

Annual Report 2008

Private Initiative
for Public Interest

THE EGYPTIAN CENTER FOR ECONOMIC STUDIES



Editorial **Yasser Selim**, *Managing Editor (ECES)*
Layout and Production **Glow**, www.glowprinting.com

Copyright © 2009 The Egyptian Center for Economic Studies

Contents

THE EGYPTIAN CENTER FOR ECONOMIC STUDIES (ECES)	5
<i>The Center at a Glance</i>	5
<i>Message from the Chairman of the Board of Directors</i>	6
<i>Message from the Executive Director and Director of Research</i>	7
<i>ECES Board of Directors</i>	8
<i>Members of ECES</i>	9
ECES IN RETROSPECT	12
<i>Milestones</i>	12
<i>Notable Contributions</i>	12
2008 IN FOCUS	19
<i>Flagship Activities</i>	19
<i>Focused Projects</i>	21
<i>Distinguished Lectures</i>	25
<i>Egypt's Economic Statistics</i>	25
<i>Periodic Activities</i>	26
ECES STAFF	27
DISTINGUISHED CONTRIBUTORS	29
PARTNER ORGANIZATIONS	33
ECES PUBLICATIONS	34
FINANCIAL STATEMENTS	43



The Center at a Glance

- *ECES is an independent, non-profit research institute founded in 1992 by prominent members of Egypt's private sector.*
- *The mission of the Center is to promote economic development in Egypt by conducting and disseminating applied policy research. The aim is to develop viable policy options for Egypt in light of international experience.*
- *ECES research is conducted by the Center's staff, often in collaboration with local and international experts.*
- *The Center provides open forums for the exchange of views among key stakeholders through conferences, lectures and roundtable discussions.*
- *The Center's activities are carried out in the spirit of public interest.*



The Egyptian Center for Economic Studies
Nile City Towers – North Tower
8th Floor – Corniche El Nil, Cairo
11221 – Egypt
Tel.: (202) 2461 9037– 44
Fax: (202) 2461 9045
Website: www.eces.org.eg
Email: eces@eces.org.eg



Message from the Chairman of the Board of Directors

The true mettle of a think tank is best measured during times of turbulence. With the recent upheaval in the global financial markets, the Center's response was both prompt and appropriate. It invited a distinguished professor of financial policy, Lord John Eatwell, to give an international perspective on the crisis, including its causes and consequences and the required remedial action during these economically distressed times. The Center also conducted an in-depth study to assess the implications of the crisis for the Egyptian economy, including the financial sector, balance of payments and the state budget, as well as to highlight the opportunities and challenges inherent in the crisis.

Apart from addressing unforeseen events, the Center's research agenda during 2008 was both rigorous and relevant to the current thrust in Egypt's development efforts. To mention but a few examples, the agenda covered subsidy policy reform, the economics of nuclear energy generation, public-private partnerships in providing educational services, and industry and the environment. The service sector—being of paramount importance for development due to its forward and backward linkages in the economy—was selected as the theme of a large-scale research activity. This multi-faceted research project discussed the role and efficiency of services in general as well as in certain sectors such as tourism, construction, banking, wholesale and retail distribution, roads, information and communications technology as well as social and professional businesses.

The Center's high-caliber performance would not have been possible, however, without the commitment and hard work of the ECES management and staff. I would like to thank them all for a job well done, hoping the coming year would be a better year for both the global and local economy.

Mohamed Taymour

Chairman of the Board of Directors

▼ **Mohamed Taymour** is currently chairman of Pharos Holding Co. for Financial Investments and chairman of the Egyptian Center for Economic Studies. He is the founder and former chairman (1980-2005) of EFG-Hermes, Egypt's largest investment banking group. Dr. Taymour is also the chairman of the Egyptian Capital Market Association, and a member of the board of Egypt's Supreme Council for Reconstruction. ▼



Letter from the Executive Director and Director of Research

The outbreak of the global financial crisis in 2008 has thrown the global and national economy into uncertainty. The Center's response to the crisis was both *ex ante* and *ex post*. Early in the year, the Center extended an invitation to a distinguished professor of financial policy to discuss liquidity and the structure of the financial system. The quick turn of events later in the year, which coincided with the lecture, proved that the choice of topic was foresighted to a large extent. A thorough analysis of the fast developing global financial market was conducted to trace the origin of the crisis out of the belief that diagnosing the problem is already half the battle. In this respect, the Center produced three publications, the first shed light on the structure of the financial markets, while the other two probed its reflections on the Egyptian economy.

Nevertheless, the Center's vision remained focused on supporting the various development efforts in Egypt. The Center completed a large-scale research activity on the service sector. Developing an efficient and competitive service sector is an essential requirement for a strong economy. According to recent official figures, this sector accounts for 60 percent of GDP in Egypt and more than half of total employment. It is also of strategic importance in terms of its backward and forward linkages with other sectors of the economy and as such its efficiency is a determinant of the overall competitiveness of the Egyptian economy. Believing that education is the foundation of sustainable development of any nation, the Center explored public-private partnerships as a means of providing educational support services. Now that Egypt is exploring the nuclear option in electricity generation, the Center conducted a study of the economics of this demanding initiative.

These were just examples of research conducted in the course of the year. In what follows, the annual report offers an overview of the range of activities of ECES in 2008. It also includes the Center's financial statements, which highlight the financial position of ECES. Finally, I would like to stress that the above achievements would not have materialized without the professionalism of the ECES staff; I would like to thank them for their hard work and devotion.

Hanaa Kheir-El-Din

Executive Director and Director of Research

▼ **Hanaa Kheir-El-Din** is the current Executive Director and Director of Research at the Egyptian Center for Economic Studies (ECES), as well as a research fellow at the Economic Research Forum. She is a Professor of Economics at Cairo University where she has held successively the positions of Director of the Center of Economic and Financial Research and Studies (1985-1990) and Chairperson of the Economics Department (Faculty of Economics and Political Science) (1990-1996). She received a Ph.D. in Economics from the Massachusetts Institute of Technology. ▼

ECES BOARD OF DIRECTORS



Mohamed Taymour
ECES Chairman, Chairman, Pharos Holding Co. for Financial Investments



Moataz El Alfi
Chairman, Americana Group, Egypt



Omar Mohanna
ECES Vice Chairman, Chairman, Suez Cement Group of Companies



Mohamed F. Khamis
Chairman, Oriental Weavers Group



Hazem Hassan
ECES Secretary General, Chairman, KPMG Hazem Hassan Management Consultants



Raed H. Yehia
CEO, MAC Carpets



Mounir Abdel Nour
ECES Treasurer, Chairman, Hero Nutritional Food Industries



Shafik Boghdady
Chairman, Fresh Food Co.



Galal El Zorba
Chairman, Nile Holding Co.

MEMBERS OF ECES



Abdel Aziz Hegazy
Egypt's Former Prime Minister and
Honorary Member



Alaa Arafa
Chairman & CEO,
Arafa Holding Company



Abdel Salam El Anwar
Chairman & CEO, HSBC, Egypt



Aladdin Saba
Chairman, Belton Financial Holding
Co.



Ahmed Bahgat
Chairman, Bahgat Group



Ayman Laz
Chairman & Managing Director,
ASKA Financial Consultants



Ahmed El Maghraby
Minister of Housing, Utilities and Urban
Development, Egypt



Gamal Mubarak
Executive Director, Med Invest
Associates, London



Ahmed Ezz
Chairman, Ezz Industries Group



Hamza El Kholy
Chairman & CEO, First Arabian
Development & Investment Co.

MEMBERS OF ECES



Hassan Abdallah
Vice Chairman & Managing Director,
Arab African International Bank



Mohamed El Erian
Managing Director, Pacific Investment
Management Company



Hassan El-Khatib
Managing Director, Carlyle Group



Mohamed L. Mansour
Minister of Transportation, Egypt



Hesham Mekkawy
President, BP Egypt



**Mohamed Samir
Abdel Razek**
Vice President, Near East Proctor &
Gamble



Ibrahim El Moallem
Chairman, Dar El Shourouk for
Publishing and Printing



Mohamed Shafik Gabr
Chairman & Managing Director, Artoc
Group for Investment and Development



Khaled Abu Bakr
Managing Director, Arab Company for
Energy (Taqa)



Nassef Sawiris
CEO, Orascom Construction Industries

MEMBERS OF ECES



Rachid Mohamed Rachid

Minister of Trade and Industry, Egypt



Taher Helmy

Partner, Baker & McKenzie Law Firm



Yaseen Mansour

*President and CEO, El Mansour & El Maghraby for
Investment & Development*



Yasser El Mallawany

Chairman & CEO, EFG-Hermes Holding SAE

ECES IN RETROSPECT

MILESTONES

Establishment. ECES was established in 1992 under Law 32 of 1964 as a non-profit, non-governmental organization. It was founded with the objective of promoting economic development in Egypt by conducting and disseminating applied policy research in light of international experience. The Center's founders believed that the creation of an independent think tank was in the best interest of Egypt, especially that the economy was undergoing a process of transformation that continues today. Financially, ECES received support per an endowment agreement between the Egyptian government and the United States Agency for International Development (USAID). Support was also provided by the ECES members themselves as well as such organizations as the World Bank and the United Nations Development Programme (UNDP).

Take off. After a gestation period, during which the Center's physical infrastructure was put in place and key staff appointed, ECES initiated a number of research activities. However, it was in 1996 that the founders' vision was translated into a systematic work program with diverse activities, including regular forums for discussion and dissemination of research, and a series of publications. Since then, the strategy of the Center has been based on two main pillars: knowledge generation and knowledge dissemination. Knowledge generation is decidedly in favor of applied policy research, and knowledge dissemination is guided by the strong desire to reach out to as many stakeholders as possible, whether through open forums, publications, and/or the ECES website (www.eces.org.eg).

Sustainability. Slowly but surely, the Center has acquired a reputation for producing relevant, quality research and for offering objective advice on the economic challenges facing Egypt. This reputation helped the Center acquire an endowment of LE 50 million, which will ensure the independence and sustainability of ECES for years to come.

FOUNDING MEMBERS OF ECES

Moataz El Alfi
Americana Group, Egypt

Farouk El Baz
Boston University

Moustafa El Beilady
Beilady Group

Taher Helmy
Baker and McKenzie

Ibrahim Kamel
Kato Aromatic Co.

Mohamed Farid Khamis
Oriental Weavers

Ahmed El Maghraby
Minister of Housing, Egypt

Gamal Mubarak
National Democratic Party

Assaad Saman
Financial and Investment Studies Office

Galal El Zorba
Nile Holding

NOTABLE CONTRIBUTIONS

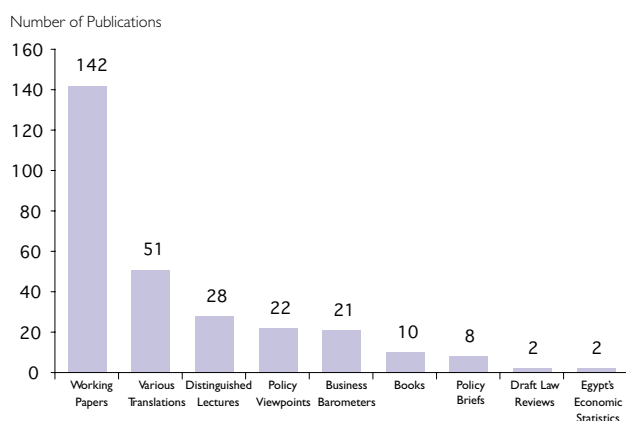
It would be difficult to recount the research and dissemination activities that ECES undertook over the past decade or so. Readers interested in the full range of initiatives are invited to consult the Center's website (www.eces.org.eg). This section only provides a summary of these activities and a brief description of ten research projects as examples.

SUMMARY

In terms of sheer numbers, by the end of 2008, ECES published as many as 142 working papers, 10 books, 28 distinguished lectures, 22 policy viewpoints, 21 editions of the business barometer, 8 policy briefs, 2 draft law reviews, 2 editions of Egypt's economic statistics as well as 51 various translations. The average is 24 publications per year (see Figure 1).

While most publications were written in English, some were written in Arabic and others were translated to ensure wide readership. For the same reason, the writing style of most of these publications is essentially non-technical.

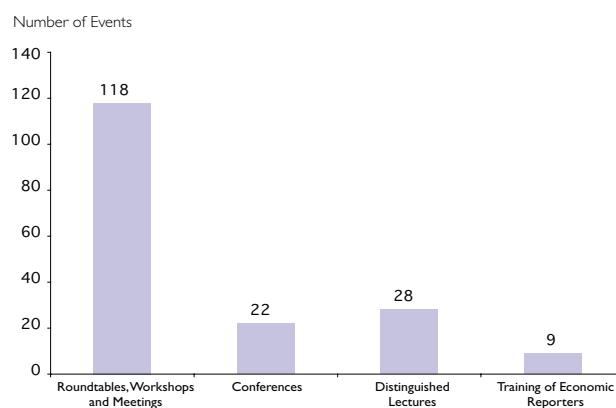
Figure 1. ECES Publications by Type, 1996-2008



Besides publications, during the same period the Center organized 177 forums for the exchange of views among different stakeholders, averaging at least one event per month. The number of conference participants typically exceeded 200, while each roundtable discussion included around 70 participants. In both instances, the speakers and participants were carefully selected to ensure diversity of views and representation. Policymakers, academia, private sector leaders, non-Egyptians, and members of civil society were invited, without prejudice to political affiliation.

To ensure wider dissemination, ECES paid special attention to the media and the development of a well-functioning website. With respect to the media, the Center established

Figure 2. ECES Events by Type, 1996-2008



a tradition of holding a three-day annual workshop for economic reporters. This workshop provides a forum for economic reporters to discuss topical issues and share best practices in effective economic reporting. As for the website, every effort was made to ensure it is user-friendly and continuously updated to convey information about the Center's recent and upcoming events. Also, in keeping with the spirit of public interest, visitors have been allowed to download ECES publications free of charge.

ECES publications

The Working Paper Series aims to present research findings in a timely fashion and to elicit constructive feedback.

The Distinguished Lecture Series features lectures given at ECES by renowned international scholars or practitioners.

The Policy Viewpoint Series reflects the official stance of ECES on key economic and policy issues. It is written in a concise and non-technical manner.

The Business Barometer is a biannual assessment of the state of economic activity in Egypt based on a sample survey of large firms.

Books are edited volumes of multiple related research papers.

The Draft Law Review Series aims to support economic reform efforts in Egypt by providing timely input on proposed legislation in light of international experience.

Egypt's Economic Statistics intended mainly for investors and the business community, this annual series provides summary data and information on the various aspects of the Egyptian economy.



The Egyptian Center for Economic Studies was selected in 2007 as one of the leading think tanks in the region in the report entitled «Global Go-To Think Tanks».

This report was issued by the Think Tanks and Civil Societies Program, which is part of the US Foreign Policy Research Institute. This project grew out of never-ending requests from journalists, scholars and government officials who wanted a list of the leading think tanks in a particular country or region of the world. «Global Go-To Think Tanks» is the culmination of 18 months of polling and surveying to create the first global ranking of think tanks. For more about this report, follow the link: www.homepage.villanova.edu/james.mcgann.

MAIN RESEARCH PROJECTS

In selecting research topics, ECES attempted to focus on issues that posed real challenges for the Egyptian economy, or those that were likely to do so in the future. In conducting the research itself, every effort was made to strike a balance between methodological rigor and policy relevance. Moreover, there was a serious attempt to capitalize on accumulated knowledge in developing options for policymakers in Egypt. Below is a brief description of ten of these projects, although the number of activities undertaken exceeds one hundred.



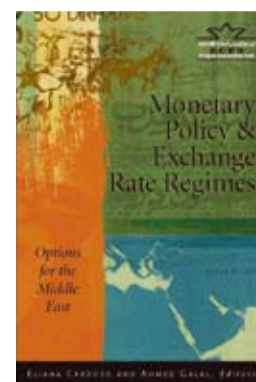
Growth Beyond Stabilization: Prospects for Egypt (February 1999). Left to right: Nancy Birdsall (Inter-American Development Bank); Taher Helmy (then Chairman of the ECES Board of Directors); Atef Ebeid (former Prime Minister of Egypt); Youssef Boutros Ghali (then Minister of Economy, Egypt).

Growth Beyond Stabilization

Having successfully completed a stabilization program in the early 1990s, it was important toward the end of that decade to search for a set of structural reforms that would allow Egypt to achieve higher sustainable economic growth. To this end, ECES organized an international conference that focused on four themes: achieving faster growth through trade liberalization; financial system reform to enhance economic growth; human capital development in an emerging market economy; and legal and institutional reform for economic growth. The conference was held in collaboration with the Center for Institutional Reform and the Informal Sector (IRIS) and the Harvard Institute for International Development (HIID). It featured such prominent speakers as Jeffrey Sachs and Steven Radelet (HIID), and Nancy Birdsall and Ricardo Hausmann (Inter-American Development Bank). In addition, the conference hosted some 700 participants from the government and private sector, as well as academics and professional economists from Egypt and abroad.

Monetary Policy

Egypt fixed its exchange rate during most of the 1990s, which brought the Egyptian pound under pressure and highlighted the need for an orderly exit strategy. To help in developing such a strategy, ECES conducted a large-scale research project to answer the following questions: Are the choices of exchange rate regime limited to hard fixing or fully floating? Are capital flight and banking crises avoidable? What is the best way to coordinate monetary and fiscal policies? Answers to these questions were developed by a group of international and local experts, including Michael Bordo (Rutgers University), Gerard Caprio (the World Bank), Eliana Cardoso (ECES), Mohamed El Erian (Pacific Investment Management Company and ECES), Faika El Refaie (Central Bank of Egypt and ECES), Ugo Panizza (American University of Beirut), Andres Velasco (Harvard University), and John Williamson (Institute for International Economics). The papers were first presented in a large conference in Cairo in November 2000, then published in the ECES working paper series and



Monetary Policy and Exchange Rate Policies: Options for Egypt (November 2000).

Left to right: Mohamed El Erian (Pacific Investment Management Company and ECES), Mohamed Ozalp (Ozone Financial Advisors), and Andres Velasco (Harvard University).

subsequently in a volume entitled "Monetary Policy and Exchange Rate Regimes: Options for the Middle East," edited by Eliana Cardoso and Ahmed Galal. The book was also translated into Arabic and published in collaboration with Al-Ahram Center for Translation and Publishing.

Trade Policy

Like other developing countries, Egypt followed an inward-looking strategy after World War II. In an attempt to help Egypt integrate into the world economy in a way that maximizes benefits and avoids shortcomings, ECES undertook several research projects on Egypt's bilateral and multilateral trade arrangements. The list includes the Egypt-EU association agreement; the US-Egypt free trade agreement; retaliation



Arab Economic Integration Between Hope and Reality (October 2001).

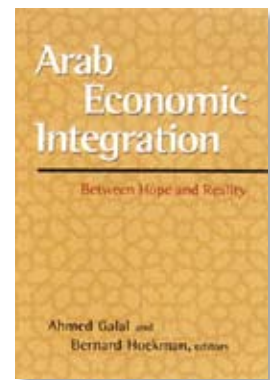
Left to right: Ian Boag (European Commission), Gamal Mubarak (NDP and ECES), Taher Helmy (then Chairman of the ECES Board of Directors), Youssef Boutros Ghali (then Minister of Economy), Ahmed Galal (then Executive Director of ECES).

under the WTO, trade policies for rapid development, Egypt's export policy and most notably a research project entitled "Arab Economic Integration between Hope and Reality." A brief description of the latter is given below.

Arab economic integration (AEI) has been on the agenda of Arab politicians, intellectuals and the public at large for some 50 years. During this period, several integration attempts have been made. The Arab League was created in 1945, providing a potential focal point for carrying out such a project. The driving force for AEI has been a belief that the formation of a united Arab economic bloc would strengthen the bargaining power of the region in an increasingly polarized world and offer the population an opportunity for better standards

of living. In support of this effort, ECES conducted a large-scale research project to explain the mystery of the persisting gap between the hope for Arab economic integration and the reality of the limited achievements to date. The goal was to offer policymakers in Egypt and other Arab countries an assessment of the merits and means of—and obstacles

to—pursuing regional integration in the future. Seven research papers were commissioned for the conference and were subsequently published in a volume edited by Ahmed Galal and Bernard Hoekman. A translation into Arabic was also published in collaboration with Al-Ahram Center for Translation and Publishing.



Employment and Unemployment

The issue of unemployment came to dominate the agenda of policymakers in Egypt toward the end of the 1990s. There were also questions about the capacity of the economy to generate 600,000 jobs a year to accommodate the new entrants to the labor market. To contribute to this discussion, ECES commissioned 10 papers to find out what could be done to boost job-creating growth in the short and medium runs; align the supply of labor with demand through reforms of the education system; and finally to make the labor market



Employment and Unemployment in Egypt (January 2002).

Left to right: Galal Amin (AUC), Said El Nagaar (New Civic Forum), Mustapha Nabli (the World Bank), and Hazem Biblawi (New Civic Forum).

less segmented and more flexible while protecting workers. These papers were presented in a large conference, and subsequently published in the Center's working paper series. The authors included local and international experts such as Mustapha Nabli (the World Bank), Maurice Guirgis (LTC Technico-Economics) and Ali Abdel Gadir (Arab Planning Institute, Kuwait). The conference was opened by Egypt's Prime Minister at the time, Dr. Atef Ebeid, and featured several prominent participants such as Gamal Mubarak (National Democratic Party and ECES), Mohamed Taymour (EFG-Hermes and ECES), Ahmed Ezz (Ezz Group and ECES), Hazem Biblawi and Said El Nagaar (New Civic Forum), and Galal Amin (the American University in Cairo). A summary of the main ideas was published in a policy viewpoint.

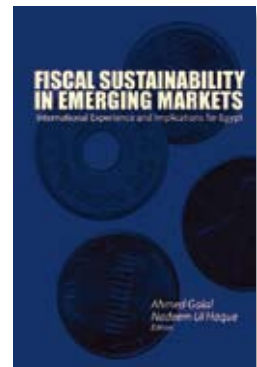
Fiscal Sustainability

Until 1991, Egypt had a chronic and large fiscal deficit that was brought under control in the context of a successful stabilization program. By the end of the 1990s, however, budgetary problems resurfaced and the budget deficit (and public debt) started growing in the context of rigid expenditures and revenues. Issues of fiscal sustainability became cause for concern, which prompted ECES to conduct a large-scale project to address the following questions: Is the level of fiscal deficit and public debt sustainable? Is government expenditure on investment, civil service, and social services efficient and equitable? Is the budgetary process sufficiently transparent? In seeking answers to these questions, the Center commissioned nine papers, which were presented in a large conference in October 2003 in the presence of the



Fiscal Sustainability and Public Expenditures in Egypt (October 2003). Left to right: Gannat El Samalouty (Cairo University), Heba Handoussa (ERF), Galal El Zorba (Nile Holding and then ECES Chairman of the Board), Nadeem Ul Haque (IMF), Samir Radwan (International Labour Organization).

Minister of Finance. Speakers included Willem Buiter (European Bank for Reconstruction and Development), Peter Montiel (Williams College), and Nadeem Ul Haque (International Monetary Fund). The papers were published in the working paper series as well as in an edited volume by Ahmed Galal (ECES) and Nadeem Ul Haque (IMF).



Formalization of Business and Real Estate in Egypt (January 2004). Left to right: Mounir Abdel Nour (Vitrac and ECES); Ahmed Galal (then Executive Director of ECES); Jack Kemp (Empower America); Medhat Hassanein (former Minister of Finance, Egypt); Faiza Abul Naga (Minister of International Cooperation); Hernando de Soto (ILD) and Taher Helmy (Baker & McKenzie).

The Informal Sector

Integrating the informal sector into mainstream economic activity in Egypt is critical to achieving the dual objectives of rapid economic growth and better income distribution. The informal business sector is large, accounting for more than 80 percent of entrepreneurs and employing over 40 percent of workers. The size of real estate informality is also significant, amounting to over 60 percent of assets. This means that a large percent of human and physical resources in Egypt are underutilized. To address this problem, ECES and the Institute of Liberty and Democracy (ILD, Peru) joined forces in conducting an extensive long-term study that concluded in 2004. The study identified the reasons behind widespread

informality in Egypt and offered concrete solutions (including draft legislation) to address the problem. The findings were presented to the Egyptian cabinet in January 2004, and immediately thereafter in a large conference in Cairo and another one in Washington, D.C. (in collaboration with the Institute of International Economics). While the comprehensive five-volume study was not published, the Center produced a paper on the potential winners and losers from formalization, which later appeared in an edited book by the World Bank. An ECES policy viewpoint on the issue was also published.



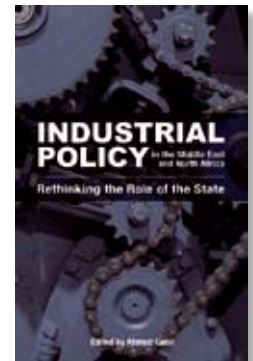
Rethinking the Role of the State: An Assessment of Industrial Policy in MENA (November 2005).

Left to right: Samiha Fawzy (Ministry of Trade and Industry), Ahmed Galal (then Executive Director of ECES), Mustapha Nabli (World Bank), and Marcus Noland (IIE).

Rethinking the Role of the State: An Assessment of Industrial Policy in MENA

Most governments in the MENA region use trade policy to protect certain industries, provide tax incentives to promote a particular type of investment, and make subsidized credit available to firms of a certain size. Such government intervention, known as industrial policy, was the topic of a large conference held by ECES on November 13, 2005.

Speakers in the conference included Hasan Ersel (Sabanci University, Turkey), Mona El Garf (Cairo University, Egypt), Ahmed Galal (ECES and the World Bank), Najib Harabi (University of Applied Sciences, Northwestern Switzerland), Mustapha Nabli (World Bank), and Marcus Noland (Institute for International Economics). The papers were published in the working paper series as well as in an edited volume by Ahmed Galal.



EGYPT ON THE ECONOMIC CUSP

“Egypt stands on the cusp of an economic revolution. If the reforms proposed by the ECES/ILD study are implemented, it will ignite the most far-reaching economic and social transformations since the Japanese, Korean and Taiwanese economic wonders were created in the aftermath of World War II.

If Egypt implements these reforms, it could ignite an economic transformation not only in the Middle East but throughout the entire Arab and Islamic world.”

Jack Kemp, Empower America
<http://www.townhall.com>

The Egyptian Economy: Current Challenges and Future Prospects



The Egyptian Economy: Current Challenges and Future Prospects (November 2006).

Minister of State for Economic Development Osman M. Osman delivers a keynote speech during the opening session.

The purpose of this conference was to take stock of key reforms undertaken in Egypt in recent years and discuss reform prospects in areas such as macroeconomic and institutional reforms. In addition, the conference focused on two specific sectors, namely, the healthcare and energy sectors.



From left to right: Mounir Abdel Nour (Vitrac and ECES), Hanaa Kheir-El-Din (ECES) and Hossam Badrawi (NDP) at the concluding session.

At the macroeconomic and institutional levels, the conference addressed topics such as growth, distribution and poverty reduction; monetary policy and exchange rate regimes; trade liberalization and competitiveness; unemployment and

job creation; and pension system reform. On growth and poverty reduction, specific policies and strategies were highlighted that would simultaneously lead to high and sustained GDP growth, more equitable distribution and a rapid reduction in poverty. Under monetary policy, the main objective was to present a review of the salient developments in the structure of

monetary policy in Egypt starting 1991 to 2005. The effect of depreciation of the Egyptian pound on consumer prices and its implications on the poor were also discussed. As for unemployment and job creation, a comprehensive assessment was conducted of the impact of diverse employment and macroeconomic policies on job creation in Egypt. Lastly, the newly proposed pension system was explained in detail and specific proposals were offered to ensure that the new system benefits all concerned parties including employees, employers and the national economy.

At the sectoral level, the conference focused on the *health-care and energy sectors*. The purpose was to assess each sector in three areas: financing, organization and policy management. With respect to the health sector, the conference explored alternative financing methods to help mobilize additional funds for health care development; analyzed the pros and cons of decentralization; and discussed ways of promoting public-private partnerships and improving public health management and performance. As to the energy sector, an analysis and forecast were conducted for Egypt's energy resources of oil and natural gas. An investigation was also conducted of the impact of removing energy subsidies in Egypt on energy-intensive industries.

This large-scale project involved commissioning several research papers, the findings of which were discussed in a widely-attended two-day conference in Cairo. Research papers were published in the working paper series as well as in an edited volume by Hanaa Kheir-El-Din.



Employment, Productivity and Poverty in Egypt

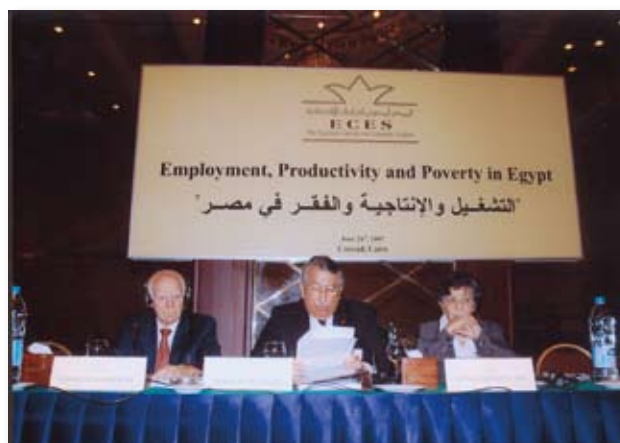
Economic growth reduces poverty through raising employment, and increasing labor productivity and real wages. It is sometimes claimed that raising productivity through modern technology and innovative production techniques reduces demand for labor. However, empirical evidence has shown that new technologies generate productivity growth and create more productive, higher-skilled and better-paid jobs. At the same time, raising incomes and reducing poverty improve workers' productivity since they will be able to enjoy better health and acquire more education.

Among the major issues facing the Egyptian economy are the increasing levels of poverty and income inequality. More recently, attention has focused on the impact of economic reforms on poverty reduction and job creation. The upsurge in economic growth that took place in the last few years was not correlated with a decline in the incidence of poverty.

While a large proportion of the new entrants to the labor market is absorbed by the informal sector, the types of jobs available in this sector are not productive enough and offer very low wages. In addition, the mismatch between the outcomes of the education system and the needs of the labor market raised unemployment rates.

The agricultural sector, which also absorbs a large share of the labor force, is deteriorating in terms of productivity and wage levels. The non-agricultural private formal sector is mainly dominated by micro and small enterprises. Despite the important role of these firms in creating jobs, they offer low wages and are mainly concentrated in traditional sectors, thus lack the capabilities to adopt new technologies and upgrade labor productivity. These factors reduced the ability of the economy to create productive jobs, raise income levels and consequently reduce poverty.

A large number of studies examined issues related to job creation policies and characteristics of the Egyptian labor market. Others dealt with the relationship between growth and poverty, while a third group of studies was concerned with measuring productivity. However, very little has



Employment, Productivity and Poverty in Egypt (June 2007).

From left to right: Werner Sengenberger (ILO), Hazem Hassan (ECES), and Hanaa Kheir-El-Din (ECES).

been written on the relationship between employment, productivity and poverty. Moreover, recent developments in the Egyptian economy in terms of high unemployment rates and widespread poverty coupled with high growth rates underscored the need to address the relationship between these issues, especially at the sectoral level.

The main research issues addressed by the conference include:

1. Employment and growth in the construction sector in Egypt: Informality and human capital development.
2. Employment intensity of growth in the Egyptian economy with reference to the manufacturing industries.
3. The main trade-offs between labor-intensive employment and productivity growth.
4. The constraints that face the agricultural sector and limit its ability to raise employment, increase productivity and reduce poverty.
5. How to enhance SMEs through linkages, clustering and networking with large firms?
6. Do female workers face wage discrimination or other constraints in landing decent jobs?

A one-day conference was held on 26 June 2007 to discuss the results of six research papers undertaken by in-house or outside experts. The opening session featured a rich keynote address delivered by Werner Sengenberger (ILO).

What Drives Prices in Egypt?



What Drives Prices in Egypt? (November 2007).

From left to right: Hanaa Kheir-El-Din (ECES), Mohamed Taymour (ECES), and Klaus Schmidt-Hebbel (Central Bank of Chile).

Over the past two years, the wide-ranging economic reforms pursued by the Egyptian government have led to robust economic expansion, a healthy external position and increased investor confidence. Notwithstanding these positive macroeconomic developments, inflation had been rising since April 2006, reaching 11.8 percent in October 2006 compared to 3.1 percent in October 2005. The average inflation since the beginning of fiscal year 2006/2007 was reported by the Ministry of Finance at almost 9.7 percent, compared to 3.9 percent during the previous year.

Clearly, inflation is costly to an economy. It redistributes both income and wealth. Earners of fixed income, especially civil servants and pensioners see inflation erode their real income. Unanticipated inflation redistributes wealth from creditors to debtors, helping borrowers and hurting lenders. Inflation impairs economic efficiency because it distorts price signals. By making it harder to distinguish between changes in relative prices and changes in the overall price level, inflation could lead to misallocation of resources. Greater uncertainty about future prices leads to rising real interest rates that tend to reduce the rate of investment and capital formation.

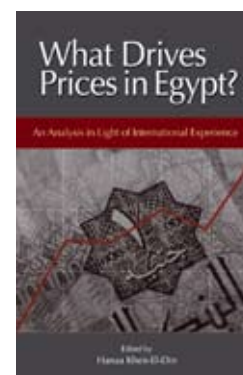
Inflation comes either from the demand side (aggregate demand rising more rapidly than the economy's productive potential), or from the supply side (rising production costs), or from structural factors (related to sectoral bottlenecks and institutions). But one key fact is that inflation develops an internal momentum that is difficult to stop once underway.

The purpose of this research was to identify factors driving prices in Egypt and their relative importance in an attempt to find a satisfactory balance between the growth performance and the price level.

This research project culminated in a two-day conference, held on 25-26 November 2007, which brought together leading academics, researchers, policymakers, prominent figures from private sector and the media to address the following questions in Egypt:

- 1- Inflation and growth in Egypt: Is there a threshold effect?
- 2- How accurate and reliable are the consumer and wholesale price indices?
- 3- How to implement a full-fledged inflation-targeting framework?
- 4- Does fiscal policy threaten price stability?
- 5- Wage growth and price inflation: which leads the other in Egypt?
- 6- Does product market competition reduce inflation?

Six research papers were conducted to address the above questions. While Egypt was the focus of the analysis, the papers drew on the relevant literature and international experience. Research papers were published in the Working Paper Series and are forthcoming in an edited volume by Hanaa Kheir-El-Din.



2008 IN FOCUS

In 2008, ECES completed one flagship activity (*Towards More Efficient Services in Egypt*) and seven focused projects (*Trade in Services through the Temporary Presence of Natural Persons: A Win-Win Formula for Egypt and the EU; Industry and the Environment: The Potential Impact of Recent Industrial Policy Changes in Egypt on the Environment; Public-Private Partnership in Providing Educational Services: Lessons for Egypt in Light of International Experience; Egypt's Nuclear Energy Potential; Price Subsidy or Building Capacities in Egypt?; Reforming the Wage System in Egypt's Government Sector; and the Global Financial Crisis and its Implications for Egypt*).

Up to ten expert group meetings were held during the year to address topical issues such as the launching of the World Bank's World Trade Indicators database, the current international financial crisis and the proposed people's ownership of state assets as well as to discuss research papers ahead of the ECES annual conference. In response to the international financial crisis, the Center also hosted a distinguished lecture (by Lord Eatwell) to give an overview of the causes and consequences of the crisis and discuss its implications for the Egyptian economy. In addition, the Center produced the second issue of its new publication entitled *Egypt's Economic Statistics*, and continued its periodic activities (*Business Barometer*, training of economic reporters, the annual survey of the competitiveness of the Egyptian economy and *Egypt's note in the African Economic*



Gianni Zanini (the World Bank) launches in ECES the World Bank's World Trade Indicators 2008.

Outlook report published by the African Development Bank, the OECD Development Centre and UNECA).

ECES continued to build strong cooperative relationships with prominent economic centers and institutions, both locally and internationally. To cite but a few examples, the Center contributed a study in the 2008 Egyptian Competitiveness Report published by the Egyptian National Competitiveness Council; collaborated with the University of Sussex and FEMISE by conducting a study on the rules of origin in the process of Euro-Med integration; and joined forces with OECD in assessing the enterprise policy of Mediterranean partners.

ECES widely disseminated research findings. In terms of numbers, the Center organized a two-day conference, six roundtable discussions, ten expert group meetings, one distinguished lecture, and a three-day workshop for training economic reporters. In terms of publications, ECES produced 16 working papers, two policy viewpoints, one distinguished lecture and two editions of the *Business Barometer*. The Center also completed the total renovation of its website in terms of its design and operability. In addition, ECES staff members participated in 17 forums organized by other institutions, locally, regionally and internationally.

Below is a brief overview of the above issues under the following headings: *flagship activities, focused projects, distinguished lectures, Egypt's Economic Statistics and periodic activities.*

Flagship Activities

In 2008, the Center carried out one large-scale research activity entitled "*Towards More Efficient Services in Egypt*."

Towards More Efficient Services in Egypt

Developing an efficient and competitive service sector is an essential requirement for a strong economy. According to recent official figures, the service sector accounts for 60 percent of GDP in Egypt and more than half of total employment. It is also of strategic importance in terms of its backward and forward linkages with other sectors of the economy and as such its efficiency is a determinant of the overall competitiveness of the Egyptian economy.



Opening Session: Abdel Hamid Mamdouh (WTO), Mohamed Taymour (ECES) and Hanaa Kheir-El-Din (ECES).

Needless to say, developing a strong and competitive service sector is not a simple matter. Designing sound policy reform strategies requires meticulous analysis and appraisal of current challenges and future opportunities to reach optimal reform strategies. Such strategies would enable Egypt to participate effectively in international, regional and bilateral negotiations to liberalize trade in services. The ongoing negotiations under the General Agreement on Trade in Services (GATS) of the WTO and the upcoming regional negotiations with the EU place considerable demands on the decision-making capabilities of the Egyptian government.



Closing Session: Madiha Khattab (NDP), Hazem Hassan (KPMG), Hanaa Kheir-El-Din (ECES), Ahmed Kamal Aboul Magd (National Council for Human Rights) and Farouk Ismail (Shura Council).

This flagship activity involved the commissioning of several sectoral studies that were initially discussed in a series of

expert group meetings with the participation of government officials responsible for service policies, private sector providers, academics and other stakeholders. This series of meetings started with an introductory seminar to provide an overview of the role of the service sector in general in Egypt and its strategic role in the process of development. It also reviewed the role of liberalization in the development of sound service sectors, drawing on examples of policy reform efforts in Egypt as well as in other countries at comparable levels of development. Finally, it reviewed international



Part of the audience at the ECES conference.

multilateral efforts under the WTO as well as regional endeavors related to the liberalization of trade in services as a means of promoting economic development.

The studies and expert group meetings culminated in a large two-day conference held on 22-23 December that presented an overview of the service sector in Egypt and its role in the Egyptian economy and discussed prerequisites for enhancing efficiency of services. It also focused on the main elements of an optimal and comprehensive strategy for certain sectors, namely tourism, construction, banking, wholesale and retail distribution services, roads, information and communications technology as well as social and professional business services. The conference discussed the role of each sector in Egypt's economy; the main challenges facing its further development; optimal strategies to address challenges; and recommendations for policy and regulatory reform.

Focused Projects

In 2008, the Center conducted seven focused projects as elaborated below.

Trade in Services through the Temporary Presence of Natural Persons: A Win-Win Formula for Egypt and the EU

With the stall in multilateral negotiations at the World Trade Organization (WTO), many countries are pursuing preferential trade arrangements in the area of trade in services at bilateral and regional levels, including the one between the European Union (EU) and Egypt. In that context, this study explored a range of strategic issues in one specific area of trade in services: the EU's liberalization of the 'supply of services through the temporary presence of natural persons', or what is known as 'Mode 4' under the WTO's General Agreement on Trade in Services (GATS). This study attempted to unravel some Mode 4 definitional myths—a



From left to right: Abdul Hamid Mamdouh (WTO), Hanaa Kheir-El-Din (ECES), Akrum Bastawi (Ministry of Trade and Industry), Samiha Fawzy (Ministry of Trade and Industry), Magda Shahin (TRAC-AmCham) and Johannes Bernabe (ICTSD).

crucial prerequisite to any bilateral agreement. Second, the authors found that the supply and demand dynamics of both markets create space for a win-win outcome for both parties. Such an outcome would require a serious effort to properly regulate and bilaterally manage the supply of services by Egyptian natural persons temporarily present in the EU. It would also require a profound understanding by

Egypt of (a) what constitutes Mode 4 activity, (b) the EU's internal rules on services and finally, (c) how to formulate workable negotiating proposals that reflect political realities.

Industry and the Environment: The Potential Impact of Recent Industrial Policy Changes in Egypt on the Environment

This research explored the general impact of industrial policy formulation in Egypt on the environment in the period from the 1970s to the end of the 1990s. The aim was to pinpoint the inconsistencies between the industrial and environmental policies in Egypt and ones within industrial policies themselves; to explore the impact of some of the most recent industrial policy changes on the environment (from 1997 to 2007); and finally to offer policy recommendations on how to strike a balance between industrial development objectives on one hand and environmental protection on the other hand drawing on other countries' experiences. The study revealed that the relation between industry and the environment in Egypt evolved over the years from phase one (prior to 1994): a one-player scenario with industrial institutions and policies focusing on industrial growth irrespective of environmental impact; to phase two (1994-2003): a two-player scenario where environmental institutions and policies try to mitigate the negative impact of industrial growth and expansion on the environment. From 2004 to date, Egypt has taken some positive steps forward but not enough to allow its



Abla Abdel Latif (American University in Cairo) presents the findings of her research on industry and the environment.

entry into phases three and four where the industrial and environmental camps become mutually reinforcing, jointly acting to achieve the objectives of industrial growth without jeopardizing the environment.

Public-Private Partnership in Providing Educational Services: Lessons for Egypt in Light of International Experience

This study discussed public-private partnerships (PPPs) as a means of providing public services, especially in the area of educational support services. The aim was to offer proposals for reform in light of international literature and experience. The study noted that PPPs have witnessed a boost in Egypt with the implementation of the economic reform program and granting the private sector a more active role in economic activity. Allowing the private sector to provide educational support services (e.g., building, maintaining, operating and financing schools) is a positive step forward, as it helps provide services and alleviate the burden on the treasury. However, it is important to conduct a cost/benefit analysis to ensure that the services provided by the private sector are less costly than other available alternatives, and to ensure proper compliance with quality standards. Although the study has favored this form of partnership, as it does not involve provision of education itself, a gradual approach is advisable to expand the role of the private sector in providing educational services, subject to setting up a quality assurance and accreditation authority.



Abdallah Shehata Khattab (ECES and Cairo University) discusses public-private partnerships (PPPs) as a means of providing public services in the area of educational support services.

Egypt's Nuclear Energy Potential



Tarek H. Selim presents an economic feasibility assessment of the use of nuclear power to generate electricity in Egypt.

Egypt has been planning a national program for the utilization of nuclear energy for electricity generation. In this context, this paper provided an economic feasibility assessment of the use of nuclear power to generate electricity in Egypt and identified the critical factors behind the choice of appropriate nuclear technology. The methodology applied is a pure economic analysis of demand and supply elements of Egypt's electricity sector using elasticity and factor decomposition. The study found out that nuclear technology is economically feasible to generate a progressive share of future electricity supply to meet increasing electricity demand in Egypt. From an economic perspective, nuclear energy is required to generate 4 percent of countrywide electricity supply by 2017, 10 percent by 2025, 12 percent by 2030 and 15 percent by 2050. The recommended choice of nuclear plant technology is Light Water Reactor (LWR) or evolutionary LWR. However, such feasibility is conditional on multiple critical factors including planning, implementation and lifetime operation.

Reforming the Wage System in Egypt's Government Sector

This study analyzed key features and problems of the civil service wage system; lessons learned from international experience in this regard; the current wage system from the perspective of civil servants; and strategic issues that

need to be addressed to reform the system. After dissecting the structure and composition of the current pay system, reviewing other countries' experiences with pay reform, and conducting structured interviews with a sample of government employees to solicit their views about the adequacy of pay, the authors identified a number of strategic issues and complementary strategies that are critical to resolving the problem. Foremost among the strategic issues were securing the needed extra funding for increased government employees' pay, right-sizing the civil service, enhancing transparency, reducing wage discrepancies, reforming the minimum wage policy and establishing a better link between pay and performance.



Doha Abdelhamid (International Development Evaluation Association) and Laila El Baradei (Cairo University) jointly present the results of their research on the civil service wage system.

Price Subsidy or Building Capacities in Egypt?

Following the floatation of the Egyptian pound in January 2003 and the resulting increase in domestic prices, the Government of Egypt (GoE) decided to reintroduce subsidies on several basic food items and to redistribute them through the ration card system, thus inflating the food subsidy bill. The subsidy bill has been further inflated starting 2006 after explicitly introducing previously implicit subsidies of energy products into the government budget. Although various subsidies have contributed to poverty alleviation, this has been achieved at a high cost including a heavy burden on the treasury, leakages to non-target groups, price distortions, wasteful consumption and misallocation of resources.



Omneia Helmy explores ways of enhancing the citizens' earning capacity to limit their reliance on subsidy.

The burden on the treasury has put further pressures on domestic prices, fueling inflation and increasing the subsidy bill. A never-ending vicious circle is threatening to develop.

The purpose of this study was to contribute to the on-going national dialogue concerning consumption subsidy policy in Egypt: should the current price-based subsidy policy be maintained or would it be more efficient and equitable to shift to cash transfers? More importantly, the study explored ways of enhancing the citizens' earning capacity to limit their reliance on subsidy. The study built on the previous work of ECES and on other countries' experience in reforming consumption subsidy policy. It was published in the policy viewpoint series.

Global Financial Crisis and its Implications for Egypt

The world economy is currently going through a serious financial upheaval that sparked off in the United States and has spread to Europe and the rest of the world, aided by increased globalization and liberalization of the world economy. Although the crisis has already led to the collapse of influential banks and firms as well as to recession in several countries, some consider such consequences as just the tip of the iceberg and that the worst is yet to come.

The purpose of this paper is to suggest ways out of the current global financial crisis. To do so, it first presents an overview of the causes and consequences of the current turbulence, followed by an assessment of the depth of the crisis and its implications for the Egyptian economy, including



Sultan Abu Ali (former Minister of Economy) gives an overview of the current financial crisis and assesses its implications for the Egyptian economy.

the financial sector, balance of payments and the state budget. In addition, the paper highlights the opportunities and challenges inherent in the crisis, and concludes with some foresight regarding its impact on the world economic system.

Distinguished Lectures

Liquidity: Lessons from the Current Financial Turbulence



John Eatwell (University of Cambridge) sheds new light on the issue of liquidity to draw lessons from the current financial turmoil.

In recent decades, the structure of financial markets has changed, shifting from a bank-based to a market-based financial system, with banking now following an “originate, rate and relocate” model. Financial intermediation has moved from banks into markets, and as a consequence of this disintermediation, financial crises now manifest themselves in markets rather than institutions. Accordingly, interest

has moved from bank runs to “market gridlock” as a source of systemic risk.

In this distinguished lecture, Lord John Eatwell (University of Cambridge) shed new light on the long-debated issue of liquidity in order to draw lessons from the current financial turbulence. In particular, he discussed market liquidity and the causes of financial bubbles; how liquidity relates to monetary and financial policy; and lessons that can be drawn from the current financial turmoil for emerging markets and how to reduce systemic risk in financial markets.

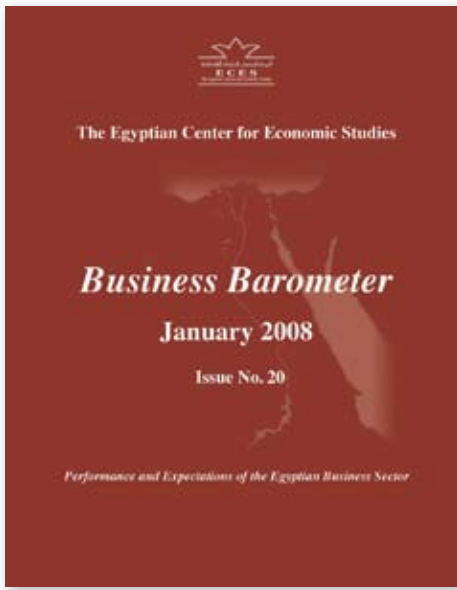
Egypt's Economic Statistics



The Center published the second issue of its new annual brochure entitled “Egypt's Economic Statistics” that highlights basic facts and data on the Egyptian economy. This brochure caters to needs of investors, business community, policy makers and academicians for summary information on the various aspects of the Egyptian economy.

Periodic Activities

Besides the above research projects, ECES produced two editions of the *Business Barometer*, as well as organized a three-day *workshop for economic reporters*. It also continued to act as a local partner for the World Economic Forum in the process of compiling an index of the competitiveness of the Egyptian economy.



The *Business Barometer* reports the results of a sample survey of large public and private firms. It covers their assessment of economic growth and the results of their operations in terms of their production, sales, inventories, prices, wages, employment and investment over the preceding six months. It also summarizes their expectations for overall future economic performance as well as own activities for the next six months. The January 2008 edition (BB20) was a special issue marking ten years of publishing the Business Barometer. On this occasion, a brief overview of the Egyptian economy during the last ten years was presented through the perceptions and expectations of the business sector about performance of the economy and own economic activities. This was followed by the usual bi-annual business barometer.

The aim of the economic reporters' workshop was to help reporters do their job more effectively and to expose them to new ideas. This year's workshop covered issues related to current challenges facing the Egyptian economy and its future

prospects. Specifically, it discussed the current international financial crisis and its implications for the Egyptian economy; the energy sector; recent inflationary pressures; agriculture and food security; productivity and wages; and finally the future of journalism in light of developments in information technology. As usual, this workshop was organized in collaboration with the Association of Economic Reporters.

Global Competitiveness Report 2007-2008

ECES acts as a local partner to the World Economic Forum in compiling the Global Competitiveness Report. The Global Competitiveness Report series has evolved over the last three decades into the world's most comprehensive and respected assessment of countries' competitiveness, offering invaluable insights into the policies, institutions, and factors driving productivity and, thus, enabling sustained economic growth and long-term prosperity. Produced in collaboration with leading academics and a global network of research institutes, the Global Competitiveness Report provides users with a comprehensive dataset on a broad array of competitiveness indicators for a large number of industrialized and developing economies.

Egypt's Note in the African Economic Outlook

The Center has completed Egypt's country note for the 2007-2008 African Economic Outlook published by the African Development Bank Group, the OECD Development Centre and the UNECA. This report surveys and analyzes the current socio-economic performance of African economies and provides information on a country-by-country basis on the socio-economic progress as well as on short to medium term prospects of the African countries.

ECES STAFF

HANAA KHEIR-EL-DIN

Executive Director and Director of Research

Hanaa Kheir-El-Din is the current Executive Director and Director of Research, the Egyptian Center for Economic Studies (ECES), as well as a research fellow at the Economic Research Forum. She received a Ph.D. in Economics from the Massachusetts Institute of Technology (USA) in 1967. She is a Professor of Economics at Cairo University where she held successively the positions of Director of the Center of Economic and Financial Research and Studies (1985-1990) and Chairperson of the Economics Department (Faculty of Economics and Political Science) (1990-1996). She is also a member of the Academy for Scientific Research (Economic Council), the Specialized National Councils, and the board of the Egyptian Competition Authority (ECA). She has had several academic and professional activities among which are membership of the Board of Trustees of the Economic Research Forum, membership of the Board of the United Nations University (Tokyo, Japan) (1992-1998), membership of the Board of the Capital Market Authority (Cairo, Egypt) (1996-2004), and membership of the Shura Council (2001-2007). Her research fields of interest cover international trade, macroeconomic modeling, industrial development, project evaluation, poverty, and gender assessment.

NAGLAA EL EHWANY

Deputy Director and Lead Economist

Naglaa El Ehwany is the Deputy Director and Lead Economist at the Egyptian Center for Economic Studies (ECES) and professor of economics at the faculty of Economics and Political Science (Cairo University). She previously held the position of Director of the Center for European Studies at the Faculty of Economics and Political Science of Cairo University during the period 2002-2006. Professor El Ehwany has been a consultant with several international organizations, including the International Labour Organization, the Economic and Social Commission for Western Asia (ESCWA), and the American Chamber of Commerce (Amcham).

Dr. El Ehwany has published several research papers on topics such as employment, poverty, labor market, labor productivity, and economic reform in Egypt. She earned her Ph.D. in economics from the Faculty of Economics and Political Science, Cairo University.

OMNEIA HELMY

Lead Economist

Omneia Helmy is Lead economist at ECES and professor of economics at Cairo University. She is an active member of several distinguished institutions including the Academy for Scientific Research, the Egyptian Society for Political Economy, Statistics and Legislation, and the Youth Committee of the National Democratic Party. She is affiliate professor of economics at George Mason University, as well as a training facilitator for the World Bank and the Center for Economic and Financial Research and Studies at Cairo University. Dr. Helmy earned her Ph.D. from Cairo University.

MALAK REDA

Senior Economist

Malak Reda is a senior economist at ECES. She has authored several publications on topics such as banking efficiency, economic development and finance. She received her Ph.D. in business administration from the Maastricht School of Management (MSM).

NADA MASSOUD

Senior Economist

Nada Massoud is a senior economist at ECES. She has authored several publications on topics such as foreign investment, industrial production and financial economics. She earned her Ph.D. from the University of Reading, UK.

TAREK EL-GHAMRAWY

Economist

Tarek El-Ghamrawy is an economist at ECES. His areas of interest include international economics, macroeconomics and economics of growth. He earned his M.A. in international economics from Université Paris I Panthéon-Sorbonne.

YUSRA EL IMAM

Economist

Yusra El Imam is an economist at ECES. Her research interests include poverty, privatization, and the informal sector. She earned her M.A. in economics from the London School of Economics.

RESEARCH ANALYSTS

Sara Al-Nashar, Maha Youssef

FINANCE AND ADMINISTRATION

Magda Awadallah

Finance and Administration Manager

Mohamed Leheta

Senior Accountant

Heba Talaat

Executive Assistant to the Executive Director

Iman Naguib

Executive Assistant to the Deputy Director

Berbara Fouad

Receptionist and Administrative Assistant

EDITORIAL AND PUBLICATIONS

Yasser Selim

Managing Editor

Fatima Ali

Editor/Translator

INFORMATION TECHNOLOGY

Kadry El Sayed

IT Manager

DISTINGUISHED CONTRIBUTORS

NANCY BIRDSALL

Nancy Birdsall is the founding president of the Center for Global Development. Prior to launching the Center, she served for three years as senior associate and director of the Economic Reform Project at the Carnegie Endowment for International Peace. From 1993 to 1998, Dr. Birdsall was executive vice-president of the Inter-American Development Bank. Prior to her time at the Bank she spent 14 years in research, policy, and management positions at the World Bank, most recently as Director of the Policy Research Department. Dr. Birdsall holds a Ph.D. in economics from Yale.

FRANÇOIS BOURGUIGNON

François Bourguignon is currently director of the Paris School of Economics. He previously served as Chief Economist of the World Bank and Senior Vice President, Development Economics from October 6, 2003 to October 22, 2007. He is internationally recognized as an intellectual leader in the economics of public policy, inequality, economic growth, income distribution and development. He also has extensive practical experience of the World Bank and its interactions with developing countries and other partners.

HERNAN BÜCHI

Hernan Büchi is the founder, advisor, and former board member of the Institute for Liberty and Development, Chile. Previously, he was president of the institute's Center for International Economics, the former Chilean minister of finance and national planning, and a candidate in the Chilean presidential election of 1989. Mr. Büchi received his M.A. in Economics from Columbia University.

GERARD CAPRIO JR.

He is currently Professor of Economics at Williams College. He previously served as the director of the Operations and Policy Department in the World Bank's Financial Sector Vice-Presidency. Before joining the Bank in 1988, Dr. Caprio was vice president and head of Global Economics at JP Morgan.

He also held positions as an economist at the Federal Reserve Board and the IMF, and taught graduate-level international economics at George Washington University. Dr. Caprio is a leading authority in the field of financial reform in transitional and developing economies.

ELIANA CARDOSO

Eliana Cardoso is professor of economics at Escola de Economia da Fundacao Getulio Vargas, Sao Paulo. She has taught at Boston University, the Fletcher School of Law and Diplomacy at Tufts University, and Yale. She also worked for the World Bank where she served as the lead economist for the China and Mongolia department. She has written extensively on issues such as inflation, income distribution, development, and exchange rate policy. Dr. Cardoso earned her Ph.D. in economics from MIT.

PARTHA DASGUPTA

Sir Partha Sarathi Dasgupta is the Frank Ramsey Professor of Economics at the University of Cambridge, United Kingdom, and a fellow of St John's College, Cambridge. From 1991 to 1997, Prof. Dasgupta was chairman of the scientific board of the Beijer International Institute of Ecological Economics of the Royal Swedish Academy of Sciences and, from 1989 to 1992, professor of economics and philosophy, and director of the Program in Ethics in Society at Stanford University. Research interests have covered welfare and development economics; the economics of technological change; population, environmental and resource economics; the theory of games; and the economics of under-nutrition.

HERNANDO DE SOTO

Hernando de Soto is currently president of the Institute for Liberty and Democracy (ILD) in Lima, Peru. Mr. de Soto is also a frequent advisor to heads of state worldwide and the director of various mining firms. He has served as an economist for the General Agreement on Tariffs and Trade, as president of the Executive Committee of the Copper Exporting Countries Corporation, as a principal of the Swiss

Bank Corporation Consultant Group, and as a governor of Peru's Central Reserve Bank. Mr. de Soto also served as former Peruvian President Alberto Fujimori's personal representative and principal advisor. He has published extensively and is the best-selling author of *The Other Path* and *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*.

LORD JOHN EATWELL

From 1985 to 1992, John Eatwell served as economic adviser to Neil Kinnock, the leader of the British Labour Party. In that post, he was responsible for much of the work that led to a substantial re-alignment of the Labour Party's economic policies. In 1992, he entered the House of Lords, and from 1993 to 1997 was Principal Opposition Spokesman on Treasury and Economic Affairs. In 1988, together with others, he set up the Institute for Public Policy Research, which has now established itself as one of Britain's leading policy think tanks. He remains chairman of the Board of Trustees. In 1997, he joined the board of the Securities and Futures Authority, Britain's securities markets regulator. In this position, he has developed his interest in securities regulation, particularly with respect to risk management in financial institutions. In a report to the Ford Foundation, he proposed the establishment of a World Financial Authority to manage systemic risk in the international financial system.

LEROY P. JONES

Leroy P. Jones is a professor of economics at Boston University and has been the CEO of the Boston Institute for Developing Economies since 1987. His entire professional career has been devoted to policy reform in developing and transition economies. While he works in the areas of privatization and SOE reform, regulation, industry, pricing, cost-benefit analysis, taxation, public expenditure analysis, development and trade, he is best known for his ground-breaking work in public enterprise reform and privatization. He has worked in more than 40 countries, including nine years residence in Asia. Dr. Jones holds a Ph.D. in economics from Harvard University.

MICHAEL KLEIN

Michael Klein is currently World Bank-IFC vice president for Private Sector Development and chief economist,

International Finance Corporation. Prior to his current position he was the director of the joint Bank-IFC Private Sector Advisory Services from 2000 to 2003 and chief economist of the Royal Dutch/Shell Group from 1997 to 2000. He first joined the World Bank in 1982 as an economist on oil and gas projects, trade and industrial policy, financial sector reform, and macroeconomic analysis. Before joining the World Bank, Dr. Klein was active in Amnesty International and served on its German board (1977-79) and International Executive Committee (1979-82). Dr. Klein received his Ph.D. in economics from the University of Bonn, Germany.

ANNE O. KRUEGER

Anne O. Krueger served as the first deputy managing director of the International Monetary Fund from September 2001 to August 2006. Before her time at the IMF, Dr. Krueger was the Herald L. and Caroline L. Ritch Professor in Humanities and Sciences in the Department of Economics at Stanford University. She was also the founding director of Stanford's Center for Research on Economic Development and Policy Reform, and a senior fellow of the Hoover Institution. Krueger had previously taught at the University of Minnesota and Duke University and from 1982 to 1986 was the World Bank's vice president for economics and research. She received her Ph.D. in economics from the University of Wisconsin.

JEAN-JACQUES LAFFONT (1947-2004)

Jean-Jacques Laffont was a professor of economics at the University of Toulouse and the director of the Institut d'Economie Industrielle, which he created in 1990 and has since become one of Europe's leading centers for economic research. He held visiting positions at the California Institute of Technology, the University of Pennsylvania, Harvard University and the Australian National University. He was president of the Econometric Society (1992) and of the European Economic Association (1998). Dr. Laffont obtained his Ph.D. from Harvard.

ROBERT LAWRENCE

Robert Lawrence is the Albert L. Williams professor of trade and investment at the John F. Kennedy School of Government, Harvard University. He is also a senior fellow

at the Institute for International Economics and a research associate at the National Bureau of Economic Research. Dr. Lawrence was appointed by President Clinton to serve as a member of his Council of Economic Advisors in 1999. He held the New Century Chair as a nonresident senior fellow at the Brookings Institution and founded and edited the Brookings Trade Forum. Dr. Lawrence received his Ph.D. in economics from Yale.

ROBERT MABRO

Robert Mabro is currently a fellow of St. Antony's College, Oxford and former director of the Oxford Institute for Energy Studies. Prof. Mabro began his academic career at the School of Oriental and African Studies at London University then moved on to Oxford to take up a position at Oxford University as Senior Research Officer in the Economics of the Middle East. He founded the Oxford Energy Policy Club, the Oxford Energy Seminar as well as the Oxford Institute for Energy Studies. Prof. Mabro has received several awards over the course of his career including the first OPEC award for contribution to oil studies in 2004 and a CBE by HM the Queen in the New Year's Honors List in December 1995.

VINCENT J. MCBRIERTY

Vincent J. McBrierty is a former professor of physics at Trinity College, Dublin, Ireland and was the pro vice chancellor for Academic Affairs at Sultan Qaboos University in Oman. Originally from Ireland, he has had a long and distinguished academic career as both an administrator and as a physicist. Dr. McBrierty has published extensively on the relationship between industry and academia. He is an expert on science policy and Ireland's experience joining the knowledge economy.

MICHAEL MUSSA

Michael Mussa has been a senior fellow at the Institute for International Economics since 2001. From 1991-2001 he was the economic counselor and director of the Research Department at the International Monetary Fund. Before joining the staff of the IMF, he was a long time member of the faculty of the School of Business in the University of Chicago, where he also earned his Ph.D. He was a faculty member of the Department of Economics at the University of Rochester from 1971 to 1976. During this period he also

served as a visiting faculty member at the graduate center of the City University of New York, the London School of Economics, and the Graduate Institute of Economic Studies in Geneva, Switzerland. By appointment of President Reagan, Dr. Mussa also served as a member of the US Council of Economic Advisors from August 1986 to September 1988.

JOHN NELLIS

John Nellis is currently a non-resident senior fellow at the Center for Global Development, and a principal at International Analytics. Dr. Nellis is also a consultant on privatization and public sector reform for a number of organizations including the World Bank, the International Monetary Fund, the International Law Institute, and the G17 Institute. From 1984-2000, he was a staff member at the World Bank, eventually reaching the position of director of the Private Sector Development Department. Prior to his work at the World Bank, Dr. Nellis held research and teaching positions at the University of Nairobi, Carleton University in Ottawa, Canada, and the Maxwell School at Syracuse University. He served two years as the representative of the Ford Foundation in North Africa. Dr. Nellis has published extensively and authored a number of books and articles with a concentration on the effects of privatization. He earned his Ph.D. in political science from Syracuse University.

ROGER G. NOLL

Roger G. Noll is a professor of economics at Stanford University, where he is also director of the Stanford Center for International Development. His principal research interests are antitrust, regulation, communications policy, the economics of sports, and the positive theory of public law. Dr. Noll is the author or co-author of thirteen books and monographs and over 300 articles on a wide range of topics. He earned his Ph.D. in economics from Harvard University.

DOUGLASS C. NORTH

Dougllass C. North is an American economist and co-recipient of the 1993 Nobel Prize in economics for helping renew research in economic history by applying modern economic theory and quantitative methods to historical economies. North shared the award with American economist Robert W. Fogel. Dr. North taught economics at the University of Washington in Seattle from 1950 until he became professor

emeritus in 1983. Also in 1983, he accepted a position as professor of law, liberty, and economics at Washington University in St. Louis, Missouri. North received his Ph.D. from the University of California at Berkeley.

JOHN PAGE

John Page is the Chief Economist for the Africa Region at the World Bank. In this position, he provides strategic guidance and policy advice for the Bank's country strategies and operations in Africa. He joined the Bank in 1980 and has undertaken a wide range of research, policy and operational assignments. From 1985 to 1992 he was a divisional manager for operations in Latin America. In 1992 and 1993 he was the senior economic advisor to the Policy Research Department. He was also chief economist of the Middle East and North Africa Region and director of its Social and Economic Development Group from 1993 to 1999. Before assuming his current position in March 2000, he was the Bank's director of Economic Policy. Dr. Page obtained his Ph.D. from Oxford University.

SAMIR RADWAN

Samir Radwan is currently consultant to the General Authority for Free Zones and Investment. Previously, he served as managing director of the Economic Research Forum and as advisor to the director general on development policies and councilor for Arab countries at the International Labour Organization in Geneva. He was a former lecturer at the Faculty of Economics at Cairo University and at the Institute of Economics and Statistics, Oxford, and member of St. Anthony's College, Oxford. He has participated and led several employment policy missions to various developing and transition economies and has acted as a consultant to numerous international organizations including UNDP, the World Bank, FAO, OECD, and the Arab Labor Organization, among others, and was adviser to the prime minister of Egypt for the development of a National Employment Program (2000-2001). Dr. Radwan received his Ph.D. from the University of London.

JEFFREY SACHS

Jeffrey Sachs is director of the Earth Institute at Columbia University, and Quetelet Professor of Sustainable Development, and professor of Health Policy and Management at Columbia. He was also a special advisor on the Millennium Development Goals to United Nations Secretary General Kofi Annan, and a research associate at the National Bureau of Economic Research. Previously, Dr. Sachs has been an advisor to the IMF, the World Bank, the OECD, the World Health Organization, and the United Nations Development Programme. He received his Ph.D. from Harvard.

IBRAHIM SHIHATA (1937-2001)

Ibrahim Shihata was an international economic and financial lawyer, scholar, international agency practitioner and creator of international institutions. His career spanned Egyptian government service, Ain-Shams University (where he was a professor), IFAD (where he served as executive director), the Arab Fund for Social and Economic Development, the Kuwait Fund for Arab Economic Development, the OPEC Special Fund, IDLI (which he chaired) and, finally, the World Bank where he served for over 15 years as general counsel, senior vice president and secretary general of the ICSID investment arbitration center. He received an LL.D. from Harvard University.

LYN SQUIRE

Lyn Squire currently serves as the director of the Global Development Network. Prior to this, he worked with the World Bank for 30 years where he held several prestigious positions both in Operations and Research. Among his many accomplishments, Dr. Squire established the Economic Research Forum in Cairo when he was chief economist for the Middle East and North Africa. He also served as director of development policy in the Office of the Bank's Chief Economist and as staff director for the 1990 World Development Report on Poverty. Dr. Squire has researched and written extensively on a wide array of development related subjects and has co-authored six books. His current area of research focuses on aid effectiveness, inequality and project evaluation.

NICHOLAS STERN

Nicholas Stern was the World Bank chief economist and senior vice president, development economics in 2000-2003. From 1994 to late 1999, he was chief economist and special counselor to the president at the European Bank for Reconstruction and Development. Having extensively served as an economic advisor to businesses, governments and international institutions, Dr. Stern has also held a number of positions in academia, including visiting scholar or professor at the Massachusetts Institute of Technology, the Ecole Polytechnique in Paris, the Indian Statistical Institute in Bangalore and Delhi, and the People's University of China in Beijing, where he is an Honorary Professor. Dr. Stern earned his Ph.D from Oxford University.

VITO TANZI

Vito Tanzi is the former director of the Fiscal Affairs Department at the International Monetary Fund. Prior to joining the IMF in 1974, Prof. Tanzi was professor and chairman of the department of economics at the

American University and was a faculty member at George Washington University. He was senior associate at the Carnegie Endowment for International Peace, and from 1990 to 1994 he was president of the International Institute of Public Finance. From May 2001 to July 2003 he served as Undersecretary for Economy and Finance in the Italian government. In addition, he has served as a consultant for the World Bank, the United Nations, the European Central Bank, the European Commission, the Organization of American States, and the Stanford Research Institute.

JOHN B. TAYLOR

John B. Taylor is currently the Raymond Professor of Economics at Stanford University and the McCoy Senior Fellow at the Hoover Institution. Dr. Taylor served as under secretary for international affairs, US Department of the Treasury during the period 2001-2005. Dr. Taylor is a globally recognized expert on international monetary and financial issues and has produced extensive research on monetary policy, fiscal policy, and international economic policy. He earned his Ph.D. in economics from Stanford University.

PARTNER ORGANIZATIONS

Recognizing that ideas require collective action to make them work, ECES has developed strong cooperative relationships with like-minded institutes locally, regionally and globally. Collaborations include conducting joint research, organizing events, and/or producing joint publications.

PARTNERS IN EGYPT

Egypt's International Economic Forum (EIEF), Egyptian Council for Foreign Affairs, American Chamber of Commerce in Egypt, Cairo University, Ahram Center for Political and Strategic Studies, and Information and Decision Support Center (IDSC).

REGIONAL PARTNERS

Economic Research Forum (ERF)
Arab Planning Institute (API)
Center of Arab Women for Training and Research (CAWTAR)
Center for Private Sector Development (CPSD)
Hamyaran Iran NGO Resource Center
Institut Arabe des Chefs d'Entreprises (IACE)
Istanbul Policy Center

Lebanese Center for Policy Studies (LCPS)
Maroc 2020
Syrian Consulting Bureau for Development & Investment (SCB)
Turkish Economic and Social Studies Foundation (TESEV)
Al-Urdun Al-Jadid Research Center (UJRC)
Jordan's Young Entrepreneurs Association

GLOBAL PARTNERS

United Nations Development Programme (UNDP)
The World Bank Group
International Monetary Fund (IMF)
Institute for International Economics (IIE)
Center for Global Development (CGD)
World Economic Forum (WEF)
Global Development Network (GDN)
Center for International Private Enterprise (CIPE)
The International Centre for Trade and Sustainable Development (ICTSD)
The African Development Bank

ECES PUBLICATIONS (1996 – 2008)

WORKING PAPER SERIES

The Global Financial Crisis and its Implications for Egypt
Sultan Abu Ali
2008 / WPI142 / Arabic

The Impact of Budget Deficit on Inflation in Egypt
Omneia Helmy
2008 / WPI141 / English

Enhancing Linkages between SMEs and Large Enterprises in Egyptian Industry
Nihal El-Megharbel
2008 / WPI140 / Arabic

Public-Private Partnership in Providing Educational Services: Lessons for Egypt
Abdullah Shehata
2008 / WPI139 / Arabic

Corporate Social Responsibility in Egypt: International Experience
Nihal El-Megharbel & Yasmine Fouad
2008 / WPI138 / Arabic

The Potential Impact of Recent Industrial Policy Changes in Egypt on the Environment
Abla Abdel Latif
2008 / WPI137 / English

Wage-Price Causality in the Egyptian Economy (1990-2005)
Hala Fares & Alaa Ibrahim
2008 / WPI136 / English

Inflation and Growth in Egypt: Is There a Threshold Effect?
Hanaa Kheir-El-Din & Hala Abou Ali
2008 / WPI135 / English

Monetary Policy in Egypt: A Retrospective and Preparedness for Inflation Targeting
Rania Al-Mashat
2008 / WPI134 / English

Relative Price Adjustment and Inflation Dynamics: The Case of Egypt
Diaa Nouredin
2008 / WPI133 / English

Measuring Inflation in Egypt: Assessment of the CPI Accuracy
Sherine Al-Shawarby
2008 / WPI132 / English

Trade in Services through the Temporary Presence of Natural Persons: A Win-Win Formula for Egypt and the EU
Magda Shahin & Akrum Bastawi
2008 / WPI131 / English

Employment Intensity of Growth in the Egyptian Economy, with a Focus on the Manufacturing Industries
Naglaa El Ehwany & Nihal El Megharbel
2008 / WPI130 / Arabic

Agricultural Productivity Growth, Employment and Poverty in Egypt
Hanaa Kheir-El-Din & Heba El-Laithy
2008 / WPI129 / English or Arabic

Have Economic Reforms Paid off? Gender Occupational Inequality in the New Millennium in Egypt
Fatima El-Hamidi & Mona Said
2008 / WPI128 / English

Measuring and Explaining Job Quality for Household Enterprise Workers
Ragui Assaad & Rania Roushdy
2008 / WPI127 / English

Links between Employment, Productivity and Poverty: International Experience
Werner Sengenberger
2007 / WPI126 / English

An Assessment of Maritime and Related Logistics Services in Egypt
Ahmed Ghoneim and Omneia Helmy
2007 / WPI125 / English

The Impact of Reducing Energy Subsidies on Energy Intensive Industries in Egypt
Abdallah Shehata Khattab
2007 / WPI124 / English

The Impact of Recent Macro and Labor Market Policies on Job Creation in Egypt

Nihal El-Megharbel
2007 / WPI 23 / English

Effect of Some Recent Changes in Egyptian Monetary Policy: Measurement and Evaluation

Tarek Abdelfattah Moursi, Mai El Mossallamy and Enas Zakareya
2007 / WPI 22 / English

Successful Growth in Middle Income Countries: Will East Asia Show the Way Again?

Indermit S. Gill and Homi Kharas
2007 / WPI 21 / English

The Welfare Effects of a Large Depreciation: The Case of Egypt 2000-2005

Aart Kraay
2007 / WPI 20 / English

Health Financing Revisited: An Overview

Pablo Gottret & George Schieber
2007 / WPI 19 / English

Unemployment and Youth Insertion in the Labor Market in Egypt

Ragui Assaad
2007 / WPI 18 / English

On Efficient Utilization of Egypt's Energy Resources: Oil and Natural Gas

Tarek Selim
2006 / WPI 17 / English

The New Pension System in Egypt

Omneia Helmy
2006 / WPI 16 / Arabic

An Assessment of Growth, Distribution, and Poverty in Egypt: 1990/91-2004/05

Hanaa Kheir-El-Din & Heba El-Laithy
2006 / WPI 15 / English or Arabic

Egypt After the End of the Multi-Fiber Agreement: A Comparative Regional Analysis

Miria Pigato & Ahmed Ghoneim
2006 / WPI 14 / English

Assessing the Impact of the QIZ Protocol on Egypt's Textile and Clothing Industry

Amal Refaat
2006 / WPI 13 / English

Do Parallel Structures Resolve the Problems of the Egyptian Government Bureaucracy?

Laila El Baradei
2006 / WPI 12 / English

Private Sector Access to Credit in Egypt: Evidence from Survey Data

Khaled Abdel-Kader
2006 / WPI 11 / English

The Political Economy of Industrial Policy in the Middle East and North Africa

Mustapha K. Nabli, Jennifer Keller, Claudia Nassif & Carlos Silva-Jáuregui
2006 / WPI 10 / English

Deregulation of the Airline Industry: Opportunities and Challenges

Adla Ragab
2005 / WPI 09 / Arabic

Do Governments Pick Winners or Losers? An Assessment of Industrial Policy in Egypt

Ahmed Galal & Nihal El-Megharbel
2005 / WPI 08 / English or Arabic

Incentive or Compensation? Government Support for Private Investments in Turkey

Hasan Ersel & Alpay Filiztekin
2005 / WPI 07 / English

The East-Asian Industrial Policy Experience: Implications for the Middle East

Marcus Noland & Howard Pack
2005 / WPI 06 / English

The Efficiency and Equity of Subsidy Policy in Egypt

Omneia Helmy
2005 / WPI 05 / Arabic

Rethinking the Role of the State: Institutional Alternatives

Mona El Garf
2005 / WPI 04 / Arabic

From Euro-Med Partnership to European Neighborhood: Deeper Integration À La Carte and Economic Development

Bernard Hoekman
2005 / WPI 03 / English

Trade and Employment: Stylized Facts and Research Findings

Bernard Hoekman & Alan Winters
2005 / WPI 02 / English

The Impact of Trade Liberalization on Government Revenues in Egypt

Omneia Helmy
2005 / WP101 / Arabic

The Efficiency of the Bankruptcy System in Egypt

Omneia Helmy
2005 / WP100 / English

Implications of EU Enlargement for the Egyptian Economy

Abeer El-Shennawy
2004 / WP99 / English

Civil Service Wages and Reform: The Case of Egypt

Heba Handoussa & Nivine El Oraby
2004 / WP98 / English

Fiscal and Public Debt Sustainability in Egypt

Pedro Alba, Sherine Al-Shawarby & Farrukh Iqbal
2004 / WP97 / English

Public and Private Investment in Egypt: Crowding Out or Crowding In?

Samaha Fawzy & Nihal El-Megharbel
2004 / WP96 / Arabic

The Economics of Formalization: Potential Winners and Losers from Formalization in Egypt

Ahmed Galal
2004 / WP95 / English

Pension System Reform in Egypt

Omneia Helmy
2004 / WP94 / Arabic

An Assessment of Egypt's Budgetary Institutions

Richard Allen, Arup Banerji & Mustapha Nabli
2004 / WP93 / English

Fiscal Sustainability

Willem Buiter
2004 / WP92 / English

Fiscal Sustainability: Issues for Emerging Market Countries

Alejandro Izquierdo & Ugo Panizza
2003 / WP91 / English

Incentives and Human Resource Management: The Critical Missing Link in Public Sector Reform in Developing Countries

Nadeem Ul Haque
2003 / WP90 / English

Social Expenditure and the Poor in Egypt

Ahmed Galal
2003 / WP89 / English

Debt Management and Macroeconomic Stability

Peter J. Montiel
2003 / WP88 / English

Egypt-US, Morocco-US Free Trade Agreements

Ahmed Galal & Robert Lawrence
2003 / WP87 / English

The Future of Egypt's Textile and Clothing Exports in Light of New International Trading Rules

Samaha Fawzy & Nada Massoud
2003 / WP86 / Arabic

Trade-Induced Protectionism in Egypt's Manufacturing Sector

Amal Refaat
2003 / WP85 / English

Can Monetary Policy Play an Effective Role in Egypt?

Mohamed Hassan
2003 / WP84 / English

International Tourism Volatility with Special Reference to Egypt

Mohamed Fathi Sakr & Nada Massoud
2003 / WP83 / English

Evaluating Corporate Governance Principles in Egypt

Samaha Fawzy
2003 / WP82 / English or Arabic

Modernizing Customs Administration in Egypt

Omneia Helmy
2003 / WP81 / Arabic

External Environment, Globalization and Reform

Eliana Cardoso & Ahmed Galal
2003 / WP80 / English

Merger and Acquisition of Banks

Nabil Hashad
2003 / WP79 / Arabic

Monetary Policy in Egypt: A Vision for the Future

Mahmoud Abu El-Eyoun
2003 / WP78 / Arabic

Alternative Paths to Prosperity:
Economic Integration Among Arab Countries
Denise Eby Konan
2003 / WP77 / English

Building Human Capital for Economic Development in the
Arab Countries
Ali Abdel Gadir Ali
2002 / WP76 / English

Initial Conditions and Incentives for Arab Economic
Integration: Can the European Community's Success Be
Emulated?
Bernard Hoekman & Patrick Messerlin
2002 / WP75 / English

Will Nationals and Asians Replace Arab Workers in the
GCC?
Maurice Girgis
2002 / WP74 / English

A Review of Corporate Workout Systems
Ira Lieberman
2002 / WP73 / English

Postal Services in a Rapidly Developing
IT and Telecommunications World – The Case For Postal
Sector Reform in Egypt
Sahar Tohamy
2002 / WP72 / English

The Macroeconomics of Labor Market
Outcomes in MENA Over the 1990s
Jennifer Keller & Mustapha K. Nabli
2002 / WP71 / English

Employment and Unemployment in Egypt:
Conventional Problems, Unconventional Remedies
Samir Radwan
2002 / WP70 / English

Employment, Budget Priorities and Microenterprises
Heba Handoussa
2002 / WP69 / English

Investment Policies and Unemployment in Egypt
Samiha Fawzy
2002 / WP68 / English or Arabic

The Paradox of Education and Unemployment in Egypt
Ahmed Galal
2002 / WP67 / English or Arabic

The Economics and Politics of Arab Economic Integration
Samiha Fawzy
2002 / WP66 / English or Arabic

Private Participation in Airport Activity in Egypt
Sahar Tohamy & Nihal El-Megharbel
2001 / WP65 / English

Managing Cotton Price Risk in Egypt
Omneia Helmy
2001 / WP64 / English

Utility Regulation Versus BOT Schemes:
An Assessment of Electricity Sector Reforms in Arab
Countries
Ahmed Galal
2001 / WP63 / English or Arabic

Competition Policy:
Lessons from International Experience
Allan Fels
2001 / WP62 / English

Macroeconomic Policies in Egypt:
An Interpretation of the Past and Options for the Future
Ugo Panizza
2001 / WP61 / English

On the Formulation and Enforcement of Competition Law
in Emerging Economies: The Case of Egypt
Bahaa Ali El-Dean & Mahmoud Mohieldin
2001 / WP60 / English

Globalization and the Economic Well-Being of Citizens
Ahmed Galal
2001 / WP59 / English

Net Foreign Assets and External Market Structure:
Evidence from the Middle East
Philip R. Lane & Gian Maria Milesi-Ferretti
2001 / WP58 / English

Beyond Credit: A Taxonomy of SMEs and Financing Methods
for Arab Countries
Mahmoud El-Gamal, Nihal El-Megharbel & Hulusi Inanoglu
2001 / WP57 / English

Support Services and the Competitiveness of SMEs in the
MENA Region
Antoine Mansour
2001 / WP56 / English

**Global Competition and the Peripheral Player:
A Promising Future**

Taïeb Hafsi
2001 / WP55 / English

The Coordination of Monetary and Fiscal Policies in Egypt

Faika El-Refaie
2001 / WP54 / English

**Making the Transition from a Fixed to a Floating Exchange
Rate Regime: The Case of Brazil**

Lauro Vieira de Faria
2001 / WP53 / English

**Prospects for Arab Monetary
Policy in the International Financial System**

Mohamed El-Erian & Mahmoud El-Gamal
2001 / WP52 / English

**Monetary Policy and Financial Sector Reform in Egypt:
The Record and the Challenges Ahead**

Howard Handy
2001 / WP51 / English

Monetary Policies and Fiscal Policies in Emerging Markets

Ugo Panizza
2000 / WP50 / English

**Designing a Middle Way
Between Fixed and Flexible Exchange Rates**

John Williamson
2000 / WP49 / English

**The Globalization of Capital Markets, Financial Crises, and
Capital Controls: A Historical Perspective**

Michael D. Bordo
2000 / WP48 / English

**Avoiding Disaster: Policies to Reduce the Risk of Banking
Crises**

Gerard Caprio & Maria S. Martinez Peria
2000 / WP47 / English

**Exchange Rates in Emerging Markets:
Floating Toward the Future**

Andrés Velasco
2000 / WP46 / English or Arabic

**Marginal Effective Tax Rates
and Investment Decisions in Egypt**

Hanaa Kheir-El-Din, Samiha Fawzy & Amal Refaat
2000 / WP45 / English

Strengthening SMEs for International Competitiveness

Sanjay Lal
2000 / WP44 / English

**Global Rules for Business: Challenges to Firm
Competitiveness and Opportunities for Success**

Dorsati Madani & John Page
2000 / WP43 / English

**Impediments to Dispute Resolution and Firms'
Competitiveness in the MENA Region**

Jeffrey B. Nugent
2000 / WP42 / English

The Issue of Liquidity in Egypt: Reasons and Solutions

Faika El-Refaie
2000 / WP41 / Arabic

The Economic Impact of Tourism in Egypt

Sahar Tohamy & Adrian Swinscoe
2000 / WP40 / English or Arabic

**The Egypt-Turkey Free Trade Agreement:
What are the Expected Benefits?**

Hanaa Kheir-El-Din, Samiha Fawzy & Laila El-Khawaga
1999 / WP39 / English or Arabic

Constraints to Privatization: The Egyptian Experience

Mokhtar Khattab
1999 / WP38 / English

**Efficiency and Risk-Return
Analysis for the Egyptian Stock Exchange**

Mauro Mecagni & Maged Shawki
1999 / WP37 / English

New Trends in Egypt's Trade Policy and Future Challenges

Amal Refaat
1999 / WP36 / English

Corporate Tax and Investment Decisions in Egypt

Gannat El-Samalouty
1999 / WP35 / English

The Business Environment in Egypt

Samiha Fawzy
1998 / WP34 / English

Tax Administration and Transaction Costs in Egypt

Sahar Tohamy
1998 / WP33 / English or Arabic

An Action Plan for Engendering Capital Market Growth in Egypt

Sherif Raafat
1998 / WP32 / English

The Role of Non-bank Financial Intermediaries

Dimitri Vittas
1998 / WP31 / English

The Asian Crisis

Nadeem Ul Haque
1998 / WP30 / English

Prudential Regulation in Egypt

Ziad Bahaa Eldin & Mahmoud Mohieldin
1998 / WP29 / English

**The Egyptian Banking System:
Liberalization, Competition and Privatization**

Alan R. Roe
1998 / WP28 / English

Financial Markets and Economic Development

Panicos Demetriades
1998 / WP27 / English

**The Pricing of Natural Gas:
A Discussion of Pricing Policy in Egypt**

Robert Mabro
1998 / WP26 / English

**An Egypt-US Free Trade Agreement:
Economic Incentives and Effects**

Bernard Hoekman, Denise Konan & Keith Maskus
1998 / WP25 / English

**Is It Time for a US-Egypt
Free Trade Agreement? A US Perspective**

Robert Z. Lawrence
1998 / WP24 / English

Telecom Egypt: Status and Prospects (May 1997)

Ahmed Galal
1998 / WP23 / English

**Egypt's General Sales Tax:
Recent Developments and Reforms Ahead**

A.M. Abdel-Rahman
1998 / WP22 / English

**Towards an Egypt-US Free Trade Agreement:
An Egyptian Perspective**

Ahmed Galal & Sahar Tohamy
1998 / WP21 / English

**Cross-Country Comparison:
Construction of the Consumer Price Index (CPI)**

Hala Fares
1997 / WP20 / English

**Egypt's Economic Reform and
Structural Adjustment (ERSAP)**

Karima Korayem
1997 / WP19 / English

**The Egyptian Stabilization Experience:
An Analytical Retrospective**

Arvind Subramanian
1997 / WP18 / English or Arabic

Islamic Finance in Egypt

Mahmoud Mohieldin
1997 / WP17 / English

**Potential Impact of a Free Trade Agreement with the EU on
the Egyptian Textile Industry**

Hanaa Kheir-El-Din & Hoda El-Sayed
1997 / WP16 / English

**Effects of the Egypt-EU
Partnership Agreement on the Textile Industry**

Racha Abdel Hakim
1997 / WP15 / Arabic

**Globalization and the Arab Economies:
From Marginalization to Integration**

Mohamed A. El-Erian
1997 / WP14 / English

**Improving Egypt's Economic Performance:
The Extent of the Market is Limited by the Costs of
Exchange**

Lee Benham
1997 / WP13 / English

**Globalization, EU Partnership, and Income
Distribution in Egypt**

Ishac Diwan
1997 / WP12 / English

**The Egypt-EU Partnership Agreement and the Egyptian
Pharmaceutical Sector**

Arvind Subramanian & Mostafa Abd El-Latif
1997 / WP11 / English

**Towards a Free Trade Agreement with the European Union:
Issues and Policy Options for Egypt**

Simeon Djankov & Bernard Hoekman
1997 / WP10 / English

The Egypt-EU Partnership Agreement and Liberalization of Services

Mahmoud Mohieldin
1997 / WP9 / English or Arabic

Savings and Privatization

Ahmed Galal
1996 / WP8 / English or Arabic

Growth, the Maghreb, and the European Union

John M. Page Jr. & John Underwood
1996 / WP7 / English

Preferential Trading Arrangements:
The Traditional and the New

Robert Lawrence
1996 / WP6 / English

Incentives for Economic Integration in the Middle East

Ahmed Galal
1996 / WP5 / English or Arabic

Economic Incentives to Promote the Abatement of Nile Pollution

Raouf F. Khouzam
1996 / WP4 / English

Egypt and the Partnership Agreement with the EU:
The Road to Maximum Benefits

Ahmed Galal & Bernard Hoekman
1996 / WP3 / English or Arabic

Big Spending, Small Returns: The Paradox of Human Resource Development in the Middle East

Nemat Shafik
1996 / WP2 / English

Which Institutions Constrain Economic Growth in Egypt the Most?

Ahmed Galal
1996 / WP1 / English

DISTINGUISHED LECTURE SERIES

Liquidity: Lessons from the Current Turbulence

John Eatwell
2008 / DLS28 / English

Great Moderation and Inflation Targeting in the World

Klaus Schmidt-Hebbel
2007 / DLS27 / English

Corruption and Economic Activity

Vito Tanzi
2006 / DLS26 / English

Egypt's Oil and Gas: Some Crucial Issues

Robert Mabro
2006 / DLS25 / English

Privatization in Developing Countries: A Summary Assessment

John Nellis
2005 / DLS24 / English

Monetary Policy in Emerging Market Countries with Implications for Egypt

John B. Taylor
2005 / DLS23 / English

The Poverty-Growth-Inequality Triangle: With Some Reflections on Egypt

François Bourguignon
2005 / DLS22 / English

Private Sector Development:
What Works and What Does Not

Michael Klein
2004 / DLS21 / English

Crimes and Punishment:
An Analysis of Retaliation Under the WTO

Robert Lawrence
2003 / DLS20 / English

Investment Climate: Lessons and Challenges

Nicholas Stern
2003 / DLS19 / English

Revisiting Inequality: New Data, New Results

Klaus Deininger & Lyn Squire
2002 / DLS18 / English

Winners and Losers from Privatization:
International Experiences and Selected Policy Implications for Egypt

Leroy P. Jones
2002 / DLS17 / English

Institutions, Regulation and Development

Jean-Jacques Laffont
2001 / DLS16 / English

Bank Privatization and Regulation for Egypt

Gerard Caprio Jr. & Robert Cull
2000 / DLS15 / English

Alternative Exchange Rate Regimes

Michael Mussa
2000 / DLS14 / English

Embracing the Knowledge Economy: Egypt in the New Millennium

Vincent J. McBrierty
1999 / DLS13 / English

Institutional and Economic Change

Douglass C. North
1998 / DLS12 / English

Dead Capital and the Poor in Egypt

Hernando de Soto
1998 / DLS11 / English

Towards Full Employment: Egypt into the 21st Century

Samir Radwan
1998 / DLS10 / English

Trade Policies for Rapid Development

Anne O. Krueger
1997 / DLS9 / English

The International Dimension of Regulatory Reform: With Applications to Egypt

Roger G. Noll
1997 / DLS8 / English

Inequality and Human Capital Accumulation in Latin America (with Some Lessons for Egypt)

Nancy Birdsall & Juan Luis Londono
1997 / DLS7 / English

The Importance of the Financial System for Development: Implications for Egypt

Gerard Caprio Jr. & Stijn Claessens
1997 / DLS6 / English

The Legal Framework for Economic Reform in Egypt

Ibrahim Shihata
1996 / DLS5 / Arabic

A Middle Eastern Miracle?

Development Policy Lessons from East Asia

John M. Page Jr.
1996 / DLS4 / English

Achieving Rapid Growth: The Road Ahead for Egypt

Jeffrey Sachs
1996 / DLS3 / English or Arabic

Chile's Success Story

Hernan Büchi
1996 / DLS2 / English

Lessons From the Mexican Crisis for Reforming Economies

Eliana Cardoso
1996 / DLS1 / English or Arabic

POLICY VIEWPOINT SERIES

The Global Financial Crisis and Its Implications for Egypt

Hanaa Kheir-El-Din & Sara Al-Nashar
2008 / PVP22 / Arabic

Price Subsidy or Building Capacities in Egypt?

Omneia Helmy
2008 / PVP21 / Arabic

Egypt's Global Competitiveness: Unlocking the 2006-07 Report

Amal Refaat
2007 / PVP20 / English

Egypt's Privatization Program

Hanaa Kheir-El-Din & Amal Refaat
2006 / PVPI9 / Arabic

Reforming Minimum Wage Policy in Egypt

Omneia Helmy
2006 / PVPI8 / Arabic

The Case for Formalization of Business in Egypt

Ahmed Galal
2005 / PVPI7 / English or Arabic

Has Trade Liberalization in Egypt Gone Far Enough or Too Far?

Ahmed Galal & Amal Refaat
2005 / PVPI6 / English or Arabic

Why Did Consumer and Wholesale Prices Diverge in Egypt Recently?

Abeer El-Shennawy & Ahmed Galal
2004 / PVPI5 / English or Arabic

A Review of Corporate Workout Systems

Samiha Fawzy & Omneia Helmy
2003 / PVPI4 / Arabic

To Float or Not to Float: That is No Longer the Question for Egypt

Ahmed Galal
2003 / PVPI3 / English or Arabic

Arab Economic Integration Between Hope and Reality

Ahmed Galal & Bernard Hoekman

2002 / PVPI2 / English or Arabic

Employment and Unemployment in Egypt

Ahmed Galal

2002 / PVPI1 / English or Arabic

Managing Cotton Price Volatility in Egypt

Omneia Helmy & Ahmed Galal

2001 / PVPI0 / English or Arabic

Egypt's Export Puzzle

Ahmed Galal & Samiha Fawzy

2001 / PVP9 / English or Arabic

The Future of Egypt-US Economic Relations

Ahmed Galal

2001 / PVP8 / English or Arabic

Marginal Effective Tax Rates on Capital and Investment Decisions in Egypt

Samiha Fawzy & Amal Refaat

2000 / PVP7 / English or Arabic

The Issue of Liquidity in Egypt: Reasons and Solutions

Faika El-Refaie & Ahmed Galal

2000 / PVP6 / Arabic

The Economic Impact of Tourism in Egypt

Sahar Tohamy & Adrian Swinscoe

2000 / PVP5 / English or Arabic

Towards A Value-Added Tax in Egypt

A.M. Abdel-Rahman

1998 / PVP4 / English or Arabic

Priorities for Rapid and Shared Economic Growth in Egypt

Ahmed Galal

1998 / PVP3 / English or Arabic

Towards More Efficient Telecommunications Services in Egypt

Ahmed Galal

1998 / PVP2 / English or Arabic

How Accurate is Egypt's Consumer Price Index?

Ahmed Galal & Hala Fares

1997 / PVPI / English or Arabic

POLICY BRIEFS

Legal Empowerment of the Poor

Labor Rights (1/4)

Naglaa El Ehwany

2007 / PB2 / Arabic

Business Establishment (2/4)

Amal Refaat

2007 / PB2 / Arabic

Real Estate Property Rights (3/4)

Mostafa Madbouly & Khaled Serry Seyam

2007 / PB2 / Arabic

Access to the Rule of Law (4/4)

Khaled Serry Seyam, supervised by Mohamed Al-Dakroury

2007 / PB2 / Arabic

Strengthening the Capacity of the Egyptian Parliament in Legislation and Oversight of WTO and Other Trade Agreements

Regional Trade Agreements (1/4)

Hanaa Kheir-El-Din

2007 / PBI / English or Arabic

Doha Development Agenda (2/4)

Magda Shahin

2007 / PBI / English or Arabic

Trade Liberalization and Poverty (3/4)

Omneia Helmy

2007 / PBI / English or Arabic

Trade in Services (4/4)

Ahmed Ghoneim

2007 / PBI / English or Arabic

DRAFT LAW REVIEW SERIES

Draft Law on Real Estate Tax

Hanaa Kheir-El-Din & Nihal El Megharbel

2007 / DLR2 / Arabic

Draft Law on Consumer Protection

Hanaa Kheir-El-Din, Amal Refaat, and Yasser Selim

2006 / DLR1 / Arabic

BUSINESS BAROMETER

The Business Barometer has been a biannual publication since 1998. To date, ECES has published 21 editions, the latest of which is BB 21 published in July 2008.

EGYPT'S ECONOMIC STATISTICS

Egypt's Economic Statistics

2008 / EES2 / English

2007 / EES1 / English

BOOKS

Industrial Policy in the Middle East and North Africa:
Rethinking the Role of the State

Editor: Ahmed Galal

2008 / BK10 / English

Co-Published with the American University in Cairo Press

The Egyptian Economy: Current Challenges and Future Prospects

Editor: Hanaa Kheir-El-Din

2008 / BK9 / English

Co-Published with the American University in Cairo Press

Fiscal Sustainability in Emerging Markets: International Experience and Implications for Egypt

Editors: Ahmed Galal and Nadeem Ul Haque

2005 / BK8 / English

Co-published with the American University in Cairo Press

Arab Economic Integration Between Hope and Reality

Editors: Ahmed Galal and Bernard Hoekman

2003 / BK7 / English or Arabic

Co-published with the Brookings Institution

Globalization and Firm Competitiveness
in the Middle East and North Africa Region

Editor: Samiha Fawzy

2002 / BK6 / English or Arabic

Co-published with the World Bank & the Mediterranean Development Forum

Monetary Policy and Exchange Rate Regimes:
Options for the Middle East

Editors: Eliana Cardoso & Ahmed Galal

2002 / BK5 / English or Arabic

Partners for Development:

New Roles for Government and Private Sector
in the Middle East & North Africa

Editors: Samiha Fawzy & Ahmed Galal

1999 / BK4 / English

Co-published with the World Bank & the Mediterranean Development Forum

Financial Development in Emerging Markets:
The Egyptian Experience

Editors: Mohamed El-Erian & Mahmoud Mohieldin

1999 / BK3 / English or Arabic

Co-published with the International Center for Economic Growth

Building Bridges: An Egypt-US Free Trade Agreement

Editors: Ahmed Galal & Robert Z. Lawrence

1998 / BK2 / English or Arabic

Co-published with the Brookings Institution

Regional Partners in Global Markets: Limits and Possibilities of the Euro-Med Agreements

Editors: Ahmed Galal & Bernard Hoekman

1997 / BK1 / English

Co-published with the Centre for Economic Policy Research



BDO Khaled & Co.
Public Accountants & Advisers

1, Wadi El Nile st., Mohandessin,
Giza, Cairo, Egypt
P.O.Box: 110/12655
Tel.: (202) 33032229 / 33030701
Fax : (202) 33032228

FINANCIAL STATEMENTS

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF THE EGYPTIAN CENTER FOR ECONOMIC STUDIES (ECES)

We have audited the accompanying financial statements of the Egyptian Center for Economic Studies (ECES), an independent not-for-profit research center, which comprise the balance sheet as of 31 December 2008, and the statements of revenues and expenses, and receipts and disbursements 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 Center's management as management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies detailed in note (2) to the financial statements and in the light of relevant Egyptian laws and regulations. The management's 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 in the light of relevant Egyptian laws and regulations. These standards require that we 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 risk assessments, the auditor considers internal control relevant to the Center'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 Center's internal control. An audit also includes evaluating the appropriateness of accounting policies used and 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.

The statement of receipts and disbursements has been prepared on the cash basis, which is a comprehensive basis of accounting.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Egyptian Center for Economic Studies (ECES) as of 31 December 2008, and its financial performance for the year ended in accordance with the accounting policies detailed in note (2) to the financial statements.

Report on Other Legal and Regulatory Requirements

The Center maintains proper books of accounts that include all that is required by the Law and the Center's bylaws, and the financial statements are in agreement therewith.

The financial information included in the Board of Directors' report, which has been prepared in accordance with the requirements of Law No. 84 of 2002 and its Executive Regulations, is in agreement with the relevant information in the Center's books.



Taha M. Khaled

Chartered Accountant

R.A.A. 5136

Cairo, 11 March 2009

BALANCE SHEET
31 December 2008

	Note	2008 LE	2007 LE
ASSETS			
LONG TERM ASSETS			
Property and equipment	4	6,831,095	7,097,024
Restricted cash	5	50,000,000	50,000,000
Total long term assets		<u>56,831,095</u>	<u>57,097,024</u>
CURRENT ASSETS			
Cash and bank balances	6	7,635,023	7,636,574
Other debit balances	7	93,888	152,913
Total current assets		<u>7,728,911</u>	<u>7,789,487</u>
Total assets		<u>64,560,006</u>	<u>64,886,511</u>
SURPLUS AND ENDOWMENT AND LIABILITIES			
Surplus and endowment			
Surplus funds	9	14,032,750	14,418,981
Restricted endowment fund	5	50,000,000	50,000,000
Total surplus and endowment		<u>64,032,750</u>	<u>64,418,981</u>
LIABILITIES			
Other credit balances	8	433,096	369,946
Claim provision		94,160	97,584
Total current liabilities		<u>527,256</u>	<u>467,530</u>
Total surplus and endowment and liabilities		<u>64,560,006</u>	<u>64,886,511</u>

The attached notes 1 to 15 form an integral part of these financial statements.

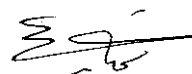
Auditor's report attached.



Ms. Magda Awadallah
Finance & Administration Manager



Mr. Mounir Abdel Nour
Treasurer



Dr. Mohamed Taymour
Chairman

STATEMENT OF REVENUES AND EXPENSES
For the year ended 31 December 2008

	Note	2008 LE	2007 LE
REVENUES:			
Endowment fund interest income	10	4,717,753	4,828,516
Other interest income		70,497	91,939
Collected fees against conducting research to others		242,658	469,798
Member subscriptions/contributions	11	460,000	160,000
Other revenue/(losses)	12	31,577	(22,355)
Net change in market value of fund's investment certificates in "CIB Osoul Fund"		132,735	51,995
Total revenues		<u>5,655,220</u>	<u>5,579,893</u>
EXPENSES:			
Salaries and other benefits		(3,670,315)	(3,530,731)
Operational and administrative costs	13	(1,896,764)	(1,750,491)
		(5,567,079)	(5,281,222)
Depreciation	4	(474,372)	(477,706)
Total expenses		<u>(6,041,451)</u>	<u>(5,758,928)</u>
Excess of expenses over revenue	9	<u>(386,231)</u>	<u>(179,035)</u>

The attached notes 1 to 15 form an integral part of these financial statements.

STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the year ended 31 December 2008

	Note	2008 LE	2007 LE
Cash and bank balances at the beginning of the year		7,636,574	7,269,902
RECEIPTS:			
Endowment fund interest income		4,717,753	4,828,516
Other interest income		70,497	91,939
Research revenues		242,658	469,798
Member subscriptions/contributions		460,000	160,000
Publication revenues		9,662	5,649
Other income		132,735	51,995
Other payables		433,096	369,946
Receipts from other receivables		152,913	58,137
Foreign exchange gain		1,991	-
Total receipts		<u>6,221,305</u>	<u>6,035,980</u>
DISBURSEMENTS:			
Purchases of property and equipment		191,943	46,138
Operational and administrative costs		1,896,764	1,750,491
Salaries and other benefits		3,670,315	3,530,731
Other payables settlement		369,946	161,031
Other receivables		93,888	152,913
Foreign exchange loss		-	28,004
Total disbursements		<u>6,222,856</u>	<u>5,669,308</u>
Cash and bank balances at the end of the year	6	<u><u>7,635,023</u></u>	<u><u>7,636,574</u></u>

The attached notes 1 to 15 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

1 ACTIVITIES

a) Introduction

The Egyptian Center for Economic Studies ("ECES" or the "Center") is an independent non-profit, non-government research center, established in January 1992 and registered with the Ministry of Social Solidarity (formerly the Ministry of Social Affairs) and Cairo Governorate, in accordance with Law No. 32 of 1964 as amended by Law No. 84 of 2002.

The mission of the Center is to promote economic development in Egypt by conducting and disseminating applied policy research. The aim is to develop viable policy options for Egypt in light of international experience. The Center's activities are carried out in the spirit of public interest.

b) ECES Objectives are to:

- Provide policy-makers with results of applied economic policy research to support the policy formulation process.
- Foster an active dialogue between policy makers and private sector institutions.
- Strengthen the capacity of government institutions for policy analysis.
- Promote applied economic policy research and the advancement of the science of economics, finance and management.
- Promote public understanding of economic development issues and encourage active participation in the economic process.

c) Sources of Funding:

- **Endowment Fund**

In May 2001, the Ministry of International Cooperation (MIC) and the United States Agency for International Development (USAID) entered into an agreement with the Center to endow ECES with a grant of LE 50 million to be invested for the benefit of the recipient. The objective of this grant is to ensure the independence and sustainability of the Center. This grant is considered to be the main source of finance for the Center. The actual transfer of the fund was made in April 2002. The USAID had a five year oversight period, starting from the effective date of the endowment agreement (May 2001) and ended May 2006, over ECES's management of the endowment and implementation of the program. According to the agreement, two asset managers currently manage the endowment portfolio. This endowment creates a legacy for the Center (note 5).

- **Other Sources of Finance**

In addition to the endowment fund, there are other sources of funding such as the income derived from research activities received from various donors, as well as the annual subscription, membership fees and contributions made by ECES members.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES USED

a) Basis of preparation

The financial statements were prepared on accrual basis except for the statement of receipts and disbursements which is prepared on a cash basis as required by the Ministry of Social Solidarity.

b) The accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements are presented in Egyptian pounds.

c) Property and equipment and its depreciation

All property and equipment are owned by the Center and stated at historical cost.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over the estimated useful lives of assets.

Estimated useful lives of assets are as follows:

Office premises	50	years
Decoration & fixtures	10	years
Motor vehicles	5	years
Office furniture	5	years
Office equipment	3	years

d) Assets impairment

Asset values are reviewed at the balance sheet date to determine if there is any indication of impairment. In case of such an indication, an estimate is made of the recoverable amount and compared to the book value. Impairment loss, being the excess of book value over its recoverable amount, is taken to the statement of income on the same date.

e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, deposits held at banks, and CIB Osoul Fund. Restricted cash represents the amount of the endowment fund, which is disclosed in the financial statements as long term assets.

f) Revenue recognition

Revenue is recognized on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

g) Expenses

The operating expenses are recognized and charged to the income statement for the fiscal year during which it occurs.

h) Pension and social insurance

The Center contributes to the social insurance scheme for the benefit of its employees in accordance with the Social Insurance Law No. 79 of 1975 and its amendments. Contributions are charged to the pre-operating income statement in social insurance item.

i) Foreign currency transactions

The accounting records are maintained in Egyptian pounds, which are the measurement currency of ECES. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statements of revenues and expenses and receipts and disbursements.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

On-balance sheet financial instruments comprise receivables, payables, bank balances and cash. Note (2) to the financial statements includes the accounting policies adopted in the recognition and measurement of financial instruments.

The significant risks associated with the financial instruments and the procedures followed by the company to mitigate these risks are as follows:

- **Interest rate risk**

ECES activities are affected by changes in market interest rates as the organization has significant interest bearing. ECES uses two asset managers to ensure that market rates of interest are earned, and to ensure that exposure to changes in interest rates is minimized.

- **Foreign currency risk**

Foreign currency risk is represented by changes of exchange rates, which affect cash inflows and outflows in foreign currency, and the valuation of assets and liabilities in foreign currencies. Most of the ECES's transactions are in Egyptian Pounds as the main activities are carried out in Egypt. Contracts of services quoted in foreign currency are paid in Egyptian pounds, whenever possible.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

4. PROPERTY AND EQUIPMENT

	Office premises	Decoration & fixture	Motor Vehicles	Office furniture	Office equipment	Total
	LE	LE	LE	LE	LE	LE
Cost:						
At 1 January 2008	6,660,000	1,051,911	560,053	605,384	1,089,501	9,966,849
Additions during the year	-	-	-	1,921	190,022	191,943
Replacement (resale) during the year	-	-	-	-	16,500	16,500
Disposals during the year	-	-	-	-	(177,115)	(177,115)
At 31 December 2008	<u>6,660,000</u>	<u>1,051,911</u>	<u>560,053</u>	<u>607,305</u>	<u>1,118,908</u>	<u>9,998,177</u>
Depreciation:						
At 1 January 2008	561,283	366,028	525,732	381,396	1,035,386	2,869,825
Provided during the year	133,200	105,191	34,321	119,781	81,879	474,372
Disposals	-	-	-	-	(177,115)	(177,115)
At 31 December 2008	<u>694,483</u>	<u>471,219</u>	<u>560,053</u>	<u>501,177</u>	<u>940,150</u>	<u>3,167,082</u>
Net book value:						
At 31 December 2008	<u>5,965,517</u>	<u>580,692</u>	<u>-</u>	<u>106,128</u>	<u>178,758</u>	<u>6,831,095</u>
At 31 December 2007	<u>6,098,717</u>	<u>685,883</u>	<u>34,321</u>	<u>223,988</u>	<u>54,115</u>	<u>7,097,024</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

5. RESTRICTED CASH

The restricted cash is invested by two asset managers in time deposits and certificates of deposit. The current weighted average interest rate on the endowment fund restricted cash is approximately 8.8 percent during the year.

ECES is allowed to utilize the interest generated from investing the endowment fund, and is prohibited from utilizing the principal amount, without the prior written approval from USAID in accordance with the terms of the agreement.

The endowment principal has been distributed between the two asset managers as follows:

	2008	2007
	LE	LE
Phoenix Kato Asset Management Co.	30,000,000	30,000,000
HC Securities and Investment Co.	20,000,000	20,000,000
	<u>50,000,000</u>	<u>50,000,000</u>

6. CASH AND BANK BALANCES

	2008	2007
	LE	LE
Cash at banks	529,832	359,123
Time and certificate of deposits	1,522,500	1,123,450
Cash held by asset managers (note 10)	3,911,472	4,615,518
CIB Osoul Fund	1,671,219	1,538,483
	<u>7,635,023</u>	<u>7,636,574</u>

- The weighted average effective interest rate on short-term US Dollar bank deposits was 4.125 percent annually. These deposits have an average maturity of one month. In addition to short term time deposits in Egyptian pounds with interest rate of 5 percent annually and 3 years fixed income certificates of deposit with an interest rate of 9 percent annually.
- The cash held by asset managers represents unrestricted interest earned by the asset managers on the investment of the endowment fund of LE 50 million. The interest earned remains in banks under the supervision of the asset managers (note 10).
- ECES subscribed in CIB Osoul Fund. The total number of certificates as of 31 December 2008 is 12188 certificates amounted to LE 1,671,219 and the market value per certificate is LE 137.12 as of December 31, 2008. Net change in market value of fund's investment certificates is to be included in the statement of revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

7. OTHER DEBIT BALANCES

	2008	2007
	LE	LE
Prepaid expenses	53,888	92,733
Debit balances	40,000	60,180
	<u>93,888</u>	<u>152,913</u>

8. OTHER CREDIT BALANCES

	2008	2007
	LE	LE
Accrued publication expenses	242,960	142,000
Accrued technical assistance	152,500	77,630
Professional fees	30,000	27,000
Other credit balances	7,636	18,316
Revenues received in advance	-	105,000
	<u>433,096</u>	<u>369,946</u>

9. SURPLUS FUNDS

	2008	2007
	LE	LE
Balance at the beginning of the year	14,418,981	14,598,016
Excess of expenses over revenues	(386,231)	(179,035)
Balance at the end of the year	<u>14,032,750</u>	<u>14,418,981</u>

10. ENDOWMENT FUND INTEREST

According to Law No. 84 of 2002, ECES can receive and invest funds, following the approval of the Ministry of Social Solidarity (formerly the Ministry of Social Affairs). ECES obtained such approval to receive and invest the endowment fund in September 2002.

Following the appointment of the asset managers and the custodian, and after securing the approval of the Board of Directors, the endowment fund was transferred to the asset managers as of 19 February 2003 and invested in time deposits and certificates of deposit.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

The schedule below analyzes the cash balances held by asset managers:

	Phoenix Kato Asset Management Co. LE	HC Securities & Investment Co. LE	2008 Total LE	2007 Total LE
Balance at the beginning of the year	2,969,521	1,645,997	4,615,518	4,704,346
Accrued interest during the year	3,051,210	1,666,543	4,717,753	4,828,516
Cash transferred to the ECES	(3,120,000)	(2,080,000)	(5,200,000)	(4,800,000)
Treasury bill taxes	(105,064)	-	(105,064)	-
Annual fees (*)	(70,718)	(46,017)	(116,735)	(117,344)
Balance at the end of the year	<u>2,724,949</u>	<u>1,186,523</u>	<u>3,911,472</u>	<u>4,615,518</u>

10. ENDOWMENT FUND INTEREST - *Continued*

(*) Annual fees comprised of the assets management fees include:

1. Fixed fees amounting to 0.215 percent annually, of the market value of the portfolio, calculated and accrued on a daily basis and paid quarterly.
2. ECES bears all costs related to the purchase, sale and disposition of the securities included in the portfolio.

11. MEMBER SUBSCRIPTIONS/CONTRIBUTIONS

	2008 LE	2007 LE
Entry fees	150,000	-
Member subscriptions	310,000	160,000
	<u>460,000</u>	<u>160,000</u>

Member subscriptions/contributions used in financing ECES activities represent the following:

- An entry fee of LE 25,000 paid by each new member.
- An annual subscription fee in accordance with ECES bylaws. Effective 1/1/2008 and according to the extraordinary general assembly meeting of 20 February 2008, the annual subscription fee is determined to be LE 10,000 instead of LE 5,000.
- ECES members contribute, sometimes, in financing some activities and events operated by the Center (i.e., conferences and seminars).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

12. OTHER REVENUE/LOSS

	2008	2007
	LE	LE
Publication revenues	9,662	5,649
Replacement/resale asset gain	16,500	-
Foreign exchange gain/(loss)	5,415	(28,004)
	<u>31,577</u>	<u>(22,355)</u>

13. OPERATIONAL AND ADMINISTRATIVE COSTS

	2008	2007
	LE	LE
Publications	376,653	264,247
Technical assistance	354,876	346,164
Roundtable and conferences	243,166	264,585
Maintenance and insurance	219,267	259,292
Endowment asset managers fees (note 10)	116,735	117,344
Taxes on treasury bills	105,064	-
Office supplies	88,903	89,576
Auto, insurance and fuel	87,131	101,265
Data and subscriptions	76,219	62,588
International travel and per diem	47,510	81,734
Professional fees	30,000	27,500
Telephone and fax	27,971	33,852
Entertainment	25,009	27,482
Rent	15,600	25,795
Water and electricity	12,101	11,206
Courier, postage and shipment	11,900	5,979
Local travel	2,724	5,153
Bank charges	2,491	2,696
Miscellaneous	53,444	24,033
	<u>1,896,764</u>	<u>1,750,491</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

14. FAIR VALUES

Fair values of financial assets and liabilities are not materially different from their carrying value at the balance sheet date.

15. TAXATION

ECES is exempted from income taxes in accordance with Law No. 157 of 1981 as amended by Law No. 187 of 1993 and Law No. 91 of 2005 Article 50(3). ECES is also exempted from customs duties in accordance with Ministerial Decree No. 260 of 1984.

- **Payroll tax**

ECES calculates and pays the taxes to the Tax Authority on a timely basis.

- **Withholding tax**

ECES calculates withholding taxes every three months and pays them to the Tax Authority regularly.

