

ECONOMIC RESEARCH FORUM

ANNUAL REPORT

2012

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



The dramatic changes we are witnessing in the Arab countries make the role of ERF more relevant. This is the time when countries need to learn about the transition experiences of others and to benefit from that knowledge to build the political and economic institutions needed to ensure lasting prosperity for all.

ERF has a credible track record of conducting high quality research on the major challenges facing the region, ranging from political and economic transformation to natural resources and economic diversification. The activities of 2012—detailed in this report—provide testimony to ERF's contribution.

My long held views on ERF were confirmed last year by an independent evaluation committee, which assessed the extent to which ERF made progress towards achieving its core objectives over time. The following sentence from the report sums it all up:

"We are impressed by its progress, which is due in good part to the commitment of ERF staff and affiliates, and to the soundness and efficiency of the organization"

While this progress owes much to ERF's management, staff and affiliates, they are, in turn, indebted to others. As Chairman of the Board of Trustees, I must extend my thanks to both the World Bank and the Arab Fund for Economic and Social Development for their support of the Research Initiative for Arab Development. I must also thank the International Development Research Centre, the Government of Switzerland and the Ford Foundation for their continued support. And I would also like to acknowledge the members of the Board of Trustees for their dedication to the institution and for their role in its guidance.

Finally, at this watershed in the history of the region, I wish you all well on the long journey ahead and hope ERF will continue on its successful path.

Abdlatif Al-Hamad

A handwritten signature in black ink, appearing to read 'Ala' followed by a long horizontal stroke and a final upward curve.

Chairman of the Board of Trustees
Economic Research Forum

Message from the Managing Director

It has been a long, momentous year. Not so much for ERF as for the citizens of many of the countries it covers. Two years after the Arab uprisings, countries are finding out that it takes lengthy, hard work to arrive at one's goal.

This is a concept ERF is familiar with. Producing the kind of high quality research we are committed to takes—among other things,—time and dedication. These have both been reflected in the sheer output of ERF's contribution. Over the last year, ERF has managed 46 projects at various stages of development, involving 119 researchers, not including over 100 researchers who presented 50 papers at the 18th Annual Conference. The new research agenda we initiated in response to regional political developments, *The Political Economy of Transformation in the Arab World*, has already started to bear fruit. Additionally, ERF's dataset project on *Egypt's Labor Market* became available to select ERF researchers as of November of 2012 and will be available to the public by November 2013.

Those familiar with ERF will know that it places high importance on capacity-building. Accordingly, this year there were two training workshops; the perennially popular workshop on *Writing Winning Research Proposals* and one on *Microdata Documentation and Dissemination*.

On the communications front, ERF held three conferences and seven workshops and seminars, ensuring that hundreds of researchers had access to ERF's research and ideas. It was also a good year for publications with 80 working papers and 3 volumes making an appearance, while the *Middle East Development Journal* appeared in the *Journal of Economic Literature (JEL)* June 2012 issue.

While this progress is largely the result of the hard work and dedication of ERF's staff and affiliates, it would not be possible without the unwavering support of our donors. We're delighted: both that they supported us and to be able to prove that they were right to do so. ERF owes a debt of gratitude to the Arab Fund for Economic and Social Development and the World Bank, the International Development Research Centre, the Swiss Agency for Development and Cooperation and the Ford Foundation for their continued support.

The commitment and dedication of ERF's staff and affiliates is both one of its greatest strengths and one of its greatest assets in achieving its goals. I very much look forward to exceeding them.



Ahmed Galal

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

Managing Director
Economic Research Forum

ERF Network and Capacity Building

The ERF network continues to draw economists, both regionally and internationally. It has invested time and effort in attracting both seasoned researchers and encouraging young ones to flourish and its work has ensured that it is seen as a desirable partner for like-minded institutions.

ERF Affiliates

With affiliates being at the heart of ERF, one of its main goals is to expand and deepen its network of affiliated researchers. In 2012, ERF continued to attract highly qualified researchers from the region, with an emphasis on promising women researchers. At the end of 2012, ERF affiliates numbered 270 in total with the addition of 10 new Research Fellows, 6 Research Associates and 5 Policy Affiliates. (Tables 1 and 2)

The majority of ERF affiliates resides in the region (two thirds) and the percentage of female affiliates has continued to rise reaching almost a quarter of all affiliates (24.4 percent) in 2012. The majority of affiliates continue to be Research Fellows (56 percent). The rest are divided between Research Associates (21 percent), Senior Associates (16 percent) and Policy Affiliates (7 percent). (Figure 1).

CAPACITY Building

ERF strongly believes that one of the best ways to aid development is to help ensure good research practices throughout its region. To do that it has kept up its efforts to provide opportunities for young researchers to acquire new skills, and gain exposure to new methods and ideas through specifically tailored workshops.

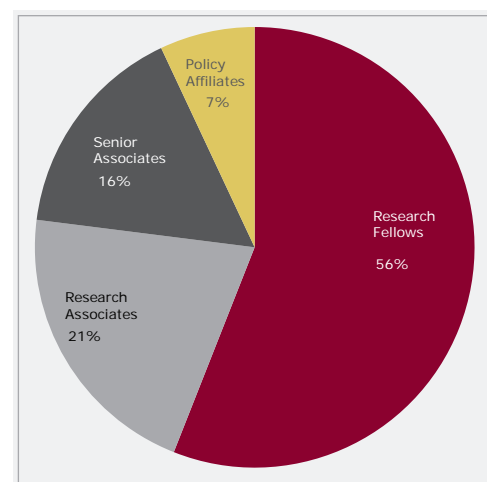
Table 1. ERF Affiliates by Residency

| | Residency | | |
|---------------------|-----------|---------|-------|
| | Inside | Outside | Total |
| Research Fellows | 88 | 61 | 149 |
| Research Associates | 45 | 13 | 58 |
| Senior Associates | 31 | 11 | 42 |
| Policy Affiliates | 16 | 3 | 19 |
| Total | 177 | 90 | 270 |
| Percent | 67.7 | 33.3 | 100 |

Table 2. ERF Affiliates by Gender

| | Gender | | |
|---------------------|--------|--------|-------|
| | Male | Female | Total |
| Research Fellows | 122 | 29 | 151 |
| Research Associates | 32 | 26 | 58 |
| Senior Associates | 40 | 2 | 42 |
| Policy Affiliates | 10 | 9 | 19 |
| Total | 204 | 66 | 270 |
| Percent | 75.6 | 24.4 | 100 |

Figure 1. ERF Affiliates 2012



Training

This year, ERF invested both in training young researchers in customized workshops and ensuring its own staff had access to new skills and methods.

Training Workshop on Writing Winning Research Proposals and Papers, September 28-30, 2012, Istanbul, Turkey

ERF receives many research proposals annually under various competitions or call for papers. In recent years, the following pattern has emerged: many proposals address policy relevant questions but are judged weak on their methodological approach, while others use

strong analytical tools but don't always ask the right questions.

This training workshop was intended to help both types of researchers develop proposals that ask policy-relevant question, while ensuring that these proposals are implemented using rigorous techniques. The main objectives of this module were to train researchers on how to identify research questions that are both relevant to policy making while contributing to the generation of new knowledge, and selecting and adopting a proper analytical methodology to tackle these questions. The targeted trainees were a chosen sample of 12 researchers who submitted proposals for papers to be presented at the ERF 19th Annual



Participants in the Training Workshop on Writing Winning Research Proposals and Papers, September 2012

ERF Network and Capacity Building

Conference in Kuwait, March 3-5, 2013. Their proposals are under the themes of Labor and Human Development.

Training Workshop on Microdata Documentation and Dissemination October 21 - 24, 2012, Cairo, Egypt

In answer to a request by ERF, the World Bank offered a training on the Data Documentation Initiative (DDI) toolkit for data documentation and dissemination. The training, offered to ERF staff as well as non-ERF statisticians, is part of a research project on inequality of opportunity under the umbrella of the Research Initiative for Arab Development (RIAD).

ERF visit to Minnesota Population Center, July 2012, Minnesota, USA

In July 2012, three ERF staffers, Economist Rana Hendy, Senior Communications Officer Namees Nabeel and Statistician Christiane Wissa flew to Minnesota, U.S. to visit the Minnesota Population Center. The aim of the visit was to learn about the Integrated Public Use Microdata Series (IPUMS) successful experience with regards to data harmonization and dissemination in hopes that it might be useful on the ERF mega data project on Household surveys. This project will collect household survey data in Arab region and construct a regional harmonized database that will enable researchers to conduct quality research on inequality and related topics.

And in an effort to help facilitate researchers' access to population census data, ERF is working with the Minnesota Population Center, at the University of Minnesota, to construct a mirror portal that will allow easy access to population census micro data for Arab countries, Turkey and Iran. This mirror portal is

expected to be ready for use by the annual conference in March 2013.

PARTNERSHIPS

ERF works closely with like-minded institutions. It also partners with select, committed donors who believe in its mission. ERF co-manages—with the *Institute 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 GDN activities. GDN is the arm of GDN that covers knowledge management dissemination across various regions including that of ERF. Last year, GDN continued to extend valuable support to ERF in the area of outreach, lending ERF its experience in electronic media support, bolstering ERF's communications efforts at the 18th Annual Conference for the second year. And ensuring even closer cooperation, in December of 2012 the GDN team moved into their new headquarters: ERF's new Cairo premises.

And finally, some of ERF's greatest partnerships are among its most enduring. It has been fortunate enough to have the support of some very fine organizations, without which its work would be almost impossible. ERF is grateful to the Arab Fund for Economic and Social Development, the International Development and Research Center in Canada, and the Swiss Agency for Development and Cooperation—for their unwavering

support and their contribution to ERF's core funding. ERF is equally beholden to the World Bank and Ford Foundation for their generous and continued support. Without these partnerships, ERF's ability to undertake the kind of high quality research needed to help guide regional development would be severely hobbled.

NETWORK

News

ERF Evaluation

ERF management and staff, in cooperation with its affiliates, are all deeply dedicated to its mission; producing high quality research to further regional development. While success is often its own reward, recognition of hard work can also be especially gratifying.

This summer saw the release of an independent evaluation of ERF. The report had been initiated by the Board of Trustees to assess the extent to which it is making progress toward achieving its core objectives over time. The evaluation, undertaken by three external evaluators, also looked at the structure and functioning of ERF (including the Board, Management and affiliates) and their interaction. The report combined both quantitative and qualitative analysis in accordance with generally accepted principles and standards. The process was led by the BOT, which formed a sub-committee to oversee the process. The resulting report was very favorable of ERF's organization, efforts and results.

In essence, the report said its assessment of ERF was "positive." The following sums up the results: *"We are impressed by its progress, which is due in good part to the commitment of ERF*

staff and affiliates, and to the soundness and efficiency of the organization."

For more on this important event, please read the report, ERF's Response and an independent evaluation of the report on the ERF website.

Reappointment and Renewal

At the March 2012 BOT meeting, ERF Chairman Abdlatif Al-Hamad was re-elected for another term that ends March 2016. A staunch supporter of ERF, Al-Hamad last year noted that amid a sea of regional changes, ERF had remained constant, continuing to produce timely and thought-provoking research, attracting top economists while fostering young academics and making relevant research available to all. Al-Hamad is currently the Director General and Chairman of the Board of Directors of the Arab Fund for Economic and Social Development and a member of the World Bank's IFC Banking Advisory Group.

The other news was the renewal, for a second term, of Ahmed Galal as ERF managing director. His second term is expected to last through 2016. Galal has been at the helm since 2007, a period during which ERF activities increased, as did the visibility and credibility of the institution. Not only did research projects quadruple, the number of events and publications also rose exponentially. More tellingly, ERF's endowment fund has increased from \$3.8 million at the beginning of 2007 to \$11.5 million.

Finance Committee

Last year, the Board decided to set up a Finance Committee, to assist the Board's oversight responsibilities with respect to ERF financial management and reporting. This committee, composed of at least two

"We are impressed by its progress, which is due in good part to the commitment of ERF staff and affiliates, and to the soundness and efficiency of the organization."

ERF Network and Capacity Building

Board of Trustees (BOT) members and the managing director, is responsible for reviewing the following:

- ERF's annual Audited Financial Statements,
- ERF's annual financial projections,
- The performance of external auditors, and
- ERF's Endowment Fund

The committee meets once a year—before the BOT meeting at the Annual Conference—and a report on that meeting will be made to the BOT. The committee may also meet at the request of the Board, the managing director, or the external auditors.

Ethics Committee

ERF members are expected to maintain high standards of professional ethics and conduct. Accordingly, the Board has also set up an Ethics Committee, partly in response to Article 34 of ERF's amended Charter. This committee, comprising two

BOT members and three Research fellows, will help the board with the following:

- Examine cases where members, in the course of carrying out their professional duties or otherwise, might have committed any act or default likely to bring discredit to themselves, or to ERF
- Evaluate any such cases and recommend if any disciplinary action is necessary for board consideration.
- Decide what form this disciplinary action might take. This action ranges from written notice to expulsion of the ERF member

The committee will meet whenever the need arises.

Data Sets

ERF has long recognized two factors essential for regional research. The first is that its region suffers from a serious dearth. The second is that to produce

ERF's outreach includes its own conferences (right) and attendance at external events, like the the Rockefeller Foundation's Bellagio Center Workshop (opposite right).



high quality research, some things are vital, among them good data microsets. Accordingly, ERF has invested years in collecting and harmonizing datasets, both country-specific and regional. The culmination of these efforts has been realized in its brand new dataset interface; The Open Microdata Access Initiative, to be launched at the Annual Conference. This will allow researchers access to the maximum number of datasets with minimum trouble. The initiative harnesses 32 household and expenditure surveys for 13 countries. A select number of affiliates were given access to the initiative to test drive it before the official launch.

Meeting at the Rockefeller Foundation's Bellagio Center

April 30-May 4, 2012, Italy

Ahmed Galal (ERF MD) and Hoda Selim (Economist at ERF) participated in the second authors' meeting at the Rock-

efeller Foundation's Bellagio Center. The purpose of the workshop was to provide a venue for authors to present their draft contributions for an edited handbook on development thought entitled "Development: Ideas and Experience". The handbook will examine various, sometimes clashing, perspectives on development as refracted through different sectors, policies and actors as well as the historical successes and remaining challenges of developing countries. Galal and Selim's contribution to the handbook relates the development experience in Arab countries entitled "Economic Development in the Arab Region: A Tale of Oil and Politics".



Research Activities

This year was a busy one on the research front, with ERF managing 46 projects in various stages of processing. As always, the projects had either been solicited or were the result of open research competitions. Table 3 summarizes project origin, the number of researchers and geographical coverage. And as can be seen from Table 4, the projects are at three different stages of progress: completed, ongoing and recently initiated.

Table 3. Summary of ERF Research Projects in 2012

| How Projects Were Received | Projects (number) | Researchers* (number) | Geographical Coverage | |
|------------------------------|----------------------|--------------------------|-----------------------|----------|
| | | | Country | Regional |
| Research Competitions | 22 | 52 | 10 | 12 |
| Structured Research Projects | 24 | 70 | 8 | 16 |
| Total | 46 | 122 | 18 | 28 |

* This number excludes those researchers who presented papers at the 18th and 19th ERF Annual Conferences

Table 4. ERF Research Projects by Stage of Processing and Lead Researchers, 2012

| Project | Team Leaders |
|--|---|
| Completed Projects | |
| Trends, Profile and Determinants of Inequality in Selected Arab Countries | Sami Bibi |
| Poverty Reduction, Growth and Inequality in the MENA Region | Mouna Cherkaoui |
| Arab Passenger Airlines Framework and Performance | Khalid Sekkat |
| 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 |
| The Environment and the Economy in the Arab World | Hala Abou-Ali and Alban Thomas |
| The Environment and the Economy: From Sustainability to Green Growth | Atif Kubursi and Benoit Laplante |
| Understanding and Avoiding the Oil Curse | Ibrahim Elbadawi |
| Labor Markets in Jordan | Ragui Assaad |
| A Framework for Understanding the Arab Revolutions | Ishac Diwan |

Table 4. Continued

| Project | Team Leaders |
|--|---|
| Completed Projects | |
| Arab Mass Movements in Comparative Perspective | Stephen Kosack and Evann Smith |
| The Making of the Tunisian Revolution | Fadhel Kaboub |
| Indonesia Before and after the revolution | Akhmad Rizal Shidiq and Phillips Vermonte |
| Democracy and Development, The Turkish Experience | Hasan Ersel |
| Arab Corporatism | Saifedean Ammous |
| What Do Stock Markets tell Us About Corruption? | Hamouda Chekir and Ishac Diwan |
| The Political Challenge of Enhancing Competition | Izak Atiyas |
| Does Political Participation Lead to Moderation? Political Islam in Jordan and Yemen | Jillian Schwedler |
| The Impact of Urbanization on Political Outcomes in Turkey | Cem Baslevent |
| Shocks, Risk Preferences and the Labour Market, Evidence from a Natural Experiment in Palestine | Elisa Cavatorta, Ben Groom, and Massoud Karshenas |
| Urban Concentration, Poverty and Infrastructure | Khalid Sekkat, Ridha Nouira, and Brahim Morshid |
| Young People and the Digital Divide in Egypt | Mona Farid Badran and Antonio Rodríguez Andrés |
| Ongoing Projects | |
| Inequality of Opportunity and Inequality of Outcomes in the Arab Region | Ragui Assaad, Djavad Salehi-Isfahani and Nadia Belhaj Hassine |
| Free Trade Agreement, Non-Tariffs Barriers, R&D spillovers and T.F.P | Sofian 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 in Lebanon? | Sami Attallah and Dima Karabala |
| Incentives for Better Quality Higher Education | Ragui Assaad |
| What Drove Changes in Political Settlements in Iran and Turkey? | Hadi Esfahani and Esra Çeviker Gürakar |
| Alternative Finance Mechanisms for Infrastructure in Egypt: Will Users and Developers Pay? | Hesham Osman, Tamer El-Diraby, Magued Osman, and Matthew Turner |
| Micro and Small Enterprises (MSEs) in Urban Economies: A Comparative Study of Egypt, Lebanon, Morocco and Turkey at the Province level | Fatma El Hamidi and Cem Başlevent |

Research Activities

Table 4. Continued

| Project | Team Leaders |
|--|---|
| Initiated Projects | |
| SMEs and Public Procurement Policies in Egypt: The Case of Small and Medium Pharmaceutical Industries | Lobna Abdel Lateef |
| Autocratic heterogeneity and democratic transition: lessons from and for Arab oil-rich economies | Ibrahim Elbadawi and Phil Keefer |
| The Elusive Quest for Arab Economic Development | Ahmed Galal and Hoda Selim |
| Structural Transformation and Industrial Policy in Selected Southern Mediterranean Countries | Ahmed Galal |
| Fostering Women's Economic Empowerment in the MENA Region | Rana Hendy and Ragui Assaad |
| Rise and fall of Representative Institutions in Egypt, Sudan, Levant, and Iraq: Role of Geopolitics and Domestic Political Economy | Sami Atallah |
| Capital Flight and Conflict: The Case of Syria | Samer Nassif Abboud |
| A time to throw stones, a time to reap: How long does it take for democratic reforms to improve institutional outcomes? | Khalid Sekkat and Pierre-Guillaume Meon |
| Political Economy of Fiscal Policy and Decentralization in the Arab Countries | Mehmet Serkan Tosun |
| The Political Economy of Transformation in the Arab World | Eberhard Kienle |
| Data Collection and Harmonization | |
| Egypt Labor Market Panel Survey (ELMPS) | Ragui Assaad |
| Harmonization of Household Surveys data | Rana Hendy |

ERF continues to focus on the six thematic areas which have been deemed critical under the Regional Initiative for Arab Development (RIAD): *Equity and Inequality, Regional Integration, Natural Resources and Economic Diversification, Labor and Human Resource Development*, and, as of last year, *The Political Economy of Transformation in the Arab World*. Each area of focus is led by a Thematic Leader, included below:

- Ragui Assaad, *Labor and Human Resource Development*
- Ishac Diwan, *Political Economy of Transformation in the Arab World*

- Ibrahim Elbadawi, *Natural Resources and Economic Diversification*
- Atif Kubursi and Hala Abou-Ali, *The Environment*
- Djavad Salehi-Isfahani, *Equity and Inequality*
- Khalid Sekkat, *Regional Integration*

Other areas of coverage are decided annually in the context of the ERF-GDN competitions or the work of FEMISE

ERF also gives special attention to micro datasets. To read more on ERF's ground-breaking work on datasets, please see page 21.

Equity and Inequality*

Work in this area covered issues of inequality trends, inequality of opportunity and social policies.

Trends, Profile and Determinants of Inequality in Selected Arab Countries

Sami Bibi, Abdulrahman El Lahga and Jean-Yves Duclos

This project has been completed. It attempted to measure, decompose and analyze the determinants of inequality in selected Arab countries. It further studied how and why inequality varies within and between countries.

Poverty Reduction, Growth and Inequality in the MENA Region

Mouna Cherkaoui

This study has been completed. It aimed at measuring the pro-pooriness 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.

Inequality of Opportunity and Inequality of Outcomes in the Arab Region

Ragui Assaad, Djavad Salehi-Isfahani and Rana Hendy

This project, which is still ongoing, 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 graduates in enhancing or amplifying inequality of opportunity in the acquisition of human capital.

Regional Integration

Under this theme, work focused on air transport liberalization, exchange rate management, labor and capital mobility, Non Tariff Measures and public procurement.

Arab Passenger Airlines Framework and Performance

Khalid Sekkat

Having undertaken research on service liberalization in general, this project, which has been completed, was designed to develop an in-depth understanding of the airline industry. It aimed to assess the welfare impact of observed changes in the framework governing the airline industry on firms and consumers. The analysis covered Jordan, Egypt, Morocco, and the UAE along with a comparative analysis of the country cases.

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

Research Activities

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

Khalid Sekkat

This project has been completed. It examined how exchange rate management can contribute to fostering manufactured exports and growth in MENA countries. More concretely, the research analyzed the potential positive effect of Real Effective Exchange Rate undervaluation on manufactured exports and growth taking into account the above criticism.

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

Mohamed Ali Marouani

This project has also been completed. It investigated the economic impact of greater labor mobility on MENA labor abundant countries (Jordan and Tunisia) with a focus on employment and education. The focus was on the respective effects of temporary migration and Mode 4 delivery of services as defined by the GATTS, and on comparing their benefits and costs for sending countries and their domestic labor markets.

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

Nicolas Péridy, Ahmed Ghoneim and Patricia Augier

The project, which has been completed, aimed 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 analyzed capital movements in the MENA region. The analysis emphasized the institutional factors before attempting to suggest policy implications. The project answered 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 T.F.P

Sofian Ghali and Zohour Karray

This project is still ongoing. It will attempt to estimate the effects of trade transaction costs on TFP in Tunisia and Egypt, and to compare the effect of different components of NTBs in Tunisia and Egypt and 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.

SMEs and Public Procurement Policies in Egypt: The Case of Small and Medium Pharmaceutical Industries

Lobna Abdel Lateef

This project, which is still ongoing, aims to answer the following questions: What is the framework governing pharmaceutical SMEs industry in Egypt? And what is

its impact on SME capacity and ability to compete for public tenders?, What is the governing framework of the public tender market, and in what way or to what extent is it designed in favor of SMEs participation? Are SME activities inter-reliant with private and public tender markets and if so, what are the possible implications of such interdependence on the three key stakeholders: Public sector, private distributors, and SMEs?

Environmental Economics

In preparation for ERF work on the environment, two approach papers were commissioned; critically reviewing the literature and highlighting gaps and suggesting priorities; the first by Hala Abu Ali and Alban Thomas and the second by Atif Kubursi and Benoit Laplante.

The Environment and the Economy in the Arab World

Hala Abou-Ali and Alban Thomas

This project has been completed. The report reveals that there is room for exploring emerging environmental problems in the region. It identifies research areas of policy relevance, impacts on social welfare and areas not covered elsewhere. It was also commissioned to identify a research niche for ERF and accordingly propose a research agenda on the environmental issues and the economy and the challenges they present in the Arab World.

The Environment and the Economy

Atif Kubursi and Benoit Laplante

This project has also been completed. While some economists agree that the

prospects for economic growth are limited by environmental factors others have said this reasoning fails to take into account technological innovation and substitution. A general consensus has emerged which considers that an economy that pollutes its rivers, fouls its air and depletes its natural carrying capacities cannot be doing well. This working paper considers how one measures sustainability in environmental terms.

Natural Resources and Economic Diversification

Research under this theme has focused thus far on the macroeconomic challenges related to the mismanagement of natural resources and economic diversification (or lack thereof) of countries in the region

Understanding and Avoiding the Oil Curse

Ibrahim Elbadawi

This mega project aims at understanding the macroeconomic challenges related to oil dependency. In addition, it attempts to explore options to address those challenges including fiscal, financial, monetary and exchange rate policies. The research also discusses how large oil windfalls might impact institutions, which may enhance or impede the ability of Arab economies to reach their full potential. These issues are discussed in six thematic papers as well as 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

Research Activities

and monetary policy issues; 5. fiscal policy; and 6. the political economy of oil rents and governance.

The case studies cover Saudi Arabia, the United Arab Emirates, Sudan, Yemen and Algeria.

Private Sector Development and Economic Diversification in the GCC Countries

Mohamed Chemingui

The paper will investigate why the GCC economies have not succeeded in diversifying their economies and reducing their dependency on the oil sector and related activities. 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 in Lebanon?

Sami Attallah and Dima Karabala

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.

Autocratic Heterogeneity and Democratic Transition: Lessons from and for Arab Oil-Rich Economies

Ibrahim Elbadawi and Phil Keefer

This project, contrasting the experiences of Algeria and Libya, attempts to provide answers to questions about natural

resource rents and how they raise the stakes for government control, and what prompts some leaders, as in Algeria, to use rent-sharing to curb revolutionary fervor, and others to avoid it. Is there an association between rents and the nature of political competition and political incentives in democracies? If there is, is this association a direct consequence of the rents, or rather it is a consequence of the autocratic legacy that was a product of those rents?

Structural Transformation and Industrial Policy in Selected Southern Mediterranean Countries

Ahmed Galal and Hoda Selim

Despite the importance of structural transformation in the process of economic development, there is no consensus on how to achieve this objective and what is the appropriate role for government. In the Euromed region, this debate is compounded by the scarcity of systematic assessment of past industrial policies and the role of the EU-Med partnerships. This FEMISE project is intended to contribute to this debate, especially with respect to selected countries in the Southern Mediterranean region (Egypt, Morocco, Tunisia and Turkey).

Labor Markets and Human Resource Development

In 2012, 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 and gender.

Labor Markets in Jordan

Ragui Assaad

This project, which has been completed, capitalizes on the new labor market survey of Jordan, which was initiated by ERF in June 2010 and carried out in collaboration with the National Center for Human Resource Development (NCHRD) and the Jordanian statistical office. The dataset was made available on the ERF website by March 2011. A team of researchers analyzed the data and carried out research on several topics such as demographics, gender, marriage, school-to-work transition of Jordanian youth, structure and evolution of employment in Jordan, and migration.

Incentives for Better Quality Higher Education

Ragui Assaad

This project is still ongoing. It complements the previous one on *Financing Higher Education* in the sense that it is an attempt to explore another possible explanation for the poor performance of higher education in the region; namely the institutional structure governing the operation of universities. In practice, this means focusing on whether the incentive structure facing the provider of higher education is compatible with desired outcomes or not. The analysis will cover two countries: Egypt and Jordan.

Fostering Women's Economic Empowerment in the MENA Region

Rana Hendy and Ragui Assaad

The project will investigate the various factors that affect women's economic empowerment in MENA. These include

(i) research on the impact of economic shocks on women's labor force participation differentiating between the different types of jobs. (ii) research on entrepreneurship and the related challenges, such as the difficulty in access to credit, and to what extent women suffer more than men in this regard. (iii) one innovative area of research is social protection and the feminization of poverty and informality.

The Political Economy of Transformation in the Arab World

The research agenda of this theme revolves around four axes, namely; 1. *Evolving Political Settlements and the Fall of the Autocratic Bargain*; 2. *Lessons from other Transitions*; 3. *The Evolution of Arab Capitalism*; 4. *How Islam Can Be Part of the Solution*. The research papers were presented and discussed in a pre-conference workshop in Cairo, Egypt in the context of the 18th Annual Conference of ERF.

A Framework for Understanding the Arab Revolutions

Ishac Diwan

This project has been completed. It explored how the classical model of the Arab authoritarian bargain needs to be amended to explain the characteristics of the Arab revolutions: their timing, contagion, and leaderless nature. The paper explored the evolution of economic and social policies and foreign alliances in supporting regimes and in explaining regime change and it draws implications of the type of socio-economic change that can arise post revolutions.

Research Activities

Arab Mass Movements in Comparative Perspective

Stephen Kosack and Evann Smith

This project, which has been completed, constructed and studied a data set containing all occurrences of mass movement in the Arab world over the past 100 years. It brought out elements of similarity and differences in the onset to these revolts, and in their implications on the future.

The Making of the Tunisian Revolution

Fadhel Kaboub

This project has been completed. It explored the political economy model of a leaderless revolution, the breakdown of the social contract, the role of the divided business class (post-1990s, alienation of the business class by the Trabelsi-Ben Ali business clan), and the role of Political Islam and the new middle class in the Tunisian revolution.

The Elusive Quest for Arab Economic Development

Ahmed Galal and Hoda Selim

This project reviews the development experience of the Arab countries since World War II, arguing that the lack of inclusive economic and political institutions is the primary cause for the current state of underdevelopment in the region. While macroeconomic mismanagement and oil abundance are important determinants of performance, these factors are shaped primarily by the prevailing political institutions which predated

the discovery of oil. In the oil-poor Arab countries, limited progress is attributed to an authoritarian bargain in which the rulers exchanged economic benefits to the poor and the middle class for political acquiesce.

Indonesia Before and After the Revolution

Akhmad Rizal Shidiq
and Philips Vermonte

This project, which has also been completed, explored the lessons that can be derived from the recent Indonesian transition to democracy that can be applicable in the Arab world. Some of the dimensions explored included: the nature of the growth process; the reforms of the banking sector; the impact of decentralization; the evolution of corruption; the impact of new policies on growth and inequality, and the transformation of the political landscape, in particular that of political Islam.

Democracy and Development, the Turkish Experience

Hasan Ersel

This project studies the transition of Turkey highlighting the two objectives of achieving a strong growth performance in an open economy framework and fostering democracy: the two aims that have shaped the politico-economic development of Turkey since 1950. The focus of this paper was on the historical roots of the success of the government in handling the varying demands of diverse economic decision makers; notably small and large economic decision makers.

What Drove Changes in Political Settlements in Iran and Turkey?

Hadi Esfahani and Esra Çeviker Gürakar

This project, which is still ongoing, explores how the Limited Access Order model of North, Weingast, and Wallis can be used to understand the political economy evolution of Iran over the past two decades. On the basis of the analysis, views are developed on the nature of the emerging political settlements in the Arab world and recommendations are derived for the Arab revolutions.

Arab Corporatism

Saifedean Ammous

This project studied the corporatist political regimes of Egypt and Tunisia, finding that the emergence of corporatism has its roots in free market reforms. Instead of ushering in free markets, these reforms instituted closed unfree markets characterized by restrictions on entry and competition, close links between the ruling regime and large favored firms and extensive government support for these firms under the rhetoric of development. This corporatist system emerged because of, and in turn strengthened, an omnipresent police state and an unaccountable rentier government.

What Do Stock Markets Tell Us About Corruption?

Hamouda Chekir and Ishac Diwan

This project involves conducting an event study using data from the Egypt stock market, and correlating movement in stock prices with extent of connections

of firms with politicians and bureaucrats, with the goal of learning about the valuation the market attaches to these connections.

The Political Challenge of Enhancing Competition

Izak Atiyas

This project, which has been completed, explored the role of regulation relating to corruption and competition in addressing some of the key challenges of young democracies, drawing on the experience of Turkey. The paper looked at both the conditions necessary for political support for these initiatives, as well as institutional and legal design issues and came up with recommendations for the young Arab democracies.

Does Political Participation Lead to Moderation? Political Islam in Jordan and Yemen

Jillian Schwedler

This project has been completed. It explored the lessons for Egypt, Tunisia and other countries where Islamist parties have gained political power, from the participation of Islamist parties in Yemen and Jordan. The key question was how to consider moderation through participation, based on a careful comparative study.

Research Activities

The Rise and Fall of Representative Institutions in Egypt, Sudan, Levant, and Iraq: Role of Geopolitics and Domestic Political Economy

Sami Atallah

This project examines how political institutions in Egypt, Sudan, Levant and Iraq have been shaped and reconfigured since 1860s. To this end, the project will investigate the geopolitical interests of Britain and how that country shaped the political institutions in these countries by forming alliances with local elites or subjugating local populations for its own interest. It will also examine the domestic political economy factors which existed during the period of intervention, including the opposition groups, their interests, economic strengths and ability to credibly threaten the existing regime, and how, in some cases, their challenge was impeded by colonial power.

Capital Flight and Conflict: The Case of Syria

Samer Nassif Abboud

This project aims at understanding how the post conflict authorities can mobilize domestic resources, capital, and expertise toward reconstruction. The project also aims to identify key segments of the business community and their commercial activities that were affected by the conflict, and, in turn, what policies may be needed to rebuild their productive capacities.

The Political Economy of Transformation in the Arab World

Eberhard Kienle

The project seeks to examine the economic and social policies that key politi-

cal actors in Tunisia and Egypt have advocated, debated and partly implemented since the departure of former presidents Zein Al-Abdin Bin Ali and Hosni Mubarak. The analysis will be guided by the overarching objective to gauge the degree to which these policies may contribute to general welfare and social justice and address socio-economic grievances like youth unemployment that contributed to the downfall of the old regimes.

A Time to Throw Stones, A Time to Reap: How Long Does It Take for Democratic Reforms to Improve Institutional Outcomes?

Khalid Sekkat

and Pierre-Guillaume Meon

The project aims at addressing two questions in turn, the first one being: do democratic reforms result in an improvement in institutional outcomes? The second asks: how long does it take for democratic reforms to improve institutional outcomes? To this end, the project will analyze measures of democratic reforms and of institutional outcomes.

Political Economy of Fiscal Policy and Decentralization in the Arab Countries

Mehmet Serkan Tosun

This project examines the overall government structure in the Arab countries, focusing specifically on the political, economic and demographic determinants of fiscal policy (both the expenditure and taxation branches) and decentralization. Based on data availability, the project will examine the case of 12 Arab countries: Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Syria, Tunisia, United Arab Emirates and Yemen.

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 Urbanization in the ERF Region*. The refereeing and selection process resulted in the acceptance of 6 proposals out of 11 covering the following topics:

The Impact of Urbanization on Political Outcomes in Turkey

Cem Baslevant

This project has been completed. The main purpose of the project was to identify the urbanization-related determinants (at the province and district levels) of two key political outcomes, namely the election turnout rate—which is meant to proxy for the general level of political participation of the urban population—and the electoral success of the currently-ruling Justice and Development Party. It also aims to produce empirical findings that provide foresight on future political outcomes under various assumptions regarding education levels, birth rates and migration patterns.

Alternative Finance Mechanisms for Infrastructure in Egypt: Will Users and Developers Pay?

Hesham Osman, Tamer El-Diraby,
Magued Osman and Matthew Turner

This project aims to investigate the use of special levies, utility models, and development fees as a viable alternative for infrastructure financing. Specifically this project aims to identify the willingness-to-pay for improved infrastructure ser-

vices that support the implementation of special levies and utility models (where appropriate). In addition the project aims to document the application of development fees as a financing mechanism and policy instrument and propose a road map for the systematic utilization of development fees in Egypt.

Shocks, Risk Preferences and the Labor Market: Evidence from a Natural Experiment in Palestine

Elisa Cavatorta, Ben Groom
and Massoud Karshenas

The paper used a series of field experiments in the Palestinian Territories to explore the impact of exposure to traumatic events on risk, time and ambiguity preferences, using the historical episode of the construction of the separation wall between the State of Israel and the West Bank as an exogenous traumatic experience to test shifts in fundamental preferences. The main conclusion is that individuals exposed to the wall are significantly more risk-seeking and ambiguity-averse.

Micro and Small Enterprises (MSEs) in Urban Economies: A Comparative Study of Egypt, Lebanon, Morocco and Turkey at the Province Level

Fatma El Hamidi and Cem Başlevants

The objective of this study is to expand the knowledge of the economic and social characteristics under which the MSEs operate in urban regions with special attention to four countries: Egypt, Lebanon, Morocco and Turkey. In this context, the study examines the sectors' current status, existing constraints and

Research Activities

potential for growth, as well as provide first-time comparative estimates of the performance of MSEs in urban cities (at the governorate/province level) the determinants of their growth, success, and types of activities showing promises of development and reinforcement.

Urban Concentration, Poverty and Infrastructure

Khalid Sekkat

Urban concentration and poverty are two prominent characteristics of many developing countries including many in MENA. Both represent serious challenges for the development process. Therefore, the project seeks to investigate these issues for MENA countries in a comparative perspective with other developing countries. Specifically, the two following questions will be addressed. The first is: what is the relationship between urban concentration and poverty? The second is: what are the main drivers of urban concentration and poverty with a special focus on infrastructure?

Young People and the Digital Divide in Egypt

Mona Farid Badran
and Antonio Rodríguez Andrés

This paper has been completed. It used an ordered probit model to examine the determinants of the digital divide in Egypt. Using a sample of 15,029 individuals, the results showed that urbanization is a good predictor of the digital divide gap. In particular, the researchers found a positive correlation between urbanization and digital divide. Other vari-

ables such as gender, wealth and level of education were found to be significant predictors of the digital divide as well.

Micro Data Sets

ERF recognizes that good data is essential for good research. Since, micro data is vital for various types of analyses. Attention has been paid to labor markets surveys and household surveys

Egypt Labor Market Panel Survey (ELMPS)

ERF carried out the Egypt Labor Market Panel Survey 2012 in cooperation with the Central Agency for Public Mobilization and Statistics. This survey is the third in a series that began with the ELMPS 1998 and continued with the ELMPS 2006. It is a multipurpose household survey that inquires about the schooling, housing, marriage and employment trajectories of individuals and elicits detailed information about their employment and earnings, among a number of other topics.

The 2012 sample includes refresher sample designed in such a way as to oversample areas with high rates of international migration to allow for a more in-depth analysis of the migration phenomenon. The micro data became available to the ERF research team on November 1st 2012 and ERF is committed to make that data publicly available by November 1st 2013.

Household Survey Data

ERF has also collected 33 household surveys covering 13 Arab countries, namely Djibouti, Egypt, Emirates, Jordan, Lebanon, Libya, Mauritania, Morocco, Palestine, Syria, Tunisia, Yemen, and Iraq. Extensive effort has been devoted to the harmonization of these surveys to ensure their consistency and usability and creating a database on inequality measurements that is comparable across countries. ERF has invested heavily and created strong relationships with the national statistical agencies, which has facilitated the acquirement of signed agreements from the latter allowing ERF to disseminate the harmonized version of their micro data, along with all resources related to the micro data (ques-

tionnaire, methodology, related studies etc...) as well as a "data dictionary" that lists all the harmonized variables (232 on the HH level and 66 on the individual level) which will also be made available to researchers.

The data dissemination will be following the World Bank open access data technique which is more of an automated process, allowing for easier and faster micro data accessibility as well as better documentation and preservation of data and all the related documents.

The screenshot displays the ERF Data Portal interface. On the left, a sidebar contains navigation links: About ERF, ERF Affiliates, Research Activities, Capacity Building, Conferences / Workshops, Publications, Online Journals, Datasets, and Links. Below these are sections for 'Become an ERF Affiliate' and 'Access Online Services' with a login form. The main content area features a header with the ERF logo and a search bar. The central part of the page is titled 'Palestine - Expenditure and Consumption Survey 2010' and lists key details: Reference ID (PAL_PECs_2010_HD_1.0), Year (2010 - 2011), Country (Palestine), Producer(s) (Palestinian Central Bureau of Statistics - Palestinian National Authority), and Sponsor(s) (The Palestinian National Authority - PNA - Financial assistance, The Core Funding Group - CFG - Financial assistance, Swiss Agency for Development and Cooperation - SDC - Financial assistance). It also provides links for 'Access policy' and 'Microdata request form (Licensed)'. Below this, a 'Related Materials' section lists 'Questionnaires' with a link to the 'Questionnaire, Palestinian Expenditure and Consumption Survey, PECs 2010' (647.59 KB). On the right, a sidebar contains a 'Study Information' section with links for Overview, Technical Information (Sampling, Questionnaires, Data collection, Data processing, Data appraisal, Technical documents, Other materials), and Datasets (Access policy, Request microdata, Data files, Pal_2010_HH, Pal_2010_Person).

*Enabling regional research :
ERF launches its new Household Surveys data portal:
www.erfdataportal.com*

Communications and Outreach

While research to aid development is ERF's bread and butter, such research is usually very much a public affair, and the more public the better. This means the research and ideas that ERF propounds must be disseminated, whether through publications or conferences and workshops to share those ideas. In 2012, that meant 11 events; conferences, workshops, seminars and training sessions. On the publications side, ERF's communications department employs a variety of tools to ensure that the work of hundreds of researchers is properly disseminated to those who need to read it, and through a variety of channels.

CONFERENCES

Understanding and Avoiding the Oil Curse in the Arab World

January 15-16, 2012, Kuwait

Organized jointly by the Economic Research Forum and the Arab Fund for Economic and Social Development, the conference convened around 100 regional and international researchers. Bringing together renowned academics and policy makers, the primary objective of this conference was to initiate discussions on the macroeconomic challenges posed by oil dependency in Arab countries, and of

policies for harnessing the power of natural resources. The conference was preceded by a workshop, which was held in Cairo on October 7- 8, 2011 to discuss draft papers.

ERF 18th Annual Conference

March 25-27, 2012, Cairo, Egypt

The theme of the ERF 18th Annual Conference was *Corruption 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

From left:
Paul Collier
and Mohammed
Al-Sabah.



sessions, and to interact with one another. The 18th ERF Annual Conference got off to a great start with a pre-conference event. A workshop entitled *The Political Economy of Arab Awakening* explored aspects of the Arab awakening in an attempt to understand the changes that have transformed the region since the beginning of last year and to inform the political process. In an effort to be as informed as possible, the proceedings also drew experiences from other regions. The workshop was an early fruit of ERF's latest research agenda; The Political Economy of Transformation in the Arab World.

The workshop rolled out a comprehensive view of the issue: an examination of the revolutions, possible causes and comparisons with other regions.

The following day, the conference got down to exploring corruption. The subject was especially pertinent since while few would argue that corruption is unethical, it's important to realize it may

also have deleterious effects on economic development, breeding negative work ethics and leading to waste and misallocation of resources as well as adverse distribution of income and wealth. In addition, corruption is often associated with violence, crime and in extreme cases may result in popular revolts. The objective of the three plenary sessions in this conference was to explore the magnitude and consequences of corruption, identify its causes (both at the micro level and in relation to the political regime) and propose possible remedies.

The first plenary session, *Measurement and Consequences of Corruption* defined and sized up corruption and explored its effects on economic development. The speakers answered such questions as: what is corruption? How is it measured? How did it evolve over time? What does it do to resource allocation, the use of scarce resources and distribution of income and wealth? Finally, what kind of behavior—including rent-seeking behavior—does it trigger in society? The



Clockwise from bottom left: Hamid Mohtadi, Serdar Sayan, Daniel Kaufmann, Pratap Meh-ta and Ishac Diwan.

Communications and Outreach

Clockwise from left:
Wafik Grais and Imane
Chaara, Mushtaq Khan,
Mustapha Nabli and
Michael Ross.



presentations highlighted accumulated evidence on corruption worldwide, including corruption in the region that ERF covers.

In the second plenary session, *Determinants of Corruption*, the speakers addressed such questions as: to what extent is corruption the product of the rules governing economic transactions, the effective enforcement of these rules and the incentives/penalties associated with them? Are democratic governments less vulnerable to corrupt behavior and what can be said about future corruption in the “Arab Spring” countries? Finally, is corruption necessarily synonymous with natural resource abundance? The answers to these questions drew on various analytical frameworks and empirical evidence, both globally and regionally.

The final plenary session, *Fighting Corruption*, addressed the micro and macro roots of corruption, the speakers addressed such questions as: what can be done to reduce corruption by changing

laws and enhancing their enforcement? How important is economic liberalization in fighting corruption, particularly in terms of removing restrictions on firm entry, operation and exit? Is corruption likely to diminish in Arab Spring countries or is the outcome likely to depend on the new political forces in power? The answers to these questions also capitalized on the experience of different countries and drew implications for the ERF region.

In addition to the plenary sessions, there were 6 parallel sessions, involving the presentation of more than 50 papers under the themes of: institutional economics, finance, macroeconomics, international economics, labor and human development and microeconomics. Parallel session papers were selected on the basis of a rigorous refereeing process in response to an open call for papers, hence their diversity. The closing session celebrated the six winners of the Best Paper Award.

For detailed coverage, write-ups and video interviews of the 18th Annual Conference (and other ERF events) please see the ERF blog: <http://erfblog.org/>

FEMISE Annual Conference

November 23-24 2012, Marrakech, Morocco

The theme of the FEMISE Annual Conference was *Inclusive Development in the South-Med Countries and the Role of the EU-Med Partnership*. In fact, since 1995, when the Barcelona process began, the Southern Mediterranean countries have appeared to be on their way to catching up with emerging markets. Growing at approximately 5 percent per year, countries like Tunisia and Egypt were hailed by international financial institutions for being on the right track and for making notable progress. However, the uprisings of the last couple of years have shown that there was something wrong with the underlying model of development adopted in these countries. Apparently, there was too much focus on economic growth and too little on inclusion or fair distribution of the benefits. Widespread corruption was also evident.

In addition to the plenary sessions, the conference included three parallel sessions addressing the following topics: drivers of inclusive growth, the politics of inclusive growth and the role of the international community and the EU-Med partnership in supporting inclusive growth in the region. More than 130 participants attended, with representatives from FEMISE's 94 members' institutes, policy makers, representatives from the Commission and other interested parties in the EU-Med region.

WORKSHOPS and Seminars

RIAD Scientific Committee (SC) Meeting

July 8, 2012, Cairo

While ERF holds refereeing committees for various proposals in response to calls for papers and external reviewers of proposals, it also engages a high caliber Scientific Committee (SC) in the process of identifying research priorities, assessing submitted proposals and offering guidance on the research agendas of the RIAD initiative. This SC meets twice a year. The most recent meeting was held in Cairo on July 8, 2012. The committee reviewed progress to date and gave feedback on the work plans received under the different themes, as well as ERF data initiatives and efforts.

Structural Transformation and Industrial Policy in Selected MENA Countries

September 30, 2012, Istanbul, Turkey

Despite the importance of structural transformation in the process of economic development, there is no consensus on how to achieve this objective or about the appropriate role of government. Views range from advocating neutrality of incentives fearing government failure, to advocating various forms of selective interventions to compensate for incidents of market and coordination failures.

In the ERF region, this debate is compounded by the scarcity of systematic evidence regarding the merits of past industrial policies and the role the EU-Med partnerships may have played in the process. Accordingly, ERF has initiated two research projects on economic diversification and structural transformation.

Communications and Outreach

The aim of the two projects was to assess the industrial policy experience of selected countries in the ERF region and whether these policies were effective in promoting structural transformation and economic diversification.

The first of these projects was commissioned by FEMISE and funded by the European Investment Bank (EIB), focusing on Egypt, Morocco, Tunisia and Turkey. The second was conceived as part of the Research Initiative for Arab Development (RIAD) under the theme of Natural Resources and Economic Diversification, focusing on the GCC countries of Kuwait, Qatar and the UAE. The workshop convened around 25 researchers from the region and outside it.

Efficiency and Equity of Utilities in the ERF Region

October 11, 2012, Cairo, Egypt

In a governmental monopoly of utilities, competition is limited and the government plays the dual role of both operator and regulator of the sector. Due to fiscal pressure and modest outcomes, some countries have begun to rely on the private sector for the management of some of these utilities. Consequently, governmental regulatory bodies were created to protect and regulate the interests of both consumers and the producers.

The problem is that these experiences have not been evaluated systematically to explore whether these reforms have been welfare improving and whether the regulatory regimes have been effective. Accordingly, ERF held a seminar, attended by around 40 participants under the theme of Efficiency and Equity of Utilities in the ERF Region. In response to the call for papers, ERF had received 16 proposals, 4 of which have been peer reviewed and selected.

Capital and Labor Mobility within the ERF Region

October 14, 2012, Cairo, Egypt

Regional integration in the ERF region constitutes an important challenge for the concerned countries. To date, almost all research on the outcomes has exclusively focused on goods markets. However, integration of the goods market is not the only form of economic integration and is not a prerequisite for other forms of integration. Available evidence points to important potential welfare gains from integration of capital and labor markets in the Region. Accordingly, ERF held a workshop under the theme of Integration of the Arab Region. Integration is seen as covering any or all types of regional exchange (i.e. goods, services, or factors) and their interactions. Accordingly, ERF convened a workshop to provide a platform for the presentation of the findings of two projects: one titled: Can Labor Mobility Enhance MENA Employment? Mode 4 vs. Temporary Migration: Case studies of Jordan and Tunisia, the other: Capital Movement in the Arab Region. The presentations were intended to further advance the output and engage the audience of around 30 researchers.

Training Workshop on Microdata Documentation and Dissemination

October 21-24, 2012, Cairo, Egypt

In answer to a request by ERF, the World Bank offered a training about the Data Documentation Initiative (DDI) toolkit for data documentation and dissemination. The training, which was offered to ERF staff as well as non-ERF statisticians, is part of a research project on inequality of opportunity which ERF is sponsoring under its Research Initiative for Arab Development (RIAD).

The Challenge of Urbanization in the ERF Region

December 23, 2012, Cairo, Egypt

This workshop was held in the context of the 12th round of the Regional Research Competition supported by the Global Development Network (GDN). Although cities have long been considered the hubs of economic growth and development opportunities, rapid urbanization creates many challenges for developing countries including rising poverty, unemployment and investment needs for expanding infrastructure. According to UN projections the MENA population will reach 430 million by 2020, of which 280 million are expected to be urban. That is an urban population increase of over 65%, compared to the projected rural population increase of 8.5% (World Bank). Against this very high rate of urbanization, the provision of adequate infrastructure and public services is clearly the key urban challenge. To try and address this issue, ERF launched a call for proposals, in re-

sponse to which it received 11 proposals, 6 of which have been peer reviewed and selected. The objective of the workshop was to provide a platform for discussing draft papers and preliminary findings of the six projects, to benefit from the input of experts in the field, and to receive feedback and suggestions to improve the output.

Publications are an integral part of ERF's communications efforts. Accordingly, it has made a concerted effort to expand and streamline its publication channels. This has meant both increasing its output and finding new means to disseminate ERF's research by introducing new online methods.



Clockwise from bottom left: Izak Atiyas, Hala Abou-Ali, Subidey Togan, Khalid Sekkat, Heba Handoussa, and Ibrahim Elbadawi.

Communications and Outreach

PUBLICATIONS

ERF Middle East Development Journal (MEDJ)

When the *Middle East Development Journal* (MEDJ) was established three years ago, ERF had high hopes for it. Its goal was to provide a solid analytical and empirical base for the promotion of good policy of the challenges facing the region. The hard work of MEDJ's editorial team is finally paying off. The journal has been gaining widespread recognition, has seen a growth in subscribers and is now about to take its place among firmly established academic publications. Last summer, MEDJ appeared in the *Journal of Economic Literature* (JEL) June 2012 issue.

Much care has been given to the selection of the Editorial Board and the Editorial Team. Similar attention has been given to the Editorial Policy, which emphasizes the selection criteria on the basis of value added, rigor of methodology and policy relevance. The Editorial Team is committed to an impartial and speedy review of submitted papers.

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

Volumes

This year was a good one for edited volumes; ERF saw the publication of one volume with an international publisher, signed on for another with a second international publisher and published a third, inhouse.

The first volume is *Economic Incentives and Environmental Regulation: Evidence from the MENA Region*, edited by: Hala Abou-Ali and published by Elgar. This unique book explores a wide range of environmental issues centered on the Middle East and North Africa region, where environmental degradation and impacts of climate change are known to be more critical than in others parts of the world.

ERF also signed on with Oxford University Press, which will publish (in late 2013)

Table 5. ERF Publications in FY 2007, FY 2008, FY 2009, FY 2010 , FY 2011 and FY 2012*

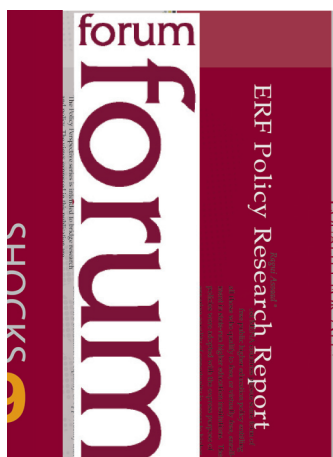
| Type of Publication/Year | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|--------------------------|---------|---------|---------|---------|---------|---------|
| Working Papers | 23 | 76 | 72 | 78 | 85 | 80 |
| Forum Newsletter | 1 | 2 | 2 | 2 | 2 | 2 |
| Policy Research Reports | - | 2 | 2 | 3 | 0 | 2 |
| Policy Perspective | - | 2 | - | 2 | 2 | 3 |
| MEDJ | - | - | 1 | 2 | 2 | 2 |
| Volumes | 2 | 1 | 2 | 2 | 2 | 2** |

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

ERF's new labor market survey of Jordan; a project 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 papers included in the project form the basis of a volume edited by Ragui Assaad.

And finally, ERF published the Conference Proceedings Volume inhouse. This volume typically showcases those papers most representative of the Annual Conference's theme—in this case, *Corruption and Economic Development*— and in some cases have been presented there. The volume includes contributions by Lisa Anderson, discussing three things: Firstly, modern corruption has a specific historical origin and secondly it comes in many forms. Finally, the discourse of corruption in the Arab world (and in many other places) today conflates its moral and public dimensions in ways that often confuses policy responses. Her paper is followed by Jeff Nugent's on assessing the seriousness of corruption in the MENA region and how it might have developed over time. Izak Attiyas explored the possible role of a regulatory environment in enhancing competition and reducing corruption in the post-revolutionary Arab societies while Imane Chaara looks at the delicate balance between religion and development. She asks whether modern law can trigger social change, reaching some surprising conclusions.

The volume wraps with a paper by Saifedean Ammous tracing the emergence of "corporatist" political regimes, involving omnipresent police states and unaccountable rentier governments dependent on foreigners, not citizens, for their financing.



Communications and Outreach

Working Papers

This year saw 80 new working papers. These papers, which constitute a work in progress, were published, disseminated weekly via e-mail and posted online on the ERF website.

Policy Research Reports

Policy Research Reports present research results from completed projects in a policy focused manner. They provide advice and best practice to stakeholders on concrete issues of concern. This year, ERF published two.

The first was on *The Environment and the Economy in the Arab World* by Hala Abou-Ali and Alban Thomas.

The report notes that environmental concerns in the Arab world are very rarely taken into consideration when designing public policies or setting priorities, despite the fact that most Arab countries have established a ministry or specialized body responsible for environmental affairs.

The second is titled *Welfare Effects of Institutional Reform in Public Utilities: The Case of Voice Telecommunication in Egypt* by Amirah El-Haddad and Khaled Attia. This case study assesses the institutional reforms initiated in 1997 in Egyptian telecommunications, ending 40 years of state dominance over the sector.

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 ERF surpassed its quota and published three. The first was *Arab Passenger Airlines Framework and Performance: Egypt, Jordan, Morocco and UAE* by Khalid Sekkat. The brief summarized the main findings and policy implications of four country studies headed by the ERF under its program on regional integration.

The second was *The Impact of Non Tariff Measures (NTMs): The Experience of MENA Countries* by Ahmed Ghoneim and Nicholas Peridy, role on NTMs in explaining trade performance.

Finally, *Inequality and Polarization in the Arab World* by Sami Bibi delved into why inequality levels are of such concern to the Arab world.

Forum

ERF produces two issues of its newsletter, *Forum*, annually. It is used to communicate with affiliates and 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. The second issue wears a more journalistic hat, asking important contemporary economic questions and covering ERF events. Both issues have detailed information on ERF news and events, a rundown of the last six months and book reviews.

Methods of communications are continuously adapting and ERF has worked hard to keep up, and in some cases, be one step ahead of, the needs of its affiliates and guests. While it has had a website since 1997, that website is being continually reassessed. It provides access to the latest ERF activities, publications and da-

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Innovation

tabank, as well as other regional events and activities and useful links to other institutions.

It also provides information on research funding and upcoming events, background links to global resources and access to archived ERF material. However, those who follow visit the website regularly will notice that it is showing more information, more often. Events are constantly updated and new resources are constantly being added.

Additionally, in October of 2012, ERF introduced a new content delivery system ensuring that papers land right in readers' inboxes. The system has had a high success rate, with steadily increasing readership numbers.

Another addition to ERF's new online activities is its Twitter account, @ERFLatest, which provides followers with updates, news and links to new research several times daily to provide constant and continuously refreshed information. It also provides real-time status updates during conferences and events.

More evidence of online innovation will have been noticed by those who attended the last two Annual Conferences. The 18th Annual Conference saw, back by popular demand, a short film on the importance of the Best Paper competition to entrants, which was screened at the ceremony. Those who missed a session, or indeed, missed the whole conference, could simply visit the conference blog and catch up with all the write-ups and video interviews prepared during the conference. While these proved a popular hit, they proved especially useful for journalists who could not attend the

event but needed material for coverage.

And occasionally, the tools themselves grow and develop. A blog page, *Arab Awakenings*, which had been produced in tandem with ERF's latest research agenda, *Political and Economic Transformation in the Arab World*, is about to take expand, taking on additional functionalities. It will be produced in cooperation with the Kennedy School's Center for International Development at Harvard University.

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Annexes

Annex C. Financial Statements



Allied for Accounting & Auditing
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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 2012, 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 the 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.

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



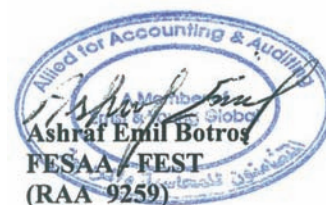
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risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Economic Research Forum** as of 31 December 2012, 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: 28 January 2013

Economic Research Forum (ERF)

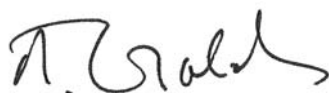
Financial Position

As of 31 December 2012

| | Note | 31/12/2012 USD | 31/12/2011 USD |
|--|------|-------------------|-------------------|
| Non-current Assets | | | |
| Fixed Assets | (3) | 4,757,887 | 4,944,072 |
| Investments | (4) | 10,109,991 | 7,423,558 |
| Contributions and Grants Receivable | (5) | 3,149,423 | 862,576 |
| Total Non-current Assets | | 18,017,301 | 13,230,206 |
| Current Assets | | | |
| Contributions and Grants Receivable | (5) | 190,691 | 444,921 |
| Prepaid Expenses and other Debit Balances | (6) | 853,095 | 623,721 |
| Cash on Hand and at Banks | (7) | 4,518,715 | 5,152,267 |
| Total Current Assets | | 5,562,501 | 6,220,909 |
| Total Assets | | 23,579,802 | 19,451,115 |
| Current Liabilities | | | |
| Provisions | (8) | 285,154 | 241,799 |
| Accrued Expenses and other Credit Balances | (9) | 574,999 | 226,429 |
| Total Current Liabilities | | 860,153 | 468,228 |
| Net Assets | | | |
| Unrestricted | | 5,616,466 | 5,165,130 |
| Temporarily Restricted | | 5,040,040 | 3,697,340 |
| Permanently Restricted | | 11,488,404 | 9,706,749 |
| Total Net Assets | | 22,144,910 | 18,569,219 |
| Non-current Liabilities | | | |
| Employees' End of Service Benefits | | 574,739 | 413,668 |
| Total Non-current Liabilities | | 574,739 | 413,668 |
| Total Liabilities and Net Assets | | 23,579,802 | 19,451,115 |

- 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 31 December 2012

| | Note | Unrestricted | Temporarily Restricted | Permanent- ly Restricted | Year Ended 31/12/2012 | Year Ended 31/12/2011 |
|--|------|--------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | USD | USD | USD | USD | USD |
| Revenues and other Support | | | | | | |
| Grants | (10) | - | 5,480,729 | 1,781,655 | 7,262,384 | 2,301,636 |
| Interest on Time Deposits | | 41,592 | - | - | 41,592 | 40,593 |
| Return on Investments | | 253,674 | - | - | 253,674 | 239,382 |
| Other Income | | 27,217 | - | - | 27,217 | 8,594 |
| Provisions no Longer Required | | - | - | - | - | 982 |
| Gain from Sale of Fixed Assets | | - | - | - | - | 1,267 |
| Realized Gain from Investments | | 41,470 | - | - | 41,470 | 155,591 |
| Unrealized Gain from Investments | | 554,814 | - | - | 554,814 | - |
| Total Revenues and other Support | | 918,767 | 5,480,729 | 1,781,655 | 8,181,151 | 2,748,045 |
| Net Assets Released from Restrictions | | 4,004,794 | (4,004,794) | - | - | - |
| Total Revenues, Other Support and Net Assets Released from Restrictions | | 4,923,561 | 1,475,932 | 1,781,655 | 8,181,151 | 2,748,045 |
| Less: Functional Expenses | (11) | (4,605,460) | - | - | (4,605,460) | (3,755,898) |
| Less: Unrealized (loss) from Investments | | - | - | - | - | (495,426) |
| Change in Net Assets | | 318,101 | 1,475,935 | 1,781,655 | 3,575,691 | (1,503,279) |
| Reclassification from Temporary Restricted to Unrestricted Net Assets | (12) | 133,235 | (133,235) | - | - | - |
| Net Assets - Beginning of the Year | | 5,165,130 | 3,697,340 | 9,706,749 | 18,569,219 | 20,072,498 |
| Net Assets - End of the Year | | 5,616,466 | 5,040,040 | 11,488,404 | 22,144,910 | 18,569,219 |

- 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 31 December 2012

| | Note | Year Ended 31/12/2012 | Year Ended 31/12/2011 |
|---|------|-----------------------------|-----------------------------|
| | | USD | USD |
| Cash Flows from Operating Activities | | | |
| Changes in Net Assets | | 3,575,691 | (1,503,279) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided from Operating Activities | | | |
| Fixed Assets Depreciation | | 209,561 | 154,879 |
| Gain from Sale of Fixed Assets | | - | (1,267) |
| Provisions | | 58,012 | 18,223 |
| Provisions no Longer Required | | - | (982) |
| Employees' End of Service Benefits | | 161,071 | 121,180 |
| Realized (Gain) from Investments | | (41,470) | (155,591) |
| Unrealized (Gain) Loss from Investments | | (554,814) | 495,426 |
| Net Assets before Changes in Assets and Liabilities | | 3,408,051 | (871,411) |
| Change in Contributions and Grants Receivable | | (2,032,617) | 2,508,858 |
| Change in Prepaid Expenses and Other Debit Balances | | (229,374) | (80,812) |
| Change in Accrued Expenses and Other Credit Balances | | 348,570 | 76,963 |
| Cash Flows Provided from Operating Activities | | 1,494,630 | 1,633,598 |
| Provisions Used During the Year | | (14,657) | (49,656) |
| Net Cash Flows Provided from Operating Activities | | 1,479,973 | 1,583,942 |
| Cash Flows from Investing Activities | | | |
| Change in Investments | | (2,090,149) | (2,109,352) |
| Payments to Acquire Fixed Assets | | (23,376) | (552,063) |
| Proceeds from Sale of Fixed Assets | | - | 1,347 |
| Net Cash Flows (used in) Investing Activities | | (2,113,525) | (2,660,068) |
| Net (Decrease) in Cash and Cash Equivalent during the Year | | (633,552) | (1,076,126) |
| Cash and Cash Equivalent - Beginning of the Year | | 5,152,267 | 6,228,393 |
| Cash and Cash Equivalent - End of the Year | (7) | 4,518,715 | 5,152,267 |

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