



Arab Monetary Fund

# Annual Report

## 2015



صندوق النقد العربي



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## Preface

This annual report presents the Arab Monetary Fund's activities, achievements and financial results for the year ended December 31, 2015. As provided in Article 33 of the Articles of Agreement of the AMF, the report addresses key aspects of financial and technical support provided by the AMF through lending and technical assistance activities. Specific focus of the AMF, as set forth in its strategy framework, was on contributions to capacity building of officials in Arab ministries of finance, commerce and economy, central banks and statistical agencies through training courses, workshops and seminars organized by the AMF's Economic Policy Institute (EPI). The report provides an overview of key events organized by the AMF aiming to exchange views and experiences on current economic issues of interest to all Arab Member Countries, in support of economic development efforts, particularly in the financial sector. It highlights initiatives undertaken by the AMF in response to technical support needs of the Member Countries. It also provides an account of activities conducted under Article 5 of the Agreement that mandates the AMF, to manage assets assigned by Member Countries in tandem with the AMF objectives.



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



## Activities of the Fund in 2015

During 2015, the Fund paid special attention to monitoring global economic and financial trends and developments in commodity markets and their implications for Arab economies, including the drop in world oil and commodity prices, the appreciation of the US dollar amid of interest rate rise by the Fed and the resulting higher cost of borrowing. This led to varying spillovers to Arab economies, mainly slower economic growth rates and fiscal deficits in Arab oil and commodity exporters. This, in turn, led to tightening of spending and adjustment efforts in these countries to enhance revenues that create a fiscal space that is necessary to ensure financial stability.

Arab oil importers benefited from lower oil prices, providing the appropriate space to reform their respective energy subsidy systems and release resulting savings to support growth and creates jobs. However, developments in a number of countries in the region caused uncertainty that created downward pressures on domestic and foreign investment and remittances. This had negative implications on growth, while unemployment rates increased. Against the backdrop of challenges facing Arab countries in 2015, the Fund stepped up its efforts in support of stronger financial banking and capital markets in the Arab region, providing technical assistance and developing recommendations for creating an appropriate economic environment for the private sector to attract investment, improving governance of economic and financial institutions and building cadres and capabilities needed for sound policy making. Within this context, a strategy for the Fund (2015-2020) was developed. This strategy has four main objectives:

- Promotion of programs and activities that support reforms aimed at enhancing macroeconomic stability in Arab countries;
- Expansion of financial and banking sector reform programs and initiatives and develop access to finance and financial services;
- Strengthen the role of the AMF as a forum for exchange and consultation among economic, financial and monetary policy makers and a source of

- support for economic, financial and monetary integration endeavors in the Arab region; and
- Enhance the role of the Fund as a center for knowledge, experience, technical advice and capacity building.

In the area of **lending activities throughout 2015**, the Fund extended four new loans to member countries for a total amount of AAD 191.2 million (about USD 800 million). These included a structural adjustment loan to Jordan, an extended loan to Sudan, and two loans to Egypt, one was a structural adjustment loan in the financial and banking sector and the second was an automatic loan. With these new loans, the total number of loans extended by the Fund to member countries, since the start of its lending activities in 1978, as of end-2015, was 174 loans to 14 member countries for a total value of AAD 1.95 billion (about USD 8.2 billion). Table a-1 shows the details of those loans by year and recipient country during 1978-2015.

As part of the AMF's consultations with member-countries, six lending-related technical missions have been assigned in 2015 including Mauritania, Egypt, Morocco, Sudan and Jordan, for consultation on reform programs to be supported by new AMF loans, and to follow up the progress of AMF-supported reform programs previously agreed upon with some of these countries in order to disburse remaining tranches of those loans.

Within this context, AMF missions conducted an overall assessment of economic and financial conditions in the countries concerned, assessed the possibility of their access to AMF resources and channels through which such resources could be provided, to finalize agreements on economic reform programs that support their economic goals, and to take stock of progress made in the implementation of reform programs previously agreed upon. It is worthy noted that during these missions the Fund provides technical advice on several issues, makes recommendations on economic and fiscal policies apart from providing financial support.

In addition, the Fund continues to contribute to the enhanced HIPC initiative. Total debt relief granted to eligible Arab countries was AAD 6.328 million (about USD 28 million). In addition, the Fund continued to fulfill its commitment to contribute to the collective effort of Arab financial institutions to provide humanitarian support to the Palestinian people. This was in the form of allocating 10 percent of net annual income to support education and health sectors as well as economic empowerment.

As for the **investment activity**, the Fund continued its approach in following a conservative investment policy and strategy in the management of funds and the risks of investment portfolios that contributed to the protection of invested capital and continued to achieve stable positive overall returns during 2015, while maintaining low levels of investment risks.

The Fund's investment activity includes in addition to the management of its own resources, the acceptance and the investment of deposits from Member States. The Fund maintained a high level of balances for this activity reflecting the continued confidence of Member States in the Fund, as it continues to apply the Basel III requirements to manage the risks in this activity. On the other hand, the Fund continued its activity in directly managing investments for a portion of the Arab Trade Financing Program's funds, in addition to the funds in the consolidated account of the Specialized Arab Organizations and the AMF Employee Pension Fund, in addition to the monitoring of the portion of the portfolio managed by third parties, according to the investment policy and in line with the respective strategy.

In the area of **Technical Assistance**, the Fund in 2015 stepped up its activities in order to meet the targets set out in its strategy for 2015-2020. To this end, it fielded two missions to Algeria to provide technical assistance for the public sector banks modernization. It continued to provide technical assistance to both Mauritania and United Arab Emirates for enhancing their respective statistical capabilities. Moreover, the Fund organized a workshop on "House rent policy in

Morocco- background comparison” to support efforts made by Moroccan authorities to enhance access by medium and low-income groups to mortgage. The Fund continued its efforts to complete the project on a regional system for the settlement of inter-Arab payments which it has adopted in coordination with member-countries. It has provided necessary financial resources for the system’s design according to specifications agreed upon by the Council of Central Bank Governors. During 2015, the Fund also contributed to the cost of the third stage of the Arab Development Portal.

The AMF continues to manage funds held in the **Joint Account of Specialized Arab Organizations**. It issues two quarterly reports, one on disbursements by each organization debiting that account, balances, and the status of payment of budget contributions by member countries, and the other on the aggregated activities of the Joint Account.

Regarding **Arab financial markets**, the Fund pursued its efforts in 2015 to provide data and statistics on 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 summary report on the Arab financial markets performance, in addition to major news and events that occurred during 2014.

With respect to **Training Activities**, in 2015 the Fund continued to assist in building and improving skills through 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 International Monetary Fund, World Bank, World Trade Organization, Bank for International Settlements (BIS), US Federal Reserve Bank, Bank of England, Bundesbank and Japanese International Cooperation Agency (JICA).

In 2015, EPI conducted 23 courses attended by 897 trainees, with an overall number of training activities of 304 events attended by 9581 trainees since the launching of EPI training activities.

Acting as the **Secretariat of the Board of Governors of Arab Central Banks and Monetary Agencies**, the Fund organized in Egypt the 39<sup>th</sup> Session of the Board on September 13<sup>th</sup>, 2015, 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 continued ,during 2015, to prepare studies, papers and reports that are necessary for the work of the Council, its permanent bureau and technical committees. It also finalized the preparation of the meetings of the Council and its committees and task forces.

In the area of **cooperation and coordination with Arab, regional, and international organizations**, the Fund contributed to the preparation, editing and publishing of the 2015 Joint Arab Economic Report. With respect to international and regional cooperation, in 2015 the Fund signed 7 memoranda of understanding with regional and international institutions that set frameworks for cooperation between the Fund and these institutions in the Arab region with a view to deepening cooperation and strategic partnerships through technical support could be provided to fiscal and monetary agencies in Arab countries. These included MOUs with the Dubai Economic Council, the IDB Group, the World Bank, the International Monetary Fund, the World Islamic Agency for Liquidity Management, the Bundesbank and GIZ.

The Fund also took part in the regular meetings of the International Monetary Fund and the World Bank in April and October 2015, including meetings of the Development Committee and the G24, Arab Ministerial Group's meeting with the President of the World Bank and the Managing Director of the IMF, and the Ministerial meeting on the "Deauville" Partnership Initiative for development. In addition, the Fund pursued its cooperation with the Bank for International Settlements, the Basle Committee, and the Financial Stability Board.

In the area of **Reports, studies and research**, the Fund pays special attention to these activities, as major tools of methodological research and investigation on

various issues with a view to developing appropriate policies and taking decisions on the same. Against this backdrop, in 2015 the Fund stepped up its efforts to further develop research, bulletins, economic reports and existing statistics. In addition, it worked on launching new reports that help enrich economic thought in the region. In this context, in 2015 the Fund published a number of reports, bulletins, studies and research papers, including the Arab Economic Outlook, the Report on Bond Markets in Arab Countries, the Report on Arab Economy Competitiveness, “Economic Statistics of Arab Countries” bulletin (No. 35) and “Statistics on Competitiveness of Inter-Arab Trade” bulletin. Concomitantly, the Fund released a number of studies and working papers which dealt with a variety of important economic issues of interest to its member countries, including, inter alia, youth unemployment in Arab countries, the role of macro prudential policies in supporting financial stability in Arab countries, and the impact of shale oil and gas on global oil market.

Furthermore, the Fund has a rich library that features a whole range of references, including research papers and periodical reports, with new economic books and references promptly added. A system has been introduced at the library whereby it has become easier to access different sources of information through an automated index, as well as a new article alert service that is available through press file that is disseminated to all Fund professional staff.

## **Lending**

The Fund’s lending activity is at the heart of its Activities, and aims at fulfilling the objectives for which it was established. Lending activities aim at providing assistance to Arab countries to implement necessary reforms in sectors that are relevant to the Fund’s mandate. These reforms mainly include the improvement of resource use efficiency of resources and laying the foundations of macro-economic and financial stability. Furthermore, lending is a major building block of the Fund Strategic Vision that focuses on supporting economic reforms in Arab countries with a view to fostering economic stability and sustainable, inclusive



growth. In this respect, in 2015 the Fund extended four new loans to member countries for a total amount of AAD 191.2 million (about USD 8.2 billion).

## Categories of Lending Facilities

The Fund offers a range of loans and facilities on concessional terms for different maturities. The provision of such facilities involves extensive consultations with country authorities concerned to reach agreement on appropriate policies and actions for economic reform. **The Fund loans and facilities are of two main categories.** The first category of facilities aims at addressing balance of payment imbalances, while the second aims at supporting other sectors of the economy.

The **first category** of AMF facilities aims at addressing balance of payment imbalances of member countries. They are linked mainly to macroeconomic reforms related to the macroeconomic environment and agreed upon between the Fund and the authorities in the borrowing country.

The second type is meant to support sectors and areas that are relevant to the Fund's mandate. This type of loans and facilities are introduced to reflect the Fund's keenness to respond to economic developments and changing priorities and needs of member countries. With the track record of stabilization and macroeconomic reform policies in many member countries, other Arab countries have been increasingly interested in recent years in adopting structural reforms aimed at improving resources allocation efficiency, in the interest of higher and sustainable growth.

The **loans and facilities** currently offered by the AMF to help address overall balance of payment deficit of member countries include four types of loans that vary in size, terms and maturity, based on the nature and causes of balance of payments disequilibria in eligible member countries. The first type of these loans is the **Automatic Loan** which 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 ordinary or extended loans outstanding at the time it applies for an automatic loan, and the country has already implemented such a reform program, the AMF, based on an assessment of causes of overall balance of payment deficit, will decide accordingly whether the requested loan would be tied to automatic loan conditionality, or to that of ordinary or extended loans, in which case 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 second type of these loans is the **Ordinary Loan**, which is extended to an eligible member country when its financing needs exceed 75 percent of its paid subscription in convertible currencies. 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 fiscal adjustment program, covering a period of not less than a year. The policies and actions included in such a program would aim at restoring fiscal equilibrium with a view to reducing balance of payments deficit. The Fund follows up on the implementation of the program. As it is the case with all other conditional loans, the satisfactory implementation of the policies and measures agreed upon is a condition to the disbursement of the loan's tranches. Each disbursement is repaid within five years from its date of withdrawal.

The third type is the **Extended Loan**, which is provided to an eligible member country with a chronic deficit in its balance of payments resulting from structural imbalances in its economy. The member country is required to agree with the Fund on an economic reform program covering a period of not less than two years. The maximum amount 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 type of loans 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 a sharp 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. The borrowing country must be experiencing a transitory fall in exports or a transitory increase in agricultural imports.

**The second category** of loans and facilities that are available to support a number of sectors of an economy currently includes the Structural Adjustment Facility (SAF) for the financial and banking sector, for government finance sector and for trade reform, Oil Facility and Short Term Liquidity Facility.

The **Structural Adjustment Facility (SAF)** focuses on supporting reforms by borrowing member countries in the financial and banking and government finance sectors. To have access to the SAF, a member country is required to have started structural reforms and has made reasonable progress toward macroeconomic stability. Access to this facility is subject to agreement on a reform program to be monitored by the Fund. A borrowing member country may have access to this facility to support a reform program in both sectors referred to above up to 175 percent of the member's paid subscription in convertible currencies for each sector. Each tranche of the loan is to be repaid in four years from the date of disbursement.

The **Trade Reform Facility** aims at assisting member countries to meet finance costs associated with the implementation of trade reforms, thus encouraging them to adopt necessary reforms to facilitate their access to financing in international

markets so as to consolidate growth and create productive job opportunities. 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 an appropriate structural reform program that will be monitored by the Fund. Maturity, repayments and disbursements applicable to this facility are the same as those of the SAF in both financial and banking and fiscal sectors.

The **Oil Facility** was introduced to provide support to member countries affected by a transitory rise in oil and gas imports, leading to deterioration in balance of payments position and/or support for appropriate reforms in these countries that strengthens their resilience to external shocks.

The oil facility is extended to eligible member countries up to 200 percent of a country's paid subscription in convertible currencies. There are two cases for lending under this facility. First, for eligible members with a balance of payments deficit resulting from higher oil and gas prices, the Fund extends a financing up to 100 percent of the paid up subscription in convertible currencies. This takes the form of a separate loan with only simple and quick procedure. The financing in this case does not require the agreement on a reform program, but only requires consulting with the authorities to confirm the incidence of deficit and to discuss policies adopted to contain such a deficit.

The second case is where an eligible member country wishes, under this facility, to have access to the full amount of the same, i.e., 200 percent of the paid up subscription in convertible currencies. In this case, an eligible member must agree with the Fund on a reform program that is supported by one of the Fund's ordinary facilities dedicated to support reform programs, including SAF and other facilities dedicated to finance sectorial structural reforms mentioned above, depending on prevailing conditions and current needs. Access to Fund resources in this case will be subject to the same terms and conditions applicable to a loan or a facility to be agreed upon with a member country. Thus, resources available under the Oil Facility would be an expansion of the specific loan or facility agreed

upon. This reflects the Fund's interest in encouraging member countries affected by the rise of oil prices to implement needed reforms in order to reduce the exposure of their economies to external shocks.

It is noteworthy that the decision to introduce Oil Facility stipulated that this mechanism would be in force for five years. Currently, it is being reviewed to evaluate benefits derived by target member countries in order to decide whether to renew it for another five years.

The **Short Term Liquidity Facility** which was approved by the Fund's Board of Governors to assist member countries that have a track record of structural and economic reforms that face temporary liquidity shortage due to unfavorable developments in global financial markets. The facility is extended promptly and without any prior agreement on a 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 or more tranches as requested by the borrowing members. Each payment is settled after six months of disbursement, with possible extension of two terms.

In April 2013, the Board of Governors approved to double authorized capital to AAD 1,200 million, and increase paid up capital by AAD 300 million to AAD 900 million, while maintaining member countries' proportional quotas in capital and voting powers unchanged. In this regard, subscription is made in two parts where the first part represents 50 percent of the increase in subscription, and it is made in one payment by a transfer from the general reserve. The second part is made in five annual payments by cash transfers from respective member countries. Under these arrangements, the amount of all loans to which eligible borrowing countries have access has increased significantly. Table B-1 shows quotas of member countries in the Fund's capital, and how they may benefit from its resources accordingly.

## Interest Rates

Since 2003, 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 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. Table A-5 shows interest rates applied by the fund on facilities extended to borrowing member countries during 2015. Figure 4 shows the evolution of interest rates on loans during 2003-2015.

## Loan Commitments

In 2015 the Fund extended four new loans to the member countries for a total amount of AAD 191.2 million (about USD 800 million). These included a structural adjustment loan to Jordan, an extended loan to the Sudan, and two loans to Egypt, one is a structural adjustment loan in the financial and banking sector, and the other is an automatic loan.

The loan extended to **Jordan** amounted to AAD 13.258 million (about USD 55.4 million) under Structural Adjustment Facility to support government finance sector reform program, covers the period June 2015-June 2016. The underlying program aims at improving tax administration, enhancing collection efficiency, improving public procurement management and complete implementation of



Government Finance Information Management System (GFIMS). This program was finalized during the mission fielded to Jordan during May 3-7, 2015.

The loan extended to **Sudan** amounted to AAD 39.9 million (about USD 166 million) to support economic reform program, covers the period 2016-2017. The extended loan aims at enhancing financial and economic stability and enabling macroeconomic environment in order to ensure sustainable and inclusive economic growth. The underlying program includes a package of actions and policies in fiscal, monetary and external sector policies as well as a number of structural reforms in order to achieve the stated objectives.

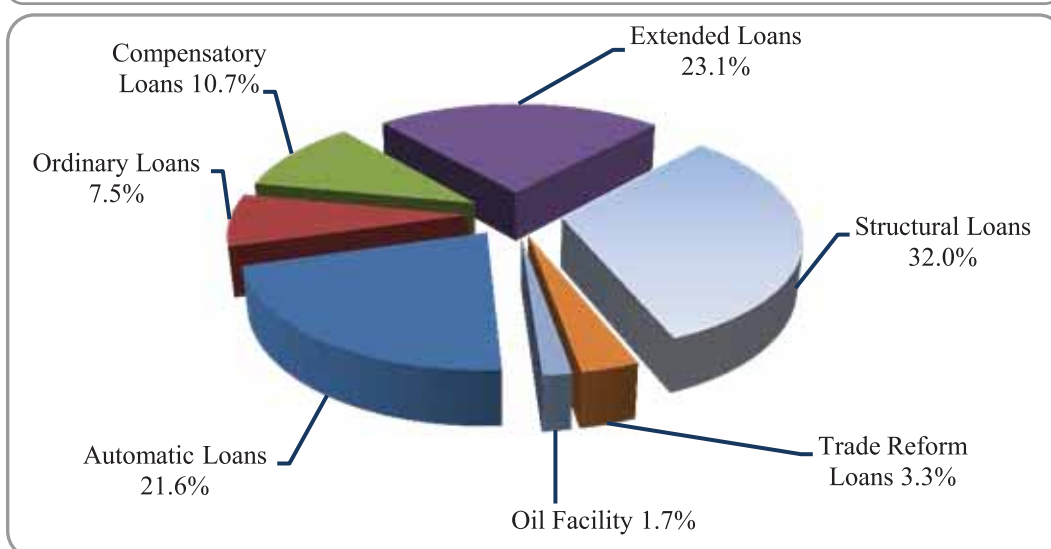
The structural adjustment facility loan for financial and banking sector extended to **Egypt** amounted to AAD 78.88 million (about USD 330 million) to support reforms in that sector over the period May 2015-May 2016. This program was finalized during the mission fielded to Egypt during April 19-23, 2015. The underlying program agreed upon aims mainly at improving central depository for government securities, enhancing the efficiency of banking sector, strengthening the role of the credit risk guarantee company in order to support access to finance by SMEs. The automatic loan extended to **Egypt** in 2015 amounted to AAD 59.16 million (about USD 250 million) to support balance of payments.

With these new loans, the total number of loans extended by the Fund to member countries, since the start of its lending activities in 1978, as of end-2015, was 174 loans to 14 member countries for a total value of AAD 1.95 billion (about USD 8.2 billion). Table a-1 shows the details of those loans by year and recipient country during 1978-2015.

Loans extended by the Fund to support balance of payments (i.e., Automatic, Ordinary, Compensatory and Extended loans) were at the top of facilities granted by the Fund since the beginning of its lending activities in 1978 through end-2015, They represent 63 percent of total loans extended throughout this period. The structural adjustment facilities extended through various sub-categories of

financial, banking and public finance sectors came second with 32 percent. The trade structural facility accounted for 3.3 percent, followed by oil structural facility at 1.7 percent. Chart (1) shows the percentage distribution of loans during 1978-2015. Table (A-2) shows the value and number of loans extended to each member country, by type of loan.

**Chart (1) : Distribution of Types of Loans as Share of Total Loans (1978 - 2015)**



As of end-2015, reflecting developments in lending activities during the year, the balance of loan commitments, including un-withdrawn parts of loans already contracted, was about AAD 528.8 million (about USD 2.2 billion) representing 67 percent of paid-up capital, up from AAD 474.3 million at the end of 2014 (about USD 2.1 billion) representing 62 percent of paid-up capital.

### **Loan Disbursements and Repayments**

**Total disbursements on contracted loans** amounted to AAD 186.6 million during 2015, up from AAD 59.3 million during 2014. In line with loan repayment schedules, member countries repaid to the Fund in 2015 AAD 136.7 million representing installments on previously provided loans, up from AAD 123.4 million in 2014. As a result, the balance of outstanding loans on borrowing member countries was AAD 452 million (about USD 1.9 billion) representing 57



percent of paid-up capital, as of end-2015, up from AAD 402 million (about USD 1.8 billion) representing 52 percent of paid-up capital, as of end-2014.

It is noteworthy that the **balance of undisbursed tranches** of loans agreed upon amounted to about AAD 77 million (about USD 327 million) as of end-2015, up from about AAD 72 million (about USD 314 million) as of end-2014. Table (A-3) shows the details of the balance of disbursed and undisbursed tranches of loans agreed upon for member countries in 2014 and 2015. Table (A-4) shows the details of such balances during 1978-2015.

## Consultations with Member Countries

As part of the AMF's Lending activities, six lending-related technical missions, were fielded in 2015 to Mauritania, Egypt, Morocco, Sudan and Jordan, for consultation on reform programs to be supported by new AMF loans responding their requests for new loans, and to follow up on the progress of AMF-supported reform programs previously agreed upon with a number of countries in order to disburse the remaining tranches of those loans. Within this context, AMF missions conducted an overall assessment of economic and financial conditions in the countries concerned, assessed the possibility of their access to AMF resources and channels through which such resources could be provided, to finalize agreements on economic reform programs that support their economic goals, and to take stock of progress made in the implementation of reform programs previously agreed upon. It may be noted that during these missions the Fund provides technical advice on several issues, makes recommendations on economic and fiscal policies apart from providing financial support.

The consultation mission seconded by the Fund to the **Islamic Republic of Mauritania** during January 4-8, 2015 was asked to take stock of progress made during 2014 on the implementation of the economic reform program previously agreed upon and supported by an AMF extended loan with a view to disbursing the second tranche of that loan. Another task of the said mission was to finalize a

complementary reform program to be implemented by the government during 2015.

Consultation made and information provided during the mission have shown that Mauritanian authorities had made progress on the economic reform program during 2014. Their efforts under the program included the pursuit of a prudent fiscal policy to improve fiscal conditions, contain public debt and ensure macroeconomic stability. As part of these efforts, the authorities took action to reduce fiscal deficit through a broader tax base and an improved and more efficient tax administration that ensure increased tax revenue. On the expenditure side, efforts were made to control public spending. These included actions to contain wage, subsidy and transfer expense. The Central Bank of Mauritania continued to follow a monetary policy that aimed at containing inflation at a level that ensured appropriate liquidity for the banking system. Furthermore, the Mauritanian authorities implemented a package of structural reforms that aimed at enhancing the efficiency of several sectors of the economy, mainly government finance, financial and banking sectors. Efforts made by Mauritanian authorities were reflected in improved economic and fiscal conditions, a greater resilience of the economy to weather shocks caused by unfavorable exogenous condition Mauritania faced in the previous year.

These welcome actions were in harmony with macroeconomic objectives set out for the program during the previous year. On economic growth, inflation, and both domestic and external financial conditions. Against this backdrop, the second tranche of the extended loan was disbursed. In addition, an agreement was finalized with the Mauritanian authorities on a complementary economic reform program for 2015. The program aims at safeguarding gains and positive results, through further improvements in fiscal and monetary policies, continuation with structural reforms aiming at enhancing domestic and external financial conditions and supporting sustainable, inclusive growth. The complementary reform program for 2015 sets out a number of macroeconomic objectives and features a package of actions and policies committed by the government for implementation during

2015, including fiscal, monetary and external sector policies as well as structural reforms in support of those policies with a view to delivering on objectives set out in the program.

The consultation mission seconded by the Fund to the **Arabic Republic of Egypt** during April 19-23, 2015 finalized an agreement with Egyptian authorities on a reform program in the financial and banking sector for the period May 2015-May 2016, to be supported by an AMF structural adjustment loan for that sector. This program aims at enhancing the capabilities of the financial and banking sector to fulfill its mission as a financial intermediary that efficiently and effectively mobilizes financial resources for promising investment opportunities with a view to achieving inclusive, sustainable growth, attracting more investment, and creating productive jobs. These objectives are in tandem with the endeavor to tackle growing challenges in the banking sector. The supervisory authorities need to reduce these risks in a way that does not negatively affect growth rates. This is to be ensured through a smooth flow of credit to the economy with adequate liquidity levels and reasonable profitability rates.

Within this context, the underlying program agreed upon aims mainly at improving central depository for government securities, enhancing the efficiency of banking sector, strengthening the role of the credit risk guarantee company in order to support access by SMEs to finance. Accordingly, the Fund agreed to extend a structural adjustment loan of AAD 78.88 million (about US\$330 million) representing 100 percent of the Egypt's subscription in the Fund's capital paid in convertible currencies, to support the reform program agreed upon for the financial and banking sector.

The Fund's mission to **Morocco** during May 25-29, 2015 was asked to take stock of progress on the implementation of the fiscal reform program supported by an structural adjustment facility Loan amounted AAD 60 million, with a view to disbursing the second tranche of that loan. The mission found out that Moroccan authorities had made satisfactory progress on the program. Their efforts included

measures to reform the law that organizes government finance as well as the reform of both public procurement and subsidies. Furthermore, action was taken to reform tax administration and government finance statistics. These reforms started bearing fruition in the macro- fiscal arena, as evidenced by the increase in tax revenue and the containment of public spending, particularly on subsidies of basic commodities. Those efforts helped the authorities reduce fiscal deficit in 2014. Against this backdrop, the Fund agreed to disburse the second tranche of loan, i.e., AAD 20 million.

The Fund fielded a consultation mission to **Republic of Sudan** during September 29<sup>th</sup> - October 5<sup>th</sup>, 2015 that finalized an agreement on a comprehensive economic reform program for 2016-2017, to be supported by an AMF extended loan in order to support balance of payments , as well as reform measures adopted by the Sudanese government. This program aims at enhancing economic and financial stability, creating a conducive macroeconomic environment for achieving inclusive, sustainable growth through tackling economic imbalances, enhancing production and service activities, improving efficiency and competitiveness of the economy, and harnessing unused capacities in productive sectors. For 2016, the program targeted 6 percent growth of GDP at constant prices, an annual inflation rate down to about 20 percent, a better contained current account deficit in the area of 3 percent of GDP for 2016, and shoring up Sudan's foreign reserves with the Central Bank of Sudan to 3 months of imports of goods and services.

To that end, the program agreed upon envisages a package of measures and policies to be executed during 2016 as a first step in fiscal, monetary and external sector sectors as well as a number of structural reforms, mainly broadening the tax base, reducing tax exemptions, combating tax evasion, enhancing the efficiency of tax and customs administrations, automating tax documentation system, focusing on increased capital and social expenditure and improving public expenditure efficiency. Furthermore, structural measures agreed upon include the adoption by Sudanese authorities of a tighter monetary policy that is in tandem with targets set out for inflation for 2016. Accordingly, the Fund agreed to provide an extended

loan to the Sudan of AAD 39.9 million (about US\$ 166 million) representing 175 percent of the Sudan's subscription paid in convertible currencies.

The Fund fielded two consultation missions to **Jordan** during 2015. The first consultation mission seconded to **Jordan** during May 3 -7, 2015 was asked to discuss with Jordanian authorities their request for an AMF structural adjustment facility loan to support government finance sector reform program. The program finalized during the mission for the period June 2015 -June 2016 aims at enhancing the efficiency of fiscal sector with a view to increasing domestic revenue, reducing dependence on external assistance, streamlining public expenditure, reducing Budget deficit and debt, enhancing fiscal control and transparency through improved budget preparation, execution and control, including through Government Finance Information Management Project and Public Procurement Administration Project.

The program focuses on three major pillars: improving tax administration and more efficient tax collection, improving public procurement administration, and full implementation of Government Finance Information Management System. It was agreed that the government would adopt a package of measures under the above pillars during the period of the program. Accordingly, the Fund agreed to extend a structural adjustment facility loan of AAD 13.285 million (about US\$ 55.4 million) representing 100 percent of Jordan's subscription in the Fund's capital paid in convertible currencies, for government finance sector.

A second mission seconded by the Fund to **Jordan** during December 13-16, 2015 was asked to take stock of progress on the implementation of the economic reform program agreed upon for 2015 and supported by an AMF extended loan of AAD 12.79 million with a view to disbursing the third and last tranche of that loan. The mission found out that Jordanian authorities had made satisfactory progress on the implementation of policies and measures included in the mentioned program. This had positive implications for macroeconomic developments. During 2015, the Jordanian government adopted a number of tax measures with a view to

increase fiscal revenue as well as measures for control and streamlining on the public expenditure side. They also took steps in order to have new relevant fiscal legislation enacted. The Central Bank of Jordan continues to follow an accommodative monetary policy during the year, including through lower policy interest rates with a view to enhancing private investment and stimulating economic growth. Furthermore, several structural reforms were implemented, including in the energy and water, government finance, and financial and banking sectors. Against this backdrop, the Fund agreed to disburse the third and last tranche of the loan, i.e., AAD 3.895 million.

## 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 12 months. The financial position as of December 31<sup>st</sup>, 2015 shows two arrears cases that are carried over from the previous year, namely, Somalia and Syria. Total arrears on the two cases combined were about AAD 66.7 million, representing overdue loan installments of ADD 17.8 million and cumulative interest of about AAD 49 million.

In the case of **Somalia**, arrears started in 1984, and were not settled since then. The Fund has been engaged in consultations with Somalian authorities to settle arrears which amounted to AAD 63.4 million at the end of December 2015. This amount consists of overdue loan installments totaling AAD 14.9 million and accrued interest amounting to about AAD 48.5 million. In the case of **Syria**, arrears were registered for the first time in December, 2011. Total overdue loan installments and accrued interest was about AAD 3 million on the second structural adjustment facility loan as of December 31<sup>st</sup>, 2015.

## Contribution to HIPC Initiative

Total debt relief provided by AMF to member countries eligible to debt relief under the **Highly Indebted Poor Countries Initiative (HIPC)** was AAD 6.328



million (equivalent to US\$ 28 million), granted to Mauritania and Comoros. **Mauritania** benefited from this initiative through a debt relief of AAD 6.206 million, pursuant to Board of Governors Decision 1/2003. **Mauritania** was granted two types of relief under this initiative. First, the Fund granted a specific debt relief on outstanding debt as of June 30, 2003 under a partial debt relief program that covers debt on principal and accrued interest with effect from the said date through October 2007 when the last debt repayment would be due. Total debt installments on which relief was granted was AAD 3.11 million at present value, or 50 percent of eligible debt under the HIPC initiative. The second type of relief was a more concessional extended loan granted by the Fund to Mauritania in 2005. It included a relief from interest accrued as well as part of the last repayment on principal, whereby the grant element accounted for about 35 percent under this loan while loan maturity was seven years. Total relief provided under this second type was AAD 3.096 million.

**The Union of Comoros Republic** also benefited from this initiative through a specific debt relief on outstanding debt the total of which is AAD 122 thousand. The said decision also granted the Comoros access to additional debt relief pursuant to Board of Governors Decision 4/2011 that also provided for the contribution to an additional relief.

### **Allocations of Humanitarian Assistance to the Palestinian People**

The Fund has contributed to the collective effort of Arab financial institutions to provide humanitarian support to the Palestinian people, through allocating 10 percent of its annual net income for this purpose since 2002. Within this context, Board of Governors Decision 6/2015, adopted during its 38<sup>th</sup> Annual Meeting held in Kuwait on April 7<sup>th</sup>, 2015, approved the 13<sup>th</sup> allocation of AAD 2.6 million (about US\$ 11 million). Thus, the total of the 13 allocations approved by the Board for the humanitarian support to the Palestinian people has reached AAD 36.6 million (about US\$ 164.4 million).

It is noted that the Executive Board of the Fund adopts program components to be supported using a methodology that has been agreed upon with the Al-Aqsa Fund, managed by the Islamic Development Bank (IDB). The Governor of Palestine in the Fund's Board of Governors takes part in developing recommendations on the section to form the framework of programs and project elements proposed for each allocation. This is done in coordination with Governors of other Arab financial institutions on the one hand and AMF & Al-Aqsa Fund on the other. The idea is to ensure complementarity among priority humanitarian support projects for the Palestinian people. In addition, the AMF-EPI offers training and capacity building to government cadres in Palestine in the field of AMF's expertise. This is effected through courses and workshops organized by EPI under well-communicated annual programs in cooperation with several regional and international institutions. Government cadres from all Arab countries are invited to participate in these courses. The number of Palestinian trainees participating in these courses and workshops so far has reached 347.

Below is a detailed account of sectors and areas that have benefited from support under the 13 allocations approved by the Board of Governors for a total value of AAD 36.6 Million (about US\$ 164.4 million):

- **Education sector:** This sector receives the better share of those allocations. Its share amounts to US\$ 62.8 million, or 38 percent of total allocations. Support for this sector goes to the construction of new schools, support of Palestinian Student Loan Fund and the renovation, maintenance and equipment of schools.
- **Health service sector:** Allocations for this sector cover the construction of medical centers, building and expanding hospitals, medical equipment for hospitals and clinics. Total allocations for this sector reached about US\$ 14.1 million, or 9 percent of total allocations.
- **Support for non-government organizations:** This includes support for the activities of the Palestinian Red Crescent Society and youth employment and



training projects. This sector has received about US\$ 25.3 million, or 15 percent of total allocations.

- **Integrated rural development and economic enabling:** Support provided for this sector focuses on assistance to small traders, finance of women's productive projects, support to needy households and orphans, as well as the rehabilitation of remote areas and villages, improvement and maintenance of electricity grids, water systems, rural road networks and land reclamation, building and rehabilitation of inner roads, and building of sanitation networks. This sector has received about US\$ 56.7 million, or 35 percent of total allocations.
- **Protection & restoration of historic buildings:** This covers the reconstruction of Jerusalem Old Town, the rehabilitation of historic buildings. This sector has received about US\$ 5.5 million, or 3 percent of total allocations.

## **Investment**

Investment is considered one of the main activities of the Fund, based on the goals and the scope defined by its Articles of Agreement, in addition to the resolutions issued by both the Board of Governors and the Board of Executive Directors that define the investment policy framework.

The Board of Executive Directors' resolutions defined the general guidelines for investment policy in addition to the main regulations and standards for the implementation and the management of various investment risks. The Fund follows a conservative and balanced investment policy based on the principle of diversification of investment risks in line with its nature as a government-owned Arab financial institution. The Fund's investment policy adheres to four main criteria: the protection of the principal invested as a priority, liquidity, free transferability and then realizing the highest possible return on an annual basis while taking into account reasonable limits of portfolio risks which protects the value of the investment as a whole and its liquidity.

The activity includes investing the Fund's accumulated financial resources, from capital and reserves, until they are employed in activities that are consistent with the Fund's predefined goals. Such activities include lending and investing in Arab Government bonds within set limits with the objective to grow these investments in line with the Board of Executive Directors' approved investment strategy and policy, and achieve an income which contributes to cover the Fund's administrative expenses and grow its reserves and resources. This activity also covers cooperation with Member States and with Arab financial institutions including acceptance and investment of deposits from these parties and the management of investment portfolios of deposits, bonds and other securities on behalf of Member States and Arab financial institutions.

The economies of developed countries continued to grow in 2015 albeit with low growth rates accompanied with low inflation rates. There were signs of weakness

in growth in a number of emerging countries namely China, Russia and Brazil, which led to a decline in commodity prices in general and in oil prices in particular. These developments contributed to recording negative returns for a number of highly rated government bonds which reduced the likelihood of an increase in official interest rates during 2016 and reinforced the value of the dollar against a large number of currencies.

Under these circumstances, the Fund has continued to pursue a conservative approach by prioritizing the preservation of its investments. In light of the economic and investment climate that has prevailed during the year, the Fund was keen to maximize the security of its investments by investing in highly rated investment instruments, in addition to dealing with regional and global financial and banking institutions that enjoy high credit ratings; the Fund monitors these institutions through constant surveillance. The Fund actively manages the risks of its investment portfolio by focusing on major investment risks including concentration risks, interest rate risks, liquidity risks, currency risks and credit risks.

The investment portfolio of the Arab Monetary Fund consists of investing its own funds as well as deposits received from Member States, where the total value of the investments amounted to the equivalent of AAD 3.34 billion, equivalent to approximately USD 13.90 billion at the end of 2015.

The investment portfolio consists primarily of investments in bank deposits and bonds and limited investments in multi-strategy investment funds. By the end of 2015, the total investment portfolio had an allocation of 18.78% in bank deposits, and 80.12% in bonds and securities and 1.1% in multi-strategy investment funds.

The approved investment policy allocates investments through various investment instruments, including deposits with Arab and foreign commercial banks that fall within the list of approved banks for the purposes of deposit, which currently includes approximately 127 banks and financial institutions. The list, approved

annually by the Board of Executive Directors, is prepared according to established rules for bank selection and limit setting for dealing. The list is subject to continuous follow-up on the banks' financial status and credit assessment. As for investment vehicles in bonds and securities, the Fund maintains high quality instruments in terms of liquidity and credit assessment and is keen to diversify its exposures and its geographical spread. A high proportion of bond portfolios were invested in the government and semi-government issuances of bonds and money market instruments, amounting to 70%, with an average bond credit rating of AA, while 95.2% of the bond portfolio has a credit rating of A and above.

On the other hand, in order to allocate investments geographically to reduce country risks and in response to the changes occurring in financial markets, the Fund continued to direct its investments to Far Eastern countries as well as to regional and global financial institutions. The value of these investments amounted to 33% of the portfolio's value in the Far East, and 6.19% with financial, regional and supra-national institutions.

Investment in bonds, deposits and securities in the Arab countries amounted to AAD 761 million, equivalent to USD 3,164 million, accounting for approximately 23% of the total invested funds at the end of 2015. This includes AAD 321 million in deposits with banks and financial institutions, equivalent to USD 1,334 million, in addition to AAD 440 million, equivalent to USD 1,829 million, invested in bonds and securities issued by Member States, banks and Arab companies. In terms of investment in Arab currencies, the investment policy allows, under certain conditions, to invest a portion of the available funds for deposits, bonds and securities investments in Member States' convertible currencies. The Fund's investments in Arab currencies amounted to AAD 439 million, equivalent to USD 1,824 million by the end of 2015.

Investment in Arab bonds and money market reached AAD 440 million, equivalent to USD 1,829 million by the end of the year, which includes government issuances totaling AAD 294 million, equivalent to USD 1,222

million, reaching approximately 67% of the total investment in Arab bonds. The remaining balance of AAD 146 million, equivalent to USD 607 million, which is approximately 33% of the total investment, represents investments in bonds issued by banks and Arab non-government institutions. Regarding the credit rating of the Arab government bond portfolio, 72% of the portfolio is invested in government bonds with a credit rating of A or better; the remaining 28% represents investment in Arab government issuances with a lower credit rating that ranges between B and BBB for a total size of AAD 83 million, equivalent to USD 345 million at the end of 2015, having increased by an equivalent of AAD 14 million (USD 58 million).

It is worth mentioning that the Board of Governors expressed its support, during its 2012 meeting, to the Arab government bonds' portfolio. In response, the Fund's Board of Executive Directors took several decisions to increase and regulate investments in Arab government bonds rated below A; whereby the credit ratings' categories that were acceptable for investment in Arab government bonds were expanded to include the B credit rating category. In addition, part of the Fund's own resources were allocated to invest in Arab government bond investments with a credit rating ranging between B and BBB grades, amounting to AAD 115 million (equivalent to USD 500 million), as per the Board of Executive Directors' resolution No. 4 dated 27/02/2014; as a result of this resolution, the number of Arab countries in which the Fund may invest in their government bonds increased and include Egypt, Morocco, Tunisia, Jordan, Lebanon, Bahrain and Iraq.

It should be noted that the Fund continued to increase its participation to support this activity, whereby investment levels increased in a number of Arab government bonds classified as B and BBB, from AAD 69 million (USD 300 million) to AAD 83 million (USD 345 million) during 2015, reaching its highest levels in 2015 at AAD 92 million (USD 385 million). The Board's decision to invest in Arab government bond markets reflects the Fund's growing interest in expanding its participation and contribution to support and develop Arab bond

markets by increasing participation in bond issues of Member States with a credit rating of BBB and lower, as part of the Fund's continuous efforts to develop and grow the Arab financial markets, including the bond market.

Deposit Acceptance from Arab governments and financial institutions, is conducted under Article 5(g) of the Fund's Articles of Agreement and the decisions of the Board of Executive Directors including Resolution No.1 of the year 1984 and Resolution No.5 of the year 1989 which called for Arab countries to voluntarily deposit a portion of their funds with the Fund. The Agreement established several rules including prohibiting the Fund from using its deposited money in providing loans to its Member States, and it allocated a portion of the Fund's resources to support this activity. The Board of Executive Directors issued several resolutions that govern the management of this activity in terms of accepting deposits and the management of its investment funds, such as Resolution No. 7 of the year 2010, which includes the voluntary adoption of the Basel framework as a reference for managing the risks and limits for this activity. These decisions allocated necessary financial resources from the Fund's reserves to support this activity and to enhance the confidence of depositors. Moreover, it defined the permitted investment instruments for investment in this activity which includes bank deposits, bonds and money market in addition to laying conservative foundations in asset and liability management.

The Fund enjoys distinctive characteristics that contribute to enhancing the confidence of the depositing countries, predominantly through its conservative investment policy that gives greater weight to the preservation of the invested capital. The deposited funds also enjoy a high level of safety by virtue of the Fund's financial solvency, and its risk mitigation approach to its investment activities.

The Fund voluntarily adopted the Basel framework to manage the risks of the investment portfolio coming from the accepted deposits of Member States, achieving a Capital Adequacy Ratio of 35.45% at the end of 2015, compared to

the minimum requirements of Basel III at 13%. The 30-day short-term Liquidity Coverage Ratio reached 203.56%, compared to the minimum requirement of 70%, and recorded a Net Stable Funding Ratio of 481.06%, compared to the minimum requirement of 100%. The Leverage Ratio reached 7.34%, compared to a minimum of 3%.

These indicators reflect the robustness of the risk management of this activity and the attention of the Fund to the deposits from its Member States, where these characteristics have collectively contributed to the growth in the size of accepted deposits from Arab Member States, with the activity recording remarkable growth during the past several years. The size of accepted deposits at the end of 2015 reached an equivalent of AAD 2,718 million, equivalent to USD 11,298 million received from 16 Arab countries and financial institutions that placed deposits with the Fund in US dollars, Euros and Pound Sterling.

The Fund's policy in the conservative implementation of its investments and related risks effectively contributed in protecting the value of invested funds and recorded a positive stable performance at the overall level for these investments. Despite low interest rates on major currencies including on the currency components of the SDR basket the "US Dollar, Euro, Pound Sterling and Yen", the investment portfolio achieved a return on net invested funds that exceeded the 6 Months LIBOR, the index for government bonds for the sector 1-3 years, and the SDR-weighted inflation rate during 2015.

In addition, the Fund continued managing the investment portfolios directly for a portion of the funds of the Arab Trade Financing Program, the funds in the consolidated account of the Specialized Arab Organizations, and the funds of AMF Employee Pension Fund. In addition, the Fund oversaw the portion of the portfolios managed by third parties, according to the approved investment policy and the respective strategy of each. The average size of funds managed directly by the Fund and the money that it administers on behalf of these bodies is equivalent



to USD 580 million in 2015, compared with USD 570 million in the previous year.

The International Monetary Fund's periodic review of the SDR basket takes place every five years; the Arab Monetary Fund set the value of its currency, the Arab Accounting Dinar as the base currency of the Fund equivalent to 3 times SDR. The date of the basket's review has been amended to 30 September 2016, with subsequent revisions taking place on the same date to avoid amendments to the basket at the end of a fiscal year for the sake of fairness. The components of the basket have been restructured to include the current currencies: US Dollars – Euros – Pound Sterling - Yen and adding the Chinese currency (Renminbi) as the fifth currency in the basket with its new weight effective 1 October 2016.

The following table illustrates the new weights accredited by the International Monetary Fund compared to the weighted basket in the previous review:

**Table (1)**

<b><u>Basket composition</u></b>	<b><u>New weights as of</u></b>	<b><u>Previous weights as of</u></b>
	<u>2016/10/1</u>	<u>2010/1/1</u>
<u>US dollar</u>	<u>% 41.73</u>	<u>% 41.90</u>
<u>Euro</u>	<u>% 30.93</u>	<u>% 37.40</u>
<u>Renminbi - RMB</u>	<u>% 10.92</u>	<u>=</u>
<u>Japanese yen</u>	<u>% 08.33</u>	<u>% 09.40</u>
<u>Sterling pound</u>	<u>% 08.09</u>	<u>% 11.30</u>

Based on the new basket weights, the US Dollar retains its weight in the basket between the two periods while the Euro, Yen and Pound Sterling have lost a portion of their weight to cover the weight of the Chinese currency. The Fund made the appropriate arrangements to cover the necessary requirements for adjusting the weights of the currency basket in its investment portfolios and in other related areas.



## Technical Assistance

The Fund's activity in the technical assistance field aims to enhance and strengthen capabilities in the formulation and implementation 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, government finance management, compilation of economic statistics, financial and banking sector infrastructure development, and government security markets.

The Fund also provides training to officers in central banks, ministries of finance, economy and trade as well as statistical agencies 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. During 2015, the Fund extended technical assistance to Algeria, Morocco, UAE and Mauritania. In the case of technical assistance extended to **Algeria**, the Fund fielded two missions to Algeria during February and July 2015. Apart from AMF staff, these missions included experts from the World Bank (WB), the European Investment Bank (EIB) and the European Central bank (ECB). The first mission, that visited Algeria during February 22-26, 2015, continued cooperation efforts between the Fund and the Government of Algeria in the field of technical assistance needed for further development of public sector banks within an action plan previous agreed upon between the two parties.

The second mission visited Algeria during July 20-31, 2015. The mission that included IMF staff as well focused on assisting Algerian authorities in developing an institutional framework for macro- prudential supervision, evaluating the adequacy of necessary data and analytical capacity to Algerian supervisory authorities for monitoring and identifying systemic risks, developing an initial definition of potential risks to financial stability in Algeria, developing macro-prudential tools to tackle potential systemic risks in the financial and banking sector. A time-bound program was proposed for developing a framework for

financial stability for the Central Bank of Algeria and identifying related technical assistance needs.

In the case of technical assistance extended to **Morocco**, the Fund organized a workshop on “Housing Rental Policy in Morocco- A Reference comparison” at Rabat during May 25-26, 2015, in cooperation with the WB and the Moroccan Ministry of Housing and Urbanization Policy. The aim of the said workshop was to provide technical assistance to Moroccan authorities in enhancing access by middle and low-income groups to mortgage.

The technical assistance extended to UAE and Mauritania during 2015 was part of the **Arab Statistics Initiative "ARABSTAT"**. The AMF took part in a joint mission with the IMF visited the UAE Central Bank during November 8-19, 2015 for providing technical assistance for further developing balance of payment statistics. The technical assistance extended to Mauritania during 2015 aimed at finalizing a report on developing Mauritanian statistical capacity drafted earlier by an AMF mission that visited Mauritania during December 15-26, 2014 in cooperation with the IMF West Africa Technical Assistance Center (WATAC) and submitting the same to Mauritanian authorities.

It is noteworthy that the Fund has sponsored the **Arab Statistics Initiative "ARABSTAT"** launched in 2013 in collaboration with the International Monetary Fund with a view to providing support to Arab countries in the field of statistics. The idea is to improve economic statistics, a fact that would improve economic policy making as well as building up human capabilities in this field in the region.

As part of this endeavor, the Fund organized the second meeting for the **Arab Statistics Initiative "ARABSTAT"** in Abu Dhabi, UAE during October 21<sup>st</sup>-22<sup>nd</sup>, 2015. Discussions during that meeting touched upon questionnaires sent earlier to Arab countries to take stock of the status of statistics compiled by agencies entrusted with the compilation of economic and financial statistics in Arab countries, including statistical agencies, ministries of finance and central banks

and monetary agencies. The questionnaires included parts on the legal and institutional environment in which statistical agencies operate, the statistical methodologies followed in several fields, and modalities of compiling and disseminating statistical data.

Responses to those questionnaires have shown that most statistical agencies in Arab countries have improved the legal frameworks that govern statistical work and have enhanced their physical and human resources while some of them have applied the latest statistical methodologies in several areas.

The secretariat to the technical committee in charge of this initiative has developed an action plan for 2016. This envisages the establishment of specialized task forces in addition to joint missions with the IMF to be fielded to Arab countries in order to provide technical assistance on several statistical methodologies and to organize specialized training courses and workshops for the benefit of human resources engaged in this field.

Furthermore, the Fund has sponsored a project on a regional system for inter-Arab payment settlement. The fund has extended resources for the project in terms of funds needed for the design of the system based on the specifications discussed and approved for the design phase by the Board of Governors. The Fund also has sponsored the project on Arab Development Portal that now has entered into the third phase.

During the year, the Fund continued its efforts under “**Financial and Banking Sector development**” initiatives launched by the Fund, in cooperation with International Financial Institutions (IFIs) for developing domestic finance markets, credit information systems and secured lending systems, as well as mortgages, including supporting the ability of low income groups to access mortgage.

Regarding **development of credit information systems**, the fund, in collaboration with the International Finance Corporation (IFC), co-authored the comprehensive report on the status of those systems in the Arab region in light of the findings of joint missions within the initiative on **“Development of Credit Reporting Systems and Central Risk Analysis Agencies in the Arab region”**. The report contained general recommendations as well as specific country recommendations based on their respective conditions and system development needs.

It is noteworthy that the Fund’s efforts within **the initiative on the development of credit reform systems and central risk analysis agencies in the Arab region** aim at improving credit information systems in the region and 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 (SMEs). The Fund, in collaboration with the IFC had co-authored a comprehensive report on the status of credit reporting systems in the Arab region (Arab Credit Reporting Guide). The report is part of efforts being made to develop the financial infrastructure and increase access to finance in the Arab region.

As for **“Developing bond markets in the Arab region”** initiative, the AMF, in collaboration with the EBRD, WB and IMF, co-authored a comprehensive report that summarized the outcome of joint missions to a number of Arab countries. The report gave a detailed review of the components of the process of domestic bond market development, both for government and corporate bonds. It analyzed the long term finance capability of the private sector as well as the need for developing legal environment and infrastructure that support the development and growth of these markets. Furthermore, the report developed comprehensive recommendations on the prerequisites for promoting these markets and technical assistance needs that could be covered in this respect.

The Fund continued to contribute to the **“Arab Mortgage Sector Development Initiative”** in cooperation with the WB. This initiative aims specifically at

facilitating access to housing finance for lower-income segments of the population in Tunisia and Morocco. In this respect, the Fund organized a workshop for housing sector officials in Morocco on “Housing Rental Policy in Morocco- A Reference comparison” at Rabat during May 25-26, 2015, in cooperation with the WB and the Moroccan Ministry of Housing and Urbanization Policy.

As part of the Fund’s efforts to create awareness on issues related to the development of financial and banking sector, the Fund organized a number of high-level workshops and conferences during 2015. The first such event was the “Regional Conference on Enhanced Access to Finance for SMEs in Arab Countries”, held in Cairo during January 2015 in cooperation with the WB Group and the Central bank of Egypt. The conference discussed SMEs finance needs as well as reforms that could be introduced by financial institutions, with a specific focus on the role of supervisory authorities within their respective jurisdictions, and their role in facilitating a conducive environment to enhance access to finance and financial services for SMEs, the prerequisites for enhancing support provided by regional and international financial institutions in order to help supervisory authorities and financial institutions in Arab countries develop policies and strategies for supporting SMEs. The conference touched upon the role of loan guarantee funds as well as recent developments on financial and banking instruments and products that are suitable for SMEs and the foundations for managing related risks.

The Fund, in cooperation with the IMF, the Financial Stability Board (FSB) and WB Group organized a debate on “**Tackling the Spillovers of Action by Global Correspondent Banks on De-Risking**” during October 2015. This event, in which a number of Arab central bank governors and senior supervisory authority officials in the US and the EU as well as senior managers of Arab and global banks took part, aimed at enhancing the awareness on different aspects of such action, and discussing requirements and solutions within both supervisory authorities and financial and banking institutions to tackle their spillovers. The idea is to facilitate compliance to international standards, limit the negative impact

on banking sector and the finance of economic activities and ensure the soundness and integrity of financial and banking transactions and transfers.

As to **enhancing access to finance and financial services**, the Fund, in cooperation with the Central bank of Jordan and the GIZ, organized a high-level conference on “Financial Inclusion and Employment in Arab Countries” during November 2015. The conference discussed a number of issues, including the importance of financial inclusion in creating jobs in the Arab region, through a review of national strategies for financial inclusion, policies and prerequisites for supporting access to finance for SMEs, the requirements for improving the quality of innovative financial services that could be offered in this respect.

As a side event, the Fund organized a workshop on capacity building in developing and implementing national strategies for financial inclusion for officials of Arab central banks. The idea was to familiarize them on best practices and experience in developing, and preparing for, national strategies for financial inclusion.

As to issues related to supervision and financial stability, the Fund, in cooperation with BIS Institute of Financial Stability, the Basel Committee on Banking Supervision and the International Finance Institute, organized the “**High-level Meeting on Recent Developments in Banking Supervision and Financial Stability Issues**” during December 2015. The meeting discussed important topics, including bank governance, recent developments in corporate governance, amendments to reference approach to credit risk measurement and their implications for bank activities in the Arab region.

Furthermore, the program of the meeting covered a discussion on supervision and financial stability in Europe, a review of recent and current work of the Basel Committee, challenges faced by central banks and supervisory bodies in the Arab region in the course of enhancing financial stability, as well as topics related to ways and means of improving risk management in the financial and banking



sector in the Arab region, electronic financial crime and their implications for financial stability, and, finally, updated standards on Islamic finance.

Within the context of the Fund's strive to create awareness on economic, monetary and financial issues and developments, during 2015, the Fund organized a number of workshops and conferences for policy makers and senior officials in the Arab region. One of the major events was the “**Meeting of the Task Force on Monetary Policy in Arab Countries**” co-organized by the Fund and the Bank of International Settlements (BIS) on November 25-26, 2015 in Abu Dhabi, UAE. This was the first such meeting in the Arab region. Similar annual meetings are held in different regions, including Asia, Latin America and Central Europe. The meeting aimed at providing an opportunity to monetary policy makers in the Arab region to review current regional and global economic developments and outlook, exchange views on the role of monetary policies and their implications for Arab economies. The meeting was attended by 29 Arab and foreign central bankers and 11 senior officials of Arab financial institutions.

Furthermore, the Fund in 2015 continued with its role as manager and book keeper of the **Consolidated Account for Funding Arab Specialized Organizations**. The Fund prepares a quarterly report for each organization that shows expenditure and balance, the status of contributions by member countries to the budget of the organization concerned as well as a regular aggregated quarterly report on the operations of the consolidated account. In this respect, the financial position of the consolidated account that is managed by the AMF shows that the balance on the asset side as of December 31, 2015 was US\$ 24.1 million, down from US\$ 24.7 million at the end of 2014.

It is noteworthy that, pursuant to Economic and Social Council Decision 1056 of July 1988, a Consolidated Account for Funding Arab Specialized Organizations was created with the AMF that receives their member country respective contributions to the budgets of those organizations with a view to cover expenditure under their respective approved budgets.



Specialized organizations created within the League of Arab States are major pillars of inter-Arab cooperation. They serve as technical arms and centers of excellence that offer advice and expertise on economic, social, cultural and financial issues and activities. They are pivotal in achieving Arab common aspirations within their respective mandates that are relevant of the standard of living and decent lives of Arab citizens. The Arab organizations that are parties to this consolidated account include the Arab Organization for Administrative Development (ARADO), Arab Labor Organization (ALO), Arab Organization for Industrial Development and Mining, Arab League Education, Culture and Science Organization (ALECSO), Arab Organization for Agricultural Development, Arab Center for the Study of Dry Areas and Arid Lands, Arab Organization of Atomic Energy, and Arab Civil Aviation Organization.

The return on investment of this account assets are deposited in a special reserve subaccount. The balance of the said subaccount as of end 2015 was about US\$ 9.9 million, up from US\$ 9.8 million as of end 2014. It now covers almost 24 percent of total appropriations of the budgets of member organizations for the last fiscal year, although percentages vary across individual organizations. Decisions taken by the Economic and Social Council envisage a buildup of reserve under this account to be used in emergencies as taken by the Economic and Social Council.

### **Arab Capital Markets**

During the year 2015, the Fund pursued its activity to enhance the role of Arab capital markets and provide follow up reports in this respect. To that effect, the Fund continued to publish on its website daily capital markets' information on existing 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 activities of Arab capital markets. Eighty two issues of this bulletin have been released thus far. 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. The bulletins released by the Fund during 2015 highlighted the continuing decline of Arab financial market performance, a decline that started in September 2014 on the heels of the drop in global oil prices. In aggregate, the market capitalization of the Arab Stock Exchanges during 2015 lost approximately US\$ 137.6 billion, or 11.4 percent. It amounted to US\$ 1065 billion or 38 percent of total GDP for Arab countries by end-2015, down from USD 1,203 billion or 44.3 percent of total GDP for Arab countries by end-2014. It is noted that the cumulative losses of Arab capital markets since the beginning of global oil price drop has reached US\$ 315 billion, or 24 percent of its total market capitalization.

During 2015, Arab capital market indices dropped at varying rates, except for Palestine Stock Exchange which rallied at 4.1 percent during the year. Egyptian stock market index observed the highest loss at 21.8 percent during the year, followed by Saudi capital market and Dubai Financial Market at 17.1 percent and 16.5 percent, respectively. Drop in the indices of stock exchanges of Bahrain, Muscat, Qatar and Kuwait was close, as rates of losses were between 14.0 percent in the case of Muscat and 16.0 percent in the case of Bahrain. On the contrary, Abu Dhabi Stock Exchange outperformed all GCC capital markets, as loss did not exceed 4.9 percent during the year. With the sole exception of Casablanca Stock Exchange, at 7.2 percent loss, all other Arab capital markets observed a drop at less than 5 percent during the year. The Fund's composite index which measures the combined performance of those markets as a group reflected these developments. It dropped by 16.2 percent during 2015.

In this respect, 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. It presented an analysis of the performance of Arab stock exchanges, initial public offering markets, bonds and Sukuk markets, foreign investment flows, in addition to a review of major legal and supervisory developments.

## Training

Training and related events organized by the AMF- Economic Policy Institute (EPI) supports its strategic objectives. The goal served, inter alia, by training is to build capacity in economic, fiscal and monetary sectors in Arab countries. This goal covers a number of objectives that have been spelt out in the EPI strategy:

- a) continued update of the content of all training programs offered and horizontal expansion of training programs and activities.
- b) support to programs envisaged in member countries.
- c) organization of a series of discussions.
- d) introduction of remote courses.
- e) introduction of visiting faculty and economist internship programs.

The EPI plan fully implemented in 2015 shows an increase in the number of courses to 23, up from 17 courses in 2014. The 2015 plan included 4 new topics. Also there was an increase in the number of international and regional partners organizations cooperate with the EPI in delivering training during 2015.

These include the International Monetary Fund (7courses), the World Trade Organization (4courses), the Bundesbank (3courses), the Bank of England (3courses), Bank for International Settlements (3courses), Islamic Development Bank (2 courses), the World Bank (one course) and JICA (one course).

Training hours completed in 2015 reached 4,732 hours, or 88 percent of planned training hours for the year. As to strengthening EPI core mission, in 2015 the Institute completed an upgrade of its automated participant registration for

facilitating course delivery. It also introduced a WIFI system in the EPI premises. All computers at the EPI were upgraded to cope with training needs and to offer automated browsing service of the EPI Library for the benefit of course participants.

In 2015, EPI conducted 23 courses, including 22 courses at the EPI HQ in Abu Dhabi, UAE, and one course in Oman. Here is an annotated list of courses held in Abu Dhabi:

- 1- A joint course with IMF-CEF on “**Financial Market Analysis**”, January 11-22, 2015. This course aimed at familiarizing participants on the basics of financial analysis as a tool of policy making.
- 2- A course in cooperation with the WTO on “**Statistics of Trade in Services**”, January 25-28, 2015. This course aimed at familiarizing participants on the framework for compiling national statistics on international trade in services.
- 3- A joint course with the Bundesbank on “**Implementation of Monetary Policy**”, February 24-26, 2015. This course aimed at strengthening the understanding of the roles and functions of different monetary policy instruments.
- 4- A joint course with IMF-CEF on “**Macroeconomic and Fiscal Policy Management**”, March 1-12, 2015. This course aimed at strengthening the understanding of fiscal policy issues and their implications for macroeconomic management.
- 5- A joint course with the Bank of England on “**Monetary Policy and Operations**”, March 15-19, 2015. This course aimed at familiarizing participants on the framework for compiling national statistics on practices to be adopted by central banks in order to ensure monetary and financial stability and how to do this without negative impact between each other.

- 6- A course in cooperation with the BIS Financial Stability Institute on “**Basel III and Macro- prudential Policies**”, March 24-26, 2015. This course aimed at familiarizing participants on the Basel III Accord, particularly the role of macro-prudential policies as an effective framework for ensuring financial stability.
- 7- A course on “**Operational Risk Management**”, April 7-9, 2015. This course aimed at familiarizing participants on the most recent developments in operational risk management, including identification, measurement and monitoring of risks, as well as best practices in this respect.
- 8- A course in cooperation with the WTO on “**Access to Markets**”, April 12-16, 2015. This course aimed at strengthening the understanding of specific aspects of access to markets, WTO rules that govern the same, including tariffs, customs, rules of origin, importation licenses and trade facilitation.
- 9- A course in cooperation with the WB on “**Sukuk Market Development**”, April 19-23, 2015. This course aimed at familiarizing participants on types of *sukuk* and their issuance modalities. It also reviewed legal and regulatory challenges faced by sukuk issuers.
- 10- A course in cooperation with the Bank of England on “**Micro-prudential Policies**”, April 26-29, 2015. This course aimed at familiarizing participants on recent changes in banking supervisory practices with emphasis on financial stability as one of the main objectives of supervision.
- 11- A course in cooperation with the WTO on “**Trade in Services**”, May 4-7, 2015. This course aimed at strengthening the understanding of the role of trade in services in an open global economies.
- 12- A joint course with IMF-CEF on “**Macroeconomic Forecasting**”, May 31-June 11, 2015. This course aimed at enhancing participant skills in using

forecasting tools and building macroeconomic models using most recent econometric formulae.

- 13- A joint course with IMF-CEF on “**Government Finance Statistics**”, August 30-September 10, 2015. This course aimed at familiarizing participants on the conceptual framework of GFS as presented in IFM GFSM 2014 that updated the GFSM 2001.
- 14- A joint course with the Bundesbank on “**Financial Stability**”, October 6-8, 2015. This course aimed at familiarizing participants on the main elements of macro-prudential policy as an effective framework for ensuring financial stability.
- 15- A joint course with the IDB Research and Training Institute on “**Risk Management in Islamic Banks**”, October 11-15, 2015. This course aimed at familiarizing participants on the most recent developments in risk management in Islamic banks, including identification, measurement monitoring and control of risks as means to ensure sound conditions of banks.
- 16- A course in cooperation with the WTO on “**Agricultural Agreements**”, October 20-22, 2015. This course aimed at facilitating the contribution of Arabic countries to the work of WTO.
- 17- A joint course with IMF-CEF on “**Balance of Payment Statistics**”, October 25-November 5, 2015. This course aimed at familiarizing participants on the methodological for collecting and compiling BOP-IIP statistics based on the IMF 6<sup>th</sup> edition of BOP-IIP Manuel and Guide.
- 18- A course in cooperation with the Bank of England on “**Macro-prudential Policies**”, November 8-12, 2015. This course aimed at familiarizing participants on the importance of Macro-prudential policies as an effective framework for ensuring financial stability.

- 19- A course in cooperation with the BIS Financial Stability Institute on **“Intensive Supervision of Systemic Important Banks (SIB)”**, November 17-19, 2015. This course aimed at familiarizing participants on the main elements of SIB bank supervision.
- 20- A course in cooperation with the BIS on **“Foreign Reserve Management”**, November 23-26, 2015. This course aimed at familiarizing participants on best practices in foreign reserve management.
- 21- A joint course with IMF-CEF on **“External Vulnerabilities and External Sector Policies”**, December 6-17, 2015. This course aimed at strengthening the understanding of various policies on external debt, foreign reserve management, capital account liberalization and foreign aid management.
- 22- A course in cooperation with JICA on **“Bond Market Development”**, December 20-23, 2015. This course focused on issues and parameters related to bond issuance of bonds, their pros as instruments of finance, shedding light on approaches for developing bond market and prerequisites and country experience in this respect.
- 23- A joint course with IMF-CEF on **“Macroeconomic Management and Financial Sector Issues”**, Muscat, Oman, August 30<sup>th</sup> – September 10<sup>th</sup>, 2015. This course focused on inter-linkages between financial sector issues and macroeconomic management.

## **Secretariat of the Board of Arab Central Bank Governors**

The Fund is entrusted with the Secretariat of the Board of Arab Central Bank and Monetary Agency Governors as well as its bureau. 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 report to the Board of Arab Central Bank and Monetary Agency Governors. Furthermore, the Fund is in charge of the Secretariat of the Task Force on Enhancement of Financial Inclusion and the Secretariat of the Task Force on Financial Stability. These two task forces were established by the Board of Arab Central Bank and Monetary Agency Governors. In that context, the Fund continued in 2015 to carry out its responsibilities in terms of making necessary preparations for meetings, preparing studies, papers and reports required by the Council, its bureau, committees and task forces.

As part of its responsibility as the **Secretariat of the Board of Governors of Arab Central Banks and Monetary Agencies**, during 2015 the Fund organized in Egypt the 39<sup>th</sup> Session of the Board on September 13<sup>th</sup>, 2015. The agenda of the meeting included several items, mainly the Report of the Secretariat, the initial limited version of the Joint Arab Economic Report for 2015, a discussion on regional and international economic and financial developments, and the recommendations of the 24<sup>th</sup> and 25<sup>th</sup> Meetings of the Arab Committee on Banking Supervision. The agenda also included a discussion of the Report and Recommendations of the 11<sup>th</sup> Meeting of the Arab Committee on Payment and Settlement Systems.

In addition, the agenda included a Report on the Work of the Regional Task Force on the Enhancement of Financial Inclusion in Arab Countries a Report on the Work of the Regional Task Force on Financial Stability. Furthermore, the agenda included a discussion on ways and means to further improve credit reporting system and strengthening coordination and exchange of experience in this respect.

Under these items, the Board discussed a number of topics and working papers on “Managing Large Exposures- Arab Country Experience”, “Addition Capital Requirements for Controlling Cyclical Fluctuation and Credit Risks”, “The Role of Macro-prudential Policies in Enhancing Financial Stability In Arab Countries”, “Recent Supervisory Developments in Anti Money Laundering and Crime

Finance Transfers (AML-CFT), and the Importance of Preparations for the Second Round of Mutual Assessments”, “Requirements for Developing Small Value Payment Systems”. Papers discussed also covered “Requirements for a National Comprehensive Strategy for Enhancement of Financial Inclusion in Arab Countries”, Linkages between Financial Stability and Financial Inclusion”, as well as a “Comprehensive Report on the Status of Credit Reporting Systems in Arab Countries” prepared by the Fund in cooperation with the IFC. The Council discussed a follow-up report on the regional inter-Arab payment clearing and settlement system project and a recommendation by the sub-committee in charge of the project. The Council advised that work should proceed to the design phase, in cooperation with Arab central banks.

During the same meeting, discussion covered how to respond to recent action by global correspondent banks in the course of de-risking and their work relations with Arab banks. Deliberations covered policies and action needed by Arab supervisory authorities and banking institutions to respond to the spillovers of action by correspondent banks.

As part of its responsibility as Technical Secretary of **Arab Committee on Banking Supervision**, the Fund organized the 25<sup>th</sup> and 26<sup>th</sup> Annual Meetings of the Committee in Abu Dhabi during May and December, 2015. During these meetings, the Committee discussed a number of topics and working papers, including “The Role of Macro-prudential Policies in Enhancing Financial Stability In Arab Countries”, “Recent Supervisory Developments in AML”, “Banking Information Safety and Security”, “Supervisory Requirements for Islamic Banks”, and “Supervisory Implications of the Implementation of New International Financial Reporting Standards”. Discussions also covered a paper on how to respond to risks created by new actions of correspondent banks. In addition, the agenda included reports on the Work of the Regional Task Force on the Enhancement of Financial Inclusion in Arab Countries and the Work of the Regional Task Force on Financial Stability as well as a discussion on recent regulatory and supervisory developments in the Arab region. The meetings were

attended by representatives of the Basel Committee, FSB, IMF, the Global Alliance on Financial Inclusion and MENA FATF. This shows the attention paid by the committee to constant communication with IFIs concerned with banking supervision and financial stability issues.

During the year, the Committee adopted new by-laws that would enhance its role in coordination and exchange of experience among Arab central banks, expand its domain to cover financial stability issues. In this respect, the Committee recommended that a task force on financial stability be created. Accordingly, the Fund organized the first meeting of the said task force in Abu Dhabi during March 2015. The meeting was attended by directors in charge of financial stability at Arab central banks. During the meeting, draft terms of reference for the work of the task force were finalized. The meeting discussed country experience in the field of financial stability and adopted an action program for the next phase. The Fund organized the second meeting of the said task force in Abu Dhabi during September, 2015. The meeting discussed a number of issues, including a study on interaction between macro-prudential and macroeconomic policies, a framework for crisis management, early warning indicators, a methodology for macro stress testing, Deliberations covered the implications of recent action by correspondent banks on risk re-assessment for Arab banks, and the initiation of an Annual Arab Financial Stability Report.

In addition, the Fund in 2015 organized three meetings (the Fourth, Fifth and Sixth Meetings) of the Regional Task Force on Enhancement of Financial Inclusion in Arab Countries. The meetings were held in Abu Dhabi in February and June, and in Amman, Jordan, in November 2015. During these meetings, the Task Force discussed a number of topics, including “The Linkages between Financial Stability and Financial Inclusion”, “Requirements for a National Comprehensive Strategy for Enhancement of Financial Inclusion in Arab Countries”, issues related to financial education and awareness and the development of indicators and data-related issues in measuring financial inclusion in Arab countries.

As part of its duties as the **Secretariat of the Arab Committee on Payment and Settlement Systems**, the Fund in 2015 organized the 11<sup>th</sup> Meetings of the Committee in Oman in March 2015. During the meeting, the Committee discussed a number of topics, including “Issues Related to the Implementation of New International Principles on the Capital Market Infrastructure”, “The Linkage between Unified Global Legal Coding and Payment Systems”. The Committee also discussed working papers on “Requirements for promotion of Small Value Payment Systems”, “Oversight of Payment and settlement Systems”, “Issues Related to Improvement of Government Payment and Collection Systems” and “A System for the Protection of Compensation of Employees”. The meeting was attended by representatives of the BIS International Committee on Payment Systems and Financial Infrastructure, the World Bank, the institution in charge of global legal coding. They made presentations on issues included in the agenda of the meeting. During the year, the Committee adopted new by-laws that would enhance its role in coordination and exchange of experience among Arab central banks in fields related to **payment and settlement systems**. The Committee plans to hold a series of workshops on recent developments on these issues.

The Fund continued to cooperate with the Arab Committee on Payment and Settlement Systems, sub-Committee on the Inter-Arab Payment Clearing and Settlement Mechanism Project. During 2015, the Fund organized a number of meetings for the sub-Committee and its task force, during which a follow-up report was finalized, pursuant to a decision by the Board of Arab Central Banks and Monetary Authorities that convened a meeting of the Committee to develop a comprehensive work plan for pre-implementation requirements, as early as possible, that takes into account all relevant challenges and issues. The decision reiterated the importance to comply with international standards and to include Arab currencies in these standards. The report also included answers to queries and questions on the recommendation by the Committee to move to the design stage for the system as adopted by the Board.

In response to proposal by Arab credit reporting bureaus, the Fund in March 2015 organized a coordination meeting for officials in charge of credit reporting in Arab countries. It mainly dealt with a framework for cooperation and coordination among credit reporting agencies in the Arab region. The meeting offered an opportunity for deliberations on the status of credit reporting systems in the region and a discussion on the new international principles in this area. The meeting concluded that it was necessary to establish an Inter-Arab Committee on Credit Reporting that reports to the Board of Governors of Arab Central Banks and Monetary Agencies. The Board approved the establishment of the proposed committee.

Lastly, the Secretariat in 2015 produced a number of booklets and other publications, including papers and studies discussed by the Board during the previous year. The list of new publications includes a Glossary of banking Supervision Terminology, papers on “Managing Large Exposure Risks”, “Recent Supervisory Developments in AML-CFT”, “Additional Capital Requirements for Controlling Cyclical Fluctuations and Credit Risks”, “The Role of Macro-prudential Policies in Enhancing Financial Stability In Arab Countries”, Linkages between Financial Stability and Financial Inclusion”, “Requirements for a National Comprehensive Strategy for Enhancement of Financial Inclusion in Arab Countries”, and “Requirements for Developing Small Value Payment Systems”.

## **Secretariat of the Council of Arab Finance Ministers**

The Fund has been entrusted with the function of the **Technical Secretariat of the Council of Arab Finance Ministers** since the establishment of the Council and the start of its annual meetings in 2010. Within this context, in 2015 the Fund organized the Sixth Ordinary Session of the **Council of Arab Finance Ministers** in Kuwait as a side event to the Annual Meetings of Arab Financial Institutions.

The agenda of this session included a report of the Secretariat, follow-up reports on UAE initiative in support of economic stability in the Arab region and a

discussion on experience sharing in the area of tax reforms in Arab countries. Furthermore, the Council discussed regional and international economic developments and challenges that face Arab economies. Discussions covered working papers on “Improvement of Equity and Efficiency in Tax Systems in Arab Countries”, “Requirements of Human Capital Formation for Productive Jobs in Arab Countries”. Recent developments related to priorities and activities of the group and their implications for economic conditions in Arab countries were reviewed. The agenda also included a discussion on issues to be included in the annual letter of the Council to both IMF and WB Group.

In the light of the above, based on points agreed upon during the Sixth Session, proposals and ideas put forward by **Arab Finance Ministers**, the Fund drafted annual letters to be addressed on behalf of the **Council of Arab Finance Ministers** for dispatch to the President of WBG and the MD of IMF during September 2015. Furthermore, pursuant to a directive by the Council of Arab Finance Ministers, the Fund organized in 2015 a regular meeting for deputy finance ministers of Arab countries before the meetings of finance ministers. During that meeting, consultations were conducted with deputy ministers on the agenda for their first meeting that included topics and papers on Tax Reform in Arab Countries, Development of Diversification Policies in Arab Oil Exporting Countries, the Status of Investment and Development in Arab Countries, Responding to Labor Market Needs to Reduce Unemployment, and policies and Experience in Classification of Informal Sector of the Economy.

## **Cooperation and Partnership with Arab, Regional and International Organizations.**

During 2015, 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.



As part of its work to further cooperation and coordination with many **Arab and international organizations** in the best interest of its membership, whereby it promotes its objectives and tackle missions of common interest, 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). Within this framework, each organization prepares the Chapter assigned thereto as agreed upon for the annual issue of the report. The Fund takes care of the editing and production of the report since its inception in 1980.

With a view to enhancing the central role of the Fund in introducing and upgrading frameworks, mechanisms and activities that would expand opportunities for sharing experience of Arab countries as well as those of other countries and regional and international institutions, the Fund in 2015 continued with its endeavors to further its support to, and partnership with, international agencies and groups interested in its programs and activities as well as expanding areas and frameworks for cooperation with global financial institutions, development agencies and central banks.

Within this context, in 2015 the Fund signed a memorandum of understanding with the Islamic Development Bank during the annual meetings of Arab financial institutions. Main areas of cooperation identified in this MOU included technical advice to member countries in areas of common interest, particularly financial and banking sector and help with the development of Islamic finance instruments. The Fund signed an MOU with the Dubai Economic Council. It aims at supporting cooperation in the area of research, exchange of advice and data on economic, financial and monetary issues both at macro and micro levels, and enhancing joint capabilities and efforts. Cooperation would also cover exchange of experience in economic, financial and commercial fields, organization of joint events, and



consultation on proposals and initiatives related to issues of common interest, as well as technical advice to decision makers through participation in publishing economic reports in areas of common interest.

In its capacity as an observer in the meetings of MENAFATF, the Fund took part in the 21<sup>st</sup> and 22<sup>nd</sup> Plenary Meetings of the task force. The 21<sup>st</sup> Plenary Meeting of the task force was held in Oman during April 2015 and the 22<sup>nd</sup> Plenary Meeting was held in Bahrain during November 2015.

The Fund has continued in 2015 its engagement in a wide range of efforts to strengthen cooperation with relevant international economic, financial and banking institutions in a way that would serve the interests of its member countries and help achieve its objectives. The Fund took part in the Spring Meetings of the International Monetary Fund and the World Bank in April and in the Annual Meetings held in “Lima- Peru” in October 2015. During these Meetings, the Fund took part in the meetings of the Development Committee and the G24, the meeting of the Arab Governors’ Group with the President of the World Bank and the Managing Director of the IMF, and the Ministerial meeting on the Deauville Partnership Initiative.

Within the same context, the Fund held several meetings with IMF and WB departments to discuss joint initiatives with the Breton Woods Institutions. Likewise, the Fund held meetings with senior executives of the African Development Bank, the European Investment Bank, the European Development and Reconstruction Bank (EBRD) and the Organization for Economic Cooperation and Development (OECD).

As part of the Fund’s efforts to strengthen cooperation with the IMF and the WB, during the Spring Meetings held in Washington, DC, the Fund signed a Memorandum of Understanding (MOU) with the IMF on access to training for Arab cadres, supporting efforts being made to further develop domestic capital markets in the Arab region, and expanding cooperation on the ARABSTAT

initiative that aims at establishing efficient statistical systems in the region. Furthermore, the Fund signed a “Framework for Enhanced Partnership” with the WB Group to further support efforts being made by Arab countries to adopt joint strategies and programs for developing the financial sector, increase intra-regional trade, strengthen pillars of economic stability, accelerate inclusive economic growth and create more jobs in the region.

As part of its work to further cooperation with many **international organizations and institutions**, the Fund signed a MOU with the GIZ on behalf of the German Federal Ministry of Cooperation and Development. This MOU provides a framework for cooperation in areas of technical advice and capacity building in Arab countries, conduct of studies and organization of symposia on topics of common interest as well as topics of priority to Arab countries. Topics on access to finance, development of capital markets and development of non-banking financial sector are central to cooperation with the GIZ.

Within the same context, the Fund signed a MOU with the Bundesbank on a partnership between the two institutions to continue efforts aimed at providing technical advice and enhancing capacity building in the Arab region. The MOU provides for strengthening cooperation, developing joint programs and activities in areas of technical advice as well as support of human resource building and development. The Fund also signed a MOU with the World Islamic Liquidity Management Agency. This MOU aims at establishing a framework for cooperation between the two institutions, including the launch of joint programs and activities that would contribute to supporting economic development opportunities and enhancing financial inclusion in the Arab region through joint initiatives on technical support and capacity building with the objectives and programs of the two institutions.

Furthermore, the Fund took part in the 12<sup>th</sup> Annual Conference of the Islamic Financial Service Board (IFSB), held in “Almata- Kazakhstan”, in May 2015. The conference focused on the importance of the consistency of supervisory and

oversight principles on Islamic finance with the global framework of banking supervision. The Fund took part in the International Conference on Islamic Finance, convened by Turkish chairmanship of G-20 in Istanbul, August 31<sup>st</sup>, 2015.

## Reports, Bulletins, Research and Studies

As part of its strategy for 2015-2020, the Fund during 2015 focused on enhancing its role as a center for knowledge, expertise, technical advice and capacity building within its mandate, through doubled efforts to meet the needs of member countries to technical knowledge and development of research work and statistics with a view to strengthening the capabilities of professional and those interested in the economic, financial and monetary issues in Arab countries. The Fund did so through emphasis on developing and upgrading existing economic and statistical bulletins and reports, launching a whole range of reports on Arab economic outlook, financial stability in the Arab region, Arab capital markets and other issues of interest to policy and decision makers and economic researchers in Arab countries. In this respect, the Fund in 2015 developed and published the following research papers, reports and bulletins:

- **The Joint Arab Economic Report:** In cooperation with the Secretariat of the Arab League, the Arab Fund for Economic and Social Development, and the Organization of Arab Oil Exporting Countries, the Fund contributed the chapters on fiscal, financial, monetary and banking developments, Arab capital market developments, foreign trade, balance of payments, public foreign debt, and exchange regimes and rates in the Joint Arab Economic Report. In addition, the Fund continues to be in charge of its editing and publishing that report.
- **The Economic Statistical Bulletin on Arab Countries:** In 2015, the Fund issued the 35th edition of the Economic Statistical Bulletin on Arab Countries which covers various economic sectors in 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 aggregated statistics which reviews various sectorial developments in individual countries and in Arab countries as a group.

- **Statistics of Inter & Intra Arab Trade Competitiveness Bulletin:** In 2015, the Fund issued the fourth edition of this bulletin which covers data on inter-Arab trade, trade competitiveness indices measuring the share of commodities in international markets, such as the Comparative Advantage Index, country gross exports relative to inter-Arab commodity exports measured individually as a share of gross commodity exports in international markets.
- **Arab Economic Outlook Report:** This report contains projections on the macroeconomic performance of Arab economies in economic growth, price trends, monetary and fiscal conditions and the external sector. The aim is to provide decision makers in Arab countries with a forward-looking, analytical view of Arab economy performance. This report contributes to enhancing research work and responds to the needs of member countries to have projections on the macroeconomic performance of Arab economies as a distinct group. It adds to the weight of studies and reports produced by the Fund with member countries as they consult the same while formulating economic policies. In March and September 2015, the Fund published two issues of that report.
- **Follow-up Report on Economic Stability and Arab Financial System Development:** This report was prepared in response to recommendations endorsed by the Council of Arab Finance Ministers, held in Marrakech, 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 within their respective mandates. This report includes an analysis of macroeconomic performance, fiscal and monetary conditions, and external sector developments in Arab countries. It provides an overview of Arab Monetary Fund's efforts to enhance economic stability and support the financial sector in Arab countries, as well as the most important achievements of the Inter-Arab Trade Finance Program in terms of technical support to trade-related services. This report was presented during the Meeting of the Council of Arab Finance Ministers, held in Kuwait in April 2015.

- **Study on Youth Unemployment in Arab Countries:** This study covered the status of the problem as one of the major socio-economic challenges that face Arab countries. The study attempts to identify challenges to the employment of youth in the region and efforts by some Arab countries to stimulate employment levels through both policies for increasing skilled labor supply and policies that stimulate demand for labor. It analyzed the major determinants of successful employment policies based on international experience to develop recommendations to reduce the phenomenon and support inclusive sustainable economic growth.
- **Study on the Role of Macro- prudential Policies in Supporting Financial Stability in Arab Countries:** This study was conducted in cooperation with the IMF. It focused on the importance of macro-prudential policies for Arab countries. It shed light on the institutional framework for macro-prudential policies as well as efforts being made by Arab countries with a view to enhance financial systems and containing systemic risks using best practices in this respect. In addition, the study offered recommendations to increase the effectiveness of macro-prudential policies in support of financial stability in Arab countries. The study was presented during the 39<sup>th</sup> Session of the Board held in Cairo, Egypt in September, 2015.
- **Report on Bond Market Conditions in Arab Countries:** This report is co-authored by the Fund and the EBRD. It summarizes the outcome of missions

jointly fielded by the Fund and a number of international institutions to study bond market conditions in a number of member countries as part of the initiative on “development of domestic currency debt markets in Arab countries”. These included Jordan, Tunisia, Egypt and Morocco.

- **Report on Credit Reporting Systems in Arab Countries:** This is a joint report by world bank group represented by International Finance Agency. The report is part of the initiative on the development of credit reporting systems. It mainly attempts at a full analysis of credit reporting system status in Arab countries. It offered recommendations with a view to enhancing the role of credit reporting systems in expanding financial inclusion and access to finance.
- **Study on the Impact of Shale Oil and Gas on Global Oil market:** This study covered the production of shale oil and gas, including intensive use of water in the process and its environmental impact. It also provides details on global shale oil and gas reserves and consumption, as well as a comparison of production cost of fossil and shale oil and gas and the feasibility of shale oil and gas production in an environment of low global oil prices.
- First edition of the **Arab Competitiveness Report:** This report discusses mechanisms for measuring macroeconomic competitiveness and analyses the performance of foreign trade in all Arab countries concerned for which adequate data are available and compares them with reference countries during 2010-2013. The report reviews competitiveness indicators and economic developments in Arab countries in three chapters. In Chapter 1, the report reviews the methodology used in measuring the competitiveness of Arab economies. Chapter 2 reviews the performance of commodity foreign trade in Arab countries and analyses a matrix of the dynamics of commodity exports for the most critical products on global markets and benefits gained by Arab countries therefrom. Chapter 3 analyses the competitiveness of economic sectors in Arab economies compared to reference countries.



## Arab Trade Finance

The Arab Trade Financing Program (ATFP) was established in 1989 by virtue of a Resolution adopted by the Board of Governors of the Arab Monetary Fund for being a joint Arab financial Institution specialized in promoting Arab Trade. The ATFP authorized capital amounts to USD 1 billion distributed to two hundred thousand shares of USD 5000 each. The ATFP's shareholders are 53 national and regional Arab financial institutions and banks. 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.

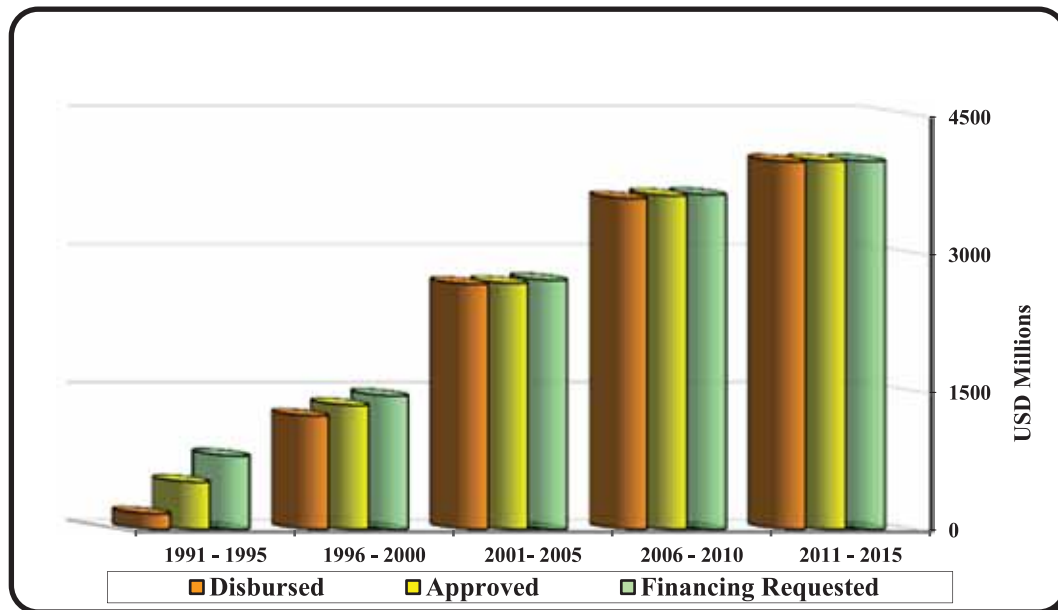
The program is keen on offering opportunities to support the promotion of trade flows between Arab importers and exporters. In line with this, ATFP organizes and conducts meetings between exporters and importers in specific sectors. In cooperation with numerous entities in Arab countries, the Program organized 18 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.

The wide stretch of national agencies contributes to the expansion of the ATFP activities, whereby the number of the said agencies reached to 210 agencies by the end of 2015, distributed in 19 Arab countries and 5 foreign countries. The value of requests received by the ATFP since its inception amounted to USD 12.58 billion for financing trade transactions worth US\$ 16.87 billion, where the Program approved to finance USD 12.15 billion thereof. Total disbursements during that period amounted to USD 11.64 billion. The following chart illustrates the gradual



developments of the accumulative financing activities from 1990 to the end of 2015.

**Chart (2) : ATFP Trade Finance Activity (Cumulative Basis)  
( 1991 - 2015)**



Regarding ATFP's trade information services, the Program has completed the construction of its Inter-Arab Trade Information Network (IATIN) and carried out its implementation at the regional level. The network is connected with 33 focal points spread over virtually all Arab countries. The Program's website ([www.atfp.org.ae](http://www.atfp.org.ae)) provides access to information on trade in all Arab countries.

## 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 2015, 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, on condition that 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 defined categories of shareholders which include Arab regional financial institutions, central banks, and public and private banking institutions, aiming at bolstering the resources directed to support Arab trade financing.

## Capital

The authorized capital of the Fund is defined in Article Twelve of the Articles of Agreement. The capital is divided into shares of AAD 50 thousand each. The Board of Governors of the Arab Monetary Fund has approved through resolution number (3) of 2013 increasing the Fund's authorized capital from AAD 600,000 thousand to AAD 1,200,000 thousand. The resolution has also called for subscriptions from Member States amounting to AAD 300,000 thousand, raising accordingly the subscribed capital to AAD 900,000 thousand. The resolution also provides for half of the subscriptions amounting to AAD 149,010 thousand to be paid by transfer from general reserves, and the remaining half amounting to AAD 149,010 thousand by cash transfer from Member States in five annual installments commencing in April 2014, while maintaining the deferral to call on Palestine share in accordance with the Board's resolution number (7) of 1978.

The paid-up share capital reached AAD 798,329 thousand at the end of 2015 (2014: AAD 769,457 thousand). The unpaid share capital of AAD 101,671 thousands at the end of 2015 (2014: 130,543 thousand) represents the balance of capital increase to be paid by Member States over the forthcoming period 2016-2018, and the unpaid part of the first and second installments of the cash transfer due April 2014 and 2015, in addition to the deferred share of Palestine.

## Reserves

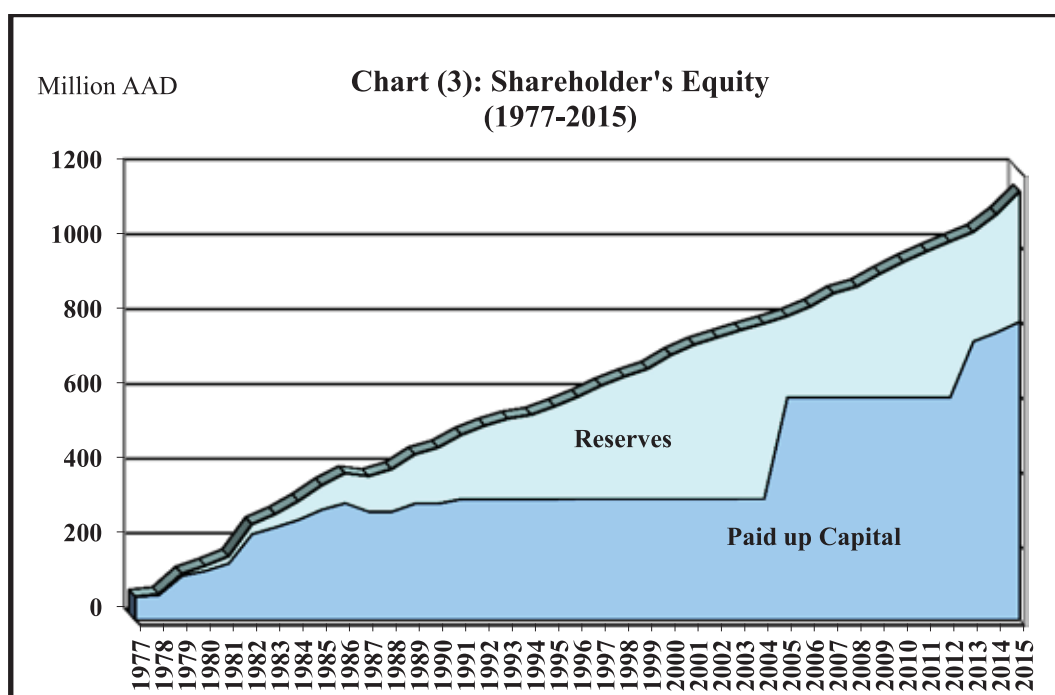
Reserves amounted to AAD 347,736 thousand at the end of 2015 compared to AAD 315,621 thousand at the end of 2014. The reserves at the end of 2015 represent approximately 44 percent of the paid up capital compared to 41 percent at the end of year 2014. Reserves are composed of the general reserve, contingency reserve and the reserve for revaluation at fair value for investments classified as available for sale. The **general reserve** balance reached AAD 191,854 thousand at the end of 2015, compared to AAD 161,856 thousand at the end of 2014.

The **contingency reserve** was established in accordance with the Board of Governors' resolutions No. (7) of 1989 and No. (4) of 2000, whereby an annual amount of AAD 5,000 thousand, or 10 percent of the net annual income for the year whichever is greater, is appropriated to the contingency reserve each year. This reserve is intended to mitigate unforeseen events in the future. The contingency reserve balance reached AAD 160,000 thousand at the end of 2015, compared to AAD 155,000 thousand at the end of 2014.

The **revaluation reserve** of available-for-sale investments showed a debit balance of AAD (4,118) thousand at the end of 2015, compared to a debit balance of AAD (1,235) thousand at the end of 2014.

### Shareholders' Equity

The net equity of the Fund's shareholders, represented by the paid-up capital and reserves, increased to AAD 1,146,065 thousand at the end of 2015, compared to AAD 1,085,078 thousand at 31 December 2014. Chart No. (3) below shows the growth in shareholders' equity of the Fund from inception to 31 December 2015:



The interest of **other shareholders in the Subsidiary**, represented by their interest in the capital and reserves of the Arab Trade Financing Program, amounted to the equivalent of AAD 116,731 thousand at the end of 2015, compared to AAD 111,463 thousand at the end of 2014, resulting in an increase of AAD 5,268 thousand. The increase is attributed mainly to the differences in USD exchange rate (The base currency of the Arab Trade Financing Program) vis-à-vis the AAD as at end of 2015 and 2014.

The total equity of the shareholders of the Arab Monetary Fund and other shareholders in the Subsidiary amounted to AAD 1,262,796 thousand at the end of year 2015, compared to AAD 1,196,541 thousand at end of 2014. The resources, were employed to finance loans to member countries, lines of credit to approved national agencies, and other assets as explained below.

### **Loans to Member States**

The balance of outstanding loans to Member States as at 31 December 2015 amounted to AAD 451,977 thousand, compared to AAD 402,047 thousand as at the end of 2014. Loan commitments however, amounted to AAD 528,845 thousand at the end of 2015, comprising the balance of outstanding loans in addition to the balance of approved and undisbursed loans of AAD 76,868 thousand at the end of 2015.

### **Lines of Credit**

Financing aimed at promoting and developing Arab trade is provided in the form of lines of credit by the Subsidiary (Arab Trade Financing Program) to exporters and importers in Member States through national agencies. The balance of drawings against contracted lines of credit amounted to AAD 137,045 thousand (US Dollars 570 million) as at 31 December 2015, compared to AAD 145,267 thousand (US Dollars 631 million) at the end of 2014.

## **Deposits at Central Banks of Member States**

In accordance with Article Fourteen of the Articles of the Agreement of the Arab Monetary Fund, 2 percent of the initial capital contributions were paid in the national currencies of Member States and deposited with their central banks. These deposits are revalued by the Member States at the end of each year to maintain their value in Arab Accounting Dinar. The total of these deposits was equivalent to AAD 5,336 thousand at end of years 2015 and 2014.

## **Other Assets**

Other assets include the Fund's contribution in the share capital of The Arab Investment and Export Credit Guarantee Corporation, the value of which amounted to the equivalent of AAD 7,400 thousand at 31 December 2015, compared to AAD 6,379 thousand at 31 December 2014. The Board of Governors originally approved by resolution No. (6) of 2002, contribution of the Fund on behalf of its Member States, in the increase of the Corporation's capital amounting to the equivalent of KWD 8,118 thousand which was paid in full. This was followed by the Board's resolution No. (3) of 2015 approving an additional subscription in the Corporation increase in capital by 25% and hence increasing the Fund's contribution to a total of KWD 10,148 thousand. The resolution also stipulated that this increase is to be paid in five equal installments three of which amounting to a total of KWD 1,218 thousand have already been paid, and the remaining balance of KWD 812 thousand to be paid in two installments during 2016 and 2017.

## **Investments**

The consolidated investment portfolio is comprised of current and call accounts with banks and the International Monetary Fund, time deposits with banks, and financial investments portfolios. The consolidated investments net of the accepted time deposits from Arab monetary and financial institutions amounted to AAD

745,520 thousand at 31 December 2015, compared to AAD 666,492 thousand at 31 December 2014.

## **Results of Operations**

Consolidated net income for the year ended 31 December 2015, after taking into consideration the interest of other shareholders in the Subsidiary, amounted to AAD 37,604 thousand, compared to AAD 26,064 thousand at 31 December 2014. The components of net income are as follows:

### **Income**

The total consolidated income of the Fund and the Subsidiary for the year ended 31 December 2015, net of interest paid on accepted deposits from Arab monetary and financial institutions of Member States, amounted to AAD 44,395 thousand, compared to AAD 32,943 thousand, for the year ended 31 December 2014.

### **Administration and General Expenditure**

The total consolidated Administrative and general expenditures of the Fund and the subsidiary for the year ended 31 December 2015 amounted to AAD 5,388 thousand, compared to AAD 4,857 thousand for the previous year. Expenditure includes staff expenses, Boards of Governors and Directors meetings expenses, office occupancy, entertainment, communication, bank charges and consultancy expenses.

### **Technical Assistance**

The Fund extends to its Member States various Technical assistance programs in collaboration with regional and international organizations based on partnership memorandums. The spending on technical assistance programs extended during 2015 amounted to AAD 652 thousand, out of which AAD 222 thousand were



contributed by regional and international partners in the form of both financial support and in-kind contributions, representing 34% of total spending. This is compared to total spending during 2014 of AAD 454 thousand, out of which AAD 120 thousand were contributed by the partners, representing 26% of total spending.

## Currencies

The Fund, when employing its resources, manages 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 resources are employed in assets 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 actual weights of the currencies of the SDR basket defined by the International Monetary Fund at the end of years 2015 and 2014, along with the respective exchange rates. The Arab Accounting Dinars is equal to their SDRs.

**Table (2)**

Currency	The Weights of the Currencies of SDR Basket		SDR Exchange Rates Against the Currencies of the Basket	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
US Dollar	47.63%	45.55%	1.386	1.449
Euro	33.25%	35.49%	1.272	1.192
Pound Sterling	11.87%	11.96%	0.935	0.928
Japanese Yen	7.25%	7.00%	166.828	172.886
	100.00%	100.00%		

## **Consolidated Financial Statements & Auditor's Report**

## **The Arab Monetary Fund**

### **CONSOLIDATED FINANCIAL STATEMENTS**

31 December 2015

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements 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 2015 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 its Subsidiary as at 31 December 2015 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 Subsidiary, and the consolidated financial statements are in agreement therewith and the total administrative expenses for the year are in accordance with the financial rules 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 the Fund Agreement 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.

KPMG Lower Gulf Limited  
Munther Dajani  
Registration No.: 268  
Abu Dhabi

03 March 2016

## The Arab Monetary Fund

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 December 2015

	Notes	2015 AAD 000	2014 AAD 000
<b>Assets</b>			
Loans to member countries	3	451,977	402,047
Lines of credit	4	137,045	145,267
Deposits with central banks of Member Countries	5	5,336	5,336
Term deposits with banks, current and call accounts		671,045	1,293,925
Financial investments	6	2,792,095	2,159,270
Accounts receivable and other assets	7	21,785	44,703
<b>Total assets</b>		<b>4,079,283</b>	<b>4,050,548</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Subscribed capital 900 million AAD			
Paid-up capital	8	798,329	769,457
Reserves	9	347,736	315,621
<b>Total equity</b>		<b>1,146,065</b>	<b>1,085,078</b>
<b>Interest of other shareholders in the Subsidiary</b>	10	<b>116,731</b>	<b>111,463</b>
<b>Liabilities</b>			
Deposits from Arab monetary and financial institutions	11	2,717,620	2,786,703
Accounts payable and other liabilities	12	98,867	67,304
<b>Total liabilities</b>		<b>2,816,487</b>	<b>2,854,007</b>
<b>Total equity and liabilities</b>		<b>4,079,283</b>	<b>4,050,548</b>



Abdulrahman A. Al Hamidy  
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 03 March 2016.

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 2015

	Notes	2015 AAD 000	2014 AAD 000
<b>Income</b>			
Interest and fee income on loans to member countries		19,944	9,370
Interest and fee income on lines of credit		1,883	1,552
Investment income	13	24,034	19,996
Interest income on deposits and current and call accounts		6,140	8,001
Other income		224	396
		<u>52,225</u>	<u>39,315</u>
Interest expense on accepted deposits from Arab monetary and financial institutions		<u>(7,830)</u>	<u>(6,372)</u>
		<u>44,395</u>	<u>32,943</u>
<b>Expenses</b>			
Administration and general expenses	14	5,388	4,857
Technical assistance expenses	15	430	334
Contribution to HIPC	16	-	657
		<u>5,818</u>	<u>5,848</u>
Net income before the interest of other shareholders in the Subsidiary		38,577	27,095
Interest of other shareholders in the Subsidiary		<u>(973)</u>	<u>(1,031)</u>
<b>Net Income</b>		<u>37,604</u>	<u>26,064</u>

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 2015

	Paid-up capital	General reserve	Contingency reserve AAD 000	Available for sale investments valuation reserve	Total
<b>2014</b>					
<b>Comprehensive Income</b>					
Net income for the year 2014	-	26,064	-	-	26,064
Unrealized changes in values of investments through equity excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	(256)	(256)
<b>Net Comprehensive Income</b>	-	26,064	-	(256)	25,808
<b>Changes in equity</b>					
Balance at 1 January 2014	745,545	143,383	150,000	(979)	1,037,949
Prior years adjustment	-	216	-	-	216
Contributions received in cash to increase share capital (Notes 8)	23,912	-	-	-	23,912
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (12 <sup>th</sup> )	-	(2,807)	-	-	(2,807)
<b>Balance at 31 December 2014</b>	<b>769,457</b>	<b>161,856</b>	<b>155,000</b>	<b>(1,235)</b>	<b>1,085,078</b>
<b>2015</b>					
<b>Comprehensive Income</b>					
Net income for the year 2015	-	37,604	-	-	37,604
Unrealized changes in values of Investments through equity excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	(2,883)	(2,883)
<b>Net Comprehensive Income</b>	-	37,604	-	(2,883)	34,721
<b>Changes in equity</b>					
Balance at 1 January 2015	769,457	161,856	155,000	(1,235)	1,085,078
Contributions received in cash to increase share capital (Notes 8)	28,872	-	-	-	28,872
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (13 <sup>th</sup> )	-	(2,606)	-	-	(2,606)
<b>Balance at 31 December 2015</b>	<b>798,329</b>	<b>191,854</b>	<b>160,000</b>	<b>(4,118)</b>	<b>1,146,065</b>

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 2015

	Notes	2015 AAD 000	2014 AAD 000
<b>Operating activities</b>			
Net income for the year		37,604	26,064
Adjustments for:			
Depreciation of property and equipment		205	89
Changes in interests of other shareholders in the Subsidiary		5,932	22,858
		<u>43,741</u>	<u>49,011</u>
Loans drawings		(186,594)	(59,325)
Loans repayments		136,664	123,374
Change in lines of credit		8,222	(13,707)
Change in accounts receivable and other assets		23,079	(20,655)
Change in accounts payable and other liabilities		32,524	(37,553)
Change in deposits with banks maturing after six months from the date of the statement of financial position		51,206	(35,154)
Change in deposits from Arab monetary and financial institutions		(69,083)	83,799
<b>Net cash from operating activities</b>		<u>39,759</u>	<u>89,790</u>
<b>Investing activities</b>			
Purchase of property and equipment		(366)	(309)
Change in investments in multi-strategies and property funds		(352)	(49,037)
Change in securities available for sale through equity		(338,429)	(106,892)
Change in securities held-to-maturity		(296,927)	(275,436)
<b>Net cash used in investing activities</b>		<u>(636,074)</u>	<u>(431,674)</u>
<b>Financing activities</b>			
Contributions received to increase share capital		28,872	23,912
Dividends paid to other shareholders in the Subsidiary		(664)	-
Appropriations paid to support Palestinian People		(3,567)	(2,880)
<b>Net cash from financing activities</b>		<u>24,641</u>	<u>21,032</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(571,674)</u>	<u>(320,852)</u>
Cash and cash equivalents at beginning of year		1,222,576	1,543,428
<b>Cash and cash equivalents at end of year</b>	18	<u>650,902</u>	<u>1,222,576</u>

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 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), under the historical cost convention as modified for forward foreign exchange contracts and available for sale investments 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"). Each AAD is equal to three Special Drawing Rights ("SDR") as defined by the International Monetary Fund.

The preparation of consolidated 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.

##### (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 2015 and 2014 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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (c) Applicable standards with future effective dates

The International Financial Reporting Standards with future effective dates and apply to the Fund are IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" effective 01 January 2018. The fund is intending to consider their application at the time they become effective, depending on the evaluation of their effect on the consolidated financial statements.

##### (d) 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 consolidated statement of income when the investment is de-recognised or impaired, as well as through the amortisation process

###### iii Available-for-sale investments - at fair value through consolidated statement of income

Available-for-sale investments comprise investments in multi-strategies and real estates funds measured at net assets value which represents their fair value at the statement of financial position, with changes in the net assets value recognized in the consolidated statement of income

###### iv Available-for-sale securities - at fair value through equity

Available-for-sale securities portfolio comprise those investments in bonds and financial papers other than held-to-maturity investments. It does not comprise of loans, or receivables originated by the Fund or the Subsidiary. Investments which are classified as "available-for-sale" through equity 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 consolidated statement of income.

The fair value of available-for-sale 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 consolidated statement of income.

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



## The Arab Monetary Fund

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

##### (e) 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 consolidated statement of income 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 consolidated statement of income for the period.

##### (f) Foreign currencies

###### i *Foreign currency transactions*

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Assets (except property and equipment) and liabilities denominated in foreign currencies at the statement of financial position date are translated to Arab Accounting Dinar (AAD) which is equivalent to three Special Drawing Rights (SDR) at the exchange rates announced by the International Monetary Fund for the said date. Forward foreign exchange contracts are valued at market rates applicable to their respective maturities at the statement of consolidated financial position date, and any resulting net gains or losses are taken to the consolidated statement of income.

Property and equipment are recorded at rates of exchange prevailing at date of purchase.

###### 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 comprising the Special Drawing Rights unit to which the AAD is associated. The investment in the subsidiary is included in the US Dollar Component of the fund's assets aligned to the SDR currency composition. Accordingly, the exchange differences arising from the translation of the Subsidiary's financial statements are offset by the corresponding differences arising from translation of the 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. Any profit or loss arising from changes of the fair value of the derivatives is recognized through profit and loss.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

##### (g) Depreciation of property and equipment

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

##### (h) 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 at least. 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.

##### (i) Revenue recognition

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

##### (j) Cash and cash equivalents

For the purposes of the consolidated 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

	2015 AAD 000	2014 AAD 000
Balance at 1 January	402,047	466,096
Drawings during the year	186,594	59,325
Repayments during the year	(136,664)	(123,374)
Balance at 31 December	451,977	402,047

Loans to Member Countries at 31 December 2015 include over one year principal amounts overdue and not received of AAD 17,757 thousand (2014: AAD 23,583 thousand). Total outstanding loans balance of countries in delay as at 31 December 2015 amounted to AAD 17,757 thousand (2014: AAD 71,158 thousand). Loans to Member Countries also include unrealised capitalized interest balances which form part of restructured debt positions 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 capitalized interest is included in accounts payable and other liabilities as deferred income, and gradually amortized to the consolidated statement of income proportionately with the debt repayments. The balance of unrealised capitalized interest as at 31 December 2015 amounted to AAD 39,613 thousand (2014: AAD 53,545 thousand).

The undisbursed balance of the contracted loans at 31 December 2015 amounted to AAD 76,868 thousand (2014: AAD 72,237 thousand).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 4 LINES OF CREDIT

	2015 AAD 000	2014 AAD 000
Balance at 1 January	145,267	131,560
Drawings during the year	195,306	183,371
	<u>340,573</u>	<u>314,931</u>
Repayments during the year	(210,140)	(178,040)
Differences in translation to AAD	6,612	8,376
Balance at 31 December	<u>137,045</u>	<u>145,267</u>

Lines of credit represent facilities provided by the Subsidiary with the aim of promoting intra-Arab trade. Unutilised balances of contracted lines of credit as at 31 December 2015 amounted to AAD 289 thousand (2014: AAD 1,081 thousand).

#### 5 DEPOSITS WITH CENTRAL BANKS OF MEMBER COUNTRIES

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

#### 6 FINANCIAL INVESTMENTS – Composition and Valuation Techniques

Financial investments are comprised of highly rated instruments of governments, governmental corporations, international institutions, financial and non-financial corporations, banks and multi strategies and property funds. Investments reported at fair value are categorised using the fair value hierarchy of inputs used to measure fair value as follows:

	2015 AAD 000	2014 AAD 000
<b>Investments at fair value through equity:</b>		
Investment in securities (level 1)	685,341	349,795
<b>Investments at fair value through income statement:</b>		
Investment in multi-strategies and property funds (level 2)	67,474	67,122
<b>Held-to-maturity securities (at amortised cost)</b>	<u>2,039,280</u>	<u>1,742,353</u>
	<u>2,792,095</u>	<u>2,159,270</u>

Level 1: Investments are valued using quoted prices in active markets for identical instruments.

Level 2: Investments are valued using inputs observable directly or indirectly.

**Change in fair value of investments through equity:**

	2015 AAD 000	2014 AAD 000
Change in value of investments in securities	<u>(4,118)</u>	<u>(1,235)</u>

#### Value of held-to-maturity financial investments

The market value of the held-to-maturity investments at 31 December 2015 was AAD 2,037,181 thousand (2014: AAD 1,745,838 thousand).



## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2015

#### 7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2015 AAD 000	2014 AAD 000
Gross interest receivable	105,583	104,649
Deduct: Interest in suspense in accordance with rescheduling agreements	(45,593)	(45,593)
Overdue interest receivable - provided for	(49,083)	(47,762)
	<u>10,907</u>	<u>11,294</u>
Contribution in Arab Investment & export credit Guarantee Corporation	7,400	6,379
Property and equipment	653	492
Other debit balances	1,423	6,788
Net value of investment transactions	<u>1,402</u>	<u>19,750</u>
	<u>21,785</u>	<u>44,703</u>

The Fund's share in the Arab Investment & Export Credit Guarantee Corporation consists of 10,148 shares at a nominal value of one thousand Kuwaiti Dinar (KWD) per share, representing about 11% of the authorized and offered for subscription capital, out of which 9,336 shares were fully paid with a nominal value of KWD 9,336 thousand. The remaining 812 shares with a nominal value of KWD 812 thousand to be paid in two equal instalments during 2016 and 2017.

#### 8 SUBSCRIBED AND PAID-UP CAPITAL

	2015 AAD 000	2014 AAD 000
Authorized Capital (24,000 shares of AAD 50 thousand each)	1,200,000	1,200,000
Subscribed capital (18,000 shares)	<u>900,000</u>	<u>900,000</u>
Unpaid capital	(101,671)	(130,543)
Capital paid-up	<u>798,329</u>	<u>769,457</u>

The Board of Governors of the Arab Monetary Fund had approved through resolution number (3) of 2013 increasing the Fund's authorized share capital by AAD 600 million, to become 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 149.010 million to be paid by transfer from general reserve, and the remaining half amounting to AAD 149.010 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 capital amount represents the increase in the share capital to be paid in three equal instalment through cash transfers during the period 2016-2018 and the remaining part of the first and second instalments which were due in April 2014 and 2015, in addition to the deferred share of Palestine.



## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 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 2015 includes AAD 18,108 thousand (2014: AAD 17,839 thousand) being the Fund's share in reserves of the Subsidiary.

The Board of Governors approved through resolution number (6) of 2015, a 13<sup>th</sup> appropriation of 10% of 2014 net income amounting to AAD 2,606 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (7) of 2014, a similar appropriation of 10% of 2013 net income amounting AAD 2,807 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 2015 is 43.61% of the authorized share capital (2014: 43.61%).

	<i>2015</i>	<i>2014</i>
	<i>USD 000</i>	<i>USD 000</i>
Owners' equity in the base currency of the Subsidiary:		
Paid-up capital	986,605	986,605
Reserves	126,199	124,278
Total owners' equity	<u>1,112,804</u>	<u>1,110,883</u>
The percentage of other shareholders interest in the Subsidiary	43.61%	43.61%
The value of other shareholders interest in the Subsidiary	<u>485,268</u>	<u>484,463</u>
	<i>2015</i>	<i>2014</i>
	<i>AAD 000</i>	<i>AAD 000</i>
The value of other shareholders interest in the Subsidiary in the base currency of the Fund	<u>116,731</u>	<u>111,463</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2015

#### 11 DEPOSITS FROM ARAB 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 and financial institutions at agreed rates of interest.

#### 12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015 AAD 000	2014 AAD 000
Unrealised capitalized interest	39,613	53,545
Investments repurchase agreements	45,795	-
Accrued interest payable	1,147	869
Other credit balances	12,312	12,890
	<u>98,867</u>	<u>67,304</u>

#### 13 INVESTMENT INCOME

	2015 AAD 000	2014 AAD 000
Investment in multi-strategies funds – through equity	-	1,016
Available-for-sale securities – through equity	4,979	4,320
Investment in multi-strategies and property funds - through statement of income	705	835
Held-to-maturity securities	18,350	13,825
	<u>24,034</u>	<u>19,996</u>

#### 14 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2015 include Board of Directors remuneration and employees salaries and benefits amounting to AAD 4,242 thousand (2014: AAD 3,925 thousand). The Fund and its Subsidiary employed 176 employees as of 31 December 2015 (2014: 180 employees).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 15 TECHNICAL ASSISTANCE EXPENSES

	2015 AAD 000	2014 AAD 000
Training courses, seminars and direct technical assistance	652	454
Cash and in-kind contribution from participating partner institution	(222)	(120)
	<u>430</u>	<u>334</u>

#### 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 consolidated statement of income on the accrual basis. HIPC programs with benefiting Member Countries were completed in 2014.

	2015 AAD 000	2014 AAD 000
Cumulative balance of debt reliefs up-to 31 December	6,360	6,360
Cumulative balance of debt reliefs at beginning of year	(6,360)	(5,703)
Debt reliefs recognised in the statement of income for the year	<u>-</u>	<u>657</u>

#### 17 MANAGED FUNDS

The Fund and the Subsidiary assigned parts of their investment portfolios for management by a number of specialised external fund managers for agreed fees in accordance with respective fund management agreements. Managed funds amounted to AAD 120,038 thousand as at 31 December 2015 (2014: AAD 118,775 thousand).

Funds managed by the Arab Monetary Fund for Arab Specialised Organisations amounted to AAD 5,802 thousand as at 31 December 2015 (2014: AAD 6,582 thousand).

#### 18 CASH AND CASH EQUIVALENTS

	2015 AAD 000	2014 AAD 000
Current and call accounts with banks and International Monetary Fund	20,536	6,551
Deposits with banks	650,509	1,287,374
Less: deposits maturing after six months from the consolidated statement of financial position date	(20,143)	(71,349)
	<u>650,902</u>	<u>1,222,576</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 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:

	2015 AAD 000	2014 AAD 000
Arab countries	792,224	1,149,428
Europe	1,074,077	991,428
North America	257,666	228,612
Far East and Pacific	1,129,204	934,096
Supra National Organisations	208,604	148,131
Africa	1,365	1,500
	<u>3,463,140</u>	<u>3,453,195</u>

#### 20 PENSION OBLIGATIONS

In accordance with the policies followed by the Pension of the Arab Monetary Fund, an actuarial valuation of the Pension Plan obligations is carried out every three years at least. The valuation which was carried out as at 31 December 2014, 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 52,081 thousand (AAD 3,263 thousand). Based on the assumptions made in the actuaries' report, the book value of the Pension Plan assets of UAE Dirhams 49,312 thousand (AAD 3,089 thousand) as at the valuation date was less than the present value of retirement benefits in respect of the service up to the valuation date by UAE Dirhams 2,769 thousand (AAD 174 thousand). The difference was partially covered during 2015, and the remaining balance will be covered during 2016 in accordance with the related Pension Plan policies.

The amount of pension contributions recognised as an expense in the financial statements of the Fund for the year ended 31 December 2015 amounted to AAD 190 thousand (2014: AAD 183 thousand).

Funds managed by the Arab Monetary Fund for its Pension Plan amounted to UAE Dirhams 41,310 thousand (AAD 2,706 thousand) as at 31 December 2015 (2014: UAE Dirhams 49,312 thousand (AAD 3,089 thousand)).



## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2015

#### 21 FINANCIAL INSTRUMENTS

##### (a) Maturities of assets and liabilities- 31 December 2015

Maturity analysis of the consolidated assets and liabilities as at 31 December 2015 were as follows:

	Total	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
	AAD 000					
<b>Assets</b>						
Current and call accounts with banks & IMF	20,537	20,537	-	-	-	-
Term deposits with banks	650,508	630,365	20,143	-	-	-
Available- for-sale securities	685,341	685,341	-	-	-	-
Multi- strategies and property funds	67,474	67,474	-	-	-	-
Held-to-maturity securities	2,039,280	1,289,915	315,945	414,509	18,911	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	137,045	116,993	15,146	4,856	-	50
Loans to member countries	451,977	38,960	41,086	323,254	30,920	17,757
Accounts receivable and other assets	21,785	12,379	1,169	140	-	8,097
	<u>4,079,283</u>	<u>2,861,964</u>	<u>393,489</u>	<u>742,759</u>	<u>49,831</u>	<u>31,240</u>
<b>Equity and liabilities</b>						
Interest of other shareholders in the Subsidiary	116,731	-	-	-	-	116,731
Deposits from Arab monetary and financial institutions	2,717,620	2,616,590	101,030	-	-	-
Accounts payable and other liabilities	98,867	51,109	4,622	26,676	7,647	8,813
	<u>2,933,218</u>	<u>2,667,699</u>	<u>105,652</u>	<u>26,676</u>	<u>7,647</u>	<u>125,544</u>

##### (a) Maturities of assets and liabilities- 31 December 2014

Maturity analysis of the consolidated assets and liabilities as at 31 December 2014 were as follows:

	Total	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
	AAD 000					
<b>Assets</b>						
Current and call accounts with banks & IMF	6,551	6,551	-	-	-	-
Term deposits with banks	1,287,374	1,216,025	71,349	-	-	-
Available- for-sale securities	349,795	349,795	-	-	-	-
Multi- strategies and property funds	67,122	67,122	-	-	-	-
Held-to-maturity securities	1,742,353	606,228	627,668	483,246	25,211	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	145,267	108,883	28,683	7,701	-	-
Loans to member countries	402,047	53,769	65,716	225,509	31,571	25,482
Accounts receivable and other assets	44,703	30,948	680	463	-	12,612
	<u>4,050,548</u>	<u>2,439,321</u>	<u>794,096</u>	<u>716,919</u>	<u>56,782</u>	<u>43,430</u>
<b>Equity and liabilities</b>						
Interest of other shareholders in the Subsidiary	111,463	-	-	-	-	111,463
Deposits from Arab monetary and financial institutions	2,786,703	2,754,262	32,441	-	-	-
Accounts payable and other liabilities	67,304	5,715	3,438	32,554	16,637	8,960
	<u>2,965,470</u>	<u>2,759,977</u>	<u>35,879</u>	<u>32,554</u>	<u>16,637</u>	<u>120,423</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

#### 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 consolidated financial statements at the consolidated 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 Member Countries' subscription to capital in convertible currencies and the credit rating of the counterparties. 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:

	<i>Change in basis points</i>	<i>2015 AAD 000</i>	<i>2014 AAD 000</i>
Effect on Owners' equity	25	237	297
Effect on Consolidated income statement	25	1,417	1,177

##### (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 consolidated financial statements and the fair value risk is being managed by diversifying the components of the assets.

##### (e) Currency risk

The Fund principally manages currency risk by substantially maintaining its assets in AAD 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 Fund and Subsidiary manage currency risk by hedging financial assets and liabilities denominated in currencies other than base currency against exchange rates fluctuations by using forward foreign exchange contracts, within the limits specified in the investment policy.

Forward foreign exchange contracts entered into and outstanding at 31 December 2015 amounted to AAD 1,447,758 thousand (2014: AAD 1,020,243 thousand).

## The Arab Monetary Fund

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2015

#### 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 the consolidated statement of changes in equity.



- **Appendixes**
- **Organization**
- **Management**

## Lending Appendixes

Appendix (A-1): Loans Extended to Member States, (1978 - 2015)

(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							
<b>Total</b>			<b>6,563</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,563</b>
1979	3	Mauritania	750							
	4	Morocco	1,875							
	5	Syria	750							
	6	Sudan	1,875							
	7	Sudan			11,250					
<b>Total</b>			<b>5,250</b>	<b>0</b>	<b>11,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,500</b>
1980	8	Mauritania	750							
	9	Mauritania		4,500						
	10	Somalia	1,500							
	11	Sudan				5,000				
<b>Total</b>			<b>2,250</b>	<b>4,500</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,750</b>
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							
<b>Total</b>			<b>15,405</b>	<b>8,820</b>	<b>44,590</b>	<b>9,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,615</b>
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				
<b>Total</b>			<b>14,280</b>	<b>0</b>	<b>13,240</b>	<b>3,920</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,440</b>
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						
<b>Total</b>			<b>34,545</b>	<b>5,700</b>	<b>0</b>	<b>31,800</b>	<b>8,880</b>	<b>0</b>	<b>0</b>	<b>80,925</b>
1984	40	Somalia	1,500							
	41	Yemen					4,900			
	42	Sudan			4,335					
	43	Morocco	1,875							
	44	Yemen	3,690							
<b>Total</b>			<b>7,065</b>	<b>0</b>	<b>4,335</b>	<b>0</b>	<b>4,900</b>	<b>0</b>	<b>0</b>	<b>16,300</b>
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							
<b>Total</b>			<b>42,495</b>	<b>0</b>	<b>0</b>	<b>7,760</b>	<b>700</b>	<b>0</b>	<b>0</b>	<b>50,955</b>

## Appendix (A-1): Loans Extended to Member States, (1978 - 2015)

(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							
<b>Total</b>			<b>21,555</b>	<b>6,250</b>	<b>3,250</b>	<b>0</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>33,555</b>
1987	65	Tunisia					3,450			
	66	Yemen		2,500						
	67	Iraq					18,620			
<b>Total</b>			<b>0</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>22,070</b>	<b>0</b>	<b>0</b>	<b>24,570</b>
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							
<b>Total</b>			<b>79,627</b>	<b>14,350</b>	<b>0</b>	<b>2,460</b>	<b>25,680</b>	<b>0</b>	<b>0</b>	<b>122,117</b>
1989	82	Iraq	3,300							
	83	Jordan		5,320						
	84	Egypt	5,250							
	85	Morocco			17,150					
	86	Algeria		41,640						
<b>Total</b>			<b>8,550</b>	<b>46,960</b>	<b>17,150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72,660</b>
1990	87	Mauritania			9,050					
	88	Egypt				6,625				
<b>Total</b>			<b>0</b>	<b>0</b>	<b>9,050</b>	<b>6,625</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,675</b>
1991										
1992	89	Morocco			14,800					
	90	Tunisia	3,675							
			<b>3,675</b>	<b>0</b>	<b>14,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,475</b>
1993	91	Mauritania			3,250					
<b>Total</b>			<b>0</b>	<b>0</b>	<b>3,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,250</b>
1994	92	Yemen	11,340							
	93	Mauritania				2,460				
	94	Jordan			7,980					
	95	Algeria			29,150					
<b>Total</b>			<b>11,340</b>	<b>0</b>	<b>37,130</b>	<b>2,460</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,930</b>
1995	96	Yemen		15,120						
	97	Tunisia	5,175							
	98	Jordan			5,320					
<b>Total</b>			<b>5,175</b>	<b>15,120</b>	<b>5,320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,615</b>
1996	99	Algeria			31,230					
	100	Mauritania			4,955					
<b>Total</b>			<b>0</b>	<b>0</b>	<b>36,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,185</b>

## Appendix (A-1): Loans Extended to Member States, (1978 - 2015)

(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					
<b>Total</b>			<b>0</b>	<b>367</b>	<b>19,656</b>	<b>2,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,683</b>
1998	104	Jordan							3,910	
	105	Yemen							9,057	
<b>Total</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,967</b>	<b>12,967</b>
1999	106	Algeria							30,605	
	107	Tunisia	5,175							
	108	Morocco							10,878	
	109	Tunisia							5,072	
	110	Lebanon	3,675							
<b>Total</b>			<b>8,850</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,555</b>	<b>55,405</b>
2000	111	Djibouti			245					
	112	Lebanon							3,601	
	113	Mauritania			4,000					
	114	Morocco				7,400				
	115	Egypt							23,153	
<b>Total</b>			<b>0</b>	<b>0</b>	<b>4,245</b>	<b>7,400</b>	<b>0</b>	<b>0</b>	<b>26,754</b>	<b>38,399</b>
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	
<b>Total</b>			<b>23,625</b>	<b>0</b>	<b>0</b>	<b>19,200</b>	<b>0</b>	<b>0</b>	<b>26,480</b>	<b>69,305</b>
2002	122	Egypt							30,870	
	123	Djibouti							420	
	124	Lebanon	3,675							
<b>Total</b>			<b>3,675</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,290</b>	<b>34,965</b>
2003	125	Morocco							11,100	
	126	Djibouti			368					
	127	Egypt			55,125					
<b>Total</b>			<b>0</b>	<b>0</b>	<b>55,493</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,100</b>	<b>66,593</b>
2004	128	Comoros	184							
	129	Tunisia							5,175	
	130	Sudan			9,800					
	131	Egypt							23,625	
<b>Total</b>			<b>184</b>	<b>0</b>	<b>9,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,800</b>	<b>38,784</b>
2005	132	Mauritania			8,600					
	133	Sudan							9,800	
	134	Lebanon							6,825	
<b>Total</b>			<b>0</b>	<b>0</b>	<b>8,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,625</b>	<b>25,225</b>
2006	135	Djibouti							350	
<b>Total</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>350</b>
2007	136	Syria							2,000	
	137	Lebanon							9,100	
<b>Total</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,100</b>	<b>11,100</b>
2008	138	Comoros		184						
	139	Djibouti						614		
	140	Syria							9,600	
	141	Lebanon						18,200		
<b>Total</b>			<b>0</b>	<b>184</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,814</b>	<b>9,600</b>	<b>28,598</b>

## Appendix (A-1): Loans Extended to Member States, (1978 - 2015)

(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				
<b>Total</b>			<b>7,365</b>	<b>0</b>	<b>0</b>	<b>21,880</b>	<b>0</b>	<b>0</b>	<b>69,258</b>	<b>98,503</b>
2010	147	Jordan				9,820				
	148	Jordan							17,185	
	149	Morocco							47,863	
	150	Yemen			43,000					
<b>Total</b>			<b>0</b>	<b>0</b>	<b>43,000</b>	<b>9,820</b>	<b>0</b>	<b>0</b>	<b>65,048</b>	<b>117,868</b>
2011	151	Morocco						13,675		
	152	Egypt	43,725							
	153	Egypt							58,300	
<b>Total</b>			<b>43,725</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,675</b>	<b>58,300</b>	<b>115,700</b>
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				
<b>Total</b>			<b>16,927</b>	<b>21,000</b>	<b>0</b>	<b>64,100</b>	<b>0</b>	<b>0</b>	<b>15,935</b>	<b>117,962</b>
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	
<b>Total</b>			<b>0</b>	<b>21,000</b>	<b>13,577</b>	<b>12,790</b>	<b>0</b>	<b>0</b>	<b>101,800</b>	<b>149,167</b>
2014	169	Mauritania			20,000					
	170	Yemen			36,510					
<b>Total</b>			<b>0</b>	<b>0</b>	<b>56,510</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,510</b>
2015	171	Jordan							13,285	
	172	Egypt							78,880	
	173	Egypt	59,160							
	174	Sudan			39,900					
<b>Total</b>			<b>59,160</b>	<b>0</b>	<b>39,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92,165</b>	<b>191,225</b>
<b>Total</b>			<b>421,286</b>	<b>146,751</b>	<b>450,331</b>	<b>207,675</b>	<b>64,730</b>	<b>32,489</b>	<b>624,127</b>	<b>1,947,389</b>

Appendix (A-2) : Loans Extended to Member States By Type, (1978 - 2015)

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	6	141.135
Morocco	10	29.550
Mauritania	7	10.320
Yemen	9	40.635
Comoros	1	0.184
<b>Total</b>	<b>63</b>	<b>421.286</b>

Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	3	26.090
Algeria	2	60.380
Sudan	5	70.285
Somalia	1	12.740
Egypt	1	55.125
Morocco	3	63.800
Mauritania	8	61.345
Yemen	3	99.166
Djibouti	2	0.613
Comoros	1	0.787
<b>Total</b>	<b>29</b>	<b>450.331</b>

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
<b>Total</b>	<b>14</b>	<b>146.751</b>

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
<b>Total</b>	<b>11</b>	<b>64.730</b>

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
<b>Total</b>	<b>20</b>	<b>207.675</b>

Structural Adjustment Facility (SAF)	No. of Loans	Value of Loans (Million AAD)
Jordan	5	51.869
Tunisia	6	64.944
Algeria	1	30.605
Sudan	2	19.600
Lebanon	3	19.526
Egypt	5	214.828
Morocco	6	192.208
Yemen	1	9.057
Djibouti	2	0.770
Syria	2	11.600
Mauritania	1	9.120
<b>Total</b>	<b>34</b>	<b>624.127</b>

Oil Facility	No. of Loans	Value of Loans (Million AAD)
Djibouti	1	0.614
Lebanon	1	18.200
Morocco	1	13.675
<b>Total</b>	<b>3</b>	<b>32.489</b>

## Appendix (A-3) : Balance of Outstanding Loans , (2014 - 2015)

(Thousands of AAD)

Country	End of 2014			End of 2015		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	26,963	3,895	30,858	27,156	5,314	32,470
Sudan	53,401	3,300	56,701	60,234	15,960	76,194
Syria	2,880		2,880	2,880		2,880
Somalia	14,877		14,877	14,877		14,877
Comoros		787	787		787	787
Iraq	56,446		56,446	47,307		47,307
Egypt	40,810		40,810	129,808	31,552	161,360
Morocco	65,880	20,000	85,880	52,000		52,000
Yemen	88,380	18,255	106,635	64,355	18,255	82,610
Muritania	10,912	10,000	20,912	15,000	5,000	20,000
Tunisia	41,498	16,000	57,498	38,361		38,361
<b>Total</b>	<b>402,047</b>	<b>72,237</b>	<b>474,284</b>	<b>451,978</b>	<b>76,868</b>	<b>528,846</b>



## Appendix (A-4) : Balance of Loans Commitments, 1978- 2015

(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
2014	56,510	474,284	402,047
2015	191,225	528,846	451,978

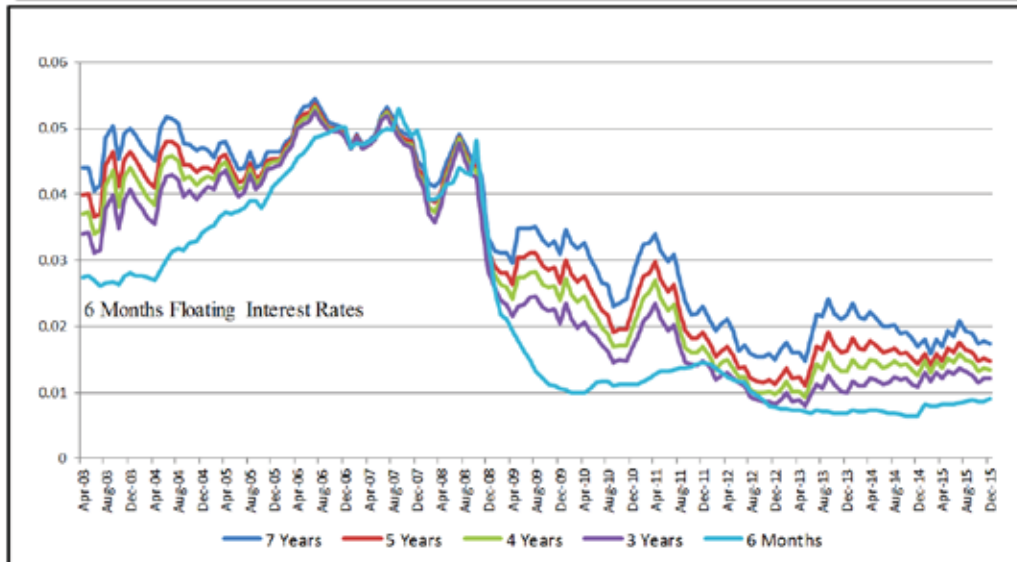
\* Total approved loans including disbursed and undisbursed balances minus repayments.

\*\* Total disbursed loans minus repayments.

Appendix (A-5) : Interest Rates According to the Maturity of Loans, (Jan. - Dec.) 2015

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
7 Years	1.79	1.59	1.80	1.68	1.94	1.85	2.08	1.92	1.89	1.73	1.78	1.73
5 Years	1.59	1.40	1.59	1.48	1.67	1.60	1.76	1.65	1.61	1.46	1.52	1.48
4 Years	1.46	1.29	1.46	1.36	1.51	1.45	1.57	1.49	1.44	1.31	1.37	1.35
3 Years	1.30	1.16	1.29	1.21	1.32	1.27	1.36	1.31	1.26	1.15	1.21	1.20
6 Months	0.81	0.79	0.80	0.81	0.81	0.82	0.83	0.85	0.87	0.86	0.86	0.90

Chart (4) : Interest Rates on Loans, (2003 - 2015)



## General Appendixes

### Appendix (B-1) : Capital at 31 December 2015

(Thousands of AAD)

Country	Authorized and Subscribed Capital	Paid-Up Capital			
		In Local Currencies	In Convertible Currencies	By a Transfer from General Reserve <sup>(2)</sup>	Total
1 Jordan	14,850	80	6,310	6,975	13,365
2 UAE	52,950	300	22,430	24,925	47,655
3 Bahrain	13,800	80	5,840	6,500	12,420
4 Tunisia	19,275	100	8,185	9,063	17,348
5 Algeria	116,850	760	49,430	54,975	105,165
6 Saudi Arabia	133,425	760	56,535	62,788	120,083
7 Sudan	27,600	200	9,800	13,000	23,000
8 Syria	19,875	80	7,120	9,363	16,563
9 Somalia	11,025	80	3,920	5,188	9,188
10 Iraq	116,850	760	49,430	54,975	105,165
11 Oman	13,800	80	5,840	6,500	12,420
12 Qatar	27,600	200	11,640	13,000	24,840
13 Kuwait	88,200	500	37,380	41,500	79,380
14 Lebanon	13,800	100	4,900	6,500	11,500
15 Libya	37,035	186	15,723	17,423	33,332
16 Egypt	88,200	500	37,380	41,500	79,380
17 Morocco	41,325	200	17,555	19,438	37,193
18 Mauritania	13,800	80	5,840	6,500	12,420
19 Yemen	42,450	280	16,535	19,975	36,790
20 Palestine <sup>(1)</sup>	5,940	0	0	0	0
21 Djibouti	675	5	245	313	563
22 Comoros	675	5	245	313	563
<b>Total</b>	<b>900,000</b>	<b>5,336</b>	<b>372,283</b>	<b>420,710</b>	<b>798,329</b>

(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 subscription 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, and the other half to be paid in 5 installments from member countries in cash.

Appendix (B-2) : Number of Participants Courses / Seminars / Workshops, (1988 - 2015)

	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
<b>Number of Activities</b>		<b>127</b>	<b>116</b>	<b>23</b>	<b>13</b>	<b>9</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>304</b>
Jordan	14	235	219	43	26	19	6	10	3	4	579
U.A.E	32	288	195	58	14	16	4	8	7	10	632
Bahrain	9	202	143	15	9	13	5	7	7	4	414
Tunisia	11	187	176	38	19	10	5	6	3	3	458
Algeria	6	176	160	21	16	15	4	8	4	3	413
Djibouti	0	15	294	1	0	2	2	0	0	0	314
Saudi Arabia	16	336	302	48	25	20	6	10	16	9	788
Sudan	14	169	224	37	14	16	5	6	4	6	495
Syria	8	190	216	64	68	18	5	5	3	4	581
Somalia	8	13	15	0	0	0	0	0	1	0	37
Iraq	13	129	396	23	15	8	5	2	3	2	596
Oman	9	192	181	39	17	13	6	8	7	6	478
Palestine	0	140	144	33	10	7	5	3	2	3	347
Qatar	5	172	118	23	19	16	5	5	10	3	376
Comoros	0	3	13	9	1	1	0	2	0	2	31
Kuwait	10	203	163	17	12	9	5	2	5	2	428
Lebanon	2	152	152	37	24	14	3	6	2	9	401
Lybia	0	164	112	16	13	7	4	4	3	1	324
Egypt	2	260	197	36	21	17	6	9	2	7	557
Morocco	15	164	216	21	15	15	6	8	3	4	467
Mauritania	9	136	149	21	10	13	1	2	5	4	350
Yemen	21	195	216	26	17	19	5	7	4	5	515
<b>Total</b>	<b>204</b>	<b>3,721</b>	<b>4,001</b>	<b>626</b>	<b>365</b>	<b>268</b>	<b>93</b>	<b>118</b>	<b>94</b>	<b>91</b>	<b>9,581</b>

## 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 annually elects, on rotation basis, one of the governors as Chairman. The Board of Governors holds all management powers. The Board convenes once a year during the first half of year at or outside its headquarters. As of December 31, 2015, the composition of the Board of Governors was as follows:

<u>Member Countries</u>		<u>Governors &amp; Deputy Governors</u>
<b>The Hashemite Kingdom of Jordan</b>	Governor	H.E. Dr. Ziad Fariz
	Deputy	H.E. Dr. Ezzeddin Kanakrieh
<b>The United Arab Emirates</b>	Governor	H.E. Obaid Humaid Al Tayer
	Deputy	H.E. Mubarak Rashid Al Mansouri
<b>The Kingdom of Bahrain</b>	Governor	H.E. Sheikh Ahmed Bin Moh'd Al Khalifa
	Deputy	H.E. Rashid Mohammed Al Mearaj
<b>The Republic of Tunisia</b>	Governor	H.E. Dr. El Chedly Ayari
	Deputy	H.E. Ahmed Torshy <sup>1</sup>
<b>The People's Democratic Rep. of Algeria</b>	Governor	H.E. Abdulrahman Bin Khalifa <sup>2</sup>
	Deputy	H.E. Dr. Mohammed Laksaci
<b>The Republic of Djibouti</b>	Governor	H.E. Boudi Ahmad Roubleh
	Deputy	H.E. Osman Ahmed Ali
<b>The Kingdom of Saudi Arabia</b>	Governor	H.E. Dr. Ibrahim Bin Abdul Aziz Al Assaf
	Deputy	H.E. Dr. Fahd Bin Abdullah Al-Mubarak

<sup>1</sup> With effect from January 2015, replacing H.E. Munya El-Saadawy.

<sup>2</sup> With effect from June 2015, replacing H.E. Mohamed Djellab..

<b>The Republic of Sudan</b>	Governor	H.E. Badr Elddine Mahmoud Abbas
	Deputy	H.E. AbdulRahman Hasan A. Hashem
<b>The Syrian Arab Republic</b>	Governor	H.E. Dr. Ismail Ismail
	Deputy	H.E. Dr. Adib M. Mayaleh
<b>Federal Republic of Somalia</b>	Governor	H.E. Mohamed Aden Ibrahim Fargeety <sup>3</sup>
	Deputy	H.E. Bashir Isse
<b>The Republic of Iraq</b>	Governor	H.E. Dr. Ali Mohsin Ismail(5)
	Deputy	H.E. Dr. Salahuddin Hamid Juaatta
<b>The Sultanate of Oman</b>	Governor	H.E. Darwish Bin Ismail Al Balushi
	Deputy	H.E. Hamoud Bin Sangor Al Zidjali
<b>The State of Palestine</b>	Governor	H.E. Dr. Jawad Naji Harzalla
	Deputy	H.E. Azzam El-Shawwa <sup>4</sup>
<b>The State of Qatar</b>	Governor	H.E. Ali Sherif Al Imaadi
	Deputy	H.E. Sheikh Abdullah Bin Saud Al-Thani
<b>Union of Comoros Republic</b>	Governor	H.E. Mohammad Ali Saleh
	Deputy	H.E. Mohamed Shanfou Mzy Abdou
<b>The State of Kuwait</b>	Governor	H.E. Anas Khaled Al Saleh
	Deputy	H.E. Dr. Mohammad Yousef Al Hashel
<b>The Republic of Lebanon</b>	Governor	H.E. Riad Salame
	Deputy	H.E. Raed Charafeddine
<b>State of Libya</b>	Governor	H.E. the Governor, CBL
	Deputy	H.E. the Deputy Governor, CBL
<b>The Arab Republic of Egypt</b>	Governor	H.E. Tareq Aamer <sup>5</sup>
	Deputy	H.E. Dr. Hany Kadry Dimian
<b>The Kingdom of Morocco</b>	Governor	H.E. Mohammad Boussaid
	Deputy	H.E. Abdellatif Jouhari
<b>The Islamic Republic of Mauritania</b>	Governor	H.E. Abdulaziz Weld Dahy <sup>6</sup>
	Deputy	H.E. Boumedienne Ould Al-Taayea <sup>7</sup>
<b>The Republic of Yemen</b>	Governor	H.E. Mohamed Mansour Zemam
	Deputy	H.E. Mohamed Awad Benhumam

<sup>3</sup> With effect from March 2015, replacing H.E Hussain Abdou Halane.

<sup>4</sup> With effect from November 2015, replacing H.E Dr. Jihad Al-Wazir.

<sup>5</sup> With effect from November 2015, replacing H.E Hisham Ramez Abdul Hafez.

<sup>6</sup> With effect from January 2015, replacing H.E Sid Ahmed Ould Al-Rayes.

<sup>7</sup> With effect from January 2015, replacing H.E Dr. Mohamed Al-Amine Raqqany.



## 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. The composition of the Board of Executive Directors for 2013-2016 is as follows:

Executive Directors	Country/countries represented	Voting (%) power
H.E Dr. Abdulrahman Bin Abdullah Al Hamidy	Director General Chairman of the Board	---
H.E. Mohammed Ben Saleh Alghofaili	Kingdom of Saudi Arabia	13.96
HE Abdul Haqq Bedjaoui	The People's Democratic Republic of Algeria	12.27
HE Muneer M. Omran	Republic of Iraq	12.27
HE Abdulaati Jaber Al-Haj (Sudan)	<ul style="list-style-type: none"> <li>- Arab Republic of Egypt</li> <li>- Republic of Yemen</li> <li>- Republic of Sudan</li> <li>- Federal Republic of Somalia</li> <li>- Republic of Djibouti</li> <li>- Union of Comoros Republic</li> </ul>	(*19.65)
HE Younis Haji Al-Khori (UAE)	<ul style="list-style-type: none"> <li>- State of Kuwait</li> <li>- United Arab Emirates</li> </ul>	15.13
HE Dr. Alshaikh Alkabar Moulay Al-Taher (Mauritania)	<ul style="list-style-type: none"> <li>- Kingdom of Morocco</li> <li>- State of Libya</li> <li>- Republic of Tunisia</li> <li>- Islamic Republic of Mauritania</li> </ul>	12.87
HE Alshaikh Salman Bin Issa Al-Khalifa (Bahrain)	<ul style="list-style-type: none"> <li>- State of Qatar</li> <li>- Kingdom of Bahrain</li> <li>- Sultanate of Oman</li> </ul>	6.77
HE Raed Charafeddine (Lebanon)	<ul style="list-style-type: none"> <li>- Syrian Arab Republic</li> <li>- Hashemite Kingdom of Jordan</li> <li>- Republic of Lebanon</li> <li>- State of Palestine</li> </ul>	7.07

\*The above voting power is affected by the temporary suspension of the voting power of Somalia.

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

The organizational structure of the Fund also comprises the Bureau of 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, a Risk Management Committee, apart from the Audit and Risk Committee that reports to the Board of Executive Directors.

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