Arab Monetary Fund

Annual Report 2011

Contents

Page

Letter of Transmittal ii

Activities of the Fund in 2010 1

Lending 6

Investment 21

Technical Assistance 25

Arab Capital Markets 27

Training 29

The Board of Governors of Arab Central Banks and Monetary Agencies 33

Cooperation with Arab, Regional and International Organizations 36

Cooperation with the Arab Trade Financing Program 38

Reports, Bulletins, Research and Studies 40

Consolidated Financial Position 43

Consolidated Financial Statements & the Auditors' Report 49

Appendices 71

Organization and Management 81

Letter of Transmittal

To the Board of Governors

On behalf of the Executive Board, I have the honor to present to your Excellencies, members of the Board of Governors, the Annual Report and the audited financial statements for the year ended 31 December 2011, in accordance with Article 33 of the Arab Monetary Fund's Articles of Agreement.

Yours Sincerely,

Dr. Jassim Al-Mannai
Director General Chairman of the Board of Executive Directors

April 2012

Activities of the Fund in 2011

During 2011 the Fund pursued its endeavor to develop and expand its activities within the areas defined in its Articles of Agreement and in light of events at both regional and international levels. A number of countries of the Arab region witnessed during the year deep political transformations calling for more employment opportunities and greater social justice through the achievement of inclusive economic growth to the benefit of all social strata. The incidents which accompanied these events led to a sharp contraction of growth during the year, although performance varied among countries. In several such countries, the balance of payments deteriorated due to larger deficits in the current accounts and a drop in foreign direct investments. At the international level, the impact of the global financial crisis continued to adversely affect international economic recovery which also suffered from the fall-out of the sovereign debt crisis in the euro zone during 2011. The contraction of demand and growth in almost all of the countries of the European union also impacted the performance of exports, tourism and transfers to Arab countries.

In light of the forgoing developments, the requirements of many Arab countries for external financing increased. During 2011 the Fund sought to meet the needs of its member countries in such a difficult period through the extension of quick financial support to the extent permitted by its available resources via the Fund's various lending windows as well as the support from the Arab Trade Financing Program to exporters and importers in Arab countries.

In the same vein, the Fund continued in 2011 to carry out its training programs which seek to bolster human and institutional capacities of member countries. In the area of technical assistance, the Fund collaborated with relevant international institutions through joint initiatives aimed at developing the financial and banking sectors in its member countries. It also organized seminars and courses for senior government officials of member countries. The topics addressed in those activities focused on the financial and banking dimensions of the international crisis which prevailed in 2008 and 2009 with the aim of drawing the lessons and exchanging views on economic reforms which need to be implemented at this juncture.

Concomitantly, the Fund continued to carry out its functions as secretariat of the Board of Governors of Arab central banks and monetary institutions and Technical Secretariat of the Board of Arab Ministers of Finance. Within this framework, the Fund organized during the year meetings and gatherings of member countries' finance ministers and governors of central banks and monetary institutions, with the purpose of providing them with platforms for cooperation, exchange of views and experiences and bolstering the scope for needed cooperation and coordination.

Regarding the **lending activity**, during 2011 the Fund extended three new loans totaling AAD 116 million, equivalent to US$ 535 million. These included a loan worth AAD 13.7 million, corresponding to US$ 63 million, which was extended to the Kingdom of Morocco within the framework of the Oil Facility. The other two loans were extended to the Arab Republic of Egypt, with a combined value totaling AAD 102 million, equivalent to US$ 470 million. One of these was an Automatic Loan worth AAD 43.7 million, the other amounted to AAD 58.3 million was extended under the Structural Adjustment Facility in the public finance sector.

In the context of its constant keenness to foster the foundation of cooperation and to strengthen contacts and concertation regarding the ways for supporting member countries in addressing international and regional developments impacting their economic performance, during 2011 the Fund sent out a number of missions to several countries. These included Morocco, Mauritania, Jordan, Egypt and Tunisia. The mandate of the missions was to discuss with the authorities their requests to benefit from the Fund's resources in support of adjustment programs in some cases. In other cases, the mandate aimed at following up and monitoring the implementation of previously agreed programs adopted in conjunction with Fund loans. It is worth noting that the aforesaid mission mandates also covered the provision of technical support and advice regarding the problems which borrowing countries are facing.

With respect to the **investment activity**, 2011 was an eventful year in the midst of a weak global economy. The major economies experienced low growth and high unemployment rates as most of the largest industrial nations continued to reduce public expenditures while their central banks maintained low official interest rates and injected increased liquidity in the financial and banking sectors. The economies of the Euro zone, the United Kingdom and Japan are expected to witness a weak economic performance with reduced abilities to stimulate it and to efficiently trigger recovery due to the high levels of indebtedness.

Notwithstanding the foregoing, the Fund's investment policies contributed to safeguarding its invested capital and achieving global positive returns during 2011 while maintaining a low level of risks.

Beside its core focus on the management of its own resources, the Fund's investment activity also includes the acceptance of deposits from Arab central Banks, monetary and financial institutions. The fact that the Fund maintained high levels of balances in this domain reflected continued confidence of member countries in the institution. Moreover, the Fund continued to manage the resources of the Arab Trade Financing Program, the assets of the Joint Account of the specialized Arab organizations and those of the AMF staff pension fund as well as bond portfolios for the benefit of member countries.

In the area of **Technical Assistance**, during 2011 the Fund continued to extend to Arab central Banks the necessary technical support. This was achieved through joint initiatives with relevant international institutions. Two such initiatives, among others, related to the Credit Reporting and Risk Centralization Initiative and the Development of Secured Lending Systems Initiative. Furthermore, the Fund continued to organize workshops and conferences for senior officials of central banks in order for them to discuss various current monetary and banking issues.

With respect to **Arab financial markets**, the Fund continued in 2011 the pursuit of its efforts to supply information about those markets through the dissemination of daily data on their activities that were published on its web site. Included in such data is the Fund's composite index which measures the combined performance of these markets. There are now 16 Arab markets participating in the Fund's database. So far, the Fund has cumulatively published 63 such bulletins. Moreover, work is ongoing for the completion of preparations for the inclusion of the Libya Stock Exchange in the Fund's Arab Financial Markets database.

Regarding **Training**, the Fund's Economic Policy Institute kept up in 2011 its mandate of providing its training services. During the year, the Institute organized courses, seminars and workshops jointly with many international institutions such as the International Monetary Fund, the Bank for International Settlements, the US Federal Reserve Bank and the World Trade Organization. In that year, the Institute's training activities totaled 15 events attended by 398 trainees. Cumulatively, the total number of training activities reached 235 events from which 7145 trainees have benefited since the inception of the Fund's training activity.

In its capacity as secretariat of the **Board of Governors of Arab central banks** and monetary agencies and as Technical Secretariat of both the Arab committee on Banking Supervision and the Arab Committee on Payments and Settlement Systems, the Fund carried out the preparations for the 2011 meeting of the Board's Permanent Bureau which convened at its headquarters. It also managed the technical and administrative support work for the 35th annual meeting of the said Board in Doha, Qatar.

Acting as a **Technical Secretariat of the Board of Arab Ministers of Finance**, the Fund organized in April 2011 the second meeting of the Board which was held in the Syrian Arab Republic. It also contributed to the organization of an extraordinary meeting of the same Board held in Abu Dhabi at the invitation of the United Arab Emirates. This extraordinary meeting was dedicated to the discussion of the UAE initiative on Arab economic cooperation which proposes to strengthen joint cooperation on a number of economic areas with the collaboration of international and regional institutions.

In the context of cooperation and **coordination with Arab regional and international organizations**, the Fund continued to deploy efforts seeking to develop relations with several such institutions in ways that serve the interests of its membership and helps it in tasks of mutual pertinence. In this regard, the Fund continued its role in the preparation and publication of the Joint Arab Economic Report and to participate in the periodic meetings of the coordination committee of the Arab national and regional economic development institutions.

Within the framework of cooperation with international institutions, the Fund participated during 2011 in the regular meetings of the International Monetary Fund and the World Bank. It attended, as Observer, the meetings of the Development Committee and the G24. It also participated in the special meeting between the Arab group and the President of the World Bank as well as the special meetings of the Arab and regional funds with the President and senior managers of the Bank. These latter meetings were held within the framework of the Bank's imitative related to Arab countries.

The Fund also participated in the Deauville Partnership initiative which sought to support economic reforms in Arab countries witnessing political transformations. These were discussed during the G8 ministerial meeting held in Marseille, France on September 10, 2011. On that occasion, a memorandum of understanding was signed by nine international and regional financial institutions including, among others, the Arab Monetary Fund, the Arab Monetary Fund for Economic and Social Development, the African Development Bank, the IMF and World Bank, The memorandum emphasized the commitment of the signatories to deliver their respective support to the targetted countries and created a framework for cooperation among participants with a view to achieving that objective.

At another level related to its constant keenness to arrange and develop trade exchanges among Arab countries, the Fund continued in 2011 to foster its close relations of cooperation with the **Arab Trade Financing Program**. It continued to provide the Program with specialized services in the legal, administrative and internal auditing spheres as well as in the monitoring and management of its investment portfolios.

Over and above the foregoing, the Fund issued during the year a number of **reports, bulletins, research papers and studies**. Included in these were upgraded statistical bulletins on Arab countries covering national accounts, money and credit ,balance of payments, foreign public debt, foreign trade, cross exchange rates and economic and public finance indices.

Lending

Lending is the leading activity carried out by the Fund to achieve its objectives. The loans granted by the Fund during the year 2011 amounted to AAD 116 million, equivalent to US $535. Priority in lending was given to countries that witnessed political transformation that affected their economic performance. In this respect, the Fund supported member countries to deal with their balance of payment disequilibria and maintain macroeconomic stability . Lending was also aimed at assisting members in the implementation of structural reforms carried out in different economic sectors related to the Fund activities. The objectives were to improve efficiency of resource utilization and foster sustainable economic growth.

Types of Lending Facilities

The Fund facilities are of two types. The first covers facilities associated with the Fund's core function that is assisting eligible members in financing their overall balance of payments deficits and implementing economic reforms. As noted earlier, the provision of such facilities involves consultations and agreements on necessary economic adjustment programs related to a large extent to the macroeconomic framework of the concerned country. The Fund initiated this type of facilities since the inception of its lending activity in 1978. The second type was introduced in 1998, and includes the Structural Adjustment Facility, (SAF), provided in support of reforms that are sectoral in nature, in particular sectors that are within the area of Fund's competence (namely the financial and banking sector as well as government finance sector). Loans under this category were initially provided to support reforms of the financial and banking sector. In accordance with the Fund's Board of Governors decision, the scope of the SAF was expanded to include a second component namely the support of the reforms of government finance sector of the member countries. In addition to these facilities and in view of the increasing oil prices, the Fund established another facility to assist net oil importers members.

The four types of loans under the first category vary in size, term, and maturity according to the nature and causes of the balance of payments disequilibria. The **Automatic Loan** is extended to assist in financing the overall deficit in the balance of payments in an amount not exceeding 75 percent of the member country's subscription in the Fund's capital paid in convertible currencies. The loan has a maturity of three years and is not conditional on the implementation of an economic reform program provided that the member has no outstanding conditional loan i.e ordinary and / or extended loan. If, however, the country has conditional loans outstanding, then the Automatic Loan would be subjected to terms applied to the outstanding loans, and its amount would be considered an extension to the limit of the conditional loans outstanding.

The **Ordinary Loan** is extended to an eligible member country when its financing needs exceed 75 percent of its paid subscription in convertible currencies, provided it has already exhausted its reserve tranche from similar regional and international financial organizations. Generally, this loan is extended up to 100 percent of the member country's paid subscription in convertible currencies and could be supplemented with the Automatic Loan to reach a maximum of 175 percent. To benefit from this loan, the borrowing member country must agree with the Fund on a stabilization program, covering a period of not less than a year, to reduce balance of payments deficits. The Fund follows up on the performance of the borrowing member country under the agreed upon program. The satisfactory implementation of the policies and measures agreed upon is a condition to the disbursement of the loan's installments. Each disbursement is repaid within five years.

The **Extended Loan** is provided to an eligible member country with a sizeable and chronic deficit in its balance of payments resulting from structural imbalances in the economy. In addition to withdrawing its reserve tranche from similar regional and international financial organizations, a member country is required to agree with the Fund on a structural adjustment program covering a period of not less than two years. The maximum size of this loan is normally equivalent to 175 percent of a member country's paid subscription in convertible currencies. It can, however, be supplemented by an Automatic Loan, thereby reaching up to 250 percent of the member country's paid subscription. Each disbursement is repaid within seven years from date of withdrawal.

The fourth type of loan is the **Compensatory Loan**, extended to assist a member country experiencing an unanticipated balance of payments deficit resulting from a shortfall in export earnings of goods and services and/or an increase in the value of agricultural imports due to a poor harvest. This loan's limit is equivalent to 100 percent of a member's paid subscription in convertible currencies, and it has a maturity of three years.

As to the facilities extended in support of sectoral reforms, namely the **Structural Adjustment Facility (SAF),** it was introduced in 1998, in response to the changing needs, demands and priorities of the member countries. This facility, which has become the cornerstone of the Fund's lending activity, aims to support structural reforms at the sectoral level, in particular the financial and banking sector, in order to further improve the utilization of resources and consolidate the positive results achieved by some member countries in terms of macroeconomic stabilization and growth. This facility has received broad acceptance by member countries as evidenced by the number of loans extended under this facility.

To benefit from the SAF, a member country is required to have achieved some progress in macroeconomic stabilization and to agree on the implementation of a reform program monitored by the Fund. The Fund has initially determined the ceiling for the SAF to be 75 percent of the member country's paid subscription in convertible currencies, but later in April 2001 and in light of member countries interest in the facility, the Fund's Board of Governors increased the limit up to 175 percent. In the new arrangements, each disbursement is considered as a loan to be repaid in four years. Moreover, the Board of Governor agreed in 2009 to split the SAF into 2 facilities, one for the financial and banking sector and the other for public finance, each with a maximum limit of 175 percent of the borrowing member country's Quota in the AMF capital.

As to the **Trade Reform Facility**, it aims at assisting member countries to meet the finance costs associated with the implementation of trade reforms, thus encouraging them to adopt the necessary reforms to facilitate their access to international markets so as to consolidate growth and create productive job opportunities[1]. The facility is extended up to 175 percent of the member's paid subscription in convertible currencies. To benefit from this facility, the borrowing member country must agree with the Fund on a structural reform program. The Fund follows up on the member's performance under the program. Maturity, repayments and disbursements applicable to this facility are the same as those of the SAF.

With respect to the **Oil Facility,** the Board of Governors approved in 2007 a new facility specific to **net oil importing** member countries affected by the rise in world oil and gas prices. The oil facility is extended up to 200 percent of a member country's paid subscription in convertible currencies. Within this ceiling, the Fund extends to members with a balance of payments deficit, a financing of up to 100 percent of the paid up subscription. This financing does not require the agreement on a reform program, but only requires consulting with the authorities on the policies adopted to mitigate the impact of rising oil prices. The amount can be disbursed in one installment or over several installments. To benefit from the remaining part of the overall ceiling of the oil facility, the borrowing country with a balance of payment deficit must agree with the Fund on a reform program.

Net oil importing countries having no balance of payments deficit can still avail themselves to this facility up to 200 percent, conditional upon reaching with the Fund an agreement to implement a reform program provided that the borrowing country has an ongoing reform program supported by the Fund's regular loans and facilities. These facilities include the aforementioned macroeconomic adjustment loans and the structural sectoral facilities. The use of these resources will be subject to the terms and conditions applied by the Fund on the ongoing extended loan or SAF. This reflects the Fund's interest in encouraging members affected by the rise of oil prices to implement the required reforms in order to reduce the exposure of their economies to external shocks.

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(1) Since the inception of (ATFP) in 1991 the Fund ceased the Trade Reform Facility within which 11 loans totaling AAD 64,730 thousand were granted.

The **Short Term Liquidity Facility** which has been approved by the Fund's Board of Governors in 2009 aims at assisting member countries with a good track record of structural and economic reforms that face temporary liquidity shortage due to the unfavorable developments in the Capital Markets.

The facility is extended promptly and without any prior agreement on reform program with the eligible borrowing member country. The short term liquidity facility is extended with a maximum limit of 100 percent of the member's subscribed quota in convertible currencies. The disbursement of the facility is carried out in one installment or in several installments as requested by the borrowing members. Each payment is settled after six months of disbursement with possible extension of two terms i.e., eighteen months.

On the other hand, it is worth noting, that the Board of Governors has approved in April 2005 additional subscriptions of the Fund's capital from AAD 326 million to AAD 600 million. The additional subscriptions were covered by a transfer from the general reserves. As a result, the amount of resources that can be obtained by eligible borrowing countries under the various facilities has increased, since loans are proportional to the member's quota.

Interest Rates

The Fund provides its loans subject to the borrowing country's choice between two types of rates. The first is a floating rate based on the six-month interest rate on the SDR as determined on the first working day of each month. The second is an active fixing rate calculated on the first working day of each month based on the swap rate of the SDR for the corresponding loan maturity. The active fixing rate is applied to the installments disbursed any day during the month and remains unchanged throughout the maturity of the loan. The interest rate is based on the SDR rate that is prevalent on the first working day of each month, and that is equivalent to the trading rate applied on the concerned loan; i.e, the prevailing rate on SDR in the currency futures market over the loan maturity, plus a fixed margin to be determined and revised periodically by the Fund.

Loan Commitments

The total value of loans extended in 2011 by the Fund to its member countries amounted to about AAD 116 million, equivalent to US$ 536 million. This involves three types of loans, one Automatic and the two others are within the Structural Adjustment Facility. Two – were granted to Egypt, and the third one was received by Morocco within the Oil Facility.

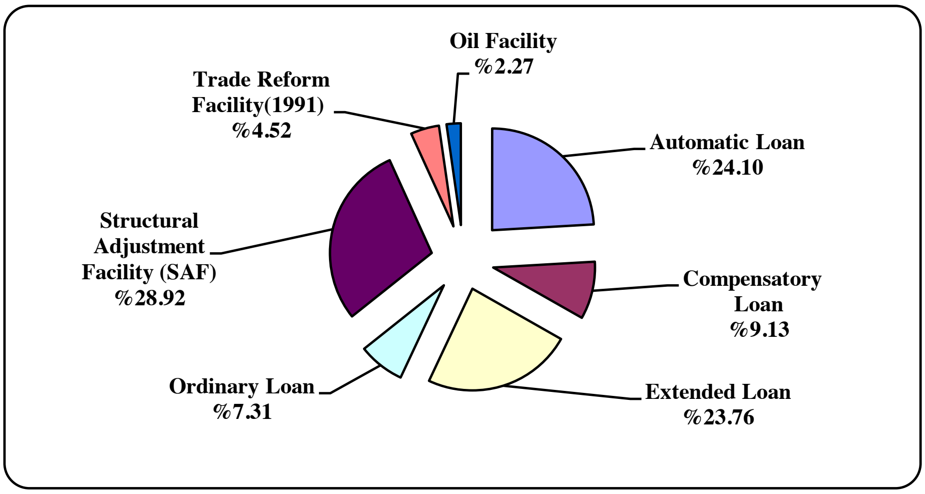
In this context the combined value of the 2 loans received by Egypt amounted to about AAD 102 million, equivalent to US$ 470 million. They were approved as part of the support provided to Egypt in overcoming the difficult economic circumstances arising from the political transformation experienced by the country since the beginning of 2011. The value of Automatic loan amounted to about AAD 43.7 million and the value of the structural adjustment facility to the public finance sector was AAD 58.3 million. The value of the Oil Facility received by Morocco was about AAD 13.7 million. The purpose of this loan was to enable the country to address the disequilibrium in the balance of payments attributed to unfavorable developments in world oil markets.

Also in this context, the Fund approved an extended loan amounting to AAD 9.12 million to Mauritania in support of a comprehensive economic adjustment program. It was agreed with the Fund that the said program will cover the period 2011 and 2012. The signature of the loan agreement by the Fund and the Mauritanian government was expected to take place once Mauritania completed the necessary legal procedures authorizing such agreements under the country's laws.

By the closing date of this report at the end of 2011, the cumulative value of loans extended by the Fund since the inception of its lending activity in 1978 reached about AAD 1.4 billion, equivalent to US $ 6.6 billion. This represented the combined value of a total of 153 loans - including those approved during 2011 – to the benefit of 14 member countries. Appendix A/1 displays the details of these loans classified by year and recipient countries over the period 1978-2011.

Traditional Fund loans (Automatic, Ordinary, Compensatory and Extended) have largely predominated the array of facilities offered by the Fund since the inception of its lending activity in 1978 and until end 2011. Those types of loans accounted for about 64.3 percent of total loans extended during the said period. They were followed by loans approved under the Structural Adjustment Facility, covering both the financial and banking and public finance sectors, which represented about 4.5 percent of the total while the shares of those pertaining to the Trade Reform and Oil facilities represented 4.5 percent and 2.3 percent, respectively. Appendix A/2 depicts the value and number of loans obtained by each beneficiary country, distributed by types of loans. Chart 1 provides the percentage distribution of loans by type relative to overall loans during the period 1978-2011.

Chart (1): Distribution of Types of Loans as Share of Total Loans 1978-2011



Development in lending activity led to an increase in the value of loan commitments which reached AAD 467 million, equivalent to about US$ 2155 million as of end of 2011. This represented about 78 percent of the Fund's paid-up capital, compared to the balance of AAD 418 as of end 2010, corresponding to about 71 percent of paid-up capital.

Loan Disbursements and Repayments

Total disbursements on contracted loans amounted to about AAD 126.5 million during 2011, compared to AAD 67.8 million during 2010. As a counterpart and in accordance with loan repayments schedules, borrowing member countries repaid to the Fund in 2011 AAD 67 million as repayment of installments on previously contracted loans. Accordingly, the balance of outstanding loans to borrowing member countries amounted to about AAD 416 million, equivalent to about US $ 1920 million representing 70 percent of the Fund's paid–up capital (2) as of end 2011. This compares with about AAD 356.6 million representing the equivalent of 60 percent of the Fund's paid capital at end 2010. It is to be noted that the balance of undisbursed contracts declined from about AAD 62 million, equivalent to about US $ 284 million during 2010 to about AAD 51 million, equivalent to about US $ 235 million during 2011. Appendix A/3 provides details of disbursed and undisbursed loan balances and commitments for individual Arab countries in 2010 and 2011 while Appendix A/4 provides equivalent details for the period 1978-2011.

Consultations with Member Countries

In conjunction with its lending activity during 2011, the Fund sent several missions to consult with the authorities of borrowing member countries regarding their requests for new loans. Moreover, follow- up missions also visited countries using Fund resources to ascertain progress in the implementation of adjustment programs supported by previously approved loans.

As part of consultations with member countries which witnessed political transformations, a Fund mission visited the Republic of Tunisia in December 2011 in order to assess the impact of those developments on the Tunisian economy, to offer necessary technical advice on economic recovery and to help in overcoming the prevailing circumstances. The Tunisian authorities expressed to the mission their desire to benefit from Fund resources in their quest to address the disequilibrium in the balance of payments as a result of the difficulties facing the Tunisian economy. They also pointed to the need for Fund support in structural reforms in the financial and banking sectors and public finances. In light of this, the Fund stated its readiness to assist Tunisia in overcoming the prevailing economic difficulties and to extend support to its structural reforms through its various lending windows and to help in reinvigorating its foreign trade through the support available from the Arab Trading Program to the benefit of exporters and importers in Arab countries.

Consultations regarding new loan requests

During 2011, the Fund carried out consultations with Morocco, Egypt and Mauritania in conjunction with their respective requests to use Fund facilities and loans.

The Fund received from Morocco a request for the use of the Oil Facility. The relevant staff reviewed this request in light of the background information provided by the authorities to that effect. The data highlighted the difficult position of Morocco's balance of payments. The Moroccan documents also contained a presentation of policies pursued and measures taken or to be taken by the authorities together with a time framework accompanying those policies aimed at coping with the adverse repercussions of high oil prices on the Moroccan economy.

As a net oil importer the Moroccan economy was adversely affected by the unfavorable conditions prevailing in world oil markets where oil prices remained at high levels over the past years. The resulting inflated oil import bill was the major factor behind the disequilibrium in the balance of payments.

During the evaluation of Morocco's request for Fund support under the Oil Facility, the Fund reviewed the strategies and policies which the country has designed to reduce its dependence on imported oil. It found that the Moroccan authorities have deployed sustained efforts to reform the oil sector in general. The motivation underlying those efforts stemmed from challenges related to energy security, the economic liberalization of the oil and energy sectors and the containment of repercussions of increasing oil prices on domestic fiscal and external imbalances in the short run. In this regard, Morocco initiated in 2009 a long-run strategy covering the period 2009-2030 to reform its energy sector and aimed at developing and fostering alternative energy sources which could satisfy domestic requirements and reduce reliance on importing foreign energy. The said strategy is articulated around three key pillars:

- Reinforce energy security and ensure regular supplies.
- Raise the efficiency and resilience of the energy sector.
- Strengthen the competitiveness of the energy sector through regional integration.

In light of the above and in accordance with lending policies and procedures and eligibility criteria applicable to access to resources under the Oil Facility, Morocco was accorded an Oil Facility loan in the amount of AAD 13.7 million. The associated loan agreement was signed on October 13, 2011.

As for Egypt**,** the government requested an Automatic loan and a Structural Adjustment Facility in support of reforms in the government finance sector. In response, a Fund mission was sent to Egypt during October 2-9, 2011 to hold consultations with the authorities and discuss the said twin request to use the Fund's resources.

In connection with consultation regarding the request for the Automatic loan, the mission observed that the country's political transformations have exposed Egypt to difficult economic conditions. The most prominent among the latter were the slowdown of economic activity, local and foreign capital flight, the closing of Egypt's stock exchange for about eight weeks, and the decline in tourist revenues which constitutes an important income source and a fundamental provider of foreign currencies. Those events took place amid unfavorable external circumstances characterized by rising prices of crude oil and basic food commodities in world markets. The Central Bank of Egypt was compelled to intervene in the foreign exchange market in order to stabilize the pound's exchange rate. This action, contributed to the decline in the country's foreign exchange reserves.

From the onset of Egypt's political transformations, the monetary policy pursued by the Central Bank focused on the necessity to stem the fall of the pound's exchange rate. In that regard, the Bank's intervention in the foreign exchange market was conducted through open market operations. The Monetary Policy Committee of the Bank kept interest rates unchanged during 2011 in order to maintain a wide differential between rates on the pound and the US dollar so as to encourage demand for the national currency, thereby maintaining the pound's exchange rate. The changes which accompanied the revolution have led to a sharp decline in economic activity as real growth of the Egyptian economy dropped from 5.1 percent in the fiscal year 2009-2010 to 1.8 percent in fiscal 2010-2011.

The overall balance of payments position was also adversely affected. The overall BOP surplus of US $ 3.4 billion recorded in 2009-2010 turned into a huge deficit which reached US $ 9.8 billion in 2010-2011. This reversal was primarily driven by a turn-around in the capital and financial balance from a net positive inflow of US $ 8.3 billion into a net outflow of about US $ 4.8 billion in fiscal 2010-2011. This outcome is attributed mainly to the huge decline in the inflows of foreign direct investments from US $ 6.8 billion in 2009-2010 to US $ 2.2 billion in 2010-2011 as the oil sector related investment inflows of US $ 3.6 billion turned into outflows amounting to US $ 191.3 million during 2010-2011. As to the net portfolio investments in Egypt, the inward flows of US $ 7.9 billion became an outflow amounting to US $ 2.6 billion in 2010-2011 with the latter incorporating an outflow of US $ 3.1 billion corresponding to the net transactions of foreigners in Egyptian treasury bonds.

The changes in the overall balance led to a decrease in official foreign exchange reserves from US $ 35.6 billion as on end June 2010 to about US $ 18.1 billion at end December 2011. The large BOP deficit recorded in fiscal year 2010-2011 and the decline in official foreign exchange reserves were sufficient evidence to justify Egypt's eligibility to access the Fund's resources and to qualify for an Automatic loan in accordance with the Fund's lending policy and procedures. Thereupon, Egypt received an Automatic loan in the amount of AAD 43.725 million, representing 75 percent of the country's share in the Fund's paid-up capital in convertible currencies.

With respect to consultations regarding the loan under the Structural Adjustment Facility (SAF) and its chapter related to reform of the public reform sector, the Fund mission which visited Egypt in October 2011 reached an agreement with the Egyptian authorities on a public finance sector reform program covering the period October 2011 – December 2012. The program which is supported with SAF resources is articulated around the following four main pillers:

- Strengthening the framework of the Treasury's Consolidate account.
- Upgrading the institutional framework governing the preparation and implementation of the government budget.

- Completing the implementation of the project of the Government Finance Management Information System (GFMIS).
- Reducing the servicing of public debt and reinforcing the secondary market for public debt instruments.

Regarding the first pillar related to strengthening the framework of the Treasury's consolidated account, the measures which the authorities will carry out as per the agreement with the Fund seek to optimize the benefit from reinforcing the consolidated account of the Treasury. The underlying objective of this action is to permit the satisfaction of short term financing requirements, the reduction of the government's resort to borrowing at a time when surplus balances are available to certain governmental units and agencies in the form of deposits with commercial banks. The measures aimed at enhancing the effectiveness of public finance management are expected to yield a host of benefits favoring the resources of the Treasury. Most prominent among these is the reduction of borrowing requirements and hence a lower financial burden on the budget in terms of interest payments.

As for the record pillar, pertaining to the upgrading of the institutional framework for the preparation and implementation of the government budget, the aim here is to reduce the cost of financial and accounting operations, to enhance the efficiency of the investment budget and to bolster financial control. These actions will positively affect the government's efforts to reduce the budget deficit. In this connections, the government will review the Finance Ministry's organizational structure with a view to eliminating duplications in functions and task repetitiveness. It will also review the respective roles of the ministry of finance in the area of the general budget and the ministry of planning and international cooperation in respect of the preparation of the state's investment budget. Current arrangements governing budget allocations to various government units as well as a number of government accounts held at the central bank and tied to individual administrative unit, will also be reviewed.

In the third pillar, dealing with the completion of implementation of the project of the Government Finance Management Information System, the focus is on the promotion of efforts seeking to improve and develop the computerized data infrastructure in order to electronically link financial and accounting operations of government units and the central bank and the ministry of finance. The aim is to increase the efficiency of liquidity management and apply the consolidated account in an effective manner.

The objective sought under the fourth pillar relating to the reduction in the servicing of public debt and strengthening the secondary market for public debt instruments, comprises three aspects. The first is to issue on the local market two-year maturity bonds with variable returns in order to satisfy current expectations of investors. The second aspect is to reduce risks associated with refinancing previous government bond issues. The third aspect is the increase in liquidity of the secondary market for government financial papers through the activation of the work of the high committee for promoting liquidity in this market and studying the accounting requirements of the reference agreement related to repurchases.

Considering the endorsement of the above adjustment program and measures and policies if its implementation as well as the Egyptian government's perseverance in pursuing financial reforms and the Fund's desire to support this orientation, the Fund approved an SAF loan to Egypt amounting to AAD 58.3 million. The amount of this loans which is extended in support of reforms of the public finance sector represents 100 percent of Egypt's share in Fund's paid-up capital in convertible currencies.

In the case of Mauritania, a Fund mission visited the country in May 2011 to discuss the request of the authorities for an Extended loan. At the conclusion of those discussions, the two sides agreed on a comprehensive economic adjustment program covering the period 2011-2012. During 2011 Mauritania was committed to continue to maintain macro-economic stability, promote growth to raise per capita income, alleviate poverty, create productive employment opportunities, upgrade tax and customs administrations and policies, take measures to improve allocative efficiency in respect of current expenditures and raise the effectiveness of resource utilization.

Follow-up missions to monitor implementation of agreed programs

During 2011, three Fund missions visited Mauritania, Morocco and Jordan to assess progress achieved in the implementation of programs agreed with these members respectively.

A Fund consultation mission visited Mauritania during January 30 February 3, 2011. Its term of reference was to review with the authorities the progress in implementing the public finance reform program which was supported with an SAF loan approved on November 23, 2009 and covering the period July 2009 – December 2010. In light of its meetings and discussions with officials of the Finance Ministry and other relevant representatives, the mission found that the measures listed under the program’s following three pillars have been implemented:

- Improving budget preparation.
- Strengthening the process of budget execution, and;
- Tightening and developing fiscal monitoring.

Another Fund consultation mission visited the kingdom of Morocco during January 31 – February 5, 2011 to review progress in the implementation of the agreed program to reform the public finance and banking sector and which covered the period July 2010 – June 2011. The mission observed that the authorities implemented most of the measures of the said program. It also found that the introduction of the remaining measures will enable the authorities to improve the operational environment of Morocco’s financial and banking sector and to enhance its modernity and regulatory setting in terms of the legal, supervisory and institutional frameworks governing its operations.

It is worth recalling that the agreed program’s components were:

- Expanding citizens’ access to banking services.
- Enhancing funding opportunities available to small and medium size enterprises.
- Strengthening control and supervision of financial markets and the insurance sector; and
- Deepening and reinvigorating financial markets..

As for Jordan, a Fund mission visited the country during August 14-18, 2011, to follow – up on and review the implementation of the structural adjustment reform program in the financial and banking sector which covered the period July 2010 –

June 2011. The mission's concluded that the implementation of the agreed program was satisfactory. It may be recalled that the said program was articulated around the following three pillars:

- Development of an early warning system and application of stress testing.
- Establishment of a credit information company; and
- Development of the national payments system.

Arrears

A borrowing country is considered to be in payment arrears when the delay in settling its due loan obligations exceeds a period of twelve months. The definition criterion is applicable to the cases of both the Federal Republic of Somalia and the United Republic of Comoros. In this context total loan installments and cumulative interest accrued on the Republic of Somalia amounted to AAD 57.4 million at the end of 2011. This amount consists of loan installments totaling AAD 14.9 million and accrued interest amounting to about AAD 42.5 million.

As regards the arrears due by the United Republic of Comoros, the Board of Governors adopted its resolution No. 4 for the year 2011 which approves the Fund's participation in the HIPC initiative dealing with the case of this member country specifically. In light of this, an agreement on the settlement of the Comoros Republic's debt to the Fund was signed.

Investment

The investment activity is considered one of the main activities of the Fund by virtue of the objectives and responsibilities that were set in the Articles of Agreement and the Resolutions that were issued by the Board of Governors and the Board of Executive Directors setting the overall Investment Policy.

The general terms of the Investment Policy identified the guidelines and the constraints to execute these policies and manage various investments. The Fund adopts a conservative and balanced investment policy consistent with its nature as a regional financial organization. The Investment Policy is based upon four premises which include safety, liquidity, transferability and the achievement of the highest return possible while minimizing the risks in investment portfolios within acceptable levels for the purpose of preservation of capital in the overall portfolio.

This activity invests the AMF proprietary funds that have been accumulated including the capital and reserves until they are allocated to other activities with the aim to grow it and to realize an income that covers the Fund's administrative expenses and to enhance its reserves and financial resources. This activity also includes cooperation with member Arab countries and Arab financial institutions through the activity of Accepted Deposits and its investment including the management of investment portfolios in fixed income.

One of the most important factors that affected the investment environment for the year 2011 is the difficult financial situation for a number of European countries with high debt levels which has had a negative impact on confidence indicators in Europe in general and negative repercussions on spending and growth in the euro-zone. The U.S., Europe, the U.K. and Japan achieved relatively low growth rates during the year compared to the levels achieved in 2010 due to the slowdown in the world economies which was impacted by the negative repercussions from the Euro-zone. The drop in confidence indicators in the Euro-zone has had a negative effect on the liquidity of European banks which necessitated the intervention of the ECB to inject long-term funding in the European banking sector to improve is liquidity.

There was diversion in growth levels across the main economies of the world during 2011. The U.S. demonstrated improvement in growth levels while the economies of euro-zone, the U.K. and Japan exhibited sustained levels of weakness. The labor markets reflected the levels of economic growth as the U.S. labor market showed improvements while the euro-zone and U.K. labor markets exhibited weakness. The inflation rate grew at varying levels during the year in the U.S., Europe and the U.K.

The U.S. economy grew by 1.6% (YoY) in 2011 compared to 3.1% (YoY) in 2010. The growth has been primarily due to improvements in personal expenditure, industrial production and exports. The easy fiscal and monetary policies adopted by the U.S. government and the Federal Reserve respectively have had a positive effect in stimulating the economy at a time when a number of major countries are at risk of slipping into recession. The U.S. Federal Reserve kept the official interest rate at 0-0.25% with a commitment to keep it at these levels until 2014 as it has been recently announced.

In Europe, there have been signs of weakness in the components of the Gross Domestic Product which pinpoints to the likelihood that Europe slips into recession in 2012 as the weakness has been visible in indicators of personal expenditure and industrial production in addition to confidence indicators. The cost-cutting measures adopted by Governments in the Euro-zone and the faltering confidence in their ability to emerge quickly from the financial and debt crisis have had a sizeable effect on the drop in growth rates and the rise in unemployment rates in the zone. In addition, the crisis experienced by some European periphery countries with high debt levels and its repercussions have had a sizeable effect on shaking confidence in the Euro-zone in the midst of its inability to reach swift and comforting solutions to the markets; this pushed a number of investors to divert their investments to other markets such as Asia, Canada and Australia which demonstrated stability and good growth levels.

In the U.K., the preliminary figures indicated that GDP grew by a meager of 0.8% during the year while its performance was negative as it dropped by -0.2% during the 4th Quarter of 2011; this was attributed to weakness in consumption and exports which contributed to raising the unemployment rate. Despite the easy monetary policy that has been adopted by the monetary authorities in the U.K. for the purpose of stimulating the economy, the restrictive fiscal policy has had negative repercussions on growth which raises the likelihood that the U.K. enter a recession in 2012.

In Japan, the main economic indicators pinpoint to a slowdown in consumption and exports due to the weakness in the global economy and an increase in the exchange rate of the Japanese Yen against a number of main currencies which reduced exports; in addition, the economy is suffering from deflation because of weak local consumption. The primary components of the Gross Domestic Product in Japan pinpoint to the increased likelihood that Japan enters a recession in 2012.

Overall, the year 2011 was characterized by having all major central banks adopt expansionary monetary policy through the reduction of official interest rates in addition to a number of central banks pursue a policy of quantitative easing through the injection of liquidity for the purpose of stimulating borrowing and spending. On the other hand, countries in Euro-zone and in the U.K. adopted restrictive policies aimed at reduction of spending which had negative repercussions on growth rates and unemployment.

Stock markets and hedge funds dropped during the year 2011 due to the faltering of investors' confidence and increasing fears from the likelihood that a number of major countries will be in recession. The deterioration of the economic situation and the sovereign debt crisis in Europe resulted in a reduction in the liquidity among banks which contributed to rising short term interest rates (LIBOR) on major currencies. Highly rated Government Bonds and gold prices rose during the year reflecting the shift of investors towards safe investments, noting that gold prices rose by 11.65% during 2011. On currencies, the U.S. dollar rose against the Euro and against the British Pound due to its safe haven status reflecting the fears surrounding the euro-zone. Brent Oil rose by 13.8% during 2011 as a reaction to the political developments in the Middle East.

In the midst of the environment that prevailed in financial markets during 2011 which was characterized by volatility and drop in confidence indicators, the AMF maintained its conservative approach by giving utmost importance to the safety of investments; in addition, the Fund maintained the best possible level of safety in this environment through the deployment of funds into safe investment vehicles such as deposit placements and bonds. The Fund also deals with highly rated financial institutions and continuously monitors these institutions in the midst of the challenging environment prevailing in financial markets.

It is worth noting that the Fund's Investment Policy and its conservative applications contributed effectively to the preservation of the invested funds and to the achievement of an overall positive return on these investments during 2011 despite the challenging environment prevailing in the financial markets.

In addition to investing the AMF proprietary funds, the Fund invests proceeds from accepted deposits from Arab Central Banks and financial organizations as this activity grew during the year which reflects the confidence of the member states in the Arab Monetary Fund; the accepted deposits grew to about USD 10,068 M by the end of 2011 compared to USD 9,176 M at the end of 2010. The accepted deposits are denominated in U.S. Dollar, Euro and British Pound, emanating from 17 Arab central banks and financial organizations. The proceeds of the accepted deposits are invested in safe investments such as placements, short-term and medium term bonds in line with the conservative investment policy.

In addition to this, the AMF is managing investment portfolios for the Arab Trade Financing Program and the unified account for the Specialized Arab Organizations and the Employees Pension Fund. The AMF also manages bond portfolios for the benefit of some member states. All these portfolios are managed in line with the investment guidelines set for each portfolio. The total funds managed on behalf of these parties amounted to USD 281 M by the end of 2011 compared to USD 243 M at the end of 2010.

In line with the cooperation with Arab Central Banks and monetary and financial institutions, the AMF continued the regular distribution of market reports during 2011 covering developments in the major financial markets.

Technical Assistance

The objective of the Fund's technical assistance is to promote and enhance the capacity for the design and implementation of economic and financial policies and structural reforms in its members states. The Fund provides its technical assistance in areas pertaining to its activities such as monetary policy, exchange rate policies, tax policy and administration, the preparation of macroeconomic statistics, development of financial and banking infrastructure and capital markets. In addition, it offers training to officials of Arab central banks and monetary agencies and ministries of finance and the economy. The Fund extends its technical assistance and support to its members through consultation missions made up of its own staff along with external contractual experts.

Besides, the Fund's technical assistance to member countries is also provided through the adoption of joint initiatives with international financial institutions with the aim of developing the financial and banking sectors.

This is delivered through the Arab Credit Reporting Initiative, the Arab Debt Markets Development Initiative and the Development of Secured Lending Systems Initiative launched by the Fund during 2011.

The Arab Credit Reporting Initiative (ACRI) is carried out in cooperation with the International Finance Corporation (IFC) through which technical assistance is extended to member countries to support them in the development of credit information systems. The joint initiative of the Fund and IFC under this scheme is conducted within the framework of a three-year memorandum of understanding signed in 2008 and renewed in 2011 for three additional years.

During 2011 a joint mission was sent to Jordan and it submitted to the authorities the recommendations and proposals. By the end of 2011, ten member countries have benefited from this initiative.

Furthermore, during 2011, the Fund cooperated with IFC in conjunction with another initiative pertaining to the development of secured lending systems. The two sides sent a joint mission to Egypt in November 2011 to extend technical assistance to the Egyptian authorities regarding the legal and institutional requirements for developing the systems and operations of secured lending in Egypt.

In line with its keenness to raise awareness about economic and financial issues and developments, the Fund organized several workshops and conferences for senior officials to enable economic policy makers to exchange views and experiences. In this context the Fund organized, in cooperation with the Central Bank of Germany a workshop on "Issues of Monetary Policies and Operations". This activity was held during February 22-23, 2011 and was attended by a number Arab Central Bank officials and experts.

In the same context, during 2011 the Fund, in cooperation with the World Bank, organized a workshop on "Strengthening Financial Legislations in Arab Countries". This workshop reviewed and discussed new reforms in international regulations and standards and their implications for the financial sector of Arab Countries. The Fund organized jointly with IFC and the Central Bank of Bahrain a regional conference on "Improving Access to Financing through Strengthening the Financial Sector Infrastructure in Arab Countries". The conference was held in Bahrain on November 21, 2011. It discussed the requirements for improving systems of secured lending and credit information systems and improve access to finance.

Moreover, the Fund cooperated with the Financial Stability Institute (FSI) and the International Finance Institute (IFI) in the organization of a high level meeting on "Strengthening Financial Supervision and recent developments in Supervisory Legislation". The meeting was held in Abu Dhabi during October 26-27, 2011 and discussed amendments in supervisory legislations and their implications for the banking sector.

The Fund also participated with the World Bank and Banque du Liban in the organization of a regional workshop on "Issues related to Access to Financing and Financial Stability in the Middle East and North African region". This activity took place in Beirut on November 23, 2011. The workshop discussed the conclusions of the world Bank's comprehensive report on the financial sector.

Arab Capital Markets

During 2011 the Fund maintained its endeavours to promote the role of Arab Capital markets and disseminate key information on them. In that regard, it continued to publish on its website daily bulletins reporting on their activities. Information thus released includes the Fund's composite index which measures the combined performance of those markets taken together, along with Fund indicators for individual countries, data on the volume and value of trading operations and the size of Arab capital markets.

At the same time, the Fund pursued during the year the publication of its quarterly bulletins on the aforesaid markets. By year end, 67 such bulletins on the aforesaid markets were released since the beginning of their issue. These quarterly bulletins report on major relevant economic developments, main legal and organizational developments together with an analysis of the performance and activities of those markets. In this connection, these bulletins continued to evolve in comprehensiveness so as to include many financial, monetary and economic data which have a bearing on the performance of these markets, such as information on primary issues, foreign investment flows and markets for bonds and sukuks. The four bulletins issued in 2011 have shown the clear impact of the unrest and instability which prevailed in several Arab countries in 2011 and their effects on Arab capital markets. The latter were also influenced by the falls in world financial markets following the sovereign debt crisis in the euro zone. The bulletins have indicated that Arab Capital markets have lost some US$ 115 billion in the market value of shares traded on their floors during 2011.

At the beginning of 2011 and for the first time, the said Fund bulletins reported data and information on the Damascus Stock Exchange. With the inclusion of the latter, the bulletins now cover sixteen Arab financial markets.

In parallel, the Fund released an annual report on the performance of Arab Capital markets. This document highlights key events and developments in those markets during the year. It also analyzes the performance of Arab stock exchanges, primary markets, markets for bonds and sukuks, foreign investment flows, the activities of investment funds and developments in the area of mergers and acquisitions and reviews of major legal and organizational developments.

As part of its endeavours to strengthen relations with Arab institutional agencies, the Fund participated in the forum on "Restructuring they Systems of Supervision over the financial sector". This forum was held in January 2011 in Abu Dhabi and was organized by the UAE Financial stock exchange and Commodities Commission. The Fund also participated in the proceedings of the Fifth summit meeting of Supervisory authorities. This meeting was sponsored by the same commission and convened in Abu Dhabi in February 2011.

Furthermore, the Fund cooperated with the IMF in the context of the initiative for the development of bond markets in Arab countries to extend technical assistance to member states seeking to develop policies, legislations and systems related to those markets in Arab countries. The Fund also conducted consultations with the European Bank for Reconstruction and Development to explore potentials for joint cooperation in developing local financial markets in Arab countries.

Training

The Fund's Economic Policy Institute (EPI) continued in 2011 to discharge its mandate of providing training to the staff of Ministries of Finance, Economy and Planning, Central Banks and Statistical Centers of member countries. EPI's training courses, workshops and seminars seek to interact in an integrated and mutually complementary manner for the fulfillment of one of the Fund's key objectives, namely to contribute to the development and enhancement of skills which enable the aforesaid staffs to follow up the implementation of economic policies in general and financial and monetary policies in particular.

During 2011, the institute cooperated with the IMF, BIS, the Federal Reserve Bank, WTO, the Bank of England and the Islamic Development and organized with them joint courses, seminars and workshops. In all, EPI's 2011 program consisted in delivering 15 training activities to the benefit of about 398 trainees. This brought the cumulative number of such activities, since the inception of this fund service, to 235 courses, workshops and seminars in which 7145 recipients have participated.

EPI's 2011 program started with a course on **"Macroeconomic management and Financial sector issues"**. This was organized and delivered jointly with the IMF Institute in Abu Dhabi during January 23- February 3, 2011. The course sought to focus on how financial sector issues interact with macroeconomic management. The course covered a number of key macroeconomic tropics such as stabilization and growth, fiscal and external debt sustainability, frameworks for monetary policy, choice of the exchange rate regime and international capital flows.

Within the same cooperative framework, EPI and the IMF Institute organized a joint course on **"Financial Soundness Indicators"** during two weeks from February 13 to March 3, 2011. This course, which was delivered in Abu Dhabi, covered concepts and definitions and techniques for the compilation of financial soundness indicators based on the IMF's Financial Soundness Indicators Guide.

Furthermore, EPI and the IMF Institute delivered another joint course on **"Financial programming and Macroeconomic Policies",** held in Abu Dhabi during March 6-7, 2011. This course aimed, through an applied case study, at enabling participants to select stabilization and structural adjustment policies through a framework of preparing a comprehensive financial program and analyzing the effects of such selection on domestic and external balances and the impact of those on growth and stability objectives.

A fourth joint EPI – IMF Institute course on **“Design, Sequencing and implementation of Public Financial Management Reforms”** was organized in Abu Dhabi during April 3-7, 2011. This course aimed at discussing the basic objectives, approaches, challenges and management of effective reform processes. The discussion also covered the various diagnostic instruments for assessing strengths and weaknesses in public financial management systems as well as the pros and cons of typical reform plans.

A fifth course on **“Macroeconomic Management and Financial Policy Issues”** was jointly conducted by EPI and the IMF Institute in Abu Dhabi during April 17-28, 2011. It aimed at extending participants’ understanding of financial policy issues and their effects on macroeconomic management. It discussed the interrelations among financial policy parameters on the one hand and macroeconomic aggregates, on the other hand. It also took up the main features of the design and implementation of financial policies as an instrument for the achievement of economic stability at the macro level.

In the area of cooperation with WTO, the EPI organized a joint course on **“Negotiations of the Doha Development Agenda”.** This course was held in Abu Dhabi during April 10-14, 2011. It aimed at deepening the understanding and utilization of analytical techniques and the operations needed to work out effective negotiation postures in connection with WTO topics and matters relevant to the foreign trade of member Arab countries and observes at WTO.

A second joint EPI-WTO course on **“Trade Policies of Arab Countries”** was held in Abu Dhabi during May 1-31, 2011. The course shed light on matters related to trade policies, the work of WTO, the multilateral Trade System and International trade law. It also sought to explore the regional economic setting with the emphasis placed on trade.

A third course on **“Access to non-Agricultural Markets”** was jointly conducted by the EPI and WTO ; it was held in Abu Dhabi during September 26-19, 2011. This course highlighted the importance of the Doha agenda and trade negotiations. It was recalled in that regard that the Fund and WTO have earlier cooperated in organizing numerous courses aimed at extending technical and institutional assistance to Arab Countries in the area of foreign trade and negotiations for WTO accords and to obtain the best membership terms.

The fourth joint EPI-WTO course on **“Agriculture”** was held in Abu Dhabi during February 22-24, 2011. The aim of this source was to brief participants on the status of agriculture as a prime sector in economies, particularly in developing countries. It stressed the point that this sector responds to needs of food products and supplies raw materials to many transformation and processing industries. In the Arab countries it employs about one fourth of the workforce.

As part of its continued cooperation with BIS's Institute of Financial Stability (IFS), the EPI and IFS organized during 2011 in Abu Dhabi the two following joint courses:

The first course was held during February 8-10/2011 and its topic was **"Organizational Reforms".** It aimed at briefing participants on the importance for all countries to entice banks operating under their respective jurisdictions to augment their capital and liquidity as a means to shield the banking system and economy from unexpected risks in view of globalization and accelerating financial innovations.

The topic of the second joint course was **"Stress Testing".** This course was held during September 6-8, 2011. It shed light on the main causes which triggered the international financial crisis, mainly the weak techniques of supervision over bank risks and the failure of supervisory bodies to ascertain the capability and financial institutions to resist stressful circumstances.

In cooperation with BIS proper, the EPI organized a course on **"Management of Foreign Reserves".** This course was conducted in Abu Dhabi during November

28 December 1, 2011. It aimed at reviewing methods of foreign exchange management and extending participants' knowledge about the concept of risk analysis, investment diversification and standard investment indicators.

As part of its ongoing cooperation with the Bank of England, EPI organized a course on "**Inflation Targeting**"**.** This course was held in Abu Dhabi during September 11-15, 2011. It aimed at presenting to participants the objective of monetary policy in any country, namely maintaining price stability and hence increasing the rates of economic growth. The course reviewed the experiences of many countries which made inflation targeting its main frame for their monetary policy.

In cooperation with the Islamic Research and Training Institute, a member of the Islamic Development Bank Group, EPI organized a course on "**Sustainable Islamic Banking System**"**.** The course was held in Abu Dhabi during October 9-13, 2011. It aimed at reviewing issues which need to be addressed to secure a stable banking system and the task of strengthening the infrastructure of Islamic banks in order to foster their ability to handle crisis situations.

Finally, in cooperation with the US Federal Reserve Bank, EPI organized a course on "**Fraud Detection in Banks**"**.** The course was conducted in Abu Dhabi during December 4-8, 2011. It took up the advantages which have emerged from the utilization of information technologies, such as the speed of completing banking transactions and access to banking services anytime, anywhere. However, this development had also implied the emergence of many risks and particularly fraud.

The Board of Governors of Arab Central Banks and Monetary Agencies

The Fund is in charge of the secretariat of the Board of Governors of Arab Central Banks and Monetary Agencies. Within that function, the Fund continued to discharge its responsibilities related to the preparation of studies and reports required for the Board's business in addition to the drafting and compilation of documents submitted to meetings of both the Board and its Permanent Bureau. Besides, the Fund also acts as secretariat of both the Arab Committee on Banking Supervision and the Arab Committee on Payments and Settlement Systems. Both committees are emanations of the Board and their members are directors of the corresponding systems at the Central Banks of Arab Countries.

In the above capacity, the Fund carried out the preparations for the Board's 35th session which convened in Doha, Qatar on September 15, 2011. The agenda of the said meeting contained the following items: the report of the secretariat, the preliminary embargoed draft of the 2011 joint Arab Economic report, the recommendations of the 20th meeting of the Arab Committee on Banking Supervision, the recommendations of the 7th meeting of the Arab Committee on payments and settlements systems, and a report on "Project for establishing regional arrangements for clearing and settlements of inter-Arab payments". During the aforesaid meeting, two working papers were discussed. The first was titled "Monetary and Banking Policies of the Central Banks of Qatar in response to global financial crisis". It was presented by the governor of the Central Bank of Qatar, his Excellency Sheikh Abdullah bin Saud Al Thani.

The second paper was on "The experience of the Central Bank of Tunisia in dealing with the post - revolution economic developments". It was presented by H.E Dr. Mustapha Nabli, Governor of the Central Bank of Tunisia. Participants in this same meeting also discussed the draft joint Arab statement for 2011 and which was delivered during the annual meetings of the IMF and World Bank in Washington in October of that year.

In its capacity as secretariat of the Committee on Banking Supervision, the Fund organized the 21st annual meeting of the committee which convened in Abu Dhabi in December 2011. The meeting discussed a working paper on Stress Testing and its importance in banking supervision by the authorities in Arab countries. Moreover, the committee meeting was attended by the Deputy Secretary General of the Basel Committee on Banking Supervision who reviewed with the participants the latest developments of his committee's work. On the other hand, the Arab Committee hosted for the first time a representative of the secretariat of the Financial Stability Board of the G20. The representative briefed the participants about the efforts made by the board to strengthen the world's financial system and supervisory financial and banking legislations.

In its other capacity as secretariat of the Arab Committee on Payments and Settlement Systems, the Fund organized during 2011 the committee's 7th annual meeting. During the latter, participants discussed the findings reached by the work group assigned to evaluate the detailed studies related to the project on "the establishment of a clearing and settlement mechanism of intra-Arab payments". The latter were previously drafted by the Fund in collaboration with the World Bank, a group of central banks and external experts. During the meeting, another paper on "the legal framework in payments and settlement systems", which was prepared by a committee's sub-team in coordination with the Fund was reviewed. A representative of BIS's international committee on payments and settlements attended the meeting and briefed participants on the most recent developments of the international committee and in particular developments related to international principles underlying financial markets.

The Council of Arab Ministers of Finance

As part of its function as secretariat of the above council, the Fund organized the council's second meeting which was held in the Syrian Arab Republic on April 7, 2011. On this occasion, both H.E the minister of finance of Saudi Arabia and H.E the governor of the Saudi Arabian Monetary Agency offered their respective reviews of major developments in the international financial system. For his part, H.E the UAE minister of state in charge of financial affairs presented a paper on "the Priorities of Arab countries with respect to the G20 recommendations". The meeting also offered an opportunity for additional coordination among positions of Arab countries vis-à-vis the IMF and World Bank.

In the same context, and at the request of the UAE, the Fund organized the extraordinary meeting of the council which took place in Abu Dhabi on September 7, 2011. The meeting discussed the UAE initiative on Arab economic cooperation and the pillars for strengthening this cooperation with the help of international and regional institutions. The meeting further discussed two working papers prepared by the Secretariat at the Fund. The first document focused on "Coordination of Tax Policies" and the other paper was on "Strengthening Regional integration requirements of support of intra-Arab trade and direct investment". Participants touched on relations with international institutions and called for an increased attention to the countries of the region and for greater support.

During the meeting, agreement was reached regarding the drafts of the two letters to be sent on behalf of the council to the president of the World Bank and the IMF managing director.

Cooperation with Arab, Regional and International Organizations

During 2011 the Fund continued its endeavors to foster coordination and cooperative relations with other Arab organizations and regional and international institutions which share mutual interests with a view to best serve its member countries and contribute to the fulfillment of its objectives.

Arab and Regional Organizations

In line with the above preamble, the Fund continued its work on the preparation and publication of the Joint Arab Economic Report. The latter represents a major reference material which covers economic developments in Arab countries as a group and stands as a model of constructive cooperation between the Fund and the other joint Arab organizations participating in its production. These are : the Arab Fund for Economic and Social developments, the secretariat of the League of Arab states, and the Organization of Arab Petroleum Exporting Countries (OAPEC).

Under this joint collaborative exercise, each of the four participating partners contribute chapters pertaining to its own sphere of competence and within the outline agreed among them every year. In addition to providing its own annual drafting share, the Fund has been also assuming since 1980 the responsibility of editing, processing and publishing this report.

With respect to the preparations of the 2011 edition of this document, the Fund sent out to member countries statistical questionnaires to be filled by the relevant national agencies with reliable data. The Fund then hosted two preparatory meetings attended by representatives of the four contributing partners. The purpose of the first meeting held during April 25-27, 2011 was to coordinate the report's statistics. The second meeting, held during June 19-23, 211 was devoted to reviews and discussions of preliminary drafts of the report's chapters and sections.

The Fund issued a first draft of the report, with restricted circulation by end July 2011, which was dispatched to the relevant authorities in member countries. In light of received comments on the first draft of the report, the Fund moved on to edit and produce the final version and issue the report before the end of the year.

At another level, the Fund participated in a seminar on "Food Security in Arab Countries" which was organized by the Arab Fund for Economic and Social Development in cooperation with the World Bank. It was held in Kuwait during March 14-16, 2011.

The Fund also attended on June 15, 2011 a forum on "The Concept and Prospects of Knowledge". This event was organized by the UAE Ministry of Economy and was held in Abu Dhabi.

Cooperation with International Organizations

Consistent with the same preamble noted above, the Fund continued in 2011 the pursuit of further cooperation with these organizations and particularly with the IMF and World Bank. Accordingly, the Fund participated in April 2011 in the spring meetings of these two institutions. On that occasion, the Fund attended as Observer, the spring meetings of the Development committee and the G24. Moreover, meetings were held with the managements of the IMF and the World Bank to consult and follow up on joint programs and activities.

The Fund also attended in October 2011 the Annual Meetings of IMF and the World Bank which took place in Washington. It also participated in the Fall Meetings of the Development Committee and G24. In addition, it attended the special meetings of the Arab group with the president of the World Bank as well as the meetings between Arab regional funds and senior World Bank managers within the framework of the initiative launched by the Arab world. In conjunction with these annual gatherings, the Fund’s delegation met with a number of officials of the IMF, the World Bank and IFC in order to strengthen cooperation and promote joint initiatives and activities.

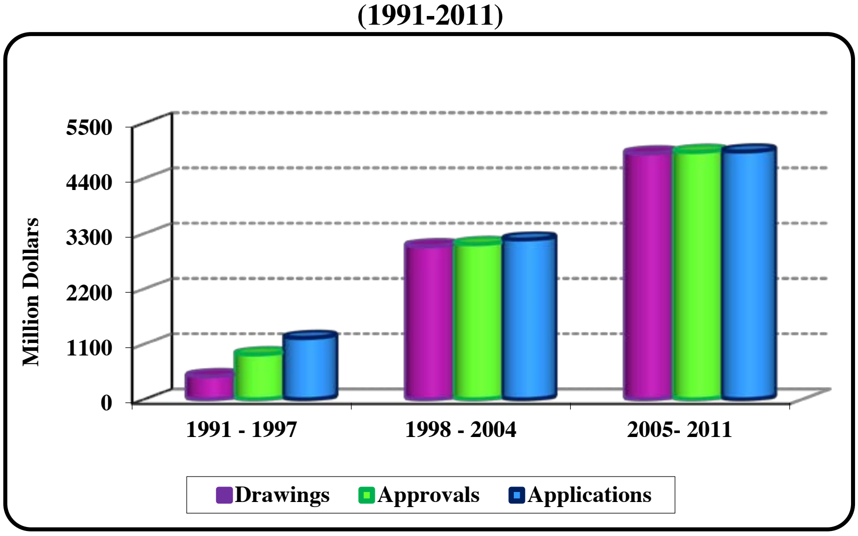
Cooperation with the Arab Trade Financing Program (ATFP)

The Arab Trade financing program (ATFP) is a specialized joint Arab financial institution. It was established in 1989 by virtue of a resolution adopted by the Board of Governors of AMF. Its authorized capital is US$ 500 million. Its 50 shareholders belong to Arab Central Banks, inter- Arab financial organizations and Arab and joint Arab- foreign commercial banks. The AMF is ATFP's largest shareholder, accounting for 56 percent of its capital.

ATFP aims at contributing to the promotion and development of Arab trade and the enhancement of competitiveness of Arab exports. It seeks to achieve this objective through: 1) the provision of a part of the necessary financing for such exchanges and their operators; and 2) the supply of information on Arab trade activities, and 3) the promotion of Arab merchandises and commodities. The ATFP's operational mechanism relies on dealing with exporters and importers in Arab countries through national agencies designated by those countries to perform that intermediation role.

By end 2011, ATFP's network included 198 agencies from 19 Arab states and five non-Arab countries. The increase in the number of national agencies constitutes a major factor contributing to the expansion of the program's activities. Since the commencement of its operations and until the closing of 2011, ATFP cumulatively received from those agencies applications amounting to US$ 9.33 billion for eligible trade transactions totaling about US$ 11.68 billion. From these, transactions amounting to US$ 8.91 billion were approved by the Program. Disbursements throughout the period totaled US$ 8.4 billion. Chart (2) shows the historical developments of ATFP's cumulative financing activity during 1991 - end 2011.

Chart (2)
ATFP Evolving Trade Finance Activity (Cumulative Basis)
(1991-2011)



With respect to ATFP's information services to operators in Arab trade, the Program has set up the intra Arab trade information network the coverage of which extends regionally to virtually all Arab countries. The network links the Program's central core to 32 centers in the concerned countries. The Program's website (atfp.org.ae) provides access to information about trade in all Arab countries.

ATFP organizes and holds out meetings between exporters and importers in specific sectors. In cooperation with various parties in Arab countries, the Program organized 17 meetings of such type for operators in the following sectors: textiles and ready-made garments ; food industries; agricultural products and inputs; metallurgical industries; chemicals and pharmaceuticals; furniture's and building and construction.

Reports, Bulletins and Research Studies

During 2011, the Fund continued to publish reports, bulletins, research papers and studies. The purpose of releasing this range of documents is to promote public awareness of current economic issues and developments taking place in the economies of Arab countries.

The Joint Arab Economic Report

The Fund participates in drafting relevant chapters in the Joint Arab Economic Report and is in charge of its processing, production and release. Its drafting contribution to the 2011 edition of the Report covered the preparation of those chapters on financial, monetary and banking developments, Arab capital markets developments, foreign trade, balance of payments and external debt and exchange rates and regimes. It also prepared the chapter containing the overall view on the economies of Arab countries in 2011.

The Economic Statistical Bulletin for Arab Countries

The Fund issued the 2011 edition of this bulletin in a new design. The time series featured in this publication are essentially derived from data received from national as well as few other regional and international sources. The series cover various economic sectors in member countries. The Bulletin contains chapters on national accounts, money and credit, foreign trade, balance of payments and public finances. Moreover, a dedicated chapter on consolidated statistics reviews various sectoral developments in individual countries and the Arab countries as a group.

Quarterly Bulletin of the Arab Capital Markets Database

The aim of this quarterly bulletin is to disseminate periodic information on the activities of the Arab capital markets which are participants in the AMF database. The bulletin reports relevant economic, legal and organizational developments. It currently covers the following 16 Arabs capital markets: Jordan, Bahrain, Tunisia, Saudi Arabia, Oman, Kuwait, Lebanon, Egypt, Morocco, Abu Dhabi and Dubai, Qatar, Sudan, Algeria, Palestine and Damascus.

Research and Studies

In 2011 the Fund published the following papers:

"International and Arab Trade, its financing and export credit guarantee in the wake of the world financial Crisis": this study reviews developments in the market for trade financing, export credit guarantee at both the international and Arab levels and the effects of the world financial crisis on them. It highlights international and regional coordination efforts made to support foreign trade financing and guarantees during the crisis and ongoing initiatives taken to deal with the scarcity of information and statistics on financing international trade.

"The Paths of Arab Economic Development and the Role of Arab Japanese Cooperation": this paper reviews the main features of the paths of economic development in Arab countries in recent years. It highlights the challenges facing the economies of these countries, including the need for reducing unemployment, developing the productive capacity and diversifying the industrial structure. Such challenges relates to the knowledge economy. The paper also explores aspects of possible Arab -Japanese economic cooperation which could enhance to growth orientation in Arab countries. The paper was presented at the 9th session of the dialogue for the future between Japan and the Islamic world and was held during March 7-8, 2011 under the sponsorship of Zayed University.

"Strengthening Regional Integration – Requirements of Support of Intra-Arab Trade and Direct Investment": this paper highlights the priorities for promoting Arab economic integration in the areas of trade and direct investment between Arab countries. It views such priorities against the background of the political transformations experienced in certain Arab countries and which call for a more inclusive growth approach, allowing for growth outcomes to benefit all social categories. This paper was presented at the extraordinary meeting of the council of Arab finance ministers.

“Rising World Food Prices and their Implications for the Economies of Arab Countries” : this paper discusses the implications of the rise in international prices of food during 2010 and 2011 on the economies of Arab countries and particularly their effects on the external positions, public finance and inflation. It does take into account the variation in financial positions among Arab countries which had to face the food crisis in 2010.

“Statistical Data and the design of Economic Policies”: this paper was issued in November 2011. It discusses, among other matters, the role which statistics play in determining economic development strategies and the types of financial, monetary, trade and other economic policies adopted with a view to safeguard macroeconomic stability and achieve sustainable growth. The paper also sketched out and clarified the best practices in statistical work and the role of the Fund, over the past three decades, in developing an Arab statistical methodology and building up a database for economic statistics in Arab countries. The paper was presented in Abu Dhabi in November 2011 at the first national statistical conference organized by the UAE National Statistics Center.

Consolidated Financial Position

In accordance with Article Forty Nine of the Articles of Agreement of the Arab Monetary Fund "the Fund", assets, liabilities and transactions are expressed in Arab Accounting Dinars (AAD). Each AAD is equivalent to three Special Drawing Rights (SDR) as defined by the International Monetary Fund.

The consolidated financial statements, which incorporate the financial statements of the Arab Monetary Fund and Arab Trade Financing Program "the Subsidiary", are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

The consolidated financial statements reflect the consolidated financial position of the Fund and its Subsidiary as at 31 December 2011, and the results of operations, changes in equity and cash flows for the year then ended.

The following provides an overview of key financial information:

Resources

The resources of the Fund, as defined in Article Eleven of the Articles of Agreement, consist of paid-up capital, reserves, loans and credits obtained by the Fund, and any other resources approved by the Board of Governors. The Board of Governors had accordingly approved in 1989 the acceptance of deposits from monetary and financial institutions of member states, aiming at supporting Arab states in managing their foreign reserves and strengthening the resources and financial position of the Fund, but such resources would not be used in providing loans.

The Board of Governors of the Fund had also approved, through the Articles of Association of the Arab Trade Financing Program, contributions by various financial institutions to the Program's Capital aiming at bolstering the resources directed to support Arab trade financing.

Capital

The authorized capital of the Fund as defined in Article Twelve of the Articles of Agreement is equivalent to AAD 600,000 thousand divided into twelve thousand shares of AAD 50 thousand each. The Subscribed Capital until the Board of Governors meeting on 12th April 2005 was AAD 326,500 thousand. In the aforementioned meeting the Board approved by its resolution No. (3) additional subscriptions of AAD 273,500 thousand, raising accordingly the subscribed capital to the full extent of the authorized capital of AAD 600,000 thousand. The additional subscriptions were covered by a transfer from the general reserve, bringing the paid-up capital to AAD 596,040 thousand by the end of 2011 and 2010. The unpaid part of the Subscribed Capital amounting to AAD 3,960 thousand represents Palestine’s share, the payment of which has been deferred in accordance with the Board of Governor’s Resolution No. (7) of 1978.

Reserves

Reserves amounted to AAD 390,058 thousand at the end of 2011 compared to AAD 362,081 thousand at the end of 2010. The reserves at the end of 2011 represent approximately 65 percent of the paid up capital compared to 61 percent by the end of year 2010. These are composed of the general reserve, contingency reserve and the reserve for revaluation at fair value for available –for- sale investments.

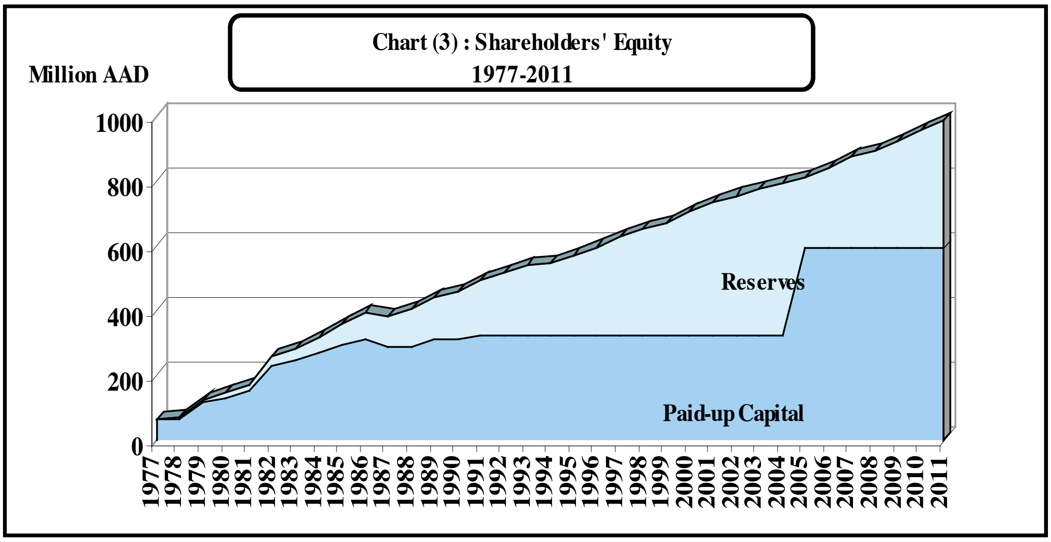
The **general reserve** balance reached AAD 252,351 thousand at the end of 2011 compared to 229,379 thousand at the end of 2010, with an increase of AAD 22,972 thousand the equivalent of 10 percent.

The **contingency reserve** was established in accordance with the Board of Governors’ resolutions No. (7) of 1989 and No. (4) of 2000, whereby an annual sum being the greater of AAD 5,000 thousand or 10 percent of the net income for the year is appropriated to the contingency reserve each year. This reserve is to be used to mitigate any unforeseen losses in the future. The contingency reserve balance reached AAD 140,000 thousand at the end of 2011, compared to AAD 135,000 thousand at the end of 2010.

The **revaluation reserve** of available-for-sale investments showed a debit balance of AAD (2,293) thousand at the end of 2011 compared to a debit balance of AAD (2,298) thousand at the end of 2010.

Shareholders' Equity

The net equity of the Fund's shareholders, represented by the paid-up capital and reserves, increased to AAD 986,098 thousand at the end of 2011 compared to AAD 958,121 thousand at 31 December 2010. The increase in net equity amounting to AAD 27,977 thousand represents an annual growth rate of 3 percent. Chart No. (3) below shows the growth in shareholders' equity of the Fund from inception to 31 December 2011:



The interest of **other shareholders in the Subsidiary,** represented by their interest in the capital and reserves of the Arab Trade Financing Program, amounted to AAD 76,444 thousand at the end of 2011 compared to AAD 75,855 thousand at the end of 2010, resulting in an increase of AAD 589 thousand, or 0.78 percent, which is attributed mainly to the differences in US Dollar exchange rate (base currency of the Arab Trade Financing Program) vis-à-vis the AAD as at end of 2011 and 2010.

The total equity of the shareholders of the Arab Monetary Fund and other shareholders in the Subsidiary amounted to 1,062,542 thousand at the end of year

2011 compared to AAD 1,033,976 thousand at end of 2010. The resources, which are represented by total equity, were employed to finance loans to member countries, lines of credit to national agencies, and other assets as explained below.

Loans to Member Countries

The balance of outstanding loans to member countries as at 31 December 2011 amounted to AAD 416,119 thousand compared to AAD 356,614 thousand as at the end of 2010. Loan commitments however, amounted to AAD 466,769 thousand at the end of 2011, comprising the balance of outstanding loans in addition to the balance of approved and undisbursed loans of AAD 50,650 thousand as at the end of 2011.

Lines of Credit

Financing aimed at promoting and developing Arab trade is provided in the form of lines of credit by the Subsidiary (Arab Trade Financing Program) to exporters and importers in member countries through national agencies. The balance of drawings against contracted lines of credit denominated in US Dollars amounted to AAD 102,800 thousand (US Dollars 473 million) as at 31 December 2011 compared to AAD 114,905 thousand (US Dollars 533 million) at the end of 2010.

Deposits at Central Banks of Member States

In accordance with Article Fourteen of the Articles of Agreement of the Arab Monetary Fund, a portion of the initial capital contributions amounting to 2 percent was paid in the national currencies of member countries and deposited with their central banks. These deposits are revalued by the member states at end of each year to maintain their value in Arab Accounting Dinars, which was equivalent to AAD 5,336 thousand at end of years 2011 and 2010.

Other Assets

Other assets include the Fund's contribution in the share capital of inter-Arab Investment Guarantee Corporation in accordance with the Board of Governors resolution No. (6) of 2002, whereby the Board approved a contribution of US

Dollars 27.5 million (equivalent to AAD 6.3 million) in the increase of share capital of the corporation, payable over a period of five years starting from year 2003. The total amount of contribution has been paid.

Investments

The consolidated investment portfolio is comprised of the current and call accounts with banks and the International Monetary Fund, time deposits with banks and financial investments, net of the accepted time deposits from monetary and financial institutions. The consolidated investment portfolio amounted to AAD 608,995 thousand at 31 December 2011 compared to AAD 638,285 thousand at 31 December 2010.

Results of Operations

Consolidated net income for the year ended 31 December 2011, after taking into consideration the interest of other shareholders in the Subsidiary, amounted to AAD 31,144 thousand compared to AAD 31,715 thousand at 31 December 2010. The components of net income are as follows:

Income

The total consolidated income of the Fund and the Subsidiary for the year ended 31 December 2011, (net of interest paid on accepted deposits from monetary and financial institutions of member states), amounted to AAD 36,362 thousand compared to AAD 37,499 thousand, at 31 December 2010.

Expenditure

The total consolidated expenditure for the year ended 31 December 2011 amounted to AAD 4,619 thousand compared to AAD 4,766 thousand for the previous year. The total consolidated expenditure components include, in addition to administration and general expenses, technical assistance expenses, contribution to the international initiative to support Highly Indebted Poor Countries (HIPC) and grants associated with loans.

For the year ended 31 December 2011, technical assistance to member countries amounted to AAD 221 thousand compared to AAD 335 thousand in 2010. Contribution to HIPC initiative and grants associated with loans amounted to AAD 344 thousand in 2011 compared to AAD 356 in 2010.

Currencies

The Fund, when employing its resources, manages the currency risk by substantially maintaining its assets in currencies closely aligned to the components of the SDR basket. Loan transactions to member countries are contracted in Arab Accounting Dinars. The investment of the Fund in the Subsidiary is included in the US Dollar component of the Fund's assets, which are aligned to the SDR currency composition. Other assets transactions are concluded in convertible currencies and covered as needed by forward foreign exchange contracts to align them with the components of SDR basket.

The table below shows the weights of the currencies of the SDR basket at the end of years 2011 and 2010, together with the SDR exchange rates against those currencies at the end of those years, and also their weights in effect as on 01 January 2011.

Weight of the Currencies of the SDR Basket

Currency	The Weights of the Currencies of SDR Basket			SDR Exchange Rates Against the Currencies of the Basket	
	01 January 2011	31 December 2011	31 December 2010	31 December 2011	31 December 2010
US Dollar	42.70%	42.99%	40,85%	1.535	1.547
Euro	36.58%	35.65%	35.47%	1.187	1.156
Pound Sterling	11.12%	11.18%	9.06%	0.993	0.996
Japanese Yen	9.60%	10.18%	14.62%	118.799	125.850
	100.00%	100.00%	100.00%		

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

Contents *Page*

Independent Auditors' Report	1
Consolidated statement of financial position	2
Consolidated statement of income	3
Consolidated statement of comprehensive income and changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 – 19

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE ARAB MONETARY FUND

Report on the Financial Statements

We have audited the accompanying consolidated financial statements from pages 2 to 19 of the Arab Monetary Fund ('the Fund') and the Arab Trade Financing Program ('the Subsidiary'), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of income, comprehensive income and changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund and the Subsidiary as of 31 December 2011 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, proper books of account have been kept by the Fund and the financial statements are in agreement therewith and the total administrative expenses for the year are in accordance with the financial regulations of the Fund and within limits specified in the administrative budget. We have obtained all the information and explanations we required for the purpose of our audit and to the best of our knowledge and belief, no violations of the Articles of Agreement of the Fund have occurred during the year which would have had a material effect on the business of the Fund or on its financial position, and that the Fund complies with the relevant articles of establishment.

Ernst & Young

Ernst & Young
8 March 2012
Abu Dhabi

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	*2011* *AAD 000*	*2010* *AAD 000*
Assets			
Loans to member countries	3	**416,119**	356,614
Lines of credit	4	**102,800**	114,905
Deposits with central banks of member countries	5	**5,336**	5,336
Deposits with banks, current and call accounts		**1,461,450**	1,555,947
Financial investments	6	**1,333,416**	1,059,124
Accounts receivable and other assets	7	**21,378**	23,336
Total assets		**3,340,499**	3,115,262
Equity and Liabilities			
Equity			
Authorised and subscribed capital		**600,000**	600,000
Paid-up capital	8	**596,040**	596,040
Reserves	9	**390,058**	362,081
Total equity		**986,098**	958,121
Interest of other shareholders in the Subsidiary	10	**76,444**	75,855
Liabilities			
Deposits from Arab monetary and financial institutions	11	**2,185,871**	1,976,786
Accounts payable and other liabilities	12	**92,086**	104,500
Total liabilities		**2,277,957**	2,081,286
Total equity and liabilities		**3,340,499**	3,115,262

Dr. Jassim Al-Mannai
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 08 March 2012.

The attached notes from 1 to 21 form part of these consolidated financial statements.
The independent auditors' report is set out on page 1.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2011

	Notes	*2011* *AAD 000*	*2010* *AAD 000*
Income			
Interest and fee income on loans to member countries		**12,539**	10,796
Interest and fee income on lines of credit		**1,353**	1,493
Investment income	13	**13,925**	14,535
Interest income on deposits and current and call accounts		**17,447**	19,321
Other income		**282**	331
		45,546	46,476
Interest expense on accepted deposits from Arab monetary and financial institutions		**(9,184)**	(8,977)
		36,362	37,499
Expenses			
Administration and general	14	**4,054**	4,075
Technical assistance	15	**221**	335
Contribution to HIPC	16	**344**	356
		4,619	4,766
Net income before the interest of other shareholders in the Subsidiary		**31,743**	32,733
Interest of other shareholders in the Subsidiary		**(599)**	(1,018)
Net Income		**31,144**	31,715

The attached notes from 1 to 21 form part of these consolidated financial statements.
The independent auditors' report is set out on page 1.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY
For the year ended 31 December 2011

	Paid-up capital	*General reserve*	*Contingency reserve*	*Available for sale investments revaluation reserve*	*Total*
			AAD 000		
2010					
Comprehensive Income					
Net income for the year 2010	-	31,715	-	-	31,715
Unrealized changes in values of available-for-sale investments excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	3,457	3,457
Net Comprehensive Income	**-**	**31,715**	**-**	**3,457**	**35,172**
Changes in enquity					
Balance at 1 January 2010	596,040	206,170	130,000	(5,755)	926,455
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (8th)	-	(3,506)	-	-	(3,506)
Balance at 31 December 2010	**596,040**	**229,379**	**135,000**	**(2,298)**	**958,121**
2011					
Comprehensive Income					
Net income for the year 2011	-	31,144	-	-	31,144
Unrealized changes in values of available-for-sale investments excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	5	5
Net Comprehensive Income	**-**	**31,144**	**-**	**5**	**31,149**
Changes in enquity					
Balance at 1 January 2011	596,040	229,379	135,000	(2,298)	958,121
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (9th)	-	(3,172)	-	-	(3,172)
Balance at 31 December 2011	**596,040**	**252,351**	**140,000**	**(2,293)**	**986,098**

The attached notes from 1 to 21 form part of these consolidated financial statements.
The independent auditors' report is set out on page 1.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Note	*2011* *AAD 000*	*2010* *AAD 000*
Operating activities			
Net income for the year		**31,144**	31,715
Adjustments for:			
Depreciation of fixed assets		**96**	97
Changes in interests of other shareholders in the Subsidiary		**1,047**	2,758
		32,287	34,570
Loans drawings		**(126,541)**	(67,776)
Loans repayments		**67,036**	29,435
Change in lines of credit		**12,105**	(6,019)
Change in accounts receivable and other assets		**1,956**	(2,300)
Change in accounts payable and other liabilities		**(13,437)**	8,900
Change in deposits with banks maturing after six months from the date of the statement of financial position		**59,657**	6,426
Change in deposits from monetary and financial institutions		**209,085**	27,492
Net cash from operating activities		**242,148**	30,728
Investing activities			
Purchase of fixed assets		**(94)**	(112)
Change in investments in alternative strategies funds		**4,446**	4,257
Change in available for sale securities		**(1,845)**	(7,297)
Change in held-to-maturity securities		**(276,888)**	(170,222)
Net cash used in investing activities		**(274,381)**	(173,374)
Financing activities			
Dividends paid to other shareholders in the Subsidiary		**(458)**	(491)
Appropriation paid to support Palestinian People		**(2,149)**	(1,456)
Net cash used in financing activities		**(2,607)**	(1,947)
Net (decrease) increase in cash and cash equivalents		**(38,840)**	(144,593)
Cash and cash equivalents at beginning of year		**1,444,411**	1,589,004
Cash and cash equivalents at end of year	18	**1,409,571**	1,444,411

The attached notes from 1 to 21 form part of these consolidated financial statements.
The independent auditors' report is set out on page 1.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

1 ACTIVITIES

The Arab Monetary Fund is a regional Arab financial institution formed in 1976 and started its operations in April 1977, being desirous of laying the monetary foundations of Arab economic integration and accelerating the process of economic development in all Arab countries. With the participation of the Republic of Djibouti in 1996 and the Union of Comoros in 1999, the Fund membership increased to include all the Arab countries members in the League of Arab States. The Fund is situated in Abu Dhabi, United Arab Emirates (P O Box 2818, Abu Dhabi, United Arab Emirates).

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention as modified for forward foreign exchange contracts, available for sale investment securities and investments in the alternative strategies funds which are measured at fair value.

In accordance with the Articles of Agreement of the Fund, the consolidated financial statements are expressed in Arab Accounting Dinars ("AAD") rounded to the nearest thousand. Each AAD is equal to three Special Drawing Rights ("SDR") as defined by the International Monetary Fund.

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis to ensure appropriate valuations of assets and liabilities and recognition of results in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied in dealing with items that are considered material in relation to the consolidated financial statements together with adopting the newly issued IFRSs applicable as of 1 December 2009 which require adding the statement of comprehensive income and additional disclosures on financial instruments based on their classification. Application of these standards has no material effect on the consolidated financial position of the Fund

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Arab Monetary Fund (the "Fund") and Arab Trade Financing Program (the "Subsidiary") in which the Fund owns more than 50% of its subscribed and fully paid up capital as of 31 December 2010 and 2009 as explained in note 10. The Subsidiary was established in accordance with resolution No (4) of 1989 by the Board of Governors of the Arab Monetary Fund with the aim of promoting and developing intra-Arab trade by providing the necessary financing in the form of lines of credit to Arab exporters and importers in member countries. The Subsidiary has its headquarters in Abu Dhabi, United Arab Emirates.

All significant inter-company balances, transactions and profits have been eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES continued

(c) Financial instruments: recognition and measurement
The policies adopted with regard to the definition, recognition and measurement of financial instruments are as follows:

i Initial recognition

All financial instruments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with those financial instruments.

ii Held-to-maturity investment securities - at amortised cost

Held-to-maturity investments comprise investment securities which are purchased with the intention of holding them to maturity and are measured at amortised cost. For investments carried at amortised cost, any gain or loss is recognised in the income statement when the investment is de-recognised or impaired, as well as through the amortisation process.

iii Financial investments – at fair value through income statement.

Until 31 July 2008, they comprised of investments in funds specialised in alternative strategies. These investments were valued at net assets value as at the statement of financial position date, which represents fair value. Changes in the net asset value were recognised in the income statement.

iv Available-for-sale investment securities – at fair value through reserves.

Available-for-sale investment securities comprise those investments in bonds and financial papers other than held-to-maturity investments, and investments in alternative strategies funds starting 1 August 2008. It does not comprise loans, or receivables originated by the Fund or the Subsidiary.

Investments which are classified as "available-for-sale" are measured at fair value at the statement of financial position date, with unrealised gain or loss reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of available-for-sale investment securities is based on quoted market prices where available, or dealer price quotations or pricing models provided by established price information services.

v Loans and receivables

Loans to member Countries, originated by the Fund, and lines of credit, originated by the Subsidiary, are measured at cost.

vi Financial assets and liabilities not included in (ii) to (v) above are stated at their fair value through the income statement.

vii Purchases and sales of investment securities are accounted for on the trade date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES continued

(d) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or a group of financial assets is impaired as follows:

i *Loans to Member Countries*

The Fund adopts the policy of making provisions against interest on loans to member Countries who have defaulted in settlement of any instalment due for more than a year, as well as against interest calculated on delayed loan principal and interest instalments. The Fund then endeavours to reach agreements with those Countries for the settlement of their arrears.

ii *Financial Investments*

The Fund assesses, periodically, the exposure of its investments to a prolonged or significant decline in market value against cost. The assessment process requires the exercise of estimates and assumptions based primarily on the presence of evidence to support a decline in the credit or financial rating of the issuer.

In case an objective evidence exists that a financial asset is impaired, the estimated recoverable amount of that financial asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount as follows:

- For financial assets carried at cost, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the income statement for the period.

- For available for sale financial assets, if a loss has been recognised directly in equity (i.e. recoverable amount is below original acquisition cost), and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the income statement for the period.

(e) Foreign currencies

i *Foreign currency transactions*

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Assets (except fixed assets) and liabilities in foreign currencies at the statement of financial position date are translated at SDR rates of exchange at that date as issued by the International Monetary Fund. Forward foreign exchange contracts are valued at market rates applicable to their respective maturities at the statement of financial position date, and any resulting net gains or losses are taken to the income statement.

Fixed assets are recorded at historical rates of exchange.

ii *Financial statements of the Subsidiary*

The currency mix of the Fund's assets is closely aligned to the components of the SDR basket of currencies. The investment in the Subsidiary is included in the US Dollar component of the Fund's assets aligned to the SDR currency composition. Accordingly, exchange differences arising from the translation of the Subsidiary's financial statements are offset by exchange differences on the remaining part of the Fund's assets.

iii *Derivative financial instruments*

The Fund and its Subsidiary use derivative financial instruments, currency swaps and forward foreign exchange contracts, to manage exposure to foreign exchange risks. The Fund and its Subsidiary do not hold or issue derivative financial instruments for trading purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Depreciation of fixed assets

The cost of fixed assets is expensed by equal annual instalments over the expected useful lives of the assets concerned.

(g) Pension obligations and employees' terminal benefits

The Fund's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value of the obligations compared to the fair value of plan assets. The calculation is performed by a qualified actuary every three years. Pension scheme assets, the net income arising thereon and corresponding liabilities are accounted for separately.

Terminal benefits relating to employees who are not covered under the pension fund scheme are accounted for in accordance with the relevant regulations.

(h) Revenue recognition

Interest receivable and payable are recognised on a time proportion basis, taking account of the principal outstanding and the applicable interest rate.

(i) Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents are defined as current and call accounts with banks and International Monetary Fund and deposits with banks maturing within six months from the statement of financial position date.

3 LOANS TO MEMBER COUNTRIES

	2011	*2010*
	AAD 000	*AAD 000*
Balance at 1 January	**356,614**	318,273
Drawings during the year	**126,541**	67,776
Repayments during the year	**(67,036)**	(29,435)
Balance at 31 December	**416,119**	356,614

Loans to member countries at 31 December 2011 include over one year principal amounts overdue and not received of AAD thousand 14,876 (*2010: AAD thousand 14,876*). In this regard, the Board of Governors' resolution number (6) of 1995 extended the suspension of the membership of the defaulting countries concerned until agreements are reached to resolve the issue of overdue amounts.

Loans to member countries also include capitalisation of unrealised interest forming part of restructuring the debt position of two of the member countries. The fund follows a policy of recognizing capitalized interest proportionately with the rescheduled debt repayments. Therefore, the balance of unrealised capitalised interest is included in accounts payable and other liabilities as deferred income, and gradually amortized to the consolidated income statement proportionately with the debt repayments. The balance of unrealized capitalized interest as at 31 December 2011 amounted to AAD thousand 70,579 (2010: AAD thousand 76,114).

The undisbursed balance of the contracted loans at 31 December 2011 amounted to AAD thousand 50,650 (2010: AAD thousand 61,490).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

4 LINES OF CREDIT

These represent lines of credit granted by the Subsidiary with the aim of promoting and developing intra-Arab trade.

	2011	*2010*
	AAD 000	*AAD 000*
Balance at 1 January	**114,940**	108,886
Drawings during the year	**163,117**	160,438
	278,057	269,324
Repayments during the year	**(176,117)**	(155,860)
Differences in translation to AAD	**860**	1,441
Balance at 31 December	**102,800**	114,905

The unutilised balances of lines of credit and allocations as at 31 December 2011 amounted to AAD thousand 413 (2010: AAD thousand 625).

5 DEPOSITS WITH CENTRAL BANKS

These deposits represent the portion of capital contributions paid in the national currencies of member countries and deposited with their central banks in accordance with Article Fourteen of the Articles of Agreement of the Arab Monetary Fund.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

6 FINANCIAL INVESTMENTS

Financial investments comprise of highly rated instruments of governments, international institutions, corporations, banks and investments in alternative strategies funds as follows:

	2011	*2010*
	AAD 000	*AAD 000*
Investments at fair value through reserves:		
Investment in alternative strategies funds	**36,065**	40,495
Available-for-sale securities	**55,353**	53,519
	91,418	94,014
Held-to-maturity securities (at amortised cost)	**1,241,998**	965,110
Total financial investments	**1,333,416**	1,059,124

Cumulative change in fair value of available-for-sale investments

	2011	*2010*
	AAD 000	*AAD 000*
Investments in alternative strategies funds	**(2,197)**	(2,213)
Investment in securities	**(96)**	(85)
	(2,293)	(2,298)

Value of held-to-maturity financial investments

The market value of the held-to-maturity investments at 31 December 2011 was AAD thousand 1,232,588 (2010: AAD thousand 964,752).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2011 AAD 000	*2010 AAD 000*
Total interest receivable	**97,697**	**98,084**
Deduct: Interest set-aside in accordance with rescheduling agreements	**(42,564)**	**(45,611)**
Overdue interest receivable on loans from member Countries	**(45,611)**	**(40,972)**
	9,522	**11,501**
Contribution in Inter-Arab Investment Guarantee Corporation	**6,331**	**6,232**
Fixed assets	**272**	**274**
Other debit balances	**5,253**	**5,329**
	21,378	**23,336**

The Fund's share in the Arab Investment & Export Credit Guarantee Corporation consists of 8,118 share at a nominal value of one thousand KWD per share, having an acquisition value of USD 27.5 million. The Fund's Board of Governors has agreed on 16 April 2002 and based on its resolution no. (6) to contribute in increasing the Institution's capital by the above amount, which was fully paid.

8 PAID-UP CAPITAL

	2011 AAD 000	*2010 AAD 000*
Capital subscribed and called (12,000 shares of AAD 50,000 each)	**600,000**	600,000
Unpaid capital	**(3,960)**	(3,960)
Capital paid-up	**596,040**	596,040

The balance of unpaid capital represents Palestine's share of called up capital. The payment of Palestine's share of called up capital was deferred in accordance with the Board of Governors' resolution number (7) of 1978.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

9 RESERVES

The transfer to the contingency reserve is made in accordance with the Board of Governors' resolutions number (7) of 1989 and number (4) of 2000, under which an annual sum being the greater of AAD 5 million or 10% of the net income for the year is to be appropriated to the contingency reserve each year. This reserve is to be used to mitigate any unforeseen future losses.

The general reserve at 31 December 2011 includes AAD thousand 39,688 (2010: AAD thousand 39,511) being the Fund's share of reserves of the Subsidiary.

The Board of Governors approved through resolution number (5) of 2011, a 9th appropriation of 10% of 2010 net income as a contribution towards the efforts exerted to support the Palestinian people. The appropriation amounted to AAD thousand 3,172. The Board of Governors had also approved through resolution number (5) of 2010, an 8th appropriation of 10% of 2009 net income for the same purpose. The appropriation amounted to AAD thousand 3,506.

In respect of the rights of member Countries in reserves, and because the payments of capital shares were made by member Countries on different dates, the resolution of the Board of Governors number (3) of 2005 accorded the application of the principal of weighted average capital (based on amounts and dates of Capital payments by each member Country) in determining the share of each member Country in the income and reserves.

10 INTEREST OF OTHER SHAREHOLDERS IN THE SUBSIDIARY

Interest of other shareholder in the Subsidiary comprises minority shareholders interest in the net assets of the Subsidiary (Arab Trade Financing Program) at the statement of financial position date. Their interest is denominated in US dollars, being the base currency of the Subsidiary, and their ownership on 31 December 2011 is 44.36% and on 31 December 2010 was 44.36%.

	2011	*2010*
	USD 000	*USD 000*
Owners' equity in the Subsidiary:		
- Paid up capital at end of year	**492,575**	492,575
- Reserves at end of year	**294,662**	290,621
- Net income for the year	**6,400**	10,490
Total owners' equity of the Subsidiary	**793,637**	793,686
The percentage of other shareholders interest in the Subsidiary	**44.36%**	44.36%
The value of other shareholders interest in the Subsidiary, in base currency of the Subsidiary	**352,086**	352,096

	2011	*2010*
	AAD 000	*AAD 000*
The value of other shareholders interest in the Subsidiary in the base currency of the Fund	**76,444**	75,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

11 DEPOSITS FROM MONETARY AND FINANCIAL INSTITUTIONS

In fulfilling its objectives, and in accordance with article 5 of its articles of agreement, the fund accepts deposits from Arab Monetary Agencies and Central Banks at agreed rates of interest.

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2011	*2010*
	AAD 000	*AAD 000*
Unrealised capitalised interest	**70,579**	76,114
Investments transactions payable and repurchase agreements	**9,676**	14,258
Accrued interest payable	**953**	784
Other credit balances	**10,878**	13,344
	92,086	104,500

13 INVESTMENT INCOME

	2011	*2010*
	AAD 000	*AAD 000*
Investment in alternative strategies funds (at fair value through equity)	**(944)**	(2,016)
Available-for-sale securities (at fair value through equity)	**933**	1,426
Held-to-maturity securities (at amortised cost)	**13,936**	15,125
	13,925	14,535

14 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2011 include Board of Directors remuneration and employees salaries and benefits amounting to AAD thousand 3,252 (2010: AAD thousand 3,332). The Fund and its Subsidiary employed 178 employees as of 31 December 2011 (2010: 178 employees).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

15 TECHNICAL ASSISTANCE EXPENSES

	2011	*2010*
	AAD 000	*AAD 000*
Training courses and seminars	**168**	246
Direct technical assistance to member Countries	**53**	89
	221	335

16 CONTRIBUTION TO HIPC

The Board of Governors approved through resolution No (1) for 2003, the Fund's participation in the Highly Indebted Poor Countries' initiative (HIPC) concerning the Islamic Republic of Mauritania. As part of the same initiative, the Board of Governors approved through resolution No. (4) for 2011 additional exemptions to the Union of the Comoros. The relief from interest is charged to the income statement on the accrual basis.

	2011	*2010*
	AAD 000	*AAD 000*
Cumulative balance of debt reliefs up-to 31 December	**5,038**	4,694
Cumulative balance of debt reliefs at beginning of year	**(4,694)**	(4,338)
Debt reliefs recognised in the income statement for the year	**344**	356

17 MANAGED FUNDS

The Fund and the Subsidiary assigned a part of their investment portfolios for management to a number of specialised external fund managers for agreed fees in accordance with respective fund management agreements. Managed funds amounted to AAD thousand 85,371 as at 31 December 2011 (2010: AAD thousand 88,876).

Funds managed by the Arab Monetary Fund for Arab countries and Arab Specialised Organisations amounted to AAD thousand 8,034 as at 31 December 2011 (2010: AAD thousand 13,409).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

18 CASH AND CASH EQUIVALENTS

	2011	*2010*
	AAD 000	*AAD 000*
Current and call accounts with banks and International Monetary Fund	**17,007**	2,740
Deposits with banks	**1,444,443**	1,553,207
Less: deposits maturing after six months from the statement of financial position date	**(51,879)**	(111,536)
	1,409,571	1,444,411

19 GEOGRAPHICAL DISTRIBUTION OF INVESTMENT PORTFOLIO

The geographical classification of the investment portfolio is based on the country of institution in the case of current and call accounts with banks and International Monetary Fund and time deposits with banks and on the location of the issuer in the case of the securities portfolio.

The geographical distribution of the investment portfolio as at 31 December was as follows:

	2011	*2010*
	AAD 000	*AAD 000*
Arab countries	**936,181**	932,697
Europe	**695,463**	1,102,323
North America	**162,301**	121,200
Far East and Pacific	**854,490**	425,993
Supra National Organisations	**113,435**	32,858
Africa	**32,995**	-
	2,794,865	2,615,071

20 PENSION OBLIGATIONS

In accordance with the policies followed by the fund an actuarial valuation of the Fund's obligations toward employees covered under the pension plan is carried out every three years. The valuation as of 31 December 2011 is in progress. The previous valuation which was carried out as at 31 December 2008, estimated the present value of promised retirement benefits (the value of the liabilities in respect of service up to the valuation date) to be UAE Dirhams thousand 64,114 (AAD thousand 3,778). Based on the assumptions made in the actuaries' report, the book value of the pension fund's assets of UAE Dirhams thousand 64,716 (AAD thousand 3,813) as at the valuation date exceeded the present value of post retirement benefits in respect of the service up to the valuation date by UAE Dirhams thousand 602 (AAD thousand 35).

The amount of pension contribution recognised as an expense in the financial statements of the Fund for the year ended 31 December 2011 amounted to AAD thousand 78 (2010: AAD thousand 91).

Funds managed by the Arab Monetary Fund for its pension plan amounted to UAE Dirhams thousand 60,418 (AAD thousand 3,572) as at 31 December 2011 (2010: UAE Dirhams thousand 65,082 (AAD thousand 3,818).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

21 FINANCIAL INSTRUMENTS

(a) Maturities of assets and liabilities- 31 December 2011

Maturity analysis of the consolidated assets and liabilities for each class as at 31 December 2011 were as follows:

	Total	*Less than 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Unspecified maturity*
	AAD 000					
Assets						
Current and call accounts with banks & IMF	17,007	17,007	-	-	-	-
Deposits with banks	1,444,443	1,392,564	51,879	-	-	-
Available- for-sale securities	55,353	55,353	-	-	-	-
Alternative strategies funds	36,065	6,931	3,860	1,114	24,160	-
Held-to-maturity securities	1,241,998	670,060	203,949	345,060	22,929	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	102,800	67,236	23,498	12,066	-	-
Loans to member countries	416,119	36,756	37,536	254,579	72,280	14,968
Accounts receivable and other assets	21,378	11,985	574	478	-	8,341
	3,340,499	**2,257,892**	**321,296**	**613,297**	**119,369**	**28,645**
Equity and liabilities						
Interest of other shareholders in the Subsidiary	76,444	-	-	-	-	76,444
Deposits from monetary and financial institutions	2,185,871	2,185,871	-	-	-	-
Accounts payable and other liabilities	92,086	14,889	2,646	27,573	37,715	9,263
	2,354,401	**2,200,760**	**2,646**	**27,573**	**37,715**	**85,707**

Maturities of assets and liabilities- 31 December 2010

Maturity analysis of the consolidated assets and liabilities for each class as at 31 December 2010 were as follows:

	Total	*Less than 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Unspecified maturity*
	AAD 000					
Assets						
Current and call accounts with banks & IMF	2,740	2,740	-	-	-	-
Deposits with banks	1,553,207	1,441,671	111,536	-	-	-
Available- for-sale securities	53,519	53,519	-	-	-	-
Alternative strategies funds	40,495	-	67	8,656	31,772	-
Held-to-maturity securities	965,110	428,676	184,680	325,844	25,910	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	114,905	85,054	22,289	7,562	-	-
Loans to member countries	356,614	27,923	32,607	129,225	151,982	14,877
Accounts receivable and other assets	23,336	13,038	1,110	-	-	9,188
	3,115,262	**2,052,621**	**352,289**	**471,287**	**209,664**	**29,401**
Equity and liabilities						
Interest of other shareholders in the Subsidiary	75,855	-	-	-	-	75,855
Deposits from monetary and financial institutions	1,976,786	1,963,859	12,927	-	-	-
Accounts payable and other liabilities	104,500	28,548	31	-	-	75,921
	2,157,141	**1,992,407**	**12,958**	**-**	**-**	**151,776**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

21 FINANCIAL INSTRUMENTS continued

(b) Credit risk management and concentration of credit risk

For all classes of financial instruments, the maximum credit risk exposure is the carrying value as disclosed in the financial statements at the statement of financial position date.

A significant concentration of the available for sale and held to maturity investment portfolios is invested in highly rated debt securities with lower risks. Loans are extended by the Fund to member Countries in order to correct disequilibria in their balance of payments and to finance structural adjustment programs in those countries. Lines of credit are extended by the Subsidiary to provide financing to Arab exporters and importers in the member countries with a view to promoting and developing intra-Arab trade in line with the Subsidiary's mandate.

The Fund and the Subsidiary seek to contain their exposure to credit risk relating to their financing activities through the implementation of policies and procedures that are designed to maintain the exposures within pre-defined limits. These limits have been set on the basis of the type of loans and the members' subscription to capital in convertible currencies and the credit rating of the counterparty, and hence the possibility of a credit loss is considered remote.

(c) Interest rate risk management

The risk of interest rate volatility for the Fund and its Subsidiary is very limited, as its being managed through revising the interest on lines of credit and loans to member Countries and through maturity date management techniques for held to maturity financial investments.

The following sensitivity test table is showing the effect on equity and the Consolidated income statement, resulting form a change of 25 basis points in interest rates on financial assets and liabilities tied to floating interest rates, with other variables remaining unchanged:

	Change in basis points	***2011 AAD 000***	*2010 AAD 000*
Effect on Owners' equity	25	**229**	235
Effect on Consolidated income statement	25	**1,377**	1,350

(d) Fair value risk management

The fair value of the financial assets and liabilities is almost equal to their book values as shown in the financial statements; the fair value risk is being managed by diversifying the components of the said assets and liabilities.

(e) Currency risk

The Fund principally manages currency risk by substantially maintaining its investment portfolio in currencies that are closely aligned to the components of the SDR basket of currencies; matching deposits received with deposits placed in terms of currency and maturity; and also through the use of forward foreign exchange contracts.

The Subsidiary principally manages its currency risk by lending in its base currency, US Dollar, and through the use of forward foreign exchange contracts for deposits and investments denominated in foreign currencies.

Forward foreign exchange contracts entered into and outstanding at 31 December 2011 amounted to AAD thousand 624,210 (2010: AAD thousand 568,866).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

21 FINANCIAL INSTRUMENTS continued

(f) Liquidity risk management
The liquidity risk is being managed by diversification in the components of assets, taking in consideration due dates of liabilities, liquidity requirements and by retaining enough balances of cash, cash equivalents and tradable financial instruments.

(g) Capital risk management
Capital is being managed in a way to achieve the main objectives of the Fund and its Subsidiary as stated in the Fund's Articles of Agreement and the Subsidiary's Articles of Association. This is being fulfilled by diversifying and managing the components of the assets taking into consideration due dates and costs of liabilities, in order to generate a return that supports the financial position through what gets allocated to their reserves to expand operations, in addition to Subsidiary's obligation to distribute cash dividends to its shareholders. The Capital base is composed of capital and reserves as detailed in page (4) as part of the Consolidated statement of changes in equity.

Loans Appendices

Appendix (A-1)

Loans Extended to Member States
1978 - 2011

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
1978	1	Egypt	4,688							
	2	Sudan	1,875							
			6,563	**0**	**0**	**0**	**0**	**0**	**0**	**6,563**
1979	3	Mauritania	750							
	4	Morocco	1,875							
	5	Syria	750							
	6	Sudan	1,875							
	7	Sudan			11,250					
			5,250	**0**	**11,250**	**0**	**0**	**0**	**0**	**16,500**
1980	8	Mauritania	750							
	9	Mauritania		4,500						
	10	Somalia	1,500							
	11	Sudan				5,000				
			2,250	**4,500**	**0**	**5,000**	**0**	**0**	**0**	**11,750**
1981	12	Yemen	2,940							
	13	Morocco	1,875							
	14	Morocco			31,850					
	15	Morocco	3,600							
	16	Yemen		8,820						
	17	Morocco				9,800				
	18	Somalia	1,440							
	19	Somalia			12,740					
	20	Sudan	1,875							
	21	Yemen	3,675							
			15,405	**8,820**	**44,590**	**9,800**	**0**	**0**	**0**	**78,615**
1982	22	Sudan			5,000					
	23	Sudan	3,600							
	24	Mauritania	2,190							
	25	Morocco	1,875							
	26	Syria	2,940							
	27	Mauritania			8,240					
	28	Yemen	3,675							
	29	Yemen				3,920				
			14,280	**0**	**13,240**	**3,920**	**0**	**0**	**0**	**31,440**
1983	30	Iraq	27,930							
	31	Sudan				4,800				
	32	Sudan	1,875							
	33	Yemen					3,920			
	34	Mauritania	750							
	35	Iraq				27,000				
	36	Syria					3,000			
	37	Jordan	3,990							
	38	Jordan					1,960			
	39	Yemen		5,700						
			34,545	**5,700**	**0**	**31,800**	**8,880**	**0**	**0**	**80,925**

Appendix (A-1)
Loans Extended to Member States
1978 - 2011

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
1984	40	Somalia	1,500							
	41	Yemen					4,900			
	42	Sudan			4,335					
	43	Morocco	1,875							
	44	Yemen	3,690							
			7,065	**0**	**4,335**	**0**	**4,900**	**0**	**0**	**16,300**
1985	45	Yemen	3,975							
	46	Morocco	3,600							
	47	Morocco	3,750							
	48	Yemen				5,100				
	49	Jordan	1,050							
	50	Jordan				2,660				
	51	Jordan					700			
	52	Mauritania	2,190							
	53	Iraq	27,930							
			42,495	**0**	**0**	**7,760**	**700**	**0**	**0**	**50,955**
1986	54	Yemen	3,675							
	55	Morocco	1,875							
	56	Syria	2,940							
	57	Syria	2,400							
	58	Morocco		6,250						
	59	Morocco					2,500			
	60	Mauritania			3,250					
	61	Mauritania	1,500							
	62	Tunisia	3,675							
	63	Jordan	3,990							
	64	Tunisia	1,500							
			21,555	**6,250**	**3,250**	**0**	**2,500**	**0**	**0**	**33,555**
1987	65	Tunisia					3,450			
	66	Yemen		2,500						
	67	Iraq					18,620			
			0	**2,500**	**0**	**0**	**22,070**	**0**	**0**	**24,570**
1988	68	Morocco	1,875							
	69	Yemen	3,690							
	70	Jordan					1,960			
	71	Morocco	7,350							
	72	Algeria					18,620			
	73	Mauritania				2,460				
	74	Yemen		6,150						
	75	Egypt	4,687							
	76	Yemen	3,975							
	77	Mauritania	2,190							
	78	Yemen					5,100			
	79	Syria		8,200						
	80	Algeria	27,930							
	81	Iraq	27,930							
			79,627	**14,350**	**0**	**2,460**	**25,680**	**0**	**0**	**122,117**

Appendix (A-1)
Loans Extended to Member States
1978 - 2011

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
1989	82	Iraq	3,300							
	83	Jordan		5,320						
	84	Egypt	5,250							
	85	Morocco			17,150					
	86	Algeria		41,640						
			8,550	**46,960**	**17,150**	**0**	**0**	**0**	**0**	**72,660**
1990	87	Mauritania			9,050					
	88	Egypt				6,625				
			0	**0**	**9,050**	**6,625**	**0**	**0**	**0**	**15,675**
1991										
1992	89	Morocco			14,800					
	90	Tunisia	3,675							
			3,675	**0**	**14,800**	**0**	**0**	**0**	**0**	**18,475**
1993	91	Mauritania			3,250					
			0	**0**	**3,250**	**0**	**0**		**0**	**3,250**
1994	92	Yemen	11,340							
	93	Mauritania				2,460				
	94	Jordan			7,980					
	95	Algeria			29,150					
			11,340	**0**	**37,130**	**2,460**	**0**	**0**	**0**	**50,930**
1995	96	Yemen		15,120						
	97	Tunisia	5,175							
	98	Jordan			5,320					
			5,175	**15,120**	**5,320**	**0**	**0**	**0**	**0**	**25,615**
1996	99	Algeria			31,230					
	100	Mauritania			4,955					
			0	**0**	**36,185**	**0**	**0**	**0**	**0**	**36,185**
1997	101	Jordan				2,660				
	102	Djibouti		367						
	103	Yemen			19,656					
			0	**367**	**19,656**	**2,660**	**0**	**0**	**0**	**22,683**
1998	104	Jordan							3,910	
	105	Yemen							9,057	
			0	**0**	**0**	**0**	**0**	**0**	**12,967**	**12,967**
1999	106	Algeria							30,605	
	107	Tunisia	5,175							
	108	Morocco							10,878	
	109	Tunisia							5,072	
	110	Lebanon	3,675							
			8,850	**0**	**0**	**0**	**0**	**0**	**46,555**	**55,405**
2000	111	Djibouti			245					
	112	Lebanon							3,601	
	113	Mauritania			4,000					
	114	Morocco				7,400				
	115	Egypt							23,153	
			0	**0**	**4,245**	**7,400**	**0**	**0**	**26,754**	**38,399**

Appendix (A-1)

Loans Extended to Member States
1978 - 2011

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
2001	116	Jordan							5,214	
	117	Morocco							14,504	
	118	Egypt				15,750				
	119	Egypt	23,625							
	120	Tunisia				3,450				
	121	Tunisia							6,762	
			23,625	**0**	**0**	**19,200**	**0**	**0**	**26,480**	**69,305**
2002	122	Egypt							30,870	
	123	Djibouti							420	
	124	Lebanon	3,675							
			3,675	**0**	**0**	**0**	**0**	**0**	**31,290**	**34,965**
2003	125	Morocco							11,100	
	126	Djibouti			368					
	127	Egypt			55,125					
			0	**0**	**55,493**	**0**	**0**	**0**	**11,100**	**66,593**
2004	128	Comoros	184							
	129	Tunisia							5,175	
	130	Sudan			9,800					
	131	Egypt							23,625	
			184	**0**	**9,800**	**0**	**0**	**0**	**28,800**	**38,784**
2005	132	Mauritania			8,600					
	133	Sudan							9,800	
	134	Lebanon							6,825	
			0	**0**	**8,600**	**0**	**0**	**0**	**16,625**	**25,225**
2006	135	Djibouti							350	
			0	**0**	**0**	**0**	**0**	**0**	**350**	**350**
2007	136	Syria							2,000	
	137	Lebanon							9,100	
			0	**0**	**0**	**0**	**0**	**0**	**11,100**	**11,100**
2008	138	Comoros		184						
	139	Djibouti						614		
	140	Syria							9,600	
	141	Lebanon						18,200		
			0	**184**	**0**	**0**	**0**	**18,814**	**9,600**	**28,598**
2009	142	Jordan	7,365							
	143	Jordan							12,275	
	144	Morocco							47,863	
	145	Mauritania							9,120	
	146	Morocco				21,880				
			7,365	**0**	**0**	**21,880**	**0**	**0**	**69,258**	**98,503**
2010	147	Jordan				9,820				
	148	Jordan							17,185	
	149	Morocco							47,863	
	150	Yemen			43,000					
			0	**0**	**43,000**	**9,820**	**0**	**0**	**65,048**	**117,868**
2011	151	Morocco						**13,675**		
	152	Egypt	**43,725**							
	153	Egypt							**58,300**	
			43,725	**0**	**0**	**0**	**0**	**13,675**	**58,300**	**115,700**
Total			**345,199**	**104,751**	**340,344**	**130,785**	**64,730**	**32,489**	**414,227**	**1,432,525**

Appendix (A-2)
Loans Extended to Member States By Type
1978-2011

Automatic Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	4	16.395
Tunisia	5	19.200
Algeria	1	27.930
Sudan	5	11.100
Syria	4	9.030
Somalia	3	4.440
Iraq	4	87.090
Lebanon	2	7.350
Egypt	5	81.975
Morocco	10	29.550
Mauritania	7	10.320
Yemen	9	40.635
Comoros	1	0.184
	60	**345.199**

Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	2	13.300
Algeria	2	60.380
Sudan	4	30.385
Somalia	1	12.740
Egypt	1	55.125
Morocco	3	63.800
Mauritania	7	41.345
Yemen	2	62.656
Djibouti	2	0.613
	24	**340.344**

Ordinary Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	1	5.320
Algeria	1	41.640
Syria	1	8.200
Morocco	1	6.250
Mauritania	1	4.500
Yemen	5	38.290
Djibouti	1	0.367
Comoros	1	0.184
	12	**104.751**

Trade Facility	No. of Loans	Value of Loans (Million AAD)
Jordan	3	4.620
Tunisia	1	3.450
Algeria	1	18.620
Syria	1	3.000
Iraq	1	18.620
Morocco	1	2.500
Yemen	3	13.920
	11	**64.730**

Compensatory Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	3	15.140
Tunisia	1	3.450
Sudan	2	9.800
Iraq	1	27.000
Egypt	2	22.375
Morocco	3	39.080
Mauritania	2	4.920
Yemen	2	9.020
	16	**130.785**

Structural Adjustment Facility (SAF)	No. of Loans	Value of Loans (Million AAD)
Jordan	4	38.584
Tunisia	3	17.009
Algeria	1	30.605
Sudan	1	9.800
Lebanon	3	19.526
Egypt	4	135.948
Morocco	5	132.208
Yemen	1	9.057
Djibouti	2	0.770
Syria	2	11.600
Mauritania	1	9.120
	27	**414.227**

Oil Facility	No. of Loans	Value of Loans (Million AAD)
Djibouti	1	0.614
Lebanon	1	18.200
Morocco	1	13.675
	3	**32.489**

Appendix (A-3)
Balance of Outstanding Loans
2010 - 2011

(Thousands of AAD)

Country	End of 2010			End of 2011		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	36,211	8,593	44,804	34,984		34,984
Djibouti	752	-	752	335		335
Sudan	66,742	-	66,742	60,921		60,921
Syria	4,240	-	4,240	2,880		2,880
Somalia	14,877	-	14,877	14,877		14,877
Comoros	184	-	184	184		184
Iraq	90,093	-	90,093	80,866		80,866
Lebanon	10,465	-	10,465	4,095		4,095
Egypt	9,647	-	9,647	75,631	29,150	104,781
Morroco	90,768	26,838	117,606	106,563		106,563
Yemen	21,500	21,500	43,000	21,500	21,500	43,000
Muritania	11,135	4,560	15,695	13,283		13,283
Total	**356,614**	**61,491**	**418,105**	**416,119**	**50,650**	**466,769**

Appendix (A-4)
Balance of Loans Commitments
1978- 2011

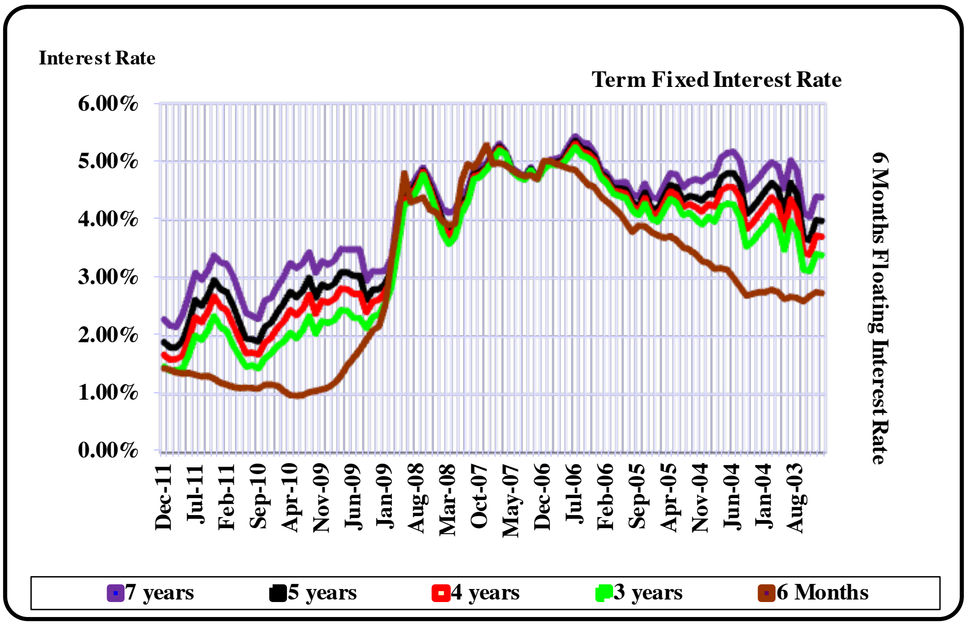
(Thousands of AAD)

Country	Loans Extended during the year	Balance of Outstanding Loans*	Balance of Disbursed Loans**
1978	6,563	6,563	6,563
1979	16,500	23,063	18,062
1980	11,750	48,687	42,187
1981	78,615	102,834	68,674
1982	31,440	129,733	111,700
1983	80,925	198,587	193,037
1984	16,300	189,388	183,423
1985	50,955	187,724	181,759
1986	33,555	195,558	183,843
1987	24,570	167,666	157,451
1988	122,117	226,484	213,717
1989	72,660	283,740	242,041
1990	15,675	244,329	233,379
1991	-	213,441	198,641
1992	18,475	189,467	179,467
1993	3,250	162,451	151,131
1994	50,930	203,450	167,985
1995	25,615	211,728	177,562
1996	36,185	218,253	186,905
1997	22,683	231,295	206,697
1998	15,023	227,413	199,314
1999	55,405	263,858	229,129
2000	38,399	276,416	250,459
2001	69,305	300,630	278,997
2002	34,965	278,180	275,970
2003	66,593	316,658	281,121
2004	38,784	280,182	252,695
2005	25,225	275,201	253,376
2006	350	262,611	231,511
2007	11,100	247,693	226,218
2008	28,598	283,693	251,111
2009	98,503	352,671	318,273
2010	117,868	418,105	356,614
2011	115,700	466,769	416,119

* Total approved loans including disbursed and undisbursed balances minus repayments.

** Total disbursed loans minus repayments.

Appendix (A-5)
Interest Rates on Loans
2003 - 2011



Effective 13 March 2003, the Board of Executive Directors agreed to replace the fixed interest rate policy with variable interest rates policy under which the member countries have an option to choose between two interest rate systems. The first is a floating rate based on the six-month SDR interest rate as determined on the first working day of each month, and is applied on all disbursements effected during that month, and continues until the due date of the interest installment after six months. The second is an active fixing rate calculated on the first working day of each month based on the swap rate of the SDR for the corresponding term of the loan. The relevant active fixing rate is applied to disbursements made during that month and remains un-changed throughout the term of the loan.

General Appendices

Appendix (B-1)
Capital at 31 December 2011

(Thousands of AAD)

	Country	Authorized and Subscriped Capital	Paid-Up Capital			
			In Local Currencies	In Convertible Currencies	By a Transfer from General Reserve (2)	Total
1	Jordan	9,900	80	5,320	4,500	9,900
2	UAE	35,300	300	18,900	16,100	35,300
3	Bahrain	9,200	80	4,920	4,200	9,200
4	Tunisia	12,850	100	6,900	5,850	12,850
5	Algeria	77,900	760	41,640	35,500	77,900
6	Saudi Arabia	88,950	760	47,640	40,550	88,950
7	Sudan	18,400	200	9,800	8,400	18,400
8	Syria	13,250	80	7,120	6,050	13,250
9	Somalia	7,350	80	3,920	3,350	7,350
10	Iraq	77,900	760	41,640	35,500	77,900
11	Oman	9,200	80	4,920	4,200	9,200
12	Qatar	18,400	200	9,800	8,400	18,400
13	Kuwait	58,800	500	31,500	26,800	58,800
14	Lebanon	9,200	100	4,900	4,200	9,200
15	Libya	24,690	186	13,254	11,250	24,690
16	Egypt	58,800	500	31,500	26,800	58,800
17	Morocco	27,550	200	14,800	12,550	27,550
18	Mauritania	9,200	80	4,920	4,200	9,200
19	Yemen	28,300	280	15,120	12,900	28,300
20	Palestine (1)	3,960	0	0	0	0
21	Djibouti	450	5	245	200	450
22	Comoros	450	5	245	200	450
	Total	**600,000**	**5,336**	**319,004**	**271,700**	**596,040**

(1) Payment of Palestine's share was deferred by the Board of Governors' Resolution No. (7) of 1978.

(2) In accordance with the Board of Governors' Resolution No. (3) of 2005, a transfer from general reserve was made to cover additional subscriptions.

Table (B-2)
Numbers of Attendances Courses / Seminars / Workshops
1/1/1988-31/12/2011

	Before 1988	Courses	Courses Coordinated With IMF	Courses Coordinated With WTO	Workshops	Workshops Coordinated With IMF	Workshops Coordinated With WTO/IMF	Workshops Coordinated With WTO	Seminars	Seminars Coordinated With IMF	Total
Numbers of Activities		**90**	**96**	**11**	**13**	**9**	**3**	**4**	**5**	**4**	**235**
Jordan	**14**	174	183	18	26	19	6	10	3	4	**457**
U.A.E.	**32**	203	147	19	14	16	4	8	7	10	**460**
Bahrain	**9**	148	127	8	9	13	5	7	7	4	**337**
Tunisia	**11**	134	138	15	19	10	5	6	3	3	**344**
Algeria	**6**	143	125	10	16	15	4	8	4	3	**334**
Djibouti	**0**	8	39	0	0	2	2	0	0	0	**51**
Saudi Arabia	**16**	237	236	18	25	20	6	10	16	9	**593**
Sudan	**14**	96	182	14	14	16	5	6	4	6	**357**
Syria	**8**	176	204	58	68	18	5	5	3	4	**549**
Somalia	**8**	12	11	0	0	0	0	0	1	0	**32**
Iraq	**13**	87	68	14	15	8	5	2	3	2	**217**
Oman	**9**	134	148	21	17	13	6	8	7	6	**369**
Palestine	**0**	93	115	15	10	7	5	3	2	3	**253**
Qatar	**5**	124	103	9	19	16	5	5	10	3	**299**
Comoros	**0**	2	10	4	1	1	0	2	0	2	**22**
Kuwait	**10**	138	132	7	12	9	5	2	5	2	**322**
Lebanon	**2**	133	148	15	24	14	3	6	2	9	**356**
Lybia	**0**	140	92	8	13	7	4	4	3	1	**272**
Egypt	**2**	199	156	11	21	17	6	9	2	7	**430**
Morocco	**15**	129	178	10	15	15	6	8	3	4	**383**
Mauritania	**9**	105	114	10	10	13	1	2	5	4	**273**
Yemen	**21**	167	176	14	17	19	5	7	4	5	**435**
Total	**204**	**2782**	**2832**	**298**	**365**	**268**	**93**	**118**	**94**	**91**	**7145**

Organization and Management

The Organizational Structure

The structure of the Fund consists of the Board of Governors, the Board of Executive Directors, the Director General and the Staff.

The Board of Governors

The Board of Governors consists of one governor and one deputy governor appointed by each member country of the Fund. The Board elects on rotation basis annually one of the governors as its Chairman. The Board of Governors is regarded as the General Assembly of the Fund and holds all management powers. The Board convenes once a year.

Member Countries		Governors & Their Deputies
The Hashemite Kingdom of Jordan	Governor	H.E. Faris Abdul Hamid Sharaf
	Deputy Governor	H.E. Eez El Din Kanacrieh
The United Arab Emirates	Governor	H.E. Obaid Humaid Al Tayer
	Deputy Governor	H.E. Sultan Bin Nasser Al-Suwaidi
The Kingdom of Bahrain	Governor	H.E. Sheikh Ahmed Bin Mohamed Al Khalifa
	Deputy Governor	H.E. Rashid Mohamed Al Mearaj
The Republic of Tunisia	Governor	H.E. Mustapha Kamal Nabli
	Deputy Governor	H.E. Mounya Al Saadawi
The People's Democratic Republic of Algeria	Governor	H.E. Karim Djoudi
	Deputy Governor	H.E. Dr. Mohammed Laksaci
The Republic of Djibouti	Governor	H.E. Elias Mousa Dawwalah
	Deputy Governor	H.E. Hassan Moamn Taher
The Kingdom of Saudi Arabia	Governor	H.E. Dr. Ibrahim Bin Abdul-Aziz Al Assaf
	Deputy Governor	H.E. Dr. Mohamed Bin Sulieman Al Jaser
The Republic of Sudan	Governor	H.E. Ali Mahmoud Abdulrasul
	Deputy Governor	H.E. Dr. Mohamed Kheir El Zubair
The Syrian Arab Republic	Governor	H.E. Dr. Mohammed Al Jleilati
	Deputy Governor	H.E. Dr. Adib Mufdi Maiyalah

The Somali Democratic Republic	Governor	H.E. Abdel Naser Mohammed Abdulla
	Deputy Governor	H.E. Abdillahi Hag Jama Ali
The Republic of Iraq	Governor	H.E. Dr. Sinan Al Shabibi
	Deputy Governor	H.E. Taleb Mohsen Jaber
The Sultanate of Oman	Governor	H.E. Darwish Bin Ismail Al Balushi
	Deputy Governor	H.E. Hamoud Bin Sangor Al Zadjali
The State of Palestine	Governor	H.E. Saeed Tawfik Khoury
	Deputy Governor	H.E. Dr. Saleh Jallad
The State of Qatar	Governor	H.E. Youssef Hussain Kamal
	Deputy Governor	H.E. Abdullah Bin Saud Al Thani
The Comoros	Governor	H.E. Mohammad Ali Saleh
	Deputy Governor	H.E. Mohamed Shanfou Mzy Abdou
The State of Kuwait	Governor	H.E. Mustafa Jasim Al Shimali
	Deputy Governor	H.E. Sheikh Salem Abdul-Aziz Al-Sabah
The Republic of Lebanon	Governor	H.E. Riad Salame
	Deputy Governor	H.E. Raed Sharaf Aldin
The Great Socialist People's Libyan Arab Jamahiriya	Governor	H.E. AlSiddiq Omar Alkabeer
	Deputy Governor	H.E. Dr. Ali Ramadan Ashnebsh
The Arab Republic of Egypt	Governor	H.E. Dr. Farouk El Okdah
	Deputy Governor	H.E. Dr. Mumtaz Saeed Abu Alnoor
The Kingdom of Morocco	Governor	H.E. Nizar Baraka
	Deputy Governor	H.E. Abdullatif Jouahri
The Islamic Republic of Mauritania	Governor	H.E. Sid' Ahmed Ould Raiss
	Deputy Governor	H.E Dr. Mohammed Elamin Would Rekani
The Republic of Yemen	Governor	H.E. Noman Taher Alsuhibi
	Deputy Governor	H.E. Mohammad Awad Ben Hammam

The Board of Executive Directors

The Board of Executive Directors is composed of the Director General of the Fund as Chairman and eight non-resident members elected by the Board of Governors for a renewable term of three years. The Board is entrusted with the supervision of the Fund's activities and renders advice when deemed necessary.

Members of the Board of Executive Directors

Executive Directors	Countries Represented	Voting Power (%)
H.E. Dr. Jassim Al-Mannai	Director General & Chairman of the Board of Executive Directors	
H.E. Dr. Abdul Rahman Bin Abdullah Al Hamidy	The Kingdom of Saudi Arabia	13.58
H.E. Abedlhak Bedjaoui	The People's Democratic Republic of Algeria	11.96
H.E. Hassan Hashem Al Haidary	The Republic of Iraq	11.96
H.E. Hisham Ramez Abdel Hafez (Egypt)	The Arab Republic of Egypt	19.96*
	The Republic of Yemen	
	The Republic of Sudan	
	The Somali Federal Republic	
	The Republic of Djibouti	
	The Comoros	
H.E. Sami Hussain Mansour Al-Anboee (Kuwait)	The State of Kuwait	14.88
	The United Arab Emirates	
H.E. Faouzia Zaaboul (Morocco)	The Kingdom of Morocco	13.09
	The Great Socialist People's Libyan Arab Jamahiriya	
	The Republic of Tunisia	
	The Islamic Republic of Mauritania	
H.E. Hussein Mohamed Al Sada (Qatar)	The State of Qatar	
	The Kingdom of Bahrain	7.05
	The Sultanate of Oman	
H.E. Sam Mohamad (Syria)	The Syrian Arab Republic	7.52
	The Hashemite Kingdom of Jordan	
	The Republic of Lebanon	
	The State of Palestine	

* The above voting power is affected by the temporary suspension of the voting power of Somalia.
(1) From 16 January 2011 replacing H.E. Mohamad Tamam.

The Director General and the Staff

The Board of Governors appoints a Director General of the Fund for a renewable term of five years. He serves ex-officio as Chairman of the Board of Executive Directors. The Director General of the Fund is the head of the staff and is responsible for all the work of the Fund. Staff members are currently distributed among the following six departments:

1- Administration
2- Economic and Technical
3- Legal
4- Economic Policy Institute
5- Finance and Computer
6- Investment

The organizational structure of the Fund also comprises the Bureau of the Internal Audit, the Office of the Director General and various other committees including those on Loans and Investment which are statutory. It also includes an Administrative Committee established within the framework of the Personnel Regulations by a decision of the Board of Executive Directors which was endorsed by the Board of Governors.