صندوق النقد العربي
ARAB MONETARY FUND

ANNUAL REPORT 2017

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Content

Page

Preface

The Annual Report of Arab Monetary Fund has been produced under Article 33 of the AMF's Agreement. This report presents a summary of AMF's activities and financial position for the year that ends on December 31st, 2017. This includes financial and technical support provided by the Fund through lending and technical assistance, contributions to capacity building of official cadres of Arab ministries of finance, economy and commerce, central banks and statistical agencies through training courses, workshops and seminars organized by the AMF's Economic Policies Institute (EPI). The report reviews developments of AMF's investment activities conducted under Article 5 of the Agreement. This report also reviews activities aimed at supporting and promoting inter-Arab trade as well as events organized by the Fund in various economic areas to discuss solutions and proposals that respond to challenges facing Arab economies in order to shed light, and exchange views and experience, on current economic issues of interest to all Member Countries. This positively support economic development efforts in Arab countries, particularly those related to the financial and banking sector, and public finance sector. The report also highlights initiatives adopted by AMF to meet technical assistance needs of the Member Countries, with a view to set up the infrastructure for vibrant, modern and well-developed financial and banking systems in Arab Countries.

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

About AMF

Foundation:

Arab countries established the AMF with a view to laying the foundation for inter-Arab economic integration and promoting economic development in all Arab countries. The AMF Agreement was signed in Rabat, Morocco, on April 27th, 1976. The AMF Agreement is comprehensive in terms of purposes while it provides flexibility in terms of means that have been made available to serve those purposes. All Arab countries members of the League of Arab Countries are members to the AMF. Abu Dhabi, UAE, is the permanent head quarter of the AMF.

Mission:

The establishment of the AMF is the outcome of efforts made by Arab countries in monetary and financial cooperation since mid-1940s. Unlike all other regional economic blocks and groups, the Arab region is the only regional block that has its own monetary fund. This was a dream that came true for policy makers in Arab States for a long time. It is a mechanism that is meant to enhance monetary integration and cooperation among Arab countries within a wider joint Arab action framework that aims at enhancing inter-Arab economic cooperation and integration as a step towards full-fledged Arab Unity.

The AMF follows a proactive methodology in providing support to its Member States. It studies economic implications of global and regional developments for Arab countries and develops appropriate alternatives for providing financial and technical support to cope with such implications and to help affected Arab economies get back to sustainable development track. The AMF also follows a systematic, strategic plan on crisis management in case Arab economies face a crisis to help them manage its spillovers. The AMF has a respectable body of technical staff and specialists with relevant credentials from all Arab countries that can work under pressure.

The AMF lays emphasis on cooperation and experience sharing on monetary policy, coordination among Arab countries in international meetings and fora, as well as coordination among Arab central banks and monetary Agencies in all relevant areas. This would help share experience and coordinate stances on regional and international developments that are relevant to banking sector. These efforts in turn would promote monetary cooperation among Arab countries with a view to harmonizing the foundations of monetary policies in the region.

The topic of Arab capital market development also receives special attention by the Fund. This stems from the fact that the Fund values the role of capital markets in mobilizing funds for sustainable, comprehensive economic development plans. Ultimately, this would help create productive jobs, further diversify, scale up economies, and increase productivity.

The AMF provides technical assistance programs that are relevant to policy, work mechanisms and national capacity development in Member States. It is also bent upon developing for reaching regional initiatives to further improve payment systems, capital markets, economic data bases, national accounts statistics, financial inclusion efforts and other related activities within its mandate.

Objectives:

Article Four of the AMF Articles of Agreement identifies eight objectives for the Fund. They are as follows:

1. Correcting disequilibria in the balances of payments of AMF Member States.
2. Promoting the stability of exchange rates among Arab currencies, rendering them mutually convertible, and striving for the removal of restrictions on current payments between Member States.
3. Establishing such policies and modes of Arab monetary cooperation. The aim is to achieve the quickest pace of Arab economic integration and speed the process of economic development in Member States.
4. Rendering advice, whenever called upon, with regards to policies related to the investment of financial resources of Member States in foreign markets, to ensure the preservation of the real value of these resources and to promote their growth.
5. Studying ways to promote the use of the Arab Accounting Dinar (AAD) and paving the way for the creation of a unified Arab currency.
6. Promoting the development of Arab financial markets.
7. Coordinating the position of Member States in addressing international monetary and economic challenges with the aim of realizing their common interests while, at the same time, contributing to the resolution of world monetary challenges.
8. Settling current payments between Member States to promote trade among them.

Furthermore, Article Eight of the AMF Articles of Agreement stipulates that the Fund shall provide technical assistance and services in the financial and monetary domains to Member States pursuing economic agreements aimed at attaining monetary union between them, being a phase towards the realization of the goal of the Fund, namely, Arab economic and monetary integration.

Means and resources:

For the realization of its goals, AMF adopts several means that are spelt out in Article Five of its Articles of Agreement. They include: providing short-term and medium-term credit facilities to Member States with a view to assisting them to finance their overall balance of payments deficits with the rest of the world, resulting from the exchange of goods and services, transfers and capital flows; issuing guarantees in favor of Member States to strengthen their borrowing capabilities from other financial sources for financing overall deficits in their balances of payments; and acting as intermediary in the provision of loans in Arab and international financial markets for the account of Member States and under their guarantees.

The means also include: coordinating monetary policies of Member States and promoting cooperation between their monetary Agencies; liberalizing and promoting trade and insuring current payments and encouraging capital flows between Member States.

The AMF Articles of Agreement also stipulates that the Fund, in agreement with the Member State or States concerned, shall make necessary arrangements for managing funds placed at the Fund by a Member State or States for the benefit of other Arab or non-Arab parties in accordance with the goals of the Fund.

For the realization of the goals of the AMF, Article Six of the Fund's Articles of Agreement calls for cooperation among Member States and with the Fund with a view to reducing restrictions on current payments among Member States and restrictions on the transfer of capital and profits therefrom, with a view to eliminating those restrictions. Also, under Article Six of the AMF Articles of Agreement, each Member State shall endeavor to achieve the necessary degree of coordination between Arab economic policies, particularly fiscal and monetary, in a manner that will contribute to Arab economic integration and assist in creating the necessary conditions for the establishment of a unified Arab currency.

To reiterate flexibility granted to the Fund in the fulfillment of its mandate, Article Nine of the AMF Articles of Agreement stipulates that the Fund shall adopt, by a decision of the Board of Governors, any other measures that may assist in the realization of its goals. Under Article Eleven of the AMF Articles of Agreement, the resources of the Fund shall consist of the following: paid-up capital; reserves; loans and credits obtained by the Fund; and any other resources decided upon by the Board of Governors.

AMF Governance Framework

The AMF Governance Framework is based on a set of principles that are of paramount importance on its list of priorities. They can be summarized as follows:

Protection of membership rights and equal treatment: the AMF governance framework ensures that shareholder rights are protected and easy to exercise; and that members are equally treated. AMF system of governance is a framework that does not provide for unilateral decisions on core matters, be it at the level of the Board of Executive Directors or that of executive management departments. Members of the Board of Executive Directors' nominations are endorsed by the highest level of authority in the Fund, namely, the Board of Governors. They are elected from the citizens of Member Countries with experience and expertise. The Board of Executive Directors operates under procedural rules that govern decision taking.

At the level of executive management departments, work policies and procedure govern responsibilities and powers. Specialized committees consider, and recommend on, core matters.

Recognition of stakeholder rights: This principle covers the protection of stakeholder rights. Stakeholders are defined as Member States, AMF staff and contractors.

Disclosure and transparency: The Board of Governors that elects, and decides the remuneration of, Directors collectively ensures the disclosure of salaries and benefits of the Directors and their neutrality.

Accountability: AMF fully adheres to this principle at all levels. The **governance structure** of the Fund reflects the attention paid to defining roles and responsibilities across its supervisory, oversight and executive bodies, their integration, interaction, horizontal communication, opinion sharing, broadening the scope of knowledge, and insight, prior to taking a decision. The governance structure consists of the Board of Governors and the Board of Executive Directors under which there are the Audit and Risk Committee, the system of executive management, including executive departments and committees, the Office of Internal Audit; and the External Auditors.

Board of Governors represents all Arab countries. It is the highest authority of the Fund that oversees the strategic orientation, accountability and performance evaluation. The AMF Articles of Agreement entrusts all management powers to the Board of Governors, including that of delegation of powers to the Board of Executive Directors to exercise any non-exclusive powers.[1] It convenes annually under the by-laws that govern proceedings and voting. The Board of Governors annually elects one governor as chairman on rotation.

Board of Executive Directors is composed of the Director General as Chairman and eight members elected by the Board of Governors from the citizens of Member States with experience and expertise for renewable three-year tenures on a part-time basis. The Board of Executive Directors oversees AMF operations. It is collectively entrusted with oversight of key policy making, strategic plans and action programs, performance and accountability of executive management. It reports to the Board of Governors. The Board holds quarterly meetings to take decisions under relevant voting and decision-taking procedure specified in AMF's Articles of Agreement.

Audit and Risk Committee reports to the Board of Executive Directors. The mandate of this committee is to assist the Board in its supervisory function. It is entrusted mainly with ensuring financial statement integrity, follow-up on the implementation of risk management and internal control policies, the evaluation of the efficiency and effectiveness of the Internal Audit Office as well as the discussion of this office's reports, monitoring the independence of external auditors and the discussion of their reports and review of, and recommendation on, whistle blowing reports. The Audit and Risk Committee is composed of three members who are independent of the executive management of the Fund and who are elected by the Board of Executive Directors at the beginning of each session. The Audit and Risk Committee follows a charter that governs its work.

The organizational framework for executive management units consists of the Director General Chairman of the Board of Executive Directors and six specialized executive management departments, namely, the Economic and Technical Department, the Economic Policy Institute (EPI), the Investment Department, the Finance and Computation Department, the Administration Department and the Legal Department. Additionally, the executive management committees, namely, Loan Committee, Investment Committee, Administrative Committee and Risk Management Committee, in their respective advisory capacities, advise on core matters. The committee's membership consists of senior competent AMF staff. AMF organizational units operate within a coherent, integrated system of internal control that consists of regulations, policies and rules on AMF activities and operations. This serves as a safeguard against unilateral decisions on core matters.

Office of Internal Audit (OIA) is a major component of internal control system. AMF senior management ensures that OIA fulfills its mandate independently. Its function includes the evaluation of the effectiveness of internal control systems, risk management activities and governance under the approved methodology. It directly communicates with the Audit and Risk Committee that reports to the Board of Executive Directors.

External audit, in turn, is another important link in the AMF governance system. The Board of Governors is invested with exclusive powers to appoint external auditors. Under the AMF Articles of Agreement, these powers cannot be delegated to another body of the Fund.

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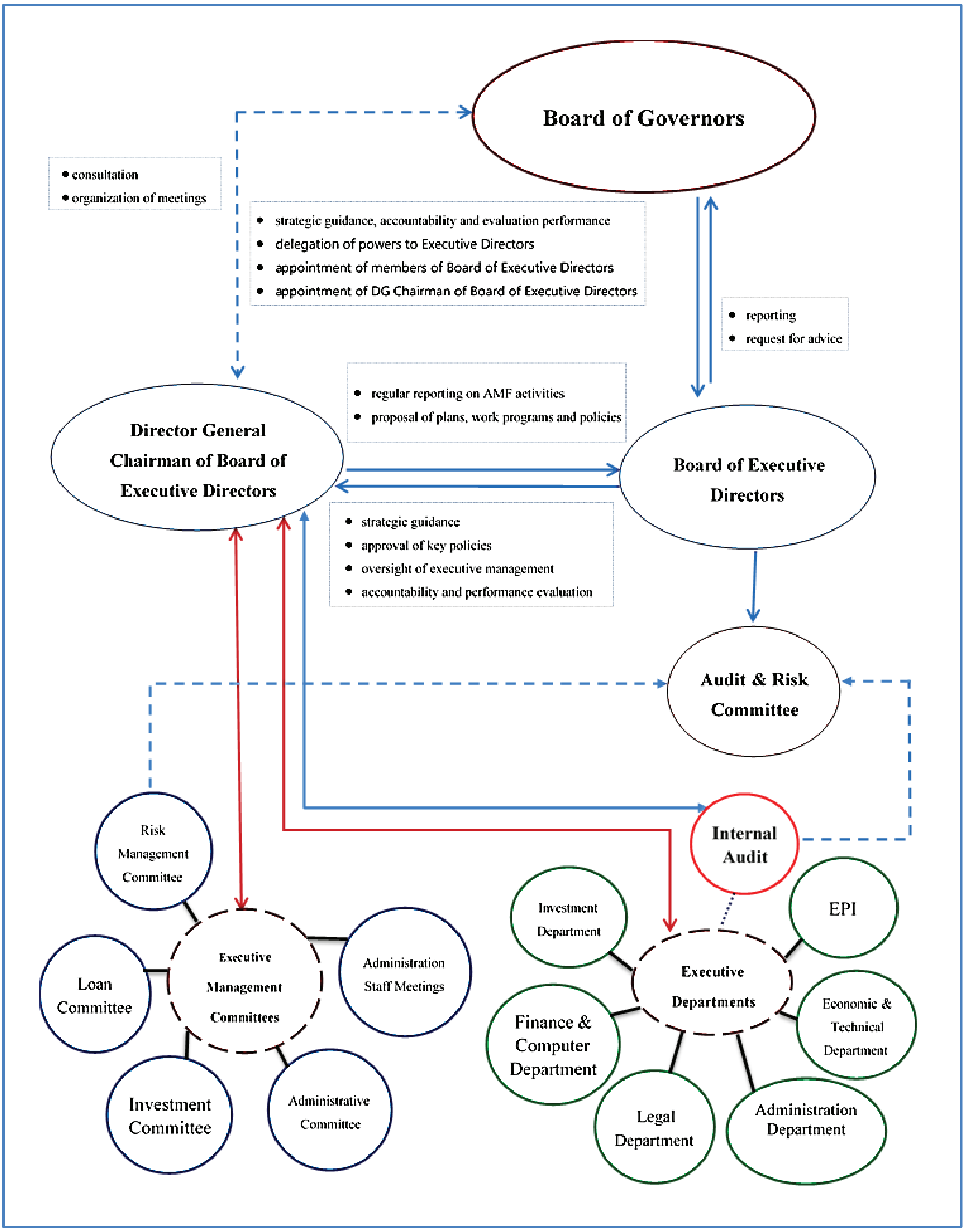
[1] Exclusive powers of the Board of Governors include the appointment of the Director General and Chairman of the Board of Executive Directors, members of the Board of Executive Directors, decisions on the remuneration of its members, admission of new members, suspension of membership, increase of capital, distribution of income, appointment of external auditors, approval of final accounts and deacons on the interpretation and amendment of AMF Agreement.

Chart (1): The AMF Governance Framework+



+ The schema of AMF governance does not reflect the organizational structure of the Fund. It rather reflects work relationships and governance bodies within the institution.

AMF Strategy Framework (2015-2020)

Salient Features of the Strategy

A Strategy Framework was developed for 2015-2020. It reflects the evolving vision on how to realize the aspirations of the AMF's Member States. It entails a continuous effort by the Fund to keep in tandem with regional and global developments. The Fund translates this into dynamic and responsive mechanisms, programs and a system of governance that follow the best practices worldwide. The Strategy Framework takes future needs of the Member States into account.

The Strategy Framework lays emphasis on building on AMF strengths and comparative advantages, manifested by the organizational setup and ownership as the AMF is the single regional monetary institution owned by all Arab countries, its location in the Arab region, and its pivotal role as a platform for meetings and consultations among economic, financial, and monetary policy makers. Furthermore, the AMF has a well-established role in capacity building through specialized training offered by its Economic Policies Institute to officials in Arab countries. The financial soundness of the Fund has added confidence of Member States in the Fund's long-established role of providing reserve management services and deposit taking from Member States.

The Strategy Framework devoting a high priority to tapping the potential for strengthening its capacity to enhance the Fund's responsiveness to the varying needs of its Member States. The Framework elaborated on the range of opportunities available to the AMF to strengthen its role in serving Member States. These opportunities include the ability to meet the growing financing needs of members, to provide technical assistance on economic reform, and fulfill pressing and varying needs for capacity building and training in various fields of finance and economics.

The flexible wide range of activities adds another comparative advantage to AMF. This has enabled the Fund to rise to challenges faced by Arab economies in a way that keeps in tandem with regional and global developments and trends, responds to potential implications for financial and banking sectors and capital markets in the Arab region. While developing the Strategy Framework for 2015-2020, due reference was made to the needs of the membership. the Fund has identified the needs of the membership going ahead. In order for the Fund to effectively respond to those needs, it will be necessary to intensify communication with the Member States, strengthen its capacity and initiatives to help them, and upscale its research and statistical work to provide more credible economic data, more comprehensive, deeper analytical reports that support the work of scholars and policy makers.

AMF Vision

"Continue fulfilling its Mission, as a leading Arab financial institution, in supporting economic, financial, monetary reforms in Arab Region"

The Fund's vision is based on its mission as identified in its Articles of Agreement, i.e., to lay monetary foundations for Arab economic integration and help achieving economic development in the entire Arab region. While fulfilling its mandate, the Fund has strengthened its capacity and initiatives to cope with emerging situations. This has enabled the Fund to build on its comparative advantage to serve the Member States as a leading institution in a better way.

Strategic Objectives

For the strategic vision to be materialized, the efforts of the AMF were envisaged within the context of three fundamental pillars: strengthening opportunities for inclusive growth, establishing the basis for efficient and properly governed financial and economic institutions in Member States and enhancing cooperation and financial and economic integration among Arab countries in close cooperation with relevant regional and international financial, monetary and economic institutions, as well as further development of a more capable, effective AMF institutional architecture.

The core strategic objectives of the Fund are: achieving further development in AMF programs and activities to support reforms aiming at macroeconomic stability in Arab States, expanding the banking and financial sectors initiatives and programs and improving modalities to access funding and financial services, strengthening the pivotal role of the Fund as a platform for meeting and consultation among policy makers, supporting efforts for economic, financial, and monetary integration among Arab Countries, and strengthening the AMF role as a center of excellence for knowledge, expertise, technical advice and capacity building.

Means and activities for achieving strategic objectives

The AMF Strategy Framework for 2015-2020 envisages a greater outcome of available resources as well as the introduction of new modalities that would enhance the outcomes of more diversified AMF activities. This would ensure that the AMF delivers on its strategic objectives in a way that responds best to the aspirations of its membership.

In this respect, modalities employed by the Fund to assist member countries include a range of lending Facilities to overcome BOP overall deficit, support structural adjustments in fiscal, financial and banking sectors. This is part of lending as provided by the AMF Articles of Agreement. It is the main modality that is available to the Fund to fulfill its mandate. The Fund offers credit facilities to its membership in concessional loans with different maturities. Most of the credit facilities are provided within a package that includes consultations with borrowing country authorities to reach agreement on reform policies and measures as well as follow-up on the implementation of such policies and measures.

The first strategic objective, Within the AMF Strategy Framework for 2015-2020, is further development of AMF programs and activities to support reforms aiming at macroeconomic stability in Arab countries. Emphasis here is laid on programs and activities that the AMF is undertaking to support efforts devoted by Member States to achieve macroeconomic stability, either through financial assistance to support economic reforms, or through further engagement in relevant technical assistance consultations. This objective covers a key sub-objective on which the Fund focuses during the life of this new Strategy Framework, namely, to further develop its lending activities by revisiting the existing lending facilities to ensure that they continue to be relevant in meeting financial support needs of Member States and improve procedures for lending activities.

Within the context of support provided to the membership, **investment** is one of the main activities of the Fund. It includes deposit taking from Member States and Arab financial institutions, portfolio management on their behalf, and investment-related technical assistance. The AMF Strategy Framework for 2015-2020 includes a set of objectives which the Fund shall work for within the context of investment, mainly to increase deposit taking from Member States and Arab financial institutions, with ensuing widening of sectoral and geographic coverage of depositors. This is envisaged to materialize through the attraction of the greatest possible number of governments, organizations and institutions within the Arab region, a fact that would ensure that sources of investment finance would be further increased and diversified. During the life of this strategy, the Fund also envisages further development of portfolio management. This would materialize through encouraging governments, organizations and institutions within the Arab region to make use of AMF capacity in managing their foreign reserves. It may be noted that the Fund offers investment portfolio management through deposits, bonds and other securities.

AMF investment activities also include the expansion of relationships with organizations that deposit part of their reserves with the Fund for management, the provision of investment-related technical assistance and cooperation in foreign reserve management, through further consultations on investment and reserve management with the Fund. This would ensure a better support by the Fund in this respect.

As part of AMF continuing efforts to strengthen financial and banking sectors in Arab countries and enhance access to finance and financial services, **programs and initiatives adopted by the Fund** represent another set of tools employed by the Fund to provide support to the member countries. These programs and initiatives feed into deeper financial and banking sectors, building on the weight attributed to these sectors by the Fund in supporting efforts for inclusive growth and economic and financial stability.

The AMF Strategy Framework for 2015-2020 includes another set of objectives, namely, **to further develop programs that support financial and banking sectors and capital markets in Arab States** through a comprehensive initiative to develop bond markets in local currencies and strengthen financial inclusion in addition to extending initiatives for developing the financial sector infrastructure. This also includes strengthening surveillance legislation and promoting macro-prudential supervision policies, in addition to improving information and indices for measuring the performance of the financial sector and capital markets.

Training and capacity building programs and activities undertaken by the Fund, through its Economic Policies Institute, represent another set of tools that stand evidence to its role as a center for knowledge, experience and expertise, technical advice, and capacity building within its field. This set of tools responds to the growing needs of the member States to provide technical knowledge and further empower official cadres. Based on this premise, the AMF Strategy Framework for 2015-2020 envisages upgrade of the academic content of current training programs, expansion of the list of training programs and activities, including those offered by the Fund in Arab States. In addition, the AMF also plans to lay down the foundation for Online Learning.

The Fund considers its activity in **research and statistics** a crucial tool that contributes to capacity building for specialists and other stakeholders in economic, fiscal and monetary fields in Arab countries. In this respect, the Fund pays special attention to studies, bulletins and reports as major tools of methodological research and investigation on various issues with a view to developing appropriate policies and taking decisions. They also serve as channels for debate and awareness of current issues that are relevant to Arab economies.

Against this backdrop, the AMF Strategy Framework for 2015-2020 envisages stepping up AMF efforts to further develop research, bulletins, economic reports and existing statistics. In addition, it works for launching new reports that help enrich economic thought in the region. The AMF also is busy laying down the foundation and development of Arab Statistics Initiative "ArabStat" as well as compiling and disseminating summary financial data on Arab countries.

Furthermore, the Fund has a rich library that features an entire range of references, including research papers and periodical reports, with new economics books and references promptly added.

The Fund continuously works on developing its role as **Technical Secretariat to the Council of Arab Central Banks and Monetary Authorities Governors, and the Council of Arab Finance Ministers**. This is seen by the Fund as a tool of enhanced AMF coordination among Arab States in monetary and fiscal areas as well as coordination of membership stands on international monetary and economic issues in their common interest.

The AMF Annual Meetings of the Council of Arab Central Banks and Monetary Authorities Governors, and the Council of Arab Finance Ministers serve as important platforms for discussions on topics related to AMF objectives as well as current issues of interest to both Councils.

Strategy Support Team

AMF has created a Strategy Support Team on which all AMF departments are represented. It has been entrusted with the follow up and support of the implementation of the strategy in an efficient and effective way.

The team shall remain in close contact with organizational units of the Fund to discuss implementation indicators, score cards, long term plan proposals as well as developments that are relevant to the implementation of the strategy. The team shall also discuss relevant progress reports, prepare corporate performance reports, organize awareness seminars, workshops and presentations on progress made in the implementation of the strategy, coordinate efforts for the development of the next 5-year phase of the strategy, and promote Fund-wide initiatives and innovation.

Summary of AMF activities in 2017

Introduction: As part of its mandate to support Arab economies, the fund continued in 2017 to monitor the regional and global economic developments and their direct and indirect implications for the Arab economies. These developments included the changes in the global commodity prices, the external demand on Arab exports, transfers, exchange and interest rates as well as the changes in the global financial conditions.

In 2017, global economic developments had significant implications for Arab economic performance during the year. These mainly included developments related to global oil and commodity prices, global demand on Arab country exports, transfers, exchange and interest rates on international financial markets and financial conditions. Higher interest rates have affected fiscal conditions in several Arab States.

This was aggravated by protectionist measures taken by the US and a number of EU members on the movement of capital and persons to and from some Arab countries and the uncertainty on the direction of oil prices on international markets.

Furthermore, during 2017, Arab economies faced other challenges including a relatively tighter fiscal space for investment in general and investment in infrastructure in particular. Fiscal reforms, a prerequisite for inclusive and sustainable growth, continued to assume priority on the agendas of policy makers in Arab States.

Despite serious efforts towards fiscal reforms, there is a need to intensify these efforts to deliver on economic development, especially that these efforts were not even among Arab countries depending on certain individual circumstances. States with relatively comfortable fiscal space managed to gradually adjust their public finance position through the diversification of the government revenues away from the oil sector. However, States with lesser fiscal space tended to focus more on energy subsidy reforms, cutting current spending and taking measures to increase tax revenues through tax administration reforms.

Fiscal consolidation efforts are expected to contribute to the successful implementation of the inclusive and sustainable development plans. Significant progress has been noted in some areas including developing medium-term fiscal frameworks in several Arab countries. Others have worked on modernizing public finance management systems, including the move to accrual basis in accounting, modernization of the fiscal information management system and the creation of the Treasury Single Account (TSA).

In **lending activities**, loans extended by AMF during 2017 aimed at helping member countries to reduce balance of payment (BOP) imbalances and support the pivotal role of the financial and banking sector in financial intermediation to mobilize savings for promising investment opportunities.

In 2017, the Fund received five loans requests from Jordan, Morocco, Tunisia (2 requests) and Sudan. Jordan and Tunisia requested access to the compensatory loan facility to cover a temporary BOP deficit. Morocco requested a loan supported by the structural adjustment facility to underpin the ongoing reforms in the financial and banking sector. Tunisia and Sudan requested access to SMEs conducive environment support facility.

AMF's Technical staff examined requests received from member countries. Jordan's request for a compensatory loan and Morocco's request for a structural adjustment loan were approved. The Fund examined the request for a compensatory loan received from Tunisia and a technical mission was sent to Tunisia for consultation with the authorities and to finalize SMEs sector reform program to be supported by a loan. During its December 2017 meeting, the AMF Board of Executive Directors approved recommendations presented by the Loan Committee to grant the above-mentioned loans to Tunisia. Tunisian authorities will complete the necessary measures for signing the two loan agreements during 2018.

Regarding the request received from Sudan towards the end of 2017 for access to SMEs conducive environment support facility. An AMF technical mission is expected to visit Sudan for consultation with authorities and to finalize SMEs sector reform program to be supported by a loan.

Accordingly, total loans agreed upon with the Member States during 2017 have reached AAD

82.9 million (about USD 352 million). They included a compensatory loan to Jordan and a structural adjustment loan in the financial and banking sector to Morocco.

Loans extended by the Fund during 2017 aimed at helping redress balance of payment imbalances and support the pivotal role of financial and banking sector in financial intermediation in order to mobilize savings for promising investment opportunities.

The **Reports, Publications, Studies and Research** activities in 2017 aimed at supporting policy-making process in the Arab countries. Within this context, the Fund published the “Arab Joint Economic Report” (JAER) in Arabic and English and two editions of the Arab Economic Outlook (AEO). These reports highlighted the economic and social developments in Arab countries and included projections for macroeconomic performance of the region for 2017-18.

The Fund also published “the Joint Report on Financial Education” in the Arab Region in cooperation with the GIZ, “the Joint Report on Pension Systems in the Arab Region: Trends, Challenges and Options for Reforms” in cooperation with the World Bank Group (WBG) and a Working Paper on “Financial Inclusion Measurement in the Arab region” in cooperation with the Consultative Group to Assist the Poor (CGAP). In addition, the Fund produced a number of studies on a variety of themes, including “FDI Attractiveness in Arab Countries: A Diagnostic Study”, “FDI determinants in Arab Countries”, “SMEs Business Environment in Arab Countries: Status and Challenges”, “Monetary Transmission Mechanisms to the Real Economy”, “Taxation Systems and VAT in Arab Countries”, “Implications of Non-performing Loans for Banking Performance and Economic Activity”, and “Measurement of the Impact of Foreign Trade Competitiveness on GCC Economies”.

In addition, AMF published the 2nd issue of “the Economic Statistics Bulletin of Arab Countries” and the 5th issue of “Statistics of Inter and Intra-Arab Trade Competitiveness” Bulletin.

The AMF’s activity in the field of **Technical Assistance** during 2017 covered areas within its interest. These activities focused on capacity building in the areas of financial and banking sector, the development of the local currency debt market, the compilation of economic statistics, and the adoption of the globally accepted methodologies. Technical assistance activities in support of further development of financial and banking sector and capital markets in the Arab region was based on a number of pillars, mainly enhancing financial inclusion through greater SMEs access to finance and financial and banking services, strengthening institutional and supervisory frameworks for protecting users of financial services, creating conducive conditions for providing long-term finance, further development of non-banking financial institutions, the development and deepening of the local currency debt markets, as well as strengthening financial stability, and banking supervision.

With respect to **Training and Capacity Building,** the Fund focused in 2017 on developing training activities, increasing the number of training programs and the number of participants from member countries, introducing new courses in response to the needs of the Arab states. In 2017, the Fund increased its courses to 32 courses, a 14 percent increase compared to 2016, attended by 948 Arab officials, up from 28 courses attended by 748 Arab officials in 2016. Thus, the number of Arab officials attending AMF courses increased in 2017 by 27 percent over 2016.

As for the **Investment Activity**, AMF continued its approach in following a conservative investment policy and strategy in managing the funds and the investment portfolios risks which protected the invested capital and helped achieve stable positive overall returns during 2017, while maintaining low levels of investment risks.

In addition to the management of its resources, the Fund's investment activity includes the acceptance and the investment of deposits from the Member States. The Fund maintained an appropriate level of balance for this activity reflecting the continued confidence of the Member States in the Fund, as it continues to apply the Basel III requirements to manage risks in this activity.

On the other hand, AMF 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. The Fund continued to monitor the portion of the portfolio managed by third parties, according to the investment policy and in line with the respective strategy.

In 2017, AMF continued to serve as the **Technical Secretariat of the Council of Arab Central Banks and Monetary Policy Authorities Governors** as well as its Technical Committees and Task Forces. The Fund also serves as the Technical Secretariat of the **Council of Arab Finance Ministers.**

Lending

The AMF's lending activity aims at providing support to borrowing Member States to implement economic and structural reform programs in areas that are relevant to the Fund's mandate as well as necessary technical assistance for effective and efficient design of such programs. In so doing, the Fund fulfills its mandate as spelt out in its Agreement. The goal of the Fund support is to help Arab countries lay the pillars of macroeconomic stability, address balance of payment imbalances, and implement reforms in several sectors to improve efficiency of the use of resources and enhance opportunities for sustainable, inclusive growth. AMF lending activity contributes to the fulfillment of the objectives of the AMF Strategy Framework for 2015-2020 using its resources in a responsive manner to meet the changing and increasing needs of its member states.

Categories of loans and facilities

AMF offers a range of loans and facilities that fall in two categories. The first category of facilities aims at addressing balance of payment imbalances, while the second aims at supporting reforms in other sectors of the economy.

The loans and facilities currently offered by the AMF to help address overall balance of payment deficit of Member States include four types of loans, namely, automatic loan, ordinary loan, extended loan, and compensatory loan.

The **Automatic Loan** is extended to assist in financing the overall deficit in the balance of payments in an amount not exceeding 75 percent of the member country's subscription in the Fund's capital paid in convertible currencies. The loan has a maturity of three years and is not conditional on the implementation of an economic reform program to cut BOP deficit.

The **Ordinary Loan** 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 raised to the limit of 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. Each tranche of the loan is repaid within five years from its date of withdrawal.

The **Extended Loan** 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 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 tranche of the loan is repaid within seven years from its date of withdrawal.

The **Compensatory Loan** is extended to assist a member country experiencing an unanticipated balance of payments deficit resulting from a shortfall in export receipts 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. Each tranche of the loan is repaid within three years from its date of withdrawal.

The second category of loans and facilities is available to support reforms in several sectors of an economy. It includes the Structural Adjustment Facility (SAF), the Trade Reform Facility, the Oil Facility, the Short-Term Liquidity Facility, and the SME's Conducive Environment Support Facility.

The **Structural Adjustment Facility (SAF)** was introduced in 1998. Loans extended through this facility focus on supporting reforms by borrowing Member States in the financial and banking and public finance sectors. To have access to the SAF, a member country is required to have started structural reforms and has made reasonable progress towards 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 up to 175 percent of the member's paid subscription in convertible currencies. Each tranche is to be repaid in four years from the date of withdrawal.

The **Trade Reform Facility**[2]**,** which was created by the AMF Board of Governors in 2007, aims at assisting Member States to meet finance costs associated with the implementation of trade reforms, thus encouraging them to adopt necessary reforms to facilitate their access to finance on international markets to consolidate growth and create productive job opportunities. This facility is extended up to 175 percent of the

[2] It is noted that the Fund had provided the "Arab Trade Facility" through which it extended 11 loans for a total value of AAD 64,730, 000. That facility was replaced by the Inter-Arab Trade Program in 1991.

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. Each tranche is to be repaid in four years from the date of withdrawal.

The **Oil Facility** was introduced by Decision 3/2007 of the Board of Governors based on a recommendation of the Board of Executive Directors embedded in its Decision 1/2007, as a temporary lending mechanism to provide support to Member States affected by a rise in the value of oil and gas imports and support for appropriate reforms that strengthens their resilience to external shocks. The oil facility is generally extended to eligible countries up to 100 percent of a member country's paid subscription in convertible currencies. This facility may be expanded up to 200 percent of a member country's paid subscription in convertible currencies. To benefit from the full amount of the facility, an eligible borrowing member country must agree with the Fund on a reform program. A loan that is extended through the Oil Facility should be repaid within four years following withdrawal.

The Board of Executive Directors suspended the Oil facility in March 13th, 2017, based on a recommendation by the Loan Committee, with the resumption of this facility to be considered in future in a view of oil price developments on international markets, subject to the approval by the AMF Board of Directors.

The **Short-Term Liquidity Facility** is a lending mechanism that is meant to assist Member States 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 member.

Each payment is settled after six months of withdrawal, with possible extension of two terms. The Short-Term Liquidity Facility was introduced by Decision 4/2009 of the Board of Governors. Its regulations were adopted by Decision 13/2009 of the Board of Executive Directors. Under Decision 2/2017 of the Board of Executive Directors, this facility was temporarily extended for a period for a term of three years following which the Fund will consider whether to extend it on a temporary or a permanent basis or to discontinue it.

SME's Conducive Environment Support Facility was introduced by the Fund in 2016 with a view to supporting reforms in SMEs sector, given the significant role these enterprises play in driving economic growth and creating jobs. This facility is extended with a maximum limit of 100 percent of the members paid up subscription in convertible currencies. Each tranche is to be repaid in four years from the date of withdrawal.

Loan Commitments

In 2017, AMF granted two new loans to borrowing Member States. These included a compensatory loan to Jordan and a structural adjustment loan to Morocco to support a reform program in the financial and banking sector, for a total amount of AAD 82.9 million (about USD 352 million).

By the end of the year 2017, and reflecting developments in lending activities during the year, the balance of loan commitments, including unwithdrawn parts of loans already contracted, was about AAD 543 million (about 73 percent of resources available for lending), at the end of 2017, down from about AAD 571 million at the end of 2016 (about 82 percent of resources available for lending).

AMF extended compensatory loan to **Jordan** with a value amounting to AAD 13.4 million (about USD 56 million) to support an emerging balance of payments deficit that resulted from deteriorating Jordanian export receipts of goods and services due to weaker global demand and lower official foreign reserves.

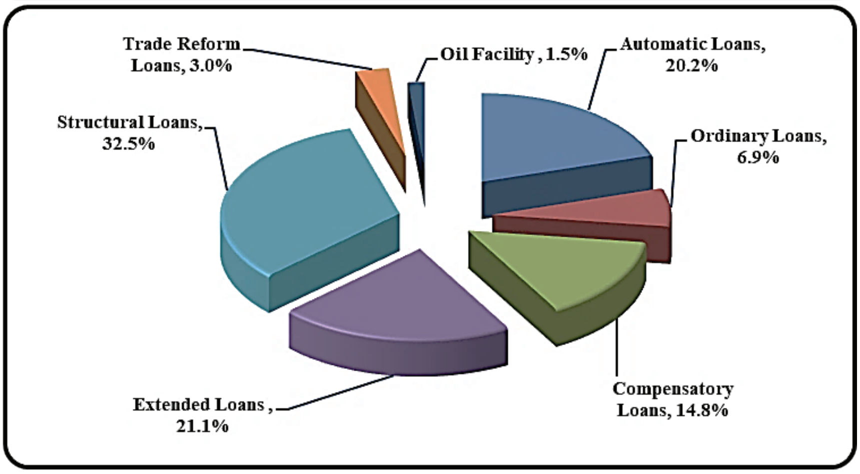
In this respect, the Fund performed an analysis of the request for a compensatory loan the findings of which were referred to the Loan Committee. The Loan Committee recommended that a compensatory loan to be extended to Jordan in the amount of AAD 13.4 million and that the said amount be disbursed in a single tranche. The Board of Executive Directors approved the recommendations of the Loan Committee and, accordingly, the relevant compensatory loan agreement was concluded between the Fund and Jordan on March 19, 2017. The loan amount was disbursed on April 5, 2017.

The structural adjustment loan extended to **Morocco** amounted to AAD 69.5 million (about USD 293 million). It was granted to support a reform program in financial and banking sector, to support financial stability and access to finance and financial services, and to support efforts to deepen financial markets, thereby enhancing economic activity.

With these new loans, added, the total number of loans extended by the Fund to Member States, since the start of its lending operations in 1978, to the end of 2017, was 179 loans to 14 Member States for a total value of AAD 2.1 billion (about USD 9.1 billion).Table (A-1) of Annex (1) shows the details of loans by year and recipient country, during 1978-2017.

Traditional loans extended by the Fund (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-2017. They represent 63 percent of total loans granted throughout this period. The structural adjustment facilities extended for both financial and banking and public finance sectors came second with 32.5 percent. The Trade Facility accounted for 3.0 percent, followed by Oil Facility at 1.5 percent. Annex (1), Table (A-2) presents the value and number of loans granted to each member state, by type of loan. Chart (2) shows the distribution of loans types as share of total loans during 1978-2017.

Chart (2): Distribution of loans types, as share of total loans (1978 - 2017)



Loan Disbursements and Repayments

Total **disbursements on contracted loans** amounted to AAD 53.92 million during 2017, down from AAD 152.95 million during 2016. In line with loan repayment schedules, Member States repaid to the Fund in 2017 the amounted of AAD 110.211 million representing installments on previously provided loans, up from AAD 62.6 million in 2016. As a result, the balance of outstanding loans extended to borrowing Member States, was amounted to AAD 487 million as of Year End 2017, down from AAD 543 million as of Year End 2016.

The **balance of undisbursed tranches** of loans agreed upon, amounted to about AAD 57.022 million as of Year End 2017, up from about AAD 28.042 million by the end of 2016. Table (A-3) shows the details of the balance of disbursed and undisbursed tranches of loans agreed upon with Member States in 2016 and 2017 as well as loan commitments for Arab countries in 2016 and 2017. Table (A-4) shows the details of such balances during 1978-2017. Table (A-5) shows the trend of interest rates applied by the AMF to loans extended to borrowing Member States, regularly disseminated on the AMF website on a monthly basis as well. Chart (6) of Annex (1) shows the trend of interest rates during 2003-2017.

Arrears

A borrowing country is considered to have payment arrears when the delay in the settlement of its due loan obligations exceeds a period of twelve months. The financial position as of end of the year 2017 shows that there are two arrears cases that are carried over from the previous year, namely, Somalia and Syria in addition to Yemen the arrears of which have now exceeded 12 months. Total arrears were about AAD 109.618 million, including overdue loan installments of ADD 54.939 million and cumulative interest of about AAD 54.679 million.

In the case of **Somalia**, arrears were recognized for the first time in 1984. The Fund has been engaged in consultations with Somalian authorities to settle arrears which amounted to AAD 66.891 million as of end of the year 2017. This amount consists of overdue loan installments totaling AAD 14.877 million and cumulative interest amounting to about AAD 52.014 million.

Regarding the case of **Syria,** arrears were recognized for the first time in December 2011. Total overdue loan installments and cumulative interest was about AAD 3.242 million on the second structural adjustment facility loan as of end of the year 2017.

As for the case of **Yemen**, arrears were recognized for the first time in June 2016. Total overdue loan installments and cumulative interest amounted to about AAD 39.485 million as of end of the year 2017. This amount consists of overdue loan installments totaling AAD 37.182 million and cumulative interest amounting to about AAD 2.303 million.

Lending-related Consultations with Member States

The AMF fielded four technical missions in 2017, including Sudan (two missions), Morocco and Tunisia.

The Fund’s first mission to **Sudan** was to follow up on the progress of AMF-supported reform program, previously agreed upon with the Sudanese authorities, covering the years 2016 – 2017, in order to disburse the remaining part of the second tranche of an Extended

Facility loan granted by the AMF to support the mentioned program.

The mission also carried out consultation with the authorities on a complimentary reform program to be implemented by the government during 2017. The Fund's second mission to Sudan was for a follow up on the progress in the implementation of the complimentary reform program for 2017, in order to disburse the third and last tranche of the Extended Facility loan referred to above.

The Fund's missions to **Morocco** and **Tunisia** were sent at the request of both countries related to new borrowing. The two missions were to agree with the respective authorities in each country on reform programs in areas specified in the countries requests for new loans.

AMF missions also conducted an overall assessment of economic and financial conditions in the countries concerned and assessed the possibility of renewed access to AMF resources. It is worth to be noted that during these missions the Fund provides technical advice on relevant issues and makes recommendations on economic and fiscal policies.

The Fund's follow- up mission to **Sudan** during March 26-31, 2017, was responding to a request from Sudan's Minister of Finance and Economic Planning, to engage in consultation to make a withdrawal on the fifth outstanding Extended loan granted by the Fund to Sudan to support economic reform program for covering years 2016-2017.

The mission took stock of the progress made in 2016, on the implementation of the economic reform program mentioned above, in order to disburse the remaining part of the second tranche of the loan. The mission concluded that Sudanese authorities had made progress on implementing the package of reforms agreed upon with the Fund. As a result, the Sudanese economy reported positive results, in 2016, in areas that were broadly in tandem with the program objectives including growth, inflation, fiscal deficit, current account balance and official foreign reserves. Growth rate picked up during 2016 to reach 4.9 percent. Inflation has been contained and put on a downward path. Fiscal deficit has been contained within 1.6 percent of GDP and current account deficit contracted down to 3.6 percent of GDP. However, official foreign reserves remained at a modest level in terms of the number of months of imports covered (about two months).

The Sudanese authorities showed keenness to continue reforms in order to sustain macroeconomic stability, strengthen the economy resilience against shocks, expand and diversify the production base, enhance the role of private sector, and achieve sustainable and inclusive socio-economic development.

To support the government efforts, the Fund's mission agreed on a complimentary reform program for 2017, aiming at enhancing economic and financial stability and creating a conducive environment for sustainable, inclusive economic growth.

The complementary program agreed upon included policies and measures to be implemented by the government during 2017, that build on, and support, policies implemented during 2016 in fiscal, monetary, and external sectors, in addition to structural reforms.

The Fund's fielded another follow-up mission to **Sudan** during October 22-26, 2017 to report on implementation of the complimentary reform program for 2017 in order to disburse the third and last tranche of the fifth Extended loan. The mission concluded that Sudanese authorities had made progress in this respect, as part of the reform efforts embedded in the Five -Years Economic Reform Program 2015-2019.

The government implemented a package of policies and measures on public finance and monetary policy, in addition to efforts made to improve public finance management, the financial and banking sector, and the microfinance sector.

Policies and measures implemented have contributed to an economic stability needed to growth, thereby putting the economy on the right path towards realizing objectives. The measures implemented reflected positively on fiscal conditions by increasing public revenues thanks to concerted efforts on collecting tax arrears, streamlining tax and customs exemptions in order to shore up revenue collection, containing market distortions resulting from granted concessions and low competitiveness, controlling government spending and increasing social spending and capital expenditure and cutting down borrowing from the banking system to finance budget deficit.

The mission also reported that Sudanese authorities had made efforts to enhance financial stability, protect the soundness of the banking system and financial institutions. During 2017, the Bank of Sudan enhanced the banks role of self-supervision, financial institutions and financial non-banking institutions.

The overall objective of those efforts was to ensure financial and banking stability to support macroeconomic performance. Moreover, the authorities enhanced local and international cooperation on AML/CFT.

Policies and measures implemented, as agreed upon with the Fund, have been reflected in keeping nonperforming loan ratio within reasonable limits, at 4.3 percent of total loan portfolio as of end-June 2017, down from 5.2 percent in 2016. Moreover, banks have been instructed to build up sufficient provisions.

In light of the above and taking into account efforts made by the Sudanese government to implement the reform program agreed upon with the Fund, and with regard to the Fund's Lending Policies and Procedure, the mission concluded that the implementation of the complimentary reform program for 2017 was satisfactory. The Fund agreed to disburse the third tranche of the extended loan.

AMF field a mission to **Morocco** during August 7-11, 2017 at a request from the Moroccan government to discuss the possibility of renewed access to AMF resources, in form of a loan within the framework of the Structural Adjustment Facility to support a reform program in the financial and banking sector. This would enhance gains achieved in that sector and ensure continued reform approach followed by the government vis-à-vis the sector, face challenges that call for appropriate measures to enable financial and banking sector to mobilize resources and contributes more to financing various economic activities.

Within this context, Moroccan authorities implemented significant economic reforms over previous years, including: modernization of legislative and regulatory regimes to the best practices worldwide, creation of independent supervisory bodies with strengthened powers, strengthening the autonomy of the Bank of Morocco, improving financial to ensure efficient and effective banking operations, and enhancing access to finance and banking services to improve financial inclusion.

The mission reached an agreement with Moroccan authorities on a reform program in the financial and banking sector covering the period September 2017-September 2018.

The program is based on three pillars: enhancing financial inclusion through easier access by individuals and SMEs to finance and financial services, strengthening role of capital market in financing the economy, and enhancing supervision and oversight of the financial and banking sector.

Based on mission's report and relevant Loan Committee recommendations, AMF Board of Executive Directors, at its meeting held on September 28, 2017, approved a loan to be extended to Morocco within the framework of the Structural Adjustment Facility, to support a reform program in the financial and banking sector. The loan amounted to AAD 69.5 million, or 175 percent of Morocco's paid capital subscription in convertible currencies, to be disbursed in two tranches. The first of which amounted to AAD 39.5 million to be withdrawn following the signing of the agreement; while the second tranche amounted to AAD 30.0 million, to be withdrawn following an assessment of the reform progress agreed upon.

Accordingly, the loan contract was signed with Moroccan authorities on October 5, 2017, in Rabat, Morocco. The first tranche of the loan, was withdrawn on October 12, 2017.

The Fund fielded a mission to **Tunisia** during November 27th -December 1st, 2017, at a request from the Tunisian authorities, aiming to consult with authority's possible access to AMF resources, in order to support a reform program geared toward enhancing Conducive Environment for SMEs. The mission discussed latest economic developments in Tunisia, the current conditions of reform efforts, and the current challenges facing SMEs sector.

Within this context, the mission discussed with the Tunisian authorities the challenges which the Tunisian economy had faced over the last years, including slow economic growth, rising unemployment particularly among youth and women, negative implications of higher prices of agricultural commodities in international markets, and spillovers from unfavorable economic conditions in EU States, Tunisia's main trading partner, and their implications for financial inflows and the exchange rate.

The mission also reviewed the current condition of the SMEs sector which is a significant part of the economic structure in Tunisia, since it accounts for more than 95 percent of active firms in the formal sector.

SMEs sector in Tunisia has accounted for 67 percent of total production during 2011-2016. During the same period, it accounted for about 57 percent of total Tunisian exports.

Efforts made by the Tunisian government to ensure a conducive environment for SMEs included improvement of legislative, institutional and supervisory frameworks in the sector, promotion of investments through concessions, technical capacity building, support of microfinance system through a more transparent, even-handed system of microfinance institutions through an appropriate legislative and supervisory framework, the creation of a Financial Inclusion Observatory at the Central Bank and the development of a National Strategy for financial Inclusion for the period 2018-2022.

In light of the above, the mission agreed with the authorities on a reform program to be supported by a loan within the framework of the SMEs Conducive Environment Support Facility.

The program features three major components: strengthening the role, and expansion of the reach of Tunisian Loan Guarantee Company, enhancing financial inclusion through greater SMEs, access to finance and financial services, and strengthening the powers of the Micro-Finance Supervisory Authority.

Based on the recommendations of the lending Committee, the AMF Board of Executive Directors, during its meeting held on December 21st, 2017, approved a loan to be granted to Tunisia within the framework of the SME Conducive Environment Support Facility amounting to a value of AAD 18.532 million, or 100 percent of Tunisia's paid capital subscription in convertible currencies.

Economic research, studies, reports and bulletins

The Fund publishes a whole range of reports, bulletins, research papers, studies, and books as part of its efforts to support policymakers in Arab countries in specialized economic areas. AMF publications shed light on important economic topics in a way that helps identify challenges and formulate policy recommendations. They serve as references for decision makers while developing policies and designing the path for economic reform, offering information, data and economic analysis that would help professionals and those interested in the economic issues in Arab countries to engage into meaningful debate. They help policy makers in Arab countries devise future strategies in a systematic manner.

In this context, the Fund published several reports, bulletins, studies and research papers in 2017. These included **"the Joint Arab Economic Report (JAER)"** in Arabic and English. This report serves as a major reference on economic developments in Arab countries as a group. It is a good example of cooperation between AMF and a number of Arab organizations entrusted with joint regional action. It is co-produced by the AMF, the Arab Fund for Economic and Social Development (AFESD), the General Secretariat of the League of Arab States, the Arab Organization of Oil Exporting Countries (OAPEC). Within this joint effort, each organization prepares certain chapters as agreed upon for each annual issue. The AMF takes the responsibility of editing and publishing the report since its inception in 1980.

AMF also produced April and September 2017 editions of the "**Arab Economic Outlook Report (AEO)".** This semi-annual report, contains projections on the macroeconomic performance of the Arab economies including 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 the macroeconomic performance of the Arab region. This report contributes to enhancing research work and responds to the needs of the Member States to have projections for Arab economies as a distinct group.

Within the same context, the Fund produced the 2nd issue of the **"Arab Economic Competitiveness report"** that contains a measurement of the competitiveness of the Arab economies compared to a number of countries from other regions. This report contains two major measures: the macroeconomic measure and the investment environment and attractiveness measure.

To mark the Arab Day for Financial Inclusion, the AMF launched a **"Joint Report on Financial Education in the Arab Region"** in cooperation with the GIZ. The report reviews international and regional initiatives on financial education. It presents programs and other efforts on financial education currently in effect in Arab countries, with special reference to lessons learned in this respect.

The Fund also published the **"Joint Report on Pension Systems in the Arab Region: Trends, Challenges, and Options for Reforms"** in cooperation with the World Bank Group (WBG). The report reviews the main features of the pension systems in the Arab region, the current challenges face pension fund reforms in the Arab countries in light of the stated fiscal, macroeconomic and social welfare objectives. The report presents a set of recommendations and solutions for the reform and improvement of pension systems in the region in a way that would strike a balance between financial sustainability and affordability on the one hand and efficiency on the other.

These recommendations would also to ensure that distortions are avoided, those systems would provide relevant services in a cost-effective way, the return on investment within those systems is high, and they achieve a desirable impact on the labor market. The report reviewed success stories of pension system reforms around the world that show the benefits that have been gained particularly regarding the governance of the pension systems and asset management reforms which benefit participants and help to deepen capital markets.

The Fund also published a Working Paper on **"Financial Inclusion Measurement in the Arab World"** in cooperation with the Consultative Group to Assist the Poor (CGAP).

In addition to a number of economic studies on a variety of themes, including:

- **"FDI Attractiveness in the Arab Countries: A Diagnostic Study"**: This paper discusses the main determinants of FDI flows between the Arab countries, how to measure variance among those determinants using a multi-dimensional measure with a number of properties that make it a suitable reference measure for the Arab countries within this context. The measure considers specific conditions in individual Arab countries, adheres to methodological controls and uses time series. The measure can gauge and follow up investment in Arab countries and can detect reasons behind their low level relative to the total FDI inflows. The measure also offers explanations for the concentration of FDI in certain countries and the governing factors in investor decisions to choose certain countries as destinations for their investment. This would help identify elements to measure the ability of Arab economies to attract FDI.

- **"FDI Determinants in the Arab Countries":** The objective of this paper is to measure FDI determinants in the Arab countries through an econometric model that uses panel data. The model includes a number of economic variables for 17 Arab countries during the period 1995-2010. The study concluded that certain indicators play a significant role in attracting FDI.

- **"SME Business Environment in the Arab Countries: Status and Challenges"**: This paper reviews the current state of the SME business environment in the Arab countries, including legislative and institutional frameworks, issues related to finance and capacity building. The paper also presents efforts made in Arab countries to improve SME business environment and the main challenges encountered in this respect. The paper concludes that there are still certain challenges and needs in different areas and at varying degrees in SME business environment in a number of Arab countries. These are related to legislation, regulatory frameworks, the level of support to financing capacity, strengthening of financial infrastructure, internal capacity building and access to markets.

- **"Monetary Transmission Mechanisms to the Real Economy"**: This paper reviews the concepts and objectives of the monetary policy as well as the methodologies adopted in monetary policymaking In Arab Countries. It also presents and analyzes monetary policy instruments and monetary transmission mechanisms to the real economy through its impact on both domestic and foreign demand and the cross effects between monetary policy and other macroeconomic policies. The paper also presents the major features of monetary policies adopted in a number of Arab countries. The paper reiterates the importance of coordination between monetary policy and other macroeconomic policies so that monetary policy can be effective and achieve its objectives. It covers cross-relationships among the components of macroeconomic policy, particularly the interdependence relationships between monetary and fiscal policy. This has been identified through an analysis of the impact of monetary policy effectiveness on fiscal policy implementation, and the effect of fiscal policy mechanisms on monetary policy effectiveness.

"Taxation Systems and VAT in the Arab Countries": This paper reviewed the tax systems and policies currently in effect in Arab States to identify ways to strengthen ongoing reform efforts. The paper reviews those systems and policies, including their main features, challenges facing efforts to ensure tax efficiency and equity. Analysis in the paper is organized in four parts: history of the tax revenues (structure, rates and income brackets); VAT performance (multiplicity of rates, registration threshold, level of compliance and control and effectiveness of tax refund system in place); the institutional framework of the tax system; and tax reform efforts in Arab countries.

- **"Implications of Non-Performing Loans (NPL) for Banking Performance and Economic Activity"**: This paper analyzes the impact of the banking sector on other sectors of the economy, and the correlation between the performance of the banking sector and economic growth. The main purpose of the paper is to identify determinants of non-performing loans in a number of Arab countries during 2007-2015, using an econometric model that measures the relative weights of macroeconomic factors as well as indicators of the banking sector soundness and performance. In this respect, the paper analyzes and assesses the relationships between risks attached to loan portfolio on the one hand and the non-performing loans, the direct relationships between real economy growth and the banking sector performance, through an analysis of cross effects between the path of NPL ratio in the banking sector and the path of economic activity growth.

- **"Measurement of the Impact of Foreign Trade Competitiveness on GCC Economies"**: The purpose of this paper is to measure the impact of the change in the foreign trade indicators on GCC economies, using panel time series for 1995-2014. It analyzes the structure of non-oil intra-Arab trade, measures the degree of trade integration among GCC economies, presents a review of major non-oil commodities and how diversified they are, and trade-related developments within each industry among GCC countries.

AMF published the 5th issue of "**Statistics of Inter and Intra-Arab Trade Competitiveness Bulletin**" during 2017. This bulletin covers developments of the structure of total and intra-Arab trade as classified under the Harmonized System; and major trade competitiveness indicators, including comparative advantage, share of commodity exports on international markets, export position, and the share of commodity intra-trade exports of total commodity exports.

Technical Assistance to Member States

Technical assistance is one of the means that are available to the Fund under its Articles of agreements to achieve its objectives. It includes all activities that aim at enhancing and strengthening capabilities in the formulation and implementation of economic and fiscal policies, as well as economic reforms in Member States. AMF offers direct technical assistance and support to its Member States, in the area of macroeconomic policy making and structural reform program design, by delegating lending-related missions for consultation on loans to support economic and structural reform programs. During these missions, Member States are exposed to AMF experience. Member States also receive services provided by external experts taking part in these missions.

Upon request from Member States, AMF field technical assistance missions to Member States, deploying its expertise in economic and financial areas. This includes providing recommendations addressing certain challenges and gaps. The Fund provides technical assistance in fields related to its expertise, such as economic policy design, financial and banking infrastructure development, government bond markets, capacity building in the compilation of economic statistics, and other related areas. The Fund provides this technical assistance in both direct and indirect forms, as appropriate. These include the provision of technical assistance as part of different initiatives adopted by AMF for further development of the financial sector in Arab countries, as well as seminars, conferences and consultative meetings organized by AMF.

The AMF technical assistance activity in various economic and financial areas during 2017 is detailed as follows:

- **Support for development of financial and banking sector and capital markets in Arab countries**

In 2017, AMF continued its efforts to promote financial sector development and deepen capital markets across the Arab region, through technical assistance programs, initiatives, knowledge generation and dissemination, building capacity, rising awareness and organizing high-level conferences, meetings and workshops, in cooperation with relevant regional and international financial institutions.

As part of this effort, the Fund organized in January 2017, a high-level workshop on **Pension Reforms in the Arab region,** in cooperation with the World Bank Group (WBG). The workshop gathered Senior Officials and high-level decision makers from Ministries of Finance, Ministries of Labor, Central Banks, Capital Markets authorities, as well as senior officials from Arab pension funds and Representatives of International Pensions Associations and Development Finance

Institutions. The workshop reviewed the main features of pension systems in Arab countries and the need to address the related challenges in order to meet fiscal, macroeconomic, and welfare objectives. It was the start of a journey linking global insights with regional know-how to develop policies tailored to each country.

In March 2017, the Fund co-organized **"The second Annual Forum on Corporate and Financial Institution governance in Arab Countries: Building Bridges with Boards of Directors"** in cooperation with the Federation of Arab Securities Commissions, IFC and OECD. The forum was attended by a large number of senior officials of ministries of finance, economy, commerce and industry, central banks, and securities commissions in the Arab region, as well as senior representatives of banks, public corporations, consultancy firms and academia.

The forum discussed a number of important topics, including the updated international principles of governance and prerequisites for their adoption. This topic was discussed in recognition of the role of governance in enhancing disclosure and transparency and strengthening prospects of inclusive, sustainable development. Discussions during the forum also covered the role of supervisory and oversight bodies in promoting the adoption of the updated principles, sustainable compliance with them, building capacities for adoption and compliance, as well as the role of boards of directors in this respect.

Also, in March 2017, the Fund organized in Abu Dhabi – U.A.E., an executive workshop training on **"The role of Digital Financial Services development in enhancing financial inclusion",** in cooperation with the Bill and Melinda Gates Foundation. The two-days executive workshop was attended by policymakers from AMF Member Countries, including members from the Financial Inclusion Task Force (FITF) and Committee on Payment and Settlement Systems. This highly participatory Executive Workshop training offered attendees the opportunity to explore best practices in national and regional payments infrastructures, with an emphasis on establishing open and inclusive infrastructures.

The technical training emphasized key design principles for consideration and reviewed specific Arab regional case examples. Moreover, the training was also an opportunity to present experiences of some States in implementing payment and clearing systems at national and/or regional level and their contribution to enhanced financial inclusion.

In March 2017, the Fund organized a conference on **"Financial Soundness Indicators for Islamic and Traditional Financial Institutions in Arab States",** in cooperation with the Islamic Financial Services Board and the International Monetary Fund (IMF), in Abu Dhabi, UAE. The conference was attended by representatives of central banks, ministries of finance and capital market authorities in the Arab region, as well as a number of international experts from Malaysia, Brunei, Pakistan, Turkey, ECB, BIS, Islamic Development Bank (IDB). The workshop discussed a number of important topics, including financial soundness indicators and surveillance from an IMF perspective, financial soundness indicators for Islamic financial services, and major challenges in applying those indicators.

Moreover, the Fund marked on April 27th, 2017 the first regional celebration of Arab Financial Inclusion initiative, agreed upon in 2016, by organizing a press conference. The day aims to raise awareness of the importance of financial inclusion among all stakeholders in the Arab States. This also comes in the context of thoroughness given by Arab States to achieve the Sustainable Development Goals by 2030 and ensure access to a full range of quality, cost-effective, and appropriate financial services to unbanked and/or under-served populations and businesses in the Arab countries.

At that occasion, the AMF pre-announced the establishment of the Financial Inclusion for the Arab Region Initiative (FIARI), in collaboration with the Alliance for Financial Inclusion (AFI) and the Deutsche Gesellschaft für International Zusammenarbeit (GIZ) and the World Bank, aiming to provide technical assistance to support Arab countries efforts in building their national financial inclusion strategies and programs, particularly those targeting expanding finance to women and youth. Additionally, AMF has published, at that occasion, a stocktaking report on Financial Education Initiatives in the Arab Region, in collaboration with GIZ.

On September 18th, 2017, AMF organized, in Abu Dhabi, UAE, a second High-Level Workshop on **"The Withdrawal of Correspondent Banking Relationships (CBRs) in the Arab region",** in collaboration with the International Monetary Fund (IMF), Financial Stability Board (FSB), and the World Bank Group (WBG). This workshop provided a forum for Arab and international regulators and concerned financial institutions to discuss recent CBRs withdrawal trends and share their experiences in developing and implementing solutions to address CBRs pressures. Participants included Central Banks' Governors from Arab States, officials from the U.S., MENAFATF, representatives of regional and international banks, money transfer operators, and senior officials from the AMF, IMF, World Bank, and FSB.

The Workshop went through concerns over pullback by global banks from correspondent banking remain significant in the Arab region. The participants agreed that while the work to understand the full extent of these developments has been further advanced, it has become clear that the factors behind this phenomenon are multiple, including reduced risk appetite, enhanced implementation of the AML/CFT standard (and in particular "know-your-customer" requirements) and other global regulatory standards, economic and trade sanctions, leading to an increased compliance costs.

To address some of these concerns, participants acknowledge that there have been intensified efforts by international standard setters such as the Financial Action Task Force and Basel Committee on Banking Supervision to clarify regulatory expectations, including with respect to the scope of customer due diligence measures required of banks. Jurisdictions which are home to global correspondent banks have also taken initiatives to clarify their regulatory expectations and help banks to adopt a more effective, risk-based and outcomes-focused approach to mitigating financial crime risks. At the same time, authorities in the Arab region have undertook effective steps to ensure their systems and procedures are in line with the relevant standards and many of them have revised their AMF-CFT regulation as well as adopted a Risk Based Approach (RBA) in their AML-CFT frameworks, in compliance with the revised FATF recommendations. From advocacy side, Arab regulators and the Arab Monetary Fund have engaged in more outreach on these issues.

In addition to reviewing progress on these fronts, participants also discussed the feasibility and effectiveness of various other possible solutions. These included industry initiatives aimed at addressing compliance costs and profitability considerations; such as enhancing economies of scale by consolidating transactions flows; adjusting pricing or bundling services to increase correspondent banks' profitability; or reducing costs by standardizing customer's information through KYC utilities and Fintech. A number of industry initiatives to address banks' ability to assess and manage CBR risks were also discussed.

As regards regional industry solutions, participants discussed the potential benefits of banking sector consolidation and/or more integration of AML/CFT supervision and regulation. Additionally, participants noted that the region has proven to be early adopters of Fintech solutions and therefore, private sector driven innovation could be an important manner to address the CBRs issues in the Arab region, including the use of KYC utilities. From this point of views, regulators in the Arab region welcome such initiatives and are willing to work with the private sector to assess the regulatory implications.

Furthermore, participants discussed the need for a broader understanding of country and region context and called for more proportionality approaches across both jurisdictions and services providers. Finally, participants highlighted the need for the AMF and the IMF to continue engaging with various stakeholders, monitor global trends in the withdrawal of CBRs, including experiences with implementation of the various potential solutions discussed during the workshop, and advise their membership on policies to help tackle related adverse impacts.

The participants welcomed the idea of a follow-up survey in the region focused on the effectiveness of emerging solutions and covering both regulators and private sector entities and called to enhance dialogue among regulators in both jurisdictions, and between regulators and market participants, to expand the advocacy work and build further capacities by considering organizing such workshop in the presence of regulators and private sector in a regular basis in the near future.

Within the same context, the AMF hold, in the framework of the Financial Inclusion for the Arab Region Initiative (FIARI) a High-Level Policy Forum on **"New Venture Finance in the Arab World",** held in Morocco, on 20-21 November 2017. The conference was organized in cooperation with the Ministry of Economy and Finance of the Kingdom of Morocco, GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development and Alliance for Financial Inclusion. The conference brought together high-level government authorities, including representatives from Ministries of Finance, Industry, Labor and social affairs, Central Banks, Financial Market Authorities, senior staff from regional and international financial institutions, researchers, and private sector practitioners.

Under the overarching theme of **"Accelerating Arab Startups"** the conference explored innovative approaches to support entrepreneurship finance in the Arab World and highlight the potential impact of access to finance by Startups on fostering innovation, competition, economic growth and job creation and sensitize financial regulators, policy-makers, supervisors and decision-makers for the topic of Startup financing especially for young entrepreneurs and women in the Arab world.
Still with respect to financial inclusion related issues, the AMF in collaboration with the Central Bank of Jordan (CBJ), (GIZ), and the Alliance for Financial Inclusion (AFI), has

organized on December 4th, 2017 in the framework of the Financial Inclusion for the Arab Region Initiative (FIARI) and Under the Royal Patronage of His Majesty King Abdullah II ibn Al Hussein, **Financial Inclusion Policy Forum**, in Amman, Jordan and launched the 2018-2020 National Financial Inclusion Strategy for the Hashemite Kingdom of Jordan.

The Forum gathered more than 300 policy-makers, representatives from financial regulatory authorities and ministries, decision-makers, professionals, civil society stakeholders and development partners from the Arab World and around the globe to foster peer-learning and knowledge exchange on international developments in financial inclusion. Moreover, on December 5, 2017, a Capacity Development Program was exclusively provided for technical staff from central banks and ministries of finance from the region in building and implementing National Financial Inclusion policies and strategies.

Also, in December 2017, the Fund co-organized the **13th High-Level Meeting on Developments in Banking Supervision and Financial Stability: Banking Standards and supervisory Priorities**, in Abu Dhabi, UAE, in cooperation with the Financial Stability Institute (FSI), BCBS, and the Institute of International Finance (IIF). The meeting was attended by a large number of senior officials of central banks, Arab banking institutions, and capital market authorities in 15 Arab countries, as well as a number of representatives of international institutions, notably the BIS, US Federal Reserve Bank, Bank of Italy, Bank of France, G30 and the IIF.

The meeting discussed a number of important issues, including the optimal approach of boards of directors and senior managers, the financial and banking legislation-related challenged currently encountered by central banks and supervisory bodies.

The agenda of the meeting also covered supervision and oversight-related challenges in Arab countries, the impact of fast developments in financial technology on banking sector, ways to combat electronic financial crimes, as well as a number of current issues that are related to financial market infrastructure.

With respect to AMF technical assistance in the financial sector and in response to a request received from Central Bank of the United Arab Emirates (CBUAE), the AMF conducted a technical assistance mission that visited the Central bank of UAE in June 2017 and joined by experts from the World Bank Group and the Alliance for Financial Inclusion (AFI). The mission was mobilized to share international good practices and lessons learned as well as to provide support to CBUAE in setting up a financial consumer protection (FCP) framework.

Within the same context, during 2017 the Fund, in cooperation with the IMF and WBG, presented a report on an assessment of the conditions of domestic capital market in Algeria as part of the Arab Domestic Market Development Initiative (ADMDI). The report made recommendations for the development of government securities markets, corporate bond markets, and requirements for developing the legal and legislative framework and infrastructure for capital markets. Recommendation also covered ways to expand investor base and develop sukuk (Islamic bonds) market.

The Fund continued issuing **quarterly bulletins** highlighting the performance of Arab capital markets, now totaling 90 issues since inception. These quarterly bulletins cover relevant developments on Arab financial markets, major legislative and regulatory developments as well as an analysis of securities market performance and activity.

Arab capital markets bulletins issues during 2017 have shown a slight drop in the performance of Arab financial markets compared to the positive path observed in 2016. Total capitalization of securities traded on Arab exchanges during the comparison period dropped by about US$ 8.5 billion, or 0.8 percent, to about US$ 1102 billion as of end-December 2017.

- **Development of Statistical Capacity in Arab States**

Recognizing the importance of providing comprehensive and credible statistical data for Arab economies so as to support efforts in economic and financial areas in Arab countries, the Fund attaches a high priority to this task on its agenda.

In this respect, in 2017 the Fund continued to update its statistical databases and upgrade its regular economic bulletins and reports. The Fund timely uploads these bulletins and reports on its website on a timely basis.

Work done by AMF during 2017 in statistical areas included many scheduled activities that serve the objectives of the Fund strategy. These activities included capacity building of technical cadres working for Arab statistical bodies, preparation of studies and reports, contributing statistical annexes to the Joint Arab Economic Report and taking part in technical assistance and training offered to Arab countries in its areas of expertise.

Moreover, the Fund's efforts in developing statistical work in Arab countries included an assessment of the status of statistics, development of work programs of interest to technical cadres, working for Arab statistical bodies, using a special questionnaire that was designed for this purpose. Other questionnaires developed by the Fund aimed at identified modalities of coordination between statistical bodies and the rest of relevant national institutions on issues including the compilation and dissemination of statistics.

Other questionnaires developed by the Fund and sent to statistical bodies in Arab countries includes:

- A questionnaire on **"informal sector in Arab countries"**: This questionnaire aims at assessing the status of this sector in Arab countries, identifying the main indicators on its size in Arab economies, methodologies used in compiling informal sector statistics, either through surveys or through authoritative estimates, and policies adopted to move it into the formal sector.

- A questionnaire on **"financial soundness indicators in Arab countries"**: This questionnaire has been developed in cooperation with the Statistics Department of the International Monetary Fund (IMF) to describe the status of statistics of financial soundness indicators in Arab countries. The purpose of this questionnaire was to collect data on financial soundness indicators as available for 2016 and to identify challenges in imputing financial soundness indicators for the financial non-bank sector.

- The questionnaire, which was addressed to Arab central banks and monetary authorities, consisted of six parts that cover the availability of basic and complementary financial soundness indicators for financial and banking sector and challenges encountered by bodies entrusted with the compilation and dissemination of FSIs.

- A questionnaire on **"major issues to be discussed at the 4th meeting of Arab Statistics Initiative "ArabStat":** The purpose of this questionnaire was to list proposals by Arab countries on topics to be discussed at future meetings of the Technical Committee or to be the subject of future papers or ones on which Arab countries need training and technical assistance.

- An informative survey on **"digital financial services"**: The purpose is to gather data points on current and future payments system capabilities, determine each country's interest in establishing and using a digital payments platform system, and how that fits into financial inclusion objectives within the country

- A survey on **"financial service consumer protection measures and practices in the Arab countries":** The purpose of this survey was to enable a comprehensive assessment of a jurisdiction's financial consumer protection laws and regulations in the Arab region and identify requirements for further development of such measures and practices.

- **A Survey's Framework for demand for financial services** as part of the AMF's Financial Inclusion Task Force and in cooperation with GIZ. The model provides the member countries with: (i) The opportunity to gather robust data on the use of financial services by households and firms, complemented by data on financial knowledge, attitudes, behaviors and the financial well-being of the adult population, as evidence for financial sector development and policies; (ii) Information about the use of financial services by different user groups that will inform financial inclusion policies and initiatives; (iii) Regional comparative analysis and reporting for all the member states allowing benchmarking a country against its peers in the region, and the region as a whole; and (iv) The important signal that the country is following international practices and is actively participating in the international financial inclusion agenda.

- The Manual is organized in the following way: Part I , introduces the framework in general terms, shows how it can be used for measuring financial inclusion using a suite of demand-side surveys of the framework, and presents a harmonized timetable for collecting data by the member states in a consistent way; Part II introduces the demand-side framework, its overall structure and main components, simple survey for individuals, simple survey for firms, full survey for individuals, and optional additional mini-surveys; Part III describes in broad terms the methodology for conducting the surveys leaving the implementation details of each survey to a dedicated guiding document; Part IV discusses the financial inclusion indicators that can be calculated based on the data obtained through the surveys; and (v) Annexes contain additional information related to the full survey and various financial inclusion indicators.

- A questionnaire on **"latest developments on implementation of statistical manuals and methodologies in Arab countries":** The purpose of this questionnaire was to identify the main measures taken by relevant institution to adopt manuals and methodologies that are in place, particularly on national accounts, balance of payments, international investment position, monetary and financial statistics and public finance statistics; and identify the bodies that are responsible for the production of statistical data in Arab countries; and identify national surveys.

As part of the **Arab Statistics Initiative "ArabStat"** launched in 2013, for which the Fund serves as technical secretariat, the Fund offers training to build human resource capabilities in this field in order to produce regular economic, financial and social statistics, to high standards and in compliance with internationally accepted methodologies. That includes assisting Member States in this respect through technical assistance.

The action program under this initiative included upgrading Arab databases through assisting Arab countries in creating the appropriate architecture for compiling and disseminating data and promoting the use of such data in policy making. It also includes the creation of partnerships with regional and international statistical institutions that would help improve the efficiency and effectiveness of statistical systems in Arab countries.

Within its mandate as the technical secretariat of Arab Statistics Initiative "ArabStat", the Fund organized the fourth meeting of the Technical Committee on **"ArabStat"** in November 8-9, 2017 in Abu Dhabi, UAE. Delegations of 13 Arab countries took part in the meeting. It was also attended by 9 international and regional institutions as observers, including the GCC Statistical Centre, GCC Monetary Council, the IMF, the Kuwait-based IMF Middle East Centre for Economics and Finance (IMF-CEF), the World Bank Group (WBG), UN Economic and Social Committee for WEST Asia (ESCWA), the Irving Fisher Committee (IFC), the ILO and the FAO.

During 2017, **ArabStat** initiative achieved a concrete, specific progress in terms of topics and contributions included in the agenda of the meeting. As such, the meetings of the ArabStat initiative technical committee have come to serve as a forum for exchange of experience among Arab countries. This would enhance their capabilities to further develop their statistical bodies and surmount obstacles they encounter in this respect.

The **initiative's fourth meeting** agenda included a review of achievements made in the field of statistical work in the Arab region in 2017; presentations on a number of themes, including financial soundness indicators, financial inclusion, and informal sector statistics in Arab countries. The meeting reviewed the experience of a number of Arab countries in developing methods of compiling national accounts statistics, development and application of methodologies for GFMIS, GFSM 2014, latest techniques and methods for the compilation and dissemination of monetary and financial statistics, the experience of international institutions in using administrative statistics to reduce the cost of production of statistics; and presentations on the main applications of big data that could be used in macroeconomic analysis and contribute to better formal statistics in Arab States.

- **Management of the Consolidated Account for Funding Arab Specialized Organizations**

The Fund is entrusted with the management of the Consolidated Account for Funding Arab Specialized Organizations which was created pursuant to Economic and Social Council Decision 1056 adopted in July 1988, to cover expenditure under respective approved budgets for Arab specialized organizations, agencies and centers through member respective country contributions to the budgets of those organizations.

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 under the League of Arab States. They 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. The Arab organizations that are parties to this consolidated account include:

1- Arab Organization for Administrative Development (ARADO)
2- Arab Labor Organization
3- Arab Industrial Development and Mining Organization
4- Arab League Education, Culture and Science Organization (ALECSO)
5- Arab Organization for Agricultural Development
6- Arab Center for the Studies of Arid Zones and Dry Lands (ACSAD)
7- Arab Atomic Energy Agency
8- Arab Authority for Civil Aviation (ACAC)

Within this context, the Fund prepares a quarterly report for each organization that shows expenditure and balance, the status of contributions by Member States to the budget of the organization concerned, as well as a regular aggregated quarterly report on the operations of the consolidated account.

The financial position of the consolidated account shows that the balance on the asset side as of Year End 2017 was US$ 23.0 million, up from US$ 20.5 million as of Year End 2016.

It is noteworthy that the return on investment of assets in this account is deposited in a special reserve sub-account. The balance of the sub-account, as of Year End 2017, was about US$ 10.5 million. It now covers almost 25 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 that a buildup of reserve under this account to be used in emergencies, as decided by the Economic and Social Council of the Arab League.

▪ Cooperation and Partnership with Arab, Regional and International Organizations

As part of its efforts to strengthen relationships with national, regional and international financial institutions, AMF signed, in December 4th, 2017, **a memorandum of understanding with GIZ** on behalf of the German Federal Ministry of Economic Cooperation and Development.

By signing the MOU, the parties intend to strengthen cooperation for the implementation of the Financial Inclusion in the Arab Region Initiative (FIARI) that was successfully launched together with the Alliance for Financial Inclusion (AFI) in Sharm El-Sheikh, Egypt in September 14, 2017. FIARI aims to accelerate conducive policies and actions for enhancing Arab societies' access to financial services. Building on financial inclusion as a driving force for sustainable development aligned with the United Nations Sustainable Development Goals (UN SDGs), FIARI will provide a regional platform for capacity building, knowledge exchange on good international practices and effective coordination through peer-learning and support national financial inclusion policies.

Beyond this, the parties will expand their cooperation to cover the areas of supervision and financial stability with a particular focus on supporting the implementation of Basel III and macroprudential regulation in Arab countries.

The AMF-GIZ partnership will furthermore include capacity building programs in the field of insurance to support the insurance supervisory and regulatory authorities in the region and provide demand-oriented customized training opportunities for legislative bodies in Arab countries.

This development epitomizes AMF strategy and vision going forward. It strengthens gains made by the two sides thanks to bilateral cooperation over the last two years. This includes the expansion and deepening of ongoing cooperation in developing inclusive, sustainable financial systems in the Arab region, support to the implementation of the Financial Inclusion for Arab Region Initiative (FIARI) in order to expand and improve access by all socioeconomic groups in Arab countries to finance, building on the long experience of both the Fund and the GIZ in providing technical advice and capacity building.

The Fund also signed a **memorandum of understanding with the OECD** with a view to strengthening the ongoing cooperation between these two institutions and developing a comprehensive framework for a partnership in technical advice and capacity building in the Arab region. Areas covered by this MOU include: development of the financial sector, improvement of business environment, development of corporate governance, support and reform of investment policies, as well as other areas of common interest.

In October 2017, the Fund hosted a **Meeting of the BCBS Consultative Group**. The meeting was attended by 23 senior representatives of banking supervision departments in central banks and international supervisory bodies, the IMF, the World Bank, Financial Stability Institute (FSI), the Consultative Group to Assist the Poor (CGAP) and the Dubai Financial Service Authority.

The meeting discussed a number of important topics that were on the Agenda of BCBS Consultative Group for 2017, including issues related to cross border coordination among supervisory bodies, discretionary measures under Basel III, challenges encountered by the banking sector in an environment of low interest rates and the implications of that environment for asset prices and bank profitability, financial service technology and its implications for financial inclusion from the perspective of regulatory measures and banking supervision. The meeting also discussed prudent policy options for building provisions to absorb possible losses, building on experience of Asian countries.

During the same meeting, the Fund made a presentation on the main contents of its paper on “Liquidity Risk Management under Basel III in Arab Countries”. The presentation reviewed the main pillars of deploying a supervisory framework for liquidity risk management in Arab countries; efforts made by Arab central banks and monetary agencies to enable banks to comply with these requirements; and compliance with these requirements in Islamic banks.

In November 15-16, 2017, the Fund organized the **“Second Joint Meeting of the Monetary Policy Group in Arab Countries, in cooperation with BIS in Abu Dhabi, UAE**. The meeting was attended by a large number of senior officials from Arab and foreign central banks as well as a number of executive managers from banks and other financial institutions in Arab countries. The meeting discussed a number of topics of interest to monetary policy and financial sector in the Arab region, including: implication of latest international economic and financial developments for monetary policy management and banks sector activity; challenges related to sources of finance and bank liquidity in an environment of low global oil prices; and growing needs of domestic public debt in a number of Arab countries.

It may be noted here that the Fund pays a special attention to presence in participation in relevant international events in the best interest of its membership. Through this activity, The Fund pursues its objectives as laid down in its Articles of Agreement, particularly on coordination of the stances of Arab countries on international monetary and financial issues, to serve their common interests and help solve international monetary problems at the same time.

Within this context, The Fund represented the Secretariat of the Arab Committee for Banking Supervision at the **"Meeting of the BCBS Consultative Group"** held in Dubai, UAE, during January 2017. The agenda of the meeting included a discussion of a number of issues of high priority for banking supervision and compliance to Basel III requirements. During the meeting, the Fund made a presentation on **"Supervisory Treatment of Risks Related to Bank Sector Exposure to Sovereign Debt Issuances: Experience and Perspectives of a Number of Arab Countries on Supervisory Treatment Proposed by Basel Committee".**

The Fund also took part in the **"Meeting of the BCBS Consultative Group"** held in Basel, Switzerland, during May 2017. The meeting discussed of a number of issues of importance to banking supervision, including: the simplifies standard framework for market risk; phase 3 of adjustment of Pillar III on market discipline; the implications of financial service technology developments for banks and banking supervision and oversight bodies; a review of the findings of a questionnaire on coordination between cross border supervisory authorities and host country supervisory authorities. During the meeting, the Fund also made a presentation on major supervisory developments and the application of Basel III requirements in Arab countries. The meeting was attended by representatives of international supervisory bodies, IMF, World Bank, Financial Stability Institute (FSI), Financial Stability Board (FSB), and the Consultative Group to Assist the Poor (CGAP).

As part of the Fund's efforts to enhance access to finance for all in the Arab countries, towards achieving SDGs, the AMF participated in the Global Partnership for Financial Inclusion (GPFI) forum, held in Berlin, Germany on 2-3 May 2017. The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan (FIAP), endorsed at the G20 Summit in Seoul.

The forum focused on what has been reached in financial inclusion so far, how it impacts poor households and SMEs and thus the economies across the world and was an opportunity for the AMF to update GPFI partners on the progress made by the Arab region in financial inclusion related areas and presented the newly established Financial Inclusion for Arab Region Initiative (FIARI) and its alignment with global agenda of financial inclusion, including implementation of G20 principles.

The Fund also took part in the **International Conference on Reconstruction in Yemen**, co-organized by the World Bank and the Finance

Ministry of Saudi Arabia on May 10, 2017. During the conference, the Fund explained its perspective on what could be extended to help Yemeni authorities at this difficult junction, particularly in terms of technical advice to help rebuild institutions, and train and enable Yemeni cadres working in economic and financial sectors. The Fund also took part in the 9th Annual Forum of the Global alliance for Financial Inclusion (AFI), held in Sharm Elshaikh, Egypt, during September 2017. During the work of the forum, the **Financial Inclusion Arab Regional Initiative (FIARI)** was officially launched. The Fund cooperates on this initiative with the Global Alliance for Financial Inclusion (AFI), the GTZ and the World Bank.

The Fund also represented the Arab Group at the regular meeting of the **International Committee on Credit Information**, held in Vienna, Austria during November 2017. The Fund also took part in the 25th and 26th Plenary Meetings of MENAFATF, held in Kuwait during April 2017 and in Bahrain during December 2017, respectively.

Financial Inclusion for the Arab Region Initiative (FIARI)

In the framework of AMF efforts to support Financial Inclusion agenda in the Arab region, as a key policy objective to boost economic growth, and contribute to financial stability and sustainable development, the AMF, has established under the auspices of the Council of Arab Central Banks Governors and in collaboration with the German International Cooperation (GIZ) and the Alliance for Financial Inclusion (AFI), with support of the World Bank **the Financial Inclusion for the Arab Regional Initiative (FIARI).**

The Initiative has been officially launched on 14 September 2017, during the 2017 AFI Global Policy Forum held in Sharm El Sheikh, Egypt, in the presence of President of Egypt and Central Banks Governors from the Arab region.

The launch of the Financial Inclusion for the Arab Regional Initiative (FIARI) follows international efforts in this area. Importantly, financial inclusion has been widely recognizing as a mechanism to deliver impact beyond simply increasing the number of people who have financial accounts. A direct link can be drawn between benefits of financial inclusion and the UN Sustainable Development Goals, contributing to poverty alleviation, women's participation and equity and sustainable equitable economic growth. Moreover, the critical importance of financial inclusion to empowering and transforming the lives of all people, especially the poor, has been recognized by international community for several consecutive years including, among others, the World Bank, the International Monetary Fund and the G20 and the establishment of the Global partnership for Financial Inclusion (GPFI).

In addition to overarching goals envisaged by the global community and taking under consideration the emerging issues named in 2.3, the AMF and the Council of Arab Central Banks and Monetary Authorities' Governors have set intermediary goals, covering a wide range of relevant financial inclusion policy domains, including: (i) financial inclusion data and measurement to support evidence- based policy making; (ii) women's financial inclusion, employment and empowerment; (iii) financial services for MSMEs including credit guarantee mechanisms, finance for Arab startups, innovation and rural entrepreneurs; (iv) financial market infrastructure; (v) responsible finance towards more sustainable and resilient development; and (vi) digital financial services and institutional innovation.

Building on efforts from global bodies and standard-setters, multiple actions have been undertaken by Arab financial regulators and predominately the AMF, to promote best practices, knowledge sharing, and troubleshooting of financial inclusion issues. To these ends, it has established dedicated initiatives to provide technical assistance to its Member Countries and helped to address inclusion challenges by working toward encouraging inclusion through enabling regulatory regimes and legal frameworks. The efforts exerted by the AMF in this regard are driven by its role as the Secretariat of both the Council of Arab Central Banks Governors and the Council of Arab Ministers of Finance, and by its Strategic Plans for 2015-2020, aiming to help Member Countries to improve access to financial services by the underserved and to broaden and deepen the region's financial systems. Selected initiatives are featured below.

The region recognition of Financial Inclusion has been reinforced by establishing a regional Financial Inclusion Task Force (FITF) in 2012, as a main mechanism to support policy makers among all Arab countries in addressing financial inclusion issues, as well as approving in September 2016, April 27th of each year as the Arab Financial Inclusion Day, among others. In addition, a series of high-level financial inclusion policy events have been organized to spur peer-to-peer learning and knowledge exchange among Arab Central Banks and beyond, organized by the AMF in cooperation with Alliance for Financial Inclusion (AFI), the Bill and Melinda gates Foundation, (GIZ), the Bank for International Settlements (BIS), The Japan International Cooperation Agency (JICA) and a number of central banks around the world.

The main purpose of this initiative is to build a strategic platform to promote inclusive and sustainable growth and poverty reduction through sustainable financial inclusion policies by supporting efforts to expand access to the formal financial system for the under-served and financially non-included populations, with a focus on catalyzing the provision of appropriate financial products and services to meet the needs of households and businesses

The scope of FIARI initiative is to cover a wide range of relevant financial inclusion policy domains, including: (i) Financial inclusion data to support evidence-based policy making; (ii) Women's financial inclusion, employment and empowerment; (iii) Financial services for MSMEs including credit guarantee mechanisms, finance for Arab startups, entrepreneurs and rural; (iv) Financial market infrastructure that allows for greater financial inclusion; (v) responsible finance towards more sustainable and resilient development, (vi) Digital financial services and institutional innovation as means to expand alternative channels for financial system access and usage, among others.

Important components of FIARI will focus on developing a coordination mechanism, developing and establishing a monitoring and evaluation framework, supporting the implementation of national strategies for financial inclusion and developing country specific programs. At the regional level, FIARI will deliver its services by bolstering peer-to-peer learning, providing training, and fostering knowledge exchange among all policymakers, regulators and relevant stakeholders. At the national level, country specific programs and technical assistance/advisory services will be provided. FIARI will leverage the Council of Arab Central Banks Governors and its Financial

Inclusion Task Force to deliver and ensure smooth and safe implementation programs

As part of its FIARI work program for 2017, the AMF in collaboration with the Central Bank of Jordan (CBJ), (GIZ) and the Alliance for Financial Inclusion (AFI), has organized in December 4th, 2017 Under the Royal Patronage of His Majesty King Abdullah II ibn Al Hussein, **Financial Inclusion Policy Forum**, in Amman, Jordan and launched the 2018-2020 National Financial Inclusion Strategy for the Hashemite Kingdom of Jordan.

The Forum gathered more than 300 policy-makers, representatives from financial regulatory authorities and ministries, decision-makers, professionals, civil society stakeholders and development partners from the Arab World and around the globe to foster peer-learning and knowledge exchange on international developments in financial inclusion. Moreover, in December 5, 2017, a Capacity Development Program was exclusively provided for technical staff from central banks and ministries of finance from the region in building and implementing National Financial Inclusion policies and strategies.

The Arab Regional Payments System (ARPS) project

As part of its continual efforts to achieve the objectives contained in the AMF Articles of Agreement, in particular that calls for "Settling current payments between Member States to promote trade among them", and following a request from the Council of Central Banks and Monetary Authorities' Governors, the AMF has prepared in 2009 in collaboration with the World Bank an explorative study, assessing potential for integrating national payment systems across AMF member countries, followed by a set of papers on the prerequisites for an Arab Regional Payments System (ARPS), concluding the existence of opportunity to develop such project to enhance intra-Arab trade and investment for the benefit of all Arab economies, particularly for the regional financial integration.

In this context, the AMF in collaboration with the Arab Committee on Payment and Settlement Systems (ACPSS) undertook a study on the feasibility of a project to integrate the clearing and settlement of cross-border payments in the Arab region, with a view to potentially lead to the establishment of an Arab Regional Payment System (ARPS).

The project's feasibility Study and a preliminary action plan for the project were presented to the Council of Arab Central Banks and Monetary Authorities' Governors in its 2014 annual meeting held in Algiers, Algeria. The Council acknowledged the presence of a business case and called on the Arab Central Banks to coordinate with the AMF to agree on the next phase that was defined to be the design of the system covering all necessary components of a business entity infrastructure, all the requirements for the implementation of the project and technical aspects of the settlement system by ensuring, inter alia, the full compliance with international standards and following foreign regulatory requirements regarding local clearing of their currencies as well as encouraging the use of local Arab currencies.

Consequently, the AMF in collaboration with the Arab Committee on Payment and Settlement Systems (ACPSS) has submitted a full-fledged paper defining action plan for two phases to move ahead the project, including the design and implementation phases. The paper tailored also final purpose of the Arab Regional Payments System (ARPS) project as well as its related objectives, aiming to serve the following:

- ✓ Expand Arab regional trade and investments, leading to promote economic and financial cooperation among Arab countries and enhance Arab regional integration;
- ✓ Support the usage of local Arab currencies in the clearing and settlement of intra-Arab payments' transactions;
- ✓ Contribute to strengthen the soundness and stability of the banking system in the Arab region by standardizing the level of compliance through applying common requirements of international principles and standards and promoting the good practices;
- ✓ Reduce significantly costs and time variability of cross-border payments among all Arab countries;
- ✓ Strengthen the capacity of Arab financial institutions to ensure operational reliability of their data bases by providing them with cutting-edge security features; and Improve businesses' access to working capital and facilitate linkage with key trade partners of the Arab region;
- ✓ Possible linkage with main trading partners of Arab countries, by connecting to international trading hubs' payment systems.

The full-fledged paper submitted by the AMF has been discussed by the Council of Arab Central Banks and Monetary Authorities' Governors in its 2015 annual meeting held in Cairo, Egypt. At that occasion, the Council reiterated the relevance of the proposed system and called to move to the design phase, while providing guidance and directions to ensure that the system will increase transaction efficiencies and deliver Central Banks greater supervisory and oversight capabilities on intra-Arab cross-border payments. Moreover, the Council, while recognizing the role of the AMF in the previous phases, asked AMF to conduct the design phase of the system that the scope should include detailed business model, currency model, risk management procedures, operating model and institutional framework, including governance and oversight requirements as well as financial requirements to operate the system, inter alia.

In light of the above, the AMF conducted the design phase of the project during the period September 2016 - July 2017. The system has been designed by a multidisciplinary team comprising leading regional and global payment systems experts from AMF, an international specialized consultancy firm, the Arab Committee on Payment and Settlement Systems (ACPSS), the World Bank Group (WBG) and The Bank for International Settlements (BIS).

The team has been involved in seven Task Force meetings, benefitting the design from their insights and depth of experience in designing and implementing key payment systems across the world. Focused debate and deliberations on project design have provided consensus and alignment. Furthermore, market participants in the Arab region have been engaged on project design via two workshops where key design features have been tested and feedback points incorporated.

The final design, covering the business model, operating model, needed ICT infrastructure, legal framework and options for ownership, revenue and market model as well as detailed implementation plan, has been produced in line with the direction of the Council of Arab Central Banks and Monetary Authorities' Governors and reflects extensive discussion and socialization with Arab Central Banks and over 300 financial institutions and exchange houses in the Arab region as well as the concerned international institutions.

It is to be noted that designed system includes a variety of operations and security tools to implement international standards and principles, such as ALM/CFT. These tools enable system administrators and operators to manage and defend ARPS, respectively. The complete functional specifications for these tools are included in the design. Moreover, the business model of the proposed system has been custom-designed taking into account international best practices combined with specific Arab region characteristics, mainly to support the usage of local Arab currencies, prevent situations where participants are unable to meet their financial obligations by m mitigate credit risks through pre-funding by participants of their settlement accounts in the system for each currency they will be transacting in, in line with current market practice.

Training and capacity building

Training activities undertaken by the AMF-Economic Policies Institute (EPI) support the objectives of AMF Strategy Framework for 2015-2020 through the upgrade of training and capacity building in economic, fiscal, monetary, trade, and statistical areas in the Arab region.

To this end, the Economic Policy Institute (EPI) has accorded a high priority to upgrading training in general and, in particular, the academic content of current training programs, expansion of the list of training programs and activities, including those offered by the Fund at its HQ in Abu Dhabi, UAE, and in Arab countries. In addition, the EPI has accorded a high priority to laying down the foundation for online training and the possibility of introducing a program for visiting scholars and another one for junior economists.

On the financial side that reflects the degree of success in terms of cost-effectiveness and enhanced contribution by foreign partners to resources earmarked to training activities, the Fund training plan for 2017 included a significant increase in the number of activities undertaken by foreign partners within cooperation understandings finalized with those partners. In addition, the Fund has increased the number of EPI training courses executed by AMF technical staff. In terms of strengthening main lines of work within the Fund's areas of expertise, the Fund has completed the automation of all procedure for training.

Within this context, the EPI work plan for 2017 focuses on the first and most important pillar of its mandate. Accordingly, the plan included the following components:

1- An increase in the number of activities and that of partner organizations in which the EPI cooperates in delivering training, particularly the increase of new training activities;
2- Improved return on spending and foreign contribution to program allocations and diversification of sources of funding;
3- Strengthening core business lines through better training processes and informatics systems that support electronic registration;
4- Strengthening AMF own capacity to improve response to future training needs.

In light of the above, the outcome of EPI work in 2017 shows an increase in the number of courses to 32, up from 28 courses in 2016, including 6 courses that were organized outside the HQ host country. This included new topics in response to members' expectations and needs and to maximize use by Arab country officials (Graph 3).

with the US Federal Reserve Bank, apart from 5 courses delivered by the AMF staff.

Chart (3): Activities of Economic Policy Institute (2011 – 2017)

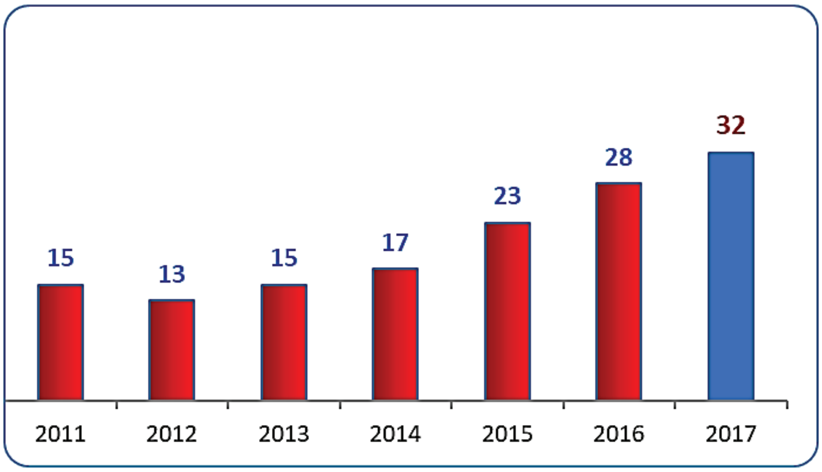
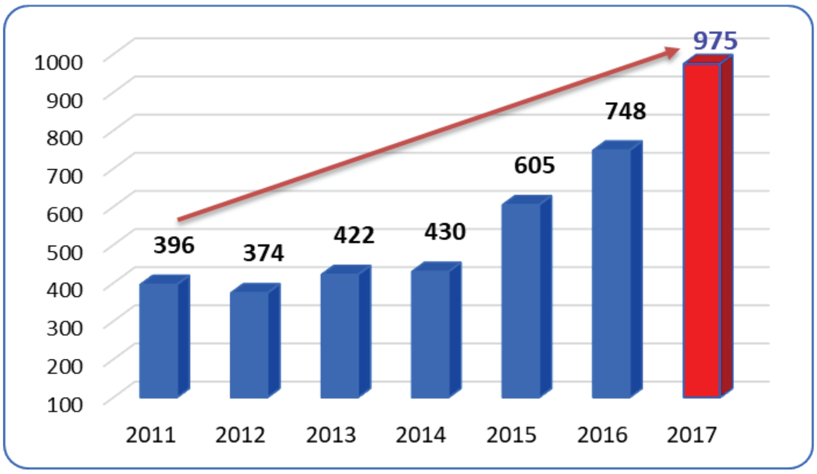


Chart (4): Number of Participants in Economic Policy Institute Activities (2011 – 2017)



EPI figures for 2017 show that 975 trainees from Arab countries participated in its courses, up from 748 participants in the previous year, or an increase of 30 percent over 2016, Chart (4).

Efforts were not confined to responding to Arab countries' needs in terms of increased and diversified training programs. They also covered the upgrade of training quality. Participants questionnaire that received and analyzed by EPI show a positive trend for the most part on effectiveness of training, and adoption of information systems and skills acquired. In this respect, EPI pays special attention to participants' suggestions for additional training programs to cope with the increasing needs and expectations of the Member States.

On strengthening main distinctive business lines, EPI focused in 2017 plan on upgrading its computer facilities and work policies and processes, as well as further development of electronic registration system to support electronic selection of candidates and facilitate participation in training courses.

Training courses delivered in 2017 included 9 courses in cooperation with the IMF, 3 courses with the World Trade Organization (WTO), 3 courses with the Bundesbank, one course with the Bank of England, 4 courses with the Bank for International Settlements, 2 courses with the Islamic Development Bank, 2 courses with the World Bank, one course with JICA, one workshop with the MENA-FATF, one course

Against this backdrop, the EPI deliverables under its plan of work in 2017 included 32 courses, of which 26 courses were delivered at

AMF HQ in Abu Dhabi, UAE, while 6 courses were delivered in Member States.

Here is an annotated list of courses and workshops held in Abu Dhabi during 2017, including topics, co-organizers and objectives:

1- A course in cooperation with the WB on "**Sukuk Market Development**", January 22-25, 2017. This course aimed at familiarizing participants on sukuk as a major instrument of long-term finance under Islamic Shari'a.

2- A course on **"Means of Macroeconomic Forecasting"**, in cooperation with AMF Economic and Technical Department, January 29-31, 2017. This course aimed at enhancing the understanding of macro-economic variable forecasting techniques by participants, and honing skills of empirical analysis using econometric software Eviews.

3- A course on **"Capital Planning and Stress Testing"**, in cooperation with the US Federal Reserve Bank, February 12-16, 2017. This course aimed at familiarizing participants with techniques of measuring capital adequacy ratio, the ability of capital to absorb losses during stress times, as well as methodologies of stress testing.

4- A course on **"Banking Supervision"**, in cooperation with the Bundesbank, February 21-23, 2017. This course aimed at shedding light on latest developments in the area of banking supervision and oversight, as well as familiarizing participants with the main issues related to risk management in banks and reviewing latest developments in bank sector supervision and regulation.

5- A joint course with the IDB on **"monetary Policy and Islamic Banking in Dual System"**, March 5-9, 2017. This course aimed at familiarizing participants with techniques and instruments of monetary policy from an Islamic perspective, compared with those of traditional monetary policy.

6- A course on "**Islamic Insurance-(Takaful)"**, in cooperation with the World Bank, March 12-14, 2017. This course aimed at shedding light on the principles of **Islamic Insurance (Takaful)**, and its increasing weight in this industry within an environment of accelerated development of the financial industry.

7- A course on "**Arab Economies: Developments and Prospects"**, developed and delivered by AMF staff, March 21-23, 2017. This course aimed at enhancing experience of professionals in charge of macroeconomic modeling and forecasting in Arab agencies concerned.

8- A course on "**Risk Identification and Management in Insurance Companies"**, in cooperation with BIS, April 4-6, 2017. This course aimed at familiarizing participants on the foundations of insurance risk identification and management.

9- A course on "**Standard Method under Basel III"**, in cooperation with BIS, April 10-12, 2017. This course aimed at familiarizing participants on the calculation of capital adequacy ratio using the standard method under Basel III.

10- A course on "**Fiscal Policy Frameworks"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), April 30-May 11, 2017. This course aimed at enhancing participants' understanding of fiscal policies and their implications for macroeconomic management.

11- A workshop on "**Regional Trade Agreements among Arab and Middle East Countries**", in cooperation with the WTO, May 16-18, 2017. This workshop aimed at familiarizing participants on the foundations, concepts and commitments of regional trade agreements as part of multilateral trading system.

12- A course on "**Central Bank Transparency and Communication of Monetary Policy**", in cooperation with the Bundesbank, May 22-24, 2017. This course aimed at familiarizing participants on the importance of central bank transparency as a prerequisite for a successful monetary policy, particularly in an environment of inflation targeting policy.

13- A course on "**Cross Border Position Statistics**", in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), September 10- 14, 2017. This course presented the methodology of compiling and disseminating foreign position statistics, including IIP, external debt position, portfolio investment, and Coordinated Direct Investment Survey.

14- A course on **"Bond Investment Risk Analysis"**, developed and delivered by AMF staff, September 17- 20, 2017. This course aimed at familiarizing participants on challenges and investment risks in bond markets, inherent risks in the course of selecting external bond portfolio managers, identification of major and minor risk indicators in bond sector, selection of performance indicators for bonds, and the role of credit rating agencies in identifying risks for this sector.

15- A course on **"Reforms in Government Finance, Financial and Banking Sectors"**, developed and delivered by AMF staff, September 24- 28, 2017. This course aimed at enhancing participants' understanding of fiscal policy analysis and implications for macroeconomic management It focused on basic concepts and methodologies of budget planning and execution in the interest of successful fiscal programs.

16- A course on **"Implementation of Monetary Policy"**, in cooperation with the Bundesbank, October 2-5, 2017. This course aimed at enhancing participants' understanding of the roles, functions and application of different monetary policy instruments, factors that influence market liquidity, open market operations, and the implications of monetary policy for the balance sheet of the central bank.

17- A course on "**Risk-based Supervision under Basel III**", in cooperation with the BIS, October 10-12, 2017. This course aimed at presenting latest techniques and practices in risk-based supervision of financial institutions.

18- A course on "**Government Finance Statistics**", in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), October 15-26, 2017. This course aimed at familiarizing participants on the conceptual framework of GFS as presented in IMF GFSM 2014 that updated the GFSM 2001 as well as practical issues related to data compilation.

19- A workshop on "**Combating Money laundering**", in cooperation with MENA-FATF, held in October 29-31, 2017, aimed at helping countries of the region prepare for the second round of assessments, under the Mutual Assessment Methodology (2013), and the FATF Recommendations on AML/CFT/ Proliferation (2012), through familiarizing the participants on the requirements and tools of mutual assessment. This workshop was attended by Arab officials of different levels from supervisory and oversight bodies, FIUs, enforcement agencies, as well as officials engaged in relevant policy making and decision taking.

20- A course on "**Practical Aspects of Accounting Principles for Islamic Financial Institutions"**, in cooperation with IDB, November 5-9, 2017. This course aimed at familiarizing participants on accounting principles for Islamic financial institutions and the extent of their convergence with international accounting principles.

21- A course on "**Econometrics"**, in cooperation with the Bank of England, November 12-16, 2017. This course aimed at enhancing participants' capabilities in macroeconomic variable forecasting and building macroeconomic models, using latest econometric techniques.

22- A course on "**Service Trade Statistics",** in cooperation with the WTO, November 20-23, 2017. This course aimed at familiarizing participants on the general framework for compiling national statistics on international trade in services.

23- A course on "**Foreign Reserve Management",** in cooperation with the BIS, November 27-29, 2017. This course aimed at familiarizing participants on practical aspects of foreign reserve management, including the basics of investment management (design of investment strategy and allocation and diversification of investment assets with a view to realizing the highest rate of risk-weighted return) with reference to latest internationally accepted central bank best practices.

24- A course on "**Monetary and Financial Statistics"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), December 3-14, 2017. This course aimed at helping participants acquire a deep understanding of foundations and principles of monetary and financial statistics compilation, reviewing all stages of compilation, using the latest edition of IMF Monetary and Financial Statistics Manual**.**

25- A course on "**External Debt Statistics"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), December 17-21, 2017. This course aimed at enhancing participants' understanding of the framework and techniques for external debt statistics compilation and analysis.

26- A course on **"Inflation Dynamics"**, developed and delivered by AMF staff, September 26- 28, 2017. This course presented an analysis of the concept and determinants of inflation dynamics and relevant international and Arab country experience.

In addition, here is an annotated list of courses and workshops organized by the EPI in Member States during 2017, including topics, co-organizers and objectives:

1- A course on "**Financial Sector Policies"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), organized in **Morocco**, February 6-17, 2017. This course focused on the close relationship between financial sector conditions and macroeconomic environment, risk transmission channels from the financial sector to the macroeconomy. This course aimed at enhancing participants' ability to assess a whole range of stability-oriented financial sector policies.

2- A course on "**Growth and Financial Inclusion"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), organized in **Jordan**, March 26-April 6, 2017. This course aimed at familiarizing participants on the close relationship between financial sector conditions and efficiency of macroeconomic management, the course also presented a perspective of financial inclusion.

3- A course on "**Financial Sector Supervision"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), organized in **Algeria**, September 10-21, 2017. This course aimed at familiarizing participants on the main elements of close financial sector supervision, with particular emphasis on a review of risk management practices and the role of on-site supervision in this respect.

4- A course on "**Free Trade Agreements: Building Negotiation Capabilities"**, in cooperation with the WTO, organized in **Bahrain**, October 8-12, 2017. This course aimed at enhancing participants' understanding of negotiation techniques as applied in practice and familiarizing participants on forms used in international negotiations on agricultural sector, industrial products and trade in services in order to enhance bilateral negotiation capabilities.

5- A course on "**SMEs Development Policies"**, in cooperation with JICA, organized in **Egypt**, November 19-23, 2017. This course aimed at familiarizing participants on the concept, importance, characteristics, and challenges facing, SMEs. The course also shed light on services through which SMEs would be financed and developed in the interest of enhancing socioeconomic contribution.

6- A course on "**Exposure to External Sector Risks"**, in cooperation with IMF Middle East Center for Economics and Finance (IMF-CEF), organized in **Oman**, December 3-14, 2017. This course aimed at familiarizing participants on exposure to economic risks originating from external sector imbalances. It presented analytical frameworks used in this area as defined in early warning exercises and risk exposure applications.

Investment

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

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 regional financial and developmental institution.

The Fund's investment policy is based on four main principles: 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 appropriate portfolio risk limits to protect the value of the investment as a whole.

The activity includes investing the Fund's accumulated financial resources, which consist of capital and reserves that are employed in activities consistent with the Fund's strategic objectives. Such activities include lending and investing in Arab Government bonds within set limits in the interest of developing Arab bond markets in line with approved investment strategy and policy and earn an income which contributes to cover the Fund's administrative expense and grow its reserves and its own resources.

This activity also covers cooperation with Member States and Arab financial institutions, including accepting deposits from these parties in accordance with the Fund's approved investment guidelines.

The investment activity also includes portfolio management services. These services include management of deposits, bonds and other securities on behalf of Member States and Arab financial institutions.

In 2017, the trajectory of returns on investments experienced periods of fluctuations. The volatility came as a result of uncertainty on the direction of the US administration on fiscal policy aimed at stimulating growth. In an environment of low inflation, this uncertainty caused medium and long-term interest rates as well as the value of the US dollar to drop against major currencies.

Also, uncertainty around election time in many parts of Europe influenced markets. Tensions in the Korean Peninsula also caused pressures on returns.

As the above-mentioned concerns receded and growth prospects for global economic growth improved during the fourth quarter of 2017, there was a gradual pickup of interest rates. Despite stable inflation rates below the level targeted by monetary authorities, pickup in interest rates was further supported by the decision of the US administration to adopt a package of tax reforms and the confirmation by the US Federal Reserve that growth indicators have started to improve.

Under these circumstances, AMF 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 ensure the safety of its investments through the acquisition of highly rated investment instruments, in addition to dealing with regional and global financial and banking institutions that enjoy high credit ratings. The Fund monitors developments with these institutions through regular surveillance.

The Fund actively manages risks of its investment portfolio by focusing on major investment risks including concentration risk, interest rate risk, liquidity risk, currency risk and credit risk.

The investment portfolio of the Arab Monetary Fund consists of its own funds as well as deposits received from Member States. Total value of investments amounted to the equivalent of AAD 2.77 billion, or approximately USD 11.83 billion as of Dec. 31th, 2017.

The investment portfolio consists primarily of investments in bank deposits and bonds and securities apart from limited investments in multi-strategy investment and property funds. As of the end of 2017, the total investment portfolio had an allocation of 28 percent to bank deposits, 70 percent to bonds and securities, and 2 percent to multi-strategy and property investment funds.

The approved investment policy allows allocation to 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. The list currently includes approximately 115 banks and financial institutions. The list, which is 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 monitoring on banks' financial status and credit ratings.

As for investment in bonds and securities, AMF maintains high quality instruments in terms of liquidity and credit ratings, aiming to diversify its exposures and geographical distribution.

A high proportion of the bond portfolios were invested in government and semi-government issuances and money market instruments, amounting to 61 percent maintaining an average bond credit rating of AA, with 95 percent 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 risk and to respond to developments in financial markets, the Fund continued to allocate its investments to ensure a balanced geographical distribution for all its investment portfolios of own funds and accepted deposits in line with approved investment guidelines.

Investment in bonds, deposits and securities in Arab countries amounted to AAD 576 million, equivalent to USD 2,461 million, accounting for approximately 21 percent of the total invested funds as of end of 2017. This includes AAD 404 million, equivalent to USD 1,726 million, in deposits with Arab banks and financial institutions, in addition to AAD 171 million, equivalent to USD 735 million, invested in bonds and securities issued by Member States and Arab banks and companies.

In terms of investment in Arab currencies, the investment policy allows, under certain conditions, to invest a portion of available funds in deposits, bonds and securities in convertible currencies of Member States. The Fund's investments in Arab currencies amounted to AAD 89 million, equivalent to USD 380 million as of Dec. 31th, 2017.

Investment in Arab bonds and securities reached AAD 172 million, equivalent to USD 735 million as of Dec. 31th, 2017, which includes government issuances totaling AAD 113 million, equivalent to USD 483 million, reaching approximately 66 percent of total investment in Arab bonds. The balance of AAD 59 million, equivalent to USD 252 million, which is approximately 34 percent of total investment, represents investment in bonds issued by Arab banks and non-government institutions. Regarding the credit rating of Arab government bond portfolio, 23 percent of the portfolio is invested in government bonds with a credit rating of A or better; the remaining 77 percent represents investment in Arab government issuances with lower credit rating ranging from BBB to B for a total amount of AAD 88 million, equivalent to USD 376 million as of Dec. 31th, 2017.

It is worth mentioning that the Board of Governors expressed its support, during its 2012 meeting, to the creation of an Arab government bonds' portfolio. In response, the Fund's Board of Executive Directors resolved to regulate investments in Arab government bonds rated below A, expanding the credit ratings' categories that were acceptable for investment in Arab government bonds to include the B credit rating category. In addition, part of the Fund's own resources was allocated to investment in Arab government bonds with a credit rating ranging from BBB to B, amounting to AAD 115 million (equivalent to USD 491 million), under a Board of Executive Directors' resolution that increasing the number of Arab countries in whose bond issuances the Fund may invest.

The Board's decision to invest in Arab government bond markets reflects the Fund's growing interest in expanding its participation in, and contribution to, supporting and developing Arab bond markets by increasing investment in bond issuances of Member States with a credit rating of BBB and lower, as part of the Fund's continuous efforts to further develop Arab financial markets, including bond markets.

Deposit acceptance from Arab governments and financial institutions is conducted in line with the Fund's strategic objectives as set out in its Articles of Agreement and in accordance with the Board of Governors' various resolutions which called upon Arab countries to voluntarily deposit a portion of their funds with the Fund. These resolutions established several rules including prohibiting the Fund from using its deposits 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 deposit acceptance and management of its investment funds, which includes the voluntary adoption of the Basel framework as a reference for managing risks and limits for this activity. These decisions allocated necessary financial resources from the Fund's reserves to support this activity and to raise depositors' confidence. Moreover, they defined the allowable 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 confidence of depositing countries, predominantly through its conservative investment policy that accords greater weight to the preservation of invested capital. Deposited funds also enjoy a high level of safety by virtue of the Fund's financial solvency, and its risk mitigation approach to investment activities.

The Fund voluntarily adopted the Basel framework to manage risks of the investment portfolio of the accepted deposits of Member States, achieving a Capital Adequacy Ratio of 34.54 percent as of Dec. 31th, 2017., compared to the minimum requirement of Basel III at 13 percent.

The 30-day short-term Liquidity Coverage Ratio reached 467.46 percent, compared to the minimum requirement of 80percent which came into force in January 2017, and recorded a Net Stable Funding Ratio of 336.68 percent, compared to the minimum requirement of 100percent. The Leverage Ratio reached 9.25 percent, compared to a minimum of 3 percent.

These indicators reflect the robustness of the risk management of this activity and the attention the Fund provides to deposits from Member States. These characteristics have collectively contributed to the growth in the size of accepted deposits from Member States. This activity recorded a remarkable growth over the past several years. The amount of accepted deposits, as of Dec. 31th, 2017, reached AAD 2,241 million, equivalent to USD 9,574 million received from 14 Arab countries and financial institutions.

The Fund's conservative implementation of its investments policy and proactive risk management practices effectively contributed to protecting the value of invested funds and recorded a positive stable performance from these investments, despite low interest rates on major currencies including the currency components of the SDR basket. The investment portfolio achieved a return on net invested funds that exceeded the 6 Months LIBOR and the Citi Group index for government bonds for the 1-3 years sector during 2017.

In addition, the Fund continued managing investment portfolios directly for a portion of the funds of Arab Trade Financing Program and funds in the Consolidated Account of Specialized Arab Organizations. In addition, the Fund continued to oversee the portion of portfolios managed by third parties, according to the approved investment policy and the respective strategy of each.

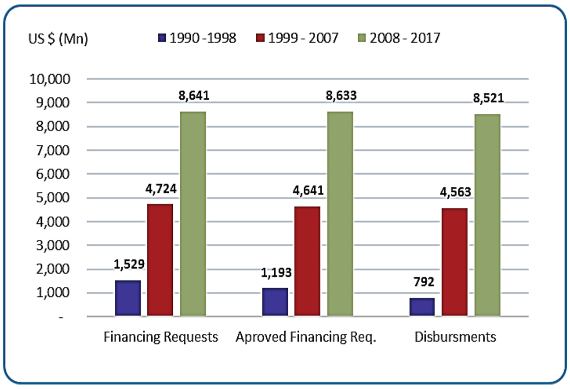
Arab Trade Financing Program (ATFP)

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 as a joint Arab specialized financial Institution. ATFP authorized capital amounts to USD one billion distributed to two hundred thousand shares of USD 5000 each. 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 needed funding for trade.

The ATFP provides information related to trade activities and promotes goods and commodities of Arab origin. ATFP's operational mechanism is based on dealing with importers and exporters in Arab countries through national agencies appointed by Arab countries for that purpose.

The wide reach of national agencies contributes to the expansion of ATFP activities. The number of these agencies reached 214 by the end of 2017, covering 19 Arab countries and 5 foreign countries. The value of requests received by the ATFP since its inception amounted to USD 14.9 billion. This was used in financing trade transactions of US$ 20.0 billion. The Program approved to finance USD 14.5 billion thereof. Total disbursements during that period amounted to USD 13.9 billion. Chart (5) illustrates the development of ATFP cumulative financing during 1990 - 2017.

Chart (5): ATFP 's Cumulative Finance Activities (1990 - 2017)



Regarding ATFP's trade information services, the Program has completed the construction of its Inter-Arab Trade Information Network (IATIN) and activated it at the regional level. The network consists of 33 focal points spread over virtually all Arab countries. The Program's website (www.atfp.org.ae) provides access to information on trade for all Arab countries.

The program is keen on offering opportunities to support the promotion of trade flows between

Arab importers and exporters. As part of this promotion drive, ATFP organizes and conducts meetings between exporters and importers in specific sectors. In cooperation with numerous entities in Arab countries, the Program organized 18 such meetings in the following sectors: textiles and garments, food processing, agricultural produce and inputs, metallurgical industries, pharmaceutical and petrochemical industries, furniture and building and construction.

The Secretariat of the Council of Governors of Arab Central Banks and Monetary Authorities

The AMF is acting as the **Secretariat of the Council of Arab Central Banks and Monetary Authorities' Governors** as well as its permanent bureau. It is also in charge of the Technical Secretariat of Committees and Task Forces established under the umbrella of the Council, namely, the Arab Committee on Banking Supervision, the Arab Committee on Payment and Settlement Systems, the Arab Committee on Credit Information, the Financial Inclusion Task Force and the Financial Stability Task Force.

In that context, the AMF continued in 2017 to carry out its responsibilities in terms of making necessary arrangements for meetings, issuing thematic focused studies, working papers and reports in line with the Council priorities and objectives in financial sector development related areas.

In this regard, the AMF organized in Abu Dhabi, UAE in September 17, 2017, the 41st Session of the Council of Arab Central Banks and Monetary Authorities' Governors. The agenda of the meeting included a discussion on regional and international economic and financial developments as well as the supervisory framework for latest financial technology (Reg-Tech).

The agenda also included a discussion on the reports related to the work of committees and task forces that report thereto. in July 9th, 2017, the Fund had organized the annual meeting of the bureau of Council of Governors at HQ in Abu Dhabi to prepare for the 41st Session of the Council of Governors.

Within this context, the agenda of the annual meeting of Council of Governors covered a number of important items, including: Supervisory Treatment of Sovereign Debt Risk, Issues Related to Outsourcing of Financial and Banking Services, Institutional and Legal Framework for Financial Service User Protection in Arab Countries, Statistical Surveys of Financial Services on Demand Side, Latest Methodologies for Developing Stress Testing, Credit Information Exchange Needs in Arab Countries, Role of Credit Information Systems in Containing Over indebtedness Risk, and Issues related to Coordination between Supervisory and Capital Market Authorities on Oversight of Financial Infrastructure Systems.

The agenda also included a number of topics of particular importance to Arab Central Banks and Monetary Authorities, notably the design blueprint of the proposed **Arab Regional Payments System (ARPS)** and the draft of the joint Arab letter for 2017 (which was delivered later at the Annual Meetings of the IMF and World bank held in October 2017). The most important decisions taken by the Council during this session was the approval of the blueprint for the proposed Arab Regional Payments System (ARPS), requesting from AMF to move into the implementation of that system.

As part of its responsibility as the technical secretariat to **Arab Committee on Banking Supervision**, during May and December 2017, the Fund organized the 29th and the 30th Meetings of the Committee, respectively, Abu Dhabi, UAE. During these two meetings, the committee discussed a number of working papers, including: Supervisory Treatment of Sovereign Debt Risk, Oversight Framework for Credit Risk and Projected Credit Loss Accounting, Issues Related to Outsourcing of Financial and Banking Services, Duties and Responsibilities of External Auditors, Liquidity Risk management Under Basel III in Arab Countries, NFSR Under Basel III, Supervisory Treatment of Provisions Required Under IFRS Standard No. 9 for Capital Adequacy Purposes, Issues and Challenges Related to Compliance with Discretionary Standards Under Basel III, and Legislative and Supervisory Frameworks and Policies for Latest Financial Technology (Reg-Tech).

The committee discussed two other important topics, namely, “supervisory and oversight measures for Banks whose preliminary indicators imply probable insolvency” and “identification and management of related company support risk: principles and some country experience in the Arab region”.

As part of its responsibility as the technical secretariat to the Task Force on Financial Stability, the Fund organized the 5th and 6th Meetings of this Task Force in Abu Dhabi during March and August 2017, respectively. The meetings discussed a number of issues, including latest methodologies for Developing Stress Testing, General Framework for Financial stability and Cross Border Risk Management, Challenges in the Implementation of Early Warning Systems, as well as progress on work on the 2017 edition of the Financial Stability in Arab Countries. The task force also discussed latest developments in issues and standards for Islamic banking and issues related to the development and application of financial soundness standards in Arab Countries.

As part of its responsibility as the **Technical Secretariat of the Arab Committee on Payment and Settlement Systems**, the AMF organized the 14th and 15th Meetings of the Committee in Abu Dhabi, UAE, respectively in February and October 2017.

During these meetings, the Committee discussed several important topics, including “Retail Payment Efficiency”, “Implementation of Infrastructure Financial Market Infrastructures Principles”, “the Role of Payment Systems in enhancing Financial Inclusion”, “Issues Related to Blockchain Technology & Virtual Currencies in the Payment Systems”, “Supervisory and Regulatory Framework for Stored Values and Electronic Payment Systems”, “Digital and risk of Cyberattacks on Payment Systems: Cybersecurity and surveillance”, “Development of Cross Border Electronic Payments Centers”, and “Instant Transfers of Small Payments”. The meetings also reviewed experiences of Arab countries in developing Mobile Payments Framework.

During these meetings, the committee also discussed issues related to the use of electronic checks and electronic signature, Prepaid cards and Interactive Teller Machine (ITM), compilation of comprehensive statistics on payment and settlement operations in Arab countries, and coordination and cooperation among Arab Central Banks and Securities Commissions in the oversight of financial infrastructure systems.

As part of its responsibility as the **Secretariat of the Arab Committee on Credit Information**, the Fund organized the 3rd and 4th Meetings of the Committee in Abu Dhabi, UAE, in March and September 2017, respectively. During these meetings, the Committee discussed several important topics, including "ratings of Arab Countries in WB Business Climate Indicators", "the need for Developing Secured Lending Registry Applications in Arab Countries", and "The Role of Credit Information in Expanding Job Creation in Arab Countries".

The committee also resumed discussion on possible adoption of credit information exchange mechanisms in Arab countries in a way that would foster intra-Arab investment and financial transactions, possible compilation of a regional index for credit information efficiency, enhanced use of big data in detecting fraud in create inquiry, classification of non-performing loans in Arab countries, a draft working paper on Guidelines for Credit Service User Rights, an updated working paper on Deployment of a Legal Unique Identifier in Arab Countries, and a paper on Determinants and Implications of Loan Non-performance and the Role of Credit Information Systems".

In addition, the AMF organized during 2017 three meetings (10th, 11th and 12th) of the **Financial Inclusion Task Force**. The meetings were held respectively in Abu Dhabi in March 11-12, in Sharm El Sheikh, Egypt in September 12-13, and in Amman, Jordan on December 6.

During these meetings, the Task Force discussed several topics and issues, including: Financial Inclusion demand-side survey tool and its Implementation process and methodology; Finance for rural communities and smallholder farmers, producers and artisans, Remittances flows and Financial Inclusion, Women and financial inclusion issues, accelerating finance for Arab Startups, designing and implementing National Financial Inclusion Strategies (NFIs).

The meetings reviewed also findings of surveys conducted by the AMF on (i) the current state of financial service consumer protection in Arab countries; (ii) the digital financial services in Arab countries; and (iii) the relationship between financial inclusion and complying with FATF AML/CFT policies and requirements.

Moreover, the meetings discussed and agreed on the preparations for the Arab Day on Financial Inclusion 2018.

The Secretariat of the Council of Arab Finance Ministers

The Fund has been entrusted with the role 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 April 18th, 2017 the Fund organized the 8th Ordinary Session of the Council of Arab Finance Ministers in Rabat, Morocco.

The agenda of this session included a number of important items, including: regional and international economic developments and challenges that face Arab economies. Discussions covered working papers on "Energy Subsidy Reforms in Arab Countries", "Public Investment Efficiency in Arab Countries: Challenges and Opportunities", and "Tax Systems and VAT Types Introduced in Arab Countries".

The Council also reviewed two working papers, including one on progress made on the design of the proposed **Arab Regional** Payments System (ARPS) and a second one on a UAE initiative to develop innovative programs for use by Arab countries. Furthermore, documents discussed by the Council included a joint paper produced in cooperation with the World Bank on "Pension System Reform in Arab Countries" that builds on the discussions and recommendations of a high-level workshop on the subject, co-organized by the Fund and the World bank in Abu Dhabi during January 2017.

Documents considered by the Council also included the annual messages of the Council to the President of the World Bank and the Managing Director of the IMF, respectively.

AMF organized the **2nd Annual Meeting of Arab Finance Deputy Ministers**, held in Abu Dhabi on January 18-19, 2017. A number of IMF and WB staff took part in the meeting. The agenda also included a review of work papers on "Energy Pricing Reforms in Arab Countries", "Public Investment Efficiency in Arab Countries", "Tax Systems and Policies in Arab Countries" and "Issues Related to the Introduction of VAT in Arab Countries". The meeting also discussed strategies and policies for diversification in Arab countries, including the experience of some Arab countries in this respect.

AMF co-organized the "**2nd Forum on Public Finance in Arab Countries: Outlook and Challenges for Revenue Diversification**", held in Dubai, UAE during February 2017. A large number of Arab finance ministers and governors of central banks and monetary authorities, and several senior officials and experts from international and regional financial institutions, and Arab ministries of finance and central banks took part in the forum. The forum discussed fiscal policy and revenue diversification challenges facing the Arab region against the backdrop of recent international and regional economic and financial developments, mainly low oil prices and timid global growth.

The Form also discussed strategies for strengthening public revenue and related challenges, the role of indirect taxes, particularly VAT, in enhancing public revenue, and the role of tax reform and tax equity in this respect. The Forum also discussed the experience of a number of Arab countries in these areas, issues on enhancing tax administration efficiency and the way towards a modern tax system administration in Arab countries.

AMF consolidated financial position

Under Article (49) of the Articles of Agreement of the Arab Monetary Fund, "assets, liabilities and transactions are expressed in Arab Accounting Dinars (AAD). Each AAD is equal to 3 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 present the consolidated financial position of the Fund and its Subsidiary as of 31 December 2017, and the results of operations, changes in equity and cash flows for the year then ended. They also present notes comprising significant accounting policies and other explanatory information. The following provides an overview of key financial information the consolidated financial statements:

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 Arab central banks and monetary agencies, aiming at supporting Arab States in managing their foreign reserves, on condition that such resources would not be used in lending activities. This is in tandem with the objectives of the Fund, particularly with reference to instruments stipulated in the Fifth Article in the AMF Agreement.

The Board of Governors of the Fund had also approved, through the Articles of Association of the Arab Trade Financing Program (ATFP), the contributions of shareholders from different categories, including financial institutions, aiming at bolstering the resources directed to support Arab trade financing.

Capital

The authorized capital of the Fund as defined in Article Twelve of the Articles of Agreement is equivalent to AAD 600,000 thousand divided into twelve thousand shares of AAD 50 thousand each. The Board of Governors of the Arab Monetary Fund has approved via its resolution number (3) of 2013 to increase the authorized capital to AAD 1,200,000 thousand.

The resolution has also called for subscriptions from Member States by 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 other half 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 854,973 thousand as of end-2017 (2016: AAD 825,641 thousand). The unpaid share capital of AAD 45,027 thousand as of Year End 2017 (2016: AAD 74,359 thousand) represents the increase in share capital to be paid by cash transfer from Member States during the 2018 in addition to the overdue installments.

Reserves

Reserves amounted to AAD 407,907 thousand as of Year End 2017 compared to AAD 376,193 thousand as of Year End 2016. The reserves by the end of 2017 represent approximately 48 percent of the paid-up capital compared to 46 percent by the end of 2016.

Reserves are composed of the general reserve, contingency reserve and the reserve for revaluation for financial investments classified as available for sale.

Following are reserve position changes during 2017, compared to the previous year:

The general reserve balance reached AAD 238,343 thousand by the end of 2017, compared to AAD 214,167 thousand by the end of 2016.

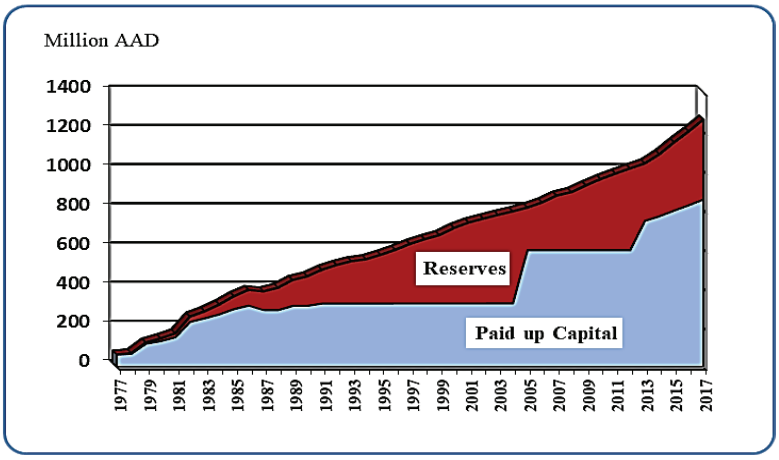
The contingency reserve balance reached AAD 170,000 thousand by the end of 2017, compared to AAD 165,000 thousand by the end of 2016. The contingency reserve was established in accordance with the Board of Governors' resolutions No. (7)/1989 and No. (4) of 2000, whereby an amount of AAD 5,000 thousand, 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 unanticipated future losses.

The revaluation reserve of available-for-sale investments showed a debit balance of AAD 436.0 thousand by the end of 2017, compared to a debit balance of AAD 2.974 thousand by the end of 2016.

Shareholders' equity

The net equity of the Fund's shareholders, represented by the paid-up capital and reserves, increased to AAD 1,262,880 thousand by the end of 2017, compared to AAD 1,201,834 thousand at 31 December 2016, showing an increase of AAD 61,046 (5.1percent during the comparison period). Chart No. (6) below shows growth in shareholders' equity of the Fund from inception till 31 December 2017:

Chart (6): Shareholder's Equity (1977 - 2017)



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 116.353 thousand by the end of 2017, compared to AAD 121,430 thousand by the end of 2016. The resulting drop of AAD 5,077 thousand (4.0 percent during the comparison period) is attributed mainly to differences in USD exchange rate (The base currency of the Arab Trade Financing Program) vis-à-vis the AAD between the end of 2016 and the end of 2017.

Total equity of shareholders of the Arab Monetary Fund and other shareholders in the Subsidiary amounted to AAD 1,379,233 thousand by the end of 2017, compared to AAD 1,323,264 thousand by the end of 2016. The resources were employed to finance loans to Member States, lines of credit to eligible national agencies, financial investment and other assets as explained below:

Loans to Member States

The balance of outstanding loans to Member States as of 31 December 2017 amounted to AAD 486,578 thousand, compared to AAD 542,869 thousand by the end of 2016. Loan commitments amounted to AAD 542,813 thousand by the end of 2017, comprising the balance of outstanding loans in addition to the balance of approved and undisbursed loans of AAD 56,235 thousand by the end of 2017.

Lines of Credit

Lines of credit represent facilities provided by the Subsidiary to approved national agencies with the aim of promoting intra Arab trade in commodity exports and imports and in related services. The balance of drawings against contracted lines of credit amounted to AAD 197,684 thousand (US Dollars 845 million) as of 31 December 2017, compared to AAD 177,312 thousand (US Dollars 715 million) by the end of 2016.

Deposits at Central Banks

In accordance with Article Fourteen of the Articles of the Agreement of the Arab Monetary Fund, 2 percent of initial capital contributions were paid in national currencies of Member States and deposited with their central banks. These deposits are adjusted by Member States at the end of each year, based on exchange rates announced by the IMF, to maintain their nominal value in Arab Accounting Dinars. The total of these deposits was equivalent to AAD 5,336 thousand by the end of 2017 and by the end of 2016.

Investments

The consolidated investment portfolio is comprised of current and call accounts and time deposits with banks, account of other shareholders with the International Monetary Fund, and financial investment portfolio minus deposits accepted from Arab monetary and financial institutions. The value of consolidated investment portfolio was AAD 714,106 thousand, as of Dec. 31th, 2017, up from AAD 589,818 as of Dec. 31th, 2016.

Other Assets

Other assets include the Fund's Kuwaiti-Dinar-denominated contribution in the share capital of The Arab Investment and Export Credit Guarantee Corporation, equivalent to AAD 7,871 thousand as of 31 December 2017, compared to AAD 7,892 thousand as of Year End 2016. The Board of Governors originally approved by Resolution 6/2002 to subscribe in the increase of the Corporation's capital on behalf of its Member States, for an amount of KD 8,118 thousand which was paid in full. Subsequently the Board approved in its resolution No. (3) of 2015 an additional subscription in the increase of the Corporation's capital by 25percent of its original subscription amounting to KD 2,030 thousand, raising the Fund's contribution to KD 10,148 thousand. The resolution also provides for the increase to be paid in five equal installments.

Results of Operations

Consolidated net income for the year ended 31 December 2017, net of other shareholders' interest in the income of the Subsidiary, amounted to AAD 33,094 thousand, compared to AAD 31,073 thousand for the previous year. The components of net income are as follows:

Income

Total consolidated income of AMF and the Subsidiary at December 31st, 2017, net of interest paid on accepted deposits from Arab monetary and financial institutions of Member States, amounted to AAD 42,073 thousand, compared to AAD 38,834 thousand, for the previous year.

Administration & General Expenditure

Total consolidated administration and general expenses of the Fund and the subsidiary for the year ended December 31st, 2017 amounted to AAD 5,927 thousand, compared to AAD 5,769 thousand for the previous year. Expenses includes staff expense, Boards of Governors and Directors meetings expense, office work, entertainment, communication, bank charges and consultancy expense.

Technical Assistance

AMF extends to its Member States various technical assistance programs in collaboration with regional and international institutions based on partnership memorandum. Spending on technical assistance programs performed during 2017 amounted to AAD 823 thousand, including in-kind and cash contributions from participating parties of AAD 247 thousand, equivalent to 30percent of total spending. Total expense incurred by the Fund on technical assistance during 2017 was AAD 576 thousand. This is compared to total spending during 2016 of AAD 837 thousand, out of which AAD 285 thousand were contributed by regional and international institutions, representing 34percent of total spending. Thus, total expense incurred by the Fund on technical assistance during 2016 was AAD 552 thousand.

Currencies

AMF, manages currency risk by substantially maintaining its assets in currencies closely aligned to the components of the SDR basket. Loan transactions to Member States 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. Other resources are employed in assets denominated in convertible currencies among with forward foreign exchange contracts. The table below shows the weights of currencies included in SDR basket, and SDR Exchange Rates. 1 ADD equal to 3 SDRs a by the end of 2017, and 2016.

Currency	The weights of the currencies included in SDR basket (%)		SDR Exchange Rates Against currencies included in the basket	
	31 Dec., 2017	31 Dec., 2016	31 Dec., 2017	31 Dec., 2016
US Dollar	40.90	43.33	1.424	1.344
Euro	32.55	30.38	1.188	1.273
Pound Sterling	8.16	7.86	1.054	1.093
Japanese Yen	7.43	7.57	160.236	157.213
Renminbi-RMB	10.96	10.86	9.281	9.371
	100	**100**		

Contribution to Humanitarian Support of the Palestinian People

The Fund contributes to the collective effort of Arab financial institutions to provide humanitarian support to the Palestinian people, through allocating 10percent of its annual net income for this purpose since 2002.

In this context, AMF Board of Governors, at its 40^{th} Annual Meeting, held in Morocco on April 18, 2017, adopted Resolution No. (4) of 2017. Under this resolution, the Board has agreed on a fifteenth allocation of AAD 3,108 million (about USD 12.5 million).

The total of the 15 allocations approved by the Board of Governors of the Fund towards the humanitarian support of the Palestinian people amounted to AAD 43,479 million (about USD 192.1 million) for 2002-2017.

AMF's Board of Executive Directors approves the components of programs supported by AMF contribution under a methodology that had been agreed upon with Al-Aqsa Fund which is managed by the IDB. Under that methodology, the Palestinian Governor at the AMF Board provides recommendations on sectors included in the support program as well as components to be supported by each allocation, in coordination with the Governors of other Arab financial Authorities. AMF and Al-Aqsa Fund to ensure the integration of priority projects in humanitarian support to the Palestinian People.

Allocations contributed by AMF during 2017 were distributed across sectors and projects for humanitarian support to the Palestinian People as follows:

- **Education Sector** received a total of USD 68 million, or 36percent of total allocations, which was directed to the construction of new schools, renovation, maintenance and equipment to existing schools, in addition to supporting the Palestinian Student Loan Fund.

- **Health service sector** was funded by USD 22.1 million or about 12percent of the total allocation, which was directed to the construction of new medical centers, building and expanding of hospitals and acquisition of medical equipment's for hospital and clinics.

- **Support for non-governmental organizations** received about USD 29.4 million, or 15percent of the total allocation. The support covers activities of the Palestinian Red Crescent and youth employment and training programs.

- **Integrated rural development and economic enabling sector** received about USD 66.1 million, or 34percent of the allocation. Support provided for this sector focuses on assistance to small businesses, rehabilitation of territories, support to villages, improvement and maintenance of electricity grids, water systems, rural roads networks, land reclamation, building and rehabilitation of inner roads, building of sanitation networks, financing productive women projects and support to needy households and orphans.

- **Protection and restoration of historic building sector** received USD 6.5 million or 3percent of the total allocation and was directed to the reconstruction of Jerusalem Old Town and rehabilitation of historic buildings.

In addition, the AMF offers training and capacity building to Palestinian government employees in the fields of AMF expertise. This is delivered through courses and workshops organized by the Economic Policy Institute of the AMF, in collaboration with several international institutions. The members of Palestinian trainees who participated in these courses and workshops reached 429 by the end of 2017.

AMF External Auditors Report & Consolidated Financial Statements As of December 31, 2017

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

Contents

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Independent auditors' report on the consolidated financial statements

The Board of Governors
The Arab Monetary Fund
Abu Dhabi
United Arab Emirates

Opinion

We have audited the consolidated financial statements of Arab Monetary Fund, and its Subsidiary (together "the Fund"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statements of comprehensive income and changes in equity, and consolidated statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit and Risk Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the member countries either resolve to liquidate the Fund or to cease operations in accordance with the Fund's agreement, or has no other alternative.

The Review and Risk Committee of the Board of Executive Directors is responsible for overseeing the Fund's financial reporting process.

KPMG

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the consolidated financial statements is provided in Appendix I to the auditor's report.

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 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

Fawzi AbuRass
Registration Number: 968
Abu Dhabi, United Arab Emirates
Date: 8 March 2018

Independent Auditors' Report on the Consolidated Financial Statements *(continued)*

Appendix I

Auditors' responsibilities for the audit of the consolidated financial statements of Arab Monetary Fund for the year ended 31 December 2017

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or activities of the subsidiary within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with the Review and Risk Committee of the Board of Executive Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2017

	Notes	*2017* **AAD 000**	*2016* AAD 000
Assets			
Loans to Member Countries	3	**486,578**	542,869
Lines of credit	4	**197,684**	177,312
Deposits with central banks of Member Countries	5	**5,336**	5,336
Term deposits with banks, current and call accounts	17	**792,790**	819,141
Financial investments	6	**2,162,142**	2,142,444
Accounts receivable and other assets	7	**22,692**	56,604
Total assets		**3,667,222**	3,743,706
Equity and Liabilities			
Equity			
Subscribed capital 900 million AAD			
Paid-up capital	8	**854,973**	825,641
Reserves	9	**407,907**	376,193
Total equity		**1,262,880**	1,201,834
Interest of other shareholders in the Subsidiary	10	**116,353**	121,430
Liabilities			
Deposits from Arab monetary and financial institutions	11	**2,240,826**	2,371,767
Accounts payable and other liabilities	12	**47,163**	48,675
Total liabilities		**2,287,989**	2,420,442
Total equity and liabilities		**3,667,222**	3,743,706

Abdulrahman A. Al Hamidy
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 08 March 2018.

The attached notes from 1 to 20 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF COMPRIHENSIVE INCOME
For the year ended 31 December 2017

	Notes	*2017* *AAD 000*	*2016* *AAD 000*
Income			
Interest and fee income on loans to Member Countries		**13,217**	12,906
Interest and fee income on lines of credit		**4,111**	2,693
Investment income	13	**36,269**	27,265
Interest income on deposits and current and call accounts		**14,138**	8,969
Other income		**95**	60
Total income		**67,830**	51,893
Interest on accepted deposits from Arab monetary and financial institutions		**(25,757)**	(13,059)
		42,073	38,834
Expenses			
Administration and general expenses	14	**5,927**	5,769
Technical assistance	15	**576**	552
		6,503	6,321
Net income before the interest of other shareholders in the Subsidiary		**35,570**	32,513
Interest of other shareholders in the Subsidiary		**(2,476)**	(1,440)
Net income		**33,094**	31,073
Unrealized changes in values of investments through equity excluding amounts attributable to other shareholders in the Subsidiary	6	**2,538**	1,144
Net Income and comprehensive income		**35,632**	32,217

The attached notes from 1 to 20 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY
For the year ended 31 December 2017

	Notes	Paid-up capital	General reserve	Contingency reserve	Changes in provision of investment at FVOCI	Total
		AAD 000				
2016						
Balance at 1 January 2016		798,329	191,854	160,000	(4,118)	1,146,065
Comprehensive Income						
Net income for the year 2016		-	31,073	-	-	31,073
Unrealized changes in values of investments through equity excluding amounts attributable to other shareholders in the Subsidiary	6	-	-	-	1,144	1,144
Net Comprehensive Income		-	**31,073**	-	**1,144**	**32,217**
Changes in equity						
Contributions received in cash to increase share capital		27,312	-	-	-	27,312
Transfer to contingency reserve	9	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (14th)	9	-	(3,760)	-	-	(3,760)
Balance at 31 December 2016		**825,641**	**214,167**	**165,000**	**(2,974)**	**1,201,834**
2017						
Balance at 1 January 2017		825,641	214,167	165,000	(2,974)	1,201,834
Comprehensive Income						
Net income for the year 2017		-	33,094	-	-	33,094
Unrealized changes in values of investments through equity excluding amounts attributable to other shareholders in the Subsidiary	6	-	-	-	2,538	2,538
Net Comprehensive Income		-	**33,094**	-	**2,538**	**35,632**
Changes in equity						
Prior years adjustment- IFRS9 implementation	9	-	(810)	-	-	(810)
Contributions received in cash to increase share capital		29,332	-	-	-	29,332
Transfer to contingency reserve	9	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (15th)	9	-	(3,108)	-	-	(3,108)
Balance at 31 December 2017		**854,973**	**238,343**	**170,000**	**(436)**	**1,262,880**

The attached notes from 1 to 20 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	*2017* *AAD 000*	*2016* *AAD 000*
Operating activities			
Net income for the year		**33,094**	31,073
Adjustments for:			
Depreciation of property and equipment		**193**	201
Change in provision for expected credit loss		**200**	-
Changes in interests of other shareholders in the Subsidiary		**(4,198)**	5,264
		29,289	36,538
Loans drawings		**(53,920)**	(152,950)
Loans repayments		**110,211**	62,058
Change in lines of credit		**(20,473)**	(40,267)
Change in accounts receivable and other assets		**34,510**	(34,873)
Change in accounts payable and other liabilities		**(2,427)**	(50,344)
Change in deposits with banks maturing after three months from inception		**(586,387)**	20,143
Change in deposits from Arab monetary and financial institutions		**(130,941)**	(345,853)
Net cash used in operating activities		**(620,138)**	(505,548)
Investing activities			
Purchase of property and equipment		**(791)**	(147)
Change in investments in multi-strategies and property funds		**(2,006)**	(27,009)
Change in securities at fair value through consolidated comprehensive income		**(21,854)**	(835,560)
Change in securities at amortized cost		**5,917**	1,513,364
Net cash (used in) / from investing activities		**(18,734)**	650,648
Financing activities			
Contributions received to increase share capital		**29,332**	27,312
Dividends paid to other shareholders in the Subsidiary		**(831)**	(565)
Appropriations paid to support Palestinian People		**(2,360)**	(3,608)
Net cash from financing activities		**26,141**	23,139
Net (decrease)/ increase in cash and cash equivalents		**(612,731)**	168,239
Cash and cash equivalents at beginning of year		**819,141**	650,902
Cash and cash equivalents at end of year	17	**206,410**	819,141

The attached notes from 1 to 20 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

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 investments 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 current 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.

Accounting policies have been consistently applied for periods presented in these consolidated financial statements, except for the recognition of provisions associated with financial investments resulting from the early adoption of IFRS 9 "Financial Instruments", which were charged against the opening balance of the general reserve as stipulated by the standard (clause (c) below).

(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 56.35% of its subscribed and fully paid up capital as of 31 December 2017 (2016: 56.38%) as explained in note 10 to the consolidated financial statements. 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 headquarter in Abu Dhabi, United Arab Emirates. All significant inter-entity balances, transactions and profits have been eliminated on consolidation.

(c) Change in accounting policies

AMF has early adopted IFRS 9 "Financial Instrument" issued in July 2014 with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 "Financial Instruments: Recognition and Measurement".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Change in accounting policies *(continued)*

The key changes to AMF accounting policies resulting from its adoption of IFRS 9 "Financial Instruments" are summarized below:

Classification and measurement of financial assets and financial liabilities: IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

IFRS 9 largely retains the existing requirements in IAS 39 to classify financial liabilities at amortized, except in certain circumstances where financial liabilities are to be measured at fair value.

Impairment of financial assets: IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new standard is based on the application of a model to calculate credit losses based on reasonable and available information about past periods, current circumstances and future forecasts that indicate the possibility of such losses and consideration of the need for hedging to take provisions similar to expected credit losses within 12 months or those expected during the life of the financial asset if there is a significant increase in the credit risk of the financial asset.

The model for calculating the expected credit loss is applicable on financial assets at amortized cost and financial assets at fair value through other comprehensive income.

Transition to IFRS 9 adoption: Change in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, with considering the following treatments by IFRS 9.

- Differences in carrying amounts of financial assets resulting from the implementation of IFRS9 are recognized in the reserves as at 1 January 2017 (application date). Accordingly, the information presented for 2016 is not comparable to the information presented for 2017 under IFRS 9.
- The assessment and determination of the business model has been made on the basis of the facts and circumstances that existed at the date of initial application.
- For the financial assets with low credit risk at the date of initial application of IFRS 9, the AMF has assumed that credit risk on the asset had not increased significantly since initial recognition.

Impact of IFRS 9 adoption on the financial statements:

- Charge AAD 810 thousand to the opening balance of reserves against expected credit loss provisions associated with financial assets for the previous years. (Note 9)
- Charge AAD 200 thousand in the consolidated statement of comprehensive income for 2017 to reflect the change in expected credit loss provision associated with financial assets for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) Financial instruments: recognition and measurement

The polices 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. Classification of financial assets: Policy applicable from 1 January 2017

On initial recognition, a financial asset is classified at amortized cost, fair value through other comprehensive income or fair value through profit and loss, based on two factors: the approved business model for managing the financial assets and the cash flow characteristics of the financial assets.

- A financial asset is classified at amortized cost if it meets the following conditions:
  - The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on principal amount outstanding.
  - The objective of the business model is to hold assets to collect contractual cash flows.

- A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:
  - The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on principal amount outstanding.
  - The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.

- All other financial assets are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss.

The business model was assessed based on the approved corporate policies for investment and lending activities at the level of corporate portfolios; not according to individual asset levels, taking into consideration all relevant available evidence at the date of assessment which include:

- The stated policies and objectives for the investment and lending portfolios, the extent of application of these policies in practice, management strategy focus on the collection of the contractual cash flows, and matching of the financial assets durations with respective liabilities funding those assets, or realizing cash flows from the sale of financial assets.
- How the performance of the portfolio is evaluated and reported to the management.
- The risks that affect the performance of the business model and how those risks are managed.
- The frequency, volume and sales in prior periods, the reasons for sales and its expectations about future sales activity.

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) Financial instruments: recognition and measurement *(continued)*

For the purpose of assessing contractual cash flows, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, liquidity risk, administrative expenses as well as profit margin.

In assessing whether the contractual cash flow are solely payments of principal and interest, AMF considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet these conditions. In making the assessment AMF considers:

- Contingent events that would change the amount and timing of cash flows.
- Early settlement and extension terms.
- Terms that limit AMF claim to the cash flows from specific assets.
- Features that modify consideration of the time value of money.

iii. Classification of financial assets: Policy applicable before 1 January 2017

AMF classified its financial assets in one of the following categories:

- Loans and receivables
- Held to maturity at amortized cost
- Available for sale at fair value through equity
- Financial assets designated at fair value through profit and loss.

Held-to-maturity investment securities - at amortised cost 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 comprehensive income when the investment is de-recognised or impaired, as well as through the amortisation process.

Financial assets designated - at fair value through consolidated statement of comprehensive income comprise investments in multi-strategies and real estates funds measured at net assets value which represents their fair value at the consolidated statement of financial position date, with changes in the net assets value recognized in the consolidated statement of comprehensive income.

Available-for-sale securities - at fair value through equity comprise those investments in securities other than held-to-maturity investments and fair value through consolidated statement of comprehensive income. It does not comprise 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 consolidated 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 comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments: recognition and measurement *(continued)*

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.

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

Financial assets and liabilities not included above are stated at their fair value through the consolidated statement of comprehensive income.

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

iv. Reclassification:
Financial assets are not reclassified subsequent to their initial recognition, except in the period after AMF changes its business model for managing financial assets.

v. Financial liabilities:
AMF classifies its financial liabilities as measured at amortized cost.

vi. Derecognition:
AMF derecognizes a financial asset when the contractual right to the cash flows from the financial asset expire or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the profit or loss.

AMF enters into securities lending and repurchase contracts whereby it transfers financial assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognized.

(e) Impairment of financial assets: Policy applicable from 1 January 2017

AMF recognizes provisions for expected credit loss on debt instruments measured at amortized cost and that measured at fair value through other comprehensive income. As for financial assets classified at fair value through profit and loss, the effect of future events on credit loss is directly recognized as changes in fair value through income.

AMF provides for lifetime expected credit loss, except for the following, for which 12-month expected credit loss will be provided for:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial assets on which credit risk has not increased significantly since their initial recognition.

AMF considers a debt security to have low credit risk when their credit rating is equivalent to the globally understood definition of "investment grade".

AMF measures the expected credit loss for financial assets that are not credit-impaired at the reporting date as the present value of the difference between the contractual cash flows due to AMF and the cash flows that it expects to receive. For Financial assets that are credit-impaired at the reporting date, expected credit loss is measured as the difference between the gross carrying amount of the instrument and the present value of estimated future cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Impairment: Policy applicable from 1 January 2017 *(continued)*

During 2017, the provisions related to estimates of the expected credit loss of the financial assets measured at amortised cost or FVOCI have been included in the financial statements.

(f) Financial assets assessment

In addition to the assessment of expected credit loss, an assessment is made at the consolidated 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.

The provisions of loans to Member Countries, if any, are included in contingency reserve.

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 comprehensive 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 comprehensive income for the period.

(g) 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 comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Foreign currencies *(continued)*

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 of loss arising from changes of the fair value of the derivatives is recognized through profit and loss.

(h) 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.

(i) 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 qualified actuary every three years at least. Pension scheme assets, the net income arising thereon and corresponding liabilities are accounted for separately.

For the employees who are not covered under the pension fund scheme, end of services are accounted for in accordance with the relevant regulations. The retirement fund has been dissolved on 30 June 2017, the liabilities has been settled and its accounts (Note 19).

(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 consolidated statement of financial position date.

(k) Revenue recognition

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest and similar income and expense are recognised in profit or loss using the effective interest rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(l) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS 9 "Financial Instruments" shown in Note (2C). New and amended IFRS and IFRIC interpretations effective as of 1 January 2017 do not have significant impact on the Fund:

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investment in Associates and Joint Ventures" – amendments relating to sale or contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 7 "Statement of Cash Flows" to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities) clarify that disclosure requirements for interests in other entities.
- Amendments to IFRS 7 "Financial Instruments": Disclosures – amendments relating to 'continuing involvement' for servicing contracts.
- Amendments to IAS 16 "Property, Plant and Equipment" – Amendments regarding the clarification of acceptable methods of depreciation and amortization.
- Amendments to IAS 38 "Intangible Assets" - Amendments regarding the clarification of acceptable methods of depreciation and amortization.

(m) Future changes in accounting policies – Standards issued but not yet effective as at 31 December 2017

Standards issued but not yet effective up to the date of the issuance of the Fund's financial statements are listed below. This listing is of standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date.

- IFRS 15: Revenue from Contracts with Customers (Effective by 1 January 2018)
  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is applicable to the revenues of contracts under which the Fund provides services to other parties against consideration, these services are management of investment portfolios of the subsidiary and Specialized Arab Organizations.

  Under IFRS 15, the returns from such contracts must be distributed as per payments terms set out in the contract, and the revenue are recognised to the extent of liabilities settlement by the entity. The Fund estimated the impact of IFRS 15 on its financial statements, it concluded that there is no significant impact on the financial statements for the year ended 31 December 2017.

- IFRS 16 "Leases" was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. The Fund is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3 LOANS TO MEMBER COUNTRIES

	2017	*2016*
	AAD 000	*AAD 000*
Balance at 1 January	**542,869**	451,977
Drawings during the year	**53,920**	152,950
Repayments during the year	**(110,211)**	(62,058)
Balance at 31 December	**486,578**	542,869

Loans to Member Countries at 31 December 2017 include over one year principal amounts overdue and not received of AAD 54,939 thousand (2016: AAD 17,757 thousand). Outstanding 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 comprehensive income proportionately with the debt repayments. The balance of unrealized capitalized interest as at 31 December 2017 amounted to AAD 26,458 thousand (2016: AAD 33,440 thousand).

The undisbursed balances of the contracted loans at 31 December 2017 amounted to AAD 56,235 thousand (2016: AAD 28,042 thousand).

4 LINES OF CREDIT

	2017	*2016*
	AAD 000	*AAD 000*
Balance at 1 January	**177,312**	137,045
Drawings during the year	**262,438**	274,562
	439,750	411,607
Repayments during the year	**(232,029)**	(238,514)
Provision for expected credit loss	**(101)**	-
Differences in translation to AAD	**(9,936)**	4,219
Balance at 31 December	**197,684**	177,312

Lines of credit represent facilities provided by the Subsidiary to approved national agencies with the aim of promoting intra-Arab trade. Unutilised balances of contracted lines of credit as at 31 December 2017 are AAD 136 thousand (2016: NIL).

The opening balance of reserves as on 01 January 2017 was charged with provisions for expected credit losses relating to the lines of credit amounting to AAD 66 thousand (AAD 36 thousand for AMF and AAD 30 thousand for other shareholders). Additionally, AAD 35 thousand were recognized through consolidated statement of comprehensive income (AAD 19 thousand for AMF and AAD 16 thousand for other shareholders)

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.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

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:

	2017	*2016*
	AAD 000	*AAD 000*
Investments at fair value through other comprehensive income (level 1)	**1,546,437**	1,522,045
Investments at fair value through consolidated income (level 2)	**96,489**	94,483
Investments securities at amortised cost	**519,999**	525,916
	2,162,925	2,142,444
Provisions for expected credit loss	**(783)**	-
	2,162,142	2,142,444

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.

The opening balance of reserves as on 01 January 2017 includes provisions for expected credit losses related to the financial investments amounting to AAD 606 thousand as a result of implementing IFRS9, the current year change in expected credit losses is AAD 177 thousand.

Change in fair value of investments through comprehensive income:

	2017	*2016*
	AAD 000	*AAD 000*
Balance at 1 January	**(2,974)**	(4,118)
Changes during the year	**2,538**	1,144
Balance at 31 December	**(436)**	(2,974)

Investments at amortized cost

The market value of investments amortized cost at 31 December 2017 was AAD 522,290 thousand (2016: AAD 527,004 thousand).

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2017	*2016*
	AAD 000	*AAD 000*
Gross interest receivable	**112,597**	109,331
Deduct: Interest in suspense on rescheduled loans	**(45,593)**	(45,593)
Overdue interest receivable on loans	**(54,700)**	(50,832)
	12,304	12,906
Contribution in Arab Investment & export credit Guarantee Corporation	**7,871**	7,892
Property and equipment	**1,197**	599
Other debit balances	**1,320**	1,677
Net value of investment transactions	**-**	33,530
	22,692	56,604

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, which were fully paid.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

8 SUBSCRIBED AND PAID-UP CAPITAL

	2017	*2016*
	AAD 000	*AAD 000*
Authorized Capital		
(24,000 shares of AAD 50 thousand each)	**1,200,000**	1,200,000
Subscribed capital (18,000 shares)	**900,000**	900,000
Unpaid capital	**(45,027)**	(74,359)
Capital paid-up	**854,973**	825,641

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 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 through cash transfers from Member Countries during the year 2018 in addition to the overdue instalments.

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 2017 includes AAD 21,614 thousand (2016: AAD 19,420 thousand) being the Fund's share in reserves of the Subsidiary.

The Board of Governors approved through resolution number (4) of 2017, a 15th appropriation of 10% of 2016 net income amounting to AAD 3,108 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (7) of 2016, a similar appropriation of 10% of 2015 net income amounting to AAD 3,760 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.

The opening balance of reserves as on 1 January 2017 includes provisions for expected credit losses amounting to AAD 810 thousand as a result of implementing IFRS9.

10 INTEREST OF OTHER SHAREHOLDERS IN THE SUBSIDIARY

Interest of other shareholder in the Subsidiary (Arab Trade Financing Program) comprises minority shareholders interest in the net assets of the Subsidiary at the consolidated statement of financial position date. Their interest is denominated in US dollars, being the base currency of the Subsidiary. Their ownership on 31 December 2017 is 43.65% of the authorized share capital (2016: 43.62%).

	2017	*2016*
	USD 000	*USD 000*
Owners' equity in the base currency of the Subsidiary:		
Paid-up capital	**987,316**	986,880
Reserves	**151,577**	135,742
Total owners' equity	**1,138,893**	1,122,622
The percentage of other shareholders interest in the Subsidiary	**43.65%**	43.62%
The value of other shareholders interest in the Subsidiary	**497,106**	489,725

	2017	*2016*
	AAD 000	*AAD 000*
Owners' equity in AAD:		
Balance at 1 January	**121,430**	116,731
Net income for the year	**2,476**	1,440
Dividends paid during the year	**(831)**	(565)
Change in provision for valuation of investments at FVOCI	**35**	126
Difference in translation to AAD	**(6,757)**	3,698
	116,353	121,430

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

	2017	*2016*
	AAD 000	*AAD 000*
Unrealised capitalized interest	**26,458**	33,440
Accrued interest payable	**3,793**	2,586
Net value of investment transactions	**3,254**	-
Other credit balances	**13,658**	12,649
	47,163	48,675

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

13 INVESTMENT INCOME

	2017 *AAD 000*	*2016* *AAD 000*
Securities at fair value through consolidated comprehensive income	**21,400**	13,332
Investment in multi-strategies and property funds - through consolidated comprehensive income	**4,587**	1,532
Securities at amortised cost	**10,459**	12,401
	36,446	27,265
Less: change in provision for expected credit loss	**(177)**	-
	36,269	27,265

14 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2017 include Board of Directors remuneration and employees salaries and benefits amounting to AAD 4,854 thousand (2016: AAD 4,541 thousand). The Fund and its Subsidiary employed 186 employees as of 31 December 2017 (2016: 186 employees).

15 TECHNICAL ASSISTANCE EXPENSES

	2017 *AAD 000*	*2016* *AAD 000*
Training courses, seminars and direct technical assistance	**783**	837
Cash and in-kind contributions from partner institutions	**(207)**	(285)
Technical assistance beared by the Fund	**576**	552

16 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 208,846 thousand as at 31 December 2017 (2016: AAD 148,062 thousand). Funds managed by the Arab Monetary Fund for Arab Specialised Organisations amounted to AAD 5,389 thousand as at 31 December 2017 (2016: AAD 5,082 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

17 CASH AND CASH EQUIVALENTS

	2017	*2016*
	AAD 000	*AAD 000*
Current and call accounts with banks and International Monetary Fund	**3,901**	4,324
Deposits with banks	**789,064**	814,817
Deposits with banks, current and call accounts	**792,965**	819,141
Less: provision for expected credit loss	**(175)**	-
	792,790	819,141
Less: deposits maturing after three months from inception	**(586,380)**	-
	206,410	819,141

The opening balance of reserves as at 01 January 2017 was charged with provisions for expected credit losses relating to the deposits amounting to AAD 168 thousand as a result of implementing IFRS 9. Additionally, AAD 7 thousand were recognized through consolidated statement of comprehensive income (AAD 4 thousand for AMF and AAD 3 thousand for other shareholders).

18 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:

	2017	*2016*
	AAD 000	*AAD 000*
Arab and African Countries	**609,983**	736,719
Europe	**829,448**	902,772
North America	**356,484**	312,809
Far East and Pacific	**929,582**	792,829
Supra National Organisations	**229,435**	216,456
	2,954,932	2,961,585

19 PENSION OBLIGATIONS

Pursuant to the Board of Executive Directors decision to cease the operations of the Pension Scheme as of 31 December 2016, the Pension Scheme was liquidated on 30 June 2017. The Board's decision also provided for settlement of the rights pertaining to current contributing members, retired members and other beneficiaries of the Scheme within six months from the cessation date, based on the following assumption:

- Discount rate for the commutation factor: 3.7%
- Future salary and pension increase: 0%
- Mortality rate as per ELT13

The appointed actuarial concluded that the pension benefits accrued to all participants, retirees and beneficiaries as on 31 December 2016 amount to AED 45,509,900. The net assets of the Scheme as of that date was AED 44,927,039.

Accordingly, all the entitlements accrued the beneficiaries were fully settled and the difference was paid by the Fund.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

20 FINANCIAL INSTRUMENTS

(a) Maturities of assets and liabilities- 31 December 2017

Maturity analysis of the consolidated assets and liabilities as at 31 December 2017 were as follows:

	Total	*Less than 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Unspecified maturity*
	AAD 000					
Assets						
Loans to Member Countries	486,578	119,161	84,365	268,048	128	14,876
Lines of credit	197,684	149,066	25,771	22,847	-	-
Deposits with central banks	5,336	-	-	-	-	5,336
Current and call accounts with banks & IMF	3,901	3,901	-	-	-	-
Term deposits with banks	788,889	716,498	72,391	-	-	-
Securities at FVOCI	1,546,400	1,546,400	-	-	-	-
Multi- strategies and property funds	96,489	96,489	-	-	-	-
Securities at amortized cost	519,253	199,620	163,577	112,033	44,023	-
Accounts receivable and other assets	22,692	12,570	1,054	-	-	9,068
	3,667,222	**2,843,705**	**347,158**	**402,928**	**44,151**	**29,280**
Equity and liabilities						
Interest of other shareholders in the Subsidiary	116,353	-	-	-	-	116,353
Deposits from Arab monetary and financial institutions	2,240,826	2,217,420	23,406	-	-	-
Accounts payable and other liabilities	47,163	12,167	3,399	19,810	11,787	-
	2,404,342	**2,229,587**	**26,805**	**19,810**	**11,787**	**116,353**

Maturities of assets and liabilities- 31 December 2016

Maturity analysis of the consolidated assets and liabilities as at 31 December 2016 were as follows:

	Total	*Less than 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Unspecified maturity*
	AAD 000					
Assets						
Loans to Member Countries	542,869	74,446	75,391	356,258	21,898	14,876
Lines of credit	177,312	139,580	24,344	13,388	-	-
Deposits with central banks	5,336	-	-	-	-	5,336
Current and call accounts with banks & IMF	4,324	4,324	-	-	-	-
Term deposits with banks	814,817	814,817	-	-	-	-
Available- for-sale securities	1,522,045	1,522,045	-	-	-	-
Multi- strategies and property funds	94,483	94,483	-	-	-	-
Held-to-maturity securities	525,916	278,720	111,745	114,616	20,835	-
Accounts receivable and other assets	56,604	36,417	11,525	171	-	8,491
	3,743,706	**2,964,832**	**223,005**	**484,433**	**42,733**	**28,703**
Equity and liabilities						
Interest of other shareholders in the Subsidiary	121,430	-	-	-	-	121,430
Deposits from Arab monetary and financial institutions	2,371,767	2,306,059	65,708	-	-	-
Accounts payable and other liabilities	48,675	7,373	3,680	23,237	6,184	8,201
	2,541,872	**2,313,432**	**69,388**	**23,237**	**6,184**	**129,631**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

20 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.

Investments accounted for at amortized cost and at fair value through the statement of comprehensive income are concentrated 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. Accordingly, the occurrence of expected credit loss is unlikely.

As a result of implementing IFRS9, provisions amounting AAD 1,059 thousand for expected credit loss were recognized for deposits and debt instruments measured of amortized cost and those measured at fair value through other comprehensive income, in addition to the lines of credit extended by the subsidiary (AAD 1,010 thousand for AMF and AAD 49 thousand for other shareholders).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

20 FINANCIAL INSTRUMENTS (*continued*)

The following table shows the reconciliation of expected credit loss (ECL) by instrument type:

	2017				
	12 Month ECL	*Lifetime ECL not credit impaired*	*Lifetime ECL credit impaired*	***Total***	*2016 Total*
Cash & cash equivalents					
Balance at 1 January	168	-	-	**168**	-
Changes in ECL during the year	7	-	-	**7**	-
Balance at 31 December	175	-	-	**175**	-
Investments at FVOCI					
Balance at 1 January	35	-	-	**35**	-
Changes in ECL during the year	1	-	-	**1**	-
Balance at 31 December	36	-	-	**36**	-
Investments at Amortized cost					
Balance at 1 January	571	1,031	-	**1,602**	516
Changes in ECL during the year	176	-	-	**176**	515
Financial assets that have been derecognised	-	(1,031)	-	**(1,031)**	-
Balance at 31 December	747	-	-	**747**	1,031
lines of Credit					
Balance at 1 January	66	-	-	**66**	-
Changes in ECL during the year	35	-	-	**35**	-
Balance at 31 December	101	-	-	**101**	-
Total					
Balance at 1 January	840	1,031	-	**1,871**	516
Changes in ECL during the year	219	-	-	**219**	515
Financial assets that have been derecognised	-	(1,031)	-	**(1,031)**	-
Balance at 31 December	**1,059**	-	-	**1,059**	1,031

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

20 FINANCIAL INSTRUMENTS *(continued)*

(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 statement of comprehensive income statement, resulting from a change of 25 basis points in interest rates on financial assets and liabilities tied to floating interest rates, with other variables remaining unchanged:

	Change in basis points	***2017 AAD 000***	*2016 AAD 000*
Effect on owners' equity	25	**525**	378
Effect on consolidated statement of comprehensive income	25	**1,354**	1,057

(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 2017 amounted to AAD 801,136 thousand (2016: AAD 1,133,223 thousand).

(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 comprehensive income and changes in equity.

Organization and Management structure

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 is empowered with all the management powers. The Board meets once a year during the first half of year at or outside AMF's headquarters. **The following table shows the current composition of the Board of Governors:**

The current composition of the Board of Governors

Member States	Governors & Deputy Governors	
The Hashemite Kingdom of Jordan	Governor:	H.E. Dr. Ziad Fariz
	Deputy Gov.:	H.E. Dr. Ezzeddin Kanakrieh
The United Arab Emirates	Governor:	H.E. Obeid Humaid Al Tayer
	Deputy Gov.:	H.E. Mubarak Rashid Al Mansouri
Kingdom of Bahrain	Governor:	H.E. Sheikh Ahmed Bin Moh'd Al Khalifa
	Deputy Gov.:	H.E. Rashid Mohammed Al Mearaj
The Republic of Tunisia	Governor:	H.E. Dr. Marouane El Abassi (1)
	Deputy Gov.:	H.E. Ahmed Tarshi
The People's Democratic Republic of Algeria	Governor:	H.E. Abderrahmane Raouia (2)
	Deputy Gov.:	H.E. Mohamed Loukal
Republic of Djibouti	Governor:	H.E. Boudi Ahmad Roubleh
	Deputy Gov.:	H.E. Osman Ahmed Ali
The Kingdom of Saudi Arabia	Governor:	H.E. Mohammed bin Abdullah Al-Jadaan
	Deputy Gov.:	H.E. Dr. Ahmed bin abdulkarim Al Kholifey
Republic of Sudan	Governor:	H.E. Dr. Mohammed Othman Sulaiman Al Rikabi (3)
	Deputy Gov.:	H.E. Dr. Hazim Abdelgadir Ahmed Babiker
The Syrian Arab Republic	Governor:	H.E. Dr. Mamoun Hamdan
	Deputy Gov.:	H.E. Dr. Douraid Dergham
The Federal Republic of Somalia	Governor:	H.E. Mohamed Aden Ibrahim Farjeti
	Deputy Gov.:	H.E. Bashir Isse
The Republic of Iraq	Governor:	H.E. Dr. Ali Mohsin Ismail
	Deputy Gov.:	H.E. Dr. Salahuddin Hamid Juaatta

The current composition of the Board of Governors (Cont.)		
Member States	**Governors & Deputy Governors**	
Sultanate of Oman	Governor: Deputy Gov.:	H.E. Darwish Bin Ismail Al Balushi H.E. Tahir bin Salim bin Abdullah Al Amri (4)
State of Palestine	Governor: Deputy Gov.:	H.E. Abeer Odeh (5) H.E. Dr. Riyad Shehada (6)
State of Qatar	Governor: Deputy Gov.:	H.E. Ali Sherif Al Imaadi H.E. Sheikh Abdullah Bin Saoud Al Thani
Union of Comoros	Governor: Deputy Gov.:	H.E. Sayed Ali Sayed Sheikhan (7) H.E. Younoussa Imani (8)
State of Kuwait	Governor: Deputy Gov.:	H.E. Dr. Nayef Falah Mubarak Al-Hajraf (9) H.E. Dr. Mohammad Yousef Al Hashel
The Republic of Lebanon	Governor: Deputy Gov.:	H.E. Riad Toufik Salame` H.E. Raed Charafeddine
State of Libya	Governor: Deputy Gov.:	H.E. Saddek Omar Elkaber (10) Central Bank of Libya
Arab Republic of Egypt	Governor: Deputy Gov.:	H.E. Tarek Hassan Ali Amer H.E. Dr. Amr Abdel Aziz El-Garhy
The Kingdom of Morocco	Governor: Deputy Gov.:	H.E. Mohammad Boussaid H.E. Abdellatif Jouahri
The Islamic Republic of Mauritania	Governor: Deputy Gov.:	H.E. Abdel Aziz Ould Dahi H.E. Boumediene Ould Taya`
The Republic of Yemen	Governor: Deputy Gov.:	H.E Ahmed Obeid Alfadhli H.E. Monser Saleh Al-Quaiti

(1). Replacing H.E. Dr. El Chedly Ayari.
(2). Replacing H.E. Dr. Hadji Baba Ammi.
(3). Replacing H.E. Badr Elddine Mahmoud Abbas.
(4). Replacing H.E. Hamoud Bin Sangor Al Zidjali.
(5). Replacing H.E. Dr. Jawad Naji Harzalla.
(6). Replacing H.E. Azzam A. Shawwa.
(7). Replacing H.E. Mohammad Ali Saleh.
(8). Replacing H.E. Mze Abdou Mohamed Chafiou.
9). Replacing H.E. Anas Khaled Al Saleh.
(10). With effect from Dec. 2017.

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 of Executive Directors is entrusted with the oversight of the Fund's activities and renders advice when deemed necessary. The following table shows the composition of the Current Board of Executive Directors for 2016-2019, as at the end of December 2017.

Executive Directors	Country/countries represented	Voting power (percent)
H.E. Dr. Abdulrahman Bin Abdullah Al Hamidy	Director General Chairman of the Board	-
H.E. Mohammed Saleh Alghofaili	Kingdom of Saudi Arabia	13.96
HE Abdul Haqq Bejawy	The People's Democratic Republic of Algeria	12.27
H.E. Dr. Mazen Sabah Ahmed	Republic of Iraq	12.27
H.E. Abbas Ahmed al-Pasha (Yemen)	Arab Republic of Egypt Republic of Yemen Republic of Sudan Federal Republic of Somalia Republic of Djibouti The Republic of Comoros	*19.65
H.E. Younis Haji Al-Khori (UAE)	State of Kuwait United Arab Emirates	15.13
H.E. Mohamed Rekik (Tunisia)	Kingdom of Morocco State of Libya Republic of Tunisia Islamic Republic of Mauritania	12.87
H.E. Salman Bin Issa Al-Khalifa (Bahrain)	State of Qatar Kingdom of Bahrain Sultanate of Oman	6.77
H.E. Ziyad Asaad Ghanema (Jordan)	Syrian Arab Republic Hashemite Kingdom of Jordan Republic of Lebanon State of Palestine	7.07

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

The Director General and Executive Management departments

The Board of Governors appoints a Director General of the Fund for a renewable term of five years. He serves 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. The Director General of the Fund presents a report on the work of the Fund to the Ordinary Annual Meeting of the Board of Governors. The Director General of the Fund is assisted by senior competent AMF staff who are currently distributed across the following six departments:

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

The organizational structure of the Fund also comprises the Internal Audit, the Office of the Director General and five committees, including two permanent committees on Loans and Investment, which are statutory. It also includes an Administrative Committee established under Personnel Regulations by a decision of the Board of Executive Directors which was endorsed by the Board of Governors, a Risk Management Committee, and an Audit and Risk Committee that reports to the Board of Executive Directors.

Appendixes

Appendix (A-1) : Loans Extended to Member States (1978 - 2017)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
1978	1	Egypt	4,688							
	2	Sudan	1,875							
			6,563	**0**	**0**	**0**	**0**	**0**	**0**	**6,563**
1979	3	Mauritania	750							
	4	Morocco	1,875							
	5	Syria	750							
	6	Sudan	1,875							
	7	Sudan			11,250					
			5,250	**0**	**11,250**	**0**	**0**	**0**	**0**	**16,500**
1980	8	Mauritania	750							
	9	Mauritania		4,500						
	10	Somalia	1,500							
	11	Sudan				5,000				
			2,250	**4,500**	**0**	**5,000**	**0**	**0**	**0**	**11,750**
1981	12	Yemen	2,940							
	13	Morocco	1,875							
	14	Morocco			31,850					
	15	Morocco	3,600							
	16	Yemen		8,820						
	17	Morocco				9,800				
	18	Somalia	1,440							
	19	Somalia			12,740					
	20	Sudan	1,875							
	21	Yemen	3,675							
			15,405	**8,820**	**44,590**	**9,800**	**0**	**0**	**0**	**78,615**
1982	22	Sudan			5,000					
	23	Sudan	3,600							
	24	Mauritania	2,190							
	25	Morocco	1,875							
	26	Syria	2,940							
	27	Mauritania			8,240					
	28	Yemen	3,675							
	29	Yemen				3,920				
			14,280	**0**	**13,240**	**3,920**	**0**	**0**	**0**	**31,440**
1983	30	Iraq	27,930							
	31	Sudan				4,800				
	32	Sudan	1,875							
	33	Yemen					3,920			
	34	Mauritania	750							
	35	Iraq				27,000				
	36	Syria					3,000			
	37	Jordan	3,990							
	38	Jordan					1,960			
	39	Yemen		5,700						
			34,545	**5,700**	**0**	**31,800**	**8,880**	**0**	**0**	**80,925**
1984	40	Somalia	1,500							
	41	Yemen					4,900			
	42	Sudan			4,335					
	43	Morocco	1,875							
	44	Yemen	3,690							
			7,065	**0**	**4,335**	**0**	**4,900**	**0**	**0**	**16,300**
1985	45	Yemen	3,975							
	46	Morocco	3,600							
	47	Morocco	3,750							
	48	Yemen				5,100				
	49	Jordan	1,050							
	50	Jordan				2,660				
	51	Jordan					700			
	52	Mauritania	2,190							
	53	Iraq	27,930							
			42,495	**0**	**0**	**7,760**	**700**	**0**	**0**	**50,955**

Appendix (A-1) : Loans Extended to Member States (1978 - 2017) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
1986	54	Yemen	3,675							
	55	Morocco	1,875							
	56	Syria	2,940							
	57	Syria	2,400							
	58	Morocco		6,250						
	59	Morocco					2,500			
	60	Mauritania			3,250					
	61	Mauritania	1,500							
	62	Tunisia	3,675							
	63	Jordan	3,990							
	64	Tunisia	1,500							
			21,555	**6,250**	**3,250**	**0**	**2,500**	**0**	**0**	**33,555**
1987	65	Tunisia					3,450			
	66	Yemen		2,500						
	67	Iraq					18,620			
			0	**2,500**	**0**	**0**	**22,070**	**0**	**0**	**24,570**
1988	68	Morocco	1,875							
	69	Yemen	3,690							
	70	Jordan					1,960			
	71	Morocco	7,350							
	72	Algeria					18,620			
	73	Mauritania				2,460				
	74	Yemen		6,150						
	75	Egypt	4,687							
	76	Yemen	3,975							
	77	Mauritania	2,190							
	78	Yemen					5,100			
	79	Syria		8,200						
	80	Algeria	27,930							
	81	Iraq	27,930							
			79,627	**14,350**	**0**	**2,460**	**25,680**	**0**	**0**	**122,117**
1989	82	Iraq	3,300							
	83	Jordan		5,320						
	84	Egypt	5,250							
	85	Morocco			17,150					
	86	Algeria		41,640						
			8,550	**46,960**	**17,150**	**0**	**0**	**0**	**0**	**72,660**
1990	87	Mauritania			9,050					
	88	Egypt				6,625				
			0	**0**	**9,050**	**6,625**	**0**	**0**	**0**	**15,675**
1991										
1992	89	Morocco			14,800					
	90	Tunisia	3,675							
			3,675	**0**	**14,800**	**0**	**0**	**0**	**0**	**18,475**
1993	91	Mauritania			3,250					
			0	**0**	**3,250**	**0**	**0**		**0**	**3,250**
1994	92	Yemen	11,340							
	93	Mauritania				2,460				
	94	Jordan			7,980					
	95	Algeria			29,150					
			11,340	**0**	**37,130**	**2,460**	**0**	**0**	**0**	**50,930**
1995	96	Yemen		15,120						
	97	Tunisia	5,175							
	98	Jordan			5,320					
			5,175	**15,120**	**5,320**	**0**	**0**	**0**	**0**	**25,615**
1996	99	Algeria			31,230					
	100	Mauritania			4,955					
			0	**0**	**36,185**	**0**	**0**	**0**	**0**	**36,185**

Appendix (A-1) : Loans Extended to Member States (1978 - 2017) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
1997	101	Jordan				2,660				
	102	Djibouti		367						
	103	Yemen			19,656					
			0	**367**	**19,656**	**2,660**	**0**	**0**	**0**	**22,683**
1998	104	Jordan							3,910	
	105	Yemen							9,057	
			0	**0**	**0**	**0**	**0**	**0**	**12,967**	**12,967**
1999	106	Algeria							30,605	
	107	Tunisia	5,175							
	108	Morocco							10,878	
	109	Tunisia							5,072	
	110	Lebanon	3,675							
			8,850	**0**	**0**	**0**	**0**	**0**	**46,555**	**55,405**
2000	111	Djibouti			245					
	112	Lebanon							3,601	
	113	Mauritania			4,000					
	114	Morocco				7,400				
	115	Egypt							23,153	
			0	**0**	**4,245**	**7,400**	**0**	**0**	**26,754**	**38,399**
2001	116	Jordan							5,214	
	117	Morocco							14,504	
	118	Egypt				15,750				
	119	Egypt	23,625							
	120	Tunisia				3,450				
	121	Tunisia							6,762	
			23,625	**0**	**0**	**19,200**	**0**	**0**	**26,480**	**69,305**
2002	122	Egypt							30,870	
	123	Djibouti							420	
	124	Lebanon	3,675							
			3,675	**0**	**0**	**0**	**0**	**0**	**31,290**	**34,965**
2003	125	Morocco							11,100	
	126	Djibouti			368					
	127	Egypt			55,125					
			0	**0**	**55,493**	**0**	**0**	**0**	**11,100**	**66,593**
2004	128	Comoros	184							
	129	Tunisia							5,175	
	130	Sudan			9,800					
	131	Egypt							23,625	
			184	**0**	**9,800**	**0**	**0**	**0**	**28,800**	**38,784**
2005	132	Mauritania			8,600					
	133	Sudan							9,800	
	134	Lebanon							6,825	
			0	**0**	**8,600**	**0**	**0**	**0**	**16,625**	**25,225**
2006	135	Djibouti							350	
			0	**0**	**0**	**0**	**0**	**0**	**350**	**350**
2007	136	Syria							2,000	
	137	Lebanon							9,100	
			0	**0**	**0**	**0**	**0**	**0**	**11,100**	**11,100**
2008	138	Comoros		184						
	139	Djibouti						614		
	140	Syria							9,600	
	141	Lebanon						18,200		
			0	**184**	**0**	**0**	**0**	**18,814**	**9,600**	**28,598**

Appendix (A-1) : Loans Extended to Member States (1978 - 2017) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
2009	142	Jordan	7,365							
	143	Jordan							12,275	
	144	Morocco							47,863	
	145	Mauritania							9,120	
	146	Morocco				21,880				
			7,365	**0**	**0**	**21,880**	**0**	**0**	**69,258**	**98,503**
2010	147	Jordan				9,820				
	148	Jordan							17,185	
	149	Morocco							47,863	
	150	Yemen			43,000					
			0	**0**	**43,000**	**9,820**	**0**	**0**	**65,048**	**117,868**
2011	151	Morocco						**13,675**		
	152	Egypt	**43,725**							
	153	Egypt							**58,300**	
			43,725	**0**	**0**	**0**	**0**	**13,675**	**58,300**	**115,700**
2012	154	Jordan	**7,365**							
	155	Yemen		**21,000**						
	156	Yemen				**24,000**				
	157	Tunisia							**15,935**	
	158	Tunisia				**12,750**				
	159	Tunisia	**9,562**							
	160	Morocco				**27,350**				
			16,927	**21,000**	**0**	**64,100**	**0**	**0**	**15,935**	**117,962**
2013	161	Sudan							**9,800**	
	162	Yemen		**21,000**						
	163	Jordan				**12,790**				
	164	Jordan			**12,790**					
	165	Comoros			**787**					
	166	Tunisia							**12,000**	
	167	Tunisia							**20,000**	
	168	Morocco							**60,000**	
			0	**21,000**	**13,577**	**12,790**	**0**	**0**	**101,800**	**149,167**
2014	169	Mauritania			**20,000**					
	170	Yemen			**36,510**					
			0	**0**	**56,510**	**0**	**0**	**0**	**0**	**56,510**
2015	171	Jordan							**13,285**	
	172	Egypt							**78,880**	
	173	Egypt	**59,160**							
	174	Sudan			**39,900**					
			59,160	**0**	**39,900**	**0**	**0**	**0**	**92,165**	**191,225**
2016	175	Jordan	**9,964**							
	176	Mauritania				**12,340**				
	177	Egypt				**81,820**				
			9,964	**0**	**0**	**94,160**	**0**	**0**	**0**	**104,124**
2017	178	Jordan				**13,400**				
	179	Morocco							**69,500**	
			0	**0**	**0**	**13,400**	**0**	**0**	**69,500**	**82,900**
Total			**431,250**	**146,751**	**450,331**	**315,235**	**64,730**	**32,489**	**693,627**	**2,134,413**

Appendix (A-2) : Loans Extended to Member States By Type (1978 - 2017)

Automatic Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	6	33.724
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
	64	**431.250**

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
	29	**450.331**

Ordinary Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	1	5.320
Algeria	1	41.640
Syria	1	8.200
Morocco	1	6.250
Mauritania	1	4.500
Yemen	7	80.290
Djibouti	1	0.367
Comoros	1	0.184
	14	**146.751**

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

Compensatory Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	5	41.330
Tunisia	2	16.200
Sudan	2	9.800
Iraq	1	27.000
Egypt	3	104.195
Morocco	4	66.430
Mauritania	3	17.260
Yemen	3	33.020
	23	**315.235**

Structural Adjustment Facility	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	7	261.708
Yemen	1	9.057
Djibouti	2	0.770
Syria	2	11.600
Mauritania	1	9.120
	35	**693.627**

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

Appendix (A-3): Balance of Outstanding Loans (2016 - 2017)

(Thousands of AAD)

Country	End of 2016			End of 2017		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	36,039		**36,039**	44,104		**44,104**
Sudan	62,881	9,000	**71,881**	56,163	7,980	**64,143**
Syria	2,880		**2,880**	2,880		**2,880**
Somalia	14,877		**14,877**	14,877		**14,877**
Comoros*		787	**787**			
Iraq	38,140		**38,140**	29,115		**29,115**
Egypt	231,520		**231,520**	183,729		**183,729**
Morocco	36,000		**36,000**	55,500	30,000	**85,500**
Yemen	62,605	18,255	**80,860**	62,605	18,255	**80,860**
Mauritania	32,340		**32,340**	28,005		**28,005**
Tunisia	25,587		**25,587**	9,600		**9,600**
Total	**542,869**	**28,042**	**570,911**	**486,578**	**56,235**	**542,813**

* The Loan has stopped According to AMF Loan Policies& Procedures

Appendix (A- 4): Balance of Loans Commitments (1978 - 2017)

(Thousands of AAD)

Year	Loans Extended during the year	Outstanding Loans Commitments*	Balance of Outstanding 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	509,723	440,605
2013	149,167	541,148	466,096
2014	56,510	474,284	402,047
2015	191,225	528,846	451,978
2016	104,124	570,911	542,869
2017	82,900	543,600	486,578

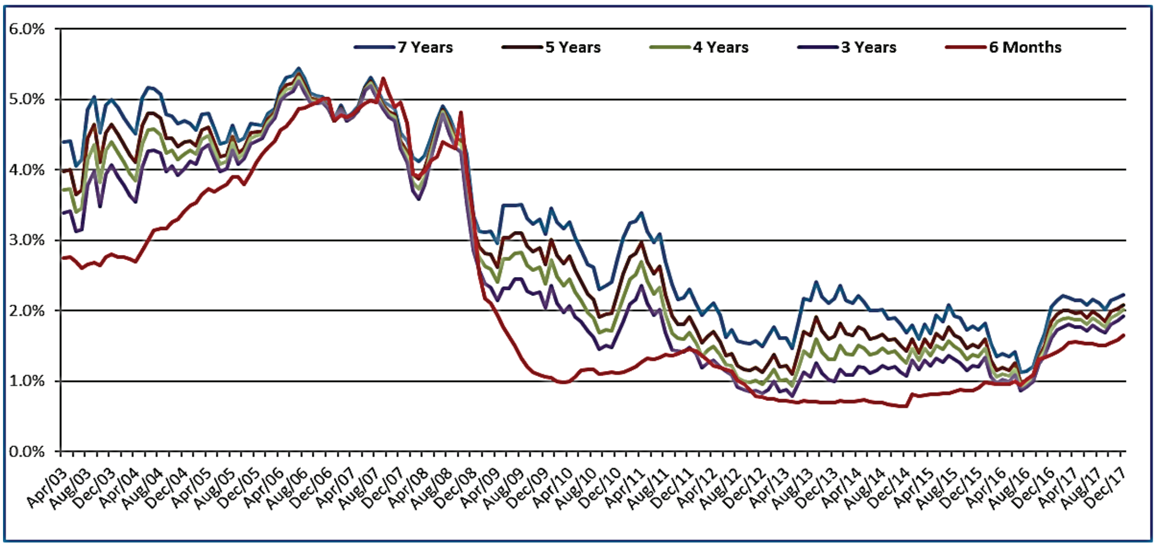
* Total outstanding loans and undisbursed balances.

** Total disbursed loans minus repayments.

Appendix (A-5): Interest Rates According to Maturity of Loans (Jan. Dec.) 2017

%	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
7 Years	2.15%	2.21%	2.19%	2.14%	2.14%	2.08%	2.16%	2.10%	2.01%	2.15%	2.19%	2.22%
5 Years	1.95%	2.00%	2.00%	1.96%	1.97%	1.89%	1.99%	1.92%	1.85%	1.99%	2.03%	2.08%
4 Years	1.85%	1.88%	1.90%	1.87%	1.87%	1.81%	1.89%	1.83%	1.77%	1.90%	1.95%	2.01%
3 Years	1.73%	1.76%	1.80%	1.77%	1.77%	1.71%	1.79%	1.73%	1.69%	1.81%	1.86%	1.92%
6 Months	1.41%	1.47%	1.54%	1.55%	1.54%	1.53%	1.53%	1.50%	1.51%	1.54%	1.58%	1.65%

Chart (6) : Interest Rates on Loans According to Maturity, (2003 - 2017)



Appendix (B): Capital at 31 December 2017

(Thousands of AAD)

	Country	Subscribed Capital	Paid-Up Capital			
			Local Currencies	Convertible Currencies	By a Transfer from General Reserve (2)	Total
1	Jordan	14,850	80	7,300	6,975	14,355
2	UAE	52,950	300	25,960	24,925	51,185
3	Bahrain	13,800	80	6,760	6,500	13,340
4	Tunisia	19,275	100	9,470	9,063	18,633
5	Algeria	116,850	760	57,220	54,975	112,955
6	Saudi Arabia	133,425	760	65,430	62,788	128,978
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	57,220	54,975	112,955
11	Oman	13,800	80	6,760	6,500	13,340
12	Qatar	27,600	200	13,480	13,000	26,680
13	Kuwait	88,200	500	46,200	41,500	88,200
14	Lebanon	13,800	100	6,740	6,500	13,340
15	Libya	37,035	186	18,192	17,423	35,801
16	Egypt	88,200	500	43,260	41,500	85,260
17	Morocco	41,325	200	20,310	19,438	39,948
18	Mauritania	13,800	80	6,760	6,500	13,340
19	Yemen	42,450	280	16,535	19,975	36,790
20	Palestine (1)	5,940	0	0	0	0
21	Djibouti	675	5	245	313	563
22	Comoros	675	5	245	313	563
Total		**900,000**	**5,336**	**428,927**	**420,710**	**854,973**

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

(2) 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 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.

Appendix (C): Number of Participants Courses / Seminars / Workshops (1988-2017)

	Before 1988	Courses (AMF&Various Inst.)	Courses Coordinated With IMF	Courses Coordinated With WTO	Workshops	Workshops Coordinated With Imf	Workshops Coordinated With WTO/IMF	Workshops Coordinated With WTO	Seminars	Total
Number of Activities		**162**	**135**	**32**	**13**	**9**	**3**	**5**	**4**	**363**
Jordan	**14**	301	279	67	26	19	6	3	4	**719**
U.A.E	**32**	345	216	84	14	16	4	7	10	**728**
Bahrain	**9**	250	164	39	9	13	5	7	4	**500**
Tunisia	**11**	238	206	49	19	10	5	3	3	**544**
Algeria	**6**	196	190	34	16	15	4	4	3	**468**
Djibouti	**0**	26	304	2	0	2	2	0	0	**336**
Saudi Arabia	**16**	399	345	67	25	20	6	16	9	**903**
Sudan	**14**	273	276	54	14	16	5	4	6	**662**
Syria	**8**	228	236	72	68	18	5	3	4	**642**
Somalia	**8**	24	39	2	0	0	0	1	0	**74**
Iraq	**13**	195	430	34	15	8	5	3	2	**705**
Oman	**9**	244	222	57	17	13	6	7	6	**581**
Palestine	**0**	192	169	41	10	7	5	2	3	**429**
Qatar	**5**	198	136	29	19	16	5	10	3	**421**
Comoros	**0**	6	15	11	1	1	0	0	2	**36**
Kuwait	**10**	253	177	24	12	9	5	5	2	**497**
Lebanon	**2**	162	153	49	24	14	3	2	9	**418**
Lybia	**0**	199	129	22	13	7	4	3	1	**378**
Egypt	**2**	341	233	54	21	17	6	2	7	**683**
Morocco	**15**	217	273	36	15	15	6	3	4	**584**
Mauritania	**9**	181	179	31	10	13	1	5	4	**433**
Yemen	**21**	206	216	34	17	19	5	4	5	**527**
Total	**204**	**4,674**	**4,587**	**892**	**365**	**268**	**93**	**94**	**91**	**11,268**

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