



# AL-RABAT

Arab Society for Economic Research

Curated by Al-Rabat's Editorial Team: Professor/ Khaled Al-Wazany; Ms. Hoda Hamouda; Ms. Mariam AbdelNabi and Mr. Ahmed Zaki - [Contact Us](#)

## Editorial

Al-Rabat newsletter returns today, with a cognitive momentum, and a plethora of news and portals of knowledge, to be a platform that connects members of the Arab Society for Economic Research, and all those interested in it and its members, and a space that opens the horizons in front of its followers to monitor and track the news of ASFER and its activities and the activity and interaction of its members. Al-Rabat conveys the different conditions of knowledge in the fields that interest members and followers on the other hand. The new board of directors of the association has approved, under the chairmanship of Professor Mahmoud Mohieldin, and with the follow-up and blessing of the Secretary-General of the Association Professor Dr. Ashraf Al-Arabi, the new form of doors and topics of Al-Rabat, to include a main section under the title "ASFER's Blog" talking about one of the topics within the economic sphere and focuses on publishing economic knowledge, as well as another section under the title "Membership Flash" where one of the members of ASFER is introduced, especially those who have distinguished contributions in ASFER's field of interest. This is in addition to a section under the title "Arab Economy", which sheds light on one of the Arab economies from a structural angle, and from an aspect of defining some of its modern issues. Two Sections have been left at the beginning and end of the newsletter. The former includes news that interests members in economic and academic affairs. The latter includes a selection of news relating to ASFER members, in terms of their contributions in knowledge and their participation in scientific and practical activities. Al-Rabat is happy to return to you with a distinctive bouquet of in this issue, to include a "Membership Flash" that introduces ASFER's president, includes a contribution from Professor Nihal El-Megharbel, ASFER's treasurer, with a vital article in the "Arab Economy" section that discusses the economy of the Sultanate of Oman. Professor AbdelHamid Al-Zigalie, member of the Board of Directors, and a well-known economic advisor, shares an important and resourceful article on the most important concepts in finance. Al-Rabat's team is proud of the return of Al-Rabat as a communication platform with members of ASFER and the wider community interested in economic affairs and wishes for everyone to support this launch by providing the editorial team with their scientific and practical news, activities, and their resources of knowledge that may interest and support this platform. Al-Rabat is everyone's window and platform; and its success in performing its role is not limited to the work of the editorial team, but to Everyone's interaction with it. We put it today between your hands, and we await your contributions, and your valuable comments to develop and update it. We look forward to communicating with you, and we await meeting you in the next issue, God willing...

## Newsletter

- ASFER intends to hold its 17th scientific conference in partnership with the Mohammed bin Rashid School of Government on the topic "Climate Change and Its Implications for Arab Economic Development" during the period 4-5 November 2023. A number of research proposals have been received and are being evaluated by the scientific committee. For more details, please visit ASFER's [website](#).
- ASFER announces the digitization of its Journal for Arab Economic Research and the uploading of all its issues on ASFER's website. The journal is also resuming issuances of its scientific journal with issue number 86/March 2023.
- The journal receives various contributions from research that can be arbitrated, in addition to special doors for opinion articles, book reviews, seminars, scientific conferences, and analytical presentation of Arab and international economic developments. To send scientific contributions, please register on the journal's website.
- ASFER's participation in the seventh Arab Development Report titled "Climate Change Challenges and their effects on Development in Arab Countries" in partnership with the Arab Planning Institute, the Egyptian Institute of National Planning, and OAPEC.



## Members' News

- Ain Shams University awarded an honorary doctorate to Professor Mahmoud Mohieldin, ASFER's president, in appreciation of his contributions in the field of economics and development. This was during the eleventh conference of the university, in the presence of Professor Mahmoud El-Metini, President of Ain Shams University, Dr. Mohamed Awad Tag El-Din, Presidential Advisor for Health and Prevention Affairs, and a group of scientists, academics and researchers from within and outside Egypt.
- Professor Nihal El-Megharbel - ASFER's treasurer - discussed the strategic planning guide prepared by a group of consultants and experts from the Arab Planning Institute for the benefit of the Ministry of Economy in Oman.
- Professor Fouad Hamdi Bessiso - participates with a research paper entitled "The role of central banks in achieving the human moral mission of the green banking sector: The case of the Islamic banking sector" in the twenty-first international conference to be held in Rotterdam, Netherlands on the topic "Towards an economy that targets humans first: To achieve a prosperous world" and to be held during the period 21-25 August 2023.
- The issuance of a decision by the Prime Minister of Egypt to appoint Professor Hala Muhammad Sultan Abu Ali as Vice President for Research and Graduate Studies at the Egyptian Institute of National Planning for a period of four years beginning in April 2023

## Member Snapshot

Mahmoud Safwat Mohieldin is a professor at the Faculty of Economics and Political Science, Cairo University. He currently holds the position of Executive Director at the International Monetary Fund as well as High-Level Climate Champion for the Egyptian Presidency of the 27th Conference of Parties (COP27). He also currently serves as President of both the Arab Society for Economic Research and the Middle East Economic Association.

Professor Mohieldin earned his Bachelor's degree from the Faculty of Economics and Political Science in 1986, where he was top of his class. He received his postgraduate studies in the United Kingdom, where he obtained a Master's degree in economic and social policy analysis from York University followed by a diploma in quantitative analysis and development, and a PhD in economics from Warwick University. He held several positions in several local and international institutions, including taking charge of the Egyptian Ministry of Investment in the period from 2004 to 2010, before becoming the Managing Director of the World Bank, becoming the first Egyptian and Arab to hold this position. After the end of his tenure as Senior Vice President of the World Bank in 2020, he was appointed special envoy for the Secretary-General of the United Nations for financing the 2030 Agenda for Sustainable Development.



Professor / Mahmoud Mohieldin

President - Arab Society for Economic Research

Professor of Economics at the Faculty of Economics and Political Science, Cairo University; Executive Director - International Monetary Fund; High-Level Climate Champion for Egypt and UN Special Envoy for financing the 2030 sustainable development agenda.

## Blog

## Important Concepts in Finance

Professor/ AbdelHamid Al-Zigalie - Economic Consultant

For a long period of time, I worked as an economic consultant and among my tasks was contributing to the evaluation of projects to be financed and provide advice in this regard. And through my experience, I saw it important to clarify some of the concepts that are necessary scientifically and practically and necessary when evaluating and financing development projects and providing loans to them.

### 1. Economic internal rate of return and financial internal rate of return

It is necessary to realize the theoretical basis for the difference between economic and financial rates of return, as the economic IRR measures the return of the project from the point of view of the overall macroeconomy, while the financial IRR measures the return of the project from the point of view of the investor or project owners and therefore financial accounting rules are used to calculate the financial IRR.

1.1) When calculating the economic return, fixed base year prices are used. While in contrast we find that to calculate the financial IRR, current prices are used

1.2) In calculating the economic IRR, taxes and customs are not counted as part of the capital expenditure whereas financial IRR includes calculating taxes and customs fees as part of capital costs (because they are actual financial costs).

1.3) In calculating the economic IRR, the price reserve is excluded from project costs (because it is calculated at fixed prices), while in calculating the financial IRR the price reserve is part of project costs and is thus included.

1.4) In calculating the costs of raw materials, intermediates and wages in the case of economic IRR, no taxes or fees are calculated for the reason mentioned above, while in calculating the financial IRR taxes and fees paid are calculated as part of the costs of raw materials, intermediates and wages.

1.5) In calculating the costs of raw materials and intermediates for economic return, they are calculated at a cost equal to the import price of similar products (the economic cost) as well the revenue, which is calculated at a selling price equal to the economic selling price which is the selling price of the product abroad as if it were exported (which may differ from the local price), while the financial IRR incorporates cost elements and revenue according to their actual purchase or sale price.

1.6) There are common elements that are calculated with the same numbers or ratios in both economic IRR and financial IRR such as the project's projected life cycle, the percentage of project capital costs at end of project life that is calculated as a residual value at the end of the project's life cycle where the estimated residual value for project at end of project life is treated either by deducting it from project capital costs or by adding it to project benefits in last year.

### 2- The grant element

Many financial flows are transferred to finance development projects from multiple sources such as commercial or specialized banks or institutions and official and commercial donors, but one type of these financial flows can be called "development assistance or development aid" which is comprised of facilitated financial flows that aim to support economic and social development and contain a minimum grant element. The grant element is the difference between the original nominal value of the loan and discounted present value for debt service as a percentage of the original nominal value for loan.

Determining minimum grant element for loans and development financial flows so that these loans or flows are called development assistance is left to the Development Assistance Committee (DAC) affiliated with Organization for Economic Cooperation and Development (OECD) when it contains at least 25% grant element, meaning that total lending terms have less than their market price equivalent (commercial lending) by this percentage., while including lending terms that enter into calculations for this equation.

### Maturity, Grace Period and Interest Rate

A discount rate agreed upon is used to calculate the present value of debt service, and the latter may change from time to time according to the averages of interest rates in the international markets. For a time it was determined by DAC at 10% when the level of interest rates was high as it was in the eighties, then adjusted by the same entity to 5% when interest rates fell in international markets. And according to the previous concept of clarification, grants that are not recovered reaches a grant element of 100% because they are transfers and financial flows without any current or future obligations on the recipient or beneficiary to repay or make any transfer to repay that grant.

### 3- Debt service and debt service ratio

To calculate the grant element, it is necessary to calculate the present value of debt service, and debt service is the total payments to repay the principal of the loan and the accrued interest. The debt service ratio is an indicator that is calculated to know the country's ability to repay by dividing total debt service by exports of goods and services, considering that exports of goods and services are a main source of foreign currency, which shows how much the country deducts from its export revenues to repay loans and their interest.

### 4- Net withdrawal

The importance of the term net withdrawal is that it is used as a real measure of net facilitated flows provided by donors to developing countries, as it represents the net amount of resource transfer or actual capital transfer. We observe that some donors frame what they offer as total development assistance according to decisions of their administrations, called commitments. This tends to be for informational purposes and the statement for the total being offered is a very preliminary indicator that does not help much. And even a statement of withdrawals from loans provided, although better than a statement of commitments in that it shows what has actually been implemented from commitments, only helps partially in stating that but does not give the full picture. The picture is complete when a statement is presented that includes actual withdrawals during a specific period of time (usually a year) and deducted from it is the amount allocated for repayment during the same period; the difference is then the net withdrawal. And thus this statement expresses what is called net withdrawal and indicates the amount of actual transfer of resources which expresses how much actual benefit from aid flows and their actual contribution to economic and social development and alleviating burdens of development projects especially in facing needs for foreign currency.

## Arab Economy

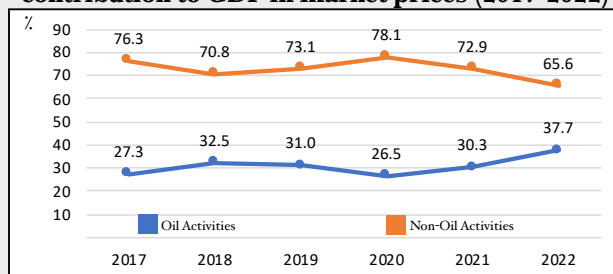
# Structural and Financial Reforms pay off in Oman

**Professor Nihal El-Megharbel - Senator and member of the Egyptian Senate's housing, local administration and transportation committee and former vice minister of planning**

### Real economic growth and targeting economic diversification

The Omani economy has witnessed significant developments recently, as the International Monetary Fund's forecasts indicate an increase in the real GDP growth rate from 3% in 2021 to 4.4% in 2022 and 4.1% in 2023. And despite all long- and medium-term plans since the 1970s until now pointing towards diversifying economic activity, the contribution of the oil sector to GDP still maintains an upward trend, rising from 27.3% in 2017 to 37.7% in 2022. Meanwhile, data indicates a decline in the contribution of non-oil sectors from 76.3% to 65.6% during the same period. The average contribution of oil activities to GDP at current prices was 30.9% compared to an average of 72.8% for non-oil activities during the period 2017 - 2022 (Figure No. 1). It is worth noting that "Oman Vision 2040" has targeted increasing the contribution of non-oil activities to GDP to 83.9% by 2030 and 91.6% by 2040.

**Figure 1: Evolution of Oil and Non-oil sectors contribution to GDP in market prices (2017-2022)**



**Source: Omani National Center for Statistics and Information**

### Continuing the plan to adjust public finance and achieve a primary surplus

The preliminary results of the general budget for 2022 indicate an increase in public revenues with expectations of achieving a primary surplus of 1.146 billion Omani riyals compared to an estimated operational deficit of about 1.550 billion riyals. As for public spending, it increased by about 7.9% compared to approved spending, as a result of increasing the allocations for development expenditures to about 1.1 billion Omani riyals compared to approved development expenditures of about 900 million Omani riyals. Civil ministries' current expenditures also increased by 2.3% and total contributions and other expenditures by 77.2%, as a result of the increase in fuel subsidies, following the decision to fix fuel prices until the end of 2022.

### Decline in public debt and success of monetary policy

From the aforementioned, it is clear that the use of additional and unexpected financial revenues to stimulate economic growth, enhance social spending, manage the lending portfolio and reduce public debt has proven effective, as public debt declined to about 43% of GDP compared to an estimated percentage in the medium-term financial plan that reached about 83%. Monetary policy also achieved success by maintaining an appropriate exchange rate, which helped achieve low and stable inflation. Maintaining an appropriate level of foreign reserves as well as financial and structural reforms also contributed to enhancing exchange rate stability. It is expected that developing coordination between fiscal and monetary policies, improving cash liquidity management, and deepening financial markets will enhance the independence of monetary policy in Oman in the medium term.

### Labor market reforms to accommodate job seekers and encourage women's work

The unemployment rate reached 5% in February 2023 and this rate increased significantly for females to reach 16.6% compared to only 2.1% for males (National Center for Statistics and Information, 2023). "Oman Vision 2040" has given priority to developing a new labor law, reviewing the minimum wage, maintaining wage balance between the public and private sectors, encouraging new investments based on the knowledge economy, developing the educational system, and increasing women's participation in the labor market, by improving the work environment and providing flexibility in working hours and working locations. The government has made progress in improving the performance and flexibility of the labor market, including by easing restrictions on employing expatriate workers, and launching government-sponsored training and rehabilitation initiatives to facilitate job search in the public and private sectors. (International Monetary Fund, 2022, and International Labor Organization, 2023).

### Summary

Despite the positive developments that the Omani economy has witnessed during the past few years, the next few years will mandate giving a strong boost to Oman's economic diversification program. This includes adopting an integrated program to reform the labor market to stimulate its degree of flexibility, giving priority to developing state-owned companies to raise their level of competitiveness, enhancing economic governance, stimulating private sector participation in economic activity, attracting more foreign direct investment, especially in promising non-oil activities, continuing to implement the digital transformation program, and transitioning to knowledge economy activities, while moving forward in addressing climate challenges, as stated in the future vision and the tenth five-year development plan. Adopting these policies will put Oman in the ranks of the developed economies by 2040.



## ASFER members' contributions

- Mahmoud Mohieldin: The Political Economy of Monetary Independence On June 1, 2023.
- Gouda Abdel-Khalek: The government's economic vision generates a permanent deficit on February 15, 2023.
- Khaled Wasef Al-Wazany: The economy and national security on May 22, 2023.
- The Arab Center for Research and Policy Studies published a book by Dr. Albert Dagher on "Contemporary Intellectual Currents for Arab Development" and the book sheds light on the intellectual currents that provide more logical solutions to the dilemma of Arab development,. A session was allocated to discuss the book in the activities of the 64th Beirut International Arab Book Fair.
- A detailed economic study prepared by Dr. Ashraf Al-Arabi, President of the Institute of National Planning and Secretary-General of ASFER, and published in the Egyptian Journal of Development and Planning Under the title "Philosophy of Development and the Role of the State in Deepening Local Manufacturing in Egypt", discussed the issue of manufacturing in Egypt and how to deepen it within the framework of development philosophy and the role of the state, through comparing the experiences of different schools of economic thought and development in the world, and some global manufacturing and industrialization experiences in some countries.

## Links and Resources

- [Fourth General Lecture - ASFER 2023](#)
- [Journal for Arab Economic Research](#)
- [Become a member](#)
- For more on ASFER, visit our [website](#)



Professor/ Gouda Abdel-Khalek



Professor/ Khaled Wasef Al-Wazany

## Economic Reports on the Arab Region

- [The Unified Arab Economy Report - The Arab Monetary Fund](#)
- [Egypt and the International Monetary Fund - IDSC](#)
- [The Arab Economy Horizons - Arab Monetary Fund](#)