

# ECONOMIC RESEARCH FORUM

# 2011

## ANNUAL REPORT

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ECONOMIC  
RESEARCH  
FORUM



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الاقتصادية

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# About ERF

## 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 research capacity in the ERF region, to lead and support the production of independent, high quality economic research, and to disseminate research output to a wide and diverse audience.

## Our Activities

To achieve these objectives, ERF carries out a portfolio of activities. These include mobilizing funds for well conceived proposals; managing carefully selected regional research initiatives and providing training and mentoring programs to junior researchers. It also includes organizing seminars and conferences based on research outcomes; and publishing research output through multiple channels including working papers, books, policy briefs and a newsletter – *Forum*.

## Our Network

The ERF network comprises a distinguished Board of Trustees (BOT), accomplished researchers from the region and highly dedicated head-office staff. A not-for-profit organization, the Forum is supported by multiple donors, both regional and international.

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# Message from the Chairman of the Board of Trustees



Several countries in the ERF region have recently experienced significant social and political changes. At the moment, these countries are navigating the turbulent seas of transition. However, as all seas eventually grow calm, I have no doubt that they have much to look forward to. I am just as certain that ERF will be well-positioned to provide reliable coordinates toward a safe and successful harbor.

Throughout the changes, ERF has been a constant. In 2011, it has continued to produce timely and thoughtful research on topical issues. It has given researchers an opportunity to gather and discuss this work at thought-provoking conferences and it has sustained its ability to attract top regional and international names to those conferences. It continues to foster promising young academics and researchers and to make data available to all.

While this consistency in quality owes much to the dedicated efforts of ERF's affiliates and staff, it has received an invaluable outside boost. 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. 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. And as Research Fellows have just completed the voting for their representatives on the Board of Trustees, I would like to take this opportunity to thank outgoing members and welcome the new ones.

Uncertainty is often a temporary affair, best battled with calm and constant effort. Reason will always prevail. At the end of the day, this is where ERF can be most valuable; offering practical, unbiased economic advice grounded in solid research at a time when it is most needed.

**Abdlatif Al-Hamad**

A handwritten signature in black ink, appearing to read 'Al-Hamad', followed by a long horizontal line that ends in a small hook.

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

# Message from the Managing Director

Appearances can be deceiving. At the beginning of last year, revolutions had kicked off in Tunisia and Egypt while other countries were anticipating tumultuous changes. The rest of the world wondered if the changes would spread and indeed if they would be successful. Many in the region were optimistic, expecting the change for a better future to be both inevitable and just around the corner.

One year later, the facts are sinking in: the changes seem irreversible but no quick fixes or even clear answers are in sight. The new political leaders have to face many of the old challenges, the most important of which is to create rewarding and equal opportunities for young and growing populations.

ERF has contributed its share in the process. The immediate response to the revolutions was the introduction of a new research agenda: *The Political Economy of Transformation in the Arab World*. At the same time, projects that started earlier have been continued and further developed. As a result, in 2011, ERF generated and managed 42 research projects, engaging 114 researchers. That figure does not take into account the 35 projects, involving 165 researchers, under FEMISE. Nor does it include the papers presented in the 17<sup>th</sup> Annual Conference in 2011 or the papers being prepared for the 18<sup>th</sup> Annual Conference, both of which add up to more than 100 papers by over 200 researchers.

ERF has also pressed on with its capacity building efforts, organizing three training workshops—one up on last year—and supporting the participation of young researchers in multiple international conferences.

On communication, 5 conferences and 12 seminars and workshops helped disseminate ERF's research to hundreds of participants. Publications recorded a bumper 85 working papers and 3 volumes. The *Middle East Development Journal* is being considered for inclusion in the Social Sciences Citation Index. And, keeping up with communication advancements, new online and social media tools have been introduced.

This hard work owes much to the staff of ERF and affiliates. But just as importantly, our donors opted to bet on the right horse and deserve our gratitude. The list includes the Arab Fund for Economic and Social Development, the World Bank, the International Development Research Center and the Swiss Government represented by SDC and SER.

While 2011 was a year full of achievements, if there is one thing that the regional developments have shown us, it is that success is a work in progress. Maintaining momentum in the years ahead is not only desirable but also essential.



**Ahmed Galal**

A handwritten signature in dark ink, appearing to read 'A. Galal'.

*Managing Director*  
**Economic Research Forum**

# ERF Network and Capacity Building

ERF network continues to be a lodestone for economists in the region, a natural partner for like-minded institutions, and a place where young researchers flourish. It's an institution gaining strength over time.

## ERF Affiliates

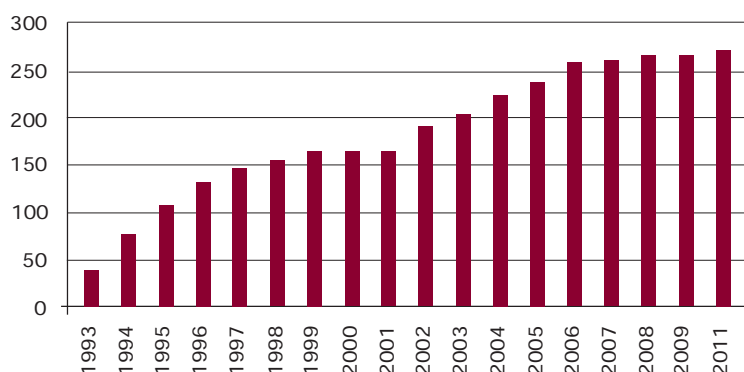
ERF has continued to attract highly qualified researchers from the region, especially junior researchers and females. At the end of 2011 ERF affiliates numbered 269 in total with the addition of 2 new Research Fellows, 15 Research Associates (12 of whom are female) and 2 Policy Affiliates.

The majority of ERF affiliates resides in the region (69 percent) and the percentage of female affiliates has risen from 20 percent in 2010 to 23 percent in 2011. The majority of affiliates continues to be Research Fellows (54 percent) but that percentage is slowly declining. The rest are divided between Research Associates (26 percent), Senior Associates (15 percent) and the newly created category of Policy Affiliates (5 percent). For more details, see Table 1 and Figure 1.

**Table 1. ERF Affiliates by Country of Origin, 2011**

Country	%
Egypt	22.7
Turkey	15.6
Tunisia	13
Lebanon	7.8
Iran	7.4
Jordan	4.5
Palestine	4.5
Morocco	3.7
Saudi Arabia	3.3
Sudan	3.0
Outside Region	2.6
Syria	2.2
Kuwait	1.9
Libya	1.9
Algeria	1.5
Bahrain	1.1
Iraq	1.1
Oman	0.7
Yemen	0.7
Qatar	0.4
UAE	0.4

**Figure 1. Number of ERF Affiliates, 1993-2011**



In the autumn of 2011, ERF kicked off its Visiting Scholars program. Ragui Assaad of Minnesota University was the first to take advantage of this initiative. The program is intended to enable researchers to spend some time—while on sabbatical, for example—in Cairo. Their activities will depend on the intersection between their research interests and those of ERF and their ability and willingness to contribute to the network at large.

## CAPACITY Building

ERF continued to foster the capacity to produce high quality research in 2011 through a combination of tailored training workshops, and support for participation in international conferences.

### Training

Three training workshops were offered in 2011:

*Training Workshop on Macroeconomic Management in Natural Resource Countries in the MENA Region, July 4-8, 2011, Cairo, Egypt*

The training workshop was based on an open call for participation, which attracted 35 applications, of whom 17 were selected. It was intended to expose the participants to the most up-to-date theory and empirical analysis of macroeconomic policies in natural resource countries in MENA. The topics covered include savings and investment decisions, rule-based macroeconomic policy-making (with a focus on monetary and **fiscal institutions**) and **exchange rate management**, as well as fiscal policies and management of resource booms. It was led by Ibrahim El Badawi, Raimundo Soto, Rabah Arezki and Arnaud Dupuy.

*Training Workshop on Writing Winning Research Proposals and Papers, October 23-25, 2011, Cairo, Egypt*

The success of previous sessions of this training workshop has ensured repeat performances. The training, led this time by Hadi Esfahani, University of Illinois and Ishac Diwan, Harvard Univer-

sity, was held over a period of three days and focused on Institutional Economics. **Researchers benefited both from the detailed feedback provided by the instructors and from sharing of experiences by peers.**

*Training Workshop on Measurements of Inequality of Opportunity and Inequality of Outcomes, October 17-20, 2011, Cairo, Egypt*

Again, favorable reaction to last year's training workshop on measurement of inequality using micro data prompted an encore repeat performance. Based on an



*Participants in the Training Workshop on Macroeconomic Management, July 2011.*



*Participants in the Writing Winning Proposals Workshop, October 2011.*

# ERF Network and Capacity Building

open call for participation, this year's workshop attracted 30 participants. The workshop covered techniques of measuring inequality of income, health and educational 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. It was led by Ragui Assaad, Djavad Esfahani and Nadia Belhaj Hassine.

## Participation in International Conferences

To promote cross-pollination, ERF supported the participation of young researchers in GDN's 12th Annual Conference, which was held in Bogota, Colombia during the period January 13–15, 2011. The theme of the conference was on *Financing Development in a Post-Crisis World: The Need for a Fresh Look*. The selection of participants was based on an open call for participation. Researchers came from Algeria, Egypt, Tunisia and Turkey.



*Training Workshop on Measurements of Inequality of Opportunity and Inequality of Outcomes, October, 2011.*

ERF has also agreed to provide grant funding to the American University in Cairo to support the participation of another group of young researchers from the region in the upcoming Fourth Euro-African Conference in Finance and Economics (CEAFE 2012) to be held in Cairo on May 7-9, 2012.

## PARTNERSHIPS

ERF works closely with like-minded institutions. It also partners with select, committed donors who believe in its mission.

**Regarding the first type of partnerships,** ERF co-manages—with the *Institut de la Méditerranée*—the FEMISE network. The work of FEMISE complements that of ERF in the sense that it focuses on the intersection between Europe and the Mediterranean region. FEMISE comprises 93 member research institutes from the north and south. In 2011, this partnership resulted in 35 research projects engaging 165 researchers.

Similarly, as a Regional Partner to Global Development Network (GDN), ERF hosts GDNet activities. GDNet is the arm of GDN that covers knowledge management and dissemination across various regions including that of ERF. Last year, GDNet extended valuable support to ERF in the area of outreach, bringing its experience in electronic media support for conferences to bear. The fruit of this support could clearly be seen during the 17th Annual Conference which received a media makeover. Participants who'd missed sessions could follow them on a new conference blog or follow the events on their Twitter accounts.



Last but not least, ERF is fortunate to have the support of a few committed donors who have faith in ERF. In particular, ERF is beholden to the Arab Fund for Economic and Social Development, the International Development and Research Centre and the Swiss Government (represented by SDC and SER) 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 unwavering support for major projects. Without this support, the capacity of ERF to deliver high quality research would be severely compromised.

were guided by several principles, including adherence to ERF's democratic nature and the vital role played by its Research Fellows, as well as compliance with the laws governing ERF in Egypt. They were necessitated by the need to **reflect the changes that have taken place within ERF over the years, including a change in its legal status and the creation of new categories of affiliates and the criteria by which they are accepted and renewed. Finally, the modifications** were considered necessary to include missing provisions in the old charter and to be more explicit about others; among them the respective roles of the BOT, Research Fellows and Management.

## NETWORK

### News

Three major developments took place in 2011, all of which will contribute to the sustainability of ERF in the years to come.

**The first is related to the new premises** in Cairo. After a long gestation period, **the new ERF premises finally opened its doors** to its staff in late spring of 2011. The new headquarters will better accommodate ERF's staff, visiting scholars and in-house events. The premises are owned by ERF, thanks to a decision by the BOT to use part of the endowment fund to that effect.

The second development is related to the voting by Research Fellows to **modify the 1993 ERF charter. The modifications** were approved by the BOT in the March 2011 meeting. The voting by Research Fellows is expected to be completed by **late February 2012. These modifications**

The third development was the initiation of an independent evaluation of ERF to assess the extent to which it is making progress toward achieving its core objectives over time. The methodology was to combine both quantitative and qualitative analysis in accordance with generally accepted principles and standards. The process was led by the BOT, which formed a subcommittee to oversee the process. Three external evaluators were selected and work has been underway for months. The report is expected to be completed in March 2012. Not only is this external evaluation necessary to satisfy donor requirements, it is valuable from the perspective of improving the way ERF works. The report will be made public in due course.

# Research Activities

Conducting research is the cornerstone of ERF work and 2011 was an extremely active year on that front. During 2011, ERF generated 42 research projects and engaged 114 researchers. These projects were conceived either through research competitions or solicited, focusing on the region as a whole or on country specific case studies. (See Table 2 for further details).

**Table 2. Summary of ERF Research Projects in 2011**

How Projects Were Received	Projects (number)	Researchers (number)	Geographical Coverage	
			Country	Regional
Research Competitions*	21	34	7	14
Structured Research Projects	21	80	6	15
Total	42	114	13	29

\*The 17th and 18th Annual Conferences and FEMISE are counted as three projects, leaving out the number of papers and researchers engaged thereof.

The above table gives the total number of projects, while including the ERF 17th and 18th Annual Conferences and the 2011 FEMISE Annual Conference as three projects. It does not, however, include the 35 projects, engaging 165 researchers, under the FEMISE umbrella. Nor does it include the number of researchers who presented papers at any of the above conferences.

Not all of the below projects are at the same stage of progress. Indeed, during 2011, some projects had come to a conclusion; others had carried over from the

previous year; and a third group was initiated during the year. This classification is presented in Table 3, along with the project's title and team leader.

Regarding research content, the following project abstracts indicate that ERF is focusing on the six thematic areas identified as critical under the Research Initiative for Arab Development (RIAD): Equity and Inequality, Regional Integration, Natural Resources and Economic Diversification, The Environment, Labor and Human Resource Development, and more recently The Political Economy of Transformation in the Arab World. Each area of focus is led by Thematic Leader, as shown in Figure 2.

**Figure 2. Thematic Leaders, 2011**

<i>Ragui Assaad</i> Labor and Human Resource Development	<i>Atif Kubursi</i> The Environment
<i>Ishac Diwan</i> Political Economy of Transformation in the Arab World	<i>Djavad Salehi-Isfahani</i> Equity and Inequality
<i>Ibrahim Elbadawi</i> Natural Resources and Economic Diversification	<i>Khalid Sekkat</i> Regional Integration

Beyond the above thematic areas of focus, ERF maintains the six broad thematic areas for the annual conferences and takes the opportunity to address other topics of regional importance possible. Under the latter category, ERF conducted, in 2011, the ERF-GDN research competition on "The Challenges of Urbanization in the ERF region". Finally, special attention is given to micro datasets.

**Table 3. ERF Research Projects by Stage of Processing and Lead Researchers, 2011**

Project	Team Leaders
<b>Completed Projects</b>	
Poverty Alleviation in Southern Sudan: The Case of Renk County	Adam Elhag Ahmed
Economic and Non-economic Consequences of Intra and Extra Arab Migration	Jackline Wahba and Michel Beine
Efficiency and Redistributive Effects of International Labor Mobility	Frederic Docquier
Factors Affecting the Choice of Households' Primary Cooking Fuel in Sudan	Kabbashi Suliman
Sustainable Development and Environmental Challenges in the MENA Region: Accounting for the Environment in the 21st Century	Susan Sakmar
Trade Liberalization, Local Air Pollution, and Public Health in Tunisia: Assessing the Ancillary Health Benefits of Pollution Abatement Policy	Thabet Chokri
Does Non-Renewable Energy Utilization in Egypt Generate Net Gain or Net Loss?	Heba El Deken
From Innovation System Perspective: Environmentally Friendly Technical Change and Small-and Medium-Sized Enterprises	Bahar Erbas
Is There a Triple Dividend Effect from A Tax on Fertilizer Use? A Computable General Equilibrium Approach	Abeer El-Shennway
Income Level and Environmental Quality in MENA Countries: Discussing the Environmental Kuznets Curve Hypothesis	Hatem M'henni
Commodity Price Volatility and the Sources of Growth	Kamiar Mohaddes
The Role of Incentives, Norms and Institution in Environmental Outcomes in MENA	Hala Abou-Ali
An Analysis of the Mobile Telephone Sector in MENA: Potential for Deregulation And Privatization	Sam Hakim and Simone Neaime
The Role of Broadband Infrastructure in Economic Growth in Egypt and Some Arab and Emerging Countries	Mona Badran
<b>Ongoing Projects</b>	
Equity and Inequality in the Arab Region: Data, Measurement and Evolution	Nadia Belhaj Hassine and Christiane Wissa
Inequality of Opportunity and Inequality of Outcomes in the Arab Region	Ragui Assaad, Djavad Salehi-Isfahani and Nadia Belhaj Hassine
Trends, Profile and Determinants of Inequality in Selected Arab Countries	Sami Bibi
Poverty Reduction, Growth and Inequality In the MENA Region	Mouna Cherkaoui

# Research Activities

**Table 3. Continued**

Project	Team Leaders
Employment Growth and its Determinants in the Jordanian Private Sector (1980-2006)	Ghassan Omet and Ibrahim Saif
Poverty and Macroeconomic Development in Algeria: What is the Contribution of Oil Revenues?	Mohamed Benbouziane
Arab Passenger Airlines Framework and Performance	Khalid Sekkat
Understanding and Avoiding the Oil Curse in the Arab World	Ibrahim Elbadawi
Labor Markets in Jordan	Ragui Assaad
Incentives for Better Quality Higher Education	Ragui Assaad
Palestinian Household Consumption Expenditures on Public Utilities: The Case of Electricity and Water	Mahmoud El-Jafari
Regulatory Reform in Public Utilities: Have Reforms resulted in increased Competition, Market Efficiency and Higher Welfare?	Amirah El-Haddad and Khaled Attia
Firm Level Data: Firm Dynamics in the ERF Region	Rana Hendy
<b>Initiated Projects</b>	
Exchange Rate Management, Manufactured Exports and Growth in the MENA Region	Khalid Sekkat
Can Labor Mobility Enhance MENA Employment? Mode 4 vs. Temporary Migration	Mohamed Ali Marouani
The Impact of Non Tariff Measures (NTMs): The Experience of MENA Countries	Nicolas Péridy, Ahmed Ghoneim and Patricia Augier
Capital Movements in the Arab Region	Pierre-Guillaume Méon
Free Trade Agreement, Non-Tariffs Barriers, R&D spillovers and T.F.P	Sofiane Ghali and Zohour Karray
Private Sector Development and Economic Diversification in the GCC countries	Mohamed Chemingui
How Did Firms Export New Sophisticated Products with Few Existing Capabilities? The Case of Lebanon between 2000 and 2008	Sami Atallah and Dima Karbala
Toward an ERF agenda for the Environment	Atif Kubursi
The Political Economy of Transformation in the Arab World	Ishac Diwan
<b>Micro Datasets</b>	
Household Survey Data	Nadia Belhaj Hassine and Christiane Wissa
Jordan Labor Market Panel Survey	Ragui Assaad
Egypt Labor Market Panel Survey	Ragui Assaad

*Note: The above list excludes FEMISE research projects, the papers presented at the ERF 17th Annual Conference and those under preparation for the 18th Annual Conferences and the two competitions on public procurement and urbanization that are still unfolding.*

## Equity and Inequality

Work in this area was conceived under RIAD and in the context of the 8th and 9th rounds of the ERF-GDN research competition, and covered issues of inequality trends, inequality of opportunity and social policies.

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

Adam Elhag Ahmed\*

This project was completed last year. It aimed at evaluating the poverty situation in Southern Sudan taking the Renk County as a case study, focusing on the extent to which development policies are biased in favor of certain areas while neglecting large areas in the South and other parts of the country. The paper argues that this neglect may have contributed to the eruption of civil war between the north and the south in 1983.

### *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).**

### *Poverty and Macroeconomic Development in Algeria: What is the Contribution of Oil Revenues?*

Mohamed Benbouziane

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

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

Nadia Belhaj Hassine and Christiane Wissa

This paper aims at capitalizing on the collected 27 household surveys from various Arab countries to measure inequality using a variety of indicators. The analysis will also trace the evolution of these indicators over time, possibly placing the region in an international context. Limitations of the measure will be highlighted along with future work in this area.

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

Ragui Assaad, Djavad Esfahani and Nadia Belhaj Hassine

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. It also examines 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

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\* All names noted are those of lead authors or project leaders.

# Research Activities

*"Does inequality of opportunity necessarily translate into inequality of outcome?"*

graduates in enhancing or amplifying inequality of opportunity in the acquisition of human capital.

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

*Sami Bibi, Abdulrahman El Lahga and Jean-Yves Duclos*

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

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

*Mouna Cherkaoui*

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.

## **Regional Integration**

Under this theme, work focused on trade in services, Non Tariff Measures, and factors mobility.

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

*Jackline Wahba and Michel Beine*

This project has been completed. It examined the economic and non economic consequences of intra-Arab and extra-Arab migration. On the non-economic front, it analyzed the influence of

Diasporas on the quality of institutions at home. On the economic front, it studied the effect of remittances and return migration in five countries, namely: Jordan, Egypt, Lebanon, Morocco and Syria.

## *Efficiency and Redistributive Effects of International Labor Mobility*

*Frederic Docquier*

This project has also been completed. **It assessed 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 aimed to quantify the 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.

## *Arab Passenger Airlines Framework and Performance*

*Khalid Sekkat*

Having undertaken research on service liberalization in general, this project, which is still on-going, 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. The analysis covers Jordan, Egypt, Morocco, and the UAE along with a comparative analysis of the country cases.

## *Exchange Rate Management, Manufactured Exports and Growth in the MENA Region*

*Khalid Sekkat*

This project examines how exchange rate management can contribute to fos-

tering manufactured exports and growth in MENA countries. More concretely, the research will analyze the potential positive effect of REER undervaluation on manufactured exports and growth taking into account the above criticism. The analysis will be conducted comparatively as well by including countries from other regions.

*Can Labor Mobility Enhance MENA Employment? Mode 4 vs. Temporary Migration*

Mohamed Ali Marouani

This project will investigate the economic impact of greater labor mobility on MENA labor abundant countries with a focus on employment and education. The focus will be on the respective effects of temporary migration and Mode 4 delivery of services as defined by the GATTs and comparing their benefits and costs for sending countries, by attempting to answer four questions: 1. How does outward migration of skilled labor impact domestic labor markets? 2. How do migration instruments differ in their ability to promote positive domestic labor market outcomes and economic prosperity? 3. Will liberalizing mode 4 channels of temporary labor migration improve domestic outcomes? 4. **And finally, will mode 4 flexibility alleviate permanent migration pressures and brain drain?**

*The Impact of Non Tariff Measures (NTMs): The Experience of MENA Countries*

Nicolas Péridy, Ahmed Ghoneim and Patricia Augier

The project aims to provide new insights into the effects of NTMs on the MENA countries, by focusing on both trade

flows, as well as on domestic firms and industries in selected MENA Countries, and whether these effects vary depending on the firm size, type of activity and industry.

*Capital Movements in the Arab Region*

Pierre-Guillaume Méon

This project will analyze capital movements in the MENA region. The analysis will emphasize the institutional factors before attempting to suggest policy implications. The project will ask three questions: 1. Is capital used in an efficient way in the region? 2. Does the region receive as much FDI as it should? 3. Is the composition of FDI appropriate?

*Free Trade Agreement, Non-Tariffs Barriers, R&D Spillovers and TFP: Impact on Trade and Competitiveness of the Tunisian and Egyptian Manufacturing Sectors*

Sofiane Ghali and Zohour Karray

This project will estimate the effects of transaction costs in trade on TFP and then on costs of production of manufacturing sectors when considering foreign R&D spillovers in Tunisia and Egypt. **More specifically, the objective of this study is twofold.** It will compare the different components of NTBs in Tunisia and Egypt in order to measure their effects, and more generally the trade transaction costs, on productivity in the two countries. It will also examine both the effect of the R&D spillover and transaction costs on the costs of production of the manufacturing sectors.

*“How does outward migration impact domestic labor markets?”*

# Research Activities

## *Public Procurement (PP) in the Arab Region*

ERF announced an open call for proposals under the theme of *Public Procurement (PP) in the Arab Region*. ERF affiliates and non affiliates were invited to submit proposals under a variety of sub-themes, including *The Role of PP as an Industrial Policy instrument*, *PP as a Trade Policy Instrument*, *The Economics of Signing the WTO PP agreement*, *What Can be Learned From Bilateral Trade Agreements That Cover PP*, *PP's effect on Domestic Competition and Competition Policy*, as well as *The Political Economy of PP*. The call also welcomed proposals of a more general, analytical nature which assess the economics of existing PP regimes; the design of PP rules; the efficiency/effectiveness of PP policies relative to alternative government instruments, such as subsidies; and empirical assessments of the impacts of PP practices. The final selection is still underway.

## Environmental Economics

The first wave of work on environmental economics, supported mostly by IDRC, was concluded in 2011. As a result of an open call for proposals in 2008, the following projects came to a conclusion.

### *Factors Affecting the Choice of Households' Primary Cooking Fuel in Sudan*

Kabbashi Suliman

The analysis of data from the 2006 Sudan Household Health Survey shows that asset poverty is the main factor preventing households from adopting cleaner fuels. In addition, other factors including

the demographic characteristics of the household and the status and location of the dwelling unit strongly influence fuel choices.

### *Sustainable Development and Environmental Challenges in the MENA Region: Accounting for the Environment in the 21st Century*

Susan Sakmar, Mathis Wackernagel, Alessandro Galli and David Moore

This paper proposes a framework for the discussion of the economic ramification of various environmental issues facing the MENA Region. It also presents various environmental accounting systems and indicators that may be useful for the MENA region in order to manage these issues more effectively.

### *Trade Liberalization, Local Air Pollution, and Public Health in Tunisia: Assessing the Ancillary Health Benefits of Pollution Abatement Policy*

Thabet Chokri and Mohamed Chemingui

The paper assesses the effects of introducing a pollution abatement tax on ancillary health benefits. After estimating the 'optimal' abatement rate, the paper shows that the cost of the tax in terms of forgone real average GDP growth between 2010 and 2020 is relatively small. Also, such tax allowed the reduction of production generated by polluting activities relative to less polluting ones.

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

Heba El Deken, Nouran Farrag and Soha Abdou

This study evaluates the sustainability of Egypt's main energy sources. To this

effect, it estimated the current value of oil and natural gas reserves, predicted their future revenues, and calculated the net present value of Egypt's wealth. The results suggest that accelerating the rate of extraction of oil and natural gas and Egypt's wealth are negatively correlated.

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

*Bahar Erbas and Pinar Geylani*

The study analyzes the factors that can be considered environmentally-friendly innovation and adoption of products and processes with respect to SMEs. Using econometric analysis of original survey data of 1,141 SMEs from Turkish manufacturing industries, the authors analyze **not only intra-firm characteristics and** 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.

*Is There a Triple Dividend Effect from A Tax on Fertilizer Use? A Computable General Equilibrium Approach*

*Abeer El-Shennway*

This project investigates whether the imposition of a tax on fertilizer use had a double dividend effect - generating revenue for the government while also permitting the reduction of other distorting income and sales taxes - and/or triple dividend effects, the latter occurring from improved market access for agricultural goods following the reduction in fertilizer use. **The paper finds that the double dividend is very small and that the triple**

dividend was created only indirect taxes and tariffs on food were reduced. In both cases, **the rich benefit more from the tax than the poor.**

*Income Level and Environmental Quality in MENA Countries: Discussing the Environmental Kuznets Curve Hypothesis*

*Hatem M'henni, Mohamed El Hedi Aroui, Adel Ben Youssef and Christophe Rault*

This study investigates the relationship between carbon dioxide emissions, energy consumption, and real GDP for 12 MENA countries. The results show that in the long-run, energy consumption increases CO2 emissions. More interestingly, real GDP exhibits a non-linear relationship with CO2 emissions in the **region as a whole, confirming that environmental degradation occurs below some income threshold. However, the turning point is not the same for all MENA countries, meaning that not all countries need to sacrifice economic growth to decrease their emissions.**

*Commodity Price Volatility and the Sources of Growth*

*Kamiar Mohaddes, Mehdi Raissi and Tiago V. de V. Cavalcanti*

This paper studies the impact of the level and volatility of commodity terms of trade on economic growth. The authors find that **while commodity terms of trade growth enhances real output per capita, volatility exerts a negative impact on economic growth, operating mainly through lower accumulation of physical capital. Moreover, such negative growth effects offset the positive impact of commodity booms; and export diversification of primary commodity- abundant countries contributes to faster growth.**

# Research Activities

*“Do countries need to sacrifice economic growth to decrease carbon emissions?”*

## *The Role of Incentives, Norms and Institution in Environmental Outcomes in MENA*

*Hala Abou-Ali*

This activity is a result of the structured component of the IDRC supported project. Various papers assessed the impact of the incentives embodied in environmental regulations on environmental outcomes across various areas of inquiry and countries. The papers have been compiled into a volume edited by Abou-Ali and will be published with Elgar in late 2012. The list of chapters and authors are given in Table 4.

## *Toward an ERF agenda for the Environment*

In preparation for ERF work on the environment in the next two to three years, two approach papers were commis-

sioned, the first by Hala Abu Ali and Alban Thomas and the second by Atif Kubursi. The papers are intended to critically review the literature on environmental economics in the Arab World, highlight the importance of the issues for the region, taking stock of existing knowledge and suggesting a list of research priorities for ERF future work. A workshop was organized in 2011 in Beirut to discuss the draft papers and will be revised and published in the ERF *Policy Research Report* series.

## **Natural Resources and Economic Diversification**

Under this theme, the research activities focused on the macroeconomic aspects related to the oil curse, industrial policy and firm dynamics.

**Table 4. Forthcoming Volume on 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

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

*Ibrahim Elbadawi*

This research aims at understanding the macroeconomic challenges related to oil dependency. In addition, it aims at exploring options to address those challenges including fiscal, financial, monetary and exchange rate policies. The research also discusses how large oil windfalls could impact institutions, which may enhance or impede the ability of Arab economies to reach their full potential. These issues are discussed in both six thematic papers and five country case studies. The thematic papers address the implications of oil dependency on: 1. optimum savings-investments decisions; 2. economic growth; 3. financial sector development; 4. exchange rate and monetary policy; 5. fiscal policy; 6. the political economy of oil rents and governance. The case studies include Saudi Arabia, United Arab Emirates, Sudan, Yemen and Algeria.

Following the launch of an open call for proposals on *Industrial Policy, Product Space and Diversification in Arab Economies*, ERF received six proposals, which were subjected to independent refereeing. Only two research projects were selected:

### *Private Sector Development and Economic Diversification in the GCC countries*

*Mohamed Chemingui*

The project will undertake an investigation of why the GCC economies have not succeeded in diversifying their economies and reducing their dependency on the oil sector and related activities. More specifically, it will look at the eco-

nomics development of GCC countries in the context of structural transformation and economic diversification through an analysis of the evolution of the productive structure of the region. Particular attention will be given to the private sector as an engine for economic growth, transformation, and diversification.

### *How Did Firms Export New Sophisticated Products with Few Existing Capabilities? The Case of Lebanon Between 2000 and 2008*

*Sami Atallah (Principal Investigator) and Dima Karbala*

This study examines how firms have developed new and sophisticated exports despite the absence of existing nearby capabilities. The project examines this question by looking at how Lebanese firms managed to improve their position on the product space between 2000 and 2008. The study aims to build on the existing literature by shedding light on the micro dynamics of how capabilities are formed.

### *Firm Dynamics in the ERF Region*

*Rana Hendy*

This study is intended to find a niche for ERF in the area of building data sets at the firm level. One paper has already been produced under the title of *Firm Level Data in the ERF Region: Research Questions, Data Requirements and Possibilities* by Izak Atiyas. This paper is being prepared focusing on firm dynamics. Like the first paper, the new one will take stock of the literature, identify knowledge gaps and possible research questions and make the case, if any, for ERF in the area of firm level data collection and harmonization.

# Research Activities

## Labor Markets and Human Resource Development

In 2011, work under this area was focused on the collection and analysis of labor markets data in addition to studying the Incentives for Better Quality Higher Education

*Labor Markets in Jordan*  
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 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.

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 Jordan provide sufficient variations within the Arab countries.

## The Political Economy of Transformation in the Arab World

ERF launched this new research theme in response to the recent events in the Middle East, under the leadership of Ishac Diwan. To kick off the process, ERF held a workshop on July 16, 2011, in Cairo, to discuss the building blocs of research in this area. The consensus was on the following three axes: The fall of the autocratic bargain and the evolving political settlements, transitional challenges and dilemmas and the political economy of reform.

The first phase of work under this theme will focus on exploring the following themes:

1. *Evolving political settlements and transitions:* this paper will explore the idea that countries are organized to prevent violence leading to the systematic creation of political, economic, and social rents. These are arranged in such a way that powerful individuals and organizations in the dominant coalition enjoy privileged access to resources and control over social functions. How does one characterize the political and economic evolution of the Arab Autocratic State? What has recently changed and led to a tipping point? How is regional contagion working? What are possible good and

*“Why did the autocratic bargain model fail in the Arab region? Where was the tipping point?”*

*Incentives for Better Quality Higher Education*  
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

bad closures (democracies, fragmentation, extremism, military regimes) in light of lessons from elsewhere? **What is the impact of external influences.**

*2. The macroeconomics of the revolutions in Egypt and Tunisia:* this paper will deal with the important questions on what the impact of the revolutions on the macro environment. What are the short term challenges, dilemmas, and choices? Is there a trade-off between the short and medium term, or can they be complementary?

*3. Understanding corruption in the past and the future:* this paper will study the role of exclusionary mechanisms in fostering grant corruption in relation to public contracting, and in **the workings of financial sector regulation and competition policies.** How does corruption evolve in young competitive democracies and how can it be controlled?

*4. Labor and growth:* this paper will study the evolution of public sector pay, and its effect on the quality of social services in the region. In parallel, the review will also look at private wages in the formal sector, and the reasons for the constitution of large informal sectors over time. Unions have also been important players in the recent revolutions in Tunisia and Egypt and there are pressures for higher wages, but an assessment of both the states capacity to pay, and the impact on competitiveness is needed to form judgment on the way forward. The paper will need to resolve the apparent contradiction between the usual descriptions of labor elites in Arab countries, especially in the public sector, with the appar-

ent very low civil service wages they seem to receive.

### **Utilities in the ERF Region: Regulation, Competition and Firm Competitiveness**

An open call for proposals in the context of the ERF-GDN regional research competition on the above topic yielded the **following projects, the first two of which** have been completed.

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

*Sam Hakim and Simone Neaime*

The project sought to investigate how **mobile rates influence the choice, timing, and structure of market reform.** This is an important policy question which addresses the concern that when telecom liberalization is adopted in a particular MENA country, the transition of reform is either too slow or incomplete.

#### *The Role of Broadband Infrastructure in Economic Growth in Egypt and Some Arab and Emerging Countries*

*Mona Badran*

This project examined the relationship between broadband infrastructure and economic growth in a new set of countries, namely emerging ones. In addition, it examined the impact of competition in the telecom sector on the infrastructure of broadband and on economic growth. So the role of competition in increasing the positive impact of broadband infrastructure on the economic growth in the emerging countries constitutes a new added dimension to the literature, as well as for the countries included in this study.

*“Has regulatory reform of public utilities resulted in greater competition and higher welfare in the MENA region?”*

# Research Activities

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

*Mahmoud El-Jafari*

This project, which is still on-going, aims to examine the determinants behind Palestinian household expenditure on the two major public utilities: electricity and water. Data available from the Palestinian Central Bureau of Statistics (PCBS) indicate that while household consumption of those commodities tends to increase over time, household expenditure on those utilities shows a declining trend, particularly since 2002. Concurrently, data available from the suppliers of those utilities indicate that they suffer from accumulated huge fiscal deficits.

## *Regulatory Reform in Public Utilities: Have Reforms Resulted in Increased Competition, Market Efficiency and Higher Welfare?*

*Amirah El-Haddad and Khaled Attia*

This research is currently analyzing the market structure resulting from the regulatory regimes reforms in the three sectors in Egypt—civil aviation, electricity and telecommunications—as the basis for a 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.

## **Urbanization in the ERF Region**

In the context of the 12th Round of the ERF-GDN Regional Research Competition, ERF invited researchers to submit proposals on The Challenge of Urbaniza-

tion in the ERF Region. Submissions were encouraged under the following themes, covering either one sector, one country or comparatively:

1. Urban poverty and slums
2. Urban infrastructure finance
3. Urban employment and labor markets
4. Political economy of urban policy

**ERF received 11 proposals, and the final selection is still ongoing.**

## **Euro-Med Economic Convergence**

In July 2011, FEMISE launched its 5th internal competition. The 2011-2012 FEMISE Scientific Program was revised to reflect the undergoing transitions of the South Med region and economies of the Arab Spring. These subjects have been identified as regional priorities. The Program included two themes that relate to this subject and 20 proposals were received from members of the network in response to this call. These 20 proposals were refereed by the FEMISE Refereeing Committee (FRC), and the Research Selection Group met in early December in Cairo to examine those proposals and select the ones that will be funded by the European Commission's grant. The committee selected 12 proposals. For more information, visit [www.femise.org](http://www.femise.org)

## **Micro Datasets**

Finally, more work was carried out in the area of making micro datasets available to researchers. Progress was made on household and labor market survey data.

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### *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 is still underway, and as it turns out, **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 constraints of confidentiality agreements with statistical offices.**

### *Jordan Labor Market Panel Survey (JLMPS)*

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, with data entry and processing carried out in parallel with the data collection. Data validation was completed on June 25, 2010 and ERF received the first draft of the raw data on June 30th. The data was made available on ERF website in the spring of 2011.

### *Egypt Labor Market Panel Survey (ELMPS)*

In its efforts to make micro datasets available to researchers, ERF has cooperated with the Central Agency of Public Mobilization and Statistics (CAPMAS) on this project. It aims to revisit those households that were previously interviewed in the last labor market panel survey and to trace the evolution of their work and unemployment trajectories. Additionally, a new refresher sample of households oversampling areas with current and return migrants is added.

Recognizing the value of such data and its importance in conducting rigorous economic research, ERF is committed to release the dataset for public use 6-12 months later.

# Communications and Outreach

Keenly aware that information is at its most useful when properly disseminated, ERF continued to step up its efforts to optimize that dissemination. Over 14 events were organized in 2011, a mix of conferences, workshops, seminars and training workshops. However, events are not the only means of reaching people. Accordingly, efforts were made to expand communication methods—both print and online—to maximize reach.

## CONFERENCES

### ERF 17<sup>th</sup> Annual Conference

March 20-22, 2011, Antalya, Turkey

The theme of the ERF 17th Annual Conference was unusually prescient: *Politics and Economic Development*. As always, the conference provided a platform for over 200 economists from the region and abroad to discuss topical issues in economic development, to present over 50 papers in 6 parallel sessions, and to interact with one another. In addition, the conference was preceded by a workshop on *The Jordanian Labor Market in the New Millennium*, where preliminary results from the Jordan Labor Market Panel Survey were presented.



From left to right: Samir Makdisi, Ahmed Galal, and Abdlatif Al-Hamad

The recent political turmoil throughout the ERF region has surprised all and given hope to many. And while the ERF conferences have always attempted to go beyond thematic discussion to exploring underlying causes, last year, there was a new impetus. Theories rooted in research were sharpened by personal experiences and hope and the resulting discussions were able to achieve something not often found at such events; transcending the theoretical into the practical.

There were three plenary sessions. The **first**—*Democracy (Open Society) and Economic Development: the Politics of Policymaking*—was intended to revisit the relationship between the nature of political regimes, regardless of the actual level of democratization, policymaking and development outcomes. It questioned whether the economic success of undemocratic countries invalidated theories that democracy was necessary for development or those that held that democracy was inevitable once economic success kicked in. It also asked about what we know about how societies became more politically and economically open or sophisticated.

The second plenary session—*Do Institutional Constraints on Policymakers Work*—asked whether it mattered for a country adopted institutional reforms that put constraints on policymakers, for example, to promote central bank independence, fiscal balance, effective stabilization funds, capital account stability, or decentralization of decision-making?

It also asked under which conditions those rules were effective and credible.

**The final plenary—*Political and Economic Transformation***—was perhaps the most eagerly anticipated, in light of the regional political events. It was set to explore the drivers and dynamics of political and economic transformation, with a special focus on the ERF region. To what extent does the recent regional furor invalidate the authoritarian bargain model, in which people are assured certain economic gains in return for accepting limited political freedom? Is there a tipping point at which this bargain breaks down? And, in light of these changes, what can the rest of the region expect, going forward.

In addition, over the three-day conference six themes parallel sessions were held to provide an opportunity for scholars to interact with international experts and discuss new thinking in economics. Over 50 papers were presented in the parallel sessions which covered a wide range of economic issues. Six papers were selected for the “Best Paper Award” to promote excellence. The papers were presented in parallel sessions according to the following themes: macroeconomics, finance, institutional economics, microeconomics, international economics and labor and human development.

All accepted and presented papers have been posted on ERF’s website in order to insure wider dissemination and outreach.

A large number of papers were circulated to a wide audience as Working Papers, in addition to a proceedings volume including five selected conference papers.



*Participants at a plenary session during the Annual Conference.*



*The 17th Annual Conference broke ground with its use of new media tools. Above, Ricardo Haussman being interviewed for a video blog.*

## **Migration in the Arab Region: Determinants and Consequences**

November 20, 2011, Beirut, Lebanon

ERF has carried out a structured research project analyzing the economic and non-economic consequences of intra-Arab and extra-Arab migration. The draft papers were presented and discussed in a workshop, which was held in Istanbul on April 16 & 17, 2011. This conference was a follow-up to present and to disseminate

# Communications and Outreach



*Participants at a migration conference in Beirut, Lebanon*

the results and the outcomes of the research to policymakers, researchers and the media.

The issues presented regarding the economic impacts cover remittances and return migration. As for the non-economic impacts, the research focused on the relationship between the Diasporas, brain drain and the quality of institutions at home. All these issues were examined from both the efficiency and redistributive angles and situated in the context of the global and the Euromed contexts.

## **Inequality in the Arab Region**

December 10-12, 2011, Cairo, Egypt

Three years ago, ERF made it its business to tackle issues surrounding inequality in the Arab world, both in terms of inequality of outcomes and inequality of opportunity. A serious effort has been made to collect and harmonize household survey data for as many countries in the region and over as many years as possible. Various research projects were initiated, engaging researchers from the region and abroad. This regional conference was designed to share the findings of this work with a wide audience. Not

only does the coverage of the conference span measurements of inequality, but also the policies that may be used to ameliorate its intensity without penalizing hard work.

## **FEMISE Annual Conference**

December 15-16, 2011,  
Marseille, France

Last year's theme for this conference was The Arab Awakening and the Role of the EU-Med Partnership. The promise of moving toward more democratic regimes is likely to pave the way toward a new development strategy where growth and equity are central. Within those broad lines, three plenary sessions addressed the following topics:

1. The Fall of Authoritarian Regimes and the Rise of Democracy: Root Causes and Economic Consequences;
2. Towards Political and Economic Inclusion: Managing the Transition and Beyond; and
3. Roundtable discussion on the Role of the International Community in Supporting the Transition.

More than 130 participants attended, with representatives from FEMISE's 93 members' institutes, policy makers, representatives from the Commission and other interested parties in the EU-Med region.

## **WORKSHOPS and Seminars**

### **ERF/World Bank Workshop on Non-Tariffs Barriers to Trade in the Arab World**

January 23, 2011, Cairo, Egypt

ERF, in cooperation with the World Bank, organized a workshop on Non-Tariff Barriers to Trade in the Arab World. The

event was attended by experts on international trade from the World Bank, UNCTAD and the Arab Monetary Fund as well as ERF affiliates and researchers. The workshop's objectives were to identify whether there is sufficient data on NTBs in the Arab region and determine the most glaring knowledge gaps in order to come up with a research agenda for ERF on NTBs. The workshop suggested topics to be included in the ERF research agenda on NTBs in the Arab region, the most interesting of which was public procurement and measuring the effects of a government procurement process bias toward domestic producers.

### Jordanian Labor Market in the New Millennium

March 19, 2011, Antalya, Turkey

A preconference event at the 17th Annual Conference, this workshop was organized in the context of the project of the Labor Market survey of Jordan, which was carried out by ERF in cooperation with the National Center for Human Resource Development (NCHRD) and The Jordanian Department of Statistics (DOS). Based on the result of this survey, ERF will carry out a structured research project analyzing the data and producing research papers covering several important labor market topics. This workshop's objectives were to present the first drafts of the papers, to share their preliminary findings, and to receive feedback and suggestions from the participants for further improvement.

### Migration in the Arab Region: Determinants and Consequences

April 16-17, 2011, Istanbul, Turkey

The Arab region is characterized by significant inflows and outflows of workers, hosting a significant stock of migrants.



*Attendees at the Jordanian Labor Market Seminar included researchers and media.*

Accordingly, the Economic Research Forum and FEMISE network have been engaged in an effort to develop a thorough understanding of this phenomenon in the region. Both institutions shared the findings of their most recent research outputs on issues of migration at this workshop. The issues discussed covered the economic impact (e.g. remittances and return migration) and noneconomic influence (e.g. the relationship between the Diasporas and the quality of institutions at home) of intra-Arab and extra-Arab migration. It also covered issues related to the brain drain, efficiency gains and redistributive implications of international migration of workers. All this was discussed in the context of global migration as well as the Euromed region.

### Seminar on The Jordanian Labor Market in the New Millennium

June 1-2, 2011, Amman, Jordan

This event was organized in cooperation with the Jordanian Department of Statistics (DOS) and the National Center for Human Resource Development (NCHRD). The seminar's objectives were to pres-

# Communications and Outreach

ent the results of the research and the survey to Jordanian policymakers, researchers and the media; in addition to launching the public availability of the dataset for further analysis by Jordanian and international researchers. The seminar aired various important issues on the Jordanian labor market.

## **Political and Economic Transformation in the Arab World: Toward a Research Agenda for ERF**

July 16, 2011, Cairo, Egypt

In light of the current regional political changes, it has become increasingly evident that an explicit effort is needed to better understand the nature of the interaction between economic and political developments. Accordingly, the objective of this workshop was to brainstorm over research priorities under the theme of The Political Economy of Transformation in the Arab World. These priorities will shape the ERF research agenda over the next three to five years. The workshop included 15 participants who discussed how best to frame this new effort.



*From left to right: Najib Harabi, Mahmoud El-Gamal, Jeffrey Nugent and Hasan Ersel.*

## **Seminar on Governance and the Arab World Transition**

September 5, 2011, Cairo, Egypt

ERF hosted Daniel Kaufmann, a senior fellow at the Brookings Institution who spoke about governance (or the lack of it) in the Arab World. Kaufmann is an expert on governance and anti-corruption, leading the work at the World Bank in that area. His insights were based on a paper that he had authored; *Governance and the Arab World Transition: Reflections, Empirics and Implications for the International Community*. The talk was attended by ERF staff and other researchers. It focused on the relevance of governance factors (including voice and democratic accountability) and also corruption and capture in the Arab transition and their implications for strategies and initiatives for the international community.

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

October 7-8, 2011, Cairo, Egypt

Research in this area is not only critical to its development but also extremely challenging for its public policy and institutions. The primary objective of this workshop was to help both thematic and case study authors present the first drafts of their research work. Six thematic papers were presented, addressing implications of oil dependency on:

1. Oil optimum savings-investments decisions
2. Economic growth
3. Financial sector development
4. Exchange rate and monetary policy issues
5. Fiscal issues
6. The political economy of public employment.

Five case studies were presented including Saudi Arabia, United Arab Emirates, Sudan, Yemen and Algeria as well as a paper addressing the implications of the region's oil on non-oil or labor-exporting Arab economies. These countries are indirectly impacted.

### **Seminar on Jobs in MENA: Opening Up Opportunities for All**

October 24, 2011, Cairo, Egypt

ERF provided the World Bank with an opportunity to glean valuable feedback on an upcoming report: *Jobs in MENA: Opening Up Opportunities for All*. The seminar was led by the Bank's Roberta Gatti. The purpose of this seminar was to brainstorm ideas and research questions that would enrich the report, benefiting from the presence of many think tanks and qualified economists in the region. The report aims to diagnose the employment status in MENA region, trying to figure out how to identify how to trigger policy reforms.

### **Seminar on the Prospects and Challenges Facing the Global Economy and the Middle East and North Africa**

October 25, 2011, Cairo, Egypt

ERF, in cooperation with the International Monetary Fund and the Ministry of Finance in Egypt, organized this seminar at the Ministry's premises to discuss the IMF report on Prospects and Challenges Facing the Global Economy and the Middle East and North Africa. The panel comprised then-Deputy Prime Minister and Finance Minister, Hazem El-Beblawi, IMF Division Chief Andreas Bauer and Minister of Solidarity and Social Justice, Gouda Abdel-Khalek. There was one fac-

tor that everyone agreed upon: achieving **financial and monetary stability is fundamental and necessary** at this stage.

### **ELMPS Questionnaire Design**

October 27, 2011, Cairo, Egypt

As part of its continuous effort to enhance research capacity in the MENA region and in the spirit of making micro data available to researchers, ERF is holding a third round of the Egyptian Labor Market Panel Survey (ELMPS 2012). Having **planned to go to the field for data collection** by mid January 2012, a workshop was arranged to get the input of the survey's local most intensive users on any **modifications or additions to improve the ELMPS questionnaire**. The objective of the workshop was to gather all feedback and comments needed to improve this valuable public good.

### **Toward a Research Agenda on the Environment**

November 19, 2011, Beirut, Lebanon

In light of the current pressing need to address environmental concerns in MENA, this workshop was designed to help define a research agenda for ERF to identify research gaps in environmental economics research in the Arab World. Two approach papers were presented with the aim of

1. Motivating research in the thematic area for the Arab countries
2. Making a critical overview of existing research
3. Identifying knowledge gaps and a suggestion of priority research questions for the region over three to five years.

The project also falls under the Research Initiative for Arab Development (RIAD) research program. This initiative aimed at enhancing the quality of economic

# Communications and Outreach

research in the Arab World in order to bridge the knowledge gap and ultimately help reform efforts in the region.

## Seminar on Arab Passenger Airlines' Framework and Performance

December 19, 2011,  
Casablanca, Morocco

This conference fell under the theme of regional integration, under the RIAD initiative which began in 2009. The purpose of the conference was to disseminate the results of the paper produced in the context of this structured research project analyzing the impact of the current Arab passenger airlines frameworks on the

performance of the industry in selected Arab countries (Egypt, Jordan, Morocco and UAE) to various stakeholders including policymakers and researchers.

## PUBLICATIONS

Publication is a vital element in the dissemination of information. Since research is the core of ERF's activities, it has continued to work hard on developing and expanding its publication activities, both print and online (see Table 5). While audiences remain fairly constant, the means of addressing them has continued to shift annually and ERF has kept pace with changes. While all printed and online publications have been kept up and expanded, ERF has also kicked out into new online waters.

### ERF Middle East Development Journal (MEDJ)

Launched in 2009, 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



*Participants at a workshop to define a research agenda on Environment.*



*A seminar on Arab Passenger Airlines in Morocco, a RIAD initiative project led by Khalid Sekkat (above).*

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, ERF produced one volume in-house and put another into production with a major international publishing house.

*The Annual Conference Proceedings Volume* was released in winter. This volume typically presents those papers most relevant to that annual conference's theme.

**Last year, it contained five papers related to the 17th Annual Conference's particularly relevant theme.** All the papers were presented in some form at the plenary or parallel sessions.

The papers by John Wallis and Samir Makdisi discuss the underpinnings of the relationship between politics, economics,

violence and democracy. The remaining three papers, by Nargess Boubakri, Jean-Claude Cosset, Houcem Smaoui, Esra Çeviker Gürakar, Emin Köksal, Ibrahim Elbadawi and Raimundo Soto discuss **specific intersections in political and economic development and financial policy.** Taken as a whole, it provided a compelling glimpse at how politics and economics intersect in the region. The volume was produced entirely in-house.

The second volume, *Economic Incentives and Environmental Regulation: Evidence from the MENA Region* edited by Hala Abou-Ali, started production late 2011 and will be released in winter of 2012. The volume is a product of ERF's research agenda on the environment and contains work from nine authors. Supported by a grant from IDRC, the book will be published by top international publishing house, Elgar.

## Working Papers

ERF's research output continued to grow with a rise in working papers. 2011 saw 85 working papers, up from 78 the year before, despite a shorter working year of only nine months. These papers, which constitute a work in progress, were published, disseminated weekly via e-mail and posted online on the ERF website.



**Table 5. ERF Publications in FY 2007, FY 2008, FY 2009, FY 2010 and FY 2011\***

Type of Publication/Year	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Working Papers	23	76	72	78	85
Forum Newsletter	1	2	2	2	2
Policy Research Reports	-	2	2	3	0
Policy Perspective	-	2	-	2	2
MEDJ	-	-	1	2	2
Volumes	2	1	2	2	2**

\* FY 2010 covers 16 months (September 1, 2009-December 31, 2010). \*\* one volume is in production.

# Communications and Outreach

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 Perspectives

ERF Policy Perspectives present a summary of policy-relevant research in a succinct manner. They cover a variety of economic issues relevant to regional development and are targeted towards a wide audience, including policymakers and development practitioners.

Last year saw the publication and translation of *Egypt Post-January 2011: An Economic Perspective* by Ahmed Galal. The paper offers a road map for future economic development in Egypt post-January 25th Revolution. The paper argued that success on the political front was necessary for Egypt to make progress on the economic development front. It was downloaded 520 times in English; the Arabic-language version was downloaded 338 times.

## Forum

ERF produced two issues of its newsletter, *Forum*, each year. It is used to communicate with both affiliates and with a larger regional audience. The newsletter features short articles providing a digest of recent research, book reviews and interviews.

Typically, one issue—the one following the annual conference,—will be used to focus on the events and participants. Traditionally, ERF asked participants to provide their analyses and perspectives on the event. This year, in order to ensure cohesion and a better editorial flow,

the entire event was covered in house in a more journalistic fashion.

This new approach also extended to the other issue, which also broke ground by covering events that ERF had held or participated in a more analytical fashion than before. However Forum maintained its customary columns, with both issues containing detailed coverage of ERF's news and book reviews by Jeffrey Nugent, Bernard Hoekman and Mahmoud El-Gamal.

## Online Innovation

ERF has had a website since 1997, offering access to the latest ERF activities, publications and databank, as well as other regional events and activities and provides useful links to other institutions. It provides information on research funding and upcoming events, background information on ERF and its affiliates, links to ERF and global resources and archived material. Last year saw increased traffic to the website, which is continually being reassessed.

However, the online world shifts and develops continually and audiences which were once content to merely consume online are now employing a host of new methods and media to interact with the rest of their fields. Accordingly, ERF is working hard to stay in step with these changes, developing additional online tools in response to the shifting trends.

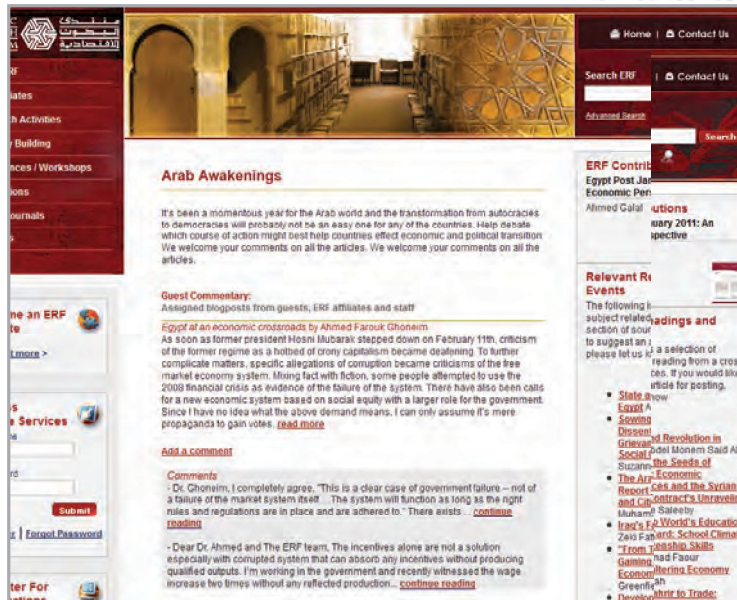
One example of this is the creation, at the end of 2011, of a new online tool: a blog page called *Arab Awakenings* that was produced in tandem with ERF's latest research agenda, on Political and Economic Transformation in the Arab World, itself a response to the regional political upheaval. The page seeks to en-

gage both ERF affiliates and guests on the subject, inviting discussion and commentary, creating vital discourse on a relevant, topical subject while increasing ERF's visibility.

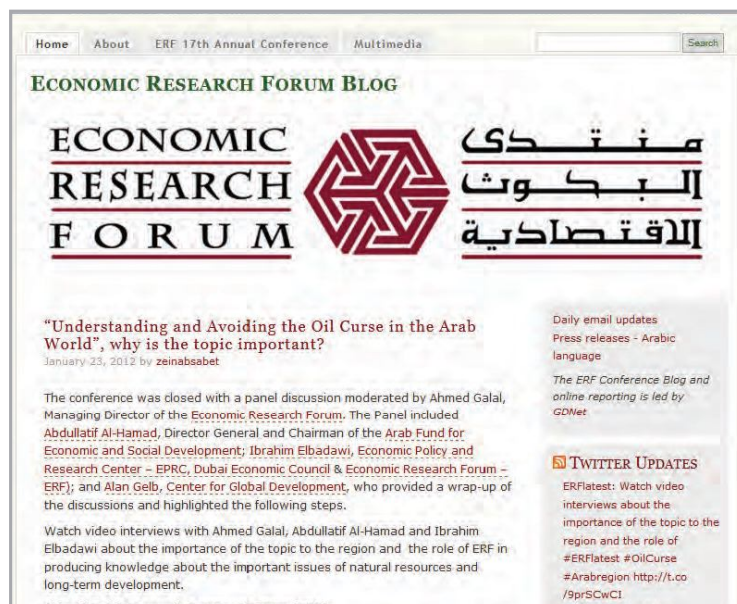
ERF has also ventured into social media. A new Twitter account @ERFLatest was set up in early 2011. This account provides instant updates for new publications and events and real-time status updates during conferences and events.

The 17th Annual Conference in 2011 broke ground in several ways as far as communication was concerned. Among them was a short film on ERF which caused a splash at the Awards ceremony. It also saw the deployment of social media for the first time and the introduction of new blog created specifically for conferences. This blog provides constant updates on conference events. It also introduced video-blogging: these video tools provide short (two to five minute) video interviews with conference attendees and are primarily to provide updates for any interested party and interview information for journalists who are unable to attend in person.

The conference blog may be used for all ERF events to maximize reach.



[http://www.erf.org.eg/cms.php?id=Arab\\_spring](http://www.erf.org.eg/cms.php?id=Arab_spring)



<http://erfblog.wordpress.com/>

# Annexes

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## Newly Elected BOT Members

In 2011, ERF Research Fellows elected seven new members to the Board of Trustees, from a total of 27 nominated candidates. The new members will **serve on the board for five years starting March 2012**. The Board, made of 13 members, will appoint two additional members in its upcoming meeting to ensure regional and gender balance. The remaining four members represent ERF's largest donors.

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## Annex B. Publications

### Middle East Development Journal (MEDJ)

MEDJ, Vol. 3, No. 1, June 2011

MEDJ, Vol. 3, No. 2, December 2011

### Volumes

Politics and Economic Development, Selected Papers from the ERF 17<sup>th</sup> Annual Conference Proceedings

Economic Incentives and Environmental Regulation: Evidence from the MENA Region

*Edited by Hala Abou-Ali*

### Policy Perspectives

Egypt Post January 2011: An Economic Perspective

*Ahmed Galal*

(It has been translated into Arabic)

### Forum

Forum Newsletter Volume 18, No. 1

Forum Newsletter Volume 18, No. 2

### Working Papers

An Analysis of Political and Institutional Power Dispersion: The Case of Turkey

*Ibrahim Tutar and Aysit Tansel*

WP 580

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

*Bahar C. Erbas and Pinar C. Geylani*

WP 581

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WP 582

Cost Assessment of Environmental Degradation in the Middle East and North Africa Region – Selected Issues

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WP 583

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WP 584

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

*Hebat-Allah El-Deken, Noran Farag and Noha Hamdy*

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Macroeconomic Impact of Remittances on Output Growth: Evidence from Turkey

*Aysit Tansel and Pinar Yasar*

WP 586

Income Level and Environmental Quality in the MENA Countries: Discussing the Environmental Kuznets Curve Hypothesis

*Hatem M'henni, Mohamed El Hedi Arouri, Adel Ben Youssef and Christophe Rault*

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Climate Change Policy in the MENA Region: Prospects, Challenges, and the Implication of Market Instruments

*Mustafa Hussein Babiker and Mohammed A. Fehaid*

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Firm Level Data in The ERF Region: Research Questions, Data Requirements and Possibilities

*Izak Atiyas*

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Mitigating Industrial Solid Waste in Tunisia: Landfill Use Vs. Recycling

*Chokri Dridi and Naceur Khraief*

WP 590

The Impact of Broadband Infrastructure on Economic Growth in Egypt and Some Arab and Emerging Countries

*Mona Badran*

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Sustainable Development and Environmental Challenges in The MENA Region: Accounting for The Environment In The 21st Century

*Susan L. Sakmar, Mathis Wackernagel, Alessandro Galli, David Moore*

WP 592

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Evaluating Effectiveness of Public Support to Business R&D in Turkey Through Concepts of Input and Output Additionality

*Vedat Sinan Tandogan and Mehmet Teoman Pamukcu*

WP 593

Food Prices and Political Instability

*Rabah Arezki and Markus Brückner*

WP 594

Trade Liberalization and the Skill Composition of Migrant Flows: the Case of Morocco

*Fida Karam*

WP 595

Oil Prices and Stock Markets: What Drives What in the Gulf Corporation Council Countries?

*Mohamed El Hedi Arouri and Christophe Rault*

WP 596

Commodity Price Volatility and The Sources of Growth

*Tiago V. de V. Cavalcanti, Kamiar Mohaddes, and Mehdi Raissi*

WP 597

Regulating Industry Emissions: Assessing the Moroccan Cement Experiences

*David Maradan and Karim Zein*

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Water Scarcity in Jordan: Economic Instruments, Issues and Options

*Atif Kubursi, Velma Grover, Abdel Raouf Darwish and Eliza Deutsch*

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Corporate Governance, Investor Protection, and Firm Performance in MENA Countries

*Iftekhar Hasan, Nada Kobeissi and Liang Song*

WP 600

Does The American Stock Market React Differently to Rating Announcements During A Crisis Period? The Case of the 2008 Worldwide Financial Crisis

*Dorsaf Azouz Ghachem, Abdelkader Boudriga and Chokri Mamoghli*

WP 601

Employment Efficiency and Production Risk in the Tunisian Manufacturing Industries

*Almas Heshmati and Ilham Haouas*

WP 602

Macroeconomic Effects of Pension Reforms in the Context of Ageing Populations: Overlapping Generations Model Simulations for Tunisia

*Tahar Abdessalem and Houyem Chekki Cherni*

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The Role of Simultaneous Regulations of Credit Services and Payment Services on Competition

*G. Gulsun Akin, Ahmet Faruk Aysan, Denada Boriçi and Levent Yildiran*

WP 604

Une analyse binomiale de la décision d'innovation dans un échantillon d'entreprises privées en Tunisie

*Adel Tlili and Ali Chkir*

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On Trade Policies and Wage Disparity in Egypt: Evidence from Microeconomic Data

*Chahir Zaki*

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On the Quantification of Firms Internationalization Strategy

*Fatma Braham and Sami Mensi*

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L'économie Politique Des Ressources Halieutiques Dans le Monde Arabe: La Leçon Marocaine

*Hind Hourmat Allah et Brahim El Morchid*

WP 608

Testing for "Contagion" of the Subprime Crisis on the Middle East And North African Stock Markets: A Markov Switching EGARCH Approach

*Wajih Khallouli and Rene Sandretto*

WP 609

Agricultural Trade Balance and Exchange Rate Depreciation: The Case of Tunisia

*Houssem Eddine Chebbi and Marcelo Olarreaga*

WP 610

The Effects of Convergence in Governance on Capital Accumulation in the Black Sea Economic Cooperation Countries

*Ahmet Faruk Aysan, Omer Faruk Baykal and Marie-Ange Veganzones-Varoudakis*

**WP 611**

Trade Liberalization, Local Air Pollution, and Public Health in Tunisia: Assessing the Ancillary Health Benefits of Pollution Abatement Policy

*Mohamed A Chemingui and Chokri Thabet*

**WP 612**

Resource Windfalls, Macroeconomic Stability and Growth: The Role of Political Institutions

*Rabah Arezki, Kirk Hamilton, and Kazim Kazimov*

**WP 613**

Measuring the Damage from Financial Integration in the GCC: Lessons from the Global Crisis

*Mahmoud Haddad and Sam Hakim*

**WP 614**

How Can Recessions Be Brought to An End? Effects of Macroeconomic Policy Actions on Durations of Recessions

*Bedri Kamil Onur Tas*

**WP 615**

Have Islamic Banks Been More Resistant Than Conventional Banks to the 2007-2008 Financial Crisis?

*Khawla Bourkhis and Mahmoud Sami Nabi*

**WP 616**

Business Cycle Leading Indicators for the Tunisian Economy

*Souhir Slimi and Abdelwahed Trabelsi*

**WP 617**

A Unified Framework to Decomposing Inequality with Illustrations to Some Arab Countries

*Sami Bibi and AbdelRahmen El-Lahga*

**WP 618**

Migration Aspirations among Young People in Egypt: Who Desires to Migrate?

*Asmaa Elbadawy*

**WP 619**

Board Independence and Corporate Fraud: The Case of Tunisian Firms

*Hamadi Matoussi and Ines Gharbi*

**WP 620**

How Do Women Entrepreneurs Perform? Empirical Evidence from Egypt

*Fatma El-Hamidi*

**WP 621**

Autocracies, Democratization, and Development in the Arab Region

*Samir Makdisi*

**WP 622**

Factors of Career Mobility in Egypt by Gender

*May Gadallah*

**WP 623**

The Determinants of Expansion of SMEs under a Partial Credit Guarantee Scheme: The Case of Lebanon

*Serena Patricia Canaan*

**WP 624**

Egypt beyond the Crisis: Medium-Term Challenges for Sustained Growth

*Santiago Herrera, Hoda Selim, Hoda Youssef and Chahir Zaki*

**WP 625**

Creating Incentives for More Effective Wastewater Reuse in The Middle East and North Africa

*Marc Jeuland*

**WP 626**

An Approach of Combining Empirical Mode Decomposition and Neural Network Learning for Currency Crisis Forecasting

*Mustapha Djennas, Mohamed Benbouziane and Meriem Djennas*

**WP 627**

Inflation Forecast-Based Rule for Inflation Targeting: Case of Some Selected MENA Countries

*Houda Ben Hadj Boubaker*

**WP 628**

Institutional Sphere Contribution to Human Development: An Institutional Approach

*Ridha Chkoundali, Houda Haffoudhi and Houda Abdenneji*

**WP 629**

Labor Productivity and Energy Use in a Three Sector Model: An Application to Egypt

# Annex B. Publications

## Working Papers

*Rudiger von Arnim and Codrina Rada*

WP 630

Inequality and Spatial Disparities in Tunisia

*Mohamed Kriaa, Slim Driss and Zouhour Karray*

WP 631

Essay on Establishing Conversion Values for the Planned Gulf Cooperation Council (GCC) Currency Union

*Damyana Bakardzhieva, Russell Krueger, Bassem Kamar, and Jean-Etienne Carlotti*

WP 632

Female Wages in the Egyptian Textiles and Clothing Industry: Low Pay or Discrimination?

*Amirah El-Haddad*

WP 633

Politics, Economics, and Violence: the Organization of Societies and Third-Party Enforcement

*John Wallis*

WP 634

The Geography of Trade and the Environment: The Case of CO2 Emissions

*Sami Bensassi, Laura Marquez-Ramos, Inmaculada Martinez-Zarzoso, and Habib Zitouna*

WP 635

Is Trade Liberalization Polarization Reducing in Tunisia?

*Rim Chatti*

WP 636

The Price Effect of Tariff Liberalization in Morocco:

Measuring the Impact on Household Welfare

*Mouna Cherkaoui, Ayache Khellaf and Abdelaziz Nihou*

WP 637

Cyclicality of Fiscal Behavior in Developing Oil-Producing Countries: An Empirical Review

*Nese Erbil*

WP 638

Analyse micro économétrique des déterminants de la migration de retour des immigrés maghrébins

*Amine Chamkhi and Aomar Ibourk*

WP 639

Poverty Alleviation in Southern Sudan: The Case of Rank County

*Adam Elhag Yassin, Ali Salih, and Somaia Gafar*

WP 640

The Turkish Wage Curve: Evidence from the Household Labor Force Survey

*Badi H. Baltagi, Yusuf Soner Baskaya and Timur Hulagu*

WP 641

Analysis of Foreign Ownership, R&D and Spillovers in Developing Countries: Evidence from Turkey

*Elif Kalayci and Mehmet Teoman Pamukçu*

WP 642

Labor Market Adjustment during the World Financial Crisis: Evidence from Egypt

*Rania Roushdy and May Gadallah*

WP 643

Regional Impact of the Climate Change: A CGE Analysis for Turkey

*Hasan Dudu and Erol H. Cakmak*

WP 644

Do Islamic Banks Employ Less Earnings Management?

*Majdi Anwar Quttainah*

WP 645

Integrated Paradigm for Sustainable Development: A Panel Data Study

*Hala Abou-Ali and Yasmine M. Abdelfattah*

WP 646

Political Institutions and Sovereign Credit Spreads

*Narjess Boubakri, Jean-Claude Cosset and Houcem Smaoui*

WP 647

How Stock Exchange M&As Affect their Competitors' Shareholder Value? Evidence from the World and MENA Region

*Iftekhar Hasan, Nada Kobeissi and Liang Song*

WP 648

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

*Sam Hakim and Simon Neaime*

WP 649

Local Employment Growth in the Coastal Area of Tunisia: A Dynamic Spatial Panel Approach

*Mohamed Amara and Mohamed Ayadi*

WP 650

Did the Global Financial Crisis and Recession Contribute to the Uprisings in North Africa?

*Hassan Aly and Mark Strazicich*

WP 651

Climate Change Impacts on Wheat Yields in the North-West of Tunisia

*Faïcel Gasmi, Mounir Belloumi and Mohamed Salah Matoussi*

WP 652

Stock Prices and Inflation: Evidence from Jordan, Saudi Arabia, Kuwait, and Morocco

*Adel A. Al-Sharkas and Marwan Al-Zoubi*

WP 653

Fiscal Regimes in and Outside the MENA Region

*Ibrahim Elbadawi and Raimundo Soto*

WP 654

Stock Market Liquidity: Comparative Analysis of The Abu Dhabi Stock Exchange and Dubai Financial Market

*Ghassan Omet*

WP 655

Residential Water Demand: A Panel Cointegration Approach and Application to Tunisia

*Ben Zaïed Younes & Mohamed Salah Matoussi*

WP 656

Institutional Evolution and Economic Development in Iran and Turkey

*Esra Ceviker Gurakar and Emin Koksal*

WP 657

International Capital Mobility and Factor Reallocation in a Multisector Economy

*Sirin Saracoglu and Zeynep Akgul*

WP 658

Assessing the Global Effect of Trade Facilitation: Evidence from the MIRAGE Model

*Chahir Zaki*

WP 659

The Relative Volatility of Commodity Prices: A Reappraisal

*Rabah Arezki, Daniel Lederman and Hongyan Zhao*

WP 660

On Capital Flows and Macroeconomic Performance: Evidence Before and After the Financial Crisis in Turkey

*Nergiz Dinçer, Magda Kandil and Mohamed Trabelsi*

WP 661

Commodity Windfalls, Polarization, and Net Foreign Assets: Panel Data Evidence on the Voracity Effect

*Rabah Arezki and Markus Brückner*

WP 662

What Drives the Global Land Rush?

*Rabah Arezki, Klaus Deininger and Harris Selod*

WP 663

Regulating Traffic to Reduce Air Pollution in Greater Cairo, Egypt

*Hala Abou-Ali and Alban Thomas*

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# Annexes

## Annex C. Financial Statements



Allied for Accounting & Auditing  
Ragheb, Hamouda, Istambouli, Tageldeen & El-Kilany  
Ring Road, Zone #10A  
Rama Tower  
P.O. Box 20 Kattameya - Cairo - Egypt  
Tel: +202 2726 0260  
Fax: +202 2726 0100  
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### Audit Report

To the Board of Trustees of the Economic Research Forum

#### *Report on the Financial Statements*

We have audited the accompanying financial statements of Economic Research Forum, represented in the financial position as of 31 December 2011, and the related statements of activities and change in net assets, and cash flows for the year then ended, 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 Organization's management, as management is responsible for the preparation and fair presentation of the financial statements in accordance with the Egyptian Accounting Standards and applicable 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. This 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 Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

The financial statements of Economic Research Forum for the period ended 31 December 2010, presented for comparative purposes, were edited by another auditor whose report dated 7 March 2011 expressed an unqualified opinion on those financial statements.



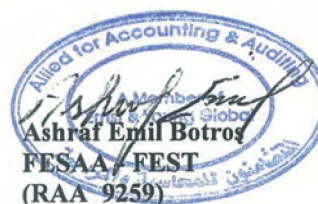
Allied for Accounting & Auditing  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, 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, and 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, give a true and fair view, in all material respects, the financial position of Economic Research Forum as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.



**Ashraf Emil Botros**

**Cairo: 1 March 2012**

# Economic Research Forum (ERF)

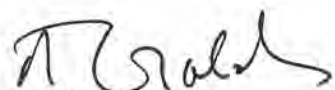
## Financial Position

As of December 31, 2011

	Note	31/12/2011 U.S.\$	31/12/2010 U.S.\$
<b>Non-current Assets</b>			
Fixed Assets	(3)	4,944,072	53,691
Project under Construction		-	4,493,277
Investments	(4)	7,423,558	5,654,041
Contributions and Grants Receivable	(5)	862,576	432,385
<b>Total Non-current Assets</b>		<b>13,230,206</b>	<b>10,633,394</b>
<b>Current Assets</b>			
Contributions and Grants Receivable	(5)	444,921	3,383,970
Prepaid Expenses and other Debit Balances	(6)	623,721	542,909
Cash on Hand and at Banks	(7)	5,152,267	6,228,393
<b>Total Current Assets</b>		<b>6,220,909</b>	<b>10,155,272</b>
<b>Total Assets</b>		<b>19,451,115</b>	<b>20,788,666</b>
<b>Current Liabilities</b>			
Provisions	(8)	241,799	274,214
Accrued Expenses and other Credit Balances	(9)	226,429	149,466
<b>Total Current Liabilities</b>		<b>468,228</b>	<b>423,680</b>
<b>Net Assets</b>			
Unrestricted		5,165,130	5,388,665
Temporarily Restricted		3,697,340	4,977,084
Permanently Restricted		9,706,749	9,706,749
<b>Total Net Assets</b>		<b>18,569,219</b>	<b>20,072,498</b>
<b>Non-current Liabilities</b>			
Employees' End of Service Benefits		413,668	292,488
<b>Total Non-current Liabilities</b>		<b>413,668</b>	<b>292,488</b>
<b>Total Liabilities and Net Assets</b>		<b>19,451,115</b>	<b>20,788,666</b>

- The accompanying notes from (1) to (15) are an integral part of these financial statements.

- Auditor's report attached.



Managing Director



Director of Finance and Administration

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

for the Year Ended December 31, 2011

	Note	Unrestricted U.S.\$	Temporarily Restricted U.S.\$	Perma- nently Restricted U.S.\$	Year Ended 31/12/2011 U.S.\$	Period Ended 31/12/2010 U.S.\$
<b>Revenues and other Support</b>						
Grants	(10)	531,747	1,769,889	-	2,301,636	6,909,594
Interest on time deposits		40,593	-	-	40,593	52,769
Return on investments		239,382	-	-	239,382	360,399
Other income		8,594	-	-	8,594	1,560
Provisions no longer required		982	-	-	982	166,645
Gain from sale of fixed assets		1,267	-	-	1,267	106
Realized gain from investments		155,591	-	-	155,591	-
Unrealized gain from investments		-	-	-	-	613,124
<b>Total Revenues and other Support</b>		<b>978,156</b>	<b>1,769,889</b>	<b>-</b>	<b>2,748,045</b>	<b>8,104,197</b>
Net assets released from restrictions		3,049,633	(3,049,633)	-	-	-
<b>Total Revenues, Other Support and Net Assets Released from Restrictions</b>		<b>4,027,789</b>	<b>(1,279,744)</b>	<b>-</b>	<b>2,748,045</b>	<b>8,104,197</b>
<b>Less: Functional Expenses</b>	(11)	<b>(3,755,898)</b>	-	-	<b>(3,755,898)</b>	(4,403,362)
<b>Less: Realized (loss) from Investments</b>		-	-	-	-	(100,020)
<b>Less: Unrealized (loss) from Investments</b>		<b>(495,426)</b>	-	-	<b>(495,426)</b>	-
<b>Change in Net Assets</b>		<b>(223,535)</b>	<b>(1,279,744)</b>	<b>-</b>	<b>(1,503,279)</b>	3,600,815
<b>Net Assets - Beginning of the year</b>		<b>5,388,665</b>	<b>4,977,084</b>	<b>9,706,749</b>	<b>20,072,498</b>	16,471,683
<b>Net Assets - End of the Year</b>		<b>5,165,130</b>	<b>3,697,340</b>	<b>9,706,749</b>	<b>18,569,219</b>	<b>20,072,498</b>

The accompanying notes from (1) to (15) are an integral part of these financial statements.

# Economic Research Forum (ERF)

## Statement of Cash Flows

for the Year Ended December 31, 2011

	Note	Year Ended 31/12/2011	Period Ended 31/12/2010
		U.S.\$	U.S.\$
<b>Cash Flows from Operating Activities</b>			
Changes in Net Assets		(1,503,279)	3,600,815
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided from Operating Activities</b>			
Fixed assets depreciation		154,879	66,834
Gain from sale of fixed assets		(1,267)	-
Impairment in value of prepaid expenses and other debit balances		-	53,845
Provisions		18,223	89,682
Provisions no longer required		(982)	(166,645)
Employees' end of service benefits		121,180	100,136
Realized (gain) loss from investments		(155,591)	100,020
Unrealized loss (gain) from investments		495,426	(613,124)
<b>Net Assets before Changes in Assets and Liabilities</b>		<b>(871,411)</b>	<b>3,231,563</b>
<b>Changes in Assets and Liabilities</b>			
Contributions and grants receivable		2,508,858	(465,397)
Prepaid expenses and other debit balances		(80,812)	(250,147)
Provisions used during the year		(49,656)	(7,622)
Accrued expenses and other credit balances		76,963	93,424
Other change in net assets		-	(190)
<b>Net Cash Flows Provided from Operating Activities</b>		<b>1,583,942</b>	<b>2,601,631</b>
<b>Cash Flows from Investing Activities</b>			
Change in investments		(2,109,352)	(389,927)
Payments to acquire fixed assets and project under construction		(552,063)	(1,156,053)
Proceeds from sale of fixed assets		1,347	-
<b>Net Cash Flows (used in) Investing Activities</b>		<b>(2,660,068)</b>	<b>(1,545,980)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalent during the Year/Period</b>		<b>(1,076,126)</b>	<b>1,055,651</b>
<b>Cash and Cash Equivalent - Beginning of the Year/Period</b>		<b>6,228,393</b>	<b>5,172,742</b>
<b>Cash and Cash Equivalent - End of the Year/Period</b>	(7)	<b>5,152,267</b>	<b>6,228,393</b>

The accompanying notes from (1) to (15) are an integral part of these financial statements.