization of this conference. Together with more than 90 participants, ERF affiliates and staff contributed to the conference both by speaking in plenary sessions and by presenting papers in various parallel sessions.

## FEMISE Annual Conference

November 23-24, 2010, Rome, Italy

The theme of 2010's conference was "Structural Transformation and the Role of the EU-Med partnership." The conference comprised three plenary sessions and four parallel sessions. It was held in Italy and attended by 120 participants. Under the main theme of the conference, the first plenary focused on: "Ask Not Whether But How," while the second was on "Industrial Policy in Practice." The

# Communications and Outreach

list of speakers included Mustapha Nabli (World Bank), Mohamed Chafiki (Ministry of Economy, Morocco), Pierre Deussy (the European Commission), Khalid Sekkat (Université Libre de Bruxelles), Suk Joon Kim (Science and Technology Policy Institute-STEPI South Korea) and Esen Caglar (Economic Policy Research Foundation of Turkey-TEPAV, Turkey). The third plenary focused on the "Crisis and Recovery Measures for the Mediterranean Partners Countries." The speakers included Lino Cardarelli (Deputy Secretary General of the UfM), Jean-Louis Reiffers (FEMISE), Simon Neaime (American University of Beirut, Lebanon) and Michael Gasiorek (Sussex University, UK).

The four parallel sessions included presentations of selected FEMISE research reports that had been produced in 2010. These included the following topics: convergence of macroeconomic indicators; divestiture and trade liberalization; the banking sector and the impact of remittances on growth; business environment and firms' behavior.

## WORKSHOPS and Seminars

2010 saw five workshops, up one from the previous year. The workshops focused on topics ranging from environmental economics, through regional integration, to the relationship between poverty, growth and inequality. They drew approximately 150 participants.

### Natural Resources and Economic Diversification: Toward a Research Agenda for ERF

November 6, 2009, Cairo, Egypt.

Organized as a pre-conference event, the Workshop on "Natural Resources and Economic Diversification" brought together 30 participants with the primary objective of helping ERF develop a research agenda on this theme. To this end, the participants reviewed and discussed two approach papers, in addition to written contributions prepared specifically for the event by noted scholars. The resulting research agenda was based on the approach papers, contributions and discussions during the workshop.



From left to right: David Maradan, Bahar Erbas and Rachid Sumaila



Natural Resources Workshop: Ibrahim Elbadawi and Azzeddine Azzam

## Poverty, Growth and Inequality in the MENA Region

November 6, 2009, Cairo, Egypt.

This was another pre-conference workshop, based on a research project sponsored by ERF and GDN, which focused on the relationship between poverty, growth and inequality in the MENA region. The project is being conducted by a team of ERF fellows, led by Mouna Cherkaoui. The analysis covers five country cases: Morocco, Tunisia, Algeria, Egypt and Syria. The workshop assembled around 30 highly qualified researchers and policy makers from the region. The objectives were to share the preliminary findings of the project with the audience, gather feedback on the draft papers, and engage various stakeholders in a discussion about policy options based on evidence-based research.

## Two Workshops on Economic Incentives and Environmental Regulation in the MENA Region

December 11-12, 2009, Cairo and June 13-14, 2010, Beirut.

The first workshop was intended to develop a common understanding between researchers involved in the project on the incentives embodied in environmental regulatory regimes in the region. It was attended by approximately 25 participants, including potential authors, advisors and specialists in the field of the environment. The meeting was intended to give feedback on the validity of the research questions, methodology, motivation and objectives.

A second workshop was held in Beirut in June 2010 and attended by 40 economists, stakeholders and specialists in the field of the environment. The objective

was to discuss and provide comments on seven draft papers, with the ultimate aim of developing a better understanding of the environmental challenges facing the MENA region and how these challenges might be met.

## Seminar on Rules vs. Deals and Policy Implementation

December 15, 2009, Cairo, Egypt.

In the context of ERF's work on institutions, this seminar discussed a paper on "Deals versus Rules: Policy Implementation Uncertainty and Why Firms Hate It" - prepared by Lant Pritchett, and discussed the possibilities of applying similar work in Arab countries. Based on the discussion, it was agreed that Pritchett would prepare a paper on Rules vs. Deals in Arab countries, for further evaluation at a later date.

## Expert Group Meeting on Firm Level Data in the ERF Region

March 14, 2010, Cairo, Egypt

Data collection in the region can stymie the most diligent researcher. In an attempt to rectify this situation, ERF gathered around 25 participants to brain-



*Expert Group Meeting on Firm Level Data: From left to right: Ahmed Ghoneim, Susan Joekeas and Andrew Stone.*

# Communications and Outreach

storm on knowledge gaps about firm level behavior in the region, the state of data availability and the potential for ERF to forge progress without duplicating existing efforts.

While the meeting was informative in terms of identifying a number of data sources, it was concluded that a systematic review is necessary to take stock of the nature and accessibility of such data sets in the region. Accordingly, a paper was commissioned to that effect.

## **Expert Group Meeting on Data Harmonization,**

April 29-30, 2010, Cairo, Egypt

ERF has exerted major effort in collecting as many household surveys for as many countries in the region as possible. To ensure that the harmonization process is consistent with best practice, around 25 participants were gathered for an expert group meeting on data harmonization in the Arab region. The participants included academic researchers and representatives from national statistical offices as well as from international organizations.

The aim of this meeting was to exchange ideas about how to address the conceptual and practical issues related to the production of harmonized household survey micro data and of comparable statistics on income and expenditure distribution. Ultimately, ERF aspires to make this data available to researchers.

## **Arab Passengers' Airlines Framework and Performance**

June 26, 2010, Cairo, Egypt

This workshop was part of the work carried out under the theme of regional integration, focusing in particular on a project dealing with Arab passenger airlines' framework and performance. The meeting gathered around 25 participants, with a view to sharing with members of the project team both the methodology of the country cases and the findings of the pilot case of Egypt. Outside experts were also invited to participate in the meeting. The four countries covered by this project are: Egypt, Morocco, the UAE and Jordan.



*Expert Group Meeting on Firm Level Data:*



*L-R: Nadia Belhaj-Hassine, Maral Tutelian and Luay Shabaneh*



*Arab Passengers' Airlines Workshop: From left to right: Khalid Sekkat, Tao Hoon Oum and Ahmed Galal*



## PUBLICATIONS

2010 saw an expansion in publication efforts, in terms of both number and diversity of output. (see Table 6)

### ERF Middle East Development Journal (MEDJ)

Launched last year, the Journal's ultimate goal is to provide a solid analytical and empirical base for the promotion of good policy within the region. It also provides analyses of particular challenges facing the region; evaluations of specific economic and social policies or programs applied within or relevant to- the region; explorations of progress within certain segments of the region's population or within specific locations; investigations of cross-country issues or country-specific issues; and, assessments of the impact of external factors, and comparisons with other regions.

Much care has been given to the selection of the Editorial Board, Editorial Team and the publisher of the Journal. Similar attention has been given to the Editorial Policy, which emphasizes the selection criteria on the basis of value

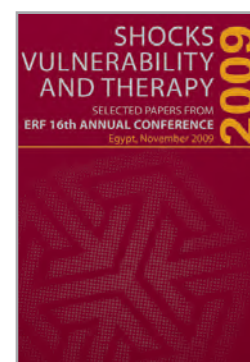
added, rigor of methodology and policy relevance. The Editorial Team is committed to an impartial and speedy review of submitted papers.

To date, in a validation of the editorial team's efforts, over 80 academic institutions, among them the London School of Economics and Political Science (LSE) and Harvard, have signed up for access to the Journal. (For more information on the subscription details, go to: <http://worldscinet.com/medj/>)

### Volumes

Last year saw the publication of two edited volumes. The first was the Annual Conference Proceedings Volume, containing carefully selected papers related to the core theme presented at the Economic Research Forum's 16th Annual Conference, held in Cairo, November 7-9, 2009, entitled "Shocks, Vulnerabilities and Therapy." The papers were authored by such noted economists as by such noted economists as Gerardo della Paolera, Justin Lin and Hasan Ersel.

The second volume was the long awaited



**Table 6. ERF Publications in FY 2007, FY 2008, FY 2009 and FY 2010\***

Type of Publication/Year	FY 2007	FY 2008	FY 2009	FY 2010
Working Papers	23	76	72	78
Forum Newsletter	1	2	2	2
Policy Research Reports	-	2	2	3
Policy Perspective	-	2	-	2
MEDJ	-	-	1	2
Volumes	2	1	2	2

\*\* FY 2010 covers 16 months (September 1, 2009-December 31, 2010).

# Communications and Outreach

Arabic-language translation of the ERF edited volume *The Egyptian Labor Market Revisited* by ERF Research Fellow Ragui Assaad. The book, published by Al-Ahram Institution, was part of ERF's efforts to increase its Arabic language output to expand availability of research in the region. One of the byproducts of this work is a new dataset on the labor markets in Egypt, which can be accessed by researchers on the ERF website: [www.erf.org.eg](http://www.erf.org.eg)).

## Working Papers

2010 saw 78 Working Papers, an increase on last year's contribution. These papers, which constitute a work in progress, were published, disseminated weekly via e-mail and posted online on the ERF website. Working Papers from the ERF series were cited a total of 64 times last year, almost double the number of citations the year before. The work published in this series is drawn mainly from ERF sponsored research, either in the context of the annual conference, research projects or research competitions. They are available for download from the ERF website: [www.erf.org.eg](http://www.erf.org.eg).

## Policy Research Reports

In 2009, a new line of publications was introduced to present and disseminate the findings of major policy research projects. Named Policy Research Reports, there were two presented in 2009. This year saw three published.

The first was *Equity and Inequality in the Arab Region*, by Sami Bibi and Mustapha Nabli. This report provides a review of empirical knowledge about income inequality in the Arab region, focusing primarily on the issues of data and measurement, and the characterization of its patterns and trends. Although the review shows

good progress over the last two decades in the availability of data and quality of measurement, the region remains far behind progress being achieved worldwide in terms of coverage and comparability across countries, improvements in quality and content of data. More importantly, it lags in accessibility to available micro-data which allow careful and state-of-the-art analysis of inequality.

The second was *Financing Higher Education in Arab Countries*, edited by Ahmed Galal and Taher Kanaan, dealing with the following set of issues for six countries: an assessment of the adequacy, efficiency and equity of financing of higher education; an analysis of future financing challenges; a critical review of reforms to date; and recommendations to deal with the identified problems.

Finally, the year wrapped up with a report by Ibrahim Elbadawi and Alan Gelb, entitled *Oil, Economic Diversification and Development in the Arab World*, which dealt with a review of the literature on the oil curse and economic diversification, two issues of vital relevance to the development of the Arab world.



## Policy Perspectives

Last year saw two new publications in the Policy Perspective series. The first, *Development Prospects for North Africa*, by Ahmed Galal and Khaled Sekkat, explains why the North African region has been successful in reducing poverty despite modest economic growth and explores the sustainability of past strategies in achieving this outcome in the future.

The second, *Equality for All? Egypt's Free Public Higher Education Policy Breeds Inequality of Opportunity*, by Ragui Asaad, explains why Egypt's policy of free public higher education is a misguided one. Far from ensuring equality of opportunity, it effectively subsidizes the rich at the expense of the poor.

## Forum

Last year saw two issues of the ERF newsletter, Forum. While both contain news and information on matters of relevance to the ERF community, the January issue focused on the 16th Annual Conference. The Plenary sessions were covered and analyzed in detail by participants, to give a more analytical perspective of the proceedings.

However, the issue also contained ERF network news and book reviews; one by ERF Senior Associate Mustapha Nabli and one by Nobel Prize laureate and Senior Associate Christopher Pissarides.

The July issue focused on matters of interest to the ERF community, like research projects and upcoming events. It also included the good news that ERF's endowment had hit \$10 million and news of its new premises.

## Website

The ERF website has seen increased traffic this year. Just as interestingly, it has seen a trend in increased time on visits and return visitors, which indicates that it is building a loyal following, which are spending more time using it.

It is continually undergoing assessment in terms of the various communications and dissemination functions it performs. On the basis of this systematic assessment, various functions have been upgraded and other new ones are being introduced. There are plans in the future to build an Arabic version of the website, as well as to introduce other functions to increase its networking and communication capacity.





# Annexes

## Annex A. ERF Network and Partners

### ERF Board of Trustees



**Abdlatif Al-Hamad  
(Chairman)**

Arab Fund for Economic  
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Kuwait



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University of Applied  
Sciences of North  
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Switzerland



**Susanne Szabo\*  
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International  
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United Arab Emirates  
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United Arab Emirates



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**Mona Zulficar**

Zulficar  
Partners,  
Egypt



**Hasan Ersel**

Sabancı University,  
Turkey



**Mohamed Lahouel**

Department of Eco-  
nomic Development  
Government of Dubai,  
United Arab Emirates

\* Nominated by IDRC, awaiting Board approval.

## ERF Advisory Committee



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Dubai Economic  
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Egypt Human  
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Loyola University



**Lyn Squire**  
Economic  
Research Forum



**Mahmoud  
El-Gamal**  
Rice University

# Annex A. ERF Network and Partners

## ERF Affiliates: Research Fellows

Mohammad Jalal Abbasi-Shavazi  
University of Tehran

Osamah M. AlKhazali  
American University of Sharjah

Azzeddine Azzam  
University of Nebraska-Lincoln

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Hussein M. Amach  
Al Jazeera University

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Ball State University

Osama Al-Dabbagh  
Kuwait Fund for Arab Economic Development

Mohamed Saad Amerah  
Emirates College of Technology

Samy Bennaceur  
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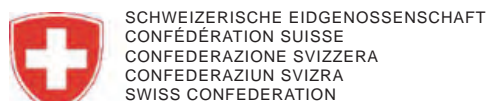
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Turnover and Job Tenure for Palestinian Workers, 1998-2008

*Edward Sayre and Yousef Daoud*

WP 578

Labor Market Regulations and Unemployment Duration in Palestine

*Edward Sayre and Yousef Daoud*

WP 579

# Annexes

## Annex C. Financial Statements



### Audit Report

To the Board of Trustees of the Economic Research Forum (ERF)

#### *Report on the Financial Statements*

We have audited the accompanying financial statements of Economic Research Forum (ERF) which comprise the balance sheet as at December 31, 2010, statement of activities and changes in net assets and statement of cash flows for the financial period from September 1, 2009 through December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

These financial statements are the responsibility of ERF's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws. Management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,





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but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Research Forum (ERF) as at December 31, 2010, and of its financial performance and its cash flows for the financial period from September 1, 2009 through December 31, 2010 in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Without qualifying our opinion and with reference to Note No. 19, the recent events which Egypt has encountered as of 25th of January 2011 may have a negative impact on ERF's investment portfolio in the foreseeable future. It is difficult to ascertain this impact as it depends on how matters will evolve in Egypt. This negative impact will affect ERF's investment in Egypt which amounts to US\$ 2,715,734 as of December 31st 2010.

### *Report on Other Legal and Regulatory Requirements*

ERF maintains proper books of account, which include all that is required by law and by the statutes of the ERF, the financial statements are in agreement thereto.

**KPMG Hazem Hassan**  
**Cairo, Egypt**

March 7, 2011

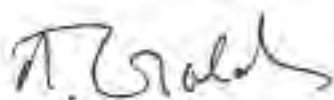
# Economic Research Forum (ERF)

## Balance Sheet

As of December 31, 2010

	Note No.	31/12/2010 U.S.\$	31/08/2009 U.S.\$
<b>Assets</b>			
<b>Long-term Assets</b>			
Fixed Assets (Net)	(4)	53,691	97,973
Project under Construction	(5)	4,493,276	3,359,776
Long Term Investment	(6)	5,654,041	4,751,010
Contributions and Grants Receivables (long-term)	(7)	432,385	1,240,946
<b>Total Long-term Assets</b>		<b>10,633,393</b>	<b>9,449,705</b>
<b>Current Assets</b>			
Contributions and Grant Receivables (short-term)	(7)	3,383,970	2,110,012
Debtors and other Debit Balances	(8)	542,909	346,616
Cash at Banks and on Hand	(9)	6,228,393	5,172,742
<b>Total Current Assets</b>		<b>10,155,272</b>	<b>7,629,370</b>
<b>Total Assets</b>		<b>20,788,666</b>	<b>17,079,075</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Payables and Accrued Expenses	(10)	441,954	248,394
Provisions	(11)	274,214	358,798
<b>Total Current Liabilities</b>		<b>716,168</b>	<b>607,192</b>
<b>Net Assets</b>			
Unrestricted		5,388,665	4,128,568
Temporarily Restricted		4,977,084	4,416,566
Permanently Restricted		9,706,749	7,926,749
<b>Total Net Assets</b>		<b>20,072,498</b>	<b>16,471,883</b>
<b>Total Liabilities and Net Assets</b>		<b>20,788,666</b>	<b>17,079,075</b>

The notes to the financial statements form an integral part of these statements and to be read therewith



**Managing Director**



**Finance/Admin. Manager**

# Economic Research Forum (ERF) Statement of Activities and Changes in Net Assets

for the Period September 1, 2009 through December 31, 2010

	Note No.	Unrestricted	Temporarily Restricted	Permanently Restricted	Total for the Period Sep. 1, 2009 through Dec. 31, 2010	Total for the Period Sep. 1, 2008 through Aug. 31, 2009
		U.S.\$	U.S.\$ (Note No.12)	U.S.\$ (Note No.17)	U.S.\$	U.S.\$
<b>Revenues and other Support</b>						
Grants		0	5,129,594	1,780,000	6,909,594	3,291,268
Interest on time deposits		52,769	0	0	52,769	27,111
Long term investments gain		360,399	0	0	360,399	258,859
Miscellaneous income		1,560	0	0	1,560	18,493
Provision no longer required		166,645	0	0	166,645	324
Capital gain		106	0	0	106	0
Unrealized gain from investments		613,124	0	0	613,124	0
Realized gain from investments		0	0	0	0	19,797
<b>Total Revenues and other Support</b>		<b>1,194,603</b>	<b>5,129,594</b>	<b>1,780,000</b>	<b>8,104,197</b>	<b>3,615,852</b>
Net assets released from restrictions	(13)	4,541,906	(4,541,906)	0	0	0
<b>Total Revenues, Other Support and Net Assets Released from Restrictions</b>		<b>5,736,509</b>	<b>587,688</b>	<b>1,780,000</b>	<b>8,104,197</b>	<b>3,615,852</b>
Less: Functional Expenses	(14)	<b>(4,311,716)</b>	0	0	<b>(4,311,716)</b>	<b>(2,762,040)</b>
Less: Provisions	(11)	<b>(91,646)</b>	0	0	<b>(91,646)</b>	<b>(14,604)</b>
Less: Realized (loss) from investments		<b>(100,020)</b>	0	0	<b>(100,020)</b>	0
Less: unrealized (loss) from investments		0	0	0	0	<b>(238,023)</b>
<b>Changes in Net Assets</b>		<b>1,233,127</b>	<b>587,688</b>	<b>1,780,000</b>	<b>3,600,815</b>	<b>839,208</b>
<b>Adjusted net assets at beginning of the year</b>	(16)	<b>4,155,538</b>	<b>4,389,396</b>	<b>7,926,749</b>	<b>16,471,683</b>	<b>15,870,698</b>
<b>Net Assets at the End of the Year</b>		<b>5,388,665</b>	<b>4,977,084</b>	<b>9,706,749</b>	<b>20,072,498</b>	<b>16,709,906</b>

The notes to the financial statements form an integral part of these statements and to be read therewith

# Economic Research Forum (ERF)

## Statement of Cash Flows

for the Period September 1, 2009 through December 31, 2010

	Note No.	for the Period Sep. 1, 2009 through Dec. 31, 2010 U.S.\$	for the Period Sep. 1, 2008 through Aug. 31, 2009 U.S.\$
<b>Cash Flows from Operating Activities</b>			
Changes in Net Assets		3,600,815	839,208
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Flows Provided by Operating Activities</b>			
Fixed assets depreciation	(4)	66,834	47,317
Capital gain		0	(324)
Debtors and other debit balances impairment	(11)	53,845	14,604
Claims provision		37,801	0
Provision no longer required		(166,645)	0
Vacation balance provisions		51,881	0
Realized (loss) / gain from investments	(6)	100,020	(19,796)
Unrealized gain / (loss) from investments		(613,124)	238,023
<b>Net Assets before Changes in Assets and Liabilities</b>		<b>3,131,427</b>	<b>1,119,032</b>
<b>Changes in Assets and Liabilities</b>			
Contributions and grants receivables	(7)	(465,398)	1,747,337
Debtors and other debit balances	(8)	(250,147)	(40,872)
Payables and accrued expenses	(10)	193,560	46,051
Provisions used during the year	(11)	(7,622)	(6,468)
Other changes in net assets	(16)	(190)	(298,122)
<b>Net Cash Provided by Operating Activities</b>		<b>2,601,630</b>	<b>2,566,958</b>
<b>Cash Flows from Investing Activities</b>			
Long term investments	(6)	(389,927)	(495,662)
Purchases of fixed assets	(4)	(22,552)	(107,193)
Project under construction	(5)	(1,133,500)	0
<b>Net Cash (used in) Investing Activities</b>		<b>(1,545,979)</b>	<b>(602,855)</b>
<b>Change in Cash and Cash Equivalents during the Year</b>		<b>1,055,651</b>	<b>1,964,104</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>5,172,742</b>	<b>3,208,639</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	(9)	<b>6,228,393</b>	<b>5,172,743</b>

The notes to the financial statements form an integral part of these statements and to be read therewith