

# Referee Report on Dissertation Thesis

Institute of Economic Studies, Faculty of Social Sciences,  
Charles University in Prague

Student:	Ibrahim Lofti Awad
Supervisor:	Kateřina Šmídková
Referee:	Tomáš Holub
Title of the thesis:	Three Essays on the Inflation Targeting Regime in Egypt

## OVERALL ASSESSMENT

This dissertation thesis is a collection of three empirical essays on monetary policy issues in Egypt. It mostly uses standard methodology (with some innovations mainly in the second essay – see my comment on it below), includes standard references, etc. Its main original contribution is thus extending the econometric evidence on the explored topics for the author's country. As such, the papers are probably publishable in some regional refereed journal, or in journals focused on emerging market issues. It could also attract some attention at the Central Bank of Egypt.

Compared to the pre-defense version, the author has done some important improvements. In particular, the "Introduction" and "Summary and Concluding Remarks" now provide a very good link between the three essays and explain clearly how they are related to the introduction of inflation targeting regime in Egypt. I also appreciate the extended and reformulated summaries of each essay.

In the first essay, Ibrahim has made it clearer, why is the case that if the demand for money function is not stable, the CBE does not have another option other than adopting inflation targeting. In particular, he has provided good arguments why some unorthodox monetary policy regime is not suitable for Egypt.

In the second essay, the author has clarified the link between his concept of central bank independence and the standard approaches, making it also clear that his concept is relevant for some monetary policy regimes only. Appendix 1, which was added to the second essay, is useful explanation of the author's arguments (although I still have some doubts if the concepts measures central bank independence in an unambiguous way – see below).

In the third essay, the presentation of the empirical results is now clearer. Also its conclusions were redrafted in such a way that addresses my previous suggestions.

Even though I still have some minor comments to the dissertation, as well one major comment on the measurement of factual central bank independence in the second essay (see below), these are not obstacles to a successful defense. I thus recommend Ibrahim's dissertation to be **accepted**.

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Page 44: Why is the variable DCGW not in logarithmic form? This seems strange.

Page 45-46: More detailed comments of the estimates could be useful (e.g. of the size of the estimated coefficients, which seem to be rather small in an absolute value).

Page 72-73: "The expansion of real  $GDP^{EG}$  induced by a positive shock in  $FFR^{USA}$  can be attributed to a depreciation of the domestic currency vis-à-vis the US dollar, which stimulates Egyptian exports." It could be useful to explicitly show the response of FX to FFR. Since a positive shock to  $FFR^{USA}$  also leads to a lower price level measured by WPI (see Figure 2, Panel 2), it is not clear whether the impact on the GDP can be really attributed to currency depreciation.

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*Tomas Holub*  
**Referee Signature**