

# ECONOMIC RESEARCH FORUM

# 2008

## ANNUAL REPORT

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ECONOMIC  
RESEARCH  
FORUM



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# ERF at a Glance

## **Our Mission**

The Economic Research Forum (ERF) is an independent, non-profit, 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 encourage 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; providing training and mentoring programs to junior researchers; organizing seminars and conferences based on research outcomes; and publishing research output through various types of publications, including working papers, books, policy briefs and the Forum newsletter.

## **Our Network**

The ERF network comprises a distinguished Board of Trustees (BOT), accomplished researchers from the region and highly dedicated head-office staff. The Forum is supported by multiple donors, both from within the region and from abroad.

## **Our Location and Contact Information**

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# Message from the Chairman of the Board of Trustees



ERF has had one more successful year toward achieving its mission of promoting high quality economic research in support of the aspiration for more rapid development in the Arab countries, Iran and Turkey. It has taken steps toward building a stronger research capacity, contributing to the generation of relevant knowledge about the region as well as making this knowledge accessible to various stakeholders.

I am particularly pleased with the progress made in 2008 toward balancing research competitions with structured research programs on such critical issues as equity and inequality, oil resources and economic diversification, the environment, regional integration and institutional change. I am equally pleased with the progress made toward ensuring that ERF is financially sustainable. Last but not least, I am pleased that ERF now owns its permanent premises in Cairo.

None of the above would have been possible without the financial support of the International Development Research Center (IDRC), the Ford Foundation, the Swiss Government, the World Bank, the Arab Fund for Economic and Social Development (AFSED) and the European Commission (EC). Nor would it have been possible without the valuable council of my colleagues on the Board of Trustees, the solid advice from the Advisory Committee, the commitment of ERF affiliates and the hard work of ERF management and staff. To them all, I extend my sincere thanks and I look forward to more progress in the future.

**Abdlatif Al-Hamad**

A handwritten signature in black ink, consisting of stylized cursive letters followed by a long horizontal line that ends in a small upward hook.

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

# Message from the Managing Director

ERF is on the move. Less than two years into the implementation of the new strategy, the ERF network is stronger, the range of activities is wider, outreach activities are more varied, and ERF is more financially sustainable than ever before. A succinct summary of these developments is given in this Annual Report, which covers the fiscal year September 1, 2007 - August 31, 2008. Here, I would like to highlight two key developments: new initiatives and funding.

On new initiatives, ERF took the necessary steps to establish its own journal, offered a training workshop on "Writing Winning Research Proposals and Papers", and organized a mentoring program for a group of promising researchers. Beside regular competitions, ERF ran a new competition on environmental economics. Perhaps more importantly, ERF began the preparation for a 3-5 year research agenda on equity and regional integration, to be followed by preparatory work on the environment and management of oil revenues and diversification. Finally, most ERF outreach activities are now electronically based and a deliberate effort has been made to hold events throughout the region.

The above progress was possible because of multiple factors, the most important of which is funding. More specifically, I would like to acknowledge with gratitude the generous support received from the Arab Fund for Economic and Social Development (AFSED) and the International Development Research Center (IDRC) in the form of contribution to the endowment, the significant multi-year core funding received from the Swiss Government and IDRC, and the large multi-year commitment made by the World Bank and the AFSED in support of the ERF research agenda.

With this kind of support from donors and the commitment shown by ERF affiliates and staff, I am confident that ERF will be able to fulfill its mission more fully in the years to come.



**Ahmed Galal**

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

*Managing Director*  
**Economic Research Forum**

# ERF Network and Capacity Building

The strength, diversity and calibre of the members of the ERF network constitute the core and main asset of the organization. Thus every effort is made to ensure that ERF is the home of the best development researchers in the region, the place where promising researchers are provided needed support, and the entity that provides a credible outlet for research outcomes. Not only does all of this require concerted effort to translate it into reality, but also a strong anchor with dedicated and qualified staff. On all of these fronts, 2008 saw notable progress.

## Size and Diversity of the Network

*"The strength, diversity and calibre of the members of the ERF network constitute the core and main asset of the organization."*

Over the years, ERF was able to attract the most accomplished economists and promising researchers with interest in economic development in the region. By the end of August, 2008, ERF affiliates numbered 257 in total. Slightly more than half (54.9 percent) of all affiliates are Research Fellows; the rest is divided between Research Associates (30 percent) and Senior Associates (15.7 percent). The majority of affiliates (67 percent) reside in the region, while females account for 18 percent of all affiliates. (See Table 1 below for a summary of statistics and Annex A for a full listing).

The ERF ambition is to expand the number of affiliates to around 300 over the next few years. The emphasis will be on attracting more females to achieve greater gender balance and a larger number of research associates to ensure a healthier mix of junior and seasoned researchers. An attempt will also be made to attract researchers from countries that are underrepresented. However, the selection of new affiliates and the renewal of existing ones will continue to closely follow the criteria endorsed by the Board of Trustees to maintain objectivity and high quality research.

**Table 1. ERF Affiliates by Gender and Residency**

	Gender		Total	Residency		Total
	Male	Female		Inside	Outside	
Research Fellows	117	24	141	84	57	141
Research Associates	56	20	76	58	18	76
Senior Associates	38	2	40	31	9	40
Total	211	46	257	173	84	257
Percent	82.1	17.9	100	67.3	32.7	100





Training workshop on “Writing Winning Research Proposals and Papers”, August, 2008, Cairo, Egypt.

## Training and Mentoring Activities

In support of building a stronger research capacity in the region, 2008 saw the beginning of a sustained effort at offering training and mentoring activities to ERF and non-ERF affiliates, as well as promoting the participation of researchers from the region in international conferences. Four activities are particularly noteworthy.

The first is a 4-day **training** workshop on “Writing Winning Research Proposals and Papers”. The workshop was held in Cairo in August 2008. The idea for the workshop was triggered by the observation that a significant number of the proposals submitted

in the context of the 15th Annual Conference under the themes of international economics and microeconomics addressed interesting policy questions but lacked strong analytical tools, while others used strong analytical tools but asked uninteresting policy questions. To help both groups, nine promising researchers were invited to this workshop. Their proposals formed the basis for discussion, which was guided by Marcelo Olarreaga, University of Geneva and Çağlar Özden, World Bank. The participants found the training workshop very rewarding. And the plan is to repeat this experiment next year covering other areas of economics.



# ERF Network and Capacity Building



The second activity is related to **mentoring**. Here the process was initiated in the context of the 8th Round of the ERF-GDN competition, which focused on the theme of "Social Policies for More Equitable Outcomes in MENA". It was triggered by the feedback received from the refereeing committees, indicating that 4 teams from amongst the accepted proposals could benefit from the availability of resource persons throughout the conduct of the research. Acting on this recommendation, qualified mentors were identified and are now providing needed support to these teams. An assessment of this activity will be carried out when sufficient time has elapsed to explore the merit of extending this program.

The third activity is still unfolding. A committee of 3 Research Fellows (Mine Cinar, Hadi Esfahani, and Mouna Cherkaoui) volunteered to work with ERF on developing two **training workshops** for offering next year. The two workshops will focus on "*Quantitative Techniques in Handling Pooled Data*" and "*Applications of Game Theory to Economic Problems*". If these training workshops prove useful, the plan is also to continue to offer them periodically until demand is satisfied.

The fourth activity is related to **Participation in International Conferences** of researchers from the region with a view to enhancing their expo-

sure to recent thinking about development. To this end, ERF agreed with the Global Development Network (GDN) to fund the participation of some 20 researchers from the MENA region in the GDN's annual conference, which was held in Brisbane, Australia. An open call for participation to ERF and non-ERF affiliates was announced on the website and more than 20 participants were selected to take part in this conference.

## ERF Journal

Perhaps the most important development in 2008 is the initiation of an ERF journal, which will be issued twice a year starting June 2009. **The Middle East Development Journal (MEDJ)** is intended to promote careful analysis, original thinking and widespread debate that contribute to economic and social progress throughout the region. As such, it will serve as a vehicle for ERF and non-ERF researchers to disseminate their work in a refereed journal of international standards. Thus far, an impressive editorial board and an editorial team have been assembled and a publishing contract has been signed with Now Publishers inc. and World Scientific Publishing Co. (See Box 1 for a listing of the Editorial Board and Editorial Team.) The journal's editorial policy has been posted on the ERF website and the first demo issue is expected to be published in November 2008.

## ERF Staffing

To serve the community of researchers effectively and to play the catalytic role envisioned in the new strategy in terms of taking the lead on some of the key development questions facing the region, ERF took steps to strengthen its staff profile.

More concretely, a Research Director has been recruited, whose primary mandate is to improve the quality of ERF sponsored research. Khalid Sekkat will assume this responsibility as of October 7, 2008. In addition, ERF has recruited one Senior Econo-

mist, Nadia Belhaj Hassine, who will join ERF as of mid-October 2008. Hala Abou-Ali previously joined ERF on a part time basis to take the lead on the work carried out on environmental economics. (For a full listing of ERF staff, see Annex A).



**Khalid Sekkat**  
Research Director



**Nadia Belhaj Hassine**  
Senior Economist



**Hala Abou-Ali**  
Project Leader

### Box 1. MEDJ Editorial Team and Board

#### Managing Editor

Lyn Squire  
Economic Research Forum  
Egypt

Magda Kandil  
IMF  
USA

Dani Rodrik  
Harvard University  
USA

#### Associate Editors

Azzeddine Azzam  
University of Nebraska-Lincoln  
USA

Mustapha Nabli  
The World Bank  
USA

Raed Safadi  
Economic Development Authority  
UAE

Ibrahim Elbadawi  
The World Bank  
USA

Jeffery Nugent  
University of Southern California  
USA

Djavad Salehi-Isfahani  
Virginia Tech University  
USA

Jean-Philippe Platteau  
University of Namur  
Belgium

Insan Tunali  
Koç University  
Turkey

#### Editorial Board

François Bourguignon  
Paris School of Economics  
France

James Robinson  
Harvard University  
USA

Tarik Yousef  
Dubai School of Government  
UAE

# Research Activities

Research activities moved on 4 parallel tracks in 2008: (i) continuing to run various research competitions, (ii) managing research projects, (iii) responding selectively to requests for policy advice, and (iv) initiating a multi-year, multi-topic research agenda to be undertaken over the next 3-5 years. Below is a brief description of each of these activities.

*"Four new rounds of research competition"*

## Research Competitions

In 2008, ERF continued to run the competitions related to the Annual Conference, the GDN research competition, and jointly with the Institut de la Méditerranée (IM), the FEM-ISE competition. In addition, it ran a new research competition on environmental economics. In each of these cases, an attempt was made to improve both the process of the call for papers and the screening of proposals.

With respect to the **14th Annual Conference**, the call for papers was kept open in terms of themes to accommodate researchers of varying areas of interest. However, half of the award for each paper selected and presented in the conference was conditioned upon its publication in a refereed journal. In addition, the plenary sessions were linked through the common theme of "Institutions and Economic Development". Beside the contributions of prominent researchers from the ERF region, several international economists participated in these plenary sessions. The list included Jean-Phillipe Platteau, Facultés Universitaires Notre-Dame de la Paix; James Robinson, Harvard University; and Dani Rodrick, Harvard University.

Of the 297 submissions received, more than 50 papers were selected for presentations in the conference under the themes of: macroeconomics, finance, labor and human development, international economics, microeconomics and institutional economics. Six papers were further selected for the "Best Paper Award" to promote excellence.

The second competition is related to the 8th Round of the **ERF-GDN Regional Research Competition**. The big change introduced last year was in terms of focusing the call for papers on the theme of "Social Policies for More Equitable Outcomes in MENA" rather than the 5 or 6 themes covered under the annual conference to avoid duplication. The shift was also intended to accumulate fresh knowledge on a challenge facing many countries in the region at this point in time.

In response to the call for papers, ERF received 24 proposals, 11 of which were selected by the refereeing committees (see Box 2 for a listing of selected projects). These projects fall under the sub-themes of: Growth, Equity and Poverty;

## Box 2. Projects Selected under the 8th Round of the ERF-GDN Competition

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

*Adam Elhag Ahmed*, (Team Leader), University of Khartoum  
*Ali Abdel Aziz Salih*, University of Khartoum  
*Somaia Raghim Gafar*, Upper Nile University

### The Gendered Aspects of MSEs in MENA: Evidence from Egypt and Turkey

*Fatma El-Hamidi*, (Team Leader), University of Pittsburgh  
*Cem Baslevant*, Istanbul Bilgi University

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

*Mouna Cherkaoui*, (Team Leader), Mohamed V University  
*Touhami Abdelkhalek*, Institut National de Statistiques et d'Economie Appliquée  
*Aurora Angeli*, University of Bologna  
*Sami Bibi*, University Laval, Quebec  
*Belkacem Laabas*, Arab Planning Institute  
*Heba El-Laithy*, Cairo University  
*Mohamed Ali Marouani*, Université Paris 1, Pantheon-Sorbonne

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

*Ghassan Omet*, (Team Leader), Arab Academy for Banking and Financial Sciences  
*Ibrahim Saif*, The University of Jordan

### Does Agricultural Trade Liberalization Help the Poor in Tunisia? A Micro-Macro View in a Dynamic General Equilibrium Context

*Nadia Belhaj Hassine*, (Team Leader), University of Nabeul - Tunis  
*Sofiane Ghali*, University of Nabeul - Tunis  
*Bernard Decaluwé*, Université Laval- Canada  
*Véronique Robichaud*, Université Laval- Canada

### The Dynamics of Poverty and Inequality in an Era of Economic Liberalization: The Case of Egypt

*Alia El Mahdi*, (Team Leader), Cairo University  
*Shireen AlAzzawi*, American University in Cairo  
*Mona Said*, American University in Cairo

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

*Mohamed Benbouziane*, (Team Leader), University of Tlemcen  
*Samir Baha-Eddine Maliki*, University of Tlemcen  
*Abdelhak Benamar*, University of Tlemcen  
*Soumia Zirar*, University of Tlemcen

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

*Awad Mataria*, (Team Leader), Birzeit University  
*Rasha Khatib*, Birzeit University

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

*Mahmoud El-Jafari*, (Team Leader), Al-Quds University, Jerusalem

### Cash Targeting in Polarized Societies: The Case of Lebanon

*Nisreen Salti*, (Team Leader), American University of Beirut  
*Jad Chaaban*, American University of Beirut

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

*Edward Sayre*, (Team Leader), University of Southern Mississippi  
*Yousef Daoud*, Birzeit University

# Research Activities

*"Addressing regional knowledge gaps on environmental economics"*

Human Development; and Social Safety Nets. They cover 9 different countries, and, as noted earlier, 4 teams have been assigned mentors.

Regarding the **FEMISE Competition**, the 2008 round was guided by a new approach to the relationship between Europe and the Southern Mediterranean countries, in which the focus shifted from convergence on the basis of instruments (regulation and policies of all types) to convergence on the basis of outcomes (per capita income, equality, quality of life, .etc). The priority areas were redefined accordingly, taking on board further consultation with the European Commission and national and international experts. The outcome of the competition was 29 submissions, where 16 are led by institutes from the South Med region. All will be refereed carefully and the final selection of projects for funding will be made by the selection committee in September 2008.

Finally, ERF initiated a fourth competition on environmental economics. This competition is part of a larger project on **Environmental Challenges Facing the MENA Region**, funded by IDRC. The project was initiated in April 2008, and will last for 3 years. Its aim is to address glaring knowledge gaps in this area in the MENA region. The call for papers is only one component of the project; the other is an integrated multi-coun-

try research project focusing on the effectiveness of incentives in ameliorating environmental problems in the region (discussed below).

The call for papers was announced in July 2008 under the title of "New Frontiers in the Economics of Environment in MENA". Interested researchers were asked initially to submit a 2-page proposal, which is now being screened for viability. Successful submissions will be invited to submit much fuller proposals, which will be subjected to a more careful evaluation by a refereeing committee. Thus far, ERF has received 22 proposals.

## Ongoing Research Projects

Within the category of ongoing research projects, the multi-country study on **Access and Equity in Higher Education: A Comparative Assessment of Financing Policies in Six MENA Countries** proceeded well. The pilot case study for Egypt has been completed, covering an assessment of the adequacy, efficiency and equity of public expenditures, the factors that are likely to complicate the financing of higher education in the future and an assessment of actions taken to date to meet these challenges. At the same time, 5 teams have been assembled for the country case studies of Morocco, Tunisia, Syria, Lebanon and Jordan, and an advisory committee is being formed. A regional workshop

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for the discussion of all draft country cases is planned for February 2009 and a regional conference will follow in June of the same year.

The project on ***Environmental Challenges Facing the MENA Region***, funded by IDRC, was initiated in April 2008. As noted already, it is designed to begin a process of addressing knowledge gaps in the area of environmental economics in the MENA region. Beside the call for papers, discussed above, a concept note is now being developed to formulate the various research papers on the role of incentives, or lack thereof, in shaping environmental outcomes in the region. Once this concept note is completed and reviewed by experts in the field, a team will be assembled to conduct the research. The plan is to disseminate the findings of this component of the project in the form of a regional conference and an edited volume.

The project on ***Liberalization of Trade in Services*** is also coming to conclusion. Supported by IDRC and carried out in collaboration with OECD, the study is intended to measure the extent to which a sample of countries in the Middle East and North Africa have liberalized their trade in services, explore the economic implications of progress (or lack thereof) of liberalization to date and outline the best strategy for moving forward. Thus far, 4 country cases have been analyzed, so has a

paper measuring the welfare implications of restrictiveness of services in selected countries. A synthesis paper is being drafted capitalizing on these papers and two other sectoral papers. The services covered in the study include transport, communications and financial services. All findings will be presented in a special session at the ERF 15th Annual Conference, which will be held in Cairo, November 23-25, 2008.

### **Response to Policy Requests**

In an attempt to contribute to policy making, ERF responded to requests from the Arab League, the European Commission and the International Labor Organization on issues of investment flows within the Arab countries, social policies for Lebanon, and employment, respectively.

The paper prepared for the Arab League on ***Capital Flows in the Arab Region*** is part of the preparatory work led by the Arab League for the Arab Summit, which will be held in Kuwait in January 2009. The ERF paper documented different types of capital flows within the region, identified a number of policy and institutional constraints acting to retard fuller regional integration, and provided a menu of options to maximize the gains to both capital rich and capital poor countries in the region.



# Research Activities

*"Mediating between political parties to achieve a socio-economic vision for Lebanon"*

The work carried out under the heading of ***Economic and Social Development for Lebanon*** is very different from anything ERF has done in the past in the sense that it involved mediation between the Lebanese political parties to help them develop a socio-economic vision for Lebanon. It was in response to an invitation from the EU delegation in Lebanon to ERF and IM under the umbrella of FEMISE. The process was initiated in April 2007 with a 2-day meeting that successfully brought all parties to agree on a common socio-economic vision for Lebanon. The second meeting, held in 2008, was a follow up to this meeting and focused on integrated social policies for Lebanon. It involved the preparation of a background paper, based on which different parties prepared their initial positions. And following a 2-day face to face meeting, a common communiqué was signed by all political parties and a press conference was held. The plan is to hold three other meetings next year, each one covering a specific topic.

Finally, ERF prepared two papers on employment. The first was prepared for the ILO on ***Constraints and Policy Challenges to Link Skills to Productivity to Decent Work in the Arab States***. This paper was used by the ILO in the preparation of their 2008 global report on "Skills Productivity, Employment Growth and Development". The paper explored the extent to which there is


a mismatch between the outcome of the educational and training systems and labor market demand in the region, identified the root causes of the problem, and proposed policies to close the gap in selected Arab countries.

Along the same lines, ERF, jointly with IM under the umbrella of FEMISE, produced a paper on ***Labor Market Challenges in the Mediterranean Countries***. The paper was presented at an EU-Med workshop on employment. It focused on the problem of unemployment, especially in terms of its nature, trend, causes and possible remedies. It also included a quantitative and qualitative profile of the labor market in 10 south Mediterranean countries.

## **New Research Initiative**

Perhaps the most significant development last year was the initiation of a multi-year multi-topic research agenda under the heading of ***Research Initiative for Arab Development (RIAD)***. The main objective of this initiative is to help scale up and enhance the quality of economic research in the Arab world in order to bridge the knowledge gap and ultimately help support efforts in the region to strengthen and deepen the reforms and achieve the economic, social and institutional transformations needed to meet its development challenges.

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This initiative has thus far received support from the World Bank's Global Development Facility (GDF) and the Arab Fund for Economic and Social Development (AFESD). Other partners may follow suit.

The initiative will focus on the themes of equity and inequality, the environment, management of oil revenues and economic diversification, regional integration and institutions and institutional change. The exact configuration of the research and dissemination agenda under each of these themes will be developed through a consultative process, starting with the preparation of an approach paper. This approach paper will take stock of research in the area under consideration, identify knowledge gaps and propose priority research questions. In addition to work under these 5 themes, the initiative also includes the production of an ERF thematic report on a topical issue every 18 months.



# Communications and Outreach

In 2008, ERF continued to disseminate its research findings through the organization of events across the region and the production of various publications, relying to a larger extent on the ERF website as a means of communication.

## Conferences, Seminars and Workshops


During the period under consideration, ERF organized 2 large conferences in Cairo and Marseille and 2 seminars in Yemen and Beirut. In addition, ERF, jointly with FEMISE and the University of Tunis Al Manar, are preparing for a seminar on monetary policy.

The first major conference was the ERF **14th Annual Conference**, which was held in Cairo during the period December 28-30, 2007 with the support of the Arab Fund for Economic and Social Development

(AFESD) and contributions from the Ford Foundation. The theme of the plenary sessions was "Institutions and Economic Development". This conference broke previous records both in terms of submissions and attendance. For the first time, ERF received 297 submissions, of which more than 50 papers were presented in 6 parallel sessions over three days. In addition, the conference hosted two special events on youth employment in the MENA region and liberalization of trade in services. The plenary sessions featured international speakers



ERF 14th Annual Conference, December, 2007, Cairo, Egypt. From left to right: Ahmed Galal, Economic Research Forum; Abdlatif Al-Hamad, The Arab Fund for Economic and Social Development; Dani Rodrik, Harvard University.



such as Jean Phillipe Plateau, James Robinson and Dani Rodrick. And the closing session witnessed the celebration of the winners of the Best Paper Award. The conference was attended by as many as 270 scholars, mostly from the region but also from abroad. It provided ample opportunities for learning, peer reviewing and rich discussions.

The preparation for the **15th Annual Conference** is currently underway. This conference will be held in Cairo, November 23-25, 2008 under the theme of "Equity and Economic Development". It will follow closely the design of the 14th Annual Conference. (For more details, visit the ERF website: [www.erf.org.eg](http://www.erf.org.eg)).

The second major conference organized by ERF and IM under the umbrella of FEMISE, is **FEMISE's Annual Conference**, which was held in Marseille, France, November 22-23, 2007. The conference was attended by more than 100 participants, including representatives from the 74 member institutions of the FEMISE network, the European Commission and other academics. It included three plenary sessions and ten parallel sessions. The plenary sessions included presentations by members of the network as well as representatives of the European Commission (Marcus Cornaro, Laura Baeza and Pierre Deusy). The speakers assessed the nature of the relationship between countries of the north and south Mediterranean region and how

the research community through FEMISE can contribute to a better understanding of this relationship for the benefit of both parties.

The Yemen Country Profile seminar was held in Sana' on March 29th, 2008 to launch the **Yemen Country Profile Report**. It was attended by government officials as well as representatives of international organizations, the private sector and eminent academia. The presentations by the authors of the report triggered a lively debate, leading to a broad consensus on the most important challenges facing Yemen today and the best ways to address these challenges. Starting from the premise that Yemen needs to accelerate economic growth, expand job creation and achieve stabilization, the participants noted that the main challenges facing the country are population growth, water shortage, qat plantation and consumption, human resources development, and poverty. To address these challenges, they called for the adoption of policies, especially with respect to governance and openness to the global economy.

The **Inter-Lebanese Forum on Economic and Social Development** was held under the auspices of the EU delegation on April 21-22, 2008, and was followed by a press conference. ERF took the lead on the substantive preparation and moderation of the dialogue between different political parties represented in parliament.



# Communications and Outreach



Yemen Country Profile Seminar, March, 2008, Sanaa, Yemen. From left to right: Mutahar Al-Abbasi, Ministry of Planning and Development, Yemen; Nasser Al-Aulaqi, Sanaa University; Tarik Yousef, Dubai School of Government.

The topic discussed was Social Policies for Lebanon. The discussion was divided into three sessions, one covering the link between economic growth and social development, a second covering the efficiency and equity in the provision of such social services as health and education, and a third dealing with safety net measures. Perhaps the most tangible and concrete result, beside a broad agreement on the above issues, was the endorsement by all participants of the need to establish a national pension system and a national health insurance system, both of which are currently lacking in Lebanon. This Forum is the first of four Forums that ERF and the IM will organize in Lebanon.

Finally, ERF has been engaged in the preparations for a seminar that will take place in Tunisia on October 24-25,

2008 under the title of **"Monetary Policy and Inflation Targeting"**. This seminar is being organized jointly with FEMISE and the University of Tunis El Manar. It builds on research undertaken by ERF affiliates as well as researchers from the FEMISE network. It will be attended not only by academicians, but also policymakers, especially from central banks. The sessions will focus on the state of readiness of countries in the region to adopt inflation targeting, including financial soundness, central bank independence and monetary transmission mechanisms (MTMs). The country coverage is not limited to Egypt, Tunisia, Morocco and Turkey, but will be extended to cover the experience of transition countries in East Europe and other European experiences.



## Publications

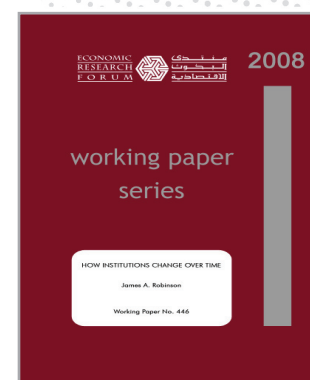
As activities increased in 2008, so did the volume of publications. In particular, the fiscal year 2007/08 saw a record number of 76 working papers. It also saw the production of a conference proceedings volume, the preparation for production of an edited volume, the issuing of 2 editions of the Forum newsletter, and the publication of a Research report and 6 country profile reports in Arabic. A full list of publications in 2007/08 can be found in Annex B of this report.

For most of the duration of the fiscal year 2007/08, ERF was able to sustain a steady flow of **Working Papers** sent out weekly via email and posted online on the ERF website. In total, 76 working papers have been published, proving that the new electronic method of publishing and dissemination is an effective outreach mechanism. The papers published in this series are drawn primarily from the pool of papers sponsored by ERF, either in the context of the annual conference, research competitions or sponsored projects.

As for **Volumes**, ERF published a conference proceedings volume of the 14th Annual Conference under the heading of Institutions and Economic Development. The selection of papers was guided by both quality and their relevance to the theme of the conference. More concretely, the volume includes 14 chapters,

organized in three parts. The first part includes the papers presented in the plenary sessions by such distinguished scholars as Mustafa Nabli, James Robinson, Hadi Salehi-Esfahani and Jean-Philippe Plateau. The second part comprises 4 chapters selected from the papers presented in the parallel sessions on institutions. The third part contains 6 chapters, all of which were awarded the "Best Paper Award".

The second volume, **Egypt's Labor Market Revisited**, is still in the process of production and is expected to come out in February 2009 as a publication of ERF and the American University Press in Cairo. It is a sequel to a 1998 volume published by ERF by the same editor, Ragui Asaad. The true significance of this volume lies in the fact that it relies on fresh data and employs solid analytical techniques to analyze a wide spectrum of pertinent labor market issues in Egypt. The range of topics includes labor supply, employment and unemployment, youth labor market school-to-work transition, internal and international migration, earnings and inequality, and gender and education. The papers are based on data collected in the Egypt Labor Market Panel Survey in 2006 (ELMPS 06). The ELMPS 06 was an extensive panel survey conducted by (ERF) in cooperation with the Population Council and the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) as a follow-up





# Communications and Outreach



to the Egypt Labor Market Survey of 1998 (ELMS 98), also conducted by ERF. Because ERF views the data as a public good, serving the interest of both the research and policy communities, this data set is made available for public use on the ERF website ([www.erf.org.eg](http://www.erf.org.eg)).

The third type of publication in 2008 is the **Country Profile Reports**, which is a series in its own right intended to stimulate policy dialogue in the countries where the research was carried out. Last year, ERF translated 7 Country Profile reports into Arabic and published them online. They are the Country Profiles of: Jordan, Palestine, Syria, Morocco, Lebanon, Algeria, and Tunisia. Three new country profile reports in English are in progress, and will be published before the end of the calendar year 2008. These are Bahrain, Oman and Yemen country profiles. The country profile for Yemen will subsequently be translated and published in Arabic, to achieve maximum outreach and impact.

The fourth publication was a **Research Report** on "The Political Economy of Trade Policy in the Middle East and North Africa: A Study of Selected Sectors in Egypt and Morocco." This report was the outcome of research carried out as part of a research project aimed at analyzing the political economy of trade policy in Egypt and Morocco. The main objective was to determine the factors

that influence the design and implementation of trade policy in selected industries in the two countries, as well as to suggest alternative scenarios for organization and management of relations between the state and the business sector within a conflict-laden trade liberalization context. Egypt and Morocco were selected as pilot countries with the possible extension of the project in the future to include other Middle East and North Africa countries. The report was published online, and disseminated by email.

The fifth publication is the **Forum Newsletter**, which was published in January 2008 and July 2008. The first edition covered the 14th Annual Conference, and included articles on two of the plenary sessions: Institutions and Economic Performance, and Economic versus Political Competition. The second edition focused on education, based on ERF sponsored research and written by ERF fellows. Both editions also highlighted ERF news, events and latest publications and were published online and disseminated electronically.

The ERF **website** underwent a re-design in terms of function and visual identity this year. This re-vamp was only the first step to improving the communication capacity of this tool for the ERF community. Since its launch, the website has undergone continual assessment and upgrading of its various functions and there are plans in the future to consider building an Arabic version of the website, as well introducing other functions to increase its networking and communication capacity. As a result of

these improvements, there has been a substantial increase in website activity. As indicated in Table 2, the average number of visits per day, page views and the average visit length increased in 2008 compared with previous years.



**Table 2. ERF Website Summary of Activities**

Indicators	2006-2007	2007-2008
Average Number of Visits per Day	839.5	978.5
Visits	21,027	21,161.5
Average Visit Length	0:20:00	0:35:00
Page Views	63,372.5	71,535
Average Page Views per Day	3,662.5	4,256
Unique Visitors	14,438	10,645

# Annexes

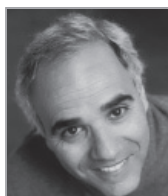
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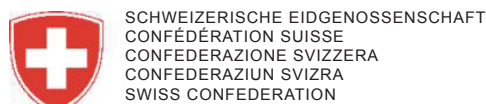
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## Annex B. Publications

### Volumes

*Institutions and Economic Development: Selected Papers from ERF 14th Annual Conference*

Conference Proceedings

*Egypt's Labor Market Revisited* (forthcoming February 2009)

Edited by Ragui Assaad

### Country Profile Reports

Jordan Country Profile (Arabic translation)

Syria Country Profile (Arabic translation)

Palestine Country Profile (Arabic translation)

Lebanon Country Profile (Arabic translation)

Morocco Country Profile (Arabic translation)

Algeria Country Profile (Arabic translation)

Tunisia Country Profile (Arabic translation)

### Research Reports

The Political Economy of Trade Policy in the Middle East and North Africa:  
A Study of Selected Sectors in Egypt and Morocco

*Hanaa Kheir-El-Din, Lahcen Achy, Akrum Bastawi and Ahmed Ghoneim*

### Forum

Forum Newsletter Volume 15, No. 1

Forum Newsletter Volume 15, No. 2

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# Annex B. Publications

## Working Papers

Labor Supply, Employment and Unemployment in the Egyptian Economy

*Ragui Assaad*

WP 0701

The Egyptian Youth Labor Market School-to-Work Transition 1998-2006

*Mona Amer*

WP 0702

An Overview of Internal & International Migration in Egypt

*Jackline Wahba*

WP 0703

Egypt Labor Market Panel Survey 2006 Report on Methodology and Data Collection

*Ghada Barsoum*

WP 0704

On Global Governance in the 21st Century

*Ismail Sirageldin*

WP 0705

The Changing Economic Environment and the Development of the Micro and Small Enterprises in Egypt 2006

*Alia El Mahdi and Ali Rashad*

WP 0706

Revisiting the Unfinished Debate of the Impact of Health and Environmental Measures on Egyptian Agro-Food Exports to the EU

*Dina Atef Mandour*

WP 0707

The Fall and Rise of Earnings and Inequality in Egypt: New Evidence from the Egypt Labor Market Panel Survey 2006 (ELMPS06)

*Mona Said*

WP 0708

The Structure of the Turkish Banking Sector after the 2000-2001 Crises: An Empirical Investigation

*Kivilcim Metin Ozcan and Nur Sevim Kafali*

WP 0709

A Test of the News Model of Stock Price Determination in an Emerging Market: The Case of Kuwait

*Sulaiman T. Al-AbdulJader and Imad Moosa*

WP 0710

Exporting, Productive Efficiency and Product Quality: An Empirical Analysis of the Agricultural Sector in the South Mediterranean Countries

*Nadia Belhaj Hassine*

WP 0711

Policy Reform in the Maritime Transport Sector: The Case of Turkey

*Subdey Togan*

WP 0712

Financial Guarantee as an Innovation Tool in Islamic Project Finance

*M.Kabir Hassan and Issouf Soumaré*

WP 0713

A Comparative Efficiency Analysis of Interest Free Financial Institutions and Conventional Banks: A Case Study on Turkey

*Savas Alpay and Kabir Hassan*

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Poverty and Geographic Targeting in Egypt: Evidence from a Poverty Mapping Exercise

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Determinants of Productivity in Morocco and Egypt - the Role of Trade?

*Michael Gasiorek, Patricia Augier and Gonzalo Varela*

WP 0716

Momentum in Emerging Markets: Investigation of Overconfidence and Cognitive Bias Factors

*Hamadi Matoussi and Faten Zoghlami*

WP 0717

Environmental Regulation and Trade: The Impact of Higher Water Costs on the Export of Tunisian Dates and Citrus

*Mohamed Matoussi and Mohamed Ayadi*

WP 0718

Water Demand Management in Arid Area: A DEA Input Distance Function Approach to Analyze Irrigation Efficiencies in South Tunisia

*Mounir Belloumi and Mohamed Matoussi*

WP 0719

Is There a Glass Ceiling in Morocco? Evidence from Matched Worker-Firm Data

*François-Charles Wolff and Christophe Nordman*

WP 0720

Early Retirement in Egypt: Preferences, Determinants and Policy Implications

*Fatma El-Hamidi*

WP 0721

A Comparative Analysis of Exchange Rate Fluctuations and Economic Activity: The Case of Egypt and Turkey

*Magda Kandil and Nergiz Dincer*

WP 0722

On the Linkage Between Monetary Policy and MENA Stock Markets?

*Samy Bennaceur, Adel Boughrara and Samir Ghazouani*

WP 0723

Cost Benefit Analysis of Desert Locusts' Control: a Multicountry Perspective

*Hala Abou-Ali and Mohammed Belhaj*

WP 0801

Normative Approach of Upstream-Downstream Relationships in the Tourism Sector: Implication for the Tourism Policy of the South Mediterranean Countries

*Riadh Ben Jelili, Hélène Djoufelkit-Cottenet and Abdelhakim Hammoudi*

WP 0802

Do Capital Inflows Cause Currency Black Markets in MENA? Causality Tests for Heterogeneous Panels

*Osman Suliman*

WP 381

Tourism, Capital Good Imports and Long-Run Growth

*Jean-Jacques Nowak and Mondher Sahli*

WP 382

Vertical Integration and Institutional Constraints on Firm Behavior: The Case of the Garment Industry in Egypt

*Amirah El-Haddad*

WP 383

The Role of Governance Institutions in Private Investment Decisions: The Case of Middle East and North Africa

*Ahmet Faruk Aysan, Mustapha Kamel Nabli and Marie-Ange Véganzonès -Varoudakis*

WP 384

Basel Accord and Lending Behavior: Evidence from MENA Region

*Samy Ben Naceur and Magda Kandil*

WP 385

Job Quality among the Non-wage Workers in the Agriculture and Non-agricultural Sectors in Egypt

*Rania Roushdy and Ragui Assaad*

WP 386

Raising Awareness of Alternatives to Public Sector Employment among Syrian Youth

*Nader Kabbani and Leen Al-Habash*

WP 387

# Annex B. Publications

## Working Papers

Rational Speculative Bubbles: An Empirical Investigation of the Middle East and North African (MENA) Stock Markets

*Jung-Suk Yu and M. Kabir Hassan*

WP 388

Financial Liberalization and Money Demand in Morocco  
*Younes Zouhar and Abderrahman Kacemi*

WP 389

Privatization and Financial Market Development: A Comparison between MENA Countries and Other Regions

*Samy Ben Naceur, Narjess Boubakri and Samir Ghazouani*

WP 390

Market Discipline and Deposit Insurance: Evidence from Some Middle Eastern Banks

*Ghassan Omet, Ibrahim Saif and Hadeel Yaseen*

WP 391

The Institutional Environment and the Banking - Growth Nexus: Theory and Investigation for MENA

*Mohamed Osman Suliman and Mahmoud Sami Nabi*

WP 392

Analysis of Attrition Patterns in the Turkish Household Labor Force Survey, 2000–2002

*Insan Tunali*

WP 393

The Impact of War and Terrorism on Sovereign Risk in MENA Countries

*Mahmoud Haddad and Sam Hakim*

WP 394

Monetary Policy Transmission and Targeting Mechanisms in the MENA Region

*Simon Neaime*

WP 395

Could the Behavioral Responses Justify the Absence of Direct Transfers to Fight Poverty in MENA Region?

*Sami Bibi*

WP 396

Impact of the 1999 Earthquakes and the 2001 Economic Crisis on the Outcome of the 2002 Parliamentary Election in Turkey

*Ali T. Akarca and Aysit Tansel*

WP 397

The Role of Government Activities in Explaining the Growth Failure of the Oil Exporting Countries

*Masoud Nili and Solmaz Moselhi*

WP 398

Impacts of World Prices Transmission to Domestic Markets and Welfare of Marginal Households: An Empirical Application to Rice in Iran

*Mohammad Bakhshoodeh*

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Emerging Market Sovereign Spreads, Global Financial Conditions and US Macroeconomic News

*Fatih Özatay, Erdal Özmen and Gülbin Şahinbeyoğlu*

WP 400

Parametric and Non-Parametric Approaches to Exits from Fixed Exchange Rate Regimes

*Ahmet Atıl Aşıcı*

WP 401

Agricultural Trade Liberalization and Poverty in Tunisia: Micro-Simulation in General Equilibrium Framework

*Mohamed Abdelbasset Chemingui and Chokri Thabet*

WP 402

Estimating The Size of Turkey's Informal Sector: An Expenditure Based Approach

*Nurhan Davutyan*

WP 403

Liberalizing Trade in Services in Tunisia: General Equilibrium Effects

*Saoussen Ben Romdhane*

WP 404

Technology Diffusion, International Spillovers and Human Capital in the Mediterranean Agricultural Sector

*Nadia Belhaj Hassine*

WP 405

Expansionary Fiscal Consolidations: New Evidence from Turkey

*Fatih Özatay*

WP 406

The Flexible Forms of Employment and Working Conditions: Empirical Investigation from Tunisia

*Ilham Haouas and Mahmoud Yagoubi*

WP 407

Using a Neural Network-Based Methodology for Credit-Risk Evaluation of a Tunisian Bank

*Hamadi Matoussi and Aida Abdelmoula*

WP 408

Illegal Trade in the Iranian Economy: Evidence from a Structural Model

*Mohammad Reza Farzanegan*

WP 409

The Macroeconomics of Workers' Remittances in GCC Countries

*Brahim Razgallah*

WP 410

The Monetary Transmission Mechanism in Egypt

*Rania Al-Mashat and Andreas Billmeier*

WP 411

Inference of Oligopoly Power with Limited Data: Manufacturing in Morocco

*Lahcen Achy, Azzeddine Azzam and Khalid Sekkat*

WP 412

Management of HAV in Countries under Conflict: Palestinian Case as a Cost – Consequences Analysis

*Sufyan Daghra, Awad Mataria and Khalid Abu-Khalid*

WP 413

Trade Liberalization, Gender Segmentation, and Wage Discrimination: Evidence from Egypt

*Fatma El-Hamidi*

WP 414

Trade Liberalization, Agricultural Productivity and Poverty in the Mediterranean Region

*Nadia Belhaj Hassine and Magda Kandil*

WP 415

Measuring Agricultural Productivity Growth in MENA Countries

*Mounir Belloumi and Mohamed Salah Matoussi*

WP 416

Could New Growth Cross-Country Empirics Explain the Single Country Growth of Syria during 1965-2004?

*Rabie Nasser*

WP 417

Foreign Aid and Economic Growth in Egypt and Jordan: An Empirical Analysis

*Bassam Abou al Foul*

WP 418

Regional Growth in Tunisia: Economic Geography Forces and Industrial Structure

*Zouhour Karray and Slim Driss*

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# Annex B. Publications

## Working Papers

Shift-Contagion in Middle East and North Africa Stock Markets

*Wajih Khallouli*

WP 420

FDI Contribution to Technical Efficiency in the Tunisian Manufacturing Sector

*Sofiane Ghali and Sami Rezgui*

WP 421

The Education Market in Egypt: A Game Theory Approach

*Tarek H. Selim*

WP 422

Measuring Water-Poverty Relationship In Algeria Using ROC Curves

*Samir B.E. Maliki and Abderrezak Benhabib*

WP 423

ICT, Market Contestability and Economic Performance: Lessons from ERF Countries

*Abdelhamid Mahboub and Doaa M. Salman*

WP 424

The Determinants of the Perception of Happiness about Quality of Life amongst Turkish People

*Kıvılcım Metin Özcan, Selin Sayek Böke and Mine Kara*

WP 425

External and Regional Shocks in the GCC Region: Implications for a Common Exchange Rate Regime

*Eisa A. Aleisa, Shawkat Hammoudeh and Yuan Yuan*

WP 426

Intertemporal Test of Beta Stationarity Performance of Islamic Sector Structured Mutual Funds

*Mahmoud Haddad, Ghassem Homaifar, Said Elfakhani and Hikmat Ahmedov*

WP 427

The Quality of Life of Palestinians Under a Chronic Political Conflict: Assessment and Determinants

*Awad Mataria, Rita Giacaman, Angelo Stefanini, Nirmla Naidoo, Paul Kowal and Somnath Chatterji*

WP 428

Macroeconomic Policy and Unemployment by Economic Activity: Evidence from Turkey

*Hakan Berument, Nukhet Dogan and Aysit Tansel*

WP 429

The Impact of Capital Requirements on Banks' Cost of Intermediation and Performance: The Case of Egypt

*Samy Ben Naceur and Magda Kandil*

WP 430

# Annexes

## Annex C. Financial Statements



**Hazem Hassan**

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### Auditor's Report

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

We have audited the accompanying balance sheet of Economic Research Forum (ERF) as of August 31, 2008, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the ERF's management. 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 in the light of applicable Egyptian Laws and Regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We have obtained the information and explanation that we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the financial position of Economic Research Forum (ERF) as of August 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

**KPMG Hazem Hassan**

**Cairo, Egypt**

October 14, 2008

# Economic Research Forum (ERF)

## Balance Sheet

As of August 31, 2008

	Note No.	31/08/2008 U.S.\$	31/08/2007 U.S.\$
<b>Assets</b>			
<b>Long-term Assets</b>			
Fixed Assets (Net)	(4)	38,097	37,206
Project under Construction	(5)	3,359,776	0
Long Term Investment	(6)	4,716,993	5,267,568
Contributions and Grants Receivables (long-term)	(7)	2,592,291	667,953
<b>Total Long-term Assets</b>		<b>10,707,157</b>	<b>5,972,727</b>
<b>Current Assets</b>			
Contributions and Grant Receivables (short-term)	(7)	2,506,004	1,533,092
Debtors and other Debit Balances	(8)	305,743	359,931
Cash at Banks and on Hand	(9)	3,208,636	2,069,318
<b>Total Current Assets</b>		<b>6,020,383</b>	<b>3,962,341</b>
<b>Total Assets</b>		<b>16,727,541</b>	<b>9,935,068</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Payables and Accrued Expenses	(10)	202,343	247,119
Provisions	(11)	350,662	339,150
<b>Total Current Liabilities</b>		<b>553,005</b>	<b>586,269</b>
<b>Net Assets</b>			
Unrestricted		3,862,690	993,912
Temporarily Restricted		4,385,098	3,512,738
Permanently Restricted		7,926,749	4,842,149
<b>Total Net Assets</b>		<b>16,174,537</b>	<b>9,348,799</b>
<b>Total Liabilities and Net Assets</b>		<b>16,727,541</b>	<b>9,935,068</b>

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



**Managing Director**



**Finance/Admin. Manager**

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

For the year ended August 31, 2008

	Note No.	Unrestricted U.S.\$	Temporarily Restricted U.S.\$	Permanently Restricted U.S.\$	Total 2008 U.S.\$	Total 2007 U.S.\$
(Note No.12)						
<b>Revenues and other Support</b>						
Grants		3,051,662	2,481,862	3,084,600	8,618,124	3,441,336
Interest on time deposits		53,998	0	0	53,998	55,851
Long term investments gain		246,307	0	0	246,307	239,986
Miscellaneous income		29,922	0	0	29,922	17,004
Provision no longer required		0	0	0	0	65,721
Capital gain		0	0	0	0	2,277
Foreign currency gain		43,135	0	0	43,135	29,824
<b>Total Revenue and other Support</b>		<b>3,425,024</b>	<b>2,481,862</b>	<b>3,084,600</b>	<b>8,991,486</b>	<b>3,851,999</b>
Net assets released from restrictions	(13)	1,593,728	(1,593,728)	0	0	0
<b>Total Revenue, Other Support and Net Assets Released from Restrictions</b>		<b>5,018,752</b>	<b>888,135</b>	<b>3,084,600</b>	<b>8,991,486</b>	<b>3,851,999</b>
<b>Less : Functional Expenses</b>	(14)	<b>(2,005,269)</b>			<b>(2,005,269)</b>	<b>(2,089,399)</b>
<b>Less : Provisions</b>	(11)	<b>(24,386)</b>			<b>(24,386)</b>	<b>(129,844)</b>
<b>Add (Less) : Unrealized Gain (Loss) from Investments</b>		<b>(120,318)</b>			<b>(120,318)</b>	<b>47,870</b>
<b>Changes in Net Assets</b>		<b>2,868,778</b>	<b>888,135</b>	<b>3,084,600</b>	<b>6,841,513</b>	<b>1,680,626</b>
Adjusted net assets at beginning of the year	(16)	993,912	3,496,963	4,842,149	9,333,024	7,668,172
<b>Net Assets at the End of the Year</b>		<b>3,862,690</b>	<b>4,385,098</b>	<b>7,926,749</b>	<b>16,174,537</b>	<b>9,348,799</b>

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

# Economic Research Forum (ERF)

## Statement of Cash Flows

For the year ended August 31, 2008

	Note No.	2008 U.S.\$	2007 U.S.\$
<b>Cash Flows from Operating Activities</b>			
Changes in Net Assets		6,841,513	1,680,626
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Flows Provided by Operating Activities</b>			
Fixed Assets Depreciation	(4)	23,082	18,537
Loss from fixed assets		129	(2,277)
Provisions	(11)	28,974	129,844
Unrealized (Gain) Loss from Investments	(6)	120,318	(47,870)
<b>Net Assets before Changes in Assets and Liabilities</b>		<b>7,014,016</b>	<b>1,778,860</b>
<b>Changes in Assets and Liabilities</b>			
Contributions and Grants Receivables	(7)	(2,897,253)	348,492
Debtors and other debit balances	(8)	54,188	(68,660)
Payables and accrued expenses	(10)	(44,776)	75,118
Provisions used during the year	(16)	(17,462)	(14,500)
Other changes in net assets		(15,775)	7,410
<b>Net Cash Provided by Operating Activities</b>		<b>4,092,938</b>	<b>2,126,721</b>
<b>Cash Flows from Investing Activities</b>			
Long term investments	(6)	430,257	(1,311,667)
Purchases of fixed assets	(4)	(24,813)	(31,250)
Project under construction		(3,359,776)	0
Disposal		0	2,205
Sale of fixed assets		714	2,277
<b>Net Cash (used in) Investing Activities</b>		<b>(2,953,618)</b>	<b>(1,338,435)</b>
<b>Change in Cash and Cash Equivalents during the Year</b>		<b>1,139,320</b>	<b>788,286</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>2,069,318</b>	<b>1,281,032</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	(9)	<b>3,208,638</b>	<b>2,069,318</b>

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

# Economic Research Forum (ERF) Notes to the Financial Statements

For the year ended August 31, 2008

## 1. Background

A. The Economic Research Forum (ERF) is an independent international, non-government, non-profit institution, working in Egypt based on a Circular from Government of Egypt dated August 2, 1995. ERF was working in Egypt through an annual agreement with the UNDP under Contract No. 0012365 ending December 31, 2009. According to Non-Governmental Organizations Law No. 84 for year 2002, all not-for-profit foreign organizations working in Egypt should acquire its legal status by registering as a Not-for-Profit Organization through the Ministry of Foreign Affairs. On January 3, 2005, ERF has submitted a request to the Ministry of Foreign Affairs to register under this law. Final approval from the concerned authorities has been issued in February 2005.

B. ERF is a regional network dedicated to promoting high quality economic research to contribute to sustainable development in the Arab countries, Iran and Turkey. ERF's core objectives are to build strong research capacity in the ERF region; to encourage the production of independent, high quality economic research; and to disseminate research output to a wide and diverse audience through mobilizing funds for well conceived proposals; managing regional research initiatives; training and monitoring programs seminars and conferences and publishing research output through various types of publications.

## 2. Accounting Basis

The financial statements of ERF have been prepared on the accrual basis and in accordance with the Egyptian Accounting Standards.

## 3. Summary of Significant Accounting Policies

Significant accounting policies used by ERF are described as follows:

### A. Project under construction

Expenditures incurred on construction of fixed assets are initially recorded in project under construction caption in the balance sheet. The asset is transferred to fixed asset caption, in the balance sheet, when it is completed and becomes ready for its intended use. Depreciation is computed from the date of commencing the use of the asset.

### B. Revenues and Expenses

I. Core contributions, grants and corporate friends are recognized as revenue when contracts are signed. These revenues are reported as restricted revenue (temporary/permanent) if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted revenues are reclassified to unrestricted revenues and reported in the statement of activities and changes in net assets as net assets released from restrictions.

II. Gain from investment (managed portfolios) is reported in the statement of activities and changes in net assets as unrestricted revenue when earned based on portfolio management financial reports.

III. Expenses are reported when incurred as decreases in unrestricted net assets.



# Economic Research Forum (ERF) Notes to the Financial Statements

For the year ended August 31, 2008

## C. Net Assets

I. Unrestricted net assets-Net assets that are not subject to donor-imposed restrictions.

II. Temporarily restricted net assets-Net assets subject to donor -imposed restrictions that may or will be met either by actions of the ERF and/or the passage of time.

III. Permanently restricted net assets-Net assets that are permanently restricted according to donors agreements that were awarded to ERF as endowment fund to ensure the long-term sustainability and should not be expended.

## D. Foreign Currency Transactions

Transactions are denominated in U.S. Dollars. Transactions in other currencies are translated at monthly exchange rate prevailing at the beginning of each month. Monetary assets and liabilities in other currencies are translated at the exchange rates declared by banks that the ERF deals with, at the end of the financial year. Foreign exchange gains or losses are recorded in the statement of activities and changes in net assets.

## E. Available for Sale Investments

Available for sale investments are recorded at their acquisition costs at the acquisition date. Available for sale investments are revaluated at year-end using the fair value of these investments at the date of revaluation. Revaluation differences are recorded in the statement of activities and changes in net assets.

Investment is invested in either bank time deposits or shares and stocks in accordance with the donors rules and regulations and ERF investments policies endorsed by the Board of Trustees. Income earned from long term investment is recognized either as

unrestricted or restricted net assets based on the conditions of the endowment agreements.

## F. Fixed Assets and Depreciation

Fixed assets are recorded at historical cost and are depreciated over the useful life of each asset using the straight-line method as follows:

Assets	Estimated Useful Life
Furniture	5 years
Equipment	3 years
Software	3 years

## G. Provisions

A provision is recognized in the balance sheet when ERF has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

## H. Impairment of Assets

The carrying amounts of the ERF's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of activities and changes in net assets.

## I. Statement of Cash Flows

Cash flow statement is prepared according to the indirect method. Cash and cash- equivalents are represented in cash at banks current accounts and time deposits with maturity of three months or less.

## J. Financial Instruments

Financial assets and liabilities are recognized on the ERF's balance sheet when ERF becomes a party to the contractual provisions of the instrument.

I. Financial assets: ERF's principal financial assets are cash on hand & at banks and accounts receivable. Accounts receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

II. Financial liabilities: Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include accounts and notes payables, and certain credit balances. Payables are stated at their nominal value.

## K. Use of Estimates

In the application of Egyptian accounting standards, management is required to make judgments, estimates and assumptions, about the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period, that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates used in the preparation of the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and

future periods. Estimates are used to account for, among other items, provision for doubtful debts, provisions for contingencies and accrued expenses.

## L. Advances to Researchers

Advances to researchers are recorded in the "Debtors and Other Debit Balances" upon transferring the advances to the researchers. The balance is reduced upon receiving supporting documents from the researchers with the corresponding amounts recorded as expenses in the statement of activities and changes in net assets.

# Economic Research Forum (ERF)

## Notes to the Financial Statements

For the year ended August 31, 2008

### 4. Fixed Assets (Net)

	Office Furniture U.S.\$	Office Equipment U.S.\$	Office Software U.S.\$	Publication Furniture U.S.\$	Publication Equipment U.S.\$	Library Furniture U.S.\$	Library Equipment U.S.\$	Project Equipment U.S.\$	Total U.S.\$
Cost as of September 1, 2007	14,567	133,679	20,274	3,547	38,925	14,300	94,576	1,056	<b>320,924</b>
Additions during the year	8,186	15,648	979	-	-	-	-	-	<b>24,813</b>
Disposals during the year	(2,409)	(17,450)	-	-	-	-	(9,989)	-	<b>(29,848)</b>
<b>Cost as of August 31, 2008</b>	<b>20,344</b>	<b>131,877</b>	<b>21,253</b>	<b>3,547</b>	<b>38,925</b>	<b>14,300</b>	<b>84,587</b>	<b>1,056</b>	<b>315,890</b>
Accumulated depreciation as of September 1, 2007	14,155	108,313	8,905	3,547	38,925	14,240	94,576	1,056	<b>283,717</b>
Depreciation for the year	1,501	14,710	6,839	-	-	32	-	-	<b>23,082</b>
Accumulated depreciation of disposals	(2,409)	(16,609)	-	-	-	-	(9,989)	-	<b>(29,006)</b>
<b>Accumulated depreciation as of September 1, 2007</b>	<b>13,247</b>	<b>106,415</b>	<b>15,744</b>	<b>3,547</b>	<b>38,925</b>	<b>14,272</b>	<b>84,587</b>	<b>1,056</b>	<b>277,793</b>
<b>Fixed assets (net) as of August 31, 2008</b>	<b>7,097</b>	<b>25,462</b>	<b>5,509</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>38,097</b>
<b>Fixed assets (net) as of August 31, 2007</b>	<b>412</b>	<b>25,367</b>	<b>11,369</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>37,207</b>

## 5. Project under Construction

Projects under construction included within the assets caption in balance sheet represents the purchase of land and building amounting to US\$ 3,359,776 which will be used as ERF new premises. The new premises was purchased on July 16, 2008 based on the approval of the board of trustees. ERF is in the process of registering the land and the building. The lawyer of ERF has completed major steps.

## 6. Long Term Investment

In February, 2006 a contract was signed between ERF and EFG-Hermes Financial Management (Egypt) Ltd. to invest its long term investments in debt securities, time deposits and secured money market instruments according to ERF investments policies endorsed by the Board of Trustees. The portfolio is represented in the following:

	31/08/2008 U.S.\$	31/08/2007 U.S.\$
• The cost of 8,000 Egypt Euro Bonds maturing July 11, 2011. The cost of each bond is \$120.2.	961,600	961,600
• The cost of 8,500 Tunisia Euro Bonds matured on September 19, 2007. The cost of each bond is \$113.	0	960,500
• ERG - Hermes Middle East and Development Africa (MEDA) subscriptions represent the cost of 43,830 investment certificate.	1,209,000	1,209,000
• The cost of 8,500 Dubai Bonds. The cost of each bond is \$97.338.	1,636,127	0
• The cost of 8,500 Orascom Telecom Bonds. The cost of each bond is \$113.	717,554	0
• CIB-Osool Fund subscriptions represent the cost of 5,202 investment certificate.	113,632	85,829
<b>Add: Unrealized Loss</b>	<b>(136,667)</b>	<b>(126,153)</b>
<b>Sub-total</b>	<b>4,501,246</b>	<b>3,090,776</b>
• Time deposit held at an interest rate 1.875% and renewed weekly.	121,900	1,957,896
• Time deposit held at an interest rate 1.5625% and renewed weekly.	93,847	218,896
<b>Sub-total</b>	<b>215,747</b>	<b>2,176,792</b>
<b>Total</b>	<b>4,716,993</b>	<b>5,267,568</b>

Long term investments is financed either through donors endowment funds (US\$4,205,275) or ERF own resources (US\$511,718). Due to the fact that the source of donors endowment financing is per-

manently restricted funds and ERF's management intention is to maintain investments financed from its own resources for a long period, investments were classified as long-term assets.

# Economic Research Forum (ERF) Notes to the Financial Statements

For the year ended August 31, 2008

## 7. Contributions and Grants Receivables

This item is represented in the following:

	31/8/2008	31/8/2007
	U.S. \$	U.S. \$
Long Term	2,592,291	667,953
Short Term	2,506,004	1,533,092
<b>Total</b>	<b>5,098,295</b>	<b>2,201,045</b>

## 8. Debtors and Other Debit Balances

This item is represented in the following:

	31/8/2008	31/8/2007
	U.S. \$	U.S. \$
Advances to employees	0	25,140
Advances to researchers	203,280	165,333
UNDP – current Account	1,862	29,063
Downpayments	22,915	52,324
Interest receivables	31,362	42,630
Prepaid expenses	39,632	34,230
Other debit balances	6,692	11,211
<b>Total</b>	<b>305,743</b>	<b>359,931</b>

## 9. Cash at Banks and on Hand

This item is represented in the following:

	31/8/2008	31/8/2007
	U.S. \$	U.S. \$
Bank time deposits *	991,762	1,041,761
Bank current accounts **	2,216,645	1,027,328
Cash on Safe	229	229
<b>Total</b>	<b>3,208,636</b>	<b>2,069,318</b>

\*The time deposit is presented in one time deposits due in one month with average interest rate of 3.48 % for time deposits in US Dollar. Time Deposit include an amount of US\$ 412,500 for the year 2008 and amount of US\$ 462,500 for the year 2007 related to donors specific agreements.

\*\*The current accounts include an amount of US\$1,049,295 for the year 2008 and amount of US\$ 919,315 for the year 2007 represents current accounts related to projects' agreements.

## 10. Payables and Accrued Expenses

This item is represented in the following:

	31/8/2008	31/8/2007
	U.S. \$	U.S. \$
Accounts payable	44,238	59,532
End of services payables *	137,084	151,551
Accrued expenses	21,021	36,036
<b>Total</b>	<b>202,343</b>	<b>247,119</b>

\* ERF policy for end of service payment is as follows:

Starting from the fiscal year 1998/99 the employee end of service payment equals the contribution made by the ERF and the employee as follows: 5% deducted from the monthly salary of the employees; 3-5% from employees' salaries contributed by ERF based on years in service with ERF.

## 11. Provisions

This item is represented in the following:

Provisions	Balance as of 31/8/2007	Additions During the Year	Used During the Year	Balance as of 31/8/2008
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Claims	286,371	7,061	0	293,432
Paid Vacations	52,779	21,913	17,462	57,230
<b>Total</b>	<b>339,150</b>	<b>28,974</b>	<b>17,462</b>	<b>350,662</b>

## 12. Temporarily Restricted Grants

This item is represented in grants from the following donors:

Donor	2008	2007
	U.S. \$	U.S. \$
World Bank	277,509	15,201
GDNet	270,000	682,000
New Femise Association	90,600	67,164
UNDP	20,000	0
ILO	19,000	0
International Development Research Center (IDRC)	741,923	306,143
Arab Fund for Economic and Social Development (AFESD)	553,500	346,300
Global Development Network (GDN)	498,180	624,149
Ford Foundation	11,150	275,000
CAWTAR	0	84,475
<b>Total</b>	<b>2,481,862</b>	<b>2,400,432</b>



# Economic Research Forum (ERF)

## Notes to the Financial Statements

For the year ended August 31, 2008

### 13. Net Assets Released from Restrictions

This item represents the temporarily restricted revenues released from restriction upon the satisfaction of the related donors' stipulated restrictions.

### 14. Functional Expenses

Activities	2008 U.S. \$	2007 U.S. \$
Research Programs	423,774	414,904
Events (Conferences, Workshops,.....)	317,910	590,218
Publications (Books, Reports, Online Subscription.....)	88,912	166,430
GDNet	458,399	342,532
Administrative Expenses	693,192	556,778
<b>Total Expenses Before Depreciation</b>	<b>1,982,187</b>	<b>2,070,868</b>
Depreciation	23,082	18,537
<b>Total Expenses Before Provisions</b>	<b>2,005,269</b>	<b>2,089,399</b>
Provisions	24,386	129,844
<b>Total Expenses</b>	<b>2,029,655</b>	<b>2,219,243</b>

### 15. Tax Status

#### I. Income Taxes

According to Tax law No. 91 of 2005 the ERF is not subject to income tax.

#### II. Salaries Tax

The salary taxes has been deducted and remitted to the tax authority starting from January 1, 2008.

## 16. Adjusted Net Assets at Beginning of the Year

	Restricted Net Assets
	U.S. \$
Balance as of 31/8/2007	9,348,799
Reduction of the project balances of several donors from temporarily restricted net assets. The project activities are satisfactory completed and no further fund will be received.	(15,775)
<b>Adjusted Balance as of 31/8/2007</b>	<b>9,333,024</b>

## 17. Financial Instruments and Related Risk Management

The financial instruments are represented in the financial assets (current accounts, time deposits, investments, contributions and grants receivables, debtors and other debit balances) and financial liabilities (payables and accrued expenses). The carrying value for these financial instruments represents a reasonable estimate for their fair value.

### A. Interest Rate Risk

Cash flows associated with certain financial instruments are subject to the risk of interest rate fluctuation. The ERF maintains time deposits at banks with fixed interest rates to avoid the effects of the negative fluctuation in the interest rates on the ERF result of operations. Additionally, the ERF follows other procedures to minimize such risk as follows:

- Making survey on the market interest rate on time deposits.
- Maintaining time deposits for a period of one week to three months.

### B. Foreign Currencies Risk

The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the ERF's cash inflows and outflows in foreign currencies, as well as the value of its foreign currency assets and liabilities. The fact that most of the ERF's sources of funds are in U.S. \$, Euro, Canadian Dollar, Swiss Frank and Kuwait Dinar while most of ERF's expenses are in Egyptian Pounds minimize such risk.