Arab Monetary Fund

Annual Report
2013

Contents

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 2013, in accordance with Article 33 of the Arab Monetary Fund's Articles of Agreement.

Yours Sincerely,

Abdulrahman A. Al Hamidy
Director General Chairman of the Board
of Executive Directors

April 2014

Activities of the Fund in 2013

In its endeavor to achieve its objectives, the AMF was keen to develop and expand the scope of its activities in the areas defined by its Articles of Agreement to meet the changing needs of its member countries resulting from regional and international economic developments. The AMF, therefore, stepped up the level of its consultations with the member countries throughout 2013 in a bid to provide the support in light of the weakening economic performance of many Arab countries due in part to the ongoing political transition. Moreover, many Arab states have been affected by the slowdown in the world economic growth in 2013, particularly in developed industrialized economies. All these factors combined, have led to lower tourism receipts, export proceeds and direct foreign investment inflows to the Arab countries, though the impact of these factors varied among individual countries.

These unfavorable developments have contributed to a large increase in financing needs of many Arab countries. Accordingly, the Fund has rapidly responded to the requests submitted by its member countries in 2013, by providing financial assistance through its various lending facilities, and via the support extended by the Arab Trade Financing Program to exporters and importers in Arab countries.

The Resolution calling for increasing the capital of all Arab financial institutions, which was adopted by the third Arab Economic & Social Development Summit held in Riyadh, Saudi Arabia in January 2013, has led to a strengthening of the AMF's lending capacity, as its subscribed capital has doubled to reach Arab Accounting Dinar (AAD) 1,200 million. The paid-up capital by member countries has increased by AAD 300 million. Accordingly, the AMF has paid up half of the this amount by capitalizing its reserves as stated by the Resolution, while the remaining balance will be paid by the member countries over five years starting April 2014.

Moreover, the Fund continued in 2013 to deliver its training programs aiming at building human and institutional capacities in the member countries. In the area of technical assistance, the Fund has launched, in collaboration with the IMF, the Arab Statistics Initiative "ARABSTAT", and taken concrete steps to put it into effect, with the objective of developing the statistical systems and capabilities of National Statistical Agencies. In addition, the Fund continued, in 2013, providing technical support to its member countries, particularly through the joint technical assistance program to Arab Central Banks, in partnership with the relevant international organizations.

The Fund continued to assume the functions of the Secretariat of the Council of Governors of the Arab Central Banks and Monetary Agencies, and the Technical Secretariat of the Council of Arab Finance Ministers. Within these frameworks, the Fund organized, during 2013, meetings for Finance Ministers and Governors of central banks and monetary agencies of its member countries, thus providing platforms for exchange of views and experiences with the aim of encouraging and strengthening cooperation and coordination.

In the area of **lending activities**, the total amount of the new loans extended by the Fund to its member countries in 2013 reached the highest value of AAD 149 million (equivalent to USD 686 million), compared to AAD 118 million in 2012. Thus, the Fund granted in 2013 eight loans of which a structural adjustment facility to the Government of Sudan worth AAD 9.8 million (equivalent to USD 45 million), an ordinary loan to Yemen of AAD 21 million (equivalent to USD 97 million), an automatic loan and a compensatory loan to Jordan worth AAD 25.6 million (equivalent to USD 118 million), two structural adjustment facilities to Tunisia totaling AAD 32 million (equivalent to USD 147 million), and a loan to Morocco of AAD 60 million (equivalent to USD 276 million) as a structural adjustment facility in the government finance sector. In addition, the Fund has agreed to provide the Republic of Comoros with a concessionary loan, worth AAD 787 thousand (equivalent to USD 3.6 million).

As part of the AMF's consultations with its member countries to study their requests for the Fund's assistance, five technical missions have been assigned in 2013 including to Yemen, Jordan, Comoros, Tunisia and Morocco, in order to study their requests for new loans, or/and to follow up on the progress of reform programs previously agreed upon. To this effect, the Fund's missions conducted an overall economic and financial assessment of the concerned countries.

With respect to the **investment activity** in 2013, the Fund continued to pursue a conservative investment policy that contributed to the safeguard of the invested capital and provided overall positive returns during the year while maintaining low levels of investment risks.

In addition to the management of its own investible resources, the AMF's activities include the acceptance and investment of deposits from its member countries, and, as in the past years, the Fund succeeded in maintaining these assets at a high level, reflecting therefore the confidence of member countries in the Fund. Moreover, the Fund continued to perform its activities in managing the investments of the Arab Trade Financing Program, the assets of the Joint Account of Specialized Arab Organizations, and the AMF's staff Pension Scheme, in line with the applicable investment policies.

In the area of **technical assistance**, the Fund has launched in 2013 the Arab Statistics Initiative "ARABSTAT" aiming at providing technical support towards developing the statistical systems and capacities of national statistical agencies in the Arab countries, whereby the AMF is assuming the functions of the Technical Secretariat and the executive entity of the said initiative. On the other hand, the AMF continued in 2013 to provide the necessary technical support to the Arab central banks through the joint initiatives between the AMF and the relevant international institutions. In this context, the Fund has delivered technical assistance to Mauritania under the Arab Credit Reporting Initiative (ACRI) and the Arab Secured Transactions Initiative (ASTI).

In addition, the Fund, in cooperation with the World Bank, launched in 2013 the Regional Affordable Housing Finance projects in Morocco and Tunisia. The Fund provided as well technical assistance to Morocco in the context of the Arab Debt Market Development Initiative (ADMDI). To scale up these initiatives, the AMF held various seminars, workshop and conferences for senior officials in a bid to support the efforts of policymakers in the Arab World.

Regarding **Arab financial markets** in 2013, the Fund pursued its efforts to provide data and statistics related to the performance of these markets. In this regard, the Fund continued issuing quarterly bulletins highlighting the performance of these markets, as well as the annual executive summary report on the performance of Arab financial markets, in addition to the major news and events occurred during the year 2013.

With respect to **training**, the Fund continued in 2013 to assist in building and improving skills through the training services provided by its Economic Policy Institute (EPI). In this regard, the EPI held joint training courses, seminars and workshops in cooperation with relevant international institutions, including the International Monetary Fund, the World Bank, the World Trade Organization, the Bank for International Settlements, the US Federal Reserve Bank and the Bank of England. In 2013, EPI conducted 15 courses attended by 423 trainees, with an overall number of training activities of 264 events attended by 8251 trainees, since the launching of the training activities in 1988.

Acting as the Secretariat of the Council of Governors of the Arab Central Banks and Monetary Agencies, the Fund, in 2013, organized in Abu Dhabi, UAE, the 37th session meeting of the Council, as well as the annual meetings of the Arab Committee on Banking Supervision and the Arab Committee on Payment and Settlement Systems. Moreover, as the **Technical Secretariat of the Council of Arab Finance Ministers**, the Fund organized the Board's fourth ordinary session meeting in Dubai, UAE on the sidelines of the annual meetings of the Arab financial institutions. During this session, and as part of its follow-up on issues discussed by the Board, the Fund submitted a number of reports and working papers.

In the area of **cooperation and coordination with Arab, regional, and international organizations**, the Fund contributed to the preparation, editing and publication of the 2013 Joint Arab Economic Report. Further, it participated in the Economic and Social Council meeting held in Doha, Qatar.

In 2013, the Fund maintained its collaboration with the international institutions and organizations and central banks of developed countries. In this regard, the Fund reached an agreement with the Japan International Cooperation Agency (JICA) to foster collaboration in the area of technical assistance and capacity-building. Similarly, the Fund has also finalized a memorandum of understanding with the German Federal Enterprise for International Cooperation (GIZ) for strengthening cooperation in the area of technical assistance in the financial sector.

The Fund also took part in the meetings of the International Monetary Fund and the World Bank in April and October 2013, including its participation in the meetings of the Development Committee and the G24, the meeting of the Arab Ministerial Group with the President of the World Bank and the Managing Director of the International Monetary Fund, and the Ministerial meeting on the Deauville Partnership Initiative. In addition, the Fund pursued its cooperation with the Bank for International Settlements, the Basle Committee, and the International Committee on Payment Systems, and participated in their respective institutional meetings.

On the other hand, and as part of its steadfast interest in promoting and developing trade relations between Arab countries, the Fund continued in 2013 to maintain and reinforce its close cooperation with the **Arab Trade Financing Program.** This was evidenced by the continued delivery by the Fund to the Program of specialized services in the legal, administrative and internal auditing fields as well as the monitoring and management of its investment portfolios.

In the area of **studies and research activities**, the Fund issued in 2013 a number of reports, bulletins, research and studies. In this context, it published the “Economic Statistics of Arab Countries” bulletin and the”Statistics on Competitiveness of Intra-Arab Trade” bulletin. Concomitantly, the Fund released a member of studies and working papers which dealt with a variety of important economic issues of interest to its member countries including, among other things, economic stability, financial sector development, and the dynamics of inflation in the Arab countries.

Lending

The Fund's lending activity is at the heart of the Fund's operations, and aims at fulfilling the objectives for which it was established. In general, lending activities aim at providing assistance to Arab countries to correct balance of payment disequilibria, laying the foundations of macro-economic stability, and supporting members' efforts towards implementing the necessary structural adjustments in a number of sectors falling within the Fund's mandate in a bid to increase the efficiency of resources, and hence, fostering sustainable economic development. In that respect, the Fund, during 2013, extended to its member countries 8 new loans with a total value of about AAD 118 million, equivalent to USD 686 million.

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. 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 mandate (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 sectors. 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 concerned member has no conditional loan outstanding (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 an 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 from its date of withdrawal.

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 its economy. In addition to withdrawing its reserve tranche from similar regional and international financial organizations, the 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 the 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 its date of withdrawal.

The fourth category 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 the 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 categories of 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 paid subscription in convertible currencies.

As for the **Trade Reform Facility**, it aims at assisting member countries to meet the finance costs associated with the implementation of trade reforms, policies and procedures, thus encouraging them to adopt the necessary reforms to facilitate their access to financing from international markets so as to consolidate growth and create productive job opportunities[(1)]. This facility is extended up to 175 percent of the member's paid subscription in convertible currencies, provided the borrowing member country agrees with the Fund on a structural reform program that will be followed by the Fund. 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** for 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.

(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 paid up subscription in convertible currencies. The disbursement of the facility could be 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.

In April 2013, the Board of Governors approved to increase the authorized capital in two folds to AAD 1.2 million, and the paid up capital by AAD 300 million to become AAD 900 million provided that the member countries' subscription in such increase would maintain their proportional quotas in the capital unchanged, taking into account, the proportional voting positions. In this regard, subscription is made in two parts where the first part represents 50 percent of the increased subscription, and it is made in one payment by transferring from the general reserve. The second part is made from the subscription value in five annual installments by cash transfers from the member countries. Under these arrangements, the amount of all loans from which eligible borrowing countries could benefit has increased significantly. Appendix B shows the quotas of the member countries in the Fund's capital, and how they may benefit from its resources accordingly.

Interest Rates

The Fund applies a scheme of interest rates which strives to achieve a high degree of compatibility in alignment with practices followed by other similar regional and international institutions. At the same time, it seeks to reconcile to the extent feasible, the concessionality of its loan conditions with the safety of its own financial position. Under its current flexible approach, the Fund enables eligible borrowing members using its resources to choose one of the two interest rate mechanisms. The first is a floating rate based on the six-month interest rate on the SDR as determined on the first business day of each month. The second mechanism consists of an active fixing rate calculated on the first business day of each month, and based on the swap rate of the SDR for the corresponding loan maturity. In other words, the SDR interest rate prevailing in the currency futures market over the loan maturity plus a fixed margin to be determined and revised periodically by the Fund (Appendix A).

Loan Commitments

The total value of loans extended in 2013 by the Fund to its borrowing member countries amounted to approximately AAD 149.2 million, equivalent to USD 686 million, representing a total of 8 loans granted to Sudan, Yemen, Jordan, Tunisia, Morocco, and the Republic of Comoros. Sudan was granted a loan under the structural reform facility, Jordan was granted two loans: an Extended Loan and a Compensatory Loan, Yemen was granted an Ordinary loan, and Tunisia was granted two loans in the context of the structural reform facility. A structural reform facility was also approved for Morocco, and the Fund extended a loan under further concessionary terms to the Republic of Comoros.

The loan extended to the **Republic of Sudan** in the context of the structural adjustment facility amounted AAD 9.8 million, equivalent to USD 45 million. The loan aims to support reform programs in the public finance sector to enhance the planning and preparation of the budget and liquidity management. In this regard, the Fund sent a consultation missions to Sudan during December 2012 to reach an agreement of the components of the reform program which was signed on January 9, 2013.

The loan extended to the **Republic of Yemen** was an extension of its outstanding Ordinary Loan amounting AAD 21 Million, equivalent to USD 97 million in support of a complementary economic reform program. The loan shall cover the year 2013, and includes a package of financial and monetary policies, measures and structural reforms with an ultimate goal of expediting the economic growth rate, curbing inflation and strengthening the internal and external financial positions.

The Extended Loan and Compensatory Loan granted by the Fund to the **Hashemite Kingdom of Jordan** amounted a total of approximately AAD 25.6 million, equivalent to USD 118 million. The Extended Loan of AAD 12.8 million will contribute to supporting a comprehensive economic reform program intended to bolster the fundamentals of a more resilient economy capable of absorbing internal and external shocks, and to achieve sustainable development. The reform program aims at expanding and diversifying the base of production, supporting the role played by the private sector and achieving macro-economic balance. On the other hand, the Compensatory Loan amounting to AAD 12.8 million aims to finance the overall deficit in the balance of payments on account of an increase in import of food due to a decline in agricultural production attributed to climate and market conditions, events falling beyond the control of the Jordanian government.

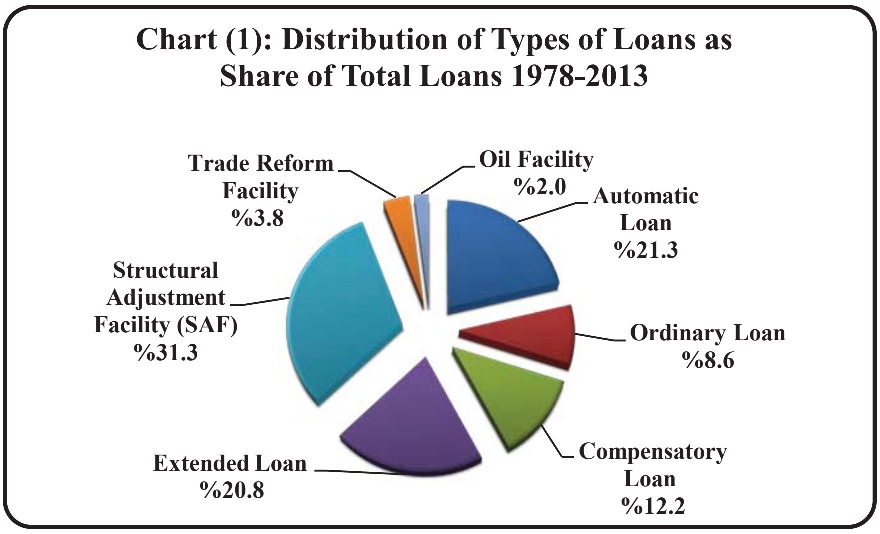
The two loans extended to the **Republic of Tunisia** in the context of the structural adjustment facility amounted to AAD 32 million, equivalent to USD 147 million. The first loan amounting AAD 20 million aims to support the public finance reform program to be implemented throughout 2014. It covers upgrading and enhancing the government's revenue management by increasing the efficiency of the, tax system, and upgrading the financial control tools. The second loan amounting to AAD 12 million was extended for the purpose of supporting reform programs in the financial and banking sectors throughout 2014 in continuation of the reform process initiated in the above sector with focus on the exchange rates policy, to help increase the efficiency of a foreign exchange market in a transitional move towards the implementation of the managed floating exchange rate.

The Extended Loan with further concessionary conditions granted to the **Republic of Comoros** amounted to AAD 787 thousand, equivalent to USD 3.6 million, and aims at supporting an economic reform program intended to create the conditions for macro-economic stability and strengthening structural reforms.

The loan extended to the **Kingdom of Morocco** in the context of the structural adjustment facility to the public finance sector amounted to AAD 60.0 million, equivalent to USD 276 million, and aims to support a modern public finance management in line with international standards.

Adding up the loans extended by the Fund to the member countries in 2013 to the balance of the loans extended since the beginning of the Fund's lending activities in 1978, the total amount of loans extended by the Fund to its members until the end of 2013 is AAD 1.7 billion, equivalent to USD 7.8 billion. The total number of loans reached 168 loans benefiting 14 member countries. Appendix A illustrates the details of loans in years and the beneficiary countries during the period 1978-2013.

The conventional loans extended by the Fund; i.e. the Automatic, Ordinary, Compensatory and Extended loans, were at the top of the facilities granted by the Fund since the beginning of its lending activities in 1978 to the end of 2013, representing 62.9 percent of the total loans extended throughout this period. The structural adjustment facilities extended through various sub-categories of financial, banking and public finance sectors came at the second position with 31.3 percent. The trade structural facility represented a share of 3.8 percent, seconded by the oil structural facility with 2.0 percent. Appendix A illustrates the value and number of loans extended to each member country, distributed by type of loans. Chart 1 shows the percentage distribution of loans during the period 1978-2013.



The developments in the lending activities gave rise to an increase in the balance of loans to AAD 541.1 million, equivalent to USD 2,489 million representing 72.6 percent of the paid-up capital, compared to AAD 509.7 million at the end of 2012 representing 85.5 percent of the paid-up capital.

Loan Disbursements and Repayments

Total disbursements on contracted loans amounted to AAD 121.7 million during 2013, compared to AAD 99.5 million during 2012. In line with loan repayment schedules, member countries repaid to the Fund in 2013, AAD 96.2 million representing installments on previously provided loans. As a result, the balance of outstanding loans to borrowing member countries amounted to about AAD 466.1 million, equivalent to approximately USD 2,144 million, representing almost 62.5 percent of the Fund's paid-up capital as of end 2013. This compares with about AAD 440.6 million representing the equivalent of 73.9 percent of the Fund's paid-up capital at end of 2012.

It is to be noted that the undisbursed balance of loans increased from about AAD 69.1 million, equivalent to almost USD 318 million in 2012 to about AAD 75.1 million, equivalent to roughly USD 345 million in 2013. Appendix A/3 shows the details of disbursed and undisbursed loan balances and commitments for each member country in 2012 and 2013, while Appendix A/4 provides corresponding details for the period 1978-2013.

Consultations with Member Countries

Within the framework of its lending activities during 2013, the Fund seconded five technical missions to the Kingdom of Jordan, the Republic of Comoros, the Republic of Tunisia and the Kingdom of Morocco to conduct consultations on the request for new loans, and to follow-up on the progress of implementation of the reform programs agreed upon with borrowing member countries. In this context, the Fund's missions evaluated the economic and financial conditions of the concerned countries, assessed the possibilities and ways of use of Fund's resources to support reform programs to achieve agreed upon economic objectives, and/or to follow up on the implementation of the reform programs agreed upon to provide the remaining disbursements on the outstanding loan. It is worth mentioning that the Fund provides, through the missions, various aspects of technical advice on the economic policies, and provides the financial support to the said countries.

The consultations mission seconded by the Fund to the **Republic of Yemen** during the period 5-9 May 2013 was in response to the request of the Yemeni authorities in order to evaluate the progress of the economic reform programs agreed upon between both parties which was supported by the outstanding Ordinary Loan, so as to disburse the second tranche of the above loan. In addition, the mission's goal was to conduct consultations on the additional use of Fund's resources, in support of the reform efforts undertaken by the Yemeni government.
Upon evaluating the progress of implementing the reform programs agreed upon, it was established that the Yemeni authorities have made progress in the implementation of polices and measures of the economic reform program agreed upon. In this regard, Yemen has carried out a package of measures to increase the non-oil revenues by enhancing tax and customs collection policies, to support investment and social expenditures with a view to support economic growth and fight poverty. In addition, it continued to reduce the interest rates to bolster banking credit to the private sector, while undertaking structural reforms which included activating the cash management unit to increase the efficiency of the public finance management, finalizing the national credit registry in the context of

upgrading the financial and banking sectors infrastructure, and validating the resolutions and decisions on the reform of the civil service sector. These efforts have positively impacted the overall macro-economic performance as the Government of Yemen was able to achieve the main objectives of the 2012 agreed program including economic growth, inflation, current account deficit and official external reserves. In light of the foregoing, the implementation of the 2012 reforms program was considered satisfactory, and the disbursement of the second installment of the loan amounting AAD 10.5 million was approved.

Moreover, the mission reached an agreement with the Government of Yemen on a complementary economic reform program that would cover 2013 and include a package of policies, financial and monetary measures as well as structural reforms. This move, purported to complement the policies and measures incorporated in the 2012 reform program, aimed at accelerating the rate of economic growth, curbing inflation and boosting the internal and external economic stability. The complementary program agreed upon includes a set of primary objectives in 2013 as follows:

- Achieve real growth rate of about 3 percent.
- Contain the inflation rate at about 9 percent.
- Limit the current account deficit of the balance of payments at about 2.5 percent of the GDP.

To achieve these objectives, the Government of Yemen will have to implement a package of financial and monetary policies as well as a number of structural reforms in 2013. In this regard, the Fund agreed to extend the outstanding Ordinary Loan of the Republic of Yemen by AAD 21 million under an agreement signed on 16 June 2013 to this effect. The first payment of AAD 8.4 million was disbursed following the signing of the loan contract, and the second payment of the loan amounting to AAD 12.6 million will be disbursed following the Fund assessment of the progress in the implementation of the complementary reform program agreed upon.

Similarly, a consultation mission visited the **Hashemite Kingdom of Jordan** during 25-29 August 2013, to discuss the request made by the authorities to benefit from the Fund's resources, in the form of an Extended Loan and a Compensatory Loan to cover the deficit in the balance of payments, and support the efforts of economic reforms which the Jordanian Government has embarked upon to tackle the budget deficit and to accelerate the rate of economic growth.

In this context, an agreement was reached with the visiting mission on an economic reform program covering 2014 and 2015 to be supported with the requested Extended Loan. This reform program aims at fostering financial and economic stability and creating the macro-economic environment conducive to the achievement of sustainable growth rates. The program includes, in its first phase in 2014, a package of policies and measures in the areas of financial and monetary policies and the external sector, in addition to a number of structural reforms. In the meeting held on September 19th 2013, the Fund's Board of Executive Directors agreed to grant Jordan an Extended Loan of AAD 12.79 million. As far as the Compensatory Loan is concerned, the Board also agreed to extend an amount of AAD 12.79 million to support the balance of payments against the backdrop of fall in local agricultural production as a result of unfavorable weather conditions in 2012.Both agreements related to the above loans were signed on September 26th 2013.

The Fund's mission seconded to **the Republic of Tunisia** during 20-27 October 2013, was to follow up on the progress in the implementation of the reform program covering the period May 2012 to May 2013, supported by a loan under the structural adjustment facility to the financial and banking sectors. In addition, the mission held consultations about Tunisia's request to benefit again from the Fund's resources in support of a reform program complementing the original one noted above, and the request for a loan in the context of the structural adjustment facility to support the public finance sector in culmination of the reform efforts in the said sector.

Regarding the follow-up of the progress in the implementation of the reforms agreed upon in the context of the structural adjustment facility to the financial and banking sectors, the mission concluded that the Tunisian authorities have made progress in the implementation of the program, and considered the performance to be satisfactory by and large. Accordingly, the second payment of AAD 7.8 million was disbursed. Moreover, the mission reached an agreement with the Tunisian authorities on the implementation of a complementary reform program in the financial and banking sectors covering November 2013- November 2014 in a bid to consolidate the positive results achieved by the Tunisian authorities in the area of foreign exchange. This complementary program aims at increasing the efficiency and effectiveness of the foreign exchange market and bolstering its infrastructure, the reform program noted above is based on the four following areas:

- Increase the efficiency and effectiveness of foreign exchange market and bolster its ability to provide the necessary liquidity for the stakeholders.
- Activate hedging tools against foreign exchange risks and hence providing the market with more instruments.
- Improve transparency and governance in relation to the exchange rates and developments in the foreign exchange market.
- Coordination between the department of foreign financing and that monetary policy in the area of liquidity management.

On the other hand, the consultations between the Fund's mission and the Tunisian authorities on extending a loan in the context of the structural adjustment facility to the public finance sector, culminated with an agreement with the mission on a reform program in the public finance sector for the year 2014 to be supported with the above mentioned loan. In addition, the reform program will focus on three areas:

- Tax regime reform with a view of expanding the taxation base, increase tax collection, harmonize the taxation laws, and reduce exemptions in order to improve taxation fairness.
- Fostering and developing the tax administration by reducing liabilities, simplifying the taxation procedures, developing a database, improving human skills in various administration departments so as to lift up the efficiency of the tax department and provide high quality service to tax-payers.
- Update the budget framework in a bid to increase the institutional framework efficiency to be able to prepare and implement the budget and allocate government resources based on priorities. This would be achieved by expanding the scope of implementing the approved budget methodology, reviewing the legislative requirements for the implementation of this methodology and classifying the expenditures in line with international standards.

The Fund approved granting two loans to Tunisia in the context of the structural adjustment facility. The first loan of AAD 12 million to support the complementary reform program in the financial and banking sectors, and the second loan of AAD 20 million to support the reform in the public finance sector. The agreement to grant both loans was signed on 28 November 2013.

The consultations conducted by the Fund’s mission in the **Republic of Comoros** took place during 7-11 July 2013, and were in response to the request of this member country to benefit from the Fund’s resources to support the balance of payments. Based on the consultations of the mission with the authorities in Comoros, an agreement has been reached on the components of the reform program to be supported by an Extended Loan of additional concessionary conditions. It is worth mentioning that the Government of Comoros has launched a medium-term strategy (2010-2014) with the aim of reducing poverty and boosting economic stability. In addition, it will implement an array of structural policies and measures during 2014 in order to meet the overall objectives of the program as follows:

- Achieve a growth rate of 3.5 percent in GDP against fixed prices.
- Reduce the inflation rate from 6.3 percent to 4.0 percent.
- Contain the current account deficit in the limit of 10 percent of the GDP.
- Maintain a high level of reserves in foreign currencies to cover 7 months of commodities and services imports.

In light of the foregoing, the Fund has approved to grant the Republic of Comoros with an Extended Loan with additional concessions of AAD 787.5 thousand to support the aforementioned reform program, and an agreement has been signed to this end on 10 October 2013.

The consultations conducted by the Fund’s mission during its visit to the **Kingdom of Morocco**, took place during 18-23 November 2013, and were in response to the request of the Kingdom to benefit from the Fund’s resources and obtain a loan in the context of the structural adjustment facility in the government finance sector, so as to support the government’s efforts in upgrading the said sector, increase its efficiency to contain the deficit in the balance of payments, and boost the government financial position. Accordingly, an agreement has been reached with the Kingdom of Morocco on the components of the reform program to the above mentioned sector in 2014 which will cover five main areas as follows:

- Financial laws and regulations reforms to promote the government’s governance and financial transparency, improve the effectiveness of government expenditures, and absorb the changes and requirements triggered by the transition from the conventional system of preparing, implementing and controlling the budget to a modern system based on results instead of means.
- Activate the new organizational framework of public procurement to include expenditure initiated by the state, public entities or local organizations as well as the transactions of architectural businesses, simplify and explain the procedures of, increase training, improve human capacities in the area of, and upgrade related information technology.
- Introduce subsidy reforms to reduce the burden on the budget

- Tax reform, expanding the tax base, rationalizing tax exemptions, and reducing the number of tax rates and simplify tax procedures.
- Finalize reforms the government financial statistics to improve the preparation, following-up and evaluating the government financial policy, and to ensure the inflows of revenues to prioritized sectors. In this regard, the government will expand the scope of implementing modern concepts in the classification of public budget in accordance with the government financial statistics manual (2001-GFSM) issued by the IMF.

The Fund approved to extend a loan amounting AAD 60 million to the Kingdom of Morocco in the context of the structural adjustment facility to the government finance sector, and the related agreement has been signed on 18 December 2013.

Arrears

A borrowing country is considered to have payment arrears when the delay in the settlement of its due loan obligations exceeds a period of twelve months. Both the Federal Republic of Somalia and the Syrian Arab Republic presently, fell under this definition. In this context, total loan installments and cumulative interest accrued on the Republic of Somalia amounted to about AAD 60.6 million at the end of 2013. This amount consists of overdue loan installments totaling AAD 14.9 million and accrued interest amounting to about AAD 45.7 million. On the other hand, the total loan installments and cumulative interests accrued on the Syrian Arab Republic by the end of 2013 amounted to AAD 3 million including principal installments and accrued interest on the first payment of the second structural adjustment facility.

Investment

The investment activity is considered one of the main activities of the Arab Monetary Fund by virtue of the objectives and responsibilities that were set in its 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 Board of Executive Directors' Resolutions have set the general principles for the investment policy and the guidelines and constraints for executing these policies and managing the various investments. The Arab Monetary Fund adopts a conservative and balanced investment policy based on the diversification rule of investment risks consistent with its nature as a regional public financial institution. The investment policy is based on four premises which include safety, liquidity, transferability and then the achievement of the highest return possible within acceptable levels of risk for the purpose of preservation of capital for the overall investment portfolio.

This activity includes the investment of the Arab Monetary Fund's own financial resources including capital and reserves until they are allocated to finance other activities of the Fund, with the objective to grow these resources in accordance with the established investment policy and strategy, and achieve a return that contributes to covering the administrative expenses and strengthens the AMF's reserves and resources. Investment activity also includes cooperation with Arab Member States through the activity of Accepted Deposits and investment, in addition to managing investment portfolios in bonds and financial securities to third parties.

In an environment of low interest rates on the major currencies and easy monetary policies during the year 2013, the Arab Monetary Fund continued to pursue its conservative approach giving the utmost importance to the safety of its investments. It also aimed to achieve the highest possible levels of safety given the economic and investment environment prevailing during the year by investing in assets carrying a high credit rating, in addition to dealing with international and regional financial institutions with a high credit rating while subjecting these institutions to continuous and close monitoring. The Arab Monetary Fund actively manages investment risks with particular focus on risks emanating from concentration risk, interest rate risk, liquidity risk, foreign exchange and credit risks.

The Arab Monetary Fund's investments portfolios comprise portfolios of its own funds and a portfolio of the Arab Member States' Accepted Deposits, with the total value of these investments reaching the equivalent of AAD 3.22 billion or the equivalent of approximately USD 14.9 billion at the end of the year 2013.

As for the portfolio's investments, they are comprised essentially of investments in bank deposits and investments in securities and limited investments in alternative strategies funds. By the end of year 2013, the composition of the investment portfolios was as follows: 47.7 percent in bank deposits, 51.7 percent in securities and 0.6 percent in alternative strategies funds.

The investment policy regulates the investment approach to investing in different investment products including deposits with Arab and foreign commercial banks which must be on the banks' approved list for the purpose of deposits, which counts about 131 banks. This approved list of banks is prepared annually according to the rules approved by the Board of Executive Directors for selecting banks and setting the limits for dealing with them. These bank limits are continuously monitored and reviewed and set according to each institution's specific situation and credit rating. As to investments in bonds and marketable securities, the Arab Monetary Fund ensures high levels of asset quality and wide issuer and geographical diversification, with a high proportion of the portfolio varying between 65 percent and 70 percent at least being invested in government and government related bond issues with an overall average credit rating of AA for these portfolios, and with approximately 95.4 percent of the portfolio with a credit rating of A and higher.

On the other hand, geographic diversification of investments has been used to limit country risk and to respond to the changes in the financial markets. The Arab Monetary Fund has continued its investments in the Far East countries and in international and regional financial institutions. The size of investments in the Far East countries has reached 23.35 percent of the portfolio value, against 5.9 percent with international and regional financial institutions.

Investments in deposits, bonds and marketable securities in Arab countries have reached the equivalent of AAD 1,175 million, equivalent of approximately USD 5,430 million, representing approximately 36.5 percent of the total invested funds at the end of 2013. This includes the equivalent of AAD 705 million, equivalent of approximately USD 3,259 million, invested in deposits with Arab financial institutions, and approximately AAD 470 million, equivalent of approximately USD 2,171 million invested in securities issued by Arab Member States, Arab banks and Arab companies. As for investments in Arab currencies, the Investment Policy allows, according to specific rules, the investment of a portion of the available funds in deposits, bonds and marketable securities in convertible and transferable currencies of Arab countries. Consequently, the Fund’s investments in Arab currencies reached the equivalent of AAD 690 million, equivalent of approximately USD 3,188 million at the end of 2013.

As for investment in Arab bonds and marketable securities which reached at the end of the year the value of AAD 470 million (or the equivalent of USD 2,171 million) recording hence its highest level ever, it includes government issues for a total of AAD 355 million (equivalent of USD 1,641 million), equivalent of approximately 76 percent of the total investment in Arab bonds, while the remaining balance of AAD 115 million (equivalent of USD 530 million), equivalent of approximately 24 percent, represents investments in bonds issued by banks and non-governmental Arab institutions. On credit rating of Arab government bonds in the portfolio, the equivalent of 83 percent of their value is invested in government bonds rated A or higher, as for the remaining portion of 17 percent, it represents investments in Arab government issues with lower credit ratings ranging between B and BBB, with a total equivalent of AAD 52.4 million (equivalent of USD 242 million), at the end of the year 2013.

It is worth mentioning that in response to the observations made by the Board of Governors in their 2012 meeting, the Arab Monetary Fund's Board of Executive Directors called in its Resolution number (22) of December 2012 for strengthening regulation and increasing investments in Arab government bonds carrying a credit rating below A. Eligible categories for investments were therefore expanded to include Arab government bonds with a credit rating of B. Furthermore, a portion of the Arab Monetary Fund's funds were allocated for investments in government bonds carrying a credit rating between B and BBB with a value of AAD 67 million (or the equivalent of USD 300 million). The Resolution also sets maximum limits on the size of investments in bonds of any member country rated within the categories of this group with a maximum exposure equivalent to 25 percent of the total allocated funds. This Resolution has contributed to enlarging the list of countries whose government bonds are eligible for investment, and which currently includes Egypt, Morocco, Tunisia, Jordan, Lebanon and Bahrain.

The Board's Resolution to invest in Arab government bond markets reflects the Arab Monetary Fund's interest in expanding its participation and contribution to supporting and developing Arab bond markets through an increasing participation in investments in the issues of member countries with a credit rating of BBB or lower, as this comes as part of the Arab Monetary Fund's objective of developing and deepening these markets.

In the area of Accepted Deposits from member countries and Arab financial institutions which fall under section (g) of Article Five of the Arab Monetary Fund's Articles of Agreement, it's worth mentioning that the Resolutions of the Arab Monetary Fund's Board of Governors including Resolution number (1) of the year 1984 and Resolution number (5) of the year 1989, have invited Arab countries to deposit a portion of their funds with the AMF at their discretion and set several rules including the one forbidding the Arab Monetary Fund from using the deposited funds to provide loans to its members. The Board of Executive Directors has issued a number of Resolutions governing the management of these activities in particular the acceptance of deposits and management of investments of the deposited funds. Among these, the Resolution number (7) of the year 2010 that includes the voluntary adoption of the Basel standards as a guide for managing risks and setting limits for this activity. The Board of Executive Directors' Resolution also allocated the necessary financial funding for supporting the reserve of this activity and boosting depositors' confidence, and specified the permissible investment tools to investing in bank deposits, bonds and marketable securities and sat conservative rules for managing assets and liabilities.

It is worth mentioning that the Arab Monetary Fund enjoys special qualities that contribute to enhance the confidence of depositor countries. At their forefront is the conservative Investment Policy that the Arab Monetary Fund is adopting, which gives greater weight to the safety of investments. Deposited funds also enjoy considerable support, given the Arab Monetary Fund's financial profile in addition to its commitment to managing investment activities with a view to minimizing risks.

The above mentioned qualities have contributed to attract deposits from Arab member countries. This activity has indeed recorded continuous annual growth with Accepted Deposits increasing from AAD 2,212 million, equivalent USD 10,202 million in year 2012, to AAD 2,703 million, equivalent USD 12,496 million during the year 2013. Furthermore, the number of depositors reached 17 countries at the end of the year 2013, with funds being deposited in US dollars, Euro and British Pounds.

The Arab Monetary Fund's conservative investment policy and its applications have effectively contributed to protect the value of the invested funds and have recorded a positive overall performance for these investments, despite the continued low interest rates prevailing on the main currencies. During the year 2013, the investment portfolio achieved a net return on invested funds which exceeded the six-month LIBOR indices and 1-3 year government bond indices as well as inflation rates adjusted for the SDR weights.

In addition, the Arab Monetary Fund continued managing investment portfolios for a number of parties including a portion of the funds of the Arab Trade Financing Program, the funds held in the joint account of the Specialized Arab Organizations, the Employee Pension Funds, as well as managing bond portfolios for the benefit of Member States according to the rules and investment policies set for each of these portfolios. The total funds managed on behalf of all these parties reached the equivalent of USD 400 million at the end of the year 2013 compared to USD 168 million at the end of the year 2012.

Technical Assistance

The Fund’s activity in the technical assistance field aims to enhance and strengthen the capabilities in the formulation and implementation executing of economic and financial policies, as well as economic reforms in member states. The Fund provides technical assistance in the fields related to its activities such as monetary policy, exchange rate policy, tax policy and its management, preparing economic statistics, financial sector infrastructure development, and capital markets. The Fund also provides training to senior officers in central banks and ministries of finance and economy in member states. It offers technical assistance and support to its member states by delegating missions composed of its technical staff, with the participation of consultants.

The Fund launched the **Arab Statistics Initiative "ARABSTAT"** in 2013, which aims at providing technical assistance to develop the statistical systems in Arab countries and enhance the human skills of their statistical staff. The initiative established a Technical Committee that includes representatives of Arab bureaus of statistics, ministries of finance, central banks and monetary agencies. The Fund is acting as the Secretariat of this committee and the executive body of the initiative. The Fund held a meeting of the Technical Committee in September 2013 in Abu Dhabi, UAE, to discuss and approve the rules of procedures and the initiative’s work program during the period 2013- 2014.

Furthermore, the Fund pursued its activity in providing technical assistance to its member’s countries under the "Arab Secured Transactions Initiative" which aims at developing the institutional and legislative frameworks that allow an expansion of the range of movable assets being used as mortgages to acquire financing, especially for Small and Medium Enterprises (SME). The Fund participated with the World Bank and the International Finance Corporation in the joint mission to Mauritania in June 2013. This mission presented its recommendations in this regard to the central bank and the Ministry of Finance of Mauritania. With this, the overall number of countries who have benefited from this initiative, reached five countries.

The Fund continued as well its activity under the "Arab Credit Reporting Initiative" from which 12 Arab countries have so far benefited, by initiating the preparation of a joint comprehensive report with the International Finance corporation, to assess the situation of credit reporting systems in the Arab countries and show the development achieved in this front. Within this framework, The Fund participated with the World Bank and the International Finance Corporation in the joint mission to Mauritania in June 2013. This mission finalized an action plan to develop the credit information system in Mauritania.

Similarly, the Fund pursued its efforts in offering technical assistance under the "**Arab Housing Finance Initiative**" which aims to provide technical assistance to Arab countries in the area of housing finance, starting with developing the required legislatives and institutional frameworks, to developing the tools and secondary markets for mortgages. The Fund participated with the World Bank in the joint missions to Morocco and Tunisia in 2013. The two missions focused on elaborating action plans and work programs to make the access to housing finance easier for lower-income segments of the population.

In parallel, and as part of the objective of raising awareness on financial and economic developments, the Fund held workshops and conferences for senior officials to support the efforts of economic policymakers, and enhance the sharing of experiences.

In this regard, the Fund organized the "**Annual Conference on building a high performance SME business in the Arab World**" in cooperation with the International Finance Corporation. The conference was held in Dubai, UAE in May 2013. The conference was attended by a number of senior officials and managers from Ministries of Finance, central banks, and financial institutions in Arab countries, in addition to institutions from the private sector concerned with the development of Small, and Medium Enterprises. The conference discussed the international experience in developing banking practices related to SME financing with more focus on the challenges faced in implementing these practices in the Arab countries.

Additionally, the Fund organized in November 2013, the **"9th High–Level Meeting on strengthening financial sector supervision and current regulatory priorities in Arab countries"** in partnership with the Financial Stability Institute, the Basel Committee on Banking Supervision, and in cooperation with the Institute of International Finance. A number of senior officials including governors, deputy governors, managers of banking supervision departments from 17 Arab central banks, senior officers from the Bank for International Settlements, the Basel Committee on Banking Supervision, the European Central Bank, the Institute of Banking Studies on European policies, the Dubai Authority for Financial Services, and the Swiss Financial Market Supervisory Authority, have attended this meeting. The participants at this important event discussed the current priorities in developing regulation and supervision in the financial sector, and the required policies to enhance financial stability in the Arab region.

In the same context, the Fund organized the **"5th Arab policy Forum on Financial Inclusion"**, in cooperation with the Consultative Group to Assist the Poor (CGAP), the German Agency for Development (GIZ) and the World Bank. This forum included senior officials, managers from Ministries of Finance and central banks in Arab countries, experts from Arab financial institutions and regional programs dealing with financial inclusion. This forum discussed the current situation of Arab countries in the field of financial inclusion and the needs for development of appropriate national strategies, in additional to the international and regional experiences in this regard. It also touched on the relationship between financial stability and the easy access to financial services, and the role that could be played by supervisory authorities in this regard, as well as issues related to consumer protection in financial services.

Arab Capital Markets

During the year 2013, the Fund pursued its activity to enhance the role of Arab capital markets and provide the follow up reports in this respect. To that effect, the Fund continued to publish on its website daily capital markets' information on the existing 16 Arab stock exchanges. The information released includes the Fund's composite index which measures the combined performance of those markets grouped together, the indicator calculated by the Fund on each individual stock exchange, as well as relevant data on the volume and value of trading and the size of Arab capital markets.

Concurrently, the Fund continued the publication of its quarterly bulletins covering the above mentioned Arab capital markets. Seventy one issues of this bulletin have thus far been released. These quarterly bulletins address major economic developments of relevance to Arab capital markets, the legal and organizational developments in these markets, along with an analysis of their performance and activities. In this respect, these bulletins continued to be improved in 2013 through added information covering the economic and financial developments that impact the performance of these markets, as well as the information on initial public offering markets, foreign investment flows, and bonds and Sukuk markets. The bulletins released by the Fund during 2013 highlighted the good performance of the Arab financial markets where the market capitalization of the Arab Stock Exchanges has risen significantly during 2013 to reach to approximately USD 1,138.2 billion, which is the highest value reached since 2007 (USD 1,330 billion), with an increase of USD 197 billion in 2013 compared to 2007.

Similarly, the Fund issued a **brief annual report on the performance of Arab capital markets**. This document sheds light on major events and developments which took place in these markets during the year. In this respect, it presented an analysis of the performance of Arab stock exchanges, initial public offering markets, bonds and Sukuk markets, foreign investment flows, the activities of investment funds, and the developments pertaining to mergers and acquisitions, in addition to a review of major legal and supervisory developments.

Furthermore, the Fund continued to provide its technical assistance on the development of local bond markets under the “Arab Debt Market Development Initiative (ADMDI)”, which was launched in collaboration with the International Monetary Fund. In this regard, a joint mission visited the Kingdom of Morocco in 2013, in the context of the ADMDI, and in tandem with the effort extended by various financial institutions under the pillar of the Deauville Partnership that aims at developing local capital markets in Arab countries in transition. The Fund was represented in this mission, along with experts from the IMF, the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank and the African Development Bank.

Moreover, the Fund took part in the fifth annual Conference of the Securities and Commodities Authority in the UAE, entitled “Capital Markets from the UAE, A Significant Engine towards Growth”, which was held in Dubai on 11 April 2013.

Training

The Economic Policy Institute (EPI) started its activities of the year 2013 by conducting a training course in collaboration with the International Monetary Fund - Middle East Center for Economics and Finance (IMF-CEF) on "**Financial Market Analysis**". This course was held in Abu Dhabi during the period January 27 - February 7, 2013. The course tackled the issues related to the roles and functions of financial markets, pricing methods of financial instruments, as well as assets portfolio analysis and corporate financing instruments.

EPI also organized a training course in collaboration with the BIS's Financial Stability Institute on "**Liquidity Risk and its Supervision**" during the period February 12-14, 2013. This course aimed at presenting to the participants the principles of banks' liquidity management and its supervision. The impacts of global financial crisis as well as the new emerging issues on liquidity management were also presented.

EPI organized a course jointly with the IMF-CEF on "**Macroeconomic Management and Fiscal Policy**" .The course was held in Abu Dhabi during the period March 3-14, 2013, with the objective of deepening the participants' understanding of fiscal policy issues and their implications on macroeconomic aggregate, and the main aspects of the design and implementation of fiscal policy as an instrument to achieve macroeconomic stability and growth.

EPI also organized a course in collaboration with USA Federal Reserve Bank on "**Credit Risk Analysis**" in Abu Dhabi during the period March 24-28, 2013. This course introduced the principles of credit analysis and the associated supervision rules, with the objective of training the participants on the principles of financial and cash flows analysis and loan classification by presenting various case studies.

EPI organized, during the period April 14-25, 2013, a course on "**Government Finance Statistics**" (GFS) for officials from the Ministry of Finance of the

Kingdom of Saudi Arabia. The course was generally based on the 2001 GFS guide issued by the IMF, which provides a methodology for the preparation of GFS to be compatible with the 1993 System of National Account.

Furthermore, the Institute conducted a training session on “**Agriculture**” in collaboration with the World Trade Organization in Abu Dhabi from April 30 to May 2, 2013. The agricultural sector is one of the important sectors of the economies, especially the developing ones, given its importance with regards to achieving self-sufficiency in food commodities, and providing food security and productive employment, as well as in terms of supplying raw materials for many manufacturing industries. As for Arab countries, the agricultural sector provides employment opportunities beyond its economic importance, as the percentage of workers in agriculture reached 23.3% of the total labor force in Arab countries in 2010.

EPI also held a two-week course jointly with the IMF-CEF on “**Macroeconomic Forecasting**” during the period May 5-16, 2013 in Abu Dhabi. The course aimed to strengthen participants’ macroeconomic forecasting and modeling skills through the application of modern econometric techniques.

EPI held a course in collaboration with Bank of England on “**Macroeconomic Management & Monetary Operations**” in Abu Dhabi, during the period June 2-6, 2013. The course aimed at presenting to the participants the new frame of Macroeconomic management in light of the changes that the global financial crises had triggered to face the weakness in financial regulation and supervision and the imbalances in macroeconomic policies. In this regard, the course highlighted the new methods of developing the supervisory policy aiming at reducing systemic risk, and how to follow appropriate monetary policies to achieve financial stability.

EPI also held a session on “**Employment Policies**” in cooperation with the World Bank in Abu Dhabi during the period June 16-20, 2013. This session aimed to explore the challenges facing employment in the Arab region, and focused on the forces of supply and demand in this regard, and the experiences of some countries in the region.

EPI conducted a training session on "**Trade and Development**" in cooperation with the World Trade Organization in Abu Dhabi during the period September 9-12, 2013. This session discussed trade and development issues tackled by the World Trade Organization in the context of its regular work, or within the negotiation process of the Doha Development Agenda.

EPI also organized a two-week course jointly with the IMF-CEF on "**Macroeconomic Management and Financial Sector Issues**". This course was conducted in Abu Dhabi during the period September 15-26, 2013. It aimed at examining the policy dilemmas confronting authorities in developing and emerging market economies, and the policy options available to policymakers, with special attention on how financial sector issues interact with macroeconomic management.

EPI organized a course on "**Sanitary and Phyto-Sanitary Agreement**" in collaboration with the World Trade Organization. This course was held in Abu Dhabi during the period November 4-7, 2013. This agreement includes the basic rules for maintaining the safety of animals and plants. According to this agreement, countries can use more strict standards that aim at protecting health provided it could be justified on a scientific basis. The agreement stated that countries should move away from using these standards randomly and on selective basis.

EPI organized a course on "**Macro Prudential Supervision**" in collaboration with the BIS's Financial Stability Institute. This course was conducted in Abu Dhabi during the period November 19-21, 2013. The course aimed at presenting to the participants the methods and the principles of banks supervision by using macro-prudential indicators. The course also focused on the interconnectedness among financial institutions, as this is the main cause of systemic risk that could threaten the safety and the stability of the financial system as a whole.

EPI organized jointly with the BISs' Financial Stability Institute a course on "**Reserve Management**". This course was conducted in Abu Dhabi during the period November 25-28, 2013. The course aimed at presenting the principles of reserve management and the latest development regarding this issue, particularly the impact of the global financial crises on the reserve management approach. The course aimed also at deepening the participants' understanding of risk management and the main aspects related to investment decision and the principle and strategies of investment diversification.

Finally, EPI organized jointly with the IMF-CEF a course on "**Monetary and Financial Statistics**". This course was held in Abu Dhabi during the period December 8-19, 2013. This course aimed at aiding the participants on the compilation of monetary and financial statistics to be in line with the best international practices in this regard. The course's topics were based on the monetary and financial statistics manual issued by the IMF and the data compilation guide within the framework of the National Accounts System.

The Council of Arab Finance Ministers and the Council of Arab Central Banks Governors

The Fund is entrusted with the Secretariat of the Council of Arab Central Banks and Monetary Agencies Governors. It is also in charge of the Technical Secretariat of both the Arab Committee on Banking Supervision – which comprises directors of banking supervision in Arab countries – and the Arab Committee on Payment and Settlement Systems – which consists of directors managing those systems in Arab countries. These two committees were both established by the Council of the Arab Central Banks and Monetary Agencies Governors. In that context, the Fund continued in 2013 to carry out its responsibilities in terms of arranging for meetings, preparing studies, papers and reports required by the Council, its permanent bureau and the two committees mentioned above.

The Fund handled the preparation of the Board's 37th session which convened in UAE, Abu Dhabi on September 29, 2013. The session's agenda contained the following items: the report of the secretariat, the preliminary draft of the 2013 Joint Arab Economic Report, the recommendations of the twenty second meeting of the Arab Committee on Banking Supervision, including the committee's working papers on "Customers Protection in Banking Services", and the "Principles of Banking Corporate Governance". The agenda also included discussion of the report and recommendations of the Ninth meeting of the Arab Committee on Payment and Settlement Systems, including two working papers on "Development of Central Securities Depositories (CSD)", and the "Role of the National Payment Council".

During the meeting, the Council discussed the paper presented by H.E the Governor of the Palestinian Monetary Authority (PMA) entitled "PMA's Experience in the Development of the Financial Sector Infrastructure Under Extraordinary Circumstances", as well as the draft of the unified Arab Speech which was submitted later during the Annual Meetings of the IMF and the World Bank held in Washington during October 2013.

It is worth noting, that the Council has adopted during its meeting the recommendation of the Arab Committee on Payment and Settlement Systems regarding the project of implementing a regional clearing and settlement system for cross-border transactions in Arab countries. The Council endorsed the decision of signing an agreement with the consulting firm "Booz & Co" to prepare a comprehensive feasibility study of the project. The Council tasked the Secretariat to proceed with finalizing the contract with the above firm on behalf of the Arab Central Banks and Monetary Agencies.

In addition, and within its mandate as the Secretariat of the Arab Committee on Payment and Settlement Systems, the Fund held the 9th annual meeting of the Committee in Abu Dhabi during the period May 20-21, 2013. The Committee discussed two working papers entitled "the Role of the National Payment Council" and "Development of Central Securities Depositories (CSD)" which were presented in the Council's annual meeting as stated above.

Similarly, and acting as the Secretariat of the Arab Committee on Banking Supervision, the Fund organized the 23rd annual meeting of the committee which was held in Abu Dhabi in 2013. In the course of the meeting, three topics were discussed: the new regulatory standards to deal with Domestically Systematically Important banks (D-SIBs), the Counter Cyclical Capital Buffer of Basel III, and the supervision framework of shadow banking. In this regard, the committee adopted specific recommendations on the above topics. It also discussed the report prepared by the Secretariat on the role of banking supervision in fostering financial inclusion, and sheds light on the recent developments in the area of legislation and banking supervision in the Arab countries during the year 2013.

In its capacity of Secretariat of the Council of Arab Central Banks and Monetary Agencies Governors, the Fund held the first meeting of the regional task force in charge of fostering financial inclusion in Arab countries, in execution of the Council's recommendation to set-up this task force in a bid to move forward the agenda of financial inclusion in the Arab region, and to exchange expertise and experience among Arab countries. The terms of reference governing the operations of this task force and its 2014 agenda were discussed in the meeting.

Finally, the Council's Secretariat released in 2013 several booklets and publications including papers and studies which were discussed by the Council in 2013. The publications included papers on "Expanding the opportunities of access to finance and financial services in the Arab world and the role of central banks", "Principles of stress testing for banking institutions", "Payment systems via mobile phones: dimensions and applicable rules", "Experience of Bank Al-Maghrib in boosting access to financial services", "Development of Central Securities Depositories (CSD)", "Role of National Payment Council - Case studies from Arab Countries", "Customers Protection in Banking Services", "Principles of banking corporate governance", and "the PMA's Experience in the development of the financial sector infrastructure".

Secretariat of the Council of Arab Finance Ministers

The Fund acts as the Secretariat of the Council of Arab Finance Ministers since the inception of the Council in 2010. Under this framework, the Fund continued in 2013 to assume its functions of finalizing the documents and reports that are required by the Council and preparing its meetings.

In 2013, the Fund organized the fourth ordinary meeting of the Council of Arab Finance Ministers, which was held in Dubai on the sideline of the annual meetings of the Arab financial institutions. The Council discussed the regional and international economic developments, and followed two brief presentations by the IMF and the World Bank' representatives on these developments and the activities of these institutions in the Arab countries.

In addition, the Council followed a brief presentation made by H.E. the Finance Minister of Saudi Arabia on the recent developments on the G20's activities and priorities in 2013. The Council also discussed the Arab Statistics Initiative "ARABSTAT" for the development of the statistical systems and capabilities in the Arab World, and reaffirmed its support to the initiative.

The Council discussed as well the draft version of the annual speeches to be sent by the Council to the President of the World Bank Group and the Director General of the IMF regarding the needs and requirements of Arab countries from these institutions. The Fund, as the Secretariat of the Council, followed-up the finalization of the mentioned annual speeches, which were sent by the Council's current President, H.E the Finance Minister of the Republic of Tunisia, and discussed in the meetings of the Arab Ministers with the Head of each institution on the sidelines of the Annual Meetings of the IMF and the World Bank in 2013.

Cooperation with Arab, Regional and International Organizations

During 2013, the Fund carried on with its efforts to promote cooperation and coordination with other Arab organizations and regional and international organizations which share mutual interests with a view to best serve its member countries and contribute to the achievement of its objectives.

Arab and Regional Organizations

The Fund continued its regular work on the preparation and publication of the Joint Arab Economic Report, which represents a major reference document that covers economic developments in Arab countries as a group. This report stands as a model of constructive cooperation between the Fund, the Arab Fund for Economic and Social Development, The Secretariat of the League of Arab States, and The Organization of Arab Petroleum Exporting countries (OAPEC). In this regard, the Fund has prepared the first draft of limited circulation at the end of July 2013, and sent it to the concerned authorities in the member countries. In light of received comments on this draft, the Fund released the final version of the Joint Arab Economic report before the end of 2013.

On the other hand, in the context of collaboration and partnership with the Arab and regional institutions, as well as the governments of member countries in relevant matters, the Fund participated in the meeting of the Economic and Social Council held in Doha, Qatar, in preparation of the 24th Arab League's Ordinary Summit. It also participated in the "Impact of labors Mobility on Sustainable Development International Conference" which was organized in Abu Dhabi, by the UAE Ministry of Labor and the Emirates Centre for Strategic Studies & Researches (ECSSR). The Fund also took part in the activities of the Arab regional executive meeting for the 20th UN-ESCWA session held in Dubai, UAE, as well as in the 19th Annual Energy Conference entitled "Unconventional Fossil Fuel: the Future Hydrocarbon Revolution" organized by the ECSSR at its headquarters in Abu Dhabi, UAE.

In the same vein, the Fund participated in 2013 in the 11th GCC Banking Conference organized by the UAE Central Bank in collaboration with the Secretariat General of the GCC on the "Role of the Banking Sector in Supporting the GCC Economies", held in Abu Dhabi, UAE on November 4-5, 2013.

The Fund was also represented in the "Arab Investment Meeting: Investment Attractiveness Gap" organized by the Arab Planning Institute, the Arab Investment Guarantee & Export Credit Corporation and the Kuwait Direct Investment Promotion Authority (KDIPA). At this occasion, the Fund presented a working paper entitled "the Role of Arab Funds in Financing Investment Projects" during the activities of the 15th Arab Business Forum which was held on the sideline of the Arab Investment Meeting under the slogan of "Obstacles of Investments in the Arab World".

On the other hand, the Fund participated in the meeting of the Coordination Group of the Arab and Regional financial institutions at the level of the Heads of these institutions, held in Kuwait during March 2013. It also took part in the semi-annual meeting of this Coordination Group at the level of Directors of Operations, held in Kuwait in April 2013.

The Fund also attended the semi-annual meetings of the Middle East and North Africa Financial Action Task Force "MENAFATF" as an observer, which were held on April 28 - May 2, 2013 in Khartoum, Sudan, and in Manama, Bahrain on November 26-28, 2013.

The Fund was also represented both in the Arab-African Economic Forum held in Kuwait and organized by the Kuwait Fund for Arab Economic Development on November 11-12, 2013, and in the Third Arab-African Summit held in Kuwait on November 19-20, 2013.

Finally, the Fund also took part in the Middle East Banking Forum which was organized by the Emirates Banking Association in Dubai on November 21, 2013.

Cooperation with International Organizations

The Fund has continued in 2013 its cooperation with the relevant international organizations, particularly the IMF and the World Bank, in a way that would serve the interests of its member countries. In this regard, the Fund participated in the Spring Meetings of the IMF and the World Bank which convened in Washington D.C on April 2013, and attended the meeting of the G24 and the meeting of the Governors for Arab Countries with the IMF's Managing Director and that with the President of the World Bank Group. It also participated in the Ministerial meeting on the initiative of the "Deauville Partnership for Growth", that, discussed the progress related to activities and programs pertaining to that initiative. The Fund conducted also consultations with CGAP Management, as the entity of the World Bank Group involved in financial inclusion issues.

The Fund participated in the "Deauville Partnership Investment Conference" which was organized by the UK Ministry of Foreign Affairs in collaboration with the Islamic Development Bank and the European Bank for Reconstruction and Development. The conference stressed the importance of encouraging investment opportunities in the Arab countries witnessing political transitions. Moreover, the Fund took part in the meeting held on the sideline of this conference, which was dedicated to the financial sector development which constitutes a pillar of this initiative.

On the other hand, the Fund continued the expansion of the scope of its collaboration with the international and development financial institutions. On this front, the Fund has concluded a framework agreement with Japan International Cooperation Agency (JICA) to foster collaboration in the area of technical assistance and capacity-building. In the same vein, the Fund has prepared a memorandum with the German Federal Enterprise for International Cooperation (GIZ) for cementing cooperation in the area of technical assistance in the financial sector.

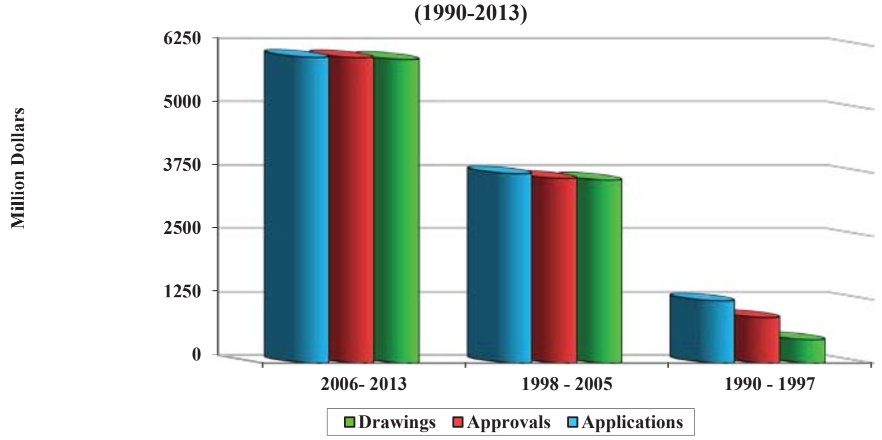
Cooperation with the Arab Trade Financing Program (ATFP)

The Arab Trade Financing Program (ATFP) is a specialized joint Arab financial Institution. It was established by virtue of a Resolution adopted by the Board of Governors of the Arab Monetary Fund. Its authorized capital is now USD 1 billion distributed to two hundred thousand shares of USD 5000 each, subsequent to its increase by the General Assembly Resolution No. (7/2013) of 30 June 2013. The ATFP's fifty shareholders include national and regional Arab financial and banking institutions.

ATFP contributes to developing Arab trade, and fostering the competitiveness of Arab Exporters by providing a part of the required funding to trade. The ATFP provides as well the information related to trade activities, and promotes goods and commodities of Arab origin. The ATFP's operational mechanism is based on dealing with importers and exporters in the Arab countries through national agencies appointed by Arab countries to carry out intermediation to this effect.

The wide stretch of national agencies contributes to the expansion of the ATFP activities. It is worth mentioning that the number of the said agencies reached to 204 agencies by the end of 2013, distributed in 19 Arab countries and 5 foreign countries.

Chart (2)
ATFP Evolving Trade Finance Activity (Cumulative Basis)
(1990-2013)



The value of requests received by the ATFP since its inception amounted to USD 10.97 billion for financing trade transactions worth US$ 14.12 billion, where the Program approved to finance USD 10.54 billion thereof. Total disbursements during that period amounted to USD 10.04 billion. Chart (2) illustrates the gradual developments of the accumulative financing activities from 1990 to the end of 2013.

Regarding ATFP's trade information services, the Program has completed the construction of its Intra Arab Trade Information Network (IATIN) and carried out its implementation at the regional level. The network is connected with 32 focal points spread over virtually all Arab countries. The Program's website (www.atfp.org.ae) provides access to information on trade in all Arab countries.

The program is keen on offering opportunities to support the promotion of trade exchanges between Arab importers and exporters. In line with this, ATFP organizes and conducts meetings between exporters and importers in specific sectors. In cooperation with numerous entities in Arab countries, the Program organized 17 meetings of such a type in the following sectors: textiles and readymade garments, food industries, agricultural products and inputs, metallurgical industries, pharmaceutical and petrochemical industries, furniture and building and construction.

Reports, Bulletins, Research and Studies

During 2013, the Fund continued to publish reports, bulletins, research papers and studies. By publishing these releases, the Fund seeks to raise awareness on economic issues and developments in the areas of interest for Arab countries.

The Joint Arab Economic Report

Generally, the Fund participates in drafting certain chapters of the Joint Arab Economic Report, and is, additionally, in charge of its editing and publishing. The Fund's contribution to the 2013 Report includes drafting of chapters on financial, monetary and banking developments, as well as those related to Arab capital markets, foreign trade, balance of payments and external public debt and exchange rates.

The Economic Statistical Bulletin on Arab Countries

In 2013, the Fund issued the thirty third edition of the Economic Statistical Bulletin on Arab Countries which covers various economic sectors in the Arab countries. Its preparation relies on data derived essentially from national sources in addition to some few other regional and international sources. The Bulletin contains chapters on national accounts, exchange rates, money and credit, foreign trade, balance of payments and public finance. It also carries a chapter on consolidated statistics which revises various sectoral developments in individual countries, and in the Arab countries as a group.

Statistics of Inter & Intra Arab Trade Competitiveness Bulletin

In 2013, the Fund issued the second edition of this bulletin which covers data on inter and intra Arab trade, trade competitiveness indices measuring the importance of commodities and their share in the international market such as the Comparative Advantage Index, gross exports of the country as opposed to the intra commodities exports measured individually in terms of gross commodities exports at the international level.

Research and Studies

The research conducted during 2013 included the following papers and reports:

"Follow-up Report on AMF's efforts to Enhance the Economic Stability and Develop Financial Sector in Arab Countries", this report was prepared in response to the recommendations endorsed by the Council of Arab Finance Ministers, which was held in Morocco in 2012, whereby the Council stressed the need for concerned Arab financial institutions to prepare follow-up reports on the main topics included in the UAE initiative to support economic stability and develop financial sector in the Arab countries. This report includes analysis of economic and financial developments in Arab countries, and tackles also the Arab Monetary Fund's efforts to enhance economic stability and develop the financial sector in Arab countries, as well as the most important achievements at the level of trade finance facilitation and technical assistance to trade services. This report was presented during the meeting of the Council of Arab Finance Ministers which was held in April 2013 in Dubai, UAE.

"**Inflation Dynamics in Arab Countries (1980-2011)"**, this study analyses the dynamics of inflation in Arab countries during the period (1980-2011), in order to shed light on the determinants of inflation in the short and long term, and identifies policies to absorb and mitigate inflationary shock.

"**Overview on Macro-economic performance of Arab countries in transition**", this report presents a summary about the macro-economic performance of some of the Arab countries which have witnessed political transformations, and the other Arab countries that have been affected negatively by these developments. This includes Egypt, Tunis, Yemen, Jordan and Morocco. The report sheds light on the economic growth rates, inflation trends, public finance, monetary policy and external sector developments in these countries in order to highlight the size of the internal and external imbalances faced by these countries.

"The New Regulatory Standards to deal with the Risk of Domestically Systemically Important Banks D-SIBs", this paper touched on the global supervisory framework proposed by the Basel Committee to reduce the risks related to Globally Systemically Important Banks (G-SIBs), which was endorsed by the G20's major economies at the end of 2011. Within this framework, the paper presented the international financial institutions' efforts to approve a similar framework to deal with the Domestically Systemically Important Banks (D-SIBs), and highlighted the experience of global supervisory authorities in dealing with the financial risk of D-SIBs. It also identified the need for applying these standards in the Arab countries, and the central banks responsibilities in this regard. This paper was discussed in the annual meeting of the Arab Committee on Banking Supervision which was held in Abu Dhabi, UAE on November 2013.

"**Counter Cyclical Capital Buffer as a Tool to Manage the Risks of Business and Credit Cycles** ", this paper highlights the need for financial institutions to retain additional capital buffer towards reducing the risks of business and credit cycles, in the context of Basel III regulatory requirements recommended by the Basel committee. The paper also stressed the needs of Arab countries to tackle this issue and the role of central banks in this regard. This paper was presented during the annual meeting of the Arab Committee on Banking Supervision, which was held in Abu Dhabi, UAE in November 2013.

"The role of Arab funds in financing investment projects", this paper dealt with the different forms of finance and the role of Arab financial institutions and development funds in supporting the member states, both at the levels of governments and/or private sector, in addition to the role of the Arab Monetary Fund in promoting economic stability in the Arab region. This paper was presented during "the Fifteenth Forum of Arab Business Community" which was held in December 2013 on the sideline of the Arab Forum for Investment in Kuwait under the title of "Obstacles for Investment in the Arab World".

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 equal 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 the 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 2013, 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

Article Twelve of the Articles of Agreement has defined the authorized capital of the Fund as AAD 600,000 thousand distributed to twelve thousand shares the value of each is AAD Fifty Thousand. Pursuant to its resolution No. (3) of 2013, the Board of Governors has approved to increase the authorized capital to AAD 1,200,000 thousand from AAD 600,000 thousand, and the subscription of the member countries in AAD 300,000 thousand and hence, the subscribed capital has increased to AAD 900,000 thousand. The Board's resolution also approved the payment of half of the subscription worth AAD 149,010 thousand by transfer from the general reserve and the balance of AAD 149,010 thousand is to be made by cash transfer from the member countries in five annual installments to be effective as of April 2014. Moreover, the situation of Palestine will be taken into consideration and the subscription of its quota in the capital was postponed under the Board's resolution No. (7) of 1978.

Accordingly, the paid up capital has reached to AAD 745,545 thousand at the end of 2013 (2012: AAD 596,040 thousand). The balance standing at AAD 154,455 thousand at the end of 2013 (2012: AAD 3,960 thousand) represents the increase of capital payable by cash transfer from the member countries during 2014-2018 in addition to Palestine's postponed quota.

Reserves

At the end of 2013, the reserves amounted to AAD 292,404 thousand compared to AAD 416,549 thousand by the end of 2012. The reserves represent about 39 percent of the paid up capital in 2013, while it represented 70 thereof by the end of 2012. This is attributed basically to the capitalization of AAD 149,010 thousand of the general reserves as per the resolution of the Board of Governors No. (3) of 2013. These are composed of the general reserve, contingency reserve and the reserve for revaluation in the values of financial investments available for sale.

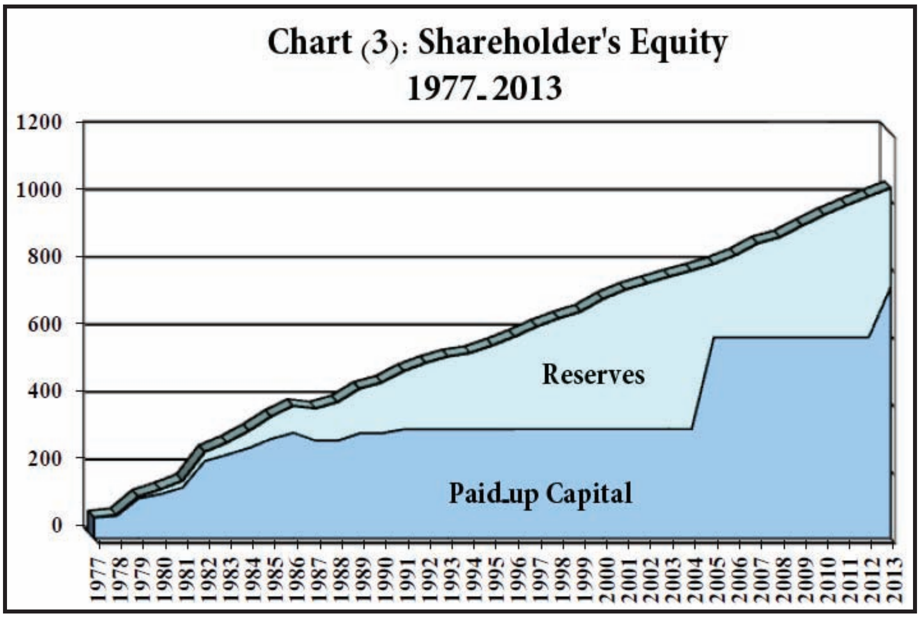
The **general reserve** balance reached AAD 143,383 thousand at the end of 2013 compared to AAD 272,110 thousand at the end of 2012.

The **contingency reserve** was established in accordance with the Board of Governors' Resolutions No. (7) of 1989 and No. (4) of 2000 whereby AAD 5,000 thousand or 10 percent of the net annual income, whichever is greater, is being appropriated to the contingency reserve each year which is used to mitigate any unforeseen losses in the future. The contingency reserve balance amounted to AAD 150,000 thousand at the end of 2013 compared to AAD 145,000 thousand at the end of 2012.

The **revaluation reserve available-for-sale investments** showed a debit balance of AAD 979 thousand at the end of 2013 compared to a debit balance of AAD 561 thousand at the end of 2012.

Shareholders' Equity

The net equity of the Fund's shareholders, represented by the paid-up capital and reserves, increased to AAD 1,037,949 thousand at the end of 2013 compared to AAD 1,012,589 thousand at the end of 2012 scoring an increase of AAD 25,360 thousand and a growth rate of 2.5 per cent. Chart No. (3) below shows the growth in the shareholders' equity of the fund since its inception until December 2013.



The interest of other shareholders in the Subsidiary, represented by their interest in the capital and reserves of the Arab Trading Financing Program amounted to AAD 88,821 thousand at the end of 2013 compared to AAD 77,431 thousand at the end of 2012, scoring an increase of AAD 11,390 thousand and a growth rate of 14.7 percent. The result is largely attributed to the increase of the paid up capital pursuant to the implementation of the General Assembly resolution No. (7) of 2013, and the differences in US Dollar exchange rate (base currency of the Program) vis-à-vis the AAD as the end of 2013 and 2012.

The total equity of the shareholders of the Arab Monetary Fund and other shareholders in the Subsidiary amounted to AAD 1,126,770 thousand at the end of 2013 compared to AAD 1,090,020 thousand at the end of 2012. The resources were employed for financing loans to the member countries, lines of credit to the approved national credit agencies and other assets as shown below.

Loan to Member Countries

The balance of outstanding loans to member countries as at 31 December 2013 amounted to AAD 466,096 thousand compared to AAD 440,605 thousand at the end of 2012. On the other hand, loan commitments by the Fund amounted to AAD 541,148 thousand as at 31 December 2013 comprising the balance of outstanding loans of the member countries as well as the balance of undisbursed loans of AAD 75,052 thousand at the end of 2013.

Lines of Credit

Financing extended by the Subsidiary (Arab Trade Financing Program) is denominated in US dollars by means of credit lines with the recognized national agencies to finance the import and export of commodities of Arab origins along their associated services. The balance of drawings against contracted lines of credit amounted to AAD 131,560 thousand (USD 608 million) as at the end of 31 December 2013 compared to AAD 126,947 thousand (USD 586 Million) at the end of 2012.

Deposits at Central Banks of Member Countries

In accordance with Article Fourteen of the Articles of Agreement of the Arab Monetary Fund, 2 percent of the initial capital contributions to the capital of the Fund was paid in the national currencies of the member countries and deposited at 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 2013 and 2012.

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 USD 27.5 Million (equivalent to AAD 6.3 Million) in the increase of share capital of the Corporation.

Investments

The consolidated investment portfolio is comprised of the current and call accounts with banks and the IMF, 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 604,880 thousand at the end of 2013 compared to AAD 623,775 thousand at the end of 2012.

Result of Operations

Consolidated net income for the year ended December 31, 2013, after taking into consideration the interest of other shareholder in the Subsidy amounted to AAD 28,071 thousand compared to AAD 27,837 thousand at the end of December 2012. The components of net income are as follows:

Income

The total consolidated income of the Fund and the Subsidiary for the year ended December 2013, (net of interest paid on accepted deposits from monetary and financial institutions of member states), amounted to AAD 34,483 thousand compared to AAD 33,621 thousand, at 31 December 2012.

Expenditure

The total consolidated expenditure for the year ended December 31, 2013 amounted to AAD 5,976 thousand compared to AAD 4,976 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.

Total expenditure to the technical assistance programs to the Arab member countries during 2013 amounted to AAD 348 thousand compared to AAD 276 thousand in 2012. Contributions in the HIPC initiative amounted to AAD 430 thousand in 2013 compared to AAD 235 thousand in 2012.

Currencies

When employing its financial resources, the Fund manages its 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 2013 and 2012, and their weights in effect as on 01 January 2013.

Currency	The Weights of the Currencies of SDR Basket			SDR Exchange Rates Against the Currencies of the Basket	
	01 January 2013	31 December 2013	31 December 2012	31 December 2013	31 December 2012
US Dollar	42.85%	42.83%	42.93%	1.541	1.538
Euro	36.39%	37.79%	36.27%	1.119	1.166
Pound Sterling	11.74%	11.90%	11.67%	0.933	0.951
Japanese Yen	9.02%	7.48%	9.13%	161.764	132.506
	100.00%	**100.00%**	**100.00%**		

Consolidated Financial Statements & the Auditors' Report

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

Contents *Page*

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Building a better working world

Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

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 2013 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 2013 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
27 February 2014
Abu Dhabi

A member firm of Ernst & Young Global Limited

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2013

	Notes	*2013* *AAD 000*	*2012* *AAD 000*
Assets			
Loans to member countries	3	**466,096**	440,605
Lines of credit	4	**131,560**	126,947
Deposits with central banks of member countries	5	**5,336**	5,336
Deposits with banks, current and call accounts		**1,579,623**	1,421,224
Financial investments	6	**1,728,161**	1,414,411
Accounts receivable and other assets	7	**23,828**	42,199
Total assets		**3,934,604**	3,450,722
Equity and Liabilities			
Equity			
Subscribed capital	8	**900,000**	600,000
Paid-up capital	8	**745,545**	596,040
Reserves	9	**292,404**	416,549
Total equity		**1,037,949**	1,012,589
Interest of other shareholders in the Subsidiary	10	**88,821**	77,431
Liabilities			
Deposits from Arab monetary and financial institutions	11	**2,702,904**	2,211,860
Accounts payable and other liabilities	12	**104,930**	148,842
Total liabilities		**2,807,834**	2,360,702
Total equity and liabilities		**3,934,604**	3,450,722

Abdulrahman A. Al Hamidy
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 27 February 2014.

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 2013

	Notes	*2013* *AAD 000*	*2012* *AAD 000*
Income			
Interest and fee income on loans to member countries		**11,799**	13,842
Interest and fee income on lines of credit		**1,591**	1,915
Investment income	13	**18,794**	14,575
Interest income on deposits and current and call accounts		**10,456**	14,366
Other income		**363**	312
		43,003	45,010
Interest expense on accepted deposits from Arab monetary and financial institutions		**(8,520)**	(11,389)
		34,483	33,621
Expenses			
Administration and general	14	**4,556**	4,465
Technical assistance	15	**348**	276
Contribution to HIPC	16	**430**	235
		5,334	4,976
Net income before the interest of other shareholders in the Subsidiary		**29,149**	28,645
Interest of other shareholders in the Subsidiary		**(1,078)**	(772)
Net Income		**28,071**	27,873

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 2013

	Paid-up capital	General reserve	Contingency reserve	Available for sale investments valuation reserve	Total
			AAD 000		
2012					
Comprehensive Income					
Net income for the year 2012	-	27,873	-	-	27,873
Unrealized changes in values of available-for-sale investments excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	1,732	1,732
Net Comprehensive Income	-	27,873	-	1,732	29,605
Changes in enquity					
Balance at 1 January 2012	596,040	252,351	140,000	(2,293)	986,098
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (10th)	-	(3,114)	-	-	(3,114)
Balance at 31 December 2012	596,040	272,110	145,000	(561)	1,012,589
2013					
Comprehensive Income					
Net income for the year 2013	-	28,071	-	-	28,071
Unrealized changes in values of available-for-sale investments excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	(418)	(418)
Net Comprehensive Income	-	28,071	-	(418)	27,653
Changes in enquity					
Balance at 1 January 2013	596,040	272,110	145,000	(561)	1,012,589
Capitalized from reserve to increase share capital	149,010	(149,010)	-	-	-
Contributions received in cash to increase share capital	495	-	-	-	495
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (11th)	-	(2,788)	-	-	(2,788)
Balance at 31 December 2013	**745,545**	**143,383**	**150,000**	**(979)**	**1,037,949**

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 2013

	Note	2013 AAD 000	2012 AAD 000
Operating activities			
Net income for the year		**28,071**	27,873
Adjustments for:			
Depreciation of fixed assets		**89**	87
Changes in interests of other shareholders in the Subsidiary		**11,390**	987
		39,550	28,947
Loans drawings		**(121,733)**	(99,495)
Loans repayments		**96,242**	75,009
Change in lines of credit		**(4,613)**	(24,147)
Change in accounts receivable and other assets		**18,341**	(20,791)
Change in accounts payable and other liabilities		**(44,498)**	55,806
Change in deposits with banks maturing after six months from the date of the statement of financial position		**(10,784)**	26,468
Change in deposits from monetary and financial institutions		**491,044**	25,989
Net cash from operating activities		**463,549**	67,786
Investing activities			
Purchase of fixed assets		**(59)**	(117)
Change in investments in alternative strategies funds		**8,802**	11,375
Change in available for sale securities		**(115,907)**	(72,782)
Change in held-to-maturity securities		**(207,063)**	(17,856)
Net cash used in investing activities		**(314,227)**	(79,380)
Financing activities			
Contributions received to increase share capital		**495**	-
Appropriation paid to support Palestinian People		**(2,202)**	(2,164)
Net cash used in financing activities		**(1,707)**	(2,164)
Net increase (decrease) in cash and cash equivalents		**147,615**	(13,758)
Cash and cash equivalents at beginning of year		**1,395,813**	1,409,571
Cash and cash equivalents at end of year	18	**1,543,428**	1,395,813

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 2013

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. The Fund includes 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 2012 and 2013 as explained in note 10. The Subsidiary was established in accordance with resolution number (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 2013

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.

The consolidated financial statements does not include any investments carried at fair value through the income statement and evaluated according to the policy at net assets value which represents the fair value as at the statement of financial position date, and changes in the net asset value is recognized 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. It does not comprise of loans, or receivables originated by the Fund or the Subsidiary. Financial 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.

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 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 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 composing the special drawing rights unit. 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 the corresponding differences arising from translation of Fund's assets denominated in other currencies.

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.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

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

	2013	*2012*
	AAD 000	*AAD 000*
Balance at 1 January	**440,605**	416,119
Drawings during the year	**121,733**	99,495
Repayments during the year	**(96,242)**	(75,009)
Balance at 31 December	**466,096**	440,605

Loans to member countries at 31 December 2013 include over one year principal amounts overdue and not received of AAD 17,757 thousand (2012: AAD 17,757 thousand).

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 2013 amounted to AAD 57,883 thousand (2012: AAD 63,800 thousand).

The undisbursed balance of the contracted loans at 31 December 2013 amounted to AAD 75,052 thousand (2012: AAD 69,118 thousand).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

4 LINES OF CREDIT

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

	2013	*2012*
	AAD 000	*AAD 000*
Balance at 1 January	**126,947**	102,800
Drawings during the year	**182,137**	172,466
	309,084	275,266
Repayments during the year	**(177,236)**	(148,166)
Differences in translation to AAD	**(288)**	(153)
Balance at 31 December	**131,560**	126,947

Unutilised balances of lines of credit and the contracted allocations as at 31 December 2013 amounted to AAD 50 thousand (2012: nil).

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 2013

6 FINANCIAL INVESTMENTS

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

	2013	*2012*
	AAD 000	*AAD 000*
Investments at fair value through reserves:		
Investment in alternative strategies funds: Available-for-sale	**18,987**	26,602
Available-for-sale securities	**242,257**	127,955
	261,244	154,557
Held-to-maturity securities (at amortised cost)	**1,466,917**	1,259,854
	1,728,161	1,414,411

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

	2013	*2012*
	AAD 000	*AAD 000*
Change in value of investments in alternative strategies funds	**902**	(285)
Change in value of investment in securities	**(1,881)**	(276)
	(979)	(561)

Value of held-to-maturity financial investments

The market value of the held-to-maturity investments at 31 December 2013 was AAD 1,468,858 thousand (2012: AAD 1,262,209 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2013 *AAD 000*	*2012* *AAD 000*
Total interest receivable	**102,296**	100,066
Deduct: Interest set-aside in accordance with rescheduling agreements	**(45,593)**	(45,593)
Overdue interest receivable on loans from member Countries	**(45,829)**	(44,179)
	10,874	10,294
Contribution in Inter-Arab Investment Guarantee Corporation	**6,225**	6,259
Fixed assets	**272**	302
Other debit balances	**6,457**	25,344
	23,828	42,199

The Fund's share in the Arab Investment & Export Credit Guarantee Corporation consists of 8,118 shares 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 number (6) to contribute in increasing the Institution's capital by the above amount, which was fully paid.

8 SUBSCRIBED AND PAID-UP CAPITAL

	2013 *AAD 000*	*2012* *AAD 000*
Authorized Capital (24,000 shares of AAD 50,000 each)	**1,200,000**	600,000
Subscribed capital (18,000 shares)	**900,000**	600,000
Unpaid capital	**(154,455)**	(3,960)
Capital paid-up	**745,545**	596,040

The Board of Governors of the Arab Monetary Fund had approved through resolution number (3) of 2013 increasing the Fund's authorized share capital to AAD 1,200 million. The resolution has also called for subscriptions from member countries amounting to AAD 300 million, half of which amounting to AAD 149.01 million to be paid by transfer from general reserve, and the remaining half amounting to AAD 149.01 million by cash transfer from member countries in five annual instalments commencing in April 2014, and continued consideration of deferring the payment of Palestine share in accordance with the Board's resolution number (7) of 1978.

The unpaid share capital represents the increase in the share capital to be paid through cash transfer during the period 2014 – 2018, in addition to the deferred share of Palestine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

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 and the remaining amount is transferred to the general reserve.

The general reserve at 31 December 2013 includes AAD 16,335 thousand (2012: AAD 40,656 thousand) being the Fund's share in reserves of the Subsidiary.

The Board of Governors approved through resolution number (6) of 2013, an 11th appropriation of 10% of 2012 net income amounting to AAD 2,788 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (5) of 2012, a similar appropriation of 10% of 2011 net income amounting AAD 3,114 thousand for the same purpose.

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. Their ownership on 31 December 2013 is 39.85% of the authorized share capital (2012: 44.36%).

	2013 ***USD 000***	*2012* *USD 000*
Owners' equity in the base currency of the Subsidiary:		
- Paid up capital	**916,485**	492,575
- Reserves	**113,918**	312,544
Total owners' equity	**1,030,403**	805,119
The percentage of other shareholders interest in the Subsidiary	**39.85%**	44.36%
The value of other shareholders interest in the Subsidiary	**410,642**	357,168

	2013 ***AAD 000***	*2012* *AAD 000*
The value of other shareholders interest in the Subsidiary in the base currency of the Fund	**88,821**	77,431

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

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

	2013 *AAD 000*	*2012* *AAD 000*
Unrealised capitalised interest	**57,883**	63,800
Investments transactions payable and repurchase agreements	**37,930**	72,852
Accrued interest payable	**864**	984
Other credit balances	**8,253**	11,206
	104,930	148,842

13 INVESTMENT INCOME

	2013 *AAD 000*	*2012* *AAD 000*
Investment in alternative strategies funds – Available-for-sale	**1,018**	(340)
Available-for-sale securities	**3,021**	1,718
Held-to-maturity securities	**14,755**	13,197
	18,794	14,575

14 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2013 include Board of Directors remuneration and employees salaries and benefits amounting to AAD 3,779 thousand (2012: AAD 3,686 thousand). The Fund and its Subsidiary employed 178 employees as of 31 December 2013 (2012: 175 employees).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

15 TECHNICAL ASSISTANCE EXPENSES

	2013	*2012*
	AAD 000	*AAD 000*
Training courses and seminars	**271**	195
Direct technical assistance to member Countries	**77**	81
	348	276

16 CONTRIBUTION TO HIPC

The Board of Governors approved through resolution number (1) for 2003, to provide loans exemptions through 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 number (4) for 2012 additional exemptions to the Union of the Comoros. The relief from interest is charged to the income statement on the accrual basis.

	2013	*2012*
	AAD 000	*AAD 000*
Cumulative balance of debt reliefs up-to 31 December	**5,703**	5,273
Cumulative balance of debt reliefs at beginning of year	**(5,273)**	(5,038)
Debt reliefs recognised in the income statement for the year	**430**	235

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 68,752 thousand as at 31 December 2013 (2012: AAD 76,578 thousand).

Funds managed by the Arab Monetary Fund for Arab countries and Arab Specialised Organisations amounted to AAD 5,354 thousand as at 31 December 2013 (2012: AAD 6,320 thousand).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

18 CASH AND CASH EQUIVALENTS

	2013 *AAD 000*	*2012* *AAD 000*
Current and call accounts with banks and International Monetary Fund	**5,799**	6,612
Deposits with banks	**1,573,824**	1,414,612
Less: deposits maturing after six months from the statement of financial position date	**(36,195)**	(25,411)
	1,543,428	1,395,813

19 GEOGRAPHICAL DISTRIBUTION OF INVESTMENT PORTFOLIO

The geographical classification of the investment portfolio is based on the country of institution for current, call and deposit accounts with banks and International Monetary Fund, and on the location of the issuer for securities portfolio.

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

	2013 *AAD 000*	*2012* *AAD 000*
Arab countries	**1,228,764**	1,042,965
Europe	**929,183**	807,190
North America	**152,180**	113,875
Far East and Pacific	**787,554**	639,348
Supra National Organisations	**175,366**	232,257
Africa	**34,737**	-
	3,307,784	2,835,635

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 which was carried out as at 31 December 2011, estimated the present value of retirement benefits (the value of the liabilities in respect of service up to the valuation date) to be UAE Dirhams 60,320 thousand (AAD 3,561 thousand). Based on the assumptions made in the actuaries' report, the book value of the pension fund's assets of UAE Dirhams 60,418 thousand (AAD 3,567 thousand) as at the valuation date exceeded the present value of retirement benefits in respect of the service up to the valuation date by UAE Dirhams 98 thousand (AAD 6 thousand).

The amount of pension contribution recognised as an expense in the financial statements of the Fund for the year ended 31 December 2013 amounted to AAD 134 thousand (2012: AAD 186 thousand).

Funds managed by the Arab Monetary Fund for its Pension Plan amounted to UAE Dirhams 52,443 thousand (AAD 3,089 thousand) as at 31 December 2013 (2012: UAE Dirhams 58,959 thousand (AAD 3,480 thousand).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

21 FINANCIAL INSTRUMENTS

(a) Maturities of assets and liabilities- 31 December 2013

Maturity analysis of the consolidated assets and liabilities as at 31 December 2013 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	5,799	5,799	-	-	-	-
Deposits with banks	1,573,824	1,537,628	36,196	-	-	-
Available- for-sale securities	242,257	242,257	-	-	-	-
Alternative strategies funds	18,987	144	64	-	18,779	-
Held-to-maturity securities	1,466,917	587,058	333,961	517,088	28,810	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	131,560	92,752	24,136	14,672	-	-
Loans to member countries	466,096	63,416	62,677	280,266	41,980	17,757
Accounts receivable and other assets	23,828	16,099	692	540	-	6,497
	3,934,604	**2,545,153**	**457,726**	**812,566**	**89,569**	**29,590**
Equity and liabilities						
Interest of other shareholders in the Subsidiary	88,821	-	-	-	-	88,821
Deposits from monetary and financial institutions	2,702,904	2,684,735	18,169	-	-	-
Accounts payable and other liabilities	104,930	38,309	3,244	30,792	23,644	8,941
	2,896,655	**2,723,044**	**21,413**	**30,792**	**23,644**	**97,762**

(a) Maturities of assets and liabilities- 31 December 2012

Maturity analysis of the consolidated assets and liabilities as at 31 December 2012 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	6,612	6,612	-	-	-	-
Deposits with banks	1,414,612	1,389,201	25,411	-	-	-
Available- for-sale securities	127,955	127,955	-	-	-	-
Alternative strategies funds	26,602	-	486	641	25,475	-
Held-to-maturity securities	1,259,854	384,179	291,229	548,063	36,383	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	126,947	90,603	22,192	14,152	-	-
Loans to member countries	440,605	43,951	48,110	277,536	53,251	17,757
Accounts receivable and other assets	42,199	34,674	520	427	-	6,578
	3,450,722	2,077,175	387,948	840,819	115,109	29,671
Equity and liabilities						
Interest of other shareholders in the Subsidiary	77,431	-	-	-	-	77,431
Deposits from monetary and financial institutions	2,211,860	2,209,852	2,008	-	-	-
Accounts payable and other liabilities	148,842	77,564	2,940	29,622	30,311	8,405
	2,438,133	2,287,416	4,948	29,622	30,311	85,836

17

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

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 and repayment periods for available for sale investments.

The following sensitivity test table is showing the effect on equity and the Consolidated income statement, resulting from 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	***2013 AAD 000***	*2012 AAD 000*
Effect on Owners' equity	25	**653**	386
Effect on Consolidated income statement	25	**1,100**	1,390

(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 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 assets and liabilities denominated in foreign currencies.

Forward foreign exchange contracts entered into and outstanding at 31 December 2013 amounted to AAD 894,281 thousand (2012: AAD 825,432 thousand).

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 - 2013

(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**
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**

Appendix (A-1)

Loans Extended to Member States
1978 - 2013

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
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**
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**

Appendix (A-1)

Loans Extended to Member States
1978 - 2013

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
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**
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**

Appendix (A-1)

Loans Extended to Member States
1978 - 2013

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
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
2012	154	Jordan	7,365							
	155	Yemen		21,000						
	156	Yemen				24,000				
	157	Tunisia							15,935	
	158	Tunisia				12,750				
	159	Tunisia	9,562							
	160	Morocco				27,350				
			16,927	21,000	0	64,100	0	0	15,935	117,962
2013	161	Sudan							9,800	
	162	Yemen		21,000						
	163	Jordan				12,790				
	164	Jordan			12,790					
	165	Comoros			787					
	166	Tunisia							12,000	
	167	Tunisia							20,000	
	168	Morocco							60,000	
			0	21,000	13,577	12,790	0	0	101,800	149,167
Total			362,126	146,751	353,921	207,675	64,730	32,489	531,962	1,699,654

Appendix (A-2)
Loans Extended to Member States By Type
1978 - 2013

Automatic Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	5	23.760
Tunisia	6	28.762
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
	62	**362.126**

Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	3	26.090
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
Comoros	1	0.787
	26	**353.921**

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	7	80.290
Djibouti	1	0.367
Comoros	1	0.184
	14	**146.751**

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	4	27.930
Tunisia	2	16.200
Sudan	2	9.800
Iraq	1	27.000
Egypt	2	22.375
Morocco	4	66.430
Mauritania	2	4.920
Yemen	3	33.020
	20	**207.675**

Structural Adjustment Facility (SAF)	No. of Loans	Value of Loans (Million AAD)
Jordan	4	38.584
Tunisia	6	64.944
Algeria	1	30.605
Sudan	2	19.600
Lebanon	3	19.526
Egypt	4	135.948
Morocco	6	192.208
Yemen	1	9.057
Djibouti	2	0.770
Syria	2	11.600
Mauritania	1	9.120
	32	**531.962**

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
2012 - 2013

(Thousands of AAD)

Country	End of 2012			End of 2013		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	27,251		27,251	31,906	7,790	39,696
Djibouti	61		61			0
Sudan	51,887		51,887	54,460	3,300	57,760
Syria	2,880		2,880	2,880		2,880
Somalia	14,877		14,877	14,876		14,876
Comoros	37		37		787	787
Iraq	73,118		73,118	64,862		64,862
Lebanon	1,365		1,365			0
Egypt	72,875	29,150	102,025	59,758	14,575	74,333
Morroco	100,991		100,991	104,170	20,000	124,170
Yemen	56,000	32,000	88,000	74,900	12,600	87,500
Muritania	8,984		8,984	4,036		4,036
Tunisia	30,280	7,967	38,247	54,248	16,000	70,248
Total	**440,606**	**69,117**	**509,723**	**466,096**	**75,052**	**541,148**

Appendix (A-4)
Balance of Loans Commitments
1978- 2013

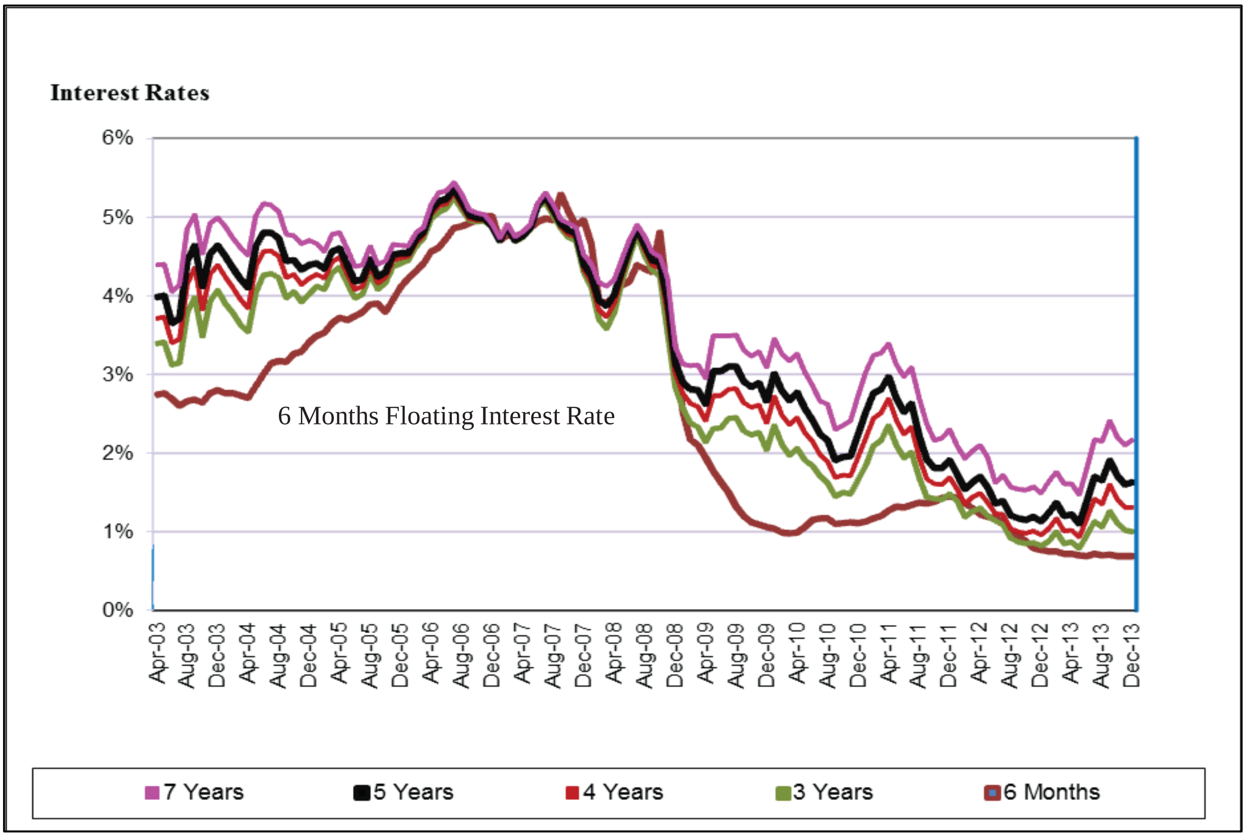
(Thousands of AAD)

Year	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
2012	117,962	509,722	440,605
2013	149,167	541,148	466,096

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

** Total disbursed loans minus repayments

Appendix (A-5) Interest Rates on Loans 2003 - 2013



Appendix (B-1)
Capital at 31 December 2013

(Thousands of AAD)

	Country	Authorized and Subscribed Capital	Paid-Up Capital			
			In Local Currencies	In Convertible Currencies	By a Transfer from General Reserve (2)	Total
1	Jordan	14,850	80.0	5,815.0	6,975.0	12,870.0
2	UAE	52,950	300.0	18,900.0	24,925.0	44,125.0
3	Bahrain	13,800	80.0	4,920.0	6,500.0	11,500.0
4	Tunisia	19,275	100.0	6,900.0	9,062.5	16,062.5
5	Algeria	116,850	760.0	41,640.0	54,975.0	97,375.0
6	Saudi Arabia	133,425	760.0	47,640.0	62,787.5	111,187.5
7	Sudan	27,600	200.0	9,800.0	13,000.0	23,000.0
8	Syria	19,875	80.0	7,120.0	9,362.5	16,562.5
9	Somalia	11,025	80.0	3,920.0	5,187.5	9,187.5
10	Iraq	116,850	760.0	41,640.0	54,975.0	97,375.0
11	Oman	13,800	80.0	4,920.0	6,500.0	11,500.0
12	Qatar	27,600	200.0	9,800.0	13,000.0	23,000.0
13	Kuwait	88,200	500.0	31,500.0	41,500.0	73,500.0
14	Lebanon	13,800	100.0	4,900.0	6,500.0	11,500.0
15	Libya	37,035	186.0	13,254.0	17,422.5	30,862.5
16	Egypt	88,200	500.0	31,500.0	41,500.0	73,500.0
17	Morocco	41,325	200.0	14,800.0	19,437.5	34,437.5
18	Mauritania	13,800	80.0	4,920.0	6,500.0	11,500.0
19	Yemen	42,450	280.0	15,120.0	19,975.0	35,375.0
20	Palestine (1)	5,940	0.0	0.0	0.0	0.0
21	Djibouti	675	5.0	245.0	312.5	562.5
22	Comoros	675	5.0	245.0	312.5	562.5
Total		**900,000**	**5,336**	**319,499.0**	**420,710.0**	**745,545.0**

(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. In addition, Pursuant to its resolution No. (3) of 2013, the Board of Governors has approved to increase the authorized capital to AAD 1,200,000 thousand from AAD 600,000 thousand, and the subscribtion of the member countries in AAD 300,000 thousand and hence, the subscribed capital has increased to AAD 900,000 thousand. The Board also approved the payment of half of the subscription worth AAD 149,010 thousand by transfer from the general reserve. (please see page 50 for more information)

Appendix (B-2)
Number of Participants Courses / Seminars / Workshops
1/1/1988-31/12/2013

	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
Number of Activities		**105**	**104**	**17**	**13**	**9**	**3**	**4**	**5**	**4**	**264**
Jordan	**14**	197	195	27	26	19	6	10	3	4	**501**
U.A.E	**32**	252	167	30	14	16	4	8	7	10	**540**
Bahrain	**9**	167	132	13	9	13	5	7	7	4	**366**
Tunisia	**11**	155	153	26	19	10	5	6	3	3	**391**
Algeria	**6**	153	134	18	16	15	4	8	4	3	**361**
Djibouti	**0**	14	39	1	0	2	2	0	0	0	**58**
Saudi Arabia	**16**	291	266	35	25	20	6	10	16	9	**694**
Sudan	**14**	120	200	26	14	16	5	6	4	6	**411**
Syria	**8**	186	209	62	68	18	5	5	3	4	**568**
Somalia	**8**	12	11	0	0	0	0	0	1	0	**32**
Iraq	**13**	98	379	19	15	8	5	2	3	2	**544**
Oman	**9**	160	157	27	17	13	6	8	7	6	**410**
Palestine	**0**	113	127	25	10	7	5	3	2	3	**295**
Qatar	**5**	143	115	12	19	16	5	5	10	3	**333**
Comoros	**0**	3	10	6	1	1	0	2	0	2	**25**
Kuwait	**10**	158	146	12	12	9	5	2	5	2	**361**
Lebanon	**2**	141	149	27	24	14	3	6	2	9	**377**
Lybia	**0**	152	102	14	13	7	4	4	3	1	**300**
Egypt	**2**	225	173	27	21	17	6	9	2	7	**489**
Morocco	**15**	138	193	14	15	15	6	8	3	4	**411**
Mauritania	**9**	114	128	18	10	13	1	2	5	4	**304**
Yemen	**21**	186	194	22	17	19	5	7	4	5	**480**
Total	**204**	**3178**	**3379**	**461**	**365**	**268**	**93**	**118**	**94**	**91**	**8251**

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. Dr. Ziad Fariz
	Deputy Governor	H.E. Dr. Omar Mohammad Mansour Al Zoubi
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. Dr. El Chedly Ayari
	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. Boudi Ahmad Roubleh(1)
	Deputy Governor	H.E. Osman Ahmed Ali(2)
The Kingdom of Saudi Arabia	Governor	H.E. Dr. Ibrahim Bin Abdul-Aziz Al Assaf
	Deputy Governor	H.E. Dr. Fahd Bin Abdullah Al Mubarak

(1) From August 2013 replacing H.E Elias Mousa Dawwalah.
(2) From August 2013 replacing H.E Hassan Moamn Taher.

The Republic of Sudan	Governor	H.E. Badr Elddine Mahmoud Abbas(3)
	Deputy Governor	H.E. AbdulRahman Hasan A. Hashem(4)
The Syrian Arab Republic	Governor	H.E. Dr. Ismail Ismail (5)
	Deputy Governor	H.E. Dr. Adib Mufdi Maiyalah
The Somali Democratic Republic	Governor	H.E. Mahmud Hassan Suleiman (6)
	Deputy Governor	H.E. Bashir Isse (7)
The Republic of Iraq	Governor	H.E. Dr. Abdul Baset Turki
	Deputy Governor	H.E. Dr. Salahuddin Hamid Juaatta AlHudeethi
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. Ali Sherif Al Imaadi(8)
	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. Sheikh Salem Abdul Aziz Al Sabah(9)
	Deputy Governor	H.E. Dr. Mohammad Yousef Al Hashel
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. Hisham Ramez Abdul Hafez(10)
	Deputy Governor	H.E. Dr. Ahmad Jalal (11)

(3) From December 2013 replacing H.E Ali Mahmoud Abdelrasul.
(4) From December 2013 replacing H.E Dr. Mohamed Khair El Zuber.
(5) From February 2013 replacing H.E Dr. Mohammed Al Jleilati.
(6) From February2013 replacing H.E Abdel Naser Mohammed Abdulla.
(7) From December 2013 replacing H.E Ms. Yussur Abrar (October-November), replacing H.E Dr. Abdulsalam H.Omer (February-September) replacing H.E Abdillahi Hag Jama Ali.
(8) From July 2013 replacing H.E Youssef Hussain Kamal.
(9) From August 2013 replacing H.E. Mustafa Jassim Al Shimali.
(10) From February 2013 replacing H.E Dr. Farouk El Okdah.
(11) From August 2013 replacing H.E Fayyad AbdulMunem Hasanain (May-July) replacing H.E Dr. AlMursi Alsayed Hijazi (January-April).

The Kingdom of Morocco	Governor	H.E. Mohammad Boussaid [12]
	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. Sakhar Ahmad Abbas Alwageh
	Deputy Governor	H.E. Mohammad Awad Ben Hammam

(12) From November 2013 replacing H.E Aziz Akhannouch (August-October) replacing H.E Nizar Baraka (January-July).

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 (percent)
H.E. Dr. Jassim Al-Mannai	Director General & Chairman of the Board of Executive Directors	
H.E. Mohammed Saleh Alghofaili (1)	The Kingdom of Saudi Arabia	13.96
H.E. Abedlhak Bedjaoui	The People's Democratic Republic of Algeria	12.27
H.E. Muneer M.Omran(2)	The Republic of Iraq	12.27
H.E. Abdelati Jabir Elhaj (Sudan)(3)	The Arab Republic of Egypt The Republic of Yemen The Republic of Sudan The Somali Federal Republic The Republic of Djibouti The Comoros	19.65*
H.E Younis Haji Al Khoori (U.A.E)(4)	The State of Kuwait The United Arab Emirates	15.13
H.E Dr. Mohamed Lemin Reghani (Mauritania) (5)	The Kingdom of Morocco The Great Socialist People's Libyan Arab Jamahiriya The Republic of Tunisia The Islamic Republic of Mauritania	12.87
H.E. Sheikh Salman Bin Isa Al-Khalifa (Bahrain)(6)	The State of Qatar The Kingdom of Bahrain The Sultanate of Oman	6.77
H.E. Raed Charafeddine (Lebanon) (7)	The Syrian Arab Republic The Hashemite Kingdom of Jordan The Republic of Lebanon The State of Palestine	7.07

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* The above voting power is affected by the temporary suspension of the voting power of Somalia.
(1) From 1 July 2013 replacing H.E Dr. Abdulrahman Bin Abdullah Al Hamidy.
(2) From 28 February 2013 replacing H.E Hassan Hashem Al Haidary.
(3) From 1 July 2013 replacing H.E Jamal Mohamad Nejm.
(4) From 1 July 2013 replacing H.E Sami Hussain Mansour Al-Anboee.
(5) From 1 July 2013 replacing H.E Faouzia Zaaboul.
(6) From 1 July 2013 replacing H.E Hussein Mohamed Al Sada.
(7) From 1 July 2013 replacing Sam Mohamad.

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.

Arab Monetary Fund
Abu Dhabi, United Arab Emirates
P.O.Box: 2818
website: http:// www.amf.org.ae