

Summary

AMF Strategy Framework 2015-2020

The Board of Directors of the Arab Monetary Fund (AMF) sponsored the development of the Strategy Framework 2015-2020, which reflects the evolving vision on how to move forward in fulfilling AMF's mandate. The Strategy Framework was welcomed by a resolution of the Board of Governors of the AMF in its annual meeting held in Kuwait City in April 2015. The Board resolution called for periodic reporting of achievements in meeting the targeted objectives.

The Strategy report identified key aspects of the AMF **strengths and relative advantages**, manifested by the organizational setup and ownership as a regional financial institution owned by all Arab States, its location in the Arab region, and its pivotal role as a platform for meetings and consultations among economic, financial, and monetary policy makers. Furthermore, the AMF has a well-established role in capacity building through specialized training offered by its Economic Policy Institute to officials in Arab States. The financial soundness of the Fund added confidence of the Member States in the Fund's long established role of providing reserve management services and accepting deposits from Member States.

The Strategy Framework identified key aspects of weakness in the Fund's operations which are manifested by the need to strengthening its institutional capacity and technical expertise to enhance the Fund's responsiveness to the varying needs of its Member States. Other aspects included deficiencies in information technology services, inadequate mechanisms and efforts to coordinate and interact with international and regional forums, and insufficient media and awareness about the Fund and its activities.

The Framework elaborated on the potentials and ranges of **opportunities** available to the AMF to strengthen its role in serving Member States. Such opportunities include, the ability to meet the growing financing needs of members, to provide relevant and timely consultations on technical assistance on economic reforms, and exerting efforts to fulfill the pressing and varying needs for capacity building in various fields of finance and economics. Moreover, the Fund is envisaging potential expansion of technical consultations in the area of investment and reserve management. The growing interest of Member States for economic and financial integration to meet the

challenges of inclusive growth, would be another area of focus opportunity where the Fund would continue to engage actively.

The Fund is also expected to respond to the **challenges** facing the identified opportunities, if it were to maximize its potential. At the forefront of the challenges, is the need to adopt a more flexible policy in responding to the needs of Member States based on each country's specific economic performance. These include, strengthening the role of the Economic Policy Institute as a center for capacity building and knowledge enhancement and maintaining the development of Fund's technical assistant programs and services. The challenges equally entail increasing operating efficiency, building internal capacity, and strengthening and activating communication efforts with Member States and international forums.

The Strategy Framework considered the global economic and financial developments and their possible impacts on the Fund's activities and services. These include, the growing importance of global standards and principles, the emerging economies as growth-led engine, the vulnerability in the global financial and commodities markets, and the continuing credit crunch in the emerging and developing markets. Amongst the recent trends which bear significant impact, are the growing interests in the knowledge economy, and the competitiveness of the working environment of development institutions.

The Framework has focused in particular on the financial and economic challenges that Member Arab States face and the expected role of AMF in tackling these challenges. It is well recognized that Member States face persistence of high unemployment rates particularly amongst the young population. The AMF is expected to engage actively in contributing to economic reforms aimed at addressing unemployment in the Member States.

Maintaining strong financial and economic stability and accelerating the pace of inclusive growth are among the key challenges facing Arab countries. The success to alleviate such challenges hinges upon significant undertakings to achieve further strengthening of the financial sector. These include, improving conduciveness of the economic environment to motivate the private sector and attract investment. Promoting financial institutions' good governances, capacity building needed for policy making, and developing the education systems to respond to the needs of the labor market.

These aspects constitute references for the AMF to identify Member States needs and expectations for years to come. On this premise, the AMF recognized the need to develop its capacity and initiatives, maintain fruitful communication, and increase its

financial support to Member States in order to assist them in meeting the aforementioned economic challenges.

It is expected that the AMF will also consider the necessary changes in scope and quality of its technical assistance, develop its research activities, and data collection skills, thus making available to the public more focused quality research reports for decision makers and researchers. It is also expected that AMF will expand the scope of its training activities and programs for capacity building, and continues its efforts to support financial and economic integration among Arab countries.

Within this context, based on the AMF's mission and mandate, and on latest developments in the global economic and financial environment, and on economic priorities, and building on past experiences and relative advantages, the AMF adopted a renewed vision as a **“leading regional Arab financial institution in supporting economic, fiscal and monetary reforms to attain stability in the Arab region”**.

For the strategic vision to materialize, the efforts of the AMF were envisaged within the context of three fundamental pillars: strengthening the chances of sustainable inclusive growth, enhancing cooperation and financial and economic integration among Arab countries, and establishing the basis for efficient and properly governed financial and economic institutions in Member States. The AMF within this context will work to achieve four strategic objectives in line with its mission and mandates. The four objectives are:

A. The first strategic objective: Developing further AMF programs and activities to support reforms aiming at macroeconomic stability in Arab Countries. This objective aims at developing the programs and activities that the AMF is undertaking to support Member States' efforts to achieve macroeconomic stability, either through financial assistance to support economic reforms, or through further engagement in relevant technical assistance consultations. Two sub-objectives are identified; the first is **developing the lending activities of the Fund** by revisiting the existing lending facilities to ensure that they continue to be relevant in meeting the financial support needed by Member States, and to study the possibility of creating country programming. Also, the procedures linked to lending activities will be revisited, along with studying means to increase the size of available funding available for lending.

The second sub-objective is to **scale up AMF's engagement in providing technical assistance and consultations to Member States**. This includes launching new initiatives, providing necessary expertise more efficiently, placing more emphasis on the aspects of technical assistance programs considered to be a priority to Member

States, strengthening the partnership and cooperation with international financial institutions, and exploring potentials of securing additional financial resources from donors for technical assistance purposes.

B. The second strategic objective: Expanding the banking and financial sectors initiatives and programs and improving modalities to access funding and financial services: The focus will be on developing the Fund's activities and initiatives targeting the depth of the financial sector given the importance of this sector and its role in supporting inclusive growth and in achieving financial and economic stability. To attain this objective, the Fund will aim at achieving two sub-objectives; the first one intends to develop the financial sector and capital markets' technical assistance programs. This includes adopting relevant programs and activities such as launching a holistic initiative to develop bond markets in local currencies and strengthening financial inclusion in addition to extending initiatives for developing the financial sector infrastructure. This also includes strengthening the surveillance legislation and promoting macro-prudential supervision policies, in addition to developing the information and indexes for measuring the performance of the financial sector.

The second sub-objective relates to developing investment activity and programs where AMF will engage further in deposit acceptances from Member States and Arab financial institutions, promote its portfolio management services, and strengthen investment related technical assistance programs, in addition to considering the establishment of a special fund for investment in Arab bonds.

C. The third strategic objective: Strengthening the pivotal role of the Fund as a platform for meeting and consultation among policy makers, and supporting efforts for economic, financial, and monetary integration amongst Arab States; this objective focuses on the role that AMF is well positioned to play in promoting coordination among Arab countries, and in developing the mechanisms and activities that promote the exchange of experiences between them. It focuses equally on promoting cooperation between the regional and international financial institutions, aiming at enhancing the pivotal role of the Fund in attaining the goal of strengthening monetary, financial and economic integration among Member States.

Within this objective, the AMF aims to achieve two sub-objectives. The first entails **developing the role of the Fund as a platform for meeting and consultation.** This sub-objective includes activating its role as technical secretariat to the Arab Central Banks Governors Council, and the Council of Arab Finance Ministers to the extent that it will lead to develop the activities of the two councils and related sub-committees and working groups, with the possibility of establishing new committees

or working groups if needed; it also includes, organizing high level seminars, promoting communication between the supervisory, monetary, financial, and economic authorities in Member States, and increasing AMF coordination with the relevant international organizations and forums. Also, the AMF will strengthen its participation in the efforts to formulate international standards and principles and in expanding its cooperative initiatives with financial institutions and development agencies.

The second sub-objective is manifested by **promoting initiatives and programs designed for supporting the Arab economic, financial and monetary integration**. To achieve this goal, the AMF will support the essential fundamentals of regional financial consolidation through its continuing cooperation with Arab institutions, and its efforts towards Arab capital markets integration. The AMF will also expand its activity in studying and monitoring issues concerning Arab monetary, financial and economic integration.

D. The fourth strategic objective: Strengthening the AMF role as a center of excellence for knowledge, expertise, technical advice and capacity building: The aim is to develop the Fund's role as a center for technical consultation due to the growing needs of Member States to enhance technical knowledge and capacity building. The AMF envisages the achievement of this objective through fulfilling three sub-goals. The first is to **intensify and develop capacity building and training programs** in the economic, monetary, and financial sectors which necessitate updating the current training programs, expanding the training activities hosted at its premises as well as in Member States, and engaging in a series of dialogues. The AMF also plans to lay down the foundation for distant learning and capacity building in statistics within the framework of (Arab STAT) and establishing programs of visiting professors and internships for economists.

The second sub-objective relates to the **development of research activities and statistics** to enrich the capabilities of those concerned with monetary and financial aspects in the Arab countries. The AMF will focus on expanding its research activities, maintaining the quality of the existing statistical and economic reports, and launching a series of new publications on Arab economic outlook, Arab financial stability, Arab capital markets, and trends in inter-trade and capital flows. AMF further envisages developing new initiatives on Arab statistics and activate its participation in the Arab Development Portal project, in addition to preparing and disseminating financial data on Arab countries.

The third sub-objective relates to **strengthening media activities and communication with the Arab States**. AMF envisages developing and

implementing a comprehensive strategy for media including revisiting and upgrading AMF website, and launching initiatives jointly with the universities, research centers and civil societies.

In implementing the strategic framework 2015-2020, AMF is aware of the importance of accelerating the development of its institutional capacity. Recognizing the need to further improve on cultural aspects necessary to induce change. This assumes undertaking initiatives on cultural change and human resources, encouraging learning and capacity building, improving applications of information systems, and benefiting from technology to enhance communication and interaction.

Due to the importance of financial resources required to implement the strategic objectives and related activities, the AMF will continue its efforts to improve the effectiveness and efficiency of its expenditures, including revisiting the cost structures of its activities, and promoting contributions from partner institutions.

As far as the performance appraisal and its indicators are concerned, the AMF aims to implement an appropriate methodology and tools that suits best its mode of operations and institutional structure. It has considered implementing one of the well-known methods of performance measurements - the Balanced Scorecard.

Performance measurement indicators will be assigned to each strategic objective and the related sub-objectives and organized into four dimensions: The first dimension focuses on measuring to what extent the Fund responds to the needs of its Member States and their perception of it. The second dimension relates to the Fund's financial aspects. The third dimension addresses internal business processes that AMF must excel at. The fourth dimension relates to sustaining the Fund's ability to change and improve.

The Fund will consequently work on laying down the necessary modalities to implement the strategy. This includes the implementation of the Balanced Scorecard methodology to enhance the institutional building. The Board of Executive Directors is expected to maintain close follow-up and contribution to the strategic planning and management through progress reports on the achievement of strategic objectives. The Strategy Framework is expected to be reviewed annually.