



صندوق النقد العربي
ARAB MONETARY FUND

ANNUAL REPORT 2019





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Preface


The Annual Report of the Arab Monetary Fund (AMF) is prepared under Article 33 of the AMF's Articles of Agreement. This report presents a summary of AMF's activities and financial position for the year ends on December 31st, 2019. 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, commerce, central banks and statistical agencies through training courses, workshops and seminars organized by the AMF's Training and Capacity Building Institute (TCBI). The report reviews developments of AMF's investment activities conducted under Article 5 of the AMF's Articles of Agreement. This report also reviews activities aimed at supporting and promoting Arab trade, as well as events organized by the Fund in various economic, monetary, fiscal and statistical areas to discuss solutions and proposals that respond to challenges facing Arab economies in order to shed light, and exchange views and experiences, on current issues of interest to all Member Countries. This positively supports economic development efforts in Arab Countries, particularly those related to the monetary, 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, monetary, banking systems in Arab Countries.



Abdulrahman A. Al Hamidy

Director General

Chairman of the Board of Executive Directors



Message of the Director General, Chairman of the Board

Global economic growth remained relatively weak throughout 2019, at rates falling short of the ambitions. Indeed, investments at the global level do not yet meet the requirements for achieving growth that can create more of the so much expected jobs opportunities. Similarly, unfavorable growth and investment indicators reflect the challenges and adverse risks arising from high trade barriers and the resulting negative impacts on investment, manufacturing and trade, with the United States continuing to raise tariffs on Chinese imports, and China taking similar actions in return, and with the continued prevalence of the uncertainty associated with Britain's exit from the European Union, and the escalating geopolitical tensions that had negative effects on energy prices. All these challenges undoubtedly lead to a lower level of confidence, and curtail investment flows to developing countries, as well as they cause some kind of instability in the value chains, thus weakening the global economic growth prospects in the foreseeable future. As for developments related to global trade, the growth rates of international trade volume recorded their lowest level in the aftermath of the world financial crisis, dragged down by the increasing uncertainty in trade policy in light of the hazy landscape of the growth forecasts in 2020.

With the weak growth in final demand, core inflation in developed economies has fallen below targeted level and continued to fall below historical averages in many emerging markets and developing economies. Thus, in light of the declining final demand and weak inflation, many major economies resorted to accommodative monetary policies, which contributed to the continued accumulation of fiscal vulnerabilities, following years of low interest rates, leading to an unprecedented accumulation of public and private debt. On the other hand, it is not expected that emerging markets economies will witness an improvement in the economic growth rates in the short term, especially given the limited fiscal space in their budgets, which limit their ability to depend on themselves to foster growth through domestic investment.

As for the Arab economies, they have been affected in 2019 by the slowdown in global demand and international trade, and by the decline in global oil prices, which reflected on the performance of some Arab oil-exporting countries. Yet, it is striking that economic diversification reforms, which have been the focus of economic strategies and visions adopted by these countries, helped to strengthen the activity of non-oil sectors and enabled them to achieve a moderate growth rate that relatively alleviated the vulnerability of the economies of these countries to new developments in international oil markets. In the meantime, some Arab oil-importing countries continued, in 2019, to reap the benefits of economic reform programs that were implemented to drive growth and employment, and that reduced both the internal and external economic imbalances facing these

countries. In fact, the year 2019 was characterized by the continuous endeavors of the Arab Countries to promote productivity and international competitiveness through focusing on reforms that would increase the attractiveness of business environments. They also continued to deploy efforts aiming at supporting inclusive and sustainable economic growth by encouraging small and medium enterprises, developing the financial sector and modernizing the technology infrastructure in many sectors so as to keep abreast of successive technology developments.

In light of the foregoing, the AMF pursued its endeavors to support Arab economies in 2019 and to help them overcome the economic challenges, both externally and internally, and to strengthen growth capacities in these countries. In this framework, the AMF strived to support economic reform programs implemented in a number of Arab Countries with a view to address the imbalances existing across many mechanisms, notably supporting the reform of macroeconomic policies in the Arab Countries, encouraging SMEs and raising the levels of financial inclusion, as well as bolstering the efforts of the regulatory authorities in the Arab Countries to develop the financial sector and take advantage of the opportunities offered by financial techniques in order to upgrade the efficiency of financial services and increase access to finance & financial services. Similarly, the AMF intensified its efforts, throughout 2019, to support the opportunities for an Arab economic integration, both through the efforts of the Trade Financing Program aiming at encouraging inter-Arab trade flows, or by continuing to work on the completion of the necessary phases for the operationalization of the Arab Clearing System in order to facilitate intra-Arab payments, and to liaise with main trade partners in the Arab Countries.

In 2019, the AMF organized many training programs, workshops, events, high-level conferences and activities on capacity-building, exchanging of Arab and international experience and expertise in many priority themes for Member Countries.

At the end of 2019, the AMF stood at the threshold of a new phase in its history with the beginning of the implementation of the Fund's Strategy for 2020-2025, under the Fund's Vision 2040, through which it seeks to be "the closest partner to Arab countries in their interaction with all developments to maintain the process of economic, financial and monetary stability and development."

Indeed, the AMF's new strategy includes several activities and programs that aim to support the efforts of Member Countries, to deal either with the current economic challenges, or with those expected to emerge, in light of the looking-forward vision for the future. It is a strategy through which we hope to work so that Arab Countries would be able to unleash their economic potential and occupy their rightful place on the international scene, while fulfilling the aspirations of future generations.

About Arab Monetary Fund (AMF)

Establishment

Arab countries established the AMF with the desire to lay the monetary infrastructure for the Arab economic integration, and to drive economic development in all Arab countries. The AMF's Articles of Agreement was signed in Rabat, the capital of the Kingdom of Morocco, on April 27th, 1976. This Agreement was characterized by its comprehensive objectives and the flexible means with which it was entrusted to achieve such objectives. All members of the League of Arab Countries are members to the AMF. Abu Dhabi city, the capital of UAE, is the permanent head quarter of the AMF.

Mission

The establishment of the AMF crowned the efforts made by the Arab Countries in the area of monetary and financial cooperation since the middle of the forties; and the Arab region thus became the only region among all regional and economic blocks and groupings in the world to have a Monetary Fund of its own.

The establishment of the AMF concretized the dream to which decision makers in the Arab Countries had long aspired in order to find the mechanism that would promote monetary cooperation and integration between Arab countries, within the joint Arab action system, which seeks to strengthen economic cooperation and integration ties among the Arab Countries, as a prelude to achieve the desired Arab unity at all levels.

The Fund also adopts a proactive systematic methodology in providing support to its Member Countries, since it looks into repercussions on the Arab economies, resulting from economic developments at the regional and global levels. Similarly, it sets appropriate alternatives to provide financial and technical support to help coping with such repercussions, and to bring the Arab economies affected by those developments back on track of sustainable development.

The AMF applies systematic strategic plans to manage the crises to which the Arab region economies may be exposed, and to address their repercussions, especially that the Fund is endowed with technical staff and experts polarized from all Arab countries, with the required educational qualifications and practical experience.

The AMF pays great attention to achieving cooperation and exchanging of experiences in the field of monetary and fiscal policies between Arab countries, and to coordinating their positions in international fora and meetings. It seeks as well to strengthen coordination among Arab central banks and monetary authorities, in the various fields relevant to the work of these bodies, so they could exchange experience and expertise among them, and harmonize their positions towards regional and global developments related to banking sector. These efforts are geared towards achieving monetary cooperation between Arab Countries in order to reach a common formula for building monetary policies in the region.

Moreover, The AMF attaches particular importance to the development of Arab financial markets, on the basis of its conviction of the important role these markets play in mobilizing and channeling

financial resources to finance comprehensive and sustainable economic development plans, so as to contribute in creating productive job opportunities and to diversify and expand the economic base and productivity.

On another hand, the AMF provides its Member Countries with technical assistance programs linked to the elaboration of policies and mechanisms related to the development of national cadres' capacities. It also strives to enrich the adopted initiatives at the regional level, with a view to develop payment systems and modern financial techniques as well as capital markets, economic databases and national accounts statistics, and to foster efforts aiming at improving financial inclusion and other activities related to the Fund.

Objectives

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

1. Correcting disequilibria in the balances of payments of AMF Member Countries.
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 Countries.
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 Countries.
4. Rendering advice, whenever called upon, with regards to policies related to the investment of financial resources of

Member Countries 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 Countries 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 Countries to promote trade among them.

Furthermore, Article Eight of the AMF's Articles of Agreement stipulates that the Fund shall provide technical assistance and services in the financial and monetary domains to Member Countries 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

The Fund relies on a number of means to achieve its objectives, identified in Article V of the AMF's Articles of Agreement, including providing short and medium term facilities to Member Countries, to help financing the overall deficit in balance of payments, and implementing restructure reforms in both financial and banking sector and public finance sector. Such means also

include issuing guarantees in favor of Member Countries, so they would have better opportunities to benefit from other financial sources to fund the total deficit in their balance of payments; and playing the role of intermediary in issuing loans in the Arab and international financial markets for the account of Member Countries and with their guarantees.

These means also include the coordination of monetary policies in the Arab Member Countries and the strengthening of cooperation between monetary authorities in these countries, as well as striving to liberalize and promoting trade and ensuring current payments and encouraging capital flows between Member Countries.

Similarly, the AMF's Articles of Agreement provided that the Fund shall set, with the consent of the relevant Member Country or Countries, all necessary arrangements for the management of any funds that a Member Country entrusts it with, in favor of other Arab or non-Arab parties, in accordance with the Fund's objectives.

Article VI of the Articles of Agreement stressed the need for cooperation among Member Countries, and between them and the Fund, in order to reduce restrictions on current payments, as well as restrictions on the capital movement and returns thereof, while targeting the removal of all mentioned restrictions. It also underlined the need to achieve enough coordination between economic policies, particularly fiscal and monetary policies, so as to serve the Arab economic integration and to help creating the conditions for a unified Arab currency.

As a confirmation of the flexibility given to the Fund in achieving its objectives, Article

IX stipulated on the possibility for the Fund, pursuant to a decision by the Board of Governors, to resort to any other means that helps in achieving its objectives.

In accordance with the provisions of Article XI of the AMF's Articles of Agreement, the resources of the Fund shall consist of the paid-up capital, reserves, loans and facilities obtained by the Fund, and any other resources approved by the Board of Governors.

AMF Governance Framework

The governance framework of the AMF is underpinned by a set of principles, the observance of which is a top priority for the Fund, and these are summarized as follows:

Protection of membership rights and equal treatment: The governance framework of the AMF ensures the protection of the shareholders' rights, the smooth exercise of the said rights and the equal treatment of such shareholders. However, the framework does not allow for unilateral decisions to be taken on substantive matters, neither at the level of the Board of Executive Directors nor in the executive departments. Indeed, the appointment of the members of the Board of Executive Directors is approved by the highest authority which is the Board of Governors, and they are nominated among the citizens of Member Countries known for their expertise and efficiency.

The Board of Executive Directors acts in accordance with procedural rules governing the decision-making process. At the level of executive departments, working policies and procedures regulate responsibilities and powers, while the specialized committees

examine matters of substance and receive recommendations thereon.

Disclosure and Transparency: since the Board of Governors is in charge itself of the salaries and benefits granted to the Board members, and of disclosing the extent of their neutrality, knowing that the Board approves collectively the appointment of the members and determines the benefits granted to them.

Recognition of stakeholder rights: It aims to protect the rights of stakeholders, including Member Countries as well as the Fund's employees 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: The principle of accountability, applied by the AMF at all levels: The applied governance framework reflects the attention given by the Fund to defining the terms of reference across its supervisory, oversight and executive bodies, their integration and interaction, and to enhancing communication and coordination channels between them, in addition to expanding the scope of their participation in sharing opinions before making a decision.

The governance bodies' 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 organizational units for the executive

management, which includes the executive departments and the administration committees, as well as the internal audit Office and the external auditors.

Board of Governors comprises governors of all Arab Member Countries and is considered as the AMF's supreme authority for strategic direction, accountability and performance assessment. the AMF's Articles of Agreement entrusted the Board of Governors with all management powers and authorized it to delegate to the Board of Executive Directors the exercise of any power except for exclusive powers.⁽¹⁾ The Board shall hold its meetings annually, in accordance with the procedural rules that govern the meetings and voting procedures. It shall elect every year a governor, among its members, as its president, on a rotational basis.

Board of Executive Directors: it consists of the Director General, Chairman of the Board, and eight members, appointed by the Board of Governors among the citizens of Member Countries 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.

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 increases of capital, distribution of income, appointment of external auditors, approval of final accounts and deacons on the interpretation and amendment of AMF Agreement.

Audit and Risk Committee is emanating from the Board of Executive Directors, aims to assist the Board in carrying out its supervisory role, through monitoring the integrity of the financial statements, following up the implementation of risk management policies and internal control, assessing the effectiveness of the Office of internal audit and discussing its reports, monitoring the independence of the external auditor and discussing his reports, receiving irregularities notifications and submitting recommendations thereon. The Audit and Risk Committee is comprised of three members who are independent from the executive management of the Fund and elected by the Board of Executive Directors at the beginning of each session. The Committee performs its functions in accordance with a charter governing its work.

The organizational framework for executive management units consists of the Director-General Chairman of the Board of Executives Directors and six specialized executive departments: The Economic Department, the Training and Capacity Building Institute, the Investment Department, the Finance Department, the Support Services Department, the Legal and Compliance Department, Strategy and Evaluation Unit, and Risk Management Unit.

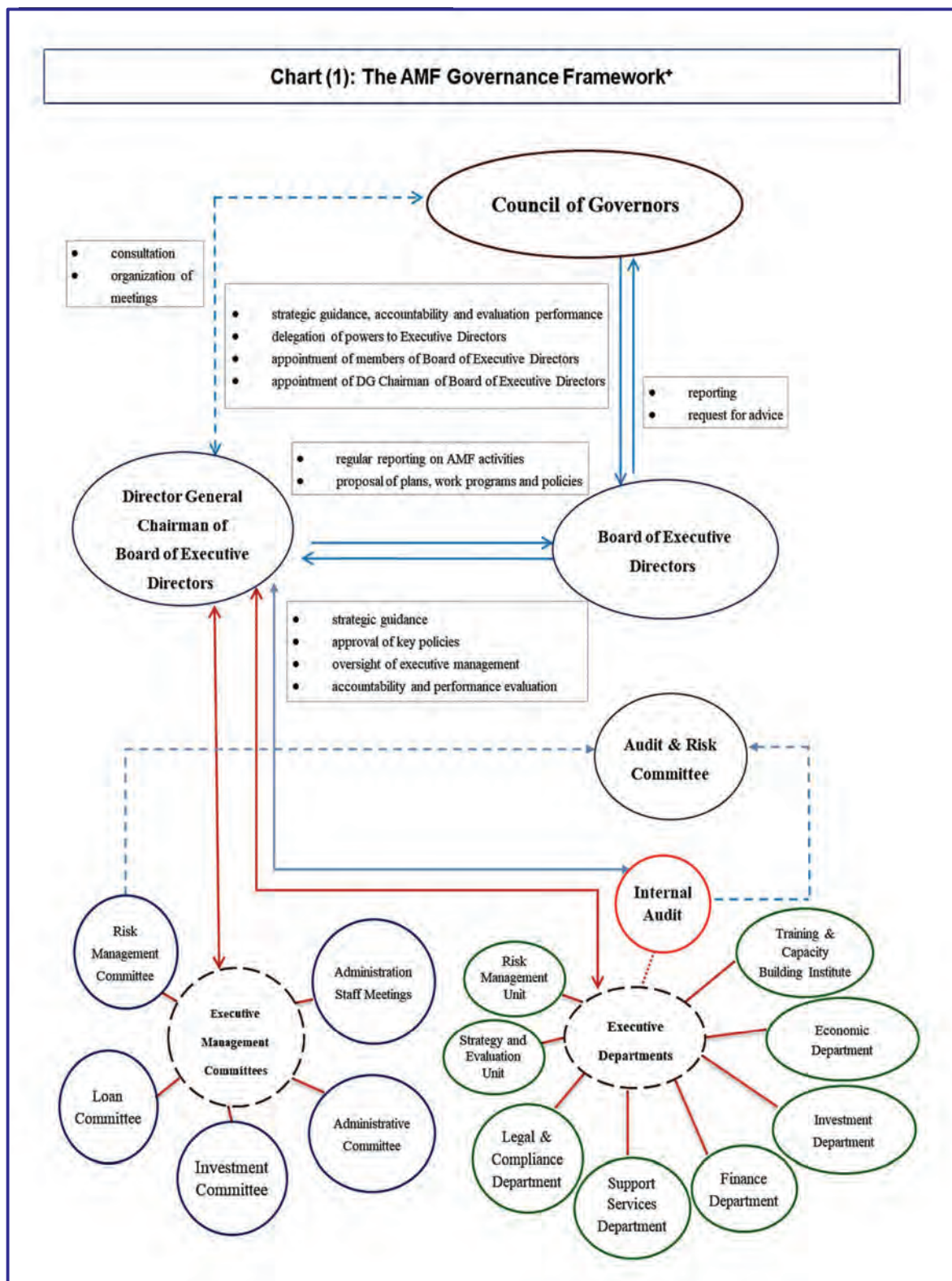
In addition, the committees of the executive management, in their capacity as advisers, render advice on substantive matters. They are composed of competent and specialized senior staff in the AMF, and are as follows: The Loan committee, the Investment committee, the Administration Committee and the Risk Management Committee.

These organizational units in the Fund operate within an interconnected and integrated system of internal control which includes regulations,

policies and rules, as well as working procedures regulating the Fund's activities and operations. This system does not allow for unilateral decisions to be taken in substantive matters.

Office of Internal Audit (OIA), is a major component of the internal control system, and the senior management ensures that it plays its role independently. The functions of OIA include assessing the effectiveness of internal control systems, the activities related to risk management and governance according to an approved methodology and communicating directly with the Audit and Risk Committee under the Board of Executive Directors.

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



*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, to reflect the evolving vision on how to realize the aspirations of the AMF's Member Countries. 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 Countries 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 Training & Capacity Building Institute to officials in Arab Countries. The financial soundness of the Fund has added confidence of Member Countries in the Fund's long-established role of providing reserve management services and deposit taking from Member Countries.

The framework of the AMF's Strategy pays great attention to the exploitation of available opportunities to develop and enhance its capacity to respond to the growing needs of Member Countries in terms of providing financial support, advice and technical

assistance in the areas of economic reform, and to meet the diverse and increasing needs in the field of training and capacity building in different economic and financial areas.

The flexibility of the means available to the AMF, and the broad scope of its activities endowed it with yet another comparative advantage that enables it to address the challenges that the economies of the Arab countries might face, in line with global economic and financial trends and developments and their possible implications on the financial and banking sectors and capital markets in the Arab countries. Indeed, the needs of the Arab countries have been an important reference point for the AMF when preparing the general framework of its strategy for the period (2015 - 2020). This framework focused on capturing and identifying the expectations and aspirations of the Member Countries during the mentioned period, which requires strengthening channels for effective communication with these countries, developing its capacities and initiatives aimed at assisting Member Countries, in addition to enhancing its research and statistics related-activities to provide reliable economic data, more comprehensive and in-depth analysis reports that support the efforts of policy makers and researchers.

AMF Vision

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

The AMF's vision stems from its mission set out in the Fund's Articles of Agreement,

which is to lay the foundations that achieve Arab economic integration and accelerate the economic development process in all Arab Countries. In striving to achieve this mission, the Fund is constantly working on developing and raising the efficiency and effectiveness of its programs, activities and operations so as to align them with the variables, enabling it to benefit from its comparative advantages and available opportunities to strengthen its leading role at the service of the Arab Member Countries.

Strategic Objectives

The Arab Monetary Fund seeks to achieve its strategic vision through attaining a set of objectives, covering three integrated areas: enhancing opportunities for inclusive growth, establishing efficient economic, financial and monetary institutions and fostering Arab collaboration and economic integration, in close cooperation with other relevant regional and international financial, monetary and economic institutions, as well as developing the institutional capacities and effectiveness.

The core AMF's strategic objectives are as follows: to further advance reform-related activities and programs that promote macroeconomic stability in Arab countries; to develop programs and initiatives in the financial and banking sectors and increase access to financial services; to strengthen the pivotal role of the Fund as a platform for meeting and consultation among those who draft economic and financial policies; to support projects for economic and financial integration in the Arab countries, and to strengthen the fund's role as a hub of knowledge, expertise, technical advice and capacity-building in its fields of competence.

Means and Activities for Achieving Strategic Objectives

The AMF's strategy for the period 2015-2020 includes seeking to raise the efficiency in the use of available means, introducing new ways that contribute to strengthen the outputs of the various developed activities undertaken by the Fund in order to reach the best desired results, and to achieve the strategy's objectives in a way that responds to the ambitions of the Member Countries.

In this respect, modalities employed by the Fund to assist member countries include a range of lending facilities to overcome the overall Balance of Payments deficit, support structural adjustments in fiscal, financial and banking sectors. This is a part of the lending activity as provided by the AMF's Articles of Agreement, as the main modality that is available to the Fund to fulfill its mandate. The Fund offers credit facilities to its member Countries in concessional loans with different maturities. Most of the credit facilities are provided within a package that includes consultations with the authorities of the borrowing country to reach agreement on an economic reform program that includes appropriate policies and measures to address and reform its economic, fiscal and monetary situation, as well as to follow up on its implementation.

The AMF's strategic objectives, mentioned above is to further advance the reform-related activities and programs that promote macroeconomic stability in the Arab countries, through focusing on the development of programs and activities undertaken by the Fund to support the efforts of Member Countries in their pursuit of macroeconomic stability, either through financial support accompanied with programs of economic reform, or through promoting of

technical advice required in this regard. Work under this objective includes the achievement of the sub-objective that the Fund places among its top priorities during the strategy period, and which relates to the continuous upgrading of the **lending activity** of the Fund, through the periodic review of the available facilities and their relevance to the requirements of Member Countries, as well as the development of procedures associated with the lending activities.

Within the context of support provided to the Arab Countries, **investment** is one of the main activities of the Fund. It includes deposit taking from Member Countries and Arab financial institutions, portfolio management on their behalf, and investment-related technical assistance. The AMF's 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 Countries 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 fiscal, monetary, 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 Countries** 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 and the applications of modern financial innovations. 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 Policy Institute, represent another set of tools that stands 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 countries 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 countries. 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 envisages stepping up AMF efforts to further developed research, bulletins, economic reports and existing statistics. In addition, the AMF works for launching new reports which contribute to help economic decision makers and enrich the Arab thought. The AMF is also in charge of the development of Arab Statistics Initiative “ArabStat” as well as compiling and disseminating financial data summaries on Arab Countries.

Furthermore, the Fund's library contains a thorough range of economic, fiscal, monetary and statistical references, research papers and periodic reports that have been published, as well as continuous efforts to enrich and continually update this content.

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 Countries in monetary and fiscal areas as well as coordination of membership stands on international monetary and economic issues in their common interest. The 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

The "Strategy Support Team" has been set up and is composed of the Fund's departments, to support and follow up the implementation of the Fund's strategy with a high degree of efficiency and effectiveness.

The functions of the team include communicating continuously and regularly with the Fund's organizational units to discuss the components and dimensions of the achievement indicators, and all what relates to the performance score cards, considering the proposals in long-term plans, and discussing the changes and developments required for the implementation of the strategy. Similarly, the team discusses reports issued by the departments on the results achieved, prepares performance reports at the institutional level and organizes educational workshops and presentations about the progress in the implementation of the strategy. It coordinates the efforts of the departments as well for strategic planning and encourages initiatives

and innovation at the level of the Fund and organizational units.

Strategy and Evaluation Unit

In 2019, the Fund established the “Strategy & Evaluation Unit”, within the organizational structure of the Fund, in its continuous quest to raise the efficiency of strategic planning. In fact, recognizing the importance of strengthening the institutional framework for the strategic planning process, the AMF seeks to contribute actively to the formulation, implementation and follow up of the strategic plans to ensure they go hand-in-hand with long-term plans adopted by Member Countries and to strengthen the economic reform programs in these countries, so they could enjoy economic, monetary and financial stability.

The terms of reference of the Unit included ensuring the consistency of the strategic plans, prepared by the organizational units of the Fund, with its strategic objectives, and coordinating with said units, providing the necessary data to prepare the strategic plans, monitoring the implementation of planned activities and initiatives and preparing performance reports thereon. The Unit also prepares and submits periodic reports on the activities set out in the strategy at all levels in the framework of "Balanced Performance Scorecard" methodology that is consistent with global best practices and allows assessing the performance at the level of strategic objectives and underlying areas.

Moreover, the Unit sets the processes, procedures and standards to assess the services provided by the Fund to Member Countries independently and reports thereon based on reports on impact assessment of

activities and initiatives undertaken by the organizational units.

The Strategy and Evaluation Unit also carries out comparison studies to identify the best practices adopted in relevant international organizations in the field of strategic initiatives with relation to the Fund's mandate. It seeks as well to build the culture of strategic planning in the Fund and to strengthen communication and integration between the organizational units.

In this context, the Unit works in coordination with the "Strategy Support Team", whose inclusive composition represents the different departments of the Fund, to follow up on the implementation of the activities included in the plan for 2019 which is the last year of the 2015-2020 strategic Plan. This falls within its vision that the Fund stands as the Arab leading financial institution in providing support to economic, financial and monetary reforms so as to ensure stability in the Arab region, with a high degree of efficiency and effectiveness. Efforts are ongoing as well to further advance the methodology for measuring performance.

The Unit and the Team also discuss the reports issued by the departments on the results achieved and prepare the performance report at the institutional level, on a periodic basis (semi-annually). Indeed, the Unit submitted its report for the first half of 2019 during a meeting of the Board of Executive Directors, held on 26 September 2019.

Moreover, the Unit and the Team had always made presentations about the progress in the implementation of the strategy for the period (2015-2020) and coordinated the efforts of the departments for strategic planning for the next five years.

Summary of AMF Activities in 2019

The AMF pays careful attention to the economic challenges at global, regional and local levels, having direct impact on the performance of Arab economies. In fact, the Fund seeks through its activities to support and help decision-makers and policymakers in the specialized economic fields in the Arab countries. It also strives to shed light on important economic issues and to examine them in a way that contributes to identifying challenges and ways to address them so as to provide a basis for decision makers in the Arab countries, to draft policies and identify the needed reform pathways.

The AMF also provides information, data and economic analysis that could enable those interested in Arab economic affairs and researchers to discuss the most important economic issues facing the Arab countries. In addition, it would enable policy makers in the Arab countries to formulate future strategies on scientific and objective basis.

On another hand, the Fund responded to all requests submitted by the Arab countries in 2019, to benefit from the AMF's financial resources in order to support their reform programs in different economic and financial areas. Indeed, consultation missions from the AMF visited the countries requesting support, and a set of reform programs to be supported with the Fund's resources was agreed upon. Moreover, the Fund examined and responded to some requests submitted by Member Countries to receive direct support through the lending windows that deal with emergencies in balances of payments.

Therefore, given the diversity and disparity in the structure and degree of openness of Arab

economies to the global economy, in addition to the varying trade partners from one Arab country to another, the vulnerability of all the Arab countries to global and regional economic developments that economic zones faced in 2019 also varied.

For example, the Gulf economies were affected by developments relating to the interest rates in the United States of America, in a different way than the Arab economies were impacted thereby. In fact, the decline of interest rates represented a challenge for the Gulf economies knowing that they hold a relatively large volume of American bonds while Arab countries, seeking to fulfill their funding requirement from the global financial markets, benefited from the decrease in interest rates. They were as well positively impacted, as a result of increased investment flows, reversely linked to the decline in US interest rates.

Arab economies were adversely affected, albeit at varying degrees also, due to the slowdown in economic growth that was experienced by the global economy through 2019, as it recorded the slowest pace of growth since the global financial crisis (2008-2009), and that coincided with increasing trade barriers, and the escalation of uncertainty surrounding trade and the geopolitical conditions. This was underpinned by the increasing concern of the investors over the impact of intensified trade tensions and weak economic prospects, in addition to growing economic pressures in many emerging market economies, and other structural factors such as low productivity and an aging population in developed economies.

In light of the above, the AMF paid special attention to strengthening the capacities of Arab countries to pursue fiscal policies that

aim at achieving financial sustainability, and that include mechanisms and programs for social protection, in order to protect the lowest income groups, promote growth potential through spending that supports structural reforms, and ensure the sustainability of public resources in the medium term.

On its list of priorities, the AMF gives more attention to activities related to support Member Countries to implement reforms aimed at enhancing financial inclusion, increasing economic diversification, promote an enabling environment for SMEs to carry out their vital role in achieving sustainable & inclusive economic growth and create productive job opportunities.

Similarly, the AMF focused in 2019 highlighting the importance of reforms in the public finance sector in Arab countries, as a prerequisite to drive economic growth. In fact, reform programs in public finance focused on promoting government resources through the application of VAT, developing mechanisms and processes for promoting tax administration, in addition to adjustments in tax ratio and brackets to achieve tax justice, and alleviate the tax burden on vulnerable groups targeted in the development processes.

The Fund continued through 2019, in the context of its 2015-2020 strategy, to focus its efforts on providing support to Arab countries in relation to structural reforms and policies aimed at raising productivity, benefiting from the gains resulting from such reforms, by encouraging innovation, disseminating technologies, increasing participation in the labor market, especially by women and youth, and promoting investments in education and training to increase employment opportunities.

Reforms related to the development of macro-prudential policies, financial leverage ratio, excessive risk taking, and the containment of risks threatening financial stability, including threats to cyber security, were given due attention so as to address the challenges of the financial and banking sector. It coincided with a greater openness of Arab financial markets to global financial markets that are witnessing a major shift towards digitization, and acceleration in the use of financial techniques which involve many risks that require hedging, despite their contribution to the development of financial services.

In the framework of **its lending activity**, the AMF extended three loans in 2019 to Republic of Sudan (2 loans), and Hashemite Kingdom of Jordan, with a total value of AAD 77.8 million, equivalent to approximately USD 321 million.

With respect to the two loans to Sudan, the first one was a compensatory loan with a value of AAD 27.4 million, extended to support the emergent needs of the balance of payments, while the other was an ordinary loan of a value of AAD 27.4 million, extended to support a reform program aimed at achieving fiscal sustainability. The loan extended to Jordan, valued at AAD 23 million, was in the framework of the structural adjustment facility, to support a reform program in financial and banking sector.

As for **reports, bulletins, research, and studies** issued by the AMF in 2019, in the context of its continuous effort to support and help decision makers and economic policymakers in the Arab countries, they included the publication of a book on “The advancement of SMEs in the Arab countries”, “The Joint Arab Economic Report for 2019” in both Arabic and English. The report

"Outlook of the Arab economies" was also issued in two editions on April and September 2019 and included expectations for economic performance in the Arab countries for 2019 and 2020.

The AMF issued as well in 2019, the second edition of the report "Ways to reform", and the third edition thereof on "Competitiveness of Arab economies", in addition to a range of studies and working papers that addressed a variety of topics including: "Knowledge economy", "Efficiency in tax collection in the Arab countries", "Financial Uses of the Blockchain technology", "The role of technology in improving the management of government finance", "The business environment in the Arab countries: Reality and challenges", "Innovation in Islamic financial industry", "The role of digital identity in the promotion of financial inclusion", and "Strategies of the public debt and development of debt markets in the Arab countries", in addition to a number of other studies and working papers in priority areas for Member Countries .

With regards to bulletins issued by the Fund in 2019, they were the seventh edition of the "Statistics on inter and intra Arab trade competitiveness Bulletin", "Cross Exchange Rates bulletin".

Regarding **training and capacity-building** activities that the AMF undertakes through its Training and Capacity Building Institute, the Fund has continued through 2019 to work on advancing further training activities, updating the scientific content of all training programs, expanding the list of activities and training programs so they would cover all economic, financial, monetary and statistical sectors, in addition to developing new training programs, according to the needs of Member

Countries. Indeed, 37 training courses were organized in the mentioned year, benefiting 1,110 trainees among official staff in the Arab countries, bringing the number of beneficiaries from the training courses provided by the Institute, since its inception until the end of 2019, to 13,240 trainees.

As for **technical assistance** provided by the AMF to its Member Countries in 2019, it covered areas related to its objectives such as the development of the financial and banking sector infrastructure, the government bonds markets and strengthening the capacities of Arab countries to achieve financial inclusion through the activities that fall under the AMF financial inclusion for the Arab region initiative (FIARI), along with the development and strengthening capacities in preparing economic statistics and applying international statistical methodologies, under the Arab initiative for Statistics "ArabStat", and other related areas.

In the context of technical assistance provided by the Fund to Member Countries in 2019, the Fund focused on activities related to policies development and program design, enhancing skills and strengthening capacities to apply, implement, and measure the efficiency of policies, in addition to institutional development, so as to help such countries improving the quality of the design and elaboration of reform and structural adjustment programs, in order to reform their economies and direct their policies towards achieving the expected development goals.

The AMF also intensified its activities related to broadening the use of financial technology in the field of economic and finance, strengthening the capacities of the Arab countries in the application of such techniques and leveraging global experiences in this area.

The Fund continued to provide support through its activities to develop financial systems in the Arab countries.

In 2019, the Fund also continued to fulfill the tasks associated with its role as the **Technical Secretariat of the Council of Arab Central Banks and Monetary Authorities' Governors**. It acts also as a Technical Secretariat for committees and Task Forces arising therefrom. The Fund also serves as the **Technical Secretariat of the Council of Arab Ministers of Finance**.

In the area of **investment**, the AMF continued, during 2019, its approach in maintaining a conservative investment policy and strategy in managing investment portfolios, contributing to the protection of invested capital and continuing to achieve stable positive returns at the macro level, while keeping low risk levels. In addition to employing its own resources, the AMF's investment activity includes deposit acceptance from Member States, where AMF maintained high balances from this activity to reflect the continued confidence of Member States.

The AMF continued to implement the Basel (III) requirements for capital adequacy, liquidity and leverage. In addition, the Fund continued managing funds for the Arab Trade Financing Program, for the Consolidated Account of Specialized Arab Organizations, as well as the supervision of externally managed portfolios and funds, in accordance with approved investment policy and strategy.

Regarding the contribution of the Fund in the capital of the **Arab Trade Financing Program**, the value of requests submitted to the program since its establishment until the end of 2019, stood at approximately USD 17.3 billion, to finance trade deals worth about USD 22.9 billion. The program approved a

financing of the order of USD 16.9 billion, and the value of disbursements during that same period reached USD 16.3 billion.

Keep providing opportunities for activating trade exchanges between trade operators in the Arab region, the Program organizes and convenes meetings for importers and exporters working in specific sectors, within its activity for promoting intra-Arab trade. In this framework, the Program organized, in collaboration with several stakeholders in the Arab countries, eighteen meetings.

Lending Activity

The AMF strives, through its lending activity, to support economic and structural reform programs in borrowing Member Countries, in areas relevant to its mandate, and to provide the necessary technical support for the design of such programs, in an appropriate fast and efficient way, in line with the role assigned thereto in the AMF's Article of Agreement.

The objective is to help Arab countries to lay the foundations for macroeconomic stability, and to address the challenges in the balance of payments, and support their efforts to implement the required reforms in a number of sectors in order to improve efficiency of resources utilization and enhance opportunities for achieving inclusive and sustainable economic growth. Moreover, the AMF's lending activities are primarily contributing to achieving the objectives of its 2015-2020 strategy, through continuously harnessing and developing its potential, to keep pace with the changing and growing needs of Member Countries.

Categories of Loans and Facilities

Loans and facilities provided by the AMF comprise two main groups. The Group I loan contribute to addressing distortions in the balance of payments, while Group II loans are provided to support reforms in other economic sectors.

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

The Automatic Loan is extended to contribute in financing the overall deficit in the balance of payments, up to 75 percent maximum of its subscription in the AMF's capital, paid in convertible currencies. This loan has a three years term, and it is not conditional on the implementation of an economic reform program.

As for **the Ordinary Loan**, it is extended to a Member Country qualifying for borrowing, when its needed resources exceed 75 percent of its subscription paid in convertible currencies, within 100 percent of the subscription of such Member Country paid in convertible currencies, thus it could be expanded, up to a maximum of 175 percent, adding the limits of the automatic loan thereto.

This loan requires an agreement between the borrowing Member Country and the AMF on a financial adjustment program, effective for a period of at least one year. The policies and procedures included in this program are aimed at restoring fiscal equilibrium with a view to reduce the deficit in the balance of payments. Each payment of the regular loan

shall be made within a period of five years from the date of its disbursement.

With regards to **the Extended Loan**, it is provided to a Member Country qualifying for borrowing in the event of a chronic deficit in its balance of payments, resulting from a structural imbalance in the economy. It requires an agreement between the borrowing Member Country and the AMF on a comprehensive economic adjustment program for a period of at least two years. This loan is providing up to 175 percent of the Member Country's subscription in convertible currencies and could be expanded to a maximum of 250 percent by adding the automatic loan limits thereto. Each payment of said loan shall be made within seven years of the date of its disbursement.

As for **the Compensatory Loan**, it is extended to assist a Member Country experiencing an emergency situation in its balance of payments, resulting from the decline in the revenues of its exports of goods and services and/or a significant increase in the value of its imports of agricultural products, due to the regression of the domestic production of agricultural crops.

The maximum amount of this loan, which is extended for a three-year term, is 100 percent of the Member Country's subscription in convertible currencies. The compensatory loan requires that any of the decline in exports or the increase in agricultural imports to be an urgent and temporary situation. The loan shall be repaid within a period of three years from the date of disbursement.

The Second Group of loans and facilities is related to available loans and facilities to support reforms in a number of economic sectors. These include structural adjustment

facility, trade reform facility, oil facility, short-term liquidity facility, and a facility for supporting an enabling environment for SMEs.

Regarding **the Structural Adjustment Facility**, it was introduced in 1998, since loans provided under such facility focus on providing support to reforms implemented by borrowing Member Countries in the financial and banking sector, and in the public finance sector. Loans under this facility require that the borrowing member has already initiated structural reform efforts and has achieved an appropriate degree of macroeconomic stability. The facility shall be provided after agreeing on a structural reform program, the implementation of which will be followed up by the Fund. This facility shall be provided up to a maximum of 175 percent of the Member Country's subscription in convertible currencies, and each payment of the loan shall be made over four years from the date of its disbursement.

As for **the Trade Reform Facility**, which was endorsed by the AMF's Board of Governors in 2007, in order to provide support to Member Countries in overcoming burdens that could ensue from trade reform policies and procedures, and to back up the necessary reforms in order to raise their ability to take advantage of the loans provided by international financial markets, with the aim of promoting growth and creating productive employment opportunities.

The facility shall be provided up to a maximum of 175 percent of the Member Country's subscription in convertible currencies, after agreeing on an appropriate structural reform program, the implementation of which shall be followed up by the Fund. Each payment of the loan is

made over four years from the date of its disbursement.

The Oil Facility was introduced upon Decision No.3 of the Board of Governors in 2007 and adopted on the recommendation of the Board of Executive Directors contained in its resolution No. 1/2007, as a temporary lending mechanism for a period of five years from its inception. It provides support to Member Countries affected by the rising prices of imports of oil products and natural gas and assists them in implementing appropriate reforms that enhance resilience to external shocks. The rules governing loans provision under oil facility, included that such facility be granted to qualifying countries up to a maximum of 100 percent of the subscription paid in convertible currencies. It could also be provided up to a maximum of 200 percent of the subscription paid 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. The loan shall be repaid under the oil facility within a maximum period of four years from the date of its disbursement.

By virtue of Decision No.2/2017 of the Board of Executive Directors on March 13th, 2017, the recommendations of the Loans Committee were approved as to consider oil facility as not being anymore in force, and examiner the possibility to reactivate this facility in the future, depending on developments in oil prices in global markets, after the approval of the Board of Governors of such reactivation.

With regards to **the Short-term Liquidity Facility**, it represents a lending mechanism to help Member Countries face temporary liquidity challenges due to developments in

global financial markets. Loans are extended under this facility expeditiously and without the requirement of agreeing with the qualified Member Country on a reform program. Such loans would be extended up to a maximum of 100 percent of the subscription paid in convertible currencies, and the amount thereof shall be disbursed at once or in installments as desired by the borrowing Member Country. Each payment is settled after six months of withdrawal, with possible extension to two terms maximum. It is worth mentioning that the short-term liquidity facility has been introduced based on Decision No.4 for 2009 of the Board of Governors. The rules governing the implementation of such facility were also adopted by the Executive Board decision No. 13/2009. By virtue of the Executive Board decision No.2/2017, the extension of the facility use temporarily for three years was approved, after which consideration shall be given to making the facility operational on a permanent basis or extending it for another temporary period or suspending it.

As for the **SMEs Conducive Environment Support Facility**, it was introduced by the AMF in 2016, to support the reforms in the SMEs sector, knowing the important role that companies working in this sector play in driving economic growth and providing employment opportunities. Loans under the facility are provided up to 100 percent of the subscription paid in convertible currencies, and each payment of the loan shall be made over four years from the date of its disbursement.

Loan Commitments

In 2019, the Fund provided three loans to its Member Countries, consisting of two loans,

(ordinary and compensatory loans), to Republic of the Sudan, of AAD. 27.4 million each, and one loan to the Hashemite Kingdom of Jordan under the structural adjustment facility in the financial and banking sector, worth AAD 23 million. The total value of loans provided during the mentioned year was about AAD 77.8 million, equivalent to about USD 328 million.

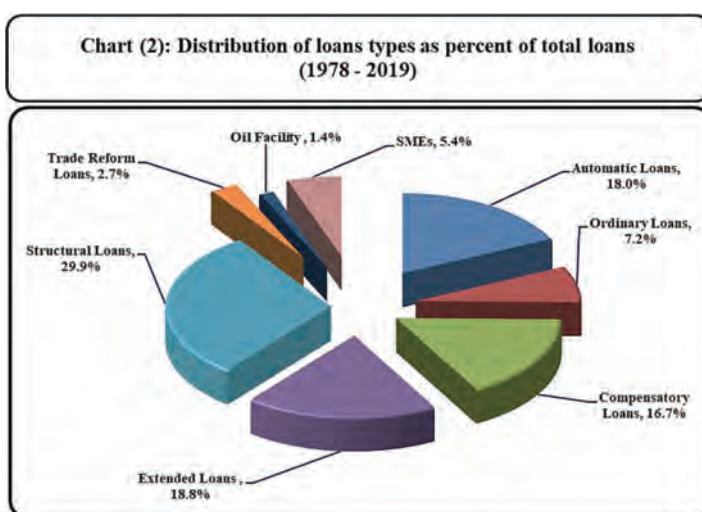
Adding the value of the new loans extended by the AMF to its Member Countries in 2019 to the balance of loans extended since the beginning of its lending activity in 1978, the total value of loans extended by the Fund to its Member Countries until the end of 2019, would amount to about AAD 2.4 billion, equivalent to about USD 10 billion. Fourteen Member Countries benefited from the 187 loans provided by the Fund. Table A-1 in Annex I shows the details of these loans, by year and recipient country, for the period 1978-2019.

Loans extended by the Fund to support the balance of payments (Automatic, Extended, Ordinary, and Compensatory) were at the forefront of the facilities provided by the Fund since the beginning of its lending activity in 1978 through the end of 2019, with a share of around 60.7 percent of the total loans extended during that period. They were followed by loans provided under the structural adjustment facility, both in the financial and banking sector and in the public finance sector, which amounted to 29.9 percent.

The share of loans extended under the trade reform facility was about 2.7 percent, while that of the loans extended under the oil facility amounted to about 1.4 percent. As for the share of loans extended under the facility for

supporting an enabling environment for SMEs, it stood at 5.4 percent.

Table (A-2) in Annex I shows the value and number of loans received by each Member Countries, broken down by types of loans provided. (Chart 2) shows the relative distribution of loans, by type, during the period 1978-2019.



Loan Disbursements and Repayments

The total disbursement of loans contracted during 2019 was AAD 111.106 million against AAD 173.203 million in 2018. By contrast, under the loan settlement schedules, the borrowing countries paid AAD 147.682 million in 2019, representing installments of loans contracted in the past. In light of the above, the balance of loans owed by borrowing Member Countries amounted to some AAD 465.981 million by the end of 2019, compared to AAD 502.558 million at the end of 2018.

It should be noted that the balance of non-disbursed contracted loans was approximately AAD 38.415 million at the end of 2019, compared to AAD 71.721 million at the end

of 2018. Table (A-3) shows the details of funds disbursed and not disbursed, as well as the loans commitments for Arab Countries in 2018 and 2019, while Table (A-4) shows details for the period 1978-2019. Table (A-5) also shows the evolution of interest rates applied by the Fund on loans extended to borrowing Member Countries, and published on its website on a monthly basis, in addition to Chart 7 in Annex I, that indicates the evolution of interest rates during the period 2003 -2019.

Arrears

A borrower country is in arrears with its settlement when the delay in payment of the accrued loans owed by this country exceeds a period of twelve months.

According to the AMF's financial position at the end of December 2019, there were three cases of loan delinquency: The Federal Republic of Somalia, the Syrian Arab Republic and the Republic of Yemen. Thus, the total arrears amounted to approximately AAD 134.979 million composed of a total of AAD 73.515 million of delinquent loans installments in addition to accumulated interests of AAD 61.464 million.

Regarding the **Federal Republic of Somalia**, the delay started since 1984, and the Fund is holding consultations with officials to reach a solution for the settlement of the arrears, which amounted at the end of December 2019 to about AAD 70.045 million. This amount represents delinquent loans installments of AAD 14,876 million as well as accumulated interest, worth approximately AAD 55.169 million.

As for the arrears of the **Syrian Arab Republic**, default started in December 2011. The total outstanding loan installments and accrued interests accumulated at the end of December 2019 reached approximately AAD 3.413 million, thus representing the principal and interest on the loan under the second structural adjustment facility.

The **Republic of Yemen**, default started in June 2016, where the total outstanding loan installments and accrued interests accumulated, at the end of December 2019 reached about AAD 61.521 million, representing the outstanding loan installments at AAD 55.759 million and accumulated interests at about AAD 5.762 million.

Technical Consultation Missions to Member Countries

In 2019, the AMF sent five technical missions to Republic of Sudan (two missions), the Republic of Tunisia, Arab Republic of Egypt (two missions). These missions' tasks varied between holding consultations on requests received for benefiting from the Fund's resources, and following up the implementation of reform programs supported by loans owed by borrowing Members Countries, in preparation for the disbursement of the remaining installments of those loans, and meet the requirements for the consideration of requests related to compensatory loans. The missions were also commissioned to prepare an assessment of economic and fiscal conditions in concerned countries, to consider the possibility and ways for benefiting from the resources of the Fund, in addition to providing technical advice and recommendations on adopted economic and financial policies.

Regarding the two consultations missions to **Republic of the Sudan** during 27 - 31 January, and 10 - 14 November 2019, the first mission was undertaken at the request of the minister of Finance & Economic Planning and the AMF's Governor for Republic of the Sudan, expressing the desire of his country to benefit from the Fund's resources in the form of an ordinary loan, to support the financial adjustment program, and a compensatory loan to back up the emergency situations in balance of payments.

The tasks of the above-mentioned missions included holding consultations and agreeing on the elements of a reform program backed with the ordinary loan resources and completing the requirements for the compensatory loan's study. Such tasks also included to look into the implementation of the agreed reform program, backed by the loan for providing support to create an enabling environment for SMEs.

Regarding consultations on the reform program required covering the year 2019, to be supported with the ordinary loan, it aimed at recovering the financial and economic stability in Republic of Sudan, achieving comprehensive and sustainable economic growth rates through enhancing macroeconomic environment, in which would enable the government to create productive and sustainable job opportunities. It aims as well to reduce the inflation rate, to restrict the budget deficit as a percentage of the GDP within viable limits, while keeping the indebtedness of the Central Bank of Sudan within set affordable levels, to curb the deficit in the current account of the balance of payments as a percentage of GDP, in addition to strengthening the foreign currencies reserves.

For the purpose of achieving these goals, the program included the application of a package of measures and policies in 2019, in the areas of fiscal and monetary policies, the external sector and real sector, in addition to the implementation of a number of institutional reforms in public finance management and in the financial and banking sector.

The AMF also prepared a study on the request submitted by the Republic of Sudan, to obtain a compensatory loan to support the balance of payments in light of the pressure on foreign exchange reserves and the inability to provide inputs for the agricultural production in 2019, and the resulting slowdown in the agricultural exports and implications thereof on the balance of payments. Indeed, estimates showed a total deficit in the balance of payments due to low export proceeds for urgent and other structural reasons.

Based on both reports of the mission and on the recommendations of the Loan & Technical Assistance Committee, the Board of Executive Directors, under Decisions No.1 & 2 on February 22nd, 2019, approved extension of two loans to Republic of Sudan, one ordinary and one compensatory loan, of AAD 27,4 million each. On March 16th, 2019 both loan agreements were signed, where the first payment of the ordinary loan was disbursed for AAD 16.440 million, and it was agreed to withdraw the second installment of AAD 10.960 million, according to the AMF's revision of the implementation of the agreed program.

As for the implementation of the reform program backed by the resources of the loan for creating an enabling environment for SMEs, the above-mentioned mission found

that the Sudanese government had made progress in implementing the agreed program. The second installment of that loan was disbursed for AAD 9,120 million on March 18th, 2019.

Regarding the second consultations mission sent by the Fund to Republic of Sudan, on 10-14 November 2019, it was organized in response to the request of the minister of Finance and Economic Planning, to disbursement of the amount of the agreed compensatory loan, and follow up on the program supported by the ordinary loan.

The mission concluded that the Sudanese authorities have made progress on implementing the package of reforms agreed upon with the Fund, taking into consideration the exceptional circumstances experienced by the Republic of Sudan in 2019, and the ensuing challenges during the same year. The mission also concluded that the circumstances underpinning the provision of the compensatory loan were indeed prevailing and that an emergency funding was needed. Thus, upon the recommendation of the Loan & Technical Assistance Committee, the second installment of the outstanding ordinary loan was disbursed. The funds of the compensatory loan were also disbursed.

With regards to the AMF's **follow-up mission sent to the Republic of Tunisia**, on 23 - 27 September 2019, it was organized in response to the request submitted by the Governor of the Central Bank of Tunisia and AMF's Governor for the Republic of Tunisia, to withdraw the second installment of the contracted loan, under the facility to support the creation of an enabling environment for SMEs, which backs the reform program in this sector.

The mission concluded that the Tunisian government has made progress in implementing elements of the agreed program under its three main pillars: Develop and support the role of the Social Security Institution in Tunisia and expand its scope of work; promote financial inclusion by facilitating the access of SMEs to finance and financial services; strengthen the role of the micro-finance control over associations and micro-finance institutions.

On the recommendation of the Loan and Technical Assistance Committee during its meeting No. 4/2019, on October 3rd, 2019, the second and final installment of the aforesaid loan was disbursed, for the value of AAD 9.266 million on October 10th, 2019.

Two AMF's missions also visited Arab Republic of Egypt, on 1 - 5 September 2019 and 22 - 26 December 2019. The first mission was responding the request of the Governor of the Central Bank of Egypt and AMF's Governor for Arab Republic of Egypt, to disburse the second installment of the contracted loan under the facility to support an enabling environment for SME's.

The agreed program backed by the resources of the mentioned loan revolved around four pillars: enhance the access of SMEs to financing and support financial inclusion; strengthen the safeguards system for the financing of SMEs; develop the databases and the credit information system; and promote training and capacity development.

The mission concluded that the government of Egypt has made progress in implementing the agreed program under its four mentioned pillars, in the context of a more stable macroeconomic environment, mainly characterized by a stable exchange rate,

declining inflation rates, improved internal and external balances, and enhanced foreign official reserves. Based on the mission's report and the recommendations of the Loan & Technical Assistance Committee during its meeting No. 3/2019, held on 12th, September 2019, the second and final installment of the mentioned loan was disbursed for the value of AAD 35.080 million on September 19, 2019.

As for the second consultation mission which visited Egypt on 22 - 26 December 2019, it came in response to the request of the Minister of Finance and AMF's deputy Governor for Arab Republic of Egypt, to benefit from the Fund's resources under the public finance sector structural adjustment facility, to support the reform program adopted by the Ministry of Finance in this sector.

In light of the consultations conducted by the mission with the Egyptian authorities, an agreement was reached on the elements of the reform program covering the year 2020, focusing on structural and institutional reform to raise the efficiency of the public finance management, in line with the objectives and priorities of the government's reform efforts, and that would be supported by the resources of the structural adjustment facility in the public finance sector.

The agreed program is underpinned by five pillars: strengthen the operations for the preparation and implementation of the public budget; develop the tax administration; reinforce the public procurement management; promote the social protection system; and foster the public debt management.

Economic research, Studies, Reports and Bulletins Activities

The AMF seeks through its research activities, involving studies, reports and bulletins, supporting and helping decision and policy makers in the Arab Countries, in specialized economic areas, to shed light on important economic topics and examine such topics so as to contribute to addressing the challenges, thus enabling such countries to identify the required areas of reforms. The aim is also to provide information, data and economic analysis promoting the discussion and dialogue on the most important economic issues facing the Arab world..

In this context, research, studies, reports and bulletins prepared by the Fund in 2019, included the 39th edition of the "**the Joint Arab Economic Report 2019**", in Arabic language as well as a summary of it in English. The report is considered as the main reference for economic developments in the Arab countries, along with an analysis of a variety of important topics, including, human capital, multi-dimensional poverty, latent growth, knowledge economy, trade in services, financial inclusion, etc.

The Fund also edited the April and September 2019 of the "**Arab Economic Outlook**" report, which include economic developments and performance prospects in the Arab countries for 2019 and 2020, in the areas of, economic growth, domestic prices, monetary conditions, public finance, external sector and balance of payments. The report aims to provide decision-makers in the Arab Countries with a forward-looking and analytical vision of the performance of Arab economies, hence, participating in improving the scope of researches and responding to the Member Countries needs

in terms of macroeconomic prospects in the group of Arab Countries.

The Fund also released in 2019, the second edition of the report "**A Way to Reform**", as a new specialized report that tackles one of the detailed pillars of the economic reforms program being implemented in the Arab Countries. It features some Arab and international experiences as well as policies and procedures being implemented, and lessons learned. The second edition of the report is about "**Social safety nets reforms in the Arab countries**".

The Fund also released the "**Financial Stability Report in the Arab Countries in 2018**", which addressed developments in the financial stability situation in the Arab Countries as well as the economic, monetary and financial aspects relevant to financial stability. Furthermore, the report summarizes regional and international challenges having direct or indirect impacts on the financial stability in the Arab Countries.

In the same context, the Fund released the third edition of the report named "**The Arab Economies Competitiveness Bulletin**" which reviewed competitiveness performances in the Arab countries in 2018. It also shed light on the economic measures and policies adopted by Arab Countries in order to improve their productivity and competitiveness. The report contained two principal indices: the macroeconomic index and the investment environment and attractiveness index.

The Fund also released the seventh issue of the "**Bulletin on inter and intra Arab trade competitiveness**", which included a detailed description of the foreign trade in goods in

each Arab country, as well as its share on the global market. It also included data on inter commodity trade and its ratio to total exports as well as the comparative advantage of Arab exports of goods in the period 2012-2018. The Bulletin also included data on foreign trade in goods for all Arab countries taken together and their share of global markets, in addition to data on global trade in goods

Keep to develop its research activities, the Fund launched a new series of periodic research entitled **"Policies Summary"**, aimed at supporting the decision-making process in the Arab countries through providing brief research papers that address the main priorities and topics of interest for Arab countries, along with recommendations to policy-makers. In this regard, the series touched upon the following topics in 2019: "Promoting micro, small and medium enterprises", "Digitization of Public Finances", "Tax justice", "Cyberspace security", "Smart cities in the Arab countries: lessons learned from global experiences", "Independence of Central Banks", "Integration in global value chains", "Impact investing" and "Inclusive tax burden".

On the other hand, a series of books and economic studies were published in 2019 on various economic topics, including:

- A book on **"Promoting SMEs in the Arab Countries"**, that aims at looking into a number of important aspects associated with this sector among which: the economic role of micro, small and medium enterprises in the Arab Countries, the structure of these enterprises, the legal and regulatory frameworks in which they operate, their accessibility to funding, the nature of adopted government initiatives to promote and strengthen the SME's role in

fostering opportunities to achieve inclusive and sustainable economic growth.

- A book on **"Financial Inclusion for the Arab Region Initiative"** that sheds light on the importance of this initiative in strengthening the government's efforts in Arab countries to improve indicators related to access to finance and financial services for all segments of society and sectors in the Arab Countries, in particular, small and medium enterprises, rural communities, farmers and artisans.
- A book on **"Financial inclusion in the Arab countries: efforts, policies and experiences"** touched upon the role of financial inclusion in meeting a number of Sustainable Development Goals, that countries shall achieve by 2030.
- A book on **"Innovation in Islamic financial industry"**, aimed to shed light on the importance of innovation in the financial sector, and on ways to apply innovation to both the traditional and Islamic financial systems.
- A study entitled **"Knowledge Economy"**, aiming to identify the profile and framework of the knowledge economy, and its importance in keeping up with the Fourth Industrial Revolution. It also highlighted the exponential growth of some technologies and related knowledge developments, as well as addressing the strategies adopted by some Arab countries in transition towards knowledge economy.
- A study on **"Strategies for managing public debt and developing debt markets in the Arab countries"**, which reviewed the status quo and parameters of the overall framework for Public Debt Management

actions in the Arab countries, and the consequent repercussions on the way increasing financing needs are met.

- A study on **"The role of digital identity in enhancing financial inclusion"**, which reviewed international and regional efforts to develop and promote the use of digital identity, as well as the international best practices in this area, through an appraisal of the successful experiences.
- A study on **"The business environment in the Arab countries: reality and challenges"**, addressed the current status of the major policies and measures put in place for improving the business environment in the Arab countries, the nature of the challenges encountered in the implementation thereof and ways to address them.
- A study on **"The role of the technology in improving the government finance management"**, which addressed the importance of the modern financial techniques in enabling various government institutions to provide services at a lower cost and high quality, with a view to expand the scope of the beneficiaries from such technological services.
- A study on **"Financial uses of the Blockchain technology"** reviewed the development of the Blockchain technology in the last ten years, its use in providing financial services and the consequent expected economic benefits. It also tackled the control and regulatory developments in this regard, and the recent trends of Arab Central Banks and monetary institutions in enhancing the potential benefit of this technology to increase the financial inclusion.

- A study on **"The efficiency of tax collection in the Arab countries"**, highlighted the ability of the Arab countries tax systems to raise tax revenues, by measuring the tax capacity in Arab economies, and assessing the efficiency of tax collection.
- A study on **"Non-performing loans and their impact on the banking sector in the Arab countries"**, aimed at assessing the impact of such non-performing loans on the banking sector in the Arab countries, through their effects on some banking sector indicators.

The Fund also conducted several studies and working papers, some of which were presented during the annual meeting of the Board of Governors of Arab Central Banks and Monetary Institutions, for which the AMF acts as the Technical Secretariat of this Board. These studies are:

- A study on **"The experiences of early warning systems in Arab Central Banks and monetary institutions"**, aimed to shed light on the importance of building early warning systems, to enhance the predictability of the likelihood of banks failure, thus, reducing the banking crises probability occurrence as well as lowering the incurred costs dampening their effects.
- A study on **"The Governance of Central Banks and monetary institutions: Arab countries' experiences"**, displayed the Arab countries efforts in the area of governance of the Arab Central Banks and Monetary Institutions as well as the nature of the related challenges and risks.
- A study on **"The impact of Islamic financial services on financial inclusion"**

in the Arab countries", touched upon the analysis of the role of Islamic financial services in enhancing financial inclusion in the Arab countries, by looking into their role and usages in promoting access to finance in the Arab countries.

- A working paper entitled "**Guidelines on the rights of the users of credit information services** ", highlighting the rights of the customers of credit information companies, and on laws and regulations issued by authorities to regulate the work of such companies.
- A guidance paper on "**The regulatory and supervisory procedures for dealing with weak banks**", aimed at defining ways to identify and address the banks' weaknesses, through reviewing several principles and guidelines related to this issue.
- A working paper on "**The use of credit information for supervision and control purposes in the Arab countries**", which highlighted the importance of credit information and its role in supporting and improving the control and supervision of the financial and banking sector in the Arab countries.
- A working paper on "**The digital revolution and its repercussions on the banking system and financial stability: the financial innovation risks** ", which addressed the major risks facing financial and banking institutions, as a result of developments and innovations in the information technology, or what is known as digital revolution.
- A study entitled "**Financial and banking empowerment of women**", aimed to shed

light on the actual status of financial inclusion in the Arab countries, and the importance of promoting women's access to financial and banking services, in addition to the challenges facing the financial empowerment of women.

- An introductory indicative paper on "**The application of the net stable funding ratio according to Basel III** ", which dealt with the definition of stable financing and the minimum requirements. The paper also touched on practical issues for the net stable funding ratio.
- A paper on "**Identifying and managing the risks of supporting associated companies**", which addressed models of oversight reports used by regulatory authorities to assess and measure risks of intervention, as well as the possible actions to be taken to tackle such risks.
- An introductory paper on "**Issues pertaining to the application of electronic checks and signature**", gave a definition of the concept of electronic checks, and ways to use it, as well as the technical regulations used in the settlement of related transactions, along with a review of the major features and advantages of electronic checks.
- An introductory paper on "**Using electronic payment tools to enhance financial inclusion**" aimed at discussing the applications of modern payment techniques and their role in promoting financial inclusion.
- An introductory working paper on "**Immediate transfer applications in small payments**" which reviewed the experiences of a set of countries in this area.

- A working paper on **"Motivating banks to finance startup companies: the experience of the Central Bank of Lebanon"**, highlighted the importance of supporting entrepreneurs, start-ups and SMEs to overcome the challenges of youth unemployment.
- A working paper about **"The risks of electronic financial crimes and their impacts on payment systems"**, gave a definition of financial crimes, the experiences of Arab countries and the most important actions taken by supervisory and regulatory authorities to confront these crimes.
- A working paper on **"The application of the counter-cyclical capital requirement in the Arab countries"**, which reviewed some international experiences in the application of the counter-cyclical capital requirement, both with respect to the general framework for applying the requirement and the methodology used to determine its value, or the communication strategy with the banking sector. Besides, the Arab countries experiences in the implementation of such requirement as well as the related challenges were also highlighted.
- A study on **"The bank oversight over institutions with locally important statutory: Arab experiences"**, which dealt with the experiences of Arab countries in adopting regulatory frameworks for financial institutions that have a statutory importance at the local level. It also shed light on the nature of the challenges associated with the implementation of such frameworks.
- A study on **"Aspects related to cybersecurity in the context of operational risks: Arab oversight experiences"**, which reviewed the regulatory experiences of the Arab countries. The study also examined controls and regulatory instructions related to the information confidentiality and integrity, as well as securing electronic applications used in the delivery of online services and bank transactions.
- A working paper on **"The framework of operational risks"**, which addressed the major operational risks faced by the banking sector and ways to assess such risks. The paper also referred to the principles of the effective management of operational risks and to the role of the regulators in this regard.
- A working paper on **"The development for the registration systems of movable assets in the Arab countries"**, which highlighted the importance of developing a legal and institutional framework to facilitate lending by securing the movable assets, especially for small and medium enterprises, which is reflected positively on the private sector growth and its operating capital, as well as on providing employment opportunities.
- A working paper on **"The general principles for SMEs credit assessment with a review of the Arab countries experiences "**, which addressed the importance of providing a comprehensive database of credit information, to support the access of SMEs to financing, which support the process decisions related credit information, leading to financial stability enhancement.

- A working paper on "**Safety indicators for the corporate sector and identification of their risks and repercussions on the financial sector in the Arab countries**", which emphasized the importance of assessing and following up the risks of credits granted to companies, to preserve financial stability. The paper also recommended to the Central Banks, the development of their systems assessing customers' risks, as well as the importance of conducting periodic tests for stressful situations, related to the banks' loans portfolio.
- A paper on "The Risks and Consequences of Cryptocurrencies on the Financial Sector", addressed the concept of cryptocurrencies especially the Bitcoins and the risks associated with their use, and highlighted the challenges caused to local and international financial regulatory authorities. The paper described the possible positive and negative aspects related to the use of crypto-currencies and touched upon the impact of crypto-currencies on financial stability.
- A paper on "**The movements of risky assets and their impact on financial stability**", discussed the impact of sharp fluctuations in assets prices on their assessment in banks financial statements and the ensuing systemic risks. It also reviewed the profile of the previous systemic banking crises, the role of oversight and supervisory authorities in controlling the risks arising from the reassessment of risky assets and the fluctuations that may accompany higher interest rates. The paper also highlighted the importance of using appropriate macro-prudential tools in an effective manner, to address systemic risks arising from risky assets.
- A paper on "**The digital banking identity**", addressed the recommendations of the Central Banks relating to the issuance of a digital banking identity, within a consolidated, comprehensive and easily accessible database, as well as the issuance of circulars and regulating laws, and raising awareness among users of digital cards.
- A paper on "**Responsible financing: policies, tools, and experiences**", which dealt with the importance of responsible financing in achieving economic growth and social welfare, as well as strengthening of the financial inclusion indicators. The paper also highlighted regulatory authorities' commitment in adopting all policies and procedures working to apply the principles of responsible lending in order to reach the desired goals, in addition to the recommendations of the oversight bodies to the lending services providers.

The AMF's activities in Training and Capacity Building

The AMF's Training activities are organized by its Training and Capacity Building Institute (TCBI) to support the achievement of its 2015-2020 strategic objectives to develop and strengthen the capacity-building and training in the economic, financial, monetary, commercial and statistical sectors in the Arab countries.

To that end, the Institute has placed at the forefront of its priorities the need to continue working on updating the content of all training programs being provided, in

addition to expanding the list of training topics and programs, , besides strengthening the partnerships with regional and international institutions.

2019 reached a total of 1,110 trainees, compared with 861 participants in 2018, i.e an increase of approximately 29 percent (Chart 4).

In light of the above, 2019 Training plan focused on increasing the number of training programs by introducing new training programs, adding additional partners, and enhancing the internal information technology and systems facilitated meeting the training needs. All the 37 planned courses were delivered in 2019, including five training sessions held outside the headquarters in UAE. 2019 Training courses covered new topics in addition to regular ones, so as to respond to the aspirations and needs of the Member Countries, and to take full advantage of such courses for their cadres (Chart 3).

In addition to training courses offered by technical staff in the AMF's internal departments, the TCBI cooperated in 2019, with a range of international and regional institutions, including IMF, World Bank, Bank for International Settlements (BIS), World Trade Organization (WTO), Japan International Cooperation Agency (JICA), U.S. Federal Reserve Bank, Bundesbank, Bank of England, Bank de France, Islamic Development Bank, Islamic Financial Services Board (IFSB), and the European Stability Mechanism (ESM). The number of participants from the Arab countries' in the training programs in

Chart (4): Evolution of participants' numbers in TCBI's activities during (2011-2019)

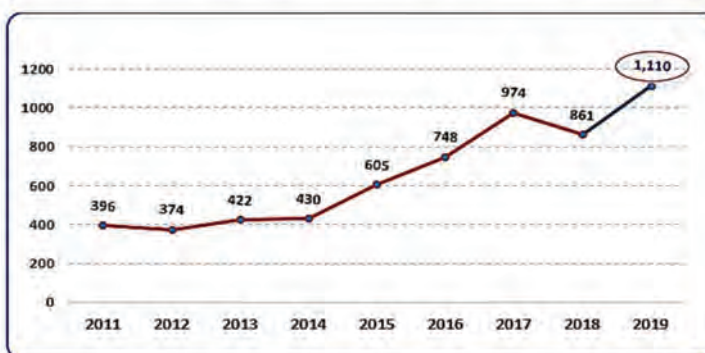


Chart (3): Activities of Training & Capacity Building Institute (2011-2019)



For the purpose of further advancing the training quality and standards, the TCBI pay great attention to the requirements and needs of Member Countries, in terms of training and capacity-building, which were reflected in the results of the questionnaire that is sent every year to training departments in Member Countries, in order to identify their training needs. Moreover, the TCBI analyze the results of the after training questionnaire that it prepares to collect the impressions and opinions of the participants about training courses and programs delivered by the Institute,

particularly in relation to the effectiveness of the training, and the application scope of the information systems and acquired skills. The AMF pays also great attention to studying the proposals of the participants about the design of additional training programs in line with their needs and job requirements.

Here below is a list of the training courses and workshops carried out by the Institute at its headquarters in Abu Dhabi, in 2019, and the dates thereof.

- 1- "Introduction to Sukuk Issuance and Structures", 6-10 January 2019.
- 2- "Central Bank policy on financial stability and regulations", 15-17 January 2019.
- 3- "Financial sector policies", 20-31 January 2019.
- 4- "Government finance statistics", 3-14 February 2019.
- 5- "Monetary and financial statistics-preliminary statistics", 17-28 February 2019.
- 6- "Fiscal Policy Analysis", 3-14 March 2019.
- 7- "Market access related Issues", 17-20 March 2019.
- 8- "Central banks transparency and CB Communication", 24-27 March 2019.
- 9- "How to build an early warning system: Experience from the European stability Mechanism", 1 - 4 April 2019.
- 10- "The standardized Approach in Basel III and their implementation challenges", 9-11 April 2019.
- 11- "Technology risk", 14-18 April 2019.
- 12- "Debt Management Strategies and debt Markets development in Arab countries", 21-25 April 2019.
- 13- "Economic Reforms in the Arab Countries", 9-13 July 2019.
- 14- "Macroeconomic policies analysis", 30 June -4 July 2019. These courses were organized to train government officials from Somalia, Djibouti and Comoros.
- 15- "Fintech and Blockchain ", 7-11 July 2019.
- 16- "Advanced quantitative methods and data analysis", 14-18 July 2019.
- 17- " Arab economic outlook", 28 July - 1 August 2019.
- 18- " investment risks Management", 25-29 August 2019.
- 19- "Trade policy modelling", September 1-5, 2019.
- 20- "investment portfolio Management", 9-12 September 2019.
- 21- "Statistics on international trade in goods and services", 15-19 September 2019.
- 22- "supervision and regulation of Islamic Financial Institutions", September 22-26, 2019.
- 23- "monetary policy Implementation", September 29 - October 2, 2019.
- 24- "Compilation of balance of payments statistics", 6-10 October 2019.
- 25- "Anti-money laundering", 15-17 October 2019.
- 26- "Policies for Economic Stabilization and growth", 22-24 October 2019.
- 27- "reserve Management", 28-31 October 2019.
- 28- "The state of Play in the World Trade Organization", 5-7 November 2019.
- 29- "Financial Soundness indicators", 17-28 November 2019.
- 30- "Islamic banking standards", 24-28 November 2019.
- 31- "vulnerability Diagnosis", 8-19 December 2019.
- 32- "Financial inclusion", 22-26 December 2019.

As for the five training courses held by the Institute outside its headquarters in Abu Dhabi, they addressed the following topics:

- 1- "Fiscal frameworks", 22 April- 3 May 2019, in the Kingdom of Morocco.
- 2- "Financial sector Surveillance", June 16-27, 2019, in the Kingdom of Bahrain.
- 3- "dynamic Stochastic general equilibrium Models", 26-30 August 2019, in the Republic of Lebanon.
- 4- "economic and financial balances", 7-11 October 2019, in Tunisia. This session is allocated to train government officials in Tunisia, Algeria, Libya, Morocco, and Mauritania.
- 5- "Employment creation in the Arab Countries", 3-7 November 2019, in the Arab Republic of Egypt.

Technical Assistance provided by the Fund to Member Countries

The AMF's Article of Agreement identified the technical assistance activity as one of the most important tools that it relies on to achieve its strategic objectives. Indeed, the AMF provides technical support to official bodies in the Member Countries, in order to strengthen their capacity in formulating and implementing economic, financial, monetary and trade policies, and in implementing economic reforms, achieving financial inclusion and strengthening statistical frameworks.

The AMF is providing technical assistance to Member Countries, according to the observations of the Fund's experts, and also to the results of questionnaires and polls sent by the Fund on a periodic basis, in order to learn about the opinions and aspirations of Member Countries with regards to the current and expected activities of the Fund.

The AMF paid special attention to the technical assistance activities, within its 2015-2020 strategy framework, since technical assistance represents one of the main activities which the Fund implements to achieve its strategic objectives that consist in improving activities and programs to support reforms that promote macroeconomic stability in the Arab countries, broadening the programs and initiatives in the financial and banking sector, enhancing access to financing and financial services, strengthening the pivotal role of the Fund as a consultation hub for policy-makers in the economic, financial and monetary fields.

In addition, these objectives aim at supporting economic, financial and monetary integration projects in the Arab countries, and fostering the role of the Fund as a hub of knowledge, expertise, technical advice and capacity-building in its areas of competence.

In this regard, the strategic vision included the launch of a series of activities and initiatives, providing the needed expertise and competencies in a more effective and efficient manner, while focusing on the technical assistance aspects that is becoming a priority for Member Countries, coupled with the strengthening of partnerships and cooperation with global financial institutions, and attracting resources from donors for purposes of technical assistance.

In the framework of the technical assistance provided to Member Countries, the Fund focuses on activities related to the formulation of policies, design of programs, enhancing skills, strengthening capacities to apply, implement and measure the efficiency of policies, in addition to institutional development, so as to help improving the

quality of the design and development of the needed reform and structural adjustment programs, in order for these countries to reform their economies, and direct their policies towards achieving the expected development goals.

The methodology of the Fund is to provide direct and indirect technical support, where the Fund responds to the requests received from Member Countries wishing to benefit from the Fund's expertise in areas related to its activities, through sending consultation missions comprising members from its technical divisions, with the participation of external experts, as appropriate, besides the direct technical assistance provided within its lending missions.

Technical assistance is also provided to Member Countries indirectly, through the initiatives adopted by the Fund, as well as seminars, conferences and consultative meetings that it organizes, by relying on experts, or in cooperation with regional and international institutions. Such events cover a range of areas, including the development of economic statistics, strengthening the financial and banking sector infrastructure, and the development of government bond markets.

Other initiatives are also launched to assist in the elaboration of national strategies for financial inclusion, support the government's efforts to create a conducive environment for small and medium enterprises, build advanced national systems for credit information, and other initiatives that enable Member Countries to achieve inclusive and sustainable economic growth, in the framework of the Sustainable Development Goals adopted by the United Nations.

The Fund's activity during 2019 in providing technical support to Member Countries is as follows:

Direct Technical Assistance Missions

In 2019, the Fund conducted four direct technical support missions, in response to requests received in this regard. The Arab Member Countries that have benefited from this support are the United Arab Emirates, the Kingdom of Bahrain, the State of Kuwait, and the People's Democratic Republic of Algeria. Below is an outline of the functions of the missions referred to:

- **Providing technical support to the Ministry of Finance of the United Arab Emirates to establish a Public Debt Management Office.** A general framework has been prepared to establish the Office, including the regulatory framework for the operation of the Office, in addition to the framework for governance and coordination with other actors on issues of public debt management, debt markets, indicators for measuring the performance of public debt management, model reports on public debt management, and the proposed content of the website of the Public Debt Management Office.
- **Technical advice under the follow-up of the fiscal balance program in the Kingdom of Bahrain, which covers the period 2018-2022.** The program aims to restore balance in the public budget of the Kingdom, and to achieve the sustainability of the fiscal situation in the medium term. The program includes a number of initiatives, most notably initiatives to

reduce operational expenses, propose the optional retirement program, increase the efficiency of the Electricity and Water Authority, enhance the efficiency and fairness of government support and promote the efficiency of public spending, in addition to facilitating government action and increasing non-oil revenues, including the application of VAT.

Joint missions with IMF under the Arab statistics initiative "ArabStat":

- **A Public financial statistics mission to Algeria:** This mission has been conducted in response to the request of the Algerian Ministry of finance for technical assistance under the Arab statistics initiative (ArabStat). The objective of the mission was to look into the alignment of current practices in relation to the development of statistics on the public sector's finances, according to the Government Finances Statistics manual (MFSP 2014), and to propose a medium-term action plan to prepare the government finance statistics in accordance with international standards designed to regulate the compilation of data for the analysis of public fiscal policies and to translate these objectives into practical plans.

- The mission focused on assessing the current institutional arrangements in Algeria for compiling public finance data in accordance with the updated manual of 2014, for establishing a list of the main sources to compile data related to the government and its sub-sectors and identifying potential gaps in such data, and initiating data collection procedures for the rest of the general government sector

(Social Security funds and local governments represented in Countries and local communities).

- **A mission to Kuwait to provide technical assistance in the calculation of the banking services, and how to address holding companies in national accounts.** This assistance aimed to help staff of the Central Statistics Department in compiling data of the financial services sector, according to the national accounts system, reviewing the questionnaire prepared for that purpose and revising it, and training them on how to calculate banking services, indirectly, for both Islamic and conventional banks. In addition, the mission discussed ways to include holding companies in the questionnaire prepared for that purpose, in line with the manual of national accounts and the methodology for recording the statistics in the forms related to this sector.

Establishment of the Regional Institution for the Clearing and Settlement of Inter-Arab payments

In the light of Resolution No. 4 of 2018 taken by the Board of Governors of the Arab Monetary Fund in its meeting held at the Dead Sea in the Hashemite Kingdom of Jordan, on April 10, 2018, on the establishment of a regional institution for the clearing and settlement of intra-Arab payments, under the Arab Monetary Fund, the latter pursued in 2019, its efforts to complete the establishment of the institution.

The work was conducted on five major streams: Preparation of the legal framework governing the work of the Institution, analysis and evaluation of technologies and solutions applicable globally in the field of

settlement and clearing of cross-border transactions, selection of the appropriate competencies and experiences, completion of the procedures for the design of media identity and communication mechanisms, building of the system's digital online platform and description of its content, establishing the frameworks for communication between the Institution and its customers and partners inside and outside the Arab region.

Regarding the efforts of the Fund under the first stream, a contract was signed with a global legal services firm, to prepare a document defining the legal and regulatory aspects of the Regional Institution for the Clearing and Settlement of intra-Arab payments, including the establishment of the legal entity, identification of the legal and regulatory requirements in the Headquarters Country, preparation of draft agreements and legal contracts with subscribers and settlement banks, as well as the preparation of the Statute and the privileges and immunities protocol. The legal framework was submitted to the Supervision Committee under the Board of Governors and was circulated to all Arab Central Banks and monetary authorities.

The Statutes of the Institution and the Headquarters Agreement were also communicated to the authorities in the United Arab Emirates, to initiate the procedures relating to the issuance of a federal decree adopting the legal framework of the Institution. Similarly, documents pertaining to agreements with the banks that will participate in the system and with the deposit accounts banks were completed, in addition to the preparation of the document related to the procedural rules for the system's operations and to the Institution governance framework, taking into account international sound and acknowledged

principles and practices and similar experiences.

As for the second stream, it revolved around technical solutions applicable globally in the implementation of cross-border settlement and clearing transactions, in terms of a flexible use thereof to keep abreast of developments that may occur in the work areas of the Institution and to adapt to the needs of Member Countries.

In this context, a contract was signed with an alliance composed of a group of companies specialized in technical solutions, cross-border electronic payment and settlement systems. Indeed, the companies in this alliance started to work on setting up the first data center, including the infrastructure system and the network equipment, according to the agreed plan, and the work started as well on completing the technical design, preparing the applications and configuring the software. The installation of communications equipment and the provision of communication services with Swift have also been initiated.

Aware of the importance of human resources that would allow the Institution to succeed in achieving the objectives for which it was established, the Fund paid great attention to **the third track** within the process of establishing the Institution, about attracting staff with international and regional expertise in the field of work of the Institution. Indeed, a global specialized recruitment company was contracted, to help in the selection of staff with appropriate experience.

The Fund focused its efforts, under the fourth stream, on developing the media identity, including the trade name of the Institution, setting the framework for public relations and media and building the website platform with a description of its content. In this

context, a specialized consulting firm was contracted to prepare the Institution vision and design its identity that will be used in communication. The system which will be operated by the Institution was called "Buna", and its logo was designed.

Under the fifth stream related to communication and consultation with all relevant parties and actors, foremost among them the Board of Governors of Arab Central Banks and monetary institutions, and the coordinators who have been appointed by Central Banks, the Fund organized on February 18, 2019, the Expert Group Meeting that included representatives from the IMF, the World Bank, the Bank for International Settlements, Euroclear, the Bill and Melinda Gates Foundation, followed by another meeting, on 19 February 2019, for the group of coordinators from Arab Central Banks and monetary institutions Arabic. The Fund also organized two similar meetings, for the experts' group and for the coordinators group, on September 8 & 9, 2019, respectively.

The aim of these meetings was to take note of the evolution of the different work tracks in order to benefit from the observations and proposals of experts and technical staff. In this regard, the contact was also maintained with the US Federal Reserve Bank and the European Central Bank that were briefed on the advancement in the implementation of the Arab Clearing project. A presentation on the Arab Clearing System was also made during the meeting of the International Committee on Payment and Markets Infrastructure of the Bank for International Settlements. In the same context, the Fund organized a high-level conference on "The role of cross-border payment arrangements in the promotion of regional financial integration" on 27 and 28 March 2019 in Abu Dhabi, United Arab Emirates. The

conference discussed the payment systems trends, as well as innovations therein and related challenges and risks.

On the other hand, the Fund organized on October 27 and November 26, 2019 in the city of Abu Dhabi, two workshops on the enrolment of banks in "Buna" system, in coordination with the Arab Central Banks and monetary institutions. The workshops were attended by commercial banks nominated by the Arab Central Banks and monetary institutions. They focused on providing an explanation of aspects related to services, liquidity management, technical requirements for connecting to the system, in addition to applications pertaining to compliance, manuals and the organizational and procedural rules for the system operation. The Fund also prepares monthly progress reports, which are sent to Governors of Arab Central Banks and monetary institutions.

Support and Development of Statistical Capacities in the Arab Countries, within the Arab Statistical Initiative "ArabStat"

Providing comprehensive and reliable statistics about the Arab economies is among the priorities and interests of the Fund. Indeed, the Fund is aware of the importance of providing such data to foster work in economic and financial areas in Arab countries. In this regard, the Fund continued in 2019 to update statistical databases, to prepare and elaborate the bulletins and economic reports that it issues periodically, and posts on the Fund's website, in addition to providing statistical annexes to the Joint Arab Economic Report.

The work conducted by the Fund in the field of statistics, in 2019, included strengthening and developing the capacities of technical staff in the statistical structures in the Arab

countries, as well as preparing studies and reports. The Fund organized in 2019 a number of specialized training courses in priority statistical areas, through its Institute for Training and Capacity Building, in fields that include data analysis, econometrics, economic modeling, and financial and monetary statistics, all of which are topics of importance for Arab countries.

In the context of the Fund's adaption, the Arab Statistics Initiative "ArabStat", and acted as the secretariat of its Technical Committee, the sixth meeting of the Committee was organized on 6 & 7 November 2019. It was attended by representatives of statistical agencies, Arab central banks and monetary institutions, ministries of Finance, and a large number of regional and international experts in the field of statistics.

Several international and regional institutions involved in statistics took part in the meeting as observers, including the International Monetary Fund, the United Nations Economic and Social Commission for Western Asia, the Food and Agriculture Organization, the Irving Fisher Committee on Central Banks Statistics in the Bank for International Settlements, the Islamic Development Bank, the GCC Statistical Centre, the African Development Bank, the Gulf Monetary Council, the German Agency for International Cooperation and the Central Bank of France.

The meeting reviewed the experiences of Arab countries and regional and international institutions in applying statistical classifications in various economic sectors, disseminating statistical and economic data by using the Special Data Dissemination System (SDDS), addressing the seasonality in national accounts, the methodology for preparing tourism-related statistics and ways

to calculate them within the balance of payments, as well as the statistics for Financial Services Sector and public debt, monetary and financial statistics and business environment indicators.

Promoting Financial Inclusion in the Arab Countries

The Fund deploys many efforts to promote financial inclusion in the Arab countries, under the Financial Inclusion for the Arab Region Initiative (FIARI) that it adopted and for which it acts as the Technical Secretariat since its launch in 2018. In this context, the Fund completed in 2019 the "Model for statistical surveys" of the demand side on financial services of both household and micro, small and medium enterprises, in collaboration with the Regional Task Force for Financial Inclusion in the Arab countries, and the German Agency for Development. It issued as well the book "Financial inclusion in the Arab countries: efforts, policies and experiences", which addressed several topics, including the role of financial inclusion in achieving sustainable development goals, and promoting ways to improve the indicators of financial inclusion in the Arab region.

The Fund also pursued its usual activities within the events of the Arab day for financial inclusion, where a conference was organized on 28 April 2019, under the overarching theme of "Financial inclusion towards Sustainable Development". During the conference, the achievements and work program of Financial Inclusion for the Arab region Initiative were presented. Two presentations were also made on "The optimal methodology for financing rural communities, smallholders, producers and artisans", and on "Modern technologies and their role in promoting financial inclusion –

The organizational laboratory for financial innovations".

On the other hand, the Fund organized on September 16, 2019 in Cairo, the Arab Republic of Egypt, a high-level workshop on "Financing small and medium enterprises", in cooperation with the International Monetary Fund. The workshop discussed a number of topics related to ways for promoting the access of SMEs to financing from official channels, providing government support, new developments related to opening alternative official funding channels in favor of these projects, such as crowd funding, legal challenges facing the sector, such as the lack of laws on insolvency, and guaranteeing movable assets. The report on the achievements of the Financial Inclusion for the Arab region Initiative was also presented at the workshop.

Strengthening Cooperation Frameworks with Arab Regional and International Organizations

In the context of reinforcing its relationship with the local, regional and international organizations and institutions, the Arab Monetary Fund launched in 2019, in cooperation with the IMF and the World Bank, "The second report on the relationships of correspondent banks with financial banks and institutions in the Arab countries", which included the increase of the percentage of banks responding to global correspondent banks since 2012. It contained data as well on the average number of accounts that have been closed or those that have become inactive or restricted per year, during the period 2016-2018, compared to previous years.

In the same framework, the Fund issued a joint study in collaboration with the Islamic

Financial Services Board, about the "Risks of money laundering and financing of terrorism in Islamic banking". This study addressed methods, trends and types of money laundering and financing of terrorism related to Islamic banking services and tools which are compliant with the Shari'a. The study also reviewed the current status of legal and regulatory frameworks to combat money laundering and financing of terrorism, in countries in which Islamic banks operate, to assess the extent to which systems for combating money laundering and financing of terrorism that are in place in the Arab Countries are in conformity with the characteristics and products of Islamic banking.

On another hand, the Fund organized on 31 March and 1 April 2019, the regional forum on taxes in the Arab countries, under the title "Balance of tax policies between management and competitiveness", in partnership with the Ministry of Finance and the Federal Tax Service in the United Arab Emirates, in collaboration with the International Tax and Investment Center. The forum was attended by senior officials from the Ministries of Finance, Economy and Trade, the Arab Central Banks and monetary authorities and from tax authorities in the Arab countries. Representatives from the IMF, the World Bank and the OECD also participated to the forum. Discussions revolved around tax policies and requirements for structural reforms to enhance efficiency and support opportunities for financial sustainability in the Arab countries.

The Fund also organized on 27 and 28 March 2019, the high-level Regional Conference on "The role of cross-border payment arrangements in the promotion of regional financial integration", in partnership with the German Agency for Development. The

conference discussed a number of topics related to modern innovations in the field of payments, the future of cross-border payment systems in the Arab region, the opportunities and challenges facing the various actors in the regulation of payment systems and the role of supervisory authorities to keep abreast of developments at the technical level. Among the topics tackled were the risks and challenges faced by cross-border payment systems, particularly in terms of cyber threats, ways to ensure the protection and safety of such systems, and their role in providing financial services at competitive prices, accessible to individuals who do not benefit from banking services, to promote and entrench financial inclusion in the Arab region, in addition to the role of these systems in enhancing and consolidating the integration and financial stability at the global and regional levels.

High-level representatives from the World Bank, the European Central Bank, the Monetary Authority in Hong Kong, the Banking Authority in Germany, the Swift Foundation and Euroclear participated to the conference, along with a number of senior officials and experts from Central Banks, Finance ministries and financial markets authorities in the Arab countries, as well as from commercial banks, financial and banking institutions, unions of banks, and modern financial techniques companies.

Similarly, the Fund organized, in partnership with the Financial Stability Institute (FSI), affiliated to the Bank for International Settlements, and with the Basel Committee on Banking Supervision, in cooperation with the Institute of International Finance (IIF), the fourteenth high level annual meeting on global banking standards and legislative and control priorities, on 11 and 12 November 2019, in Abu Dhabi. The meeting was attended by the Governors of Arab Central

Banks and monetary authorities, their deputies, the directors of banking supervision and financial stability departments, alongside high-level officials representing Arab banking institutions, financial markets authorities and universities. Representatives from international institutions, including the European Central Bank, the National Bank of Belgium, the Monetary Authority in Singapore, the Federal Reserve Bank of South Africa and the Institute of International Finance took also part in this meeting. The meeting agenda included items related to the discussion of important issues, among which the new supervisory and control priorities to keep abreast of the expansion in the use of modern financial techniques, to face cyber threats, as well as the experiences of supervisory and control authorities in the implementation of regulations, and supervision of providers of modern financial techniques.

On another side, the Fund participated, as observer, in the twenty-ninth meeting of the Financial Action Task Force for the Middle East and North Africa (MENAFATF), held in Amman on 23–25 April 2019. During that meeting, the Fund reviewed the results of the joint report, which was prepared with the International Monetary Fund, on the relationships of global correspondent banks with banks and financial institutions in the Arab countries, as well as the outcomes of the working paper that was co-prepared by the Fund and the Islamic Financial Services Board, on "The risks of money laundering and the financing of terrorism in Islamic banking".

Support the Development of Financial Systems and Arab Financial Markets

The Fund continued in 2019 to provide the necessary technical support to develop the financial and banking sector and capital

markets in the Arab countries, through the initiatives it adopts, the high-level conferences, meetings and workshops that it organizes in cooperation with relevant financial regional and international institutions. With regard to the follow-up by the Fund of the Arab financial markets and stock exchanges performance, the Fund continued to issue quarterly bulletins on Arab financial markets, bringing the number thereof to 97 bulletins since they were first issued.

The quarterly bulletins highlight the most prominent economic developments related to the Arab financial markets, as well as the most important legislative and regulatory developments, along with an analysis of the performance and activity of stock markets.

The Fund also organized the third meeting of the Working Group on monetary policies in cooperation with the Bank for International Settlements, held in Abu Dhabi on 13 & 14 November 2019. The meeting was attended by a number of high-level officials from Central Banks and monetary authorities at the Arab and international levels, in addition to a number of banks and financial institutions executives in the Arab countries.

The discussions addressed the implications of international economic and financial developments on the management of monetary policies and the activities of the banking sector in Arab countries, in addition to the challenges associated with the sources of funding and banks liquidity amid the developments in global oil prices, and other related topics.

Strengthening the Capacities of the Arab Countries in the Field of Modern Financial Techniques

The Fund established the Arab Regional Fintech Working Group, as it recognized the growing importance of the use of modern financial techniques in the Arab financial and banking sector, and the rapid growth in this industry and associated services worldwide, as well as the great opportunities they offer in terms of promoting the efficiency of financial and banking operations. The guidance provided by their Excellences the Arab Ministers of Finance and the Governors of Central Banks and monetary authorities in the Arab countries included the need to follow up the applications of financial techniques and their evolution.

The Group for which the Arab Monetary Fund acts as technical secretariat, aims at laying the foundations of a conducive environment for modern financial techniques in the Arab countries through exchanging experiences and expertise, strengthening diversified knowledge to support the industry of modern financial techniques, developing innovation, consulting on topics related to modern financial techniques and elaborating different visions for boosting and regulating them in the Arab countries. In addition, training courses and workshops for knowledge transfer and capacity building on this topic and the different issues stemming therefrom were organized.

This group includes among its members representatives from the Central Banks and monetary authorities in the Arab countries, ministries of Finance, and financial markets authorities, unions of banks, associations of

financial services providers, commercial banks, financial service companies. It is also comprised of representatives from entities interested in developing and assisting startups, such as incubators and accelerators at the regional and international level, in addition to representatives from the providers of modern financial techniques in the Arab countries and the world, experts from different institutions and regional and international financial frameworks, along with a number of leading private sector organizations in the field of modern financial techniques.

The Group intends to complete its work on a work program that includes the issuance of guidelines in the different issues related to modern financial techniques, such as digital identity, rules of Know Your Customer online, cyber security, Blockchain techniques, decentralized records, alternative financing instruments by using modern financial techniques, encrypted assets, open banking operations and their applications interfaces, interoperability developments as well as the evolution of digital currencies issued by Central Banks. In addition to instructions for setting up strategies for modern financial techniques in the Arab countries, a glossary in Arabic, English and French, working papers and policies, with the view to assist the authorities in the Arab countries to develop the uses of their modern financial techniques and regulate them, in line with the strategies and visions of each country.

An executive committee for the governance of the group was established, comprising members representing the supervisory authorities in the Arab countries at the level

of deputy governors of Arab Central Banks and monetary institutions, the vice ministers of Finance, and unions of banks in the Arab countries, as well as other representatives from international institutions such as the World Bank and the German Agency for Development. The functions of this committee are to coordinate and follow-up on the topics and issues discussed by the group and its work program, and to follow up the performance of the group and the execution of the agreed upon work program. A quarterly report was submitted to the executive committee about the progress of the group' work.

In the same context, two task forces specialized in technical, regulatory and legislative issues were established, under the group, with a view to achieving concrete results at the level of regulatory and technical frameworks to support the industry of modern financial techniques in the Arab countries. Indeed, the regulatory and legislative task force is in charge of looking into the organizational and legislative aspects of the various aspects of modern financial techniques, and thus preparing policy papers and guidelines at the level of Arab countries for the various issues related to modern financial techniques. The technical working group is responsible for following up international new developments in the most important issues related to modern financial techniques and preparing working papers.

In this framework, the Fund organized in June and December 2019 in Abu Dhabi, the second and third meetings of the fintech working group. During these meetings, discussions revolved around a number of important topics, including "Blockchain

techniques", "Decentralized records", "Requirements for the application of open banking operations and challenges to their activation in the Arab region", "Developments of modern techniques at the level of commitment issues and rules to know the client and opportunities and challenges facing the Arab countries in this regard", in addition to the "Systems for the protection of data and their regulatory framework".

Priority issues and papers were also discussed in the field of modern financial techniques prepared by the group, among which papers on "Adopting guidance on digital identity and online rules of Know Your Customer", "Adopting guidelines for cyber security in the Arab countries", and "Developing guidance on building strategies to strengthen the modern financial techniques".

Also, the group had addressed other topics such as, "Developments of digital currencies issued by Central Banks", "Latest developments in the design of digital payments", and "Different forms of encrypted assets". The experiences of a number of startups that presented successful solutions in modern financial techniques were also discussed.

The Group issued a set of principles and guidelines, which were agreed upon in 2019, as they constitute the main pillars for strengthening the capacities of the Arab countries in the field of modern financial techniques, namely:

- **Guidance of strategies related to the development of modern financial**

techniques that aim at helping Member Countries to build a supportive environment for modern financial techniques through a range of policies and strategies. The guidance deal with five main pillars: building national strategies for modern financial techniques, strengthening the legislative and control framework, in such a manner that does not restrict financial innovation, in addition to stimulating governance, cooperation and partnership, both at the level of the financial institutions and providers of solutions and services among the financial techniques companies or at the level of Central Banks and governments, to drive the development of the industry of modern financial techniques. It dealt as well with elements for providing capital, and with requirements for the development of the demand side on the products of modern financial techniques, in addition to capacity development, training and rehabilitation. The document includes examples and practical situations, both at the international and regional levels.

- **Guidelines for digital identity and the “know your customer rules” of in the Arab countries**, that shed light on the importance of digital identity and compliance, while taking into consideration consistency with international financial standards, in addition to the definition of the digital identity, its phases and requirements, and the technical standards for the digital identity of natural persons. These principles include the definition of liability, due diligence procedures, know-your-customer rules and the various

aspects thereof, validation procedures and phases of the financial services lifecycle.

- **Guidelines on the safety of cyber security for the financial infrastructure finance in the Arab countries**, aimed at addressing the risks of cyber threats, and strengthening the integrity of the online financial infrastructure. The principles cover issues related to e-governance, including the framework, strategy, roles and responsibilities, adhering to guidance issued by cyber security officials, integrity, training and capacity development, identification and classification of information assets, risk management and protection through the protection of information procedures and assets, management of concerned cadres, procedures for tracking cyber threats facts, ways to recover from such threats and preventing their future occurrence, and tests for controlling information security.

Activities of the Secretariat of the Board of Governors of Arab Central Banks and Monetary Institutions

The Arab Monetary Fund acts as the Secretariat of the Board of Governors of Arab Central Banks and monetary authorities, and as its permanent office. The Fund acts as well as the Technical Secretariat for the Board's committees, such as the Arab Committee on Banking Supervision, the Arab Committee for payment and settlement systems and the Arab Committee for credit information. The Fund also acts as the Technical Secretariat for each of the Regional Task Force for the promotion of financial inclusion in the Arab countries, and the Task Force for financial stability in the Arab countries.

The Fund also serves as the Technical Secretariat for the Arab Regional Fintech Working Group, which it established in 2018. The achievements of the Technical Secretariat in 2019 included the preparation of studies, working papers and reports required for the work of the Board, its permanent office, its technical committees, and the task forces deriving therefrom.

In this framework, the Fund organized on September 15, 2019 in Cairo, the Arab Republic of Egypt, the meeting of the forty-second session of the Board. The agenda of the meeting included the discussion of regional and international monetary, financial and economic developments and their repercussions on the Arab countries, besides discussion of issues related to the governance of central banks and crypto currencies.

Within its responsibilities as the Secretariat for the Arab Technical Committee on Banking Supervision, the Fund organized two meetings during the year 2019 in Abu Dhabi. The meetings discussed several topics and working papers, including: "Application of the capital requirement to face the risks of systemically important banks at the local level", "Discretion in the context of Basel III", "Frameworks for operational risks", "Challenges for applying IFRS No. 9 in Arab banks", "Aspects related to Cyber Security in the framework of operational risks", "Blockchain technologies and the integrity of the financial sector", and "Determinants of net interest margin in the banking sector".

Within its responsibilities as the secretariat of the Technical Working Group for financial stability, the fund organized two meetings during the year 2019, in the city of Abu Dhabi. A number of topics were discussed in those meetings, in particular:

"Safety indicators in the corporate sector and identification of risks and their repercussions on the financial sector in the Arab countries", "Indebtedness of the households and its relation to financial stability", and "Impact of movements in the risky assets prices on financial stability".

The Task Force also discussed other topics such as: "The dangers and repercussions of virtual currencies on the financial sector", "The macro prudential framework for financial markets", "Financial stability map for banks", along with "The impact of rising global interest rates on financial stability in Arab countries", "The impact of financial techniques on financial stability", "Risks of non-banking financial sector", "The role of Deposit Insurance Corporations in crisis management", "The framework for assessing and mitigating the risks relating to the insurance sector", and "Sectoral application of the counter-cyclical capital margin". A number of working papers were also discussed, including: "The role of the ratio of loan to value and the ratio of debt to income in mitigating the real-estate bubbles and credit growth", and "Indicators of financial stability: methodologies and purposes". The Fund also prepared the second edition of the "Report on financial stability in the Arab countries", in cooperation and coordination with the Task Force on financial stability in the Arab countries.

Since the Fund serves as the Technical Secretariat of the Regional Task Force on the promotion of financial inclusion in the Arab countries, a meeting was held in 2019, in the city of Abu Dhabi. Participants made presentations during that meeting on a variety of topics, including: "Policies, standards and indicators of events and activities related to financial inclusion in the Arab countries", "The definition of the financial inclusion product and the right of

the citizen to access the account," "Responsible Financing: Policies and instruments ", and "The experience of the Swiss Agency for Cooperation and Development in the promotion of financial inclusion".

The meeting also reviewed the experiences of some Arab countries, including the experience of the Central Bank of Egypt in the field of data compilation, the experience of the Central Bank of Lebanon in the area of digital transformation, and the experience of the Central Bank of Jordan in the field of Financial Consumer Protection. The Task Force also discussed the results of the survey undertaken by the Central Bank of Tunisia and the Central Bank of Lebanon, according to the methodology provided by the Fund.

Acting as the Technical Secretariat of the Arab Committee for payment and Settlement systems, the Fund organized two meetings during the year 2019, in the city of Abu Dhabi. A number of topics were discussed, including: "Developments in the supervision and control function over the payment and settlement systems", "Accepting online payments", "The mechanism of supervision and risk management related to electronic cards", and "Uses of modern techniques to enhance the efficiency of payment and settlements systems", "Cloud computing applications in payment and settlement systems", "Open banking services: mechanisms for their activation, regulation and supervision", "Uses of Blockchain applications in payment and settlement operations", "The regulatory and supervisory framework to accelerate the settlement of small payments," "Information security and operational risks in payment systems", and "The legal framework for Digital transactions in the Arab Central Banks". The meeting also reviewed the experience of the Arab region in terms of improving the

processing of international transfers, in addition to the experiences of the Kingdom of Morocco relating to the preparation of a framework to monitor the financial markets infrastructure, and that of the Arab Republic of Egypt relating to the National System for Electronic Payments in Egypt "Miza".

On the other hand, the Fund organized during the year 2019, in the city of Abu Dhabi, two meetings for the Arab Committee for credit information, to discuss a number of topics, including: "Framework for the exchange of credit information", "The role of credit information systems in enhancing financial inclusion", "The role of credit information services in promoting the access of SMEs to financial services", "Legal frameworks for developing credit information systems", and "Financial data system for credit assessment". Also, there were discussions around the role of credit information in supporting the banking sector in the application of the Basel decisions and the International Financial Reporting Standard (IFRS9), strengthening risk management, policies and guidelines on the use of alternative data and ways to coordinate with other official bodies, in addition to the theme of cyber threats to credit information.

Activities of the Secretariat of the Council of Arab Ministers of Finance

Serving as the secretariat of the Council of Arab ministers of finance, the Fund organized the meeting of the tenth session of the Council, held on 25 April 2019, in the state of Kuwait. The agenda included a number of working papers, notably: "Supporting small and medium enterprises in the Arab countries", "Developing social security systems to promote jobs and growth opportunities in the Arab countries", and "Developing public debt management and strategies in the Arab countries". The report

on "The use of modern financial techniques for developing of tax services" was also discussed.

In a related context, the Fund organized on 9 and 10 January 2019, the fourth annual meeting of the Arab vice-ministers of finance, attended by a number of IMF and World Bank experts, as well as experts from the Organization for Economic Cooperation and Development (OECD). The topics that were discussed during the meeting included: "Supporting SMEs in Arab countries", "Developing social security systems to promote jobs and growth opportunities in the Arab countries", and "Developing public debt management and strategies in the Arab countries". The meeting also discussed issues of financial sustainability in the Arab countries and uses of modern techniques to develop tax services.

The Fund participated to the organization of "The Fourth Annual Arab Fiscal Forum: Laying the foundations for good governance of Arab fiscal policies", held in February 2019 in the city of Dubai. The Forum was attended by Arab ministers of Finance, the governors of Arab Central Banks and monetary authorities, along with a number of heads and senior officials and experts from regional and international financial institutions, and from ministries of Finance and Central Banks in the Arab countries.

The forum discussed fiscal policy issues and prospects for economic and financial developments. It also addressed strategies and challenges for achieving inclusive and sustainable growth, as well as experiences in developing public finance frameworks and rules. Similarly, the Forum discussed the coordination between fiscal and monetary policies in the context of economic and financial developments and looked into regional and international experiences on

developing policies and strategies for Public Debt Management.

Management of the Consolidated Account of Specialized Arab Organizations

A consolidated account specific to the Arab Monetary Fund was introduced for the purpose of regulating the financing of specialized Arab organizations. Indeed, contributions received from Arab countries for the benefit of such organization would be deposited in this account, and disbursed within their approved budgets, subject to the approval of the Economic and Social Council, by virtue of its Resolution No. 1056 in July 1988. Specialized Arab organizations, which were established under the umbrella of the Arab League, are considered as a major pillar of the joint Arab action, and as the technical arm of the LAS and Arab expertise firms that provide advice and expertise on economic, social, cultural and financial issues and activities. They also play a pivotal role in achieving the aspirations of the Arab countries through cooperation and coordination in all their areas of specialization that pertain to Arab citizens and have a direct impact on their living standard and decent life. The organizations currently concerned by the consolidated account are:

- The Arab Organization for administrative development (ARADO).
- The Arab Labor Organization.
- The Arab Organization for Industrial Development and Mining.
- The Arab Organization for Education, Culture and Science (ALECSO).
- The Arab Organization for Agricultural Development.
- The Arab Centre for Studies of Arid Zones and Dry Lands (ACSAD).

- The Arab Atomic Energy Agency.
- The Arab Civil Aviation Authority.
- The Arab Centre for the Prevention of earthquakes and other natural disasters.

The Fund submits a quarterly report to each organization showing funds already spent and the remaining balance, as well as Member Countries positions in paying their contributions to the budget of the concerned organization, in addition to a quarterly combined periodic report on the activity of the Consolidated Account. In this regard, the financial position of the Consolidated Account shows that the net assets balance amounted to USD 30 million as of December 31, 2019 compared to a balance of USD 24 million by the end of the year 2018.

It is worth noting that returns on investments in the Consolidated Account are included in the calculation of the special reserve for these Organizations in the Consolidated Account. The Special Reserve balance amounted to approximately USD 11 million by the end of 2019. Thus, it now covers about 23 percent of the overall budgets' appropriations of the Organizations for the last financial year, knowing that this percentage varies from one organization to another. It should be noted that the decisions of the Economic and Social Council aim to continue building up this reserve and use it for emergency purposes, by virtue of decisions it would issue.

The AMF's Investment activity

The Investment activity is considered as one of the main activities of the Fund, based on the objectives and the scope defined by the Articles of Agreement, and on the resolutions issued by the Board of

Governors, that define the general framework of the investment policy.

The resolutions of the Board of Executive Directors set the general guidelines for the investment policy, in addition to setting the controls and the standards for its implementation and for the management of various investments and their associated risks. In this context, 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 approved investment policy is based on four main principles: the protection of the principal invested as a priority, the availability of liquidity, the free transferability, and then realizing the highest possible return on an annual basis while complying with portfolio risk limits to protect the value of the overall investments.

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 capital markets in line with approved investment strategy and policy; the Fund earns an income which contributes to cover the Fund's administrative expenses and grow its reserves and its own resources.

The investment activity also includes the engagement in activities that are expected to enhance channels of cooperation with both public institutions of Member States and with Arab financial organizations; these

activities include accepting deposits and deployment of investments in line with the approved investment policy in addition to offering portfolio management services in deposits, money market and bonds to Member States and to Arab financial organizations.

It is worth mentioning that the investment activity of the Fund is directly and indirectly affected by economic and financial developments at the regional and international levels; these factors are considered in setting the investment strategy within the AMF strategy.

The monetary policies adopted by major central banks were mainly on an easing stance during the year 2019, reflecting the global economic slowdown as a result of the trade war between the United States and China and the resulting decline in global trade. In this environment of weakening global economic performance, the U.S. Federal Reserve Board cut the official interest rate three times during the year 2019. These rate cuts were made despite high wage growth in the United States of America and the decrease in the unemployment rate which reached 3.5% during the fourth quarter of 2019. The American economy recorded relatively good overall performance during the year 2019, but it still faces several economic challenges, the most important of which are the high level of debt in the non-financial sector, the decline in liquidity available to emerging and private companies, and the repercussions of the trade war on the industrial sector in the United States of America.

On the other hand, the Bank of Japan and the European Central Bank continued to follow easy monetary policies against a backdrop of

generally weak economic conditions in Japan and in the Eurozone. The European Central Bank introduced an economic package that included long-term targeted refinancing operations, the reduction of the ECB deposit rate, and the relaunching of its quantitative easing program through the purchase of large-scale assets without an end date in sight. It is worth noting that the European industrial sector suffers from weak capital investments due to the decrease in global trade and fears related to the UK's exit from the European Union.

As for global financial markets, the bond and stock markets rose strongly during the year 2019 in light of the support provided by the main central banks and the emergence of economic indicators that pointed to the recovery of the economies of the United States of America and of the Eurozone in the 4th quarter of 2019. In fact, business surveys showed improvements in both the manufacturing and service sectors in the United States of America and in the Eurozone. In addition, the financial markets were boosted during the fourth quarter of 2019 by the progress made in trade talks between the United States and China on the one hand, and between the United States and the Eurozone on the other hand.

In line with these developments, AMF has continued to pursue a conservative approach by prioritizing the preservation of the principal value of its investments. In light of the economic and investment climate that has prevailed during the year, the Fund ensured the safety of its investments through allocations to highly rated investment instruments and dealing with regional and global financial institutions with high credit ratings. The Fund reviews developments with these institutions through regular monitoring.

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 AMF's investment portfolios consist of its own funds, as well as deposits received from Member States. The total value of these investments amounted AAD 3.5 billion, equivalent to about U.S.\$ 14.5 billion as of the end of 2019.

The investment portfolio consists primarily of investments in bank deposits and bonds and marketable securities apart from limited investments in multi-strategy investment and property funds. As of the end of 2019, the total investment portfolio had an allocation of 32% to bank deposits, 66% to bonds and marketable securities, and 2% 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 about 100 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 marketable securities, AMF maintains high quality instruments in its portfolios in terms of liquidity and credit ratings, aiming to

diversify its exposures and geographical distribution.

An allocation of 53% of the bond portfolios were invested in government, semi-government securities and money market instruments; the share of bonds rated AA or better stood at 78% of the total bond portfolios while bonds rated A stood at 18%.

In order to reduce country risk and respond to developments in financial markets, the Fund continued to diversify its investments to ensure a balanced geographical distribution for all its investment portfolios including its own funds and accepted deposits in line with approved investment guidelines.

Investment in deposits, bonds and marketable securities in Arab countries amounted to AAD 922 million, equivalent to U.S.\$ 3,823 million, representing about 27% of the total value of the funds invested at the end of 2019, including an amount of AAD 614 million, equivalent to U.S.\$ 2,546 million invested in deposits with Arab banks and financial institutions, and an amount of AAD 308 million, equivalent to U.S.\$ 1,277 million invested in bonds and marketable securities issued by Member Countries, banks and Arab corporate issuers.

In terms of investments in Arab currencies, the investment policy allows, under specific conditions, the investment of a portion of the funds available for investment in deposits, bonds and securities in the Arab convertible currencies, where the Fund's investments in Arab currencies amounted to AAD 72 million, equivalent to U.S.\$ 298 million by the end of 2019.

Investments in Arab bonds and securities both government and corporate were valued

at AAD 308 million, amounting to U.S.\$ 1,277 million by the end of the year, with government issues totaling AAD 168 million, equivalent to U.S.\$ 699 million, representing about 55% of total investment in Arab bonds. The remaining balance of 45% of the total portfolio, represents bonds issued by Arab commercial banks and financial institutions. In terms of the credit rating of Arab government bonds, 48% of the portfolio value is invested in government bonds with a credit rating of A or higher; the remaining balance represents investments in Arab government issues with a credit rating ranging from BBB to B.

It is worth noting 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 were allocated to investment in Arab government bonds with a credit rating ranging from BBB to B, amounting to AAD 115 million (equivalent to U.S.\$ 477 million), under a Board of Executive Directors' resolution increasing the number of Arab countries in which 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 through 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 AMF. These resolutions established several rules including prohibiting the AMF 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.

The investment instruments allowed for this activity are limited to bank deposits, bonds and securities, in addition to the management of assets and liabilities on a conservative basis.

The Fund has distinctive capabilities 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 25.69% as of December 31st, 2019, compared to the minimum requirement of Basel III at 13%.

The 30-day short-term Liquidity Coverage Ratio reached 823.79%, compared to the minimum requirement of 100% which came into force in January 2019. The Fund recorded a Net Stable Funding Ratio of 438.60%, compared to the minimum requirement of 100 percent. The Leverage Ratio reached 7.41%, compared to a minimum of 3%.

These indicators reflect the robustness of the risk management of this activity and the attention the Fund allocates 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 December 31st, 2019, reached AAD 2,809 million, equivalent to U.S.\$ 11,652 million received from 15 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 some currencies included in the components of the SDR basket. The investment portfolio achieved a return on net invested funds that exceeded the 6 Months LIBOR and the FTSE Russell index for government bonds for the 1-3 year sector during 2019.

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 portfolios managed by external parties, on behalf of the Arab Trade Financing Program according to the approved investment policy and strategy.

Activity of the Arab Trade Financing Program

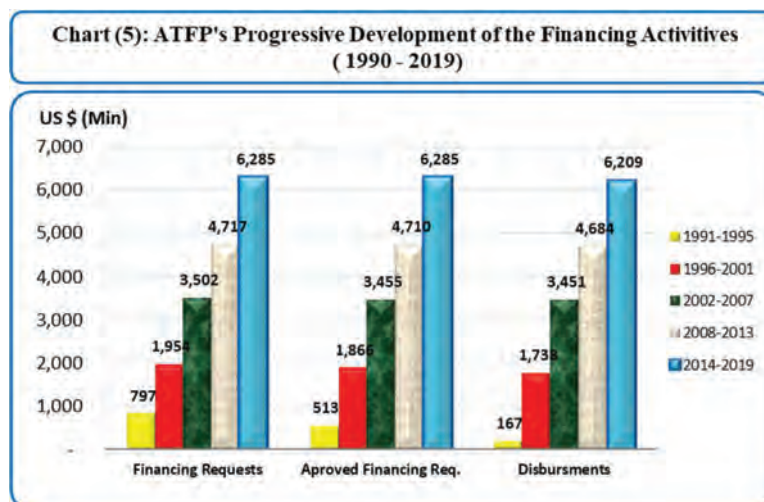
The Arab Trade Financing Program is a joint specialized Arab financial institution established in 1989 pursuant to a decision of the Board of Governors of the Arab Monetary Fund.

The Program's authorized capital is one billion USD distributed on 200 thousand shares with a nominal value of 5 thousand US dollars per share; the shareholders in the capital are 53 Arab national and regional financial and banking institutions.

The Program aims to contribute to the development and promotion of Arab trade and to enhance the competitiveness of Arab exporters, by securing part of the needed funding for trade and trade operators, as well as by providing information about Arab trade opportunities and promoting Arab goods and products. The Program mechanism is based on dealing with exporters and importers in the Arab countries through a network of national agencies that include banks, financial institutions and official bodies designated by the monetary authorities in Arab

countries for that purpose. The Program also provides unfunded credit facilities, such as issuing guarantees or irrevocable reimbursement undertakings, or participating with other banks in risks related to payment by national agencies, in the context of financial obligations resulting from eligible trade transactions.

National agencies contribute to the expansion of the Program's activities. The Program by year end had 216 national agencies in 20 Arab countries and 5 in foreign countries. The Program received, since its establishment, applications for financing amounting to US\$ 17.3billion to finance eligible trade totaling approximately US\$ 22.9 billion. The Program approved financing of US\$ 16.9 billion, and disbursements amounted to US\$ 16.3 billion during that period. The following chart (5) shows the progressive evolution of the cumulative funding activity of the Program during the period from 1991 to the end of 2019.



As for information services made available to all parties engaged in trade in the Arab region, ATFP has finished the setup and implementation of the Inter-Arab Trade Information Network (IATIN) at the regional level of Arab states, and completed the process of linking the network with (30)

focal points across all Arab countries. IATIN provides a wide array of trade information services on all Arab countries through the official website of ATFP at (www.atfp.org.ae).

Within its efforts to promote Arab trade, ATFP organizes buyers/sellers' meetings in sectors that demonstrate a potential for trade growth. In this framework, ATFP organized, in collaboration with several trade-related parties in Arab countries, eighteen buyers/sellers' meetings in number of key sectors that covered textile & ready-made garments, food industries, agricultural inputs, metal industries, pharmaceuticals, chemical & petrochemicals industries, plastic and building material.

The Consolidated Financial Position of the AMF as of 31 December 2019

Under Article (49) of the Articles of Agreement of the Arab Monetary Fund "the Fund", assets, liabilities and transactions are expressed in Arab Accounting Dinars (AAD). Each AAD is equal to three Special Drawing Rights (SDR) as defined by the International Monetary Fund.

The consolidated financial statements of the Arab Monetary Fund and its affiliated Institution (the Arab Trade Financing Program), are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The consolidated financial statements show the consolidated financial position as on December 31, 2019, as well as the results of operations, cash flows and changes in Net assets attributable to Member Countries and Non-Controlling Interest in the affiliated institution for the year ended on that date, in addition to significant accounting policies and other clarifications.

The main items contained in the consolidated financial statements of the Fund are summarized below:

Resources

The resources of the Arab Monetary Fund, according to the provisions of Article Eleven of the Fund Establishment Agreement, are made up from the paid-up capital, reserves, loans and facilities, and any other resources approved by the Board of Governors.

The Board of Governors of the Fund decided in 1989 the acceptance of deposits from Arab concubinary institutions and Central Banks, with the aim of supporting the Arab countries in managing their foreign reserves, provided they don't use those resources in lending activities, so the Fund could achieve its objectives, based on means authorized by the Fifth article of the Fund's Agreement.

The Board also approved, through the Statute of the Arab Trade Finance Program, the contribution of financing institutions of different categories to the program's capital to enhance resources for arab trade financing.

Capital

Article No. Twelve, of the Arab Monetary Fund Establishment Agreement, set the authorized capital stock at AAD 600,000 thousand, divided into twelve thousand shares, each worth AAD 50 thousand.

The Board of Governors of the Fund, on its Decision No.3 for the year 2013, decided to increase the authorized capital by AAD 600,000 thousand so it would stand at AAD 1,200,000 thousand. It also approved the subscription of

Member Countries at AAD 300,000 thousand and thus, the subscribed capital increased to AAD 900,000 thousand.

The Decision included the payment as well of half the subscription standing at AAD 149,010 thousand by transfer from the general reserve, and the other half by cash transfer from the Member Countries, on five annual installments starting from April 2014. However, the claim for the payment of Palestine's share in the capital would remain deferred, by virtue of the Board's Decision No. (7) of 1978.

The paid-up portion of the capital amounted to AAD 883,025 thousand at the end of 2019, compared to AAD 878,425 thousand at the end of 2018. The unpaid portion standing at AAD 16,975 thousand at the end of 2019 represents the overdue installments are paid by cash transfer from some member Countries, in addition to the state of Palestine's deferred share.

Reserves

Reserves amounted to AAD 484,590 thousand by the end of 2019, compared to AAD 434,655 thousand by the end of 2018. The reserves by the end of 2019 represent approximately 55 percent of the paid-up capital, compared to 49 percent by the end of 2018. Reserves are made up of general reserve, emergency reserve.

General Reserve: the balance amounted to AAD 304,590 thousand, by the end of 2019, including a provision of change in the financial

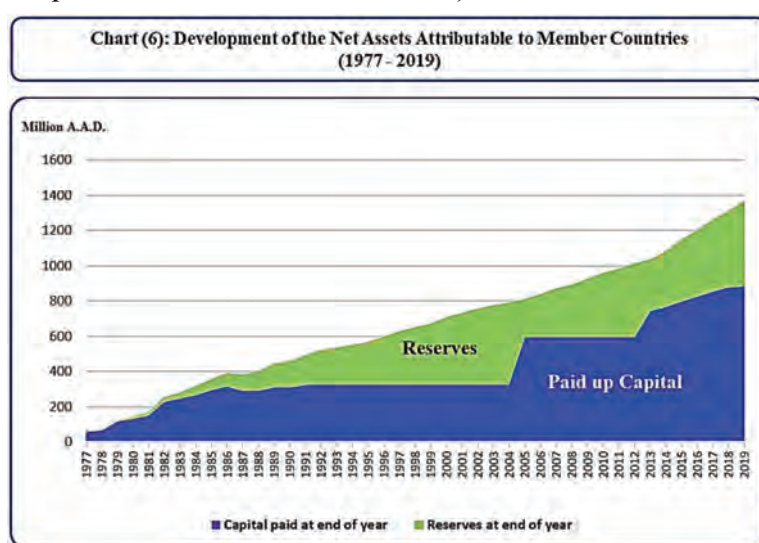
investments at fair value, compared to AAD 259,655 thousand at the end of 2018.

Contingency Reserve: it was established according to Board of Governors' decisions No. (7/1989 & 4/2000), where the amount of AAD 5,000 thousand or 10 percent of the net income per annum, whichever is greater, is transferred to this reserve, and is used to meet any unexpected losses in the future. The contingency reserve balance reached AAD 180,000 thousand by the end of 2019, compared to AAD 175,000 thousand at the end of 2018.

Net Assets Attributable to Member Countries

The Net Assets Attributable to Member Countries, consisting of the capital and the reserves, increased to AAD 1,367,615 thousand at the end of 2019, compared to AAD 1,313,080 thousand at the end of 2018, i.e an increase of AAD 54,535 thousand and at a growth rate of 4 percent.

(Chart 6) shows the evolution of the Arab Monetary Fund Net Assets Attributable to Member Countries since its establishment until December 31st, 2019.



As for the Non- Controlling Interest in the affiliated institution, which represents their share of other shareholders in the capital and reserves of the Arab Trade Financing Program, they amounted to AAD 124,123 thousand at the end of 2019, compared to AAD 121,297 thousand at the end of 2018, with an increase of AAD 2,826 thousand and 2 percent. This is mainly due to disparities resulting from the difference in the conversion rate of the US dollar (the base currency of the Program), compared to the Arab Accounting Dinar, at the end of 2019, compared to the rate at the end of 2018.

Thus, the total of Net Assets Attributable to Member Countries and the Non- Controlling Interest in the affiliated institution amounted to AAD 1,491,738 thousand at the end of 2019, compared to AAD 1,434,377 thousand at the end of 2018. The resources were spread over the financing of Member Countries' lending operations, credit lines for accredited national agencies, financial investments and other assets, as shown below:

Loans to Member Countries

The balance of outstanding loans owed by Member Countries amounted to AAD 465,981 thousand as of 31st December 2019, while reached AAD 502,558 thousand at the end of 2018. As for the Fund's commitments with regards to contracted loans with Member Countries, of which they amounted to AAD 366,504 thousand by 31st December 2019.

The loans commitments represent the outstanding loan balances owed by Member Countries, plus the balances of loans contracted and not disbursed, amounting to AAD 38,415 thousand by the end of 2019.

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 150,621 thousand (U.S.\$ 625 million) as of 31st December 2019, compared to AAD 212,713 thousand (U.S.\$ 888 million) at the end of 2018.

Deposits at Central Banks of Member Countries

In accordance with Article Fourteen of the Articles of the Fund Establishment Agreement, 2 percent of the initial capital contributions were paid in the national currencies of Member Countries and deposited with their central banks.

These deposits are adjusted by the Member Countries at the end of each year, based on exchange rate announced by the IMF to maintain their nominal value in Arab Accounting Dinar. The total of these deposits was equivalent to AAD 5,336 thousand as of December 2019 and 2018.

Investments

The consolidated investment portfolio is comprised of current and call accounts and time deposits with banks, accounts of other shareholders with the International Monetary Fund, and financial investments portfolios.

The value of consolidated investment portfolio reached AAD 3,669,849 thousand at

the end of 2019 compared to AAD 3,239,792 thousand at the end of 2018.

Accepted deposits from Arab monetary and financial institutions amounted to AAD 2,808,685 thousand at the end of 2019, compared to AAD 2,524,617 thousand at the end of 2018, means that investments of fund's self-resources reached AAD 861,164 thousand at the end of 2019, compared to AAD 715,175 thousand at the end of 2018.

Contribution of Related Institution

This item represents the Fund's contribution denominated in Kuwaiti dinars to the capital of the Arab Investment and Export Credit Guarantee Corporation. The value of the contribution amounted to AAD 8,073 thousand at the end of 2019, compared to AAD 8,013 thousand at the end of 2018.

The AMF's Board of Governors approved, by virtue of its decision No. (6/2002), to contribute, on behalf of its Member Countries, to increasing the Corporation's capital by the equivalent of Kuwaiti Dinars (KWD) 8,118 thousand, that have been paid in full. It was followed by its decision No. (3/2015) about the Fund subscription in the increase of the Corporation's capital by 25 percent from its paid-up contribution, equivalent to KWD 2,030 thousand and to be paid in five equal installments, raising its contribution to KWD 10,148 thousand. The Fund paid the entire subscribed increase approved by the Board of Governors.

Other Assets

Other assets include amount of AAD 5,780 thousand as of 31st December 2019.

by December 2018: Amount of AAD 940 thousand represents what the Fund incurs to set-up an Arab entity that manages the regional system for the Clearing and Settlement of inter-Arab payments.

Based on the AMF's Board of Governors resolution No. (4/2018), the costs incurred by the Fund until the establishment of the entity are considered part of its contribution to the capital of the entity.

Results of Operations

The consolidated operational net income achieved during the year ended December 31st, 2019, after excluding the income related to the non-controlling interest in the affiliated institution, amounted AAD 43,946 thousand, against AAD 35,129 thousand for the previous year.

The operational net income is represented by the following income and expenditure elements:

Income

The total consolidated income of the Fund and the subsidiary, after deducting interests paid on accepted deposits from Arab monetary and financial institutions, amounted to AAD 54,882 thousand for the year ended 31st December 2019, compared to AAD 45,137 thousand for the previous year.

Administration and General Expenses

The total administrative and General Expenses amounted to AAD 6,423 thousand for the year ended 31st December 2019, compared with AAD 6,255 thousand for the

previous year. Expenses items include expenses related to personnel and of the Board of Governors meetings and the Board of Executive Directors, in addition to the expenses of offices, communications, bank expenses and consultations.

Technical Assistance Expenses

The Fund provides technical assistance programs to Arab Member Countries, to which regional and international institutions contribute within the framework of partnerships. Total spending on technical assistance programs provided through 2019 amounted to AAD 982 thousand, including in-kind and cash contributions from participants parties at around AAD 245 thousand, representing 25 percent of total expenses.

Thus, total expenses incurred by the Fund amounted to AAD 737 thousand. While the Fund incurred the amount of AAD 818 thousand from the total expenses in 2018. Regional and international institutions contributed thereto with approximately AAD 214 thousand, representing 26 percent. Thus, the total expenses incurred by the Fund amounted to AAD 604 thousand.

Currencies

In investing its financial resources, the Fund adopts a policy aiming at avoiding currencies risks, by committing to distribute its assets in currencies aligned to the components of SDR basket to which the Arab Accounting Dinar is linked. All lending to Member Countries is provided in Arab Accounting Dinar. The Fund's share is included in the operations of the Arab Trade Financing Program, made in U.S. dollars, as part of the dollar-denominated

portion of the currency's portfolio. The other resources are invested in convertible currencies, in conjunction with forward foreign exchange contracts.

The table below shows the weights of currencies included in the SDR basket, and SDR exchange rates. 1 AAD equal to 3 SDRs, by the end of 2019, and 2018, as well as the weights applicable as of September 30th, 2016.

Currency	The Weights of the Currencies included in SDR Basket (%)			SDR Exchange Rates Currencies included in the Basket	
	31 Dec. 2019	31 Dec. 2018	30 Sep. 2016	31 Dec. 2019	31 Dec. 2018
US Dollar	42.12	41.88	41.73	1.383	1.391
Euro	31.30	31.88	30.94	1.236	1.213
Pound Sterling	8.16	7.85	7.98	1.054	1.095
Japanese Yen	7.88	7.76	8.43	150.949	153.383
Chinese Renminbi	10.54	10.63	10.92	9.655	9.570
	100	100	100		

Contribution to Humanitarian Support of the Palestinian People

The Arab Monetary Fund contributes to the collective effort of Arab financial institutions, with a view to provide humanitarian support to the Palestinian people, by allocating 10 percent of the net annual income of the Fund to such aid, since 2002. In this context, the IMF's Board of Governors approved, according to its decision No. (8 /2019) taken in its forty-second annual meeting, held in Kuwait on 25th April 2019, the 17th allocation which amounted to AAD 3.513 million (equivalent to about USD 14.6 million). Thus, allocations approved by the Board of Governors, to humanitarian support to Palestinian people, totaled AAD 50.3 million (equivalent to approximately USD 221.1 million).

The Board of Executive Directors adopts the components of programs receiving

humanitarian support, based on a methodology agreed with the Al-Aqsa Fund, managed by the Islamic Development Bank. Under that methodology the, Palestinian Governor of the AMF Board provides recommendations on the sectors that form the general framework of the programs and elements contained in projects proposed for implementation for each allocation. This should consider the necessary coordination with the governors of Arab financial institutions on one hand, and with the Arab Monetary Fund and Al-Aqsa Fund, on the other hand, so as to ensure the integration between priority projects to provide humanitarian support to the Palestinian people.

Allocations spread over sectors that form the main chapters under which are incorporated the components of projects financed from the AMF allocations to provide humanitarian support to the Palestinian people, as follows:

1. **Education sector:** establishment of new schools, support to the Palestinian Student Fund, rehabilitation, maintenance and equipping of schools. The total appropriation for supporting the education sector amounted to about USD 94.9 million, accounting for 43 percent of the total allocated amounts.
2. **Health services sector:** such as the establishing medical centers, building and expanding hospitals and providing medical equipment to hospitals and clinics. The total appropriation for this sector amounted to around USD 26.4 million, accounting for 12 percent of the total Allocations.

3. **Institutional and NGOs support sector:** such as support for Red Crescent activities as well as youth employment and rehabilitation projects. The total appropriation amounted to approximately USD 28.8 million dollars, and 13 percent of total allocations.

4. **Integrated rural development and economic empowerment sector:** such as support to small-scale artisans, rehabilitation of areas, support to villages, and decision support, networks of electricity, water, rural roads and land reclamation, paving and rehabilitation of internal roads, establishment of sanitation systems, projects for productive women, and support to needy families and orphans. The total allocations to support this sector amounted to USD 65.2 million, and 30 percent of total allocations.

5. **Protection and upgrading of historical buildings sector:** such as the reconstruction of the Old Town in Jerusalem and the rehabilitation of historical buildings. The total allocations for the sector was USD 5.5 million, and 2 percent of the total allocations.

In addition, the Fund provides the government cadres in Palestine with opportunities for training and capacity building in the areas of specialization of the Fund, through training courses and workshops provided by the Training and Capacity Building Institute, according to regular annual programs in collaboration with many regional and international institutions, to which cadres of all the Arab countries are invited. The number of Palestinian trainees stood at 561, as of the end of December 2019.

**AMF External Auditors Report &
Consolidated Financial Statements
As of December 31, 2019**



The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019



Independent auditor's report to the Board of Governors of The Arab Monetary Fund (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's 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 auditor's 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.



Independent auditor's report to the Board of Governors of The Arab Monetary Fund

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Arab Monetary Fund ("AMF") and its Subsidiary (together the "Fund") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- Net assets attributable to Member Countries and non-controlling interest in the Subsidiary for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

PricewaterhouseCoopers, (Abu Dhabi Branch), License no. 1001301

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy



Independent auditor's report to the Board of Governors of The Arab Monetary Fund (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 auditor's 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 auditor's 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.

We communicate with those charged with governance 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.

Report on AMF's Agreement of Establishment and its Financial Rules:

Further, as required by the Articles of AMF's Agreement of Establishment and AMF's Financial Rules, we report that:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of AMF's Financial Rules;
- (iii) the Fund has maintained proper books of account in accordance with AMF's Financial Rules;
- (iv) The total administrative expenses for the year ended 31 December 2019 are within the limits specified in Administrative Budget approved by AMF's Board of Executive Directors, as required by the applicable provisions of AMF's Financial Rules; and
- (v) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Fund has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the Articles of the AMF's Agreement of Establishment or of the AMF's Financial Rules which would materially affect its activities or its financial position as at 31 December 2019.

PricewaterhouseCoopers
12 March 2020

Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirates

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of 31 December

	Notes	2019 AAD 000	2018 AAD 000 (Restated)
Assets			
Loans to Member Countries	3	465,981	502,558
Lines of credit	4	150,621	212,713
Deposits with central banks of Member Countries	5	5,336	5,336
Term deposits with banks, current and call accounts	6	1,203,142	899,697
Financial investments	7	2,466,707	2,340,095
Investment in related entity	8	8,073	8,013
Accounts receivable and other assets	9	40,019	30,956
Total assets		4,339,879	3,999,368
Liabilities			
Deposits from Arab monetary and financial institutions	10	2,808,685	2,524,617
Accounts payable and other liabilities	11	39,456	40,374
		2,848,141	2,564,991
Net assets attributable to Member Countries			
Subscribed capital 900 million AAD			
Paid-up capital	12	883,025	878,425
Reserves	12	484,590	434,655
		1,367,615	1,313,080
Non-controlling interest in the Subsidiary	12	124,123	121,297
Total net assets attributable to Member Countries, Non-controlling interest in the Subsidiary & liabilities		4,339,879	3,999,368



Abdulrahman A. Al Hamidy
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 12 March 2020.

The attached notes from 1 to 22 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 For the year ended 31 December

	Notes	2019 AAD 000	2018 AAD 000 (Restated)
Income			
Income from loans and lines of credit			
Interest and fee income on loans to Member Countries		19,686	18,271
Interest and fee income on lines of credit		6,633	6,170
		<u>26,319</u>	<u>24,441</u>
Income from investment activities			
Investment income	13	62,639	50,933
Interest income on deposits and current and call accounts		28,937	19,213
		<u>91,576</u>	<u>70,146</u>
Interest expense on deposits from Arab monetary and financial institutions	10	(63,235)	(49,721)
		<u>28,341</u>	<u>20,425</u>
Other income		222	271
Total income		<u>54,882</u>	<u>45,137</u>
Expenses			
Administration and general expenses	14	(6,423)	(6,255)
Technical assistance	15	(737)	(604)
		<u>(7,160)</u>	<u>(6,859)</u>
Operating income before other changes in net assets attributable to Member Countries and non-controlling interest (NCI)		<u>47,722</u>	<u>38,278</u>
Other changes in net assets attributable to Member Countries and NCI			
Unrealised change in investments held at fair value	16	9,553	(5,051)
Appropriation to support the Palestinian people		(3,513)	(3,309)
Other Changes		(1,001)	1,774
Total other changes in net assets attributable to Member Countries and NCI		<u>5,039</u>	<u>(6,586)</u>
Increase in net assets attributable to Member Countries and NCI		<u>52,761</u>	<u>31,692</u>
Operating income before other changes in net assets attributable to Member Countries and NCI			
Attributable to:			
• Member Countries		43,946	35,129
• Non-controlling interest		3,776	3,149
		<u>47,722</u>	<u>38,278</u>
Increase in net assets attributable to Member Countries and NCI			
Attributable to:			
• Member Countries		49,935	26,748
• Non-controlling interest		2,826	4,944
		<u>52,761</u>	<u>31,692</u>

The attached notes from 1 to 22 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

NET ASSETS ATTRIBUTABLE TO MEMBER COUNTRIES AND NON-CONTROLLING INTEREST IN THE SUBSIDIARY

For the year ended 31 December

	Paid up capital	General reserve	Contingency reserve	Non-controlling interest	Net assets attributable to the Member Countries and NCI
	AAD 000				
2018					
Balance at 1 January 2018	854,973	237,907	170,000	116,353	1,379,233
Contributions received in cash to increase share capital	23,452	-	-	-	23,452
Increase in net assets attributable to Member Countries and NCI	-	26,748	-	4,944	31,692
Transferred to contingency reserve	-	(5,000)	5,000	-	-
Balance at 31 December 2018	878,425	259,655	175,000	121,297	1,434,377
2019					
Balance at 1 January 2019	878,425	259,655	175,000	121,297	1,434,377
Contributions received in cash to increase share capital	4,600	-	-	-	4,600
Increase in net assets attributable to Member Countries and NCI	-	49,935	-	2,826	52,761
Transferred to contingency reserve	-	(5,000)	5,000	-	-
Balance at 31 December 2019	883,025	304,590	180,000	124,123	1,491,738

The attached notes from 1 to 22 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

	Notes	2019 AAD 000	2018 AAD 000 (Restated)
Operating activities			
Increase in net assets attributable to Member Countries and non-controlling interest in Subsidiary		52,761	31,692
Adjustments for:			
Unrealized change in investments at fair value	16	(9,553)	5,051
Depreciation of property and equipment		140	218
Change in provision for expected credit loss		85	278
Loans drawings		(111,106)	(173,203)
Loans repayments		147,683	157,223
Change in lines of credit		61,965	(15,084)
Change in investments	17	(117,060)	(183,129)
Change in accounts receivable and other assets		(9,203)	(16,495)
Change in accounts payable and other liabilities		399	(7,774)
Change in appropriation to support Palestinian people		(1,296)	1,015
Change in deposits with banks maturing after three months from inception		184,669	171,726
Change in deposits from Arab monetary and financial institutions		284,068	283,791
Net cash from operating activities		483,552	255,309
Financing activities			
Member Countries contributions in capital increase		4,600	23,452
Net cash from financing activities		4,600	23,452
Net increase in cash and cash equivalents		488,152	278,761
Cash and cash equivalents at beginning of year		485,171	206,410
Cash and cash equivalents at end of year	18	973,323	485,171

The attached notes from 1 to 22 form part of these consolidated financial statements. The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

1 LEGAL STATUS AND ACTIVITIES

The Arab Monetary Fund ("The 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 investment measured at fair value. In accordance with the Articles of Agreement of the Fund, the consolidated financial statements are expressed in Arab Accounting Dinar ("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.

(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 56.3% of its subscribed and fully paid up capital as of 31 December 2019 (2018: 56.3%). Note 12 to the consolidated financial statements explains the non-controlling interest in the Subsidiary. 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) Financial instruments: recognition and measurement

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

i. Initial recognition:

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments: recognition and measurement (continued)

ii. Classification of financial assets:

Under IFRS9, on initial recognition, a financial asset is classified either 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 evidences 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 timing of sales in prior periods, the reasons for sales and its expectations about future sales activity.

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, the Fund 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 the Fund considers:

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments: recognition and measurement (continued)

iii. Reclassification:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets have been transferred.

iv. Financial liabilities:

The Fund classifies its financial liabilities as measured at amortized cost.

v. Modification of financial assets.

The Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund assesses whether the modification of contractual cash flows is substantial considering the following factors: any new contractual terms that substantially affect the risk profile of the asset, and significant change in interest rate. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Fund derecognizes the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. The Fund also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

vi. Derecognition:

The Fund 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 it transfers 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 consideration received is recognized in the profit or loss.

The Fund 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.

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(d) Impairment of financial assets

Under IFRS 9, at each reporting date, an entity is required to recognize a loss allowance based on either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. Based on this the standard defined three stages of impairment of financial assets depending on the change in its credit risk since initial recognition:

Stage one: when the financial asset is initially recognized or where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month expected credit loss.

Stage Two: Where there have been significant increases in credit risk since initial recognition on an individual or collective basis, but the asset has not defaulted the entity is required to recognize a lifetime expected credit loss.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) Impairment of financial assets (*continued*)

Stage Three: Where there have been significant increases in credit risk since initial recognition, and the asset has defaulted the entity is required to recognize a lifetime expected credit loss and to recognize the interest income based on the value asset net of the expected credit loss.

IFRS9 defines lifetime expected credit loss as the amount that results from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit loss is the portion of lifetime expected credit loss that represent the expected credit loss that result from default events that are possible within the 12-months after the reporting date.

The Fund recognizes provisions for expected credit loss on debt instruments measured at amortized cost in the consolidated statement of comprehensive income. However, the 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 the consolidated statement of comprehensive income.

The Fund 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.

The Fund considers a debt security to have low credit risk when their credit rating is equivalent to the globally understood definition of “investment grade”.

(1) Measurement of Expected Credit Loss

In measuring the expected credit losses on its financial assets, the Fund applies a model based on the probability of default, loss given default, and the exposure at default. The variables, methods of measurement and factors affecting the measurement of expected credit losses vary according to the nature and characteristics of the financial portfolio, as follows:

- **For loans to Member Countries** The probability of default is calculated taking into account the most influencing factors for occurrence of default in the sovereign debt, which include (i) economic indicators, such as the ratio of external debt to GDP, the number of months of imports covered by reserves, and the ratio of external debt to exports of goods and services of the borrowing country, (ii) the historical experience of the Fund with the borrowing country and their repayment history, and (iii) credit rating of the borrowing country is also considered. The loss given default is calculated taking into consideration the Fund's experience with its member states, and the credit default swap of the borrowing country. The Fund estimates the exposure at default based on the forecast of the amounts due on default. This applies to all other portfolios.
- **For Financial investments and lines of credit** extended to national agencies, the probability of default and loss given default are calculated based on data provided by credit rating agencies.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of financial assets (continued)

(2) Significant Increase in Credit Risk

To determine if there is a significant increase in credit risk related to financial assets, the Fund takes into consideration the quantitative and qualitative factors affecting the financial asset, as follows:

- **For loans to Member Countries** the Fund considers that there is a significant increase in credit risk if the borrowing country is late in paying its dues for a period of six months, unless there are sufficient evidences that the credit risk has not increased significantly despite the delay, such as that the delay is due to internal administrative procedures.
- **For financial investments** the Fund considers that there is a significant increase in the credit risk if there is a decline in the credit rating of the financial investments or that there is a noticeable unfavorable change in the future outlook of the issuer.
- **For lines of credit to national agencies** The Fund considers that there is a significant increase in credit risk, if the borrower fails to perform his financial obligations, either over the next 12 months or the remaining life of the borrower's commitment, and the level of default depends on the amounts expected to be incurred at the time of the default.

(3) Definition of Default

IFRS9 does not give a unified definition for 'Default', however, it requires entities to have their own definition that is relevant to the nature of their financial assets. The definition of default should be applied consistently as it is defined for normal credit risk management practice.

The Fund has made an assessment at the consolidated statement of financial position date to determine whether there is objective evidence that the borrower has defaulted or if it unlikely that the borrower would pay its obligations to the Fund in full as follows:

- **For loans to Member Countries**, the Fund considers that the borrowing countries have defaulted if they are in arrears for a period of one year. The Fund adopts a policy of making provisions against interest on loans to Member Countries that defaulted in settlement of any installment due for more than a year, as well as against interest calculated in delayed loan principal and interest installment. The Fund then endeavors to reach agreements with those countries for the settlement of their arrears.
- **For lines of credit to national agencies**, default varies with the type of borrower, the number of days the borrower is late in paying his dues, and the availability of guarantee and other means of credit support.
- **For financial investments**, the Fund considers default has occurred if the financial asset is past due for at least 90 days. 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 recognized for the difference between the recoverable amount and the carrying amount of the asset is reduced to its recoverable amount.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

(f) Debt restructuring

The Fund adopts a flexible mechanism for managing and settling loans to Member Countries that were in default. The policy aims to assist the troubled countries and at the same time preserve the Fund's financial rights. Each case is treated separately, considering the size of the debt, economic conditions and financial capabilities of the borrowing countries and their ability to settle overdue debts in a manner that leads to restructuring of the loan principle and the interest accrued on them. Due to the distinguished relationship with its member states, the Fund does not write off loans that it provides to its Member Countries.

(g) Collateral and credit enhancements

The Fund does not issue guarantees or credit enhancements for debts of other parties.

(h) Foreign currency transactions

The Fund's assets are closely aligned to the components of the SDR basket of currencies comprising the Special Drawing Rights unit to which the AAD is associated.

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.

Assets and liabilities of the subsidiary are translated into AAD using the year-end exchange rates. Revenue and expenses are translated at the average exchange rates prevailing during the relevant period of the transaction. Gains and losses arising from the translation of the subsidiary operations are recorded in the consolidated statement of comprehensive income.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Derivative financial instruments

The Fund and its Subsidiary use derivative financial instruments, currency swaps and forward foreign exchange contracts, to manage exposure to foreign exchange risks. The Fund and its Subsidiary do not hold or issue derivative financial instruments for trading purposes. Any profit or loss arising from changes of the fair value of the derivatives is recognized through profit and loss.

(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 three months from the inception date.

(k) Depreciation of property and equipment

The cost of property and equipment is depreciated in equal annual installments over the expected useful lives of the assets concerned.

(l) Revenue recognition

For all financial instruments measured at amortised cost, 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.

m) Critical judgements in applying the accounting policies

IFRS requires management, in preparing financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, management is required to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements.

The following are the critical judgments that the management has made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Critical judgements in applying the accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of Solely Payment of Principal and Interest (SPPI) and the business model test. The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate.

Impairment losses

- Significant increase of credit risk: Expected Credit losses (ECLs) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Fund considers qualitative and quantitative reasonable and supportable information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk grade, remaining term to maturity, etc.). The Fund assesses the credit risk characteristics to ensure that the basis of grouping is still appropriate.

Determination of the redemption value to Member Countries

Management has applied judgement in interpreting the clauses in the Agreement of Establishment of the Fund. The amount payable on redemption or liquidation of the Fund is determined by Management to include all paid capital and reserves. It was further judged by Management, that the reserves include those of the subsidiary and the non-controlling interest would also be considered a liability on the consolidated Fund level.

(n) New or revised standards

No new standards issued but not yet effective up to the date of the issuance of the Fund's consolidated financial statements which the Fund reasonably expects to be applicable at a future date.

Other changes to existing standards which the Fund reasonably expects to affect its consolidated financial statements in future date include:

- Amendments to IFRS3: Business combinations.
- Amendment to IFRS9, and IFRS7: Financial instruments and financial instrument disclosures.
- Amendments to IAS1: Presentation of financial statements and IAS8 change in Accounting Policies.
- A comprehensive review of the conceptual framework of financial reporting.
- Annual Improvements to IFRSs 2015-2017 Cycle.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

3 LOANS TO MEMBER COUNTRIES

	2019 AAD 000	2018 AAD 000
Balance at 1 January	502,558	486,578
Drawings during the year	111,106	173,203
Repayments during the year	(147,683)	(157,223)
Balance at 31 December	465,981	502,558

Loans to Member Countries at 31 December 2019 include over one year principal amounts overdue and not received of AAD 76,508 thousand (2018: AAD 66,852 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 2019 amounted to AAD 5,249 thousand (2018: AAD 16,162 thousand).

The undisbursed balances of the contracted loans at 31 December 2019 amounted to AAD 38,415 thousand (2018: AAD 71,721 thousand).

4 LINES OF CREDIT

	2019 AAD 000	2018 AAD 000
Balance at 1 January	212,869	197,684
Drawings during the year	262,468	316,126
	475,337	513,810
Repayments during the year	(325,690)	(305,784)
Provision for expected credit loss	(252)	(156)
Differences in translation to AAD	1,226	4,843
Balance at 31 December	150,621	212,713

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 2019 is nil (2018: AAD 1,102 thousand).

5 DEPOSITS WITH CENTRAL BANKS OF MEMBER COUNTRIES

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

6 TERM DEPOSITS WITH BANKS, CURRENT AND CALL ACCOUNTS

	2019 AAD 000	2018 AAD 000
Current and call accounts with banks and International Monetary Fund	7,710	4,384
Deposits with banks	1,195,773	895,616
Deposits with banks, current and call accounts	1,203,483	900,000
Provision for expected credit loss	(341)	(303)
	<u>1,203,142</u>	<u>899,697</u>

7 FINANCIAL INVESTMENTS

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:

	2019 AAD 000	2018 AAD 000
Investments at fair value through profit and loss (level 1)	1,255,373	1,490,717
Investments at fair value through profit and loss (level 2)	460,508	215,858
Investments at fair value through profit and loss (level 3)	90,196	78,172
Investments securities at amortised cost	661,480	556,256
	<u>2,467,557</u>	<u>2,341,003</u>
Provisions for expected credit loss	(850)	(908)
	<u>2,466,707</u>	<u>2,340,095</u>

Change in fair value of investments

The balance of unrealized change for investments at fair value at 31 December 2019 was AAD 4,018 thousand (2018: AAD (5,535) thousand)

Investments at amortized cost

The fair value of investments at amortized cost at 31 December 2019 was AAD 665,929 thousand (2018: AAD 552,341 thousand).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

7 FINANCIAL INVESTMENTS (continued)

Investments at fair value (Level 3)

They represent investments in multi-strategies and property funds that are measured at their net assets value as at the consolidated financial statements date. Net asset valuations are provided by the fund managers.

Movements of investments at fair value (Level 3) for the year ended 31 December 2019 and 2018 is as follows:

	2019 AAD 000	2018 AAD 000
Fair value at 1 January	78,172	96,489
Gains or losses recognised in profit or loss for the year	5,320	1,146
Subscription during the year	19,116	1,678
Redemption during the year	(12,314)	(22,166)
Exchange difference	(98)	1,025
Fair value at 31 December	90,196	78,172

Unrealized gain on investments at fair value (level 3) that is recognised in the profit or loss for the year ended 31 December 2019 is AAD 4,969 thousand (2018: AAD 889 thousand).

Externally Managed Funds

The Fund and the Subsidiary assigned parts of their investment portfolios for management by a number of specialized external fund managers for agreed fees in accordance with respective fund management agreements. Managed funds amounted to AAD 207,089 thousand as at 31 December 2019 (2018: AAD 191,854 thousand).

8 INVESTMENT IN RELATED ENTITY

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 paid up capital, which were fully paid. This investment is classified at cost as the Fund has no significant influence on the decision taken by the Corporation. The Fund has no representation in the Board of Directors of the Corporation nor the right of voting in its general assembly meetings.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2019 AAD 000	2018 AAD 000
Interest receivable from loan to Member Countries (Gross)	90,273	105,592
Interest in suspense on rescheduled loans	(27,225)	(45,593)
Overdue interest receivable on loans	(61,467)	(58,042)
	<u>1,581</u>	<u>1,957</u>
Interest receivable from lines of credit	974	1,832
Interest receivable from deposits and financial investment	15,335	14,674
Total interest receivable	<u>17,890</u>	<u>18,463</u>
Property and equipment	1,379	784
Arab Regional Payments System ^(*)	5,780	940
Net value of foreign exchange forward contracts	13,009	8,789
Other debit balances	1,961	1,980
	<u>40,019</u>	<u>30,956</u>

^(*) Arab Regional Payments Systems

In accordance with the board of Governors' resolution number (4) of 2018 which adopted the decision issued by the board of the Governors for Central Banks and Arab Monetary Institutions, that commissioned the Fund to set-up a legal entity for clearing and settlement of inter-Arab payments with an authorized capital USD 100 million. The decision also provided for considering the cost incurred by the Fund until the establishment of the entity as part of its contribution to the capital. The total cost incurred by the Fund for setting-up the entity amounted to AAD 5,780 thousand in 31 December 2019 (2018: AAD 940 thousand).

Contracts under execution signed by the Fund on behalf of the entity amounted to AAD 9,220 thousand of which AAD 4,838 thousand were executed.

10 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.

Interest expense on deposits accepted from Arab monetary and financial institutions for the period ended 31 December 2019 amounted to AAD 63,235 thousand (2018: AAD 49,721 thousand).

11 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019 AAD 000	2018 AAD 000
Deferred income (Note 3)	5,249	16,162
Accrued interest payable	13,064	9,512
Net value of investment transactions	1,650	-
Contribution to support Palestinian people	8,667	9,963
Collateral margin payable	5,932	-
Other credit balances	4,894	4,737
	<u>39,456</u>	<u>40,374</u>

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

12 NET ASSETS ATTRIBUTABLE TO MEMBER COUNTRIES AND NON- CONTROLLING INTEREST IN THE SUBSIDIARY

The Fund's Agreement of Establishment dated 27 April 1976, and its subsequent amendments gives Member Countries the right to withdraw from the Fund after 5 years from the initial date of membership and receive a percentage of the Fund's net assets based on its holding of the Fund's shares. As payments of capital shares were made by Member Countries on different dates, the Board of Governors resolution number (3) of 2005 accorded the application of the principal of weighted average capital by taking payment timing differences into account in determining the shares of each Member Country in the income and reserves. The Fund maintains books of account for each Member's weighted average share in the Fund's net assets at each reporting date.

Based on that, and in accordance with the definition of IAS 32 'Financial Instruments: Presentation. The Fund's subscribed capital and reserves are puttable financial instruments that are classified as financial liabilities.

(a) Subscribed and Paid-up Capital

	2019 AAD 000	2018 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	(16,975)	(21,575)
Paid-up capital	883,025	878,425

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, of which AAD 149.010 million to be paid by transfer from general reserve, and the other part 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 instalments and the deferred share of Palestine.

(b) 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 operating income attributable to Member Countries before other changes in net assets attributable to Member Countries and non-controlling interest 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 of the operating income is transferred to the general reserve. The general reserve at 31 December 2019 includes AAD 26,607 thousand (2018: AAD 24,064 thousand) being the Fund's share in reserves of the Subsidiary.

The Board of Governors approved through resolution number (8) of 2019, a 17th appropriation of 10% of 2018 net operating income before other changes in net assets attributable to Member Countries and non-controlling interest amounting to AAD 3,513 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (7) of 2018, a 16th appropriation of 10% of 2017 operating income before other changes in net assets attributable to Member Countries and non-controlling interest amounting to AAD 3,309 thousand for the same purpose.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

12 NET ASSETS ATTRIBUTABLE TO MEMBER COUNTRIES AND NON- CONTROLLING INTEREST IN THE SUBSIDIARY (continued)

(c) Non-Controlling Interest in the Subsidiary

Non-controlling interest 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.

	2019 USD 000	2018 USD 000
Net assets attributable to stockholder's in the base currency of the Subsidiary:		
- Paid-up capital	988,505	987,920
- Reserves	189,376	170,670
Total	<u>1,177,881</u>	<u>1,158,590</u>
The value of non-controlling interest in the Subsidiary	<u>514,923</u>	<u>506,099</u>

	2019 AAD 000	2018 AAD 000
Non-controlling interest movement		
Balance at the beginning of the year	121,297	116,353
Net income for the year	3,776	3,149
Dividends paid during the year	(1,862)	(1,223)
Other Changes	912	3,018
	<u>124,123</u>	<u>121,297</u>

13 INVESTMENT INCOME

	2019 AAD 000	2018 AAD 000
Securities at fair value	40,451	34,549
Investment in multi-strategies and property funds	5,320	1,146
Securities at amortised cost	<u>16,813</u>	<u>15,363</u>
	62,584	51,058
Change in provision for expected credit loss	<u>55</u>	<u>(125)</u>
	<u>62,639</u>	<u>50,933</u>

14 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2019 include Board of Directors remuneration and employees salaries and benefits amounting to AAD 5,078 thousand (2018: AAD 5,013 thousand). The Fund and its Subsidiary employed 188 employees as at 31 December 2019 (2018: 185 employees).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

15 TECHNICAL ASSISTANCE

	2019 AAD 000	2018 AAD 000
Training courses, seminars and direct technical assistance	982	818
Cash and in-kind contributions from partner institutions	(245)	(214)
Technical assistance incurred by the Fund	<u>737</u>	<u>604</u>

16 UNREALIZED CHANGE IN INVESTMENTS HELD AT FAIR VALUE

	2019 AAD 000	2018 AAD 000
Balance at the beginning of the year	(5,535)	(484)
Balance at the end of the year	<u>4,018</u>	<u>(5,535)</u>
Change during the year	<u>9,553</u>	<u>(5,051)</u>

17 CHANGE IN INVESTMENTS

	2019 AAD 000	2018 AAD 000
Change in net asset value of Fund of Fund and Property Fund	(12,024)	18,317
Change in investments at fair value	246	(165,331)
Change in investments at amortized cost	(105,222)	(36,257)
Revaluation difference	(60)	142
	<u>(117,060)</u>	<u>(183,129)</u>

18 CASH AND CASH EQUIVALENTS

	2019 AAD 000	2018 AAD 000
Total current and call accounts and deposits with banks (note 6)	1,203,142	899,697
Deposits maturing after three months from inception	(229,819)	(414,526)
	<u>973,323</u>	<u>485,171</u>

19 MANAGED FUNDS

Funds managed by the Arab Monetary Fund for Arab Specialised Organization amounted to AAD 7,282 thousand as at 31 December 2019 (2018: AAD 5,662 thousand).

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

20 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:

	2019 AAD 000	2018 AAD 000
Arab and African Countries	1,013,754	774,069
Europe	904,219	815,678
North America	368,666	365,810
Far East and Pacific	1,294,717	1,096,635
Supra National Organisations	88,493	187,600
	<u>3,669,849</u>	<u>3,239,792</u>

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS

(a) Maturities of assets and liabilities- 31 December 2019

Maturity analysis of the consolidated assets and liabilities as at 31 December 2019 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	465,981	112,324	66,344	272,437	-	14,876
Lines of credit	150,621	124,094	21,593	4,934	-	-
Deposits with central banks	5,336	-	-	-	-	5,336
Current and call accounts with banks & IMF	7,710	7,710	-	-	-	-
Term deposits with banks	1,195,432	1,119,098	76,334	-	-	-
Securities at fair value	1,715,797	1,715,797	-	-	-	-
Multi- strategies and property funds	90,196	90,196	-	-	-	-
Securities at amortized cost	660,714	393,625	87,331	139,983	39,775	-
Investment in related entity	8,073	-	-	-	-	8,073
Accounts receivable and other assets	40,019	37,005	1,506	129	-	1,379
	<u>4,339,879</u>	<u>3,599,849</u>	<u>253,108</u>	<u>417,483</u>	<u>39,775</u>	<u>29,664</u>
Liabilities						
Net assets attributable to Member Countries	1,367,615	-	-	-	-	1,367,615
Non-controlling interest in the subsidiary	124,123	-	-	-	-	124,123
Deposits from Arab monetary and financial institutions	2,808,685	2,808,685	-	-	-	-
Accounts payable and other liabilities	39,456	22,997	11,248	2,639	2,572	-
	<u>4,339,879</u>	<u>2,831,682</u>	<u>11,248</u>	<u>2,639</u>	<u>2,572</u>	<u>1,491,738</u>

Maturities of assets and liabilities- 31 December 2018

Maturity analysis of the consolidated assets and liabilities as at 31 December 2018 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	502,558	123,024	79,125	284,535	998	14,876
Lines of credit	212,713	172,813	29,527	10,373	-	-
Deposits with central banks	5,336	-	-	-	-	5,336
Current and call accounts with banks & IMF	4,384	4,384	-	-	-	-
Term deposits with banks	895,313	847,662	47,651	-	-	-
Securities at fair value	1,706,445	1,706,445	-	-	-	-
Multi- strategies and property funds	78,172	78,172	-	-	-	-
Securities at amortized cost	555,478	187,937	227,130	98,293	42,118	-
Investment in related entity	8,013	-	-	-	-	8,013
Accounts receivable and other assets	30,956	28,905	1,267	-	-	784
	<u>3,999,368</u>	<u>3,149,342</u>	<u>384,700</u>	<u>393,201</u>	<u>43,116</u>	<u>29,009</u>
Liabilities						
Net assets attributable to Member Countries	1,313,080	-	-	-	-	1,313,080
Non-controlling interest in the subsidiary	121,297	-	-	-	-	121,297
Deposits from Arab monetary and financial institutions	2,524,617	2,524,617	-	-	-	-
Accounts payable and other liabilities	40,374	13,607	14,257	10,070	2,440	-
	<u>3,999,368</u>	<u>2,538,224</u>	<u>14,257</u>	<u>10,070</u>	<u>2,440</u>	<u>1,434,377</u>

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (*continued*)

(b) Credit risk management and concentration of credit risk

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

Investments accounted for at amortized cost 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.

Included in the consolidated financial statements provisions of AAD 1,443 thousand as at 31 December 2019 (2018: AAD 1,367 thousand) for expected credit loss recognized on time deposits, debt instruments measured at amortized cost, in addition to the lines of credit extended by the Subsidiary.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (continued)

(b) Credit risk management and concentration of credit risk (continued)

Analysis of the Fund's credit risk exposures by class of financial asset is provided in the following tables as at 31 December 2019 and 31 December 2018 respectively:

(AAD 000)				
Credit Rating	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
Loans to Member Countries (*)				
Outstanding Loans	282,941	102,678	80,362	465,981
ECL	-	-	-	-
Net of ECL	282,941	102,678	80,362	465,981
Lines of Credits				
Investment Grade	32,452	-	-	32,452
Non-investment Grade	97,585	-	-	97,585
Not rated	20,836	-	-	20,836
Total	150,873	-	-	150,873
ECL	(252)	-	-	(252)
Net of ECL	150,621	-	-	150,621
Deposit with banks				
Investment Grade	1,075,359	-	-	1,075,359
Non-investment Grade	32,783	-	-	32,783
Not rated	87,631	-	-	87,631
Total	1,195,773	-	-	1,195,773
ECL	(341)	-	-	(341)
Net of ECL	1,195,432	-	-	1,195,432
Investments Securities				
Investment Grade	2,299,824	-	-	2,299,824
Non-investment Grade	77,537	-	-	77,537
Not rated	-	-	-	-
Total	2,377,361	-	-	2,377,361
ECL	(850)	-	-	(850)
Net of ECL	2,376,511	-	-	2,376,511

(*) The Fund does not classify its loans to Member Countries according to the rating used by the rating agencies.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (continued)

(b) Credit risk management and concentration of credit risk (continued)

(AAD 000)

Credit Rating	2018			Total
	Stage (1)	Stage (2)	Stage (3)	
Loans to Member Countries (*)				
Outstanding Loans	355,494	66,702	80,362	502,558
ECL	-	-	-	-
Net of ECL	355,494	66,702	80,362	502,558
Lines of Credits				
Investment Grade	94,011	-	-	94,011
Non-investment Grade	74,227	-	-	74,227
Not rated	44,631	-	-	44,631
Total	212,869	-	-	212,869
ECL	(156)	-	-	(156)
Net of ECL	212,713	-	-	212,713
Deposit with banks				
Investment Grade	741,181	-	-	741,181
Non-investment Grade	58,210	-	-	58,210
Not rated	96,225	-	-	96,225
Total	895,616	-	-	895,616
ECL	(303)	-	-	(303)
Net of ECL	895,313	-	-	895,313
Investments Securities				
Investment Grade	2,187,690	-	-	2,187,690
Non-investment Grade	75,141	-	-	75,141
Not rated	-	-	-	-
Total	2,262,831	-	-	2,262,831
ECL	(908)	-	-	(908)
Net of ECL	2,261,923	-	-	2,261,923

(*) The Fund does not classify its loans to Member Countries according to the rating used by the rating agencies.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (continued)

(b) Credit risk management and concentration of credit risk (continued)

The movement of gross exposure for the year 2019 and 2018 is as follows:

	(AAD 000)			
	2019			
	Stage (1)	Stage (2)	Stage (3)	Total
Loans to Member Countries				
Balance at 01 Jan 2019	355,494	66,702	80,362	502,558
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	58,146	52,960	-	111,106
Matured during the year	(130,699)	(16,984)	-	(147,683)
Balance at 31 Dec 2019	282,941	102,678	80,362	465,981
Lines of Credits				
Balance at 01 Jan 2019	212,869	-	-	212,869
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	262,468	-	-	262,468
Matured during the year	(325,690)	-	-	(325,690)
Foreign exchange difference	1,226	-	-	1,226
Balance at 31 Dec 2019	150,873	-	-	150,873
Deposit with banks				
Balance at 01 Jan 2019	895,616	-	-	895,616
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	13,234,867	-	-	13,234,867
Sold/matured during the year	(12,940,174)	-	-	(12,940,174)
Foreign exchange difference	5,464	-	-	5,464
Balance at 31 Dec 2019	1,195,773	-	-	1,195,773
Investments Securities				
Balance at 01 Jan 2019	2,262,831	-	-	2,262,831
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	3,256,415	-	-	3,256,415
Sold/matured during the year	(3,147,434)	-	-	(3,147,434)
Foreign exchange difference	5,549	-	-	5,549
Balance at 31 Dec 2019	2,377,361	-	-	2,377,361

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (continued)

(b) Credit risk management and concentration of credit risk (continued)

	(AAD 000)			
	2018			
	Stage (1)	Stage (2)	Stage (3)	Total
Loans to Member Countries				
Balance at 01 Jan 2018	350,054	56,162	80,362	486,578
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	151,543	21,660	-	173,203
Matured during the year	(146,103)	(11,120)	-	(157,223)
Foreign exchange difference	-	-	-	-
Balance at 31 Dec 2018	355,494	66,702	80,362	502,558
Lines of Credits				
Balance at 01 Jan 2018	197,684	-	-	197,684
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	316,126	-	-	316,126
Matured during the year	(305,784)	-	-	(305,784)
Foreign exchange difference	4,843	-	-	4,843
Balance at 31 Dec 2018	212,869	-	-	212,869
Deposit with banks				
Balance at 01 Jan 2018	788,889	-	-	788,889
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	10,533,263	-	-	10,533,263
Sold/matured during the year	(10,443,983)	-	-	(10,443,983)
Foreign exchange difference	17,447	-	-	17,447
Balance at 31 Dec 2018	895,616	-	-	895,616
Investments Securities				
Balance at 01 Jan 2018	2,066,436	-	-	2,066,436
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	3,281,267	-	-	3,281,267
Sold/matured during the year	(3,106,252)	-	-	(3,106,252)
Foreign exchange difference	21,380	-	-	21,380
Balance at 31 Dec 2018	2,262,831	-	-	2,262,831

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (continued)

(c) Movement of expected credit losses

Following table shows the movement of expected credit loss (ECL) by instrument type:

	12-Month expected Credit loss	
	2019 AAD 000	2018 AAD 000
Time deposits		
Balance at 1 January	303	175
Changes in ECL during the year	38	128
Balance at 31 December	341	303
Investments		
Balance at 1 January	908	783
Changes in ECL during the year	(58)	125
Balance at 31 December	850	908
Lines of Credit		
Balance at 1 January	156	101
Changes in ECL during the year	96	55
Balance at 31 December	252	156
Total		
Balance at 1 January	1,367	1,059
Changes in ECL during the year	76	308
Balance at 31 December	1,443	1,367

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2019

21 FINANCIAL INSTRUMENTS (continued)

(d) 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 investments at amortized cost and repayment periods for investment at fair value.

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

	Change in basis points	2019 AAD 000	2018 AAD 000
Effect on net assets attributable to Member Countries and non-controlling interest in the Subsidiary	25	1,192	883
Effect on consolidated statement of comprehensive income	25	1,080	1,359

(e) 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.

The fair value of loans to Member Countries as defined under IFRS 13 cannot be determined due to their unique characteristics and the absence of a principal or most advantageous market of these loans.

The book value of the lines of credit, term deposits with banks, current and call accounts, accounts receivables and other assets, accounts payable and other liabilities, are reasonable estimates of their fair value due to their short-term nature.

The fair value of investments at amortized cost at 31 December 2019 was AAD 665,929 thousand (2018: AAD 552,341 thousand).

(f) Foreign 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 2019 are amounted to AAD 928,341 thousand (2018: AAD 756,922 thousand).

(g) 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.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

21 FINANCIAL INSTRUMENTS (*continued*)

(h) 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 net assets attributable to Member Countries and non-controlling interest in the Subsidiary.

22 RESTATEMENT

The Fund's Agreement of Establishment dated 27 April 1976, and its subsequent amendments gives Member Countries the right to withdraw from the Fund after 5 years from the initial date of membership and to receive a percentage of the Fund's net assets based on its holding of the Fund's shares, the amount returned for share on withdrawal will be the par value, less capital loss or plus its share of the amount of surplus and general reserve available for distribution as net income. Under limited circumstances, IFRS allows such capital to be shown as equity if certain stringent criteria are met. However, such conditions have not been met by the Fund, as payments of capital shares were made by Member Countries on different dates. The Board of Governors resolution number (3) of 2005 accorded the application of the principal of weighted average capital by taking payment timing differences into account in determining the shares of each Member Country in the income and reserves. Accordingly, and based on the requirements of IFRS the member countries contributions have been classified as financial liabilities.

In determining the amount payable, management has judged this amount to include all paid up capital, reserves (including any reserves from the underlying Subsidiary) and non-controlling interest. Refer to note 2 (m) for further details.

As a result of the above, this results in a significant change in the presentation of the financial statements, including the primary statements and relevant notes. It was also judged that certain financial assets were not consistently classified with the above accounting. The presentation and measurement changes are set out below:

- All amounts previously presented as equity in the statement of consolidated financial position, are now shown as net assets attributable to member countries or non-controlling interest and represents a financial liability. The amounts of AAD 1,434,377 thousand on December 31, 2018 and AAD 1,379,233 thousand on January 1, 2018 have been reclassified to liabilities and the Fund no longer has any equity classification in its consolidated Financial Statements.
- All movements for remeasurement of net assets attributable to Member Countries and non-controlling interest in the subsidiary are shown in the consolidated statement of comprehensive income as remeasurements of financial liabilities. The format of the consolidated statement of comprehensive income changes as a result.
- Classification of the equity instruments at fair value through other comprehensive income for an amount of AAD 1,706,575 thousand on December 31, 2018 and AAD 1,546,437 thousand on January 1, 2018 is now shown classified at fair value through profit and loss, to be consistent with the entity not having any equity classification in its consolidated financial statements. This results in a significant change in presentation on the consolidated statement of financial position and the reclassification of the reserve.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

22 RESTATEMENT *(continued)*

- The consolidated statement of comprehensive income will no longer have any other comprehensive income movements. The amount of AAD (5,508) thousand on December 31, 2018 and of AAD (436) thousand on January 1, 2018 recorded in profit and loss whereas this was previously shown as “other comprehensive income”.
- No consolidated statement of changes in equity will be represented as the Fund will no longer have any equity classification in its consolidated financial statements.
- A statement of changes in net assets attributable to Member Countries and non-controlling interest has been presented as this provides relevant and useful information to the reader corresponding to the requirements of IAS 1.
- The consolidated statement of cash flows will not be significantly impacted other than changes in descriptions to be consistent with the consolidated statement of comprehensive income and the statement of financial position.
- There are significant changes to accounting policies and notes have been appropriately updated to reflect the changes in classification and measurement. Please refer to note 2.

A third balance sheet has not been presented as the only change on the consolidated statement of financial position was the reclassification of equity and non-controlling interest in the Subsidiary to liabilities. On this basis, management considered the omission of the third balance sheet to be not material in the overall context of the consolidated financial statements.

Organization and Management Structure

Organizational Structure

The organizational structure of the Arab Monetary Fund includes the Board of Governors, the Board of Executive Directors, the Director-General and Chairman of the Board of Executive Directors.

The Board of Governors

The Board of Governors consists of the Governor and deputy Governor appointed by each Member Country in the Fund, and the Board shall elect its chairman from among its members on a rotational basis. The Board of Governors is considered the General Assembly of the Fund and has all the administration authorities. The Board of Governors of the Fund meets annually, in the first half of each year, in or outside the headquarters country. The following table shows the composition of the Board of Governors of the Fund, as on 31 December 2019:

Member Countries	Governors and Deputy Governors	
Hashemite Kingdom of Jordan	Governor:	H.E. Dr. Ziad Fariz
	Deputy Gov.:	H.E. Dr Mohammad Mahmoud Al Ississ ⁽¹⁾
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 Salman Bin Khalifa Al Khalifa
	Deputy Gov.:	H.E. Rashid Mohammed Al Mearaj
Republic of Tunisia	Governor:	H.E. Dr. Marouane El Abassi
	Deputy Gov.:	H.E. Mourad Abdesslem
People's Democratic Republic of Algeria	Governor:	H.E. Mohamed Loukal ⁽²⁾
	Deputy Gov.:	H.E. Ayman bin Abdulrahman ⁽³⁾
Republic of Djibouti	Governor:	H.E Abdul Karim Adam Shir ⁽⁴⁾
	Deputy Gov.:	H.E Ahmed Osman Ali
Kingdom of Saudi Arabia	Governor:	H.E. Mohammed Bin Abdullah Al-Jadaan
	Deputy Gov.:	H.E. Dr. Ahmed Bin Abdulkarim Al Kholifey
Republic of the Sudan	Governor:	H.E. Dr. Ibrahim Ahmed Al-Badawi ⁽⁵⁾
	Deputy Gov.:	H.E. Dr. Badr Eddin Abdel Rahim Ibrahim

Member Countries	Governors and Deputy Governors	
Syrian Arab Republic	Governor:	H.E. Dr. Mamoun Hamdan
	Deputy Gov.:	H.E. Dr. Hazem Younes Qarfoul
Federal Republic of Somalia	Governor:	H.E. Abdirahman Duale Beyle
	Deputy Gov.:	H.E. Abdirahman Mohamed Abdullah ⁽⁷⁾
Republic of Iraq	Governor:	H.E. Dr. Ali Mohsin Ismail
	Deputy Gov.:	H.E. Dr. Salahuddin Hamid Juaatta
Sultanate of Oman	Governor:	H.E. Darwish Bin Ismail Al Balushi
	Deputy Gov.:	H.E. Tahir bin Salim bin Abdullah Al Amri
State of Palestine	Governor:	H. E. Dr. Mohamed Mustafa ⁽⁸⁾
	Deputy Gov.:	H. E. General Talal Dwikat ⁽⁹⁾
State of Qatar	Governor:	H.E. Ali Sherif Al Imaadi
	Deputy Gov.:	H.E. Sheikh Abdulla Bin Saoud Al Thani
Union of Comoros	Governor:	H.E. Sayed Ali Sayed Sheikhan
	Deputy Gov.:	H.E. Younoussa Imani
State of Kuwait	Governor:	H.E. Mariam Al-Aqeel ⁽¹⁰⁾
	Deputy Gov.:	H.E. Dr. Mohammad Yousef Al Hashel
Republic of Lebanon	Governor:	H.E. Riad Toufic Salame`
	Deputy Gov.:	H.E. Raed Charafeddine
State of Libya	Governor:	H.E. Saddek Omar Elkaber
	Deputy Gov.:	Central Bank of Libya
Arab Republic of Egypt	Governor:	H.E. Tarek Hassan Ali Amer
	Deputy Gov.:	H.E. Dr. Mohamed Maait
Kingdom of Morocco	Governor:	H.E. Mohamed Benchaaboun
	Deputy Gov.:	H.E. Abdellatif Jouahri
Islamic Republic of Mauritania	Governor:	H.E. Abdel Aziz Ould Dahi
	Deputy Gov.:	H.E. Boumediene Ould Taya`

Member Countries	Governors and Deputy Governors	
Republic of Yemen	Governor:	H.E. Salem Saleh Bin Buriek ⁽¹¹⁾
	Deputy Gov.:	H.E. Ahmed Obeid Alfadli ⁽¹²⁾

- (1) Replacing H.E. Dr. Ezzedine Mohyedin Kanakari, as of November 2019
- (2) Replacing H.E. Abdul Rahman Rawia, as of April 2019,
- (3) Replacing H.E. Amaar's Hayawani, as of November 2019,
- (4) Replacing H.E. Bodi Ahmed Robleh, as of May 2019,
- (5) Replacing H.E. Majdi Yassin and H.E. Mustafa Youssef Hawli, as of September 2019
- (6) Replacing H.E. Hussein Yahya Jenkul, as of December 2019
- (7) Replacing H.E. Bashir Issa, as of April 2019
- (8) Replacing H.E. Abir Auda, as of July 2019
- (9) Replacing H.E. Dr. Riyadh Mustafa Abu Shehadehm, as of July 2019
- (10) Replacing H.E. Dr. Nayef Falah Mubarak Al-Hijraf, as of November 2019
- (11) Replacing H.E. Ahmed Obaid Al Fadhli, as of October 2019
- (12) Replacing H.E. Hafez Fakher Me'ayad, as of October 2019

The Director General and Executive Management Departments

The Board of Executive Directors is composed of the Director General of the Fund as Chairman and eight non-resident members elected by the Board of Governors for a renewable term of three years. The Board is entrusted with the oversight of the Fund's activities and renders advice when deemed necessary. The following table shows the composition of the Board of Executive Directors for 2016-2019, as at the end of December 2019.

Executive Directors	Country/Countries represented	Voting power (percent)
H.E. Dr Abdurrahman bin Abdullah Al-Humaidi	Director-general Chairman of the Board of Executive Directors	-
H. E. Hussein Bin Shuwish Al Shuwish ⁽¹⁾	Kingdom of Saudi Arabia	13.96
H. E. Abdelhak Bedjaoui	People's Democratic Republic of Algeria	12.27
H. E. Mazen Sabbah Ahmad	Republic of Iraq	12.27
H.E. Jamal Mohamad Nagm (Egypt) ⁽²⁾	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 Khoori (UAE)	State of Kuwait United Arab Emirates	15.13
H.E. Naji Mohamad Issa (Libya) ⁽³⁾	Kingdom of Morocco State of Libya Republic of Tunisia Islamic Republic of Mauritania	12.87
H.E. Mohamad Jawad Bin Hasan Suleiman (Oman) ⁽⁴⁾	State of Qatar Kingdom of Bahrain Sultanate of Oman	6.77
H.E. Raed Charafeddine (Lebanon) ⁽⁵⁾	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.

(1) Replacing H.E. Mohammed Al Ghafli as of July 2019.

(2) Replacing H.E. Chakib Al Hobeishi, as of July 2019.

(3) Replacing H.E. Nadia Komha, as of July 2019.

(4) Replacing H.E. Sheikh Salman Bin Issa Al-Khalifa , as of July 2019.

(5) Replacing H.E. Ziad Assaad Ghunma ,as of July 2019.

Executive management of the Fund

The Board of Governors appoints a Director General of the Fund for a renewable five- year term. The General Director of the Fund chairs the meetings of the Board of Executive Directors. The Director General of the Fund is considered as the Supreme Chief of the Fund's staff and responsible for all its operations. He submits an annual report on the Fund's operations to the Board of Governors at its regular annual meeting. The Director General is assisted, in the accomplishment of the Fund's operations, by technical staff in several departments. In addition to departments, the organizational structure includes an internal audit office and a Strategy and Evaluation Unit. Five committees have also been established, two of which are standing committees, namely the Loan and Investment Committees provided for in the Agreement establishing the Fund, in addition to the Administration Committee set up under the Workers' Statute, approved by the Board of Executive Directors, and adopted by the Board of Governors, as well as the Risk Management Committee, in addition to the Audit and Risk Committee under the Board of Executive Directors.

Appendixes

Appendix No. (1)

Loans Tables

Appendix (A-1) : Loans Extended to Member States (1978 - 2019)											
(Thousands of AAD)											
Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	SMEs Facility	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						
1980			5,250	0	11,250	0	0	0	0		16,500
	8	Mauritania	750								
	9	Mauritania		4,500							
	10	Somalia	1,500								
	11	Sudan				5,000					
1981			2,250	4,500	0	5,000	0	0	0		11,750
	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								
1982			15,405	8,820	44,590	9,800	0	0	0		78,615
	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
	30	Iraq	27,930								
1983	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								
1985			7,065	0	4,335	0	4,900	0	0		16,300
	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 - 2019) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	SMEs Facility	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	12,070	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 - 2019) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	SMEs Facility	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 - 2019) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	SMEs Facility	Total
2009	142	Jordan	7,365								
	143	Jordan							12,275		
	144	Morocco							47,863		
	145	Mauretania							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	Mauretania			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	Mauretania				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	0	82,900
2018	180	Tunisia				18,532					
	181	Tunisia								18,532	
	182	Sudan								22,800	
	183	Egypt								87,700	
	184	Morocco				41,125					
			0	0	0	59,657	0	0	0	129,032	188,689
2019	185	Sudan		27,400							
	186	Sudan				27,400					
	187	Jordan							23,000		
			0	27,400	0	27,400	0	0	23,000	0	77,800
Total			431,250	174,151	450,331	402,292	64,730	32,489	716,627	129,032	2,400,902

Appendix (A-2) : Loans Extended to Member States By Type (1978 - 2019)

Automatic Loans	No. of Loans	Value of Loans (Million AAD)	Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	6	33.724	Jordan	3	26.090
Tunisia	6	28.762	Algeria	2	60.380
Algeria	1	27.930	Sudan	5	70.285
Sudan	5	11.100	Somalia	1	12.740
Syria	4	9.030	Egypt	1	55.125
Somalia	3	4.440	Morocco	3	63.800
Iraq	4	87.090	Mauritania	8	61.345
Lebanon	2	7.350	Yemen	3	99.166
Egypt	6	141.135	Djibouti	2	0.613
Morocco	10	29.550	Comoros	1	0.787
Mauritania	7	10.320			
Yemen	9	40.635			
Comoros	1	0.184			
	64	431.250		29	450.331

Ordinary Loans	No. of Loans	Value of Loans (Million AAD)	Trade Facility	No. of Loans	Value of Loans (Million AAD)
Jordan	1	5.320	Jordan	3	4.620
Algeria	1	41.640	Tunisia	1	3.450
Syria	1	8.200	Algeria	1	18.620
Sudan	1	27.400	Syria	1	3.000
Morocco	1	6.250	Iraq	1	18.620
Mauritania	1	4.500	Morocco	1	2.500
Yemen	7	80.290	Yemen	3	13.920
Djibouti	1	0.367			
Comoros	1	0.184			
	15	174.151		11	64.730

Compensatory Loans	No. of Loans	Value of Loans (Million AAD)	Structural Adjustment Facility	No. of Loans	Value of Loans (Million AAD)
Jordan	5	41.330	Jordan	6	74.869
Tunisia	3	34.732	Tunisia	6	64.944
Sudan	3	37.200	Algeria	1	30.605
Iraq	1	27.000	Sudan	2	19.600
Egypt	3	104.195	Lebanon	3	19.526
Morocco	5	107.555	Egypt	5	214.828
Mauritania	3	17.260	Morocco	7	261.708
Yemen	3	33.020	Yemen	1	9.057
			Djibouti	2	0.770
			Syria	2	11.600
			Mauritania	1	0.184
	26	402.292		36	716.627

Oil Facility	No. of Loans	Value of Loans (Million AAD)	SMEs Facility	No. of Loans	Value of Loans (Million AAD)
Djibouti	1	0.614	Sudan	1	22.800
Lebanon	1	18.200	Egypt	1	87.700
Morocco	1	13.675	Tunisia	1	18.532
	3	32.489		3	129.032

Appendix (A-3): Balance of Outstanding Loans (2018 - 2019)

(Thousands of AAD)

Country	End of 2018			End of 2019		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	29,297		29,297	25,394	9,200	34,594
Sudan	66,703	9,120	75,823	102,678	10,960	113,638
Syria	2,880		2,880	2,880		2,880
Somalia	14,876		14,876	14,876		14,876
Iraq	20,161		20,161	10,821		10,821
Egypt	137,703	35,080	172,783	100,321		100,321
Morocco	118,625		118,625	102,725		102,725
Yemen	62,605	18,255	80,860	62,605	18,255	80,860
Mauritania	18,710		18,710	11,250		11,250
Tunisia	30,998	9,266	40,264	32,431		32,431
Total	502,558	71,721	574,279	465,981	38,415	504,396

Appendix (A-4): Balance of Loans Commitments (1978- 2019)

(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	542,813	486,578
2018	188,689	574,279	502,558
2019	77,800	504,396	465,981

* Total outstanding loans and undisbursed balances.

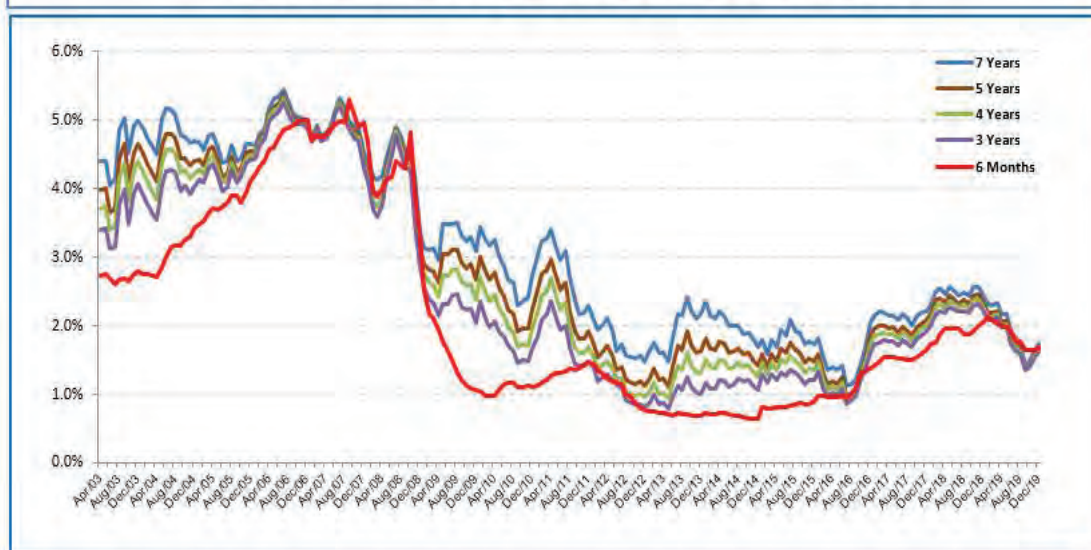
** Total disbursed loans minus repayments.

No changes for the number of historical contracted loans with retroactive effect, because of non-withdrawal for loans fully, partially or for an addition of new tranche.

Appendix (A-5): Interest Rates According to Maturity of Loans (Jan, Dec.) 2019

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
7 Years	2.31%	2.29%	2.34%	2.16%	2.17%	1.92%	1.81%	1.73%	1.41%	1.47%	1.65%	1.73%
5 Years	2.18%	2.18%	2.22%	2.06%	2.06%	1.82%	1.70%	1.65%	1.36%	1.41%	1.58%	1.66%
4 Years	2.13%	2.13%	2.17%	2.01%	2.02%	1.77%	1.66%	1.62%	1.35%	1.40%	1.56%	1.62%
3 Years	2.08%	2.09%	2.12%	1.98%	1.98%	1.74%	1.62%	1.61%	1.35%	1.39%	1.54%	1.60%
6 Months	2.13%	2.08%	2.02%	2.01%	1.99%	1.92%	1.77%	1.77%	1.64%	1.65%	1.65%	1.68%

Chart (7) : Interest Rates on Loans According to Maturity, (2003 - 2019)



Appendix No. (2)

Capital

Appendix (B-1): Capital at 31 December 2019

(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	7,795	6,975	14,850
2 UAE	52,950	300	27,725	24,925	52,950
3 Bahrain	13,800	80	7,220	6,500	13,800
4 Tunisia	19,275	100	10,113	9,063	19,275
5 Algeria	116,850	760	61,115	54,975	116,850
6 Saudi Arabia	133,425	760	69,878	62,788	133,425
7 Sudan	27,600	200	14,400	13,000	27,600
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	61,115	54,975	116,850
11 Oman	13,800	80	7,220	6,500	13,800
12 Qatar	27,600	200	14,400	13,000	27,600
13 Kuwait	88,200	500	46,200	41,500	88,200
14 Lebanon	13,800	100	7,200	6,500	13,800
15 Libya	37,035	186	19,427	17,423	37,035
16 Egypt	88,200	500	46,200	41,500	88,200
17 Morocco	41,325	200	21,688	19,438	41,325
18 Mauritania	13,800	80	7,220	6,500	13,800
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	456,979	420,710	883,025

(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 No. (3)

Appendix (C): Number of Participants Courses / Seminars / Workshops (1988-2019)

Activities Countries	Courses (AMF& Various Inst.)	Courses Coordinated With IMF	Courses Coordinated With WTO	Workshops	Workshops Coordinated With Intf	Workshops Coordinated With WTO/IMF	Workshops Coordinated With WTO	Seminars	Total
Number of Activities	205	154	38	13	9	3	5	4	431
Jordan	384	324	78	26	19	6	3	4	844
U.A.E	403	238	97	14	16	4	7	10	789
Bahrain	306	198	41	9	13	5	7	4	583
Tunisia	302	235	61	19	10	5	3	3	638
Algeria	226	208	48	16	15	4	4	3	524
Djibouti	55	320	2	0	2	2	0	0	381
Saudi Arabia	494	397	79	25	20	6	16	9	1046
Sudan	392	323	67	14	16	5	4	6	827
Syria	323	266	85	68	18	5	3	4	772
Somalia	26	45	2	0	0	0	1	0	74
Iraq	270	449	45	15	8	5	3	2	797
Oman	306	245	68	17	13	6	7	6	668
Palestine	277	212	47	10	7	5	2	3	563
Qatar	202	136	29	19	16	5	10	3	420
Comoros	35	18	11	1	1	0	0	2	68
Kuwait	325	203	24	12	9	5	5	2	585
Lebanon	174	168	52	24	14	3	2	9	446
Lybia	247	141	23	13	7	4	3	1	439
Egypt	444	281	69	21	17	6	2	7	847
Morocco	299	314	44	15	15	6	3	4	700
Mauritania	245	199	31	10	13	1	5	4	508
Yemen	245	222	34	17	19	5	4	5	551
Total	5,980	5,142	1,037	365	268	93	94	91	13,070



صندوق النقد العربي
ARAB MONETARY FUND

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