

Private Initiative
for Public Interest

THE EGYPTIAN CENTER FOR ECONOMIC STUDIES

Annual Report 2006

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 © 2006 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
2006 IN FOCUS	18
<i>Flagship Activities</i>	18
<i>Focused Projects</i>	19
<i>Distinguished Lecture Series</i>	21
<i>Draft Law Reviews</i>	22
<i>Periodic Activities</i>	22
ECES STAFF	23
DISTINGUISHED CONTRIBUTORS	25
PARTNER ORGANIZATIONS	29
ECES PUBLICATIONS	30
FINANCIAL STATEMENTS	39



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

Over the past few years, the Egyptian economy has witnessed an increase in the pace of reforms in various aspects of the economy. To mention but a few, such reforms included the exchange rate, customs structure and administration, taxation, as well as entering into several international agreements in the areas of trade and investment. Any country undergoing such deep transformation needs effective think tanks to provide a strong analytical backup for policymaking. And this is where the role of ECES comes in.

Our topmost concern in ECES is to help sustain that trend and capitalize on the reform momentum. The large-scale conference on the Egyptian economy held in November was timely. There was a need for fresh ideas to support the increased momentum and an overarching conference was thought ideal for that purpose. This report highlights the Center's research activities in 2006 and how they relate to the challenges of development in Egypt.

Finally, I would like to welcome Professor Naglaa El Ehwany who joined ECES as deputy director and lead economist during the year. With Professor Hanaa Kheir-El-Din as the executive director, I believe both will leave a positive mark on the Center. Also, I would like to thank the ECES team for their dedication. Their hard work is the basis of the Center's success.

Galal El Zorba

Chairman of the Board of Directors

▼ **Galal El Zorba** is the chairman of Nile Holding and a member of the US-Egypt President's Council. He is a founding member of ECES, chairman of the Federation of Egyptian Industries, and a board member of the Egyptian Exporters Association, the Cairo Chamber of Commerce, American Chamber of Commerce in Egypt, and Egypt's World Economic Forum. ▼



Message from the Executive Director and Director of Research

The business of economic research is no easy task. Coupled with the increasing challenges faced by the Egyptian economy, the task of ECES becomes even more challenging. Bearing that in mind, the Center conducted in 2006 a multi-dimensional research project to assess past reforms in Egypt and help charter a course for the future. In addition, the Center conducted several focused studies to tackle specific issues of current concern to the economy. This report presents an overview of the Center's activities and accomplishments during 2006.

Besides the annual work program, it was uppermost in the mind of ECES to make a tangible contribution toward enhancing the policymaking capacity at various levels. To cite but two examples, the Center embarked on a joint project with the Egyptian People's Assembly and the United Nations Development Programme to strengthen the capacity of Egypt's parliamentarians in negotiating trade agreements—multiple publications are planned for 2007. A new series of publications entitled *draft law reviews* was also introduced to help inform public debate on draft economic legislations.

Finally, I cannot adequately express my appreciation to the ECES staff for their dedication and for making my first year in ECES as smooth as possible. In the year ahead, we will continue our efforts to produce relevant economic research in pursuit of viable solutions for Egypt's economic challenges.

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



Moustafa Khalil
ECES Honorary Chairman,
and Former Prime Minister, Egypt



Moataz El Alfi
CEO, Kuwait Food Co.,
S.A.K. (Americana)



Galal El Zorba
ECES Chairman,
and Chairman, Nile Holding



Mohamed F. Khamis
Chairman,
Oriental Weavers Group



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



Mounir Abdel Nour
Managing Director, Vitrac



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



Raed H. Yehia
Managing Director,
Misr America Carpet Mill



Omar Mohanna
ECES Treasurer,
and Chairman, Suez Cement Group



Shafik Boghdady
Chairman, Fresh Foods Co.

MEMBERS OF ECES



Adel El Labban

Group CEO and Managing Director,
Ahli United Bank, Bahrain



Alaa Arafa

Chairman and CEO,
Swiss Garments Co. (SGC)



Ahmed Bahgat

Chairman, Bahgat Group



Ayman Laz

Chairman and Managing Director,
ASKA Financial Consultants



Ahmed El Maghraby

Minister of Housing, Egypt



Farouk El Baz

Director, Center for Remote Sensing,
Boston University, USA and ECES
Honorary Member



Ahmed Ezz

Chairman, Ezz Group



Gamal Mubarak

Executive Director, Med Invest
Associates, London



Ahmed Galal

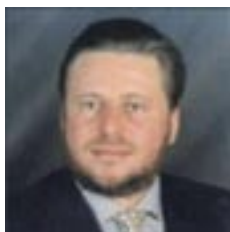
Consultant, The World Bank



Hamza El Kholy

Chairman and CEO, First Arabian
Development & Investment Co.

MEMBERS OF ECES



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



Mohamed El Erian
Managing Director,
Pacific Investment Management Co.



Hatem N. Moustafa
Chairman, Nimos Group



Mohamed L. Mansour
Minister of Transportation, Egypt



Hesham Mekkawy
Managing Director, BP Egypt



Nassef Sawiris
CEO, Orascom Construction Industries



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



**Rachid Mohamed
Rachid**
Minister of Trade and Industry, Egypt



Magdi Iskander
Former Director, Private Sector
Development Dept., the World Bank,
Washington, D.C.



Taher Helmy
Partner, Baker & McKenzie Law Firm

MEMBERS OF ECES



Yaseen Mansour

*Managing Director, 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, the United Nations Development Programme (UNDP), the International Development Research Centre (IDRC), and the Center for International Private Enterprise (CIPE).

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

Kuwait Food Co.

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

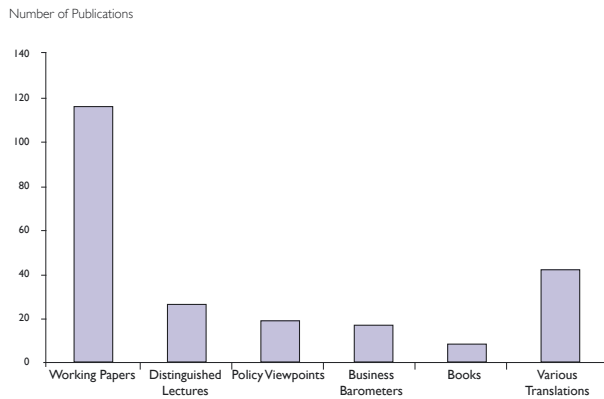
NOTABLE CONTRIBUTIONS

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 seven research projects as examples.

SUMMARY

In terms of sheer numbers, by the end of 2006, ECES published as many as 117 working papers, 26 distinguished lectures, 19 policy viewpoints, 17 editions of the business barometer, and 8 books, averaging 18 publications per year (see Figure 1). Each of these publications is intended to serve a different purpose, as indicated in the box below.

Figure 1. ECES Publications by Type, 1996-2006



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.

Besides publications, during the same period the Center organized 142 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.

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.

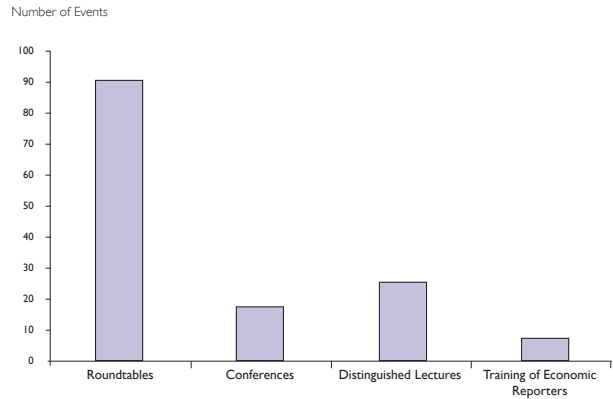
The Policy Viewpoint Series reflects the official stance of ECES on key economic and policy issues. It is written in a concise and non-technical manner.

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.

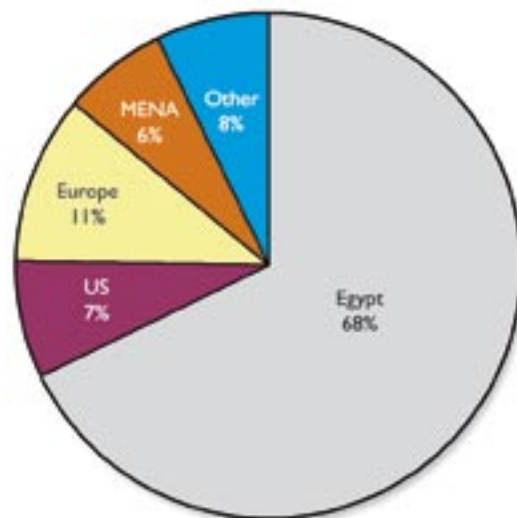
The Draft Law Review Series aims to support economic reform efforts in Egypt by providing timely input on proposed legislation in light of international experience.

Figure 2. ECES Events by Type, 1996-2006



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 a tradition of holding a three-day annual workshop for economic reporters. This workshop provided 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. During the period 1996-2006, the number of visitors to the website increased significantly and registered users have become geographically diverse (Figure 3).

Figure 3. Registered ECES Website Users by Region, 2006



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 seven 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).

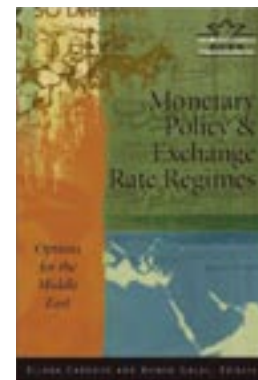
Growth Beyond Stabilization

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

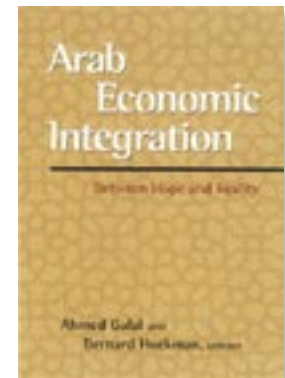


Arab Economic Integration Between Hope and Reality (October 2001). Left to right: Ian Boag (European Commission), Gamal Mubarak (NDP and ECES), Taher Helmy (then Chairman of the ECES Board of Directors), Youssef Boutros Ghali (then Minister of Economy), Ahmed Galal (ECES).

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



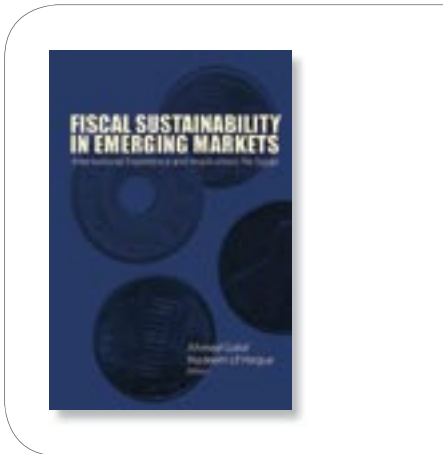
Employment and Unemployment in Egypt (January 2002). Left to right: Galal Amin (AUC), Said El Nagaar (New Civic Forum), Mustapha Nabli (the World Bank), and Hazem Biblawi (New Civic Forum).

runs; align the supply of labor with demand through reforms of the education system; and finally to make the labor market 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 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).



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 ECES Chairman of the Board), Nadeem Ul Haque (IMF), Samir Radwan (International Labor Organization).



Formalization of Business and Real Estate in Egypt (January 2004). Left to right: Mounir Abdel Nour (Vitrac and ECES); Ahmed Galal (ECES); Jack Kemp (Empower America); Medhat Hassanein (former Minister of Finance, Egypt); Faiza Abul Naga (State Minister for 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.

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>



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 (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).

2006 IN FOCUS

In 2006, ECES completed 17 research projects, held 11 forums to discuss research findings, and produced and disseminated 17 varied publications. The research activities ranged from flagship activities—large-scale projects with multiple papers—to more focused projects with emphasis on a concrete problem, and periodic activities such as the Business Barometer and the annual workshop for the training of economic reporters, and contributing to the annual Global Competitiveness Report. The Center also devoted some time to reviewing draft economic legislations, and continued the tradition of bringing world-renowned economists to Egypt in the context of its distinguished lecture series. The Center also produced the first issue of its new series of publications entitled *Draft Law Reviews*. Below is a brief account of some of these activities.

FLAGSHIP ACTIVITIES

In 2006, the Center completed one flagship activity under the title “*The Egyptian Economy: Current Challenges and Future Prospects*.”

The Egyptian Economy: Current Challenges and Future Prospects



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 the new 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 object 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, and an edited volume is planned for 2007.

FOCUSED PROJECTS

In 2006, ECES completed six focused projects. These projects are briefly reviewed below.

Toward a More Effective Minimum Wage Policy in Egypt

The Egyptian government is currently improving minimum wage policy in order to guarantee that each citizen and dependants will be able to secure basic needs and a decent living. An effective minimum wage policy should also provide incentives for improving labor productivity and encourage employers to create more productive job opportunities. In this respect, a paper was prepared covering what should



Omneia Helmy (ECES) presents her research findings on the minimum wage policy in Egypt.

be taken into consideration when setting a minimum wage policy, alternatives to design and implement an effective minimum wage policy in light of international experience, and proposals to improve this policy in Egypt. Research results were discussed in a roundtable discussion and published as part of the policy viewpoint series.

Private Sector Access to Credit in Egypt



Khaled Abdel-Kader (ECES) discusses the extent of credit decline to the private sector in Egypt.

This study aimed to investigate the extent of credit decline to the private sector in Egypt and whether it is due to supply factors (credit crunch), demand factors (credit slowdown), or other factors (e.g., crowding out). For that purpose, a detailed survey was conducted of 19 state-owned and private banks and 351 firms from various sectors. The study found that non-interest lending criteria have been tightened and that interest rates are no longer the decisive factor in lending decisions. In addition, due to the problem of non-performing loans, banks are becoming more risk-averse as reflected by the reduction in credit and investment in more liquid and less risky assets such as treasury bills and government bonds. Egypt was therefore experiencing a credit crunch. To conclude, the paper offered a number of recommendations to improve private sector access to credit, such as resolving the problem of non-performing loans, establishing more credit bureaus and enhancing the business environment through a set of legal and judicial reforms. Research findings were presented in a roundtable discussion and published as part of the working paper series.

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

This study provided an ex-post assessment of the impact of Egypt's qualifying industrial zones (QIZ) protocol on the textile and clothing industry in Egypt, and offered recommendations to maximize benefits to the sector. Drawing on the results of a survey conducted for the purpose of this study and interviews with QIZ companies, the paper found that the protocol had achieved its short-term objectives such as preventing deterioration of Egypt's share in the US market following the end of the international system of quotas. The protocol had also led to increased employment and investment opportunities in many exporting companies. To maximize benefits from the protocol, the study stressed the importance of promoting investment and improving the competitiveness of domestic companies. It also highlighted the need to support the development of subcontracting linkages between large and smaller companies and to establish long-term partnerships between local and foreign investors. Research results were published as part of the working paper series.

Do Parallel Systems Resolve the Problems of Government Bureaucracy?

This study investigated the proliferation of parallel structures—also known as project implementation units (PIUs) and technical offices—within the Egyptian public administration system. To determine whether these structures are a viable tool for the implementation of reform, the paper examined international experience, analyzed the literature,



Laila El Baradei (Cairo University) investigates the proliferation of parallel structures in Egypt.

and assessed the results of a brief survey of staff working in the traditional bureaucracy and those in parallel structures. The paper concluded that while PIUs may be necessary for initiating reform in the short run, it is important to continue building the capacity of the traditional administration. It also stressed the importance of improving human resource management, rightsizing the Egyptian public administration and adopting alternative mechanisms for the implementation of development projects, such as sector-wide assistance programs (SWAPs) and general budget support. Research findings were presented in a roundtable discussion and published as part of the working paper series.

Egypt after the End of the Multi-Fiber Agreement



Miria Pigato (World Bank) and Ahmed Ghoneim (Cairo University) evaluate the early impact of the MFA phase-out.

This study evaluated the early impact of the phase-out of the Multi-Fiber Agreement (MFA) on the textile and clothing sectors (T&C) in Egypt, Jordan, Morocco and Tunisia (MENA-4), with a focus on Egypt. Based on the assessment, the paper offered a number of recommendations to maximize the benefits from liberalization of international trade in T&C. In particular, it found that the phasing-out of the MFA had a mixed impact on the T&C sectors of the MENA-4. In order for these countries to capture the full benefits from the phase-out, the paper stressed the importance of improving export competitiveness and growth through diversifying export markets, reducing the cost of T&C inputs, easing restrictive rules of origin, improving trade logistics, and pursuing deeper integration both regionally and internationally. For Egypt, the study specifically highlighted

the need to restructure the T&C industry, improve the export subsidies program, enhance training and education in the T&C industry, encourage the production of other types of cotton, and upgrade port facilities. Research results were presented in a roundtable discussion and published as part of the working paper series.

Towards a National Consensus on the Privatization Program in Egypt

Privatization has been one of the main components of the economic reform program initiated in Egypt in 1991. It is essential to enhancing the performance of the Egyptian economy, especially in light of increasing reliance on market forces and Egypt's continuous efforts to build up the structure of its market-oriented economy. This research traced the development of the privatization program in Egypt since 1991 until 2004/05. In particular, it attempted to discuss the criteria for selling public enterprises, appraisal rules and procedures, ways of dealing with excess labor, and managing the privatization proceeds. The research aimed to contribute to the debate which raged in 2006 about privatization, and to draw lessons from successful privatization programs worldwide. The results were published in the policy viewpoint series.

DISTINGUISHED LECTURE SERIES

ECES hosted two distinguished lectures by well-known experts Robert Mabro (St. Antony's College) and Vito Tanzi (Former Director of Fiscal Affairs Dept., the International Monetary Fund) on *Egypt's Oil and Gas: Some Crucial Issues* and *Corruption and Economic Activities*, respectively. Each speaker provided the Center with a paper, which was published in the DLS along with a summary of the discussion that followed their lectures.

Egypt's Oil and Gas: Some Crucial Issues

Energy is of crucial importance for economic development and, as Robert Mabro discussed in this *distinguished lecture*, Egypt's energy concerns are sufficiently serious to warrant the government's full attention. He argued that decisions need to be made regarding energy subsidies, gas

export strategies, and Egypt's role in international oil and gas markets. As such, Prof. Mabro recommended reassessing energy subsidies so that they ease the fiscal burden on the government, reduce distribution and allocation distortions, and generate revenue. He also advocated renegotiating gas export contracts to close the gap between purchase and sale prices, and promoting energy efficiency measures that reduce fuel consumption without affecting economic development such as energy audits and alternative sources of energy.



Robert Mabro, Fellow, St. Antony's College

Corruption and Economic Activities

World-renowned economist Vito Tanzi surveyed issues related to the role of corruption in *economic* activities. Besides highlighting the various factors that contribute to a climate that makes corruption prevalent, he discussed some of the channels through which corruption distorts economic decisions, and impacts negatively on the level of economic growth. In addition, he shed light on actions taken to reduce the scope of corruption, ranging from international initiatives to promote integrity and ethics in international dealings to initiatives by specific countries.



Vito Tanzi, Former Director, Fiscal Affairs Dept., International Monetary Fund.

DRAFT LAW REVIEWS

This new series was introduced in 2006 to support economic reform in Egypt by providing timely input on proposed



legislation in light of international experience. The first issue contributed to the debate on the consumer protection draft law and offered proposals for improvement. This series received extremely positive feedback in the academic, policy and media circles.

PERIODIC ACTIVITIES

ECES produced two editions of the *Business Barometer*, which provided a market-based and timely assessment of the state of economic activity in Egypt. The Center also organized a two-day *workshop for economic reporters*, which addressed issues, including the public deficit, public debt, social insurance, energy subsidies, and the government wage policy. Finally, the Center continued to act as the local partner with the World Economic Forum in compiling the *Global Competitiveness Report*.

ECES STAFF

HANAA KHEIR-EL-DIN

Executive Director and Director of Research (2006)

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 (U.S.A) in 1967. 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 is also a member of the Shura Council, 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). 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 (2006)

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 Labor 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.

KHALED ABDEL-KADER

Senior Economist

Khaled Abdel-Kader is a senior economist at ECES and assistant professor at the Institute of National Planning. His research interests include economic reform, economic development and growth, international finance, and applied econometrics. He received his Ph.D. in applied economics from Western Michigan University.

NIHAL EL MEGHARBEL

Senior Economist

Nihal El Megharbel is a senior economist at ECES. She has authored several publications on topics such as investment, rules of origin, small and medium enterprises. She earned her Ph.D. in economics from Cairo University.

ABDALLAH SHEHATA KHATTAB

Senior Economist

Abdalla Shehata is a senior economist at ECES and assistant professor at Cairo University. He has authored several papers on subsidies and public and private partnerships. He earned his Ph.D. in economics from Essex University, the United Kingdom.

AMAL REFAAT

Economist

Amal Refaat is an economist at ECES. Her areas of expertise include trade policy, the informal sector, privatization, and tax policies. She earned her M.A. in economics from the American University in Cairo, and is currently pursuing her Ph.D. at Cairo University.

RESEARCH ANALYSTS

Noha Hamdy, Sara Al-Nashar, Amr Samir Sadek.

ADMINISTRATION

Eman Mohsen

Administration Manager

Yomna Wahdan

Assistant Administration Manager

Ghada Samir

Executive Assistant to the Executive Director

Kadry El Sayed

IT Manager

Iman Naguib

Receptionist

FINANCE

Magda Awadallah

Financial Manager

Mohamed Leheta

Senior Accountant

PUBLICATIONS

Yasser Selim

Managing Editor

Sarah Broberg

English Editor

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 chief economist and senior vice president for Development Economics at the World Bank, a position he has held since 2003. 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.

Gerard Caprio is 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.

HERNANDO DE SOTO

Hernando de Soto is currently president of the Institute for Liberty and Democracy (ILD) in Lima, Peræ. 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 Peræ'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*.

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 has been the first deputy managing director of the International Monetary Fund since September 2001. 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. Ms. 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 U.S. 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

Douglas 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 currently the director of the World Bank Poverty Reduction Group and senior advisor, Development Policy. 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 the managing director of the Economic Research Forum. Previously, he was the advisor to the director general on development policies and councilor for Arab countries at the International Labor 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 is 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 from 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, U.S. 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, Ahrām 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)

Hamyran 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)

ECES PUBLICATIONS (1996 – 2006)

WORKING PAPER SERIES

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

Tarek Selim
2006 / WP 117 / English

The New Pension System in Egypt

Omneia Helmy
2006 / WP 116 / Arabic

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

Hanaa Kheir-El-Din & Heba El-Laithy
2006 / WP 115 / English

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

Miria Pigato & Ahmed Ghoneim
2006 / WP 114 / English

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

Amal Refaat
2006 / WP 113 / English

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

Laila El Baradei
2006 / WP 112 / English

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

Khaled Abdel-Kader
2006 / WP 111 / 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 / WP 110 / English

Deregulation of the Airline Industry: Opportunities and Challenges

Adla Ragab
2005 / WP109 / Arabic

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

Ahmed Galal & Nihal El-Megharbel
2005 / WP108 / English or Arabic

Incentive or Compensation? Government Support for Private Investments in Turkey

Hasan Ersel & Alpay Filiztekin
2005 / WP107 / English

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

Marcus Noland & Howard Pack
2005 / WP106 / English

The Efficiency and Equity of Subsidy Policy in Egypt

Omneia Helmy
2005 / WP105 / Arabic

Rethinking the Role of the State: Institutional Alternatives

Mona El Garf
2005 / WP104 / Arabic

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

Bernard Hoekman
2005 / WP103 / English

Trade and Employment: Stylized Facts and Research Findings

Bernard Hoekman & Alan Winters
2005 / WP102 / 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 E.U. 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-U.S., Morocco-U.S. 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-Eyoum

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 Lall
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-U.S. Free Trade Agreement:
Economic Incentives and Effects
Bernard Hoekman, Denise Konan & Keith Maskus
1998 / WP25 / English

Is It Time for a U.S.-Egypt
Free Trade Agreement? A U.S. 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-U.S.
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 E.U.
on the Egyptian Textile Industry
Hanaa Kheir-El-Din & Hoda El-Sayed
1997 / WP16 / English

Effects of the Egypt-E.U.
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, E.U. Partnership, and Income
Distribution in Egypt
Ishac Diwan
1997 / WP12 / English

The Egypt-E.U. 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-E.U. 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 E.U.:
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

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

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-U.S. 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 Telecommunication 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

DRAFT LAW REVIEW SERIES

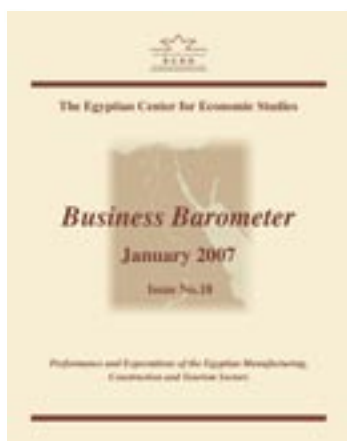
Draft Law on Consumer Protection

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

2006 / DLR1 / Arabic

BUSINESS BAROMETER

The Business Barometer has been a biannual publication since 1998. To date, ECES has published 17 editions, the latest of which is BB17 published in July 2006.



BOOKS

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

Editors: Ahmed Galal and Nadeem UI 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-U.S. 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 Zarrouk, Khaled & Co.
Public Accountants & Advisers

1, Wadi El Nile St., Mohandessin,
Giza, Cairo, Egypt
P.O.Box: 110/12655
Tel.: (202) 3032229 /3030701
Fax: (202) 3032228

FINANCIAL STATEMENTS

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

We have audited the financial statements of the Egyptian Center for Economic Studies (ECES) an independent not for profit association, represented in balance sheet as of 31 December 2006, and the related statements of revenues and expenses, cash flows and receipts and disbursements for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Egyptian and International Standards on Auditing and the requirements of related local laws and regulations. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements referred to above and the related notes, present fairly, in all material respects, the financial position of the association as of 31 December 2006, and the revenues and expenses, cash flows as well as the receipts and disbursements for the year then ended in conformity with Egyptian Accounting Standards and the related local laws and regulations.

The association maintains proper books of accounts which comply with the requirements of the law and the association's bylaws, and the financial statements are in agreement therewith.

The financial information included in the Board of Director's report, which has been prepared in accordance with the requirements of Law 84 of 2002 and its Executive Regulations, are in agreement with the association's books, where applicable.

Taha M. Khaled

Chartered Accountant

R.A.A. 5136

Cairo, 27 February 2007

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

BALANCE SHEET 31 December 2006

ASSETS	Note	2006 L.E.	2005 L.E.
LONG TERM ASSETS			
Property and equipment	4	7,528,592	8,099,119
Restricted cash	5	50,000,000	50,000,000
CURRENT ASSETS			
Cash	6	7,269,902	5,909,776
Other debit balances	7	58,137	146,095
Total current assets		<u>7,328,039</u>	<u>6,055,871</u>
CURRENT LIABILITIES			
Other credit balances	8	161,031	160,207
Claim provision		97,584	-
Total current liabilities		<u>258,615</u>	<u>160,207</u>
Working capital		<u>7,069,424</u>	<u>5,895,664</u>
Net assets		<u>64,598,016</u>	<u>63,994,783</u>
FINANCED AS FOLLOWS:			
Surplus funds	9	14,598,016	13,994,783
Permanently restricted net assets	5	50,000,000	50,000,000
Total finance of long term assets and working capital		<u>64,598,016</u>	<u>63,994,783</u>

The attached notes 1 to 13 form an integral part of these financial statements.

Auditor's report attached.



Ms. Magda Awadallah
Finance Manager



Mr. Omar Mohanna
Treasurer



Mr. Galal El Zorba
Chairman

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

STATEMENT OF REVENUES AND EXPENSES
For the year ended 31 December 2006

REVENUES:	Note	2006 L.E.	2005 L.E.
Endowment Fund interest income	10	5,111,630	5,085,571
Other interest income		100,413	85,230
Research revenues		392,362	263,097
Members subscriptions/contributions	11	374,019	445,000
Publication revenues		16,022	7,058
Other income		-	5,709
Total revenues		<u>5,994,446</u>	<u>5,891,665</u>
EXPENSES:			
Operational and administrative costs	12	(1,610,290)	(1,439,582)
Salaries and other benefits		(3,079,733)	(2,705,390)
Claim provision		(97,584)	-
Foreign exchange loss		<u>(3,599)</u>	<u>(84,425)</u>
		(4,791,206)	(4,229,397)
Damaged books and manuals	4	(28,576)	-
Depreciation		(571,431)	(593,109)
Total expenses		<u>(5,391,213)</u>	<u>(4,822,506)</u>
Surplus of the year	9	<u>603,233</u>	<u>1,069,159</u>

The attached notes 1 to 13 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

STATEMENT OF CASH FLOWS For the year ended 31 December 2006

	Note	2006 L.E.	2005 L.E.
Cash flows from operating activities			
Surplus of the year Adjustments for:		603,233	1,069,159
Depreciation		571,431	593,109
Claim provision		97,584	-
Operating profit before changes in working capital		<u>1,272,248</u>	<u>1,662,268</u>
Other debit balances		87,958	104,349
Other credit balances		824	(59,891)
Net cash from operating activities		<u>1,361,030</u>	<u>1,706,726</u>
Cash flows from investing activities			
Damaged books and manuals		28,576	-
Purchases of property and equipment		(29,480)	(23,685)
Net cash used in investing activities		<u>(904)</u>	<u>(23,685)</u>
Increase in cash		1,360,126	1,683,041
Cash at the beginning of the year		5,909,776	4,226,735
Cash at end of the year	6	<u>7,269,902</u>	<u>5,909,776</u>

The attached notes 1 to 13 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the year ended 31 December 2006

	Note	2006 L.E.	2005 L.E.
Cash at the beginning of the year		<u>5,909,776</u>	<u>4,226,735</u>
RECEIPTS:			
Endowment Fund interest income		5,111,630	5,085,571
Other interest income		100,413	85,230
Research revenues		392,362	263,097
Members subscriptions/contributions		374,019	445,000
Publication revenues		16,022	7,058
Other income		-	5,709
Other payables		161,031	160,209
Receipts from other receivables		146,095	254,444
Total receipts		<u>6,301,572</u>	<u>6,306,318</u>
DISBURSEMENTS:			
Purchases of property and equipment		29,480	23,687
Operational and administrative costs		1,610,290	1,439,582
Salaries and other benefits		3,079,733	2,705,390
Other payables settlement		160,207	220,098
Other receivables		58,137	150,095
Foreign exchange loss		3,599	84,425
Total disbursements		<u>4,941,446</u>	<u>4,623,277</u>
Cash at the end of the year	6	<u>7,269,902</u>	<u>5,909,776</u>

The attached notes 1 to 13 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

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 (Ex. 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; and
- 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) have entered into an Agreement with the Center to endow ECES with a grant of L.E. 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), over ECES’s management of the endowment and implementation of the program. Two asset managers, as agreed upon with USAID, currently manage the endowment portfolio.

This endowment creates a legacy for the Center as the USAID prepares to phase out of Egypt and hand over its operations to Egyptian institutions (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 and contribution made by ECES members.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

2 ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations. The Egyptian Accounting Standards ("EAS") require referral to International Financial Reporting Standards ("IFRS"), when no EAS or legal requirements exist to address certain types of transactions or balances.

The preparation of financial statements in conformity with EAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b) The accounting convention

The financial statements are prepared under the historical cost convention. The statement of receipts and disbursements is prepared on a cash basis as required by the Ministry of Social Solidarity (Ex. Ministry of Social Affairs) while the statement of revenues and expenses is prepared on accrual basis.

c) Foreign currency translations

The financial statements are presented in Egyptian Pounds, which is 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.

d) Property and equipment

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

e) Depreciation

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

Acquisitions of significant value of books and manuals are included in the property and equipment; others are expensed when the costs are incurred. The cost of the library books is not depreciated due to the fact that the value of the books is not declining.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

2 ACCOUNTING POLICIES *continued*

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

f) 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 invested by the asset managers in time deposits, certificates of deposits, treasury bills and mutual funds certificates. The amount is presented in long term assets.

g) Asset managers fees

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

h) Provisions

Provisions are created in case of the existence of any legal contingencies or any evidenced liabilities arising from a past event that will probably cause economic benefits which are used to repay the liabilities that were estimated on a reliable basis.

i) Revenue recognition

Revenue is recognized on the accrual basis.

j) Expenses

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

k) Pension and social insurance

The Center contributes in 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

3 FINANCIAL INSTRUMENTS AND MANAGING THEIR RELATED RISKS

Financial instruments include bank and cash balances, other debit balances and other credit balances. The significant risks associated with the financial instruments and ECES procedures adopted 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.

- **Fair values**

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

4 PROPERTY AND EQUIPMENT

	Office premises L.E.	Decoration & fixture L.E.	Motor Vehicles L.E.	Office furniture L.E.	Office equipment L.E.	Books & manuals (*) L.E.	Total L.E.
Cost:							
At 1 January 2006	6,660,000	1,022,563	696,541	599,784	1,057,798	28,576	10,065,262
Additions during the year	-	-	-	-	29,480	-	29,480
Disposals during the year	-	-	-	-	(8,133)	(28,576)	(36,709)
At 31 December 2006	<u>6,660,000</u>	<u>1,022,563</u>	<u>696,541</u>	<u>599,784</u>	<u>1,079,145</u>	<u>-</u>	<u>10,058,033</u>
Depreciation:							
At 1 January 2006	294,883	159,560	502,144	141,892	867,664	-	1,966,143
Provided during the year	133,200	102,256	80,038	119,957	135,980	-	571,431
Disposals	-	-	-	-	(8,133)	-	(8,133)
At 31 December 2006	<u>428,083</u>	<u>261,816</u>	<u>582,182</u>	<u>261,849</u>	<u>995,511</u>	<u>-</u>	<u>2,529,441</u>
Net book value:							
At 31 December 2006	<u>6,231,917</u>	<u>760,747</u>	<u>114,359</u>	<u>337,935</u>	<u>83,634</u>	<u>-</u>	<u>7,528,592</u>
At 31 December 2005	<u>6,365,117</u>	<u>863,003</u>	<u>194,397</u>	<u>457,892</u>	<u>190,134</u>	<u>28,576</u>	<u>8,099,119</u>

(*) Due to the damage of books and manuals items, during the year, the ECES management has decided to dispose the cost of such items.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

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 9.5% 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:

	2006 L.E.	2005 L.E.
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

	2006 L.E.	2005 L.E.
Cash at banks	917,554	942,334
Time and certificate of deposits	1,241,500	1,244,350
Cash held by asset managers (Note 10)	4,704,346	3,709,092
CIB Osoul Fund	406,502	-
Cash on hand	-	14,000
	<u>7,269,902</u>	<u>5,909,776</u>

- The weighted average effective interest rate on short-term US Dollars bank deposits was 1.5%. These deposits have an average maturity of one month. In addition to short term time deposits in Egyptian pounds with interest rate of 7%.
- The cash held by asset managers represents unrestricted interest earned by the asset managers on the investment of the Endowment Fund of L.E. 50 million. The interest earned remains in banks under the supervision of the assets managers (Note 10).
- On 26 September 2006, ECES subscribed in CIB Osoul Fund by 3,486 certificates with total cost of L.E. 400,019 (L.E. 114.75 per certificate). The market value per certificate is L.E. 116.61 as of 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

7 OTHER DEBIT BALANCES

	2006 L.E.	2005 L.E.
Debit balances	11,936	116,313
Prepaid expenses	46,201	29,782
	<u>58,137</u>	<u>146,095</u>

8 OTHER CREDIT BALANCES

	2006 L.E.	2005 L.E.
Publication expenses	77,000	63,380
Technical assistance	53,600	19,950
Professional fees	23,500	20,000
Data and subscription	-	40,000
Other credit balances	6,931	16,877
	<u>161,031</u>	<u>160,207</u>

9 SURPLUS FUNDS

	2006 L.E.	2005 L.E.
Balance at the beginning of the year	13,994,783	12,925,624
Surplus of the year	603,233	1,069,159
Balance at the end of the year	<u>14,598,016</u>	<u>13,994,783</u>

10 ENDOWMENT FUND INTEREST INCOME

According to Law No. 84 of 2002, ECES can receive and invest funds, following the approval of the Ministry of Social Solidarity (Ex. 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 2006

10 ENDOWMENT FUND INTEREST INCOME *continued*

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

	Phoenix Kato Asset Management Co. L.E.	HC Securities & Investment Co. L.E.	2006 Total L.E.	2005 Total L.E.
Balance at the beginning of the year	2,154,694	1,554,398	3,709,092	2,304,431
Accrued interest during the year	3,125,530	1,986,100	5,111,630	5,085,571
Cash transferred to the ECES	(2,400,000)	(1,600,000)	(4,000,000)	(3,567,000)
Asset managers fees	(69,756)	(46,620)	(116,376)	(113,910)
Balance at the end of the year	<u>2,810,468</u>	<u>1,893,878</u>	<u>4,704,346</u>	<u>3,709,092</u>

11 MEMBERS SUBSCRIPTIONS/CONTRIBUTIONS

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

	2006 L.E.	2005 L.E.
Members subscriptions	70,000	305,000
Members contributions	304,019	140,000
	<u>374,019</u>	<u>445,000</u>

- Each new member pays an entry fee of LE 25,000.
- An annual subscription fee of LE 5,000, which is determined by the Board of Directors decision and in accordance with ECES bylaws.
- ECES members contribute sometimes financially to ECES in various other ways such as the production of large events (i.e. conferences and seminars).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

12 OPERATIONAL AND ADMINISTRATIVE COSTS

	2006 L.E.	2005 L.E.
Technical assistance	375,954	174,595
Publications	238,647	175,084
Roundtable and conferences	222,376	146,242
Maintenance and insurance	155,615	147,426
Endowment asset managers fees (Note 10)	116,376	113,910
International travel and per diem	106,480	312,809
Office supplies	87,262	63,536
Auto, insurance and fuel	84,997	82,192
Data and subscriptions	57,167	64,678
Telephone and fax	32,331	37,278
Rent	29,235	26,610
Professional fees	25,000	20,000
Courier, postage and shipment	12,726	9,523
Water and electricity	12,449	10,096
Entertainment	12,125	10,701
Bank charges	3,679	2,749
Local travel	2,869	11,078
Legal fees	480	3,600
Miscellaneous	34,522	27,475
	<u>1,610,290</u>	<u>1,439,582</u>

13 TAXATION

ECES is exempted from income taxes in accordance with Article 71(2) of Law No. 157 of 1981 as amended by Law No. 187 of 1993. 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 timely basis.

- **With holding tax**

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

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

