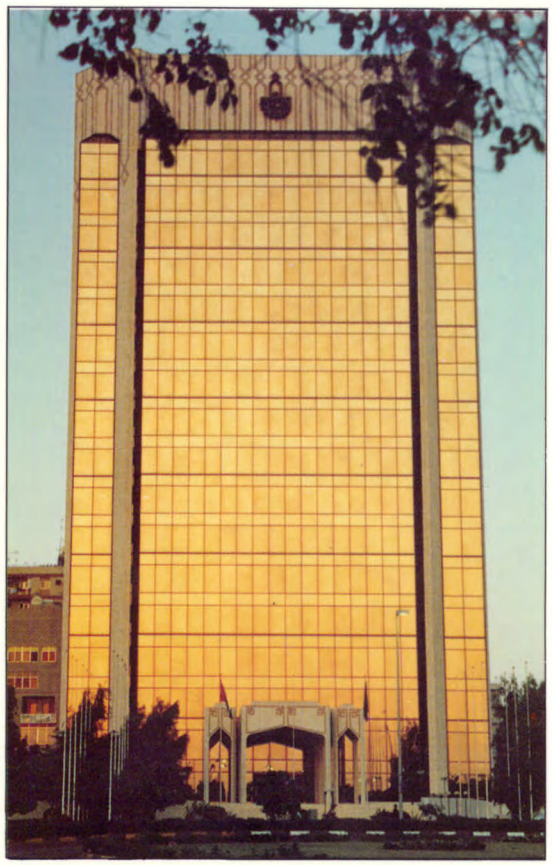
Arab Monetary Fund



Annual Report 1988

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1988

ARAB MONETARY FUND

ARAB MONETARY FUND

Telex : 22989 AMF EM Tel. : 215000 P.O. Box : 2818 Abu Dhabi

PREFACE

The Arab Monetary Fund was established in accordance with an Agreement adopted in April 1976. All members of the Arab League of States, with the exception of Djibouti, have signed this Agreement and are currently members of the Fund.

The purposes of the Arab Monetary Fund are :

— To correct disequilibria in the balance of payments of member states.

— Promote the stability of exchange rates among Arab currencies, rendering them mutually convertible, and eliminate restrictions on current payments between member states.

— Establish such policies and modes of Arab monetary co-operation so as to achieve Arab economic integration as early as possible and speed the process of economic development in the member states.

— Render advice, whenever called upon to do so, with regard to policies related to the investment of the financial resources of member states in foreign markets, so as to ensure the preservation of the real value of these resources and to promote their growth.

— Promote the development of Arab financial markets.

— Study ways to promote the use of the Arab Dinar as a unit of account and pave the way for the creation of a unified Arab currency.

— Coordinate the position of member states on international monetary and economic issues with the aim of realizing their common interest, and contribute to the solution of world monetary problems.

— Settle current payments between member states in order to promote trade among them.

Mr. Chairman and Members of the Board of Governors

I have the honour to present to the Board of Governors, on behalf of the members of the Executive Board and myself, the Annual Report on the activities and financial statements of the Arab Monetary Fund for the year which ended on December 31, 1988, in accordance with Article 33 of the Articles of Agreement of the Fund.

Dr. Abdullah El-Kuwaiz

Director General and Chairman
of the Board of Executive Directors

March 1989

C O N T E N T S

		PAGE
PREFACE		3
	ACTIVITIES OF THE FUND	9
1 :	Adjustment of Balance of Payments Disequilibria	13
2 :	Intra-Arab Trade Financing Scheme	19
3 :	Arab Financial Markets	20
4 :	Technical Assistance	21
5 :	Cooperation with Arab, Regional and International Organizations	27
6 :	Investment Activity	29
	FINANCIAL POSITION OF FUND AND THE FINANCIAL STATEMENTS 1988	31
1 :	The Financial Position	33
2 :	Results for the Year	35
	FINANCIAL STATEMENTS 31 DECEMBER 1988	37
1 :	Auditors' Report	39
2 :	Balance Sheet	40
3 :	Income and Expenditure Statement	41
4 :	Notes to the Financial Statements	42

			PAGE
		APPENDICES	45
Appendix A		**Fund Loans**	47
	Table (1)	Approved Loans	49
	Table (2)	Breakdown of Approved Loans by Type and Amount	50
	Table (3)	Balance of Outstanding Loans at the end of 1987 and 1988	51
	Table (4)	Balance of Outstanding Loans as a Percentage of Paid-up Capital in Convertible Currencies at the end of 1987 and 1988	52
	Table (5)	Paid-up Capital and Approved Loans	53
	Table (6)	Interest Rates Structure	54
Appendix B		**General Tables**	55
	Table (1)	Capital : Authorized, Subscribed and Paid-up as at 31/12/1988	57
	Table (2)	Technical Assistance : Distribution of Participants in Fund Courses, by Country	58
	Table (3)	Technical Assistance : Training Courses at the Fund's Head-quarters 1981 - 1988	59
	Table (4)	Meetings and Seminars Attended by the Fund during 1988	60
	Table (5)	The Board of Governors	62
	Table (6)	The Board of Executive Directors and Their Voting Power 1988	65
Appendix C		**Publications Issued by the Fund 1988**	67
Appendix D		**Graphs**	71
	(1)	Cumulative Total of Approved Loans and Repayments 1978 - 1988	73
	(2)	Percentage Distribution of Loans as at 31/12/1988	74
	(3)	Balance of Outstanding Loans as a Percentage of Countries' Paid-up Quotas in Convertible Currencies at the end of 1987 and 1988	75
	(4)	Balance of Outstanding Loans as a Percentage of Countries' Paid-up Capital in Convertible Currencies 1978 - 1988	76
	(5)	Paid-up and Due Capital 1977 - 1988	77

ACTIVITIES OF THE FUND

I ACTIVITIES OF THE FUND

Introduction

1.1 The Fund in 1988 expanded its activities in the various areas specified in its Articles of Agreement.

1.2 The Fund has continued to extend credit facilities of varying terms and of concessionary nature to finance balance of payments deficits of member countries. Fourteen loans have been extended during 1988 to nine member countries exceeding AAD 121 million or the equivalent of 42.5 percent of the Fund's paid-up capital in convertible currencies. This level of lending is the highest since the Fund started this activity. Loan disbursements amounted to 95 percent of total loans.

1.3 The Fund continued its work in setting up an Intra-Arab Trade financing Scheme in response to resolutions of the Fund's Board of Governors and the Governors of Central Banks and Heads of Arab Monetary Agencies. The Scheme aims at promoting Intra-Arab Trade through the participation of joint Arab financing institutions, governmental and non-governmental financial and banking institutions in member states and joint Arab/non-Arab institutions in financing Intra-Arab Trade through their resources and expertise. The Scheme will also enhance the role of commercial banks in this respect.

1.4 In the areas of Arab financial markets, the Fund prepared a plan for the development of these markets in order to establish links among them. The Fund has established a specialized new unit in issues of relevance to financial markets. Ten Arab countries have been approached in order to conduct field survey and evaluate the conditions of their financial markets. The survey covered two Arab countries during 1988. As a result of the survey, a centralized data base on Arab financial markets will be established at the Fund's headquarters in Abu Dhabi in collaboration with the IFC.

1.5 As part of the Fund's technical assistance to monetary, banking and financial agencies in member countries, the Fund has established The Economic Policy Institute. To this end, the Fund has made arrangements for a number of training courses and seminars jointly with other regional and international organizations. It also financed training grants for staff from financial and banking institutions in member countries. Furthermore, the Fund has commissioned a number of experts to render advice for these institutions. In addition, the Fund has contributed in the financing of courses and seminars provided by the financial and banking institutions in member countries.

1.6 The Fund has continued its cooperation with Central Banks and Arab Monetary Institutions in its capacity as the Board's General Secretariat. It has serviced the Board's meetings and meetings of its Permanent Bureau during the year. During these meetings the Fund has proposed the Intra-Arab Trade Financing Scheme. A paper on the recommended issues for the joint Arab statement has been prepared, together with a paper on monetary policies and developments in the Arab countries which has been a reference for the Board's discussions. The Fund has also finalized a working plan for the Board's forthcoming five year plan.

Other activities in 1988 included co-authoring and publishing of the Joint Arab Economic Report, a publication that has been issued annually since 1980 in collaboration with the Arab League Secretariat, the Arab Fund for Economic and Social Development (AFESD) and the Organization of Arab Petroleum Exporting Countries (OAPEC). The report was presented to the Board of Governors of Central Banks and Arab Monetary Agencies and the Arab Economic and Social Council.

The Fund participated in the meetings of the Arab Economic and Social Council during which a summary of the **Joint Arab Ecomomic Report** and resolutions of the Board of Governors of Arab Central Banks and Monetary Agencies were submitted. The Fund also attended the meetings of a number of Arab, regional and international organizations.

1.7 The Fund's activities in the area of investment included the distribution of weekly, monthly and quarterly reports on the latest developments in the international financial markets and their impact on the economies of the Arab member countries. The Fund also managed to expand its portfolio of securities and financial papers issued by the Arab governments and denominated in their national currencies within the framework of its conservative policy in portfolio management.

1.8 The Fund also published a number of studies and statistical bulletins on national accounts, external trade and payments and exchange rates. It also issued some papers on current regional and international economic issues to its Governors and the Governors of Arab Central Banks and Arab Monetary Agencies.

1. Adjustment of Balance of Payments Disequilibria

Types of Facilities

1.1 The Fund extends five types of concessionary loans to its member countries. These loans, which vary in their maturity, aim at financing deficits in the balance of payments of member countries. **The Automatic Loan,** with a maturity of three years, is maintained at a level of 75 percent of a member's quota in convertible currency and is given without conditionality to finance a balance of payment deficit. However, should the financial need of a member exceed the resources allowed for under the Automatic Loan, an **Ordinary Loan** of five years maturity is extended to support a financial program agreed upon with the Fund in order to correct the causes of the disequilibria. In case of large structural imbalances in a member country's economy, the Fund offers an **Extended Loan** with a maturity of seven years, also in support of an agreed program aimed at correcting the imbalance. **The Compensatory Loan,** of three years maturity, is intended to finance a balance of payments deficit caused by a decline in revenues of exports of goods and services and/or a large increase in the value of imports of agricultural products due to poor harvest. In addition, the Intra-Arab Trade Facility, which has a maturity of four years, is intended to encourage and facilitate trade among member countries.

Lending Policy

1.2. A revision of the Fund's lending policy was necessitated by the Fund's limited resources in light of its previous experience. A larger share of the resources utilized will be linked with adjustment programs, facilitating at the same time the extension of the Automatic Loan.

1.3 Based on such revision, the Board of Directors approved the following amendments :

— Cancel the requirement of prior drawing for IMF reserve tranche as a condition for Automatic Loan eligibility.

— An Automatic Loan is subject to the conditions required for the Ordinary or Extended Loan previously due to the member.

— The Ordinary Loan is subject to a ceiling of 100 percent of the member's paid-up quota in convertible currencies. It may amount up to a maximum ceiling of 175 percent under the Automatic Loan. The maximum ceiling for the Ordinary Loan was 125 percent of the member's share prior to the above mentioned amendments.

— Each drawn payment is settled independently in as far as the maturities, disbursement of instalments and the increase in their number is concerned. Accordingly, instalments of the settlement of disbursements within the Intra-Arab Trade Facility have been increased from four to five equal semi-annual instalments on four years maturity basis. Instalments on drawn payments within the Ordinary Loan have been increased from four to six semi-annual instalments over a maturity of five years. Instalments drawn within the Extended Loan are increased from four to eight equal semi-annual instalments on seven years maturity.

— Intra-Arab Trade Facility has been suspended as of the date of resolving the Intra-Arab Trade Financing Program.

— Drawing on Fund's Loans under normal circumstances has been resolved at 100 percent of the borrower's share during 12 months. This ceiling could go up to 150 percent in cases deemed necessary by the Board of Executive Directors and upon the recommendation of the management.

— Flexibility in drawings on the Extended Loan and follow-up consultation missions.

Loans

1.4 Since its inception, the lending activity of the Fund during 1988 has reached its highest in as far as the number of loans extended, their volume and the number of recipients. During the year, the Fund extended fourteen loans out of which were eight Automatic Loans, two Ordinary, three Intra-Arab Trade Facility and one Compensatory. The cumulative total of approved loans during the year amounted to AAD 121.04 million or the equivalent of 42.5 percent of the Fund's paid-up capital in convertible currencies, in comparison with AAD 29.12 million value of the three approved loans in 1987. The Fund Loans approved during 1988 were to nine countries : Jordan, Algeria, Syria, Iraq, Egypt, Morocco, Mauritania, Yemen Arab Republic and The People's Democratic Republic of Yemen in comparison with three countries in 1987.

Table (1)

Approved Loans During 1988

Country	Number	Type of Loan	Value of Loan AAD Million	Drawings AAD Million
Jordan	1	Trade Facility	1.96	1.96
Algeria	1 1	Automatic Trade Facility	27.93 18.62	27.93 18.62
Syria	1	Ordinary	7.12	5.75
Iraq	1	Automatic	27.93	27.93
Egypt	1	Automatic	4.69	4.96
Morocco	2	Automatic	9.22	11.72[1)]
Mauritania	1 1	Automatic Compensatory	2.19 2.46	2.19 3.46[2)]
Yemen AR	1 1	Automatic Trade Facility	3.98 5.10	3.98 5.10
Yemen PDR	1 1	Automatic Ordinary	3.69 6.15	3.69 1.47
Total	**14**		**121.04**	**118.49**

1) Drawings on a previous Ordinary Loan AAD 2.5 million.
2) Drawings on a previous Extended Loan AAD 1.0 million.

Out of the fourteen Loans, eight were Automatic with a cumulative total of AAD 79.63 million or the equivalent of 65.8 percent, 21.2 percent for the Intra-Arab Trade Facility and 11 percent for the Ordinary Loans.

Table (2)

Disbursements on Loans During 1988

Types of Loans	Number	Value AAD million	Drawings AAD million
Automatic	8	79.63	79.63
Ordinary	2	13.27	9.72[1)]
Extended	—	—	1.00[2)]
Intra-Arab Trade	3	25.68	25.68
Compensatory	1	2.46	2.46
Total	**14**	**121.04**	**118.49**

1) Disbursements on a previous Loan for a member AAD 2.5 million.
2) Disbursements on a previous Loan for a member AAD 2.5 million.

1.5 The loan disbursements during the year amounted to AAD 115 million out of which AAD 3.5 million represent two loan instalments, an Ordinary Loan to the Kingdom of Morocco and an Extended Loan to Mauritania. The aggregate value of loan disbursements during 1988 amounted to AAD 118.5 million in comparison with AAD 26.8 million in 1987, whereas re-paid instalments of previous loans received by the Fund reached AAD 61.99 million. Therefore, the net payment during the year (disbursements on loans — repayments of loan instalments) is equal to AAD 56.5 million.

Table (3)

Repayments of Loans During 1988

(AAD Million)

Country	Amount
Jordan	1.838
Tunisia	2.587
Syria	4.905
Iraq	27.930
Morocco	10.738
Mauritania	5.965
Yemen AR	8.031
Total	**61.994**

1.6 The number of approved loans since the inception of the Fund's lending activity in August 1978 amounted to 81 loans with a cumulative value of AAD 478.93 million as of December 31, 1988. Currently there are 40 active loans totalling AAD 251.59 million or the equivalent of 88 percent of the Fund's paid-up capital in convertible currencies. The balance of outstanding loans by the end of 1988 totalled AAD 213.72 million or the equivalent of 75 percent of the Fund's paid-up capital in convertible currencies.

The loans extended by the Fund during 1988 represent half of the cumulative total of outstanding loans. This is mainly attributed to two large loans extended to Algeria and Iraq.

1.7 Repayments of loans in arrears due on four countries have registered a decline by the end of 1988 and amounted to AAD 43.45 million as at 31/12/1988 in comparison with AAD 47.5 million at the end of the previous year. The amount of arrears represent 15 percent of the Fund's paid-up capital in convertible currencies and exceeds 20 percent of the cumulative total of outstanding loans.

Table (4)

Instalments of Loans in Arrears

(AAD Million)

Country	Total Arrears as at 31/12/1988	In 1988
Sudan	25.313	2.500
Somalia	14.877	6.370
Others*	3.262	3.262
Total	**43.452**	**12.132**

* Includes countries which are less than six months in arrears and others which have actually settled their repayments in the beginning of 1989.

1.8 Within the framework of its lending activity, the Fund sent during 1988 eight missions to Morocco, Mauritania, Algeria, the two Yemens and Syria. A number of these missions aim at the implementation of economic and financial adjustment programs and the others were follow-up missions previously agreed upon.

2. Intra-Arab Trade Financing Scheme

2.1 The Fund gave special consideration to the development of Intra-Arab Trade. It continued its efforts in enhancing a Scheme for financing Intra-Arab Trade in accordance with the resolutions of the Fund's Board of Governors, the Governors of Arab Central Banks and Arab Monetary Agencies.

The AMF proposed the Scheme at the second extraordinary session of the Governors of Central Banks and Monetary Agencies held in Muscat during March 31 to April 2, 1988. The Board, upon reviewing the scheme, submitted its recommendations to the Fund's Board of Governors to approve the Scheme and provide resources for implementation. The Board also called on Arab financial and banking institutions, the AMF, joint Arab financing institutions, international financial and banking institutions as well as joint Arab/non-Arab agencies to participate in financing the scheme.

During its Twelfth Annual Meeting, the Board of Governors allocated an amount of U.S. 250 million dollars of the AMF resources to be blocked until the Scheme becomes operational. The Board of Governors has entrusted the Board of Executive Directors to establish rules and procedures necessary for implementing the Scheme.

2.2 In light of the Board of Governor's resolution, the Board of Executive Directors proposed at their Sixty-Fourth Meeting that the Fund contributes in the capital of the Scheme and that access to the arrangement will be defined in terms of the member's paid-up share in the Fund's capital. During the Sixty-Sixth Meeting held on 24/11/1988, the Board agreed on the Scheme of Intra-Arab Trade financing and submitted their recommendations for approval to the Fund's Board of Governors.

Within the framework of the Scheme, the Fund has provided the necessary procedures for implementation and designed the documents to be utilized upon operating the program. The proposed contract agreement between the Scheme's management and the national agencies has been prepared to be submitted to the Board of Governors during their thirteenth forthcoming annual meeting.

2.3 The Scheme aims at developing and furthering Intra-Arab Trade. It attempts to establish cooperation among the various existing financing agencies in the Arab countries. The Scheme, being a regional system, creates the appropriate means for Intra-Arab Trade dealers by availing finance for Arab importers and exporters through the current existing agencies and thus enabling them to finance trade among Arab countries. Contribution in the scheme's capital will be open to all regional and international financial and banking institutions, joint Arab institutions and joint Arab/non-Arab institutions. The Scheme is governed by a commercial criteria to ensure its success and continuity and act as an incentive for commercial banks to share in its capital.

Through the Scheme, the Fund aims at enhancing the role of commercial banks, assist them to expand in trade associated services and promote their efforts in Intra-Arab Trade Financing. This will evolve in crucial services on trade information, dealers and agencies of concern in order to enable its development and growth.

2.4 In addition, the Scheme may enter into agreements to accept deposits from any Arab state or group of Arab states to be earmarked to finance trade among them. The intention behind this is to offer wider scope for trade financing among the Arab countries and provide support for Arab trade.

3. Arab Financial Markets

3.1 Within the context of the Fund's activities in the area of Arab Financial Markets, the Fund prepared in 1987 a comprehensive and practical plan for the development of these markets and their eventual integration. The implementation of the plan started in 1988. To this end, the Fund established a new unit specialized in the legal and corporate laws regarding financial markets in member states. During the year, the Fund has, with the assistance of international experts, conducted a field survey to evaluate existing Arab financial markets in member states, help in the creation of domestic markets to those member states which do not currently have one, and eventually propose means for developing these markets and establish links among them.

3.2 Ongoing work in this area already exists with ten Arab countries namely : Jordan, The United Arab Emirates, Bahrain, Tunisia, Algeria, Saudi Arabia, Oman, Kuwait, Egypt and Morocco. Furthermore, the Fund initiated a framework for the survey and the specialized unit designed the legal, the corporate laws and the necessary available data on the financial markets of those ten states.

3.3 In September 1988, a delegation of a group of experts and technical team of the Fund visited Algeria and Tunisia. The delegation met with the officials in the financial sector and representatives of private and public sectors in both countries. It obtained the relevant data, information and documents necessary for evaluating the financial position of each country with due consideration for establishing a financial market in Algeria and assisting Tunisia in developing its existing domestic financial market. A report on the visits has been sent to the concerned authorities in both countries.

3.4 Initially, it has been agreed with the IFC to establish a centralized data base on Arab Financial Markets at the Fund's Headquarters in Abu Dhabi. The IFC will provide the Fund with the methodolgy, provisions and training necessary for AMF staff. Data on Arab Financial Markets will be regularly published along with data issued by the IFC on its members' financial markets.

4. Technical Assistance

4.1 As part of the overall activities specified in its Articles of Agreement, notably Article Five, Section (j), the Fund extends technical assistance to monetary, banking and financial agencies in member countries. The Fund's technical assistance policy seeks to meet the members' training requirements. Moreover, training courses offered by the Fund in a number of specialized subjects aim at assisting in developing and improving systems of monetary and financial reporting and analysis which are important for the design and formulation of economic policies. Another objective of this policy is to promote continuous cooperation between the Fund and monetary, banking and financial institutions in the member countries and strengthen the relations and exchange of expertise among member countries.

The Fund activities in the area of technical assistance during 1988 included :

— The establishment of the Economic Policy Institute;

— Training courses held at its headquarters;

— Specialized seminars;

— Financing the training of staff, courses and seminars in member countries and providing experts.

Economic Policy Institute

4.2 An important development in the Fund's technical assistance activities has been the establishment of its Economic Policy Institute in 1988. Activities of the EPI aspire to enhance the technical know-how in the design and the formulation of economic policies in the member states. It also hopes to contribute to the development of Arab economic and financial thought in areas of macroeconomic and financial integration among member states.

During 1989, most of the Institute's technical and administrative arrangements have been completed. The EPI will conduct the following types of activities :

— Conduct applied research on issues of concern to the Arab region. Researchers include the staff of the Arab Monetary Fund as well as prominent Arab researchers who visit the EPI for this purpose.

— Organize seminars and issues of relevance to member states in collaboration with Arab and international economists and economic policy makers in member states.

— Publish EPI research papers and seminars proceedings.

— Organize specialized training courses directed mainly to officials in financial and monetary agencies in member states in collaboration with regional as well as international organizations. Emphasis will be on Arabic as the language of instruction.

The EPI training program during 1989 and 1990 will include the following courses :

— Public Finance;

— Public Finance Statistics;

— Monetary Statistics;

— Methods of Economic Analysis;

— Macroeconomic Management;

— Balance of Payments;

The duration of each course varies between four to five weeks.

Training Courses

4.3 Two training courses were held at the Fund's headquarters in Abu Dhabi during 1988 : One on Balance of Payments and the other on Macroeconomic Management. The course on the Balance of Payments, the fourth of its kind, was held between 20 February to 10 March 1988. This course discussed the main components of the balance of payments and its relation to basic concepts and matters of classification of the system of national accounts. It afforded an opportunity to the participants to exchange views and experiences encountered in the course of their work and to serve member countries in their efforts to propose possible improvements to their balance of payments. The course included practical applications and case studies. The number of participants amounted to twenty-eight trainees from seventeen member countries. Lectures of this course were prepared by the AMF technical staff and the International Monetary Fund.

The second course was on Macroeconomic Management, the first of its kind, was held at the Fund's headquarters in Abu Dhabi during October 24, 1988 to December 1, 1988. The course aimed at providing broad know-how and training of officials involved in the design and application of economic policy in the Arab countries. The participants were mainly officials from central banks and ministries of finance, economy and planning in the member states. The course included lectures, discussions, practical applications and case studies of some Arab countries. It was attended by thirty-two participants from twenty Arab countries. Lecturers from the IMF and World Bank together with lecturers from AMF technical staff have participated in the course.

Since the inception of this activity in 1981, the Fund has organized twelve courses in eight subjects (Table 5).

Table (5)

Training Courses Held at The Fund (1981 - 1988)

Course Subjects	Number of Participants						Total
	1981	1983	1985	1986	1987	1988	
(1) Balance of Payments	20	24	16	—	—	28	88
(2) Reserves Management and Risk Analysis	19	—	20	—	—	—	39
(3) Financial Analysis	—	18	—	—	—	—	18
(4) Bank Supervision	—	—	21	—	—	—	21
(5) Public Finance	—	—	—	19	—	—	19
(6) Money and Banking Statistics	—	—	—	—	23	—	23
(7) Methods of Economic Analysis	—	—	—	—	27	—	27
(8) Macroeconomic Management	—	—	—	—	—	32	32
Cumulative Total	**39**	**42**	**57**	**19**	**50**	**60**	**267**

Seminars

4.4 The Fund has, in collaboration with the UNDP, ESCWA and IMF, held a seminar in Abu Dhabi on "Privatization and Structural Adjustment in the Arab Countries" during 5 - 7 December 1988. The seminar was attended by a large number of Arab and non-Arab thinkers. Discussion of the eight research papers were distributed over eight working sessions, four out of which dealt with the subject of privatization. The other four research papers handled four case studies on Egypt, Tunisia, the Gulf States and Jordan. The papers were presented by the author followed by a discussant commentary and then a panel discussion by attendants. A summary of the main issues was made by the seminar's leader. All research papers and commentaries will be published in a book during the second quarter of 1989.

Training Grants

4.5 As part of its technical assistance program, the Fund provides training to staff of government, monetary and financial institutions who receive training in other states or specialized institutes outside the Arab countries. During 1988, the Fund directed its efforts towards a re-examination of its technical assistance with the intention of strengthening this program both qualitatively and quantitively within the financial resources available. During 1988, the Fund organized and financed training of five trainees from four member states. The training was conducted at counterpart and/or specialized institutions in three member states and one non-member country for a duration ranging from twenty two days to twelve months.

Technical Expertise

4.6 As for the availability of technical expertise and their exchange among member states, the Fund, during 1988, delegated and financed the mission of two Arab experts to two member countries. The mission of the first expert was to assist the departments of the central bank of the member in the use of computers. It lasted for ten days. The other mission was consultative in nature in the area of bank supervision.

Courses and Seminars in Member States

4.7 Within the context of cooperation with member states in areas of organizing training courses at the member's official agencies, the Fund contributed in the financing of a course on specialized banking in Aden for twelve days. The Fund is also in process for organizing a seminar on Investments and Trade to be held at the Central Bank of Libya in February 1989.

Table (6)

Technical Assistance : Training Arrangements Outside The Fund 1988

Sponsoring Institution	No. of Sponsored Trainees	Host Agency & Country	Area of Training	Duration
Algeria				
Ministry of Finance	1	Société Générale de Banque, Belgium	Export Loans	2 months★
National Bank of Algeria	1	Société Générale France	Medium Term Commitments - Supervision	2 months
Somalia				
Central Bank of Somalia	1	Bahrain Centre for Training of Bankers	Documentary Credit	22 days
Mauritania				
Ministry of Finance and Economy	1	Institute of Financing Development for the Arab Maghrib, Tunisia	Economic Development and Financing	21 months
Yemen AR				
Central bank of Yemen	1	Central Bank of Jordan	Central Banking Operation, Auditing and Internal Organization	1½ months

★ Part of a long-term training program at the Institute of Financing Development for the Arab Maghrib in Tunisia. It is a specialized training institute co-financed by the governments of Tunisia and Algeria.

5. Cooperation with Arab, Regional and International Organizations

5.1 The Fund continued its cooperation with the Arab organizations as means of support for joint Arab efforts. In its capacity as the General Secretariat of the Board of Governors of Arab Central Banks and Heads of Arab Monetary Agencies, the Fund serviced a number of the Board's meetings and its Permanent Bureau. It also participated in the meetings of the Economic and Social Council and other Arab organizations engaged in the co-authoring of the Joint Arab Economic Report. The Fund also attended several meetings and seminars of Arab regional and international organizations.

5.2 In its capacity as the General Secretariat of the Board of Governors of Central Banks and Arab Monetary Agencies of Arab states, the Fund prepared for the meetings of the Board's Extraordinary Session held in Muscat during 31 March to 2 April, 1988. During the session, the Board discussed the proposed scheme of Intra-Arab Trade Financing Program.

The Fund also prepared for the meeting of the Board's Permanent Bureau held in Damascus on 19 June, 1988. During the meeting the Board adopted the agenda for the Board's 13th session as well as the recommendations of the Permanent Bureau. The Fund also acts as the General Secretariat for the meeting which discusses the **Joint Arab Economic Report.** This document, which is edited and published annually by the Fund, is prepared jointly with the General Secretariat of the League of Arab States, the Arab Fund for Social and Economic Development (AFSED) and the Organization of Arab Petroleum Exporting Countries (OAPEC).

The Board also discussed the proposed outline of the Joint Arab Statement which was presented by an Arab governor, on behalf of the Arab Countries, to the Joint Annual Meetings of the IMF and World Bank in light of the recommendations presented by the Arab Monetary Fund, the General Secretariat of the League of Arab States and the Arab Executive Directors at the IMF and World Bank. Emphasis this year was on the adjustment efforts by the developing countries in order to enhance the need for :

— support efforts of adjustment through an international cooperation to improve terms of trade;

— minimize protectionist measures in the industrial countries to enhance multilateral trade exchanges;

— urge the industrial countries to adopt measures to exempt the most indebted countries fully or partially of their debts and to relieve debt burden on the developing countries;

— increase the flow of financial resources to indebted countries at concessionary terms;

— emphasize the role of the Arab donor countries in extending financial aid to the developing countries in spite of the changing economic environment;

— appeal to the industrial countries to create the economic environment necessary for the growth of the economies of the developing countries.

The Board also discussed monetary developments and policies in the Arab countries in light of the memorandum prepared by the Fund on this subject and which has been previously adopted by the Board as a working paper for its discussions and debates. The Board emphasized the importance of such memorandum and recommended its preparation annually.

5.3 The meeting of the Board's Permanent Bureau was held on 24 December, 1988 to discuss the proposal submitted by the Fund on procedures for the Board discussions. The Permanent Bureau adopted the basic orientations of the project and selected five topics of utmost priority namely :

— Arab monetary and financial legislation,

— Impact of newly created Arab Economic blocs,

— Problems of Arab external debt,

— Strengthening the resources of the Arab Monetary Fund,

— Development and Training of human resources in the field of banking,

The Permanent Bureau recommended the revision of the Board procedures within a framework of a plan of Arab monetary integration. The Bureau also discussed the topics of its forthcoming 14th session and resolved the relevant agenda prepared by the Fund.

5.4 During 1988, the Fund took part in two sessions of the Economic and Social Council. The first, the 44th session, was held in Tunisia in February 1988. The second, the 45th session held in Tunisia during 8-9 September, 1988. The main topics were the **Joint Arab Economic Report** and the resolutions of the Board of Governors of Arab Central Banks and Arab Monetary Agencies particularly the Joint Arab Statement at the IMF annual meetings.

The Economic and Social Council has also examined an overall assessment of the specialized Arab organizations during its extraordinary session held in Amman in July 1988. In this respect, important resolutions were adopted and the Ministerial Committee of Eight was entrusted to follow up their implementation. Moreover, the Council requested the team of Arab Food Security to prepare an annual report on the development of Arab Food Security with due consideration to production, investment and marketing aspects together with any proposal or recommendation the team may deem necessary. In collaboration with the Arab League, the team organizes sectoral meeting among Arab experts in areas of food security in order to define sectoral objectives at both the national as well as the regional level, devise plans and feasibility studies of joint projects and approach concerned authorities to contribute in its financing.

The Council studied the report and recommendations of the Trade Negotiations Committee and advised the committee on measures for the liberalization of Arab trade in line with the commodity list in order to organize custom and non-custom exemptions.

5.5 The Fund also participated in the meetings of a number of Arab regional and international organizations. Details are outlined in Appendix B, Table (4).

6. Investment Activity

6.1 General guidelines of the investment policy and basic controls for the management of the Fund's investments have been specified in the resolutions of the Board of Executive Directors. The investment strategy aims to maintain Fund resources and bolster Fund reserves in order to meet lending requirements of member states, cover administrative expenditures and expand its various other activities.

Within the framework of the investment policy set by the Board of Executive Directors, the Fund worked out criteria for : selecting the banking institutions that the Fund deals with, choosing various investment instruments in line with the Fund's foreseable flow of funds and assigning appropriate geographical distribution of assets to minimize possible risks.

6.2 In 1988, the Fund's conservative investment policy proved effective in the face of wide variations of exchange rates and accelerating fluctuations of interest rates of the world's major currencies. Consequently, the largest part of the Fund's investment portfolio is denominated in currencies that constitute the SDR.

The Fund's assets are measured in Arab Accounting Dinars (AAD), one AAD being equivalent to three units of Special Drawing Rights (SDR). This link to the SDR has been valuable for the preservation of the value of the Fund's investment portfolio.

The Fund is one of few institutions to be granted the status of "Other Holders" of special Drawing Rights by the International Monetary Fund. This status allows the Fund to deal in SDR's with the "Other Holders" and member countries of the International Monetary Fund.

6.3 In order to diversify its investment portfolio and strengthen links with the monetary authorities of member states and exchange expertise on investment policies; the Fund lately increased its portfolio of securities and financial papers issued by a number of Arab governments and denominated in their national currencies in line with the Fund's investment policy which is manifested in maintaining :

— Safety of the investments,

— Freedom of exchange and availability of liquidity,

— Maximum available returns.

6.4 The Fund issues weekly, monthly and quarterly reports on the latest developments in the international financial markets and their impact on the economies of the Arab member countries. The Fund also works at developing its relations with the Arab financial and banking institutions, through the acceptance of deposits and the management of their financial portfolios given its distinctive experience and relations with the international financial institutions.

FINANCIAL POSITION OF THE FUND AND THE FINANCIAL STATEMENTS 1988

II FINANCIAL POSITION OF THE FUND

1. The Financial Position

The financial statements as at December 31, 1988, reflect the financial position of the Fund, and the results for the year then ended, as follows :

Net Assets

1.1 The Fund's net assets (total assets less accounts payable and other liabilities) amounted to AAD 403,381,000 as at December 31, 1988, compared with net assets of AAD 384,556,000 at the end of 1987, with an increase of AAD 18,825,000 (4.90%).

The Fund's net assets consist of the following :

Loans to Member Countries

1.1.1 Total loans granted to member countries amounted to AAD 478,925,000 as at 31/12/1988 compared with AAD 358,187,000 as at 31/12/1987, with an increase of AAD 120,738,000 (33.71%). Total cumulative loan repayments amounted to AAD 252,441,000 as at 31/12/1988 compared with AAD 190,522,000 as at 31/12/1987, which resulted in the increase of net outstanding loans to member countries of AAD 56,267,000. This brought the balance of outstanding loans, as at 31/12/1988, to AAD 213,717,000 which represents 52.98% of the Fund's net assets, in comparison with AAD 157,450,000 outstanding loans as at the end of the previous year.

The Fund's loan commitments amounted to AAD 226,484,000 which represents 79.62% of the paid-up capital in convertible currencies. It includes AAD 213,717,000 balance of outstanding loans as at 31/12/1988 and AAD 12,767,000 of undisbursed loans.

Deposits with Banks

1.1.2 Total deposits with banks as at 31/12/1988 amounted to AAD 153,993,000 which is equivalent to 38.18% of the Fund's net assets compared with AAD 189,798,000 as at 31/12/1987, with a decrease of AAD 35,805,000 equivalent to 18.86%.

Other Assets

1.1.3 These consist of deposits with central banks of AAD 5,326,000, fixed assets AAD 4,228,000, investments AAD 18,433,000. Other Holders Account with International Monetary Fund AAD 2,829,000 interest receivable and other debtors, and current and call account (after deducting creditors and other liabilities) AAD 4,855,000 representing 1.32%, 1.05%, 4.57%. 0.70% and 1.20% of net assets respectively.

Capital and Reserves

1.2 In accordance with Article 11 of the Fund's Articles of Agreement, the resources of the Fund consist of the following :

1. Paid-up capital
2. Reserves
3. Loans and credits obtained by the Fund
4. Any other resources decided upon by the Board of Governors.

The Fund's capital is the main source of financing loans granted to member countries in order to support their balance of payments. Its importance is extended to the constitution of the voting power in accordance to the component shares of each member. The paid-up capital for each member limits his benefits from the Fund's support to its balance of payments.

Capital

1.2.1

a. In accordance with Article 15 section (c) of the Fund's Agreement, and in compliance with the Board of Governors' Resolution No. (3) of 1983, the authorized share capital was increased from AAD 268 million to AAD 600 million, with an increase of AAD 332 million, payable in five equal annual instalments.

b. In accordance with the Board of Governors' Resolution No. (4) of 1988, the subscribed share capital is stated to be original subscription plus the first instalment of the share capital increase totalling AAD 334,400,000.

c. In accordance with the Board of Governors' Resolution No. (5) of 1988, member countries have been given a grace period to pay their dues of the first instalment of the share capital increase until the thirteenth annual Board of Governors meeting.

d. Paid-up capital amounted to AAD 289,790,000 as at 31/12/1988, compared with AAD 290,190,000 as at 31/12/1987. The decrease of AAD 400,000 represents capital instalments refunded to some member countries. At 31/12/1988 the ratio of paid-up capital to the authorised and subscribed capital was 86.66%.

e. Due and unpaid capital amounted to AAD 44,610,000 which represents the remainder of the first instalment of the increase in capital; in addition to 100% of the share of Palestine, which was deferred by virtue of the Board of Governors' Resolution No. (7) of 1978, and the share of the Arab Republic of Egypt in due capital amounting to AAD 25,250,000.

Reserves

1.2.2 In accordance with Article 16 of the Fund's Agreement, a general reserve was established and amounted to AAD 113,591,000 representing 28.16% of the paid-up capital and reserves at 31/12/1988 compared to AAD 94,366,000 as at 31/12/1987 with an increase of AAD 19,225,000 at the growth rate of 20.37%.

Income

2. Results for the Year

2.1 Total income of the Fund for the year ended 31/12/1988, amounted to AAD 22,140,000 compared with total income of AAD 18,150,000 for the year ended 31/12/1987, with an increase of AAD 3,990,000 at the rate of 21.98%. Total income consists of interest and fees from loans (35.62%), interest from deposits and investments (63.25%) and other income (1.13%).

Expenditure

2.2 Total expenditure for the year ended 31/12/1988 amounted to AAD 2,915,000 compared with AAD 3,601,000 for the year ended 31/12/1987, with a decrease of AAD 686,000 (19.05%).

Net Income

2.3 Net Income for the year ended 31/12/1988 amounted to AAD 19,225,000 compared with net income for the year ended 31/12/1987 AAD 14,549,000, with an increase of AAD 4,676,000 (32.14%). The net income has been transferred to the general reserve in accordance with Article 16, Section (b) of the Fund's Agreement.

FINANCIAL STATEMENTS
31 DECEMBER 1988

III. FINANCIAL STATEMENTS 31 DECEMBER 1988

1. Auditors' Report

TO THE MEMBERS OF THE BOARD OF GOVERNORS OF
THE ARAB MONETARY FUND

We have examined the financial statements of the Arab Monetary Fund set out on pages 2 to 7☆. Our audit was carried out in accordance with standards accepted internationally and included such tests of the accounting records and such other auditing procedures as we considered necessary. We obtained all the information and explanations we required for the purpose of our examination.

In our opinion proper accounting records were maintained and the financial statements, which are in agreement with the accounting records, give a true and fair view of the state of affairs of the Fund at 31 December 1988 and of the results of its operations for the year then ended.

Also in our opinion expenditure for the year was in accordance with the financial regulations of the Fund and was within limits specified in the administrative budget.

ERNST & WHINNEY

Abu Dhabi
8 February 1989

☆ Pages 2 to 7 in the auditors' report correspond to pages 40 – 44 of the Fund's Annual Report.

2. Balance Sheet
31 December 1988

	Note	1988 AAD 000	1987 AAD 000
2. ASSETS			
Loans to member countries	3	213,717	157,450
Deposits with central banks	4	5,326	5,326
Current and call accounts with banks		335	368
Other holders account with International Monetary Fund		2,829	4,573
Deposits with banks		153,993	189,798
Investments		18,433	17,039
Interest receivable and other debtors	5	25,222	21,578
Fixed assets	6	4,228	4,686
		424,083	400,818
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL			
Authorised	7	600,000	600,000
Capital - paid-up	7	289,790	290,190
General reserve	8	113,591	94,366
Paid-up capital and reserves		403,381	384,556
Accounts payable and other liabilities		20,702	16,262
		424,083	400,818

Dr. Abdullah El Kuwaiz
DIRECTOR GENERAL
CHAIRMAN OF THE BOARD

The attached notes 1 to 9 form part of these financial statements.

3. Income and Expenditure Statement
Year Ended 31 December 1988

	Note	1988 AAD 000	1987 AAD 000
INCOME			
Interest — loans		7,887	5,205
— bank deposits		12,558	11,403
— investments		1,444	1,221
Other income		251	321
		22,140	18,150
EXPENDITURE			
Administration and general expenses		2,675	2,551
Depreciation of fixed assets		510	515
Loss on revaluation of investments		14	353
Net difference on exchange		(284)	182
		2,915	3,601
Net income for the year transferred to general reserve	8	19,225	14,549

The attached notes 1 to 9 form part of these financial statements.

4. Notes to the Financial Statements 31 December 1988

1 ACTIVITIES

The Arab Monetary Fund was formed under an agreement dated 27 April 1976 by 21 Arab countries being desirous of laying the monetary foundations of Arab economic integration, accelerating the process of economic development in all Arab countries and promoting trade amongst these countries. The Fund is principally engaged in providing loans in order to correct disequilibria in the balance of payments of the member states. Its headquarters are situated in Abu Dhabi, United Arab Emirates.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention. In accordance with the Articles of Agreement of the Arab Monetary Fund, the financial statements are expressed in Arab Accounting Dinars each of which is equal to three Special Drawing Rights as defined by the International Monetary Fund.

(b) Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the time of the transactions. Assets (except fixed assets) and liabilities in foreign currencies at the balance sheet date are translated at SDR rates of exchange issued by the International Monetary Fund. Any resulting gains or losses are taken to the income and expenditure statement.

Fixed assets are recorded at historical rates of exchange.

(c) Investments

Investments, comprising bonds and other securities, are stated at the lower of cost and market value.

(d) Depreciation of fixed assets

The cost of fixed assets, less their estimated residual value, is expensed by equal annual instalments over the expected useful lives of the assets concerned.

(e) Pensions and employees' terminal benefits

The income and expenditure statements is charged with pension contributions at rates calculated in accordance with the pension fund regulations. For employees not included in the pension fund, provision for terminal benefits is made in accordance with the decisions of the Board of Executive Directors which is more favourable to the employees than the U.A.E. Labour Law.

(f) Revenue recognition

Interest receivable is recognised on a time proportion basis, taking account of the principal outstanding and the rate applicable. Interest on loans to member countries who are more than one year overdue in meeting interest payments and interest on delayed repayment instalments (on both principal and interest) is suspensed and taken to income when collected.

3 LOANS TO MEMBER COUNTRIES

	1988 AAD 000	1987 AAD 000
Approved loans since inception	478,925	358,187
Undisbursed loans	(12,767)	(10,215)
Loans settled	(252,441)	(190,522)
	213,717	157,450

Loans to member countries include repayment instalments of AAD 43,452,000 (1987 : AAD 47,519,000) due but not received. On 9 January 1989 a member country paid their outstanding instalment amounting to AAD 1,425,000.

4 DEPOSITS WITH CENTRAL BANKS

This represents the portion of capital contributions which has been paid in the national currencies of member countries and deposited with their central banks in accordance with Article Fourteen (a) 4 of the Articles of Agreement of the Arab Monetary Fund.

5 INTEREST RECEIVABLE AND OTHER DEBTORS

This includes interest due but not received and penalty interest on loans to member countries amounting to AAD 19,873,000 (1987 : AAD 16,481,000).

6 FIXED ASSETS

The estimated useful lives of the fixed assets for the calculation of depreciation are as follows :

Headquarters building	15 years
Furniture and fixtures	4 years
Office equipment and computer	4 years
Motor vehicles	2 years

7 SHARE CAPITAL

In accordance with the Board of Governors' Resolution number (4) of 1988, the authorised share capital was set at AAD 600 million and the called up and payable share capital was determined to be the original share capital plus the first instalment as per resolution number (3) of 1983 and totalling AAD 334,400,000.

	1988 AAD 000	1987 AAD 000
Capital — called	334,400	334,800
— unpaid	(44,610)	(44,610)
Capital paid-up	289,790	290,190

The unpaid share capital includes AAD 25,250,000 relating to the Arab Republic of Egypt. In accordance with the Board of Governors' resolution number (7) of 1988 the suspension of the Arab Republic of Egypt's membership has been lifted. Accordingly, the Arab Republic of Egypt will settle AAD 7 million in March 1989 being its first instalment of the increase in share capital and it will make further capital contributions of AAD 6.25 million and AAD 12 million by October 1989 and January 1992 respectively.

In accordance with the Board of Governors' Resolution number (7) of 1978 the payment of Palestine's share of capital authorised and called has been deferred.

8 GENERAL RESERVE

	1988 AAD 000	1987 AAD 000
Balance at beginning of the year	94,366	79,817
Net income for the year	19,225	14,549
Balance at end of the year	113,591	94,366

9 FUTURE COMMITMENTS

In accordance with the Board of Governors' Resolution number (3) of 1988 it was decided that an amount of US $250 million be set aside from the Fund's resources to finance the Arab Visible Trade Programme. The Articles of Association of this programme will be approved at the next meeting of the Board of Governors.

APPENDICES

APPENDIX (A)
FUND LOANS

Table (A - 1)

Approved Loans

(Thousands of Arab Accounting Dinars)

Year	No. of Loans	Value	Drawn	Repaid
1978	2	6,563	6,563	—
1979	5	16,500	11,500	—
1980	4	11,750	10,250	4,125
1981	10	78,615	50,955	6,469
1982	8	31,440	47,567	4,541
1983	10	80,925	97,208	15,871
1984	5	18,465	18,050	27,664
1985	9	50,955	50,955	52,619
1986	11	33,555	27,805	26,021
1987	3	29,120	26,820	53,212
1988	14	120,737	118,485	61,919
Total	**81**	**478,925**	**466,158**	**252,441**

Table (A - 2)

Breakdown Of Approved Loans By Type and Amount*

(Thousands of Arab Accounting Dinars)

Year	Automatic		Ordinary		Compensatory		Extended		Trade Facility		Total	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
1978	2	6,563	—	—	—	—	—	—	—	—	2	6,563
1979	4	5,250	—	—	—	—	1	11,250	—	—	5	16,500
1980	2	2,250	1	4,500	1	5,000	—	—	—	—	4	11,750
1981	6	15,405	1	8,820	1	9,800	2	44,590	—	—	10	78,615
1982	5	14,280	—	—	1	3,920	2	13,240	—	—	8	31,440
1983	4	34,545	1	5,700	2	31,800	—	—	3	8,880	10	80,925
1984	3	7,065	—	—	—	—	1	6,500	1	4,900	5	18,465
1985	6	42,495	—	—	2	7,760	—	—	1	700	9	50,955
1986	8	21,855	1	6,250	—	—	1	3,250	1	2,500	11	33,855
1987	—	—	1	7,050	—	—	—	—	2	22,070	3	29,120
1988	8	79,327	2	13,270	1	2,460	—	—	3	25,680	14	120,737
Total	**48**	**229,035**	**7**	**45,590**	**8**	**60,740**	**7**	**78,830**	**11**	**64,730**	**81**	**478,925**

* This facility was first made available in 1981.

Table (A - 3)

Balance of Outstanding* Loans At the End of 1987 and 1988

(Thousands of Arab Accounting Dinars)

Type of Loans	End 1987			End 1988			Change during 1988		Percentage change 88/87
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Automatic	18	59,898	38.0	22	96,929	45.4	4	37,031	61.8
Ordinary & Extended	10	60,878	38.7	11	58,088	27.2	1	−2,790	−4.6
Trade Facility	6	27,995	17.8	7	50,775	23.7	1	22,780	81.4
Compensatory	3	8,680	5.5	3	7,925	3.7	0	−755	−8.7
Total	**37**	**157,451**	**100.0**	**43**	**213,717**	**100.0**	**6**	**56,266**	**35.7**

* Total Drawn Loans — Total Disbursed Instalments.

Table (A - 4)

Balance of Outstanding Loans as a Percentage of Paid-up Capital In Convertible Currencies At the End of 1987 and 1988

(Thousands of Arab Accounting Dinars)

	End of 1987			End of 1988		
Country	Balance of Outstanding Loans	Paid-up Capital In Convertible Currencies	%	Balance of Outstanding Loans	Paid-up Capital In Convertible Currencies	%
Jordan	6,020	5,320	113	6,142	5,320	115
Tunisia	8,625	6,900	125	6,037	6,900	87
Algeria	—	—	—	46,550	37,240	125
Sudan	30,898	9,800	315	30,898	9,800	315
Syria	6,840	7,120	96	7,683	7,120	108
Somalia	14,877	3,920	380	14,877	3,920	380
Iraq	46,550	37,240	125	46,550	37,240	125
Egypt	—	—	—	4,687	6,250	75
Morocco	17,456	14,800	118	18,444	14,800	125
Mauritania	13,085	4,920	266	12,770	4,920	260
Yemen (AR)	13,100	10,600	124	13,919	10,200	136
Yemen (PDR)	—	4,920	—	5,160	4,920	105
Total	**157,451**	**105,540**	**149**	**213,717**	**148,630**	**144**

Table (A - 5)

Paid-up Capital and Approved Loans

(Thousands of Arab Accounting Dinars)

Statement	31/12/78	31/12/79	31/12/80	31/12/81	31/12/82	31/12/83	31/12/84	31/12/85	31/12/86	31/12/87	31/12/88
Total of paid subscriptions	**67,041**	**118,366**	**131,546**	**151,370**	**229,810**	**248,090**	**268,250**	**295,390**	**312,790**	**290,190**	**289,790**
Paid in local currencies and deposited in central banks of members	4,966	4,966	5,226	5,226	5,326	5,326	5,326	5,326	5,326	5,326	5,326
Paid in convertible currencies	62,075	113,400	126,320	146,144	224,484	242,764	262,924	290,064	307,464	284,864	284,464
Approved loans during the year	6,563	16,500	11,750	78,615	31,440	80,925	18,465	50,955	33,855	29,120	120,737
Balance of outstanding loans (undrawn)*	6,563	23,063	30,688	102,834	129,733	194,787	185,588	183,924	191,758	167,666	226,484
Balance of outstanding loans**	6,563	18,063	24,188	68,674	111,700	193,037	183,423	181,759	183,843	157,451	213,717
Approved loans to paid-up capital in convertible currencies (%)	10.57	14.55	9.30	53.79	14.01	33.34	7.02	17.57	11.01	10.22	42.44
Balance of outstanding loans (undrawn) to paid-up capital in convertible currencies (%)	10.57	20.34	24.29	70.37	57.79	80.24	70.59	63.41	62.37	58.86	79.62
Balance of outstanding loans to paid-up capital in convertible currencies (%)	10.57	15.93	19.15	46.99	49.76	79.52	69.76	62.66	59.79	55.27	75.13

* Total approved loans minus disbursed loan instalments.

** Total disbursed loans minus disbursed loan instalments.

Table (A - 6)

Interest Rates Structure

(In Percent)

Year	Automatic	Trade Facility	Ordinary, Extended & Compensatory
First year	3.75	4.95	5.20
1 – 2	4.25	5.25	5.50
2 – 3	4.75	5.55	5.80
3 – 4	—	5.85	6.10
4 – 5	—	—	6.40
5 – 6	—	—	6.70
6 – 7	—	—	7.00

APPENDIX (B)

General Tables

Table (B - 1)

Capital : Authorised*, Subscribed and Paid-up as at 31/12/1988

(Millions of Arab Accounting Dinars)

Country	Capital Subscribed	Paid-up in local Currency	Total paid-up	Total of outstanding instalments
Jordan	5.40	0.08	5.40	—
United Arab Emirates	19.20	0.30	19.20	—
Bahrain	5.00	0.08	5.00	—
Tunisia	7.00	0.10	7.00	—
Algeria	42.40	0.76	38.00	4.40
Saudi Arabia	48.40	0.76	48.40	—
Somalia	5.00	0.08	4.00	1.00
Sudan	13.00	0.20	10.00	3.00
Syria	7.20	0.08	7.20	—
Iraq	42.40	0.76	38.00	4.40
Oman	5.00	0.08	5.00	—
Qatar	12.80	0.20	10.00	2.80
Kuwait	32.00	0.50	32.00	—
Lebanon	6.60	0.10	5.00	1.60
Libya	13.44	0.186	13.44	—
Egypt[1)]	32.00	0.50	6.75	25.25
Morocco	15.00	0.20	15.00	—
Mauritania	5.00	0.08	5.00	—
Yemen (AR)	10.40	0.20	10.40	—
(PDR) Yemen	5.00	0.08	5.00	—
Palestine[2)]	2.16	—	—	2.16
Total	**334.40**	**5.236**	**289.79**	**44.61**

* Capital Authorised in accordance with the Board of Governors' Resolution No. (4/88) is 600 Million Arab Accounting Dinars.

1) The suspension of Arab Republic of Egypt membership has been lifted by the Board of Governors' (Resolution No. 7, 1988). Settlement of the outstanding instalments will be made accordingly.

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

Table (B - 2)

Technical Assistance : Distribution of Participants In Fund Courses, By Country

Country/Course	Balance of Payments				Reserve Management & Credit Risk Analysis		Financial Analysis	Bank Supervision	Public Finance	Money & Banking Statistics	Methods of Economic Analysis	Macro-Economic Management	Total for each Country
	1981	1983	1985	1988	1981	1985	1983	1985	1986	1987	1987	1988	
Jordan	1	1	1	1	1	1	1	1	2	2	2	1	15
U. A. E.	4	7	2	4	6	2	2	3	2	2	2	4	40
Bahrain	1	1	–	2	1	1	1	1	–	2	1	2	13
Tunisia	1	1	1	2	1	1	1	1	1	2	1	1	14
Algeria	2	–	–	2	–	1	1	1	–	–	1	1	9
Saudi Arabia	1	1	1	2	1	1	1	2	4	1	3	3	21
Somalia	1	1	1	1	1	1	–	1	–	1	1	1	10
Sudan	1	1	1	1	1	1	1	1	2	2	2	1	15
Syria	–	1	1	1	1	1	1	1	1	1	1	1	11
Iraq	1	1	1	1	1	1	1	1	2	1	1	1	13
Oman	1	1	1	–	1	–	1	1	1	1	1	2	11
Qatar	–	2	–	2	–	1	1	–	1	1	1	–	9
Kuwait	2	1	1	–	1	2	–	1	1	–	2	2	13
Lebanon	–	–	–	1	–	–	1	1	–	–	–	2	5
Libya	1	–	1	2	–	1	1	1	–	1	2	2	12
Egypt	–	–	–	–	–	–	–	–	–	–	–	3	3
Morocco	1	2	1	2	1	2	1	1	1	2	2	1	17
Mauritania	–	1	1	–	–	1	1	1	–	1	1	1	8
Yemen (AR)	1	1	1	1	1	1	1	1	–	1	1	1	11
(PDR) Yemen	1	1	1	2	1	1	1	1	1	2	2	1	15
Palestine	–	–	–	1	–	–	–	–	–	–	–	1	2
Total	**20**	**24**	**16**	**28**	**19**	**20**	**18**	**21**	**19**	**23**	**27**	**32**	**267**

Table (B - 3)

Technical Assistance : Training Courses At The Fund's Headquarters 1981 - 1988

Area of Training	Duration	Host Agencies	Participating Countries	No. of Trainees
1981				
1 — Balance of Payments	17 days	IMF and ESCWA	15	20
2 — Reserve Management and Credit Risk Analysis	7 days	Schroder Wagg & Co. Institution - London International and Banking Credit Analysis - London	14	19
1983				
3 — Balance of Payments	18 days	IMF and ESCWA	16	24
4 — Financial Analysis	11 days	Jordan Institute of Management	17	18
1985				
5 — Balance of Payments	18 days	IMF and ESCWA	15	16
6 — Reserve Management	18 days	James Capel & Co.	17	20
7 — Bank of Supervision	13 days	Federal Reserve Bank Expert from the Central Bank of U.A.E.	18	21
1986				
8 — Public Finance	23 days	IMF	12	19
1987				
9 — Money and Banking Statistics	21 days	IMF	16	23
10 — Methods of Economic Analysis	21 days		18	27
1988				
11 — Balance of Payments	19 days	IMF	17	28
12 — International Macroeconomic Management	38 days	IMF & World Bank	20	32

Table (B - 4)

Meetings & Seminars Attended by the Fund During 1988

Organizing Agency	Place	Date	Topic
League of Arab States	Tunisia	2 - 4 February	43 Session of Economic and Social Council
Islamic Development Bank	Tunisia	7 - 8 March	13th Annual Meeting of the Board of Governors of Islamic Development Bank
UNDP	Casablanca	16 - 18 March	Government Meeting of the Regional Program for Arab states
Arab Monetary Fund	Muscat	31 March - 2 April	2nd Extraordinary Meeting, Board of Governors of Arab Central Banks and Heads of Monetary Agencies
Union of Arab Chambers of Commerce and Industry	Damascus	9 - 12 April	30th Session, Conference of Arab Chambers of Commerce, Industry and Agriculture
Arab Fund for Economic and Social Development	Kuwait	30 April - 1 May	Coordination Meeting for the Statistics of the Joint Arab Economic Report for 1988
Arab Monetary Fund	Damascus	19 June	Permanent Bureau / Board of Governors of Arab Central Banks and Heads of Arab Monetary Agencies
Arab Monetary Fund	Abu Dhabi	2 - 5 July	Meetings of the participating organizations in the Joint Arab Economic Report for 1988
International Institute for Public Finance	Istanbul	22 - 26 August	44th Annual Meeting
Arab Monetary Fund	Damascus	27 - 28 August	13th Session for the Board of Governors of Arab Central Banks and Heads of Arab Monetary Agencies
League of Arab States	Tunisia	8 - 9 September	45th Session, Economic and Social Council
IMF and World Bank	Berlin	25 - 30 September	The Joint Annual 43rd Meeting of the IMF and World Bank
Union of Arab Banks	Tunisia	15 - 17 October	Seminar on the Role of Arab Banks in Strengthening and Development of Trade and Environmental Services between the Arab States and the Outside World

Table (B - 4) Cont'd.

Meetings & Seminars Attended by the Fund During 1988

League of Arab States, Inter-Arab Investment Guarantee Corporation, Union of Arab Chambers of Commerce, Industry and Agriculture for the Arab States	Tunisia	5 - 8 November	4th Meeting of Arab Businessmen and Investors
Arab Fund For Economic and Social Development	Kuwait	15 - 16 November	15th Meeting for Coordination and collection of Statistics of the Joint Arab Economic Report for 1989
Oxford Energy Institute	Oxford	18 November	Meeting of the Governors of the Institute
Union of Arab Banks	Abu Dhabi	19 - 21 November	Arab Banking Cooperation
Union of GCC Chambers	Bahrain	27 - 28 November	Seminar on the Development of GCC Exports
League of Arab States	Tunisia	28 - 29 November	Preliminary Meeting for the Joint Arab Economic Report for 1989
Arab Monetary Fund	Abu Dhabi	5 - 7 December	Seminar on Privatization and Structural Adjustment
ESCWA	Baghdad	14 - 15 December	Work team for the System of Electronic information Exchange relating to Management, Trade and Transportation
Arab Monetary Fund	Abu Dhabi	24 December	Meeting of the Permanent Bureau / Board of Governors of Arab Central Banks and Heads of Arab Monetary Agencies.

Table (B - 5)

Board of Governors

The Hashemite Kingdom of Jordan	Governor :	H.E. Mr. Hussein Al-Qasim Governor of Central Bank
	Deputy Governor :	H.E. Dr. Abdel Majed Qasim Deputy Ministry of Finance
The State of the United Arab Emirates	Governor :	H.E. Mr. Ahmed Humaid Al-Tayer Minister of Finance & Industry
	Deputy Governor :	H.E. Mr. Abdel Malek Al-Hamar Governor of Central Bank
The State of Bahrain	Governor :	H.E. Mr. Ibrahim Abdel Karim Minister of Finance & National Economy
	Deputy Governor :	H.E. Mr. Abdullah Hassan Saif Governor of Bahrain Monetary Agency
The Republic of Tunisia	Governor :	H.E. Mr. Ismail Khalil Minister of Finance and Economy
	Deputy Governor :	H.E. Mr. Taher Sayyoud Deputy Governor of Central Bank of Tunisia
The People's Democratic Republic of Algeria	Governor :	H.E. Dr. Sayed Ahmed Ghazali[1)] Minister of Finance
	Deputy Governor :	H.E. Mr. Badr Eldin Noueiwa Governor of Central Bank
The Kingdom of Saudi Arabia	Governor :	H.E. Mohamed Aba Al-Khail Minister of Finance & National Economy
	Deputy Governor :	H.E. Mr. Hamad Al Sayari Governor of Saudi Monetary Agency
The Republic of Sudan	Governor :	H.E. Dr. Omar Nour Al Dayeb[2)] Minister of Finance & Economic Planning
	Deputy Governor :	H.E. Mr. Madi Al Faki[3)] Governor of Bank of Sudan
The Syrian Arab Republic	Governor :	H.E. Dr. Mohamed Al Imady Minister of Economy & External Trade
	Deputy Governor :	H.E. Mr. Mohamed Al Sharif Governor of Central Bank of Syria

Table (B - 5) Cont'd.

Board of Governors

The Somali Democratic Republic	Governor :	H.E. Mr. Abed Al-Rahman Jamea Berri Minister of Finance and Income
	Deputy Governor :	H.E. Mr. Mahmoud Mohamed Nour Governor of Central Bank
The Republic of Iraq	Governor :	H.E. Dr. Hikmat Omar Al Hodeithi Minister of Finance
	Deputy Governor :	H.E. Mr. Sobhi Fernakaul Acting Governor of Central Bank
The Sultanate of Oman	Governor :	H.E. Mr. Mohamed Bin Mousa Al-Yousef Deputy of Ministry of Finance
	Deputy Governor :	H.E. Mr. Hamoud Bin Saleh Al-Anboury Dept. of Internal Auditing Central Bank
The State of Qatar	Governor :	H.E. Mr. Abed Al-Aziz Bin Khalifa Al-Thani Minister of Finance and Petroleum
	Deputy Governor :	H.E. Mr. Majed Al-Majed Director General of the Qatari Monetary Agency
The State of Kuwait	Governor :	H.E. Mr. Jasim Mohamed Al-Khorafi Minister of Finance
	Deputy Governor :	H.E. Mr. Salem Abed El-Aziz Al-Sabah Governor of Central Bank
The Republic of Lebanon	Governor :	H.E. Mr. Samir Akkari Deputy Governor of Banque Du Liban
	Deputy Governor :	H.E. Mr. George Kotia Member of Bank Supervision Committee - Banque Du Liban
The Socialist People's Libyan Arab Jamahiriya	Governor :	H.E. Mr. Mohamed Al-Zarouk Rajab Governor of Central Bank of Libya
	Deputy Governor :	H.E. Dr. Said Abdel Atti[4)] General Director of Supervisors Treasury Department

Table (B - 5) Cont'd.

Board of Governors

The Kingdom Of Morocco	Governor :	H.E. Mr. Mohamed Baradeh Minister of Finance
	Deputy Governor :	H.E. Mr. Ahmed Bennani Governor of Bank Al-Maghrib
The Islamic Republic of Mauritania	Governor :	H.E. Mr. Mohamed Oueld Al-Nany[5)] Minister of Finance & Economy
	Deputy Governor :	H.E. Mr. Sidi Al-Mukhtar Oueld Alsheikh Abdullah Deputy Governor Banque Centrale de Mauritanie
The Yemen Arab Republic	Governor :	H.E. Mr. Alawi Saleh Al-Salami Minister of Finance
	Deputy Governor :	H.E. Mr. Ali Ali Al-Nasif Director General and Member of the Board of Central Bank
The People's Democratic Republic of Yemen	Governor :	H.E. Dr. Ahmed Nasser Denami Minister of Finance
	Deputy Governor :	H.E. Mr. Salem M. Al-Ashwali Governor of Bank of Yemen
Palestine	Governor :	H.E. Mr. Said Al-Khoury Director of Palestine National Fund
	Deputy Governor :	H.E. Dr. Saleh Saadah Jallad

1) H.E. Dr. Abdel Aziz Khalaf was the Governor for the People's Republic of Algeria until November 1988.

2) H.E. Dr. Bachir Omar Fadllalah was the Governor for the Republic of Sudan.

3) H.E. Mr.Ismail Al-Mesbah Meki was Deputy Governor for the Republic of Sudan until 14 November 1988.

4) H.E. Mr. Bachir Khallat was the Deputy Governor for the Socialist People's Libyan Arab Jamahiriya until 5 November 1988.

5) H.E. Mr. Oueld Ahmed Al-Lulli was the Governor for The Islamic Republic of Mauritania.

Table (B - 6)

The Board of Executive Directors and Their Voting Power 1988

Dr. Abdullah Ibrahim El-Kuwaiz (Saudi Arabia)	Chairman of the Board of Executive Directors	
Executive Directors	**Countries represented**	**Voting Power (%)**
Mr. Abdel Wahed Al-Makhzoumi* (Iraq)	The Republic of Iraq The Republic of Sudan	16.67
Mr. Abdul Jaleel A. Al-Gharaballi (Kuwait)	The United Arab Emirates The State of Kuwait	15.55
Mr. Abdul Fattah Ben-Mansour	The Socialist People's Libyan Arab Jamahiriya The Republic of Tunisia The Kingdom of Morocco The Islamic Republic of Mauritania	14.69
Mr. Ali Saleh Al-Sugair (Saudi Arabia)	The Kingdom of Saudi Arabia	13.82
Mr. Badr-el-Din Nouioua (Algeria)	The People's Democratic Republic of Algeria	12.23
Mr. Maher Shukri (Jordan)	The Republic of Lebanon The Syrian Arab Republic The Hashemite Kingdom of Jordan Palestine	9.63
Mr. Abdulla Daoud Abdulla (Oman)	The Sultanate of Oman The State of Bahrain The State of Qatar	9.02
Mr. Adam Omar Ileye (Somalia)	The Yemen Arab Republic The People's Democratic Republic of Yemen The Somali Democratic Republic	8.39

*Mr. Adnan Kassab Bashi was the Executive Director for the Republic of Iraq and the Republic of Sudan until 21 July, 1988.

APPENDIX (C)

Publications Issued By the Fund 1988

Publications Issued by the Fund 1988

Twelve reports and other papers listed hereunder were published by the Fund during 1988. These covered the Fund activities in addition to the monetary, financial, trade and economic developments in the Arab World.

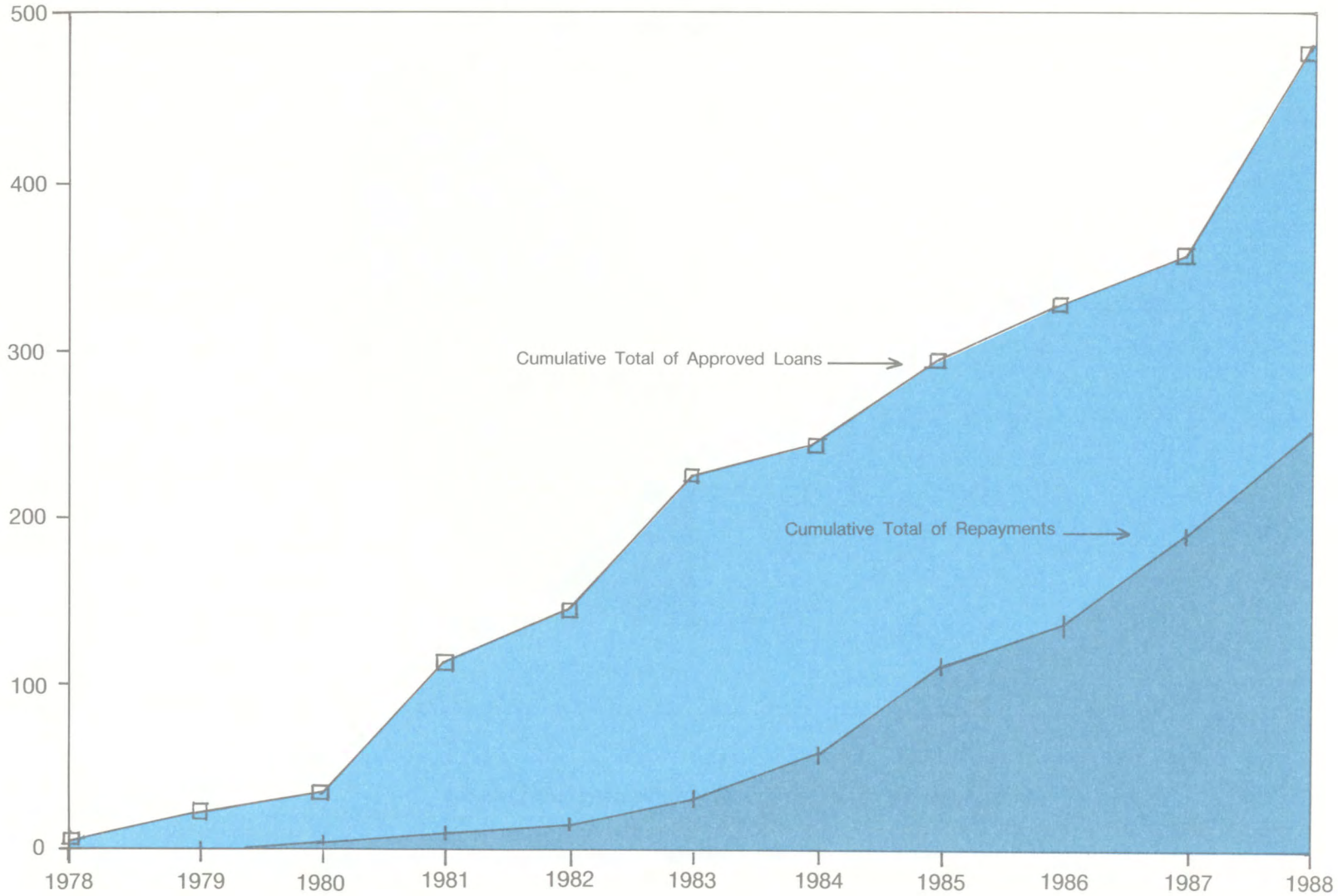
(1) The Joint Arab Economic Report, 1987 (Arabic).
(2) The Annual Report of the Fund, 1987 (Arabic).
(3) The Annual Report of the Fund, 1987 (English).
(4) National Accounts of the Arab Countries 1976-1986.
(5) Cross Exchange Rates of Arab Currencies 1978-1987.
(6) Foreign Trade of Arab Countries 1976-1986.
(7) Money and Credit in the Arab Countries 1977-1987.
(8) The Arab Countries Economic Indicators 1976-1986.
(9) Balance of Payments and Public Debt of The Arab Countries 1976-1986.
(10) Resolutions issued by the Fund's Board of Governors since its first meeting in 1977 until its Eleventh meeting in 1987.
(11) The Twelfth Annual Meeting of the Board of Governors April, 1988.
(12) Procedural Rules of the Board of Executive Directors.

APPENDIX (D)

Graphs

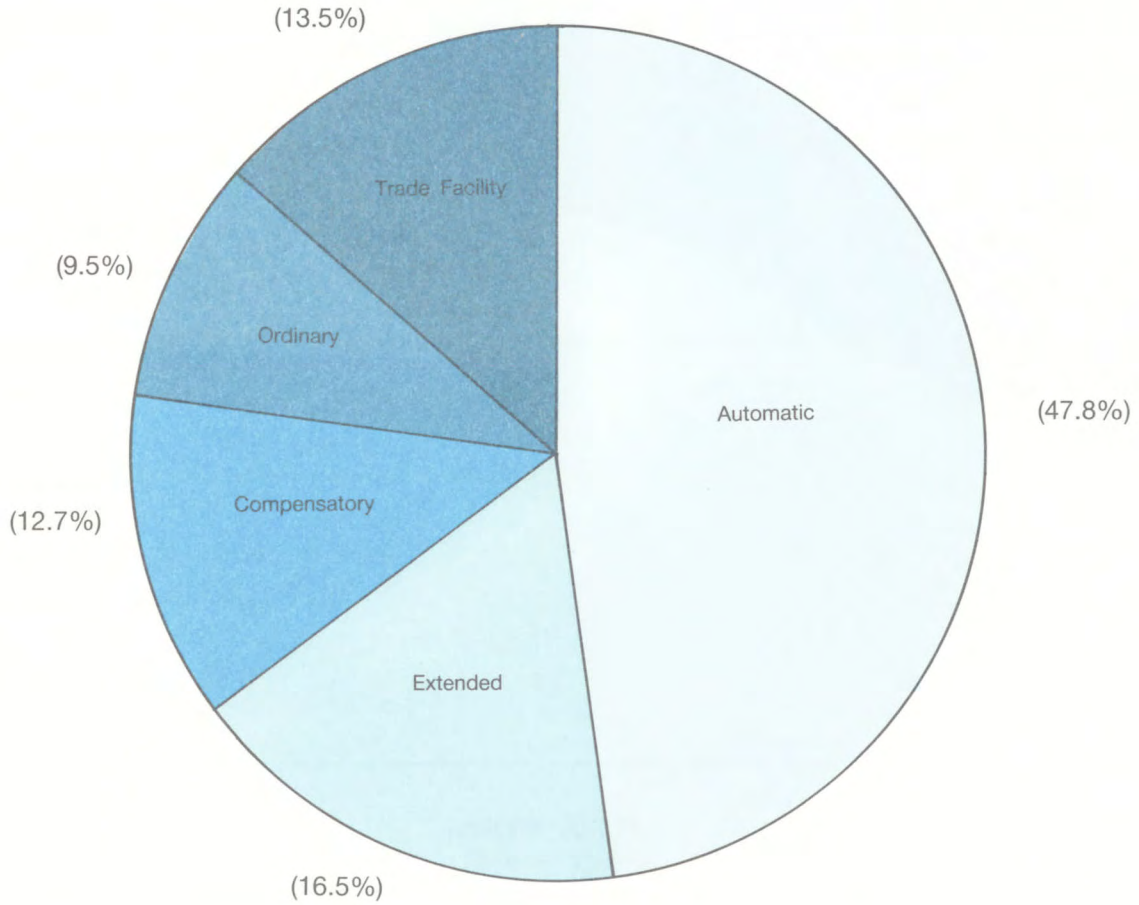
Graph (1)

Cumulative Total of Approved Loans and Repayments
1978 – 1988
(Million AAD's)



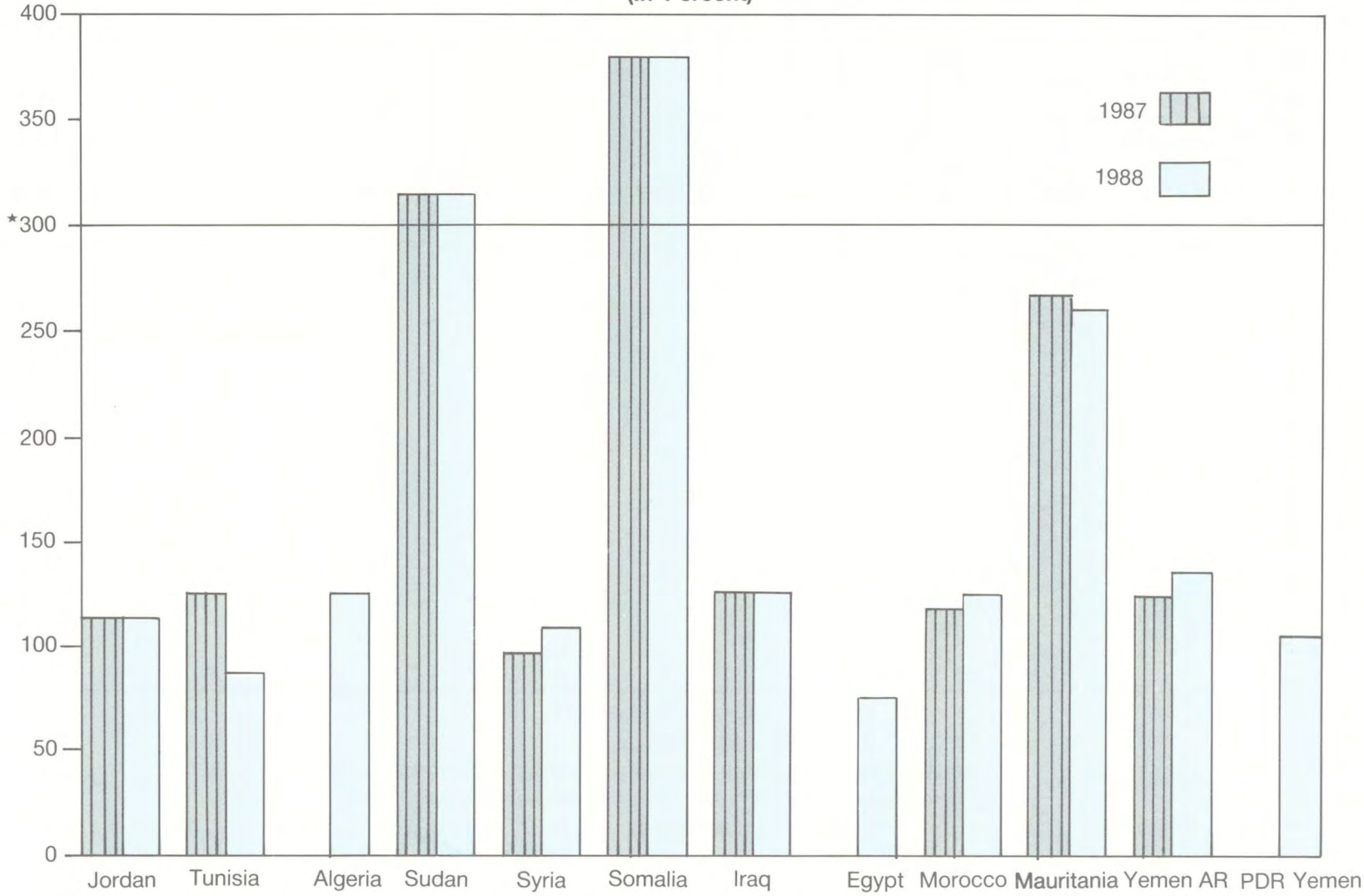
Graph (2)

Percentage Distribution of Loans as at 31/12/1988



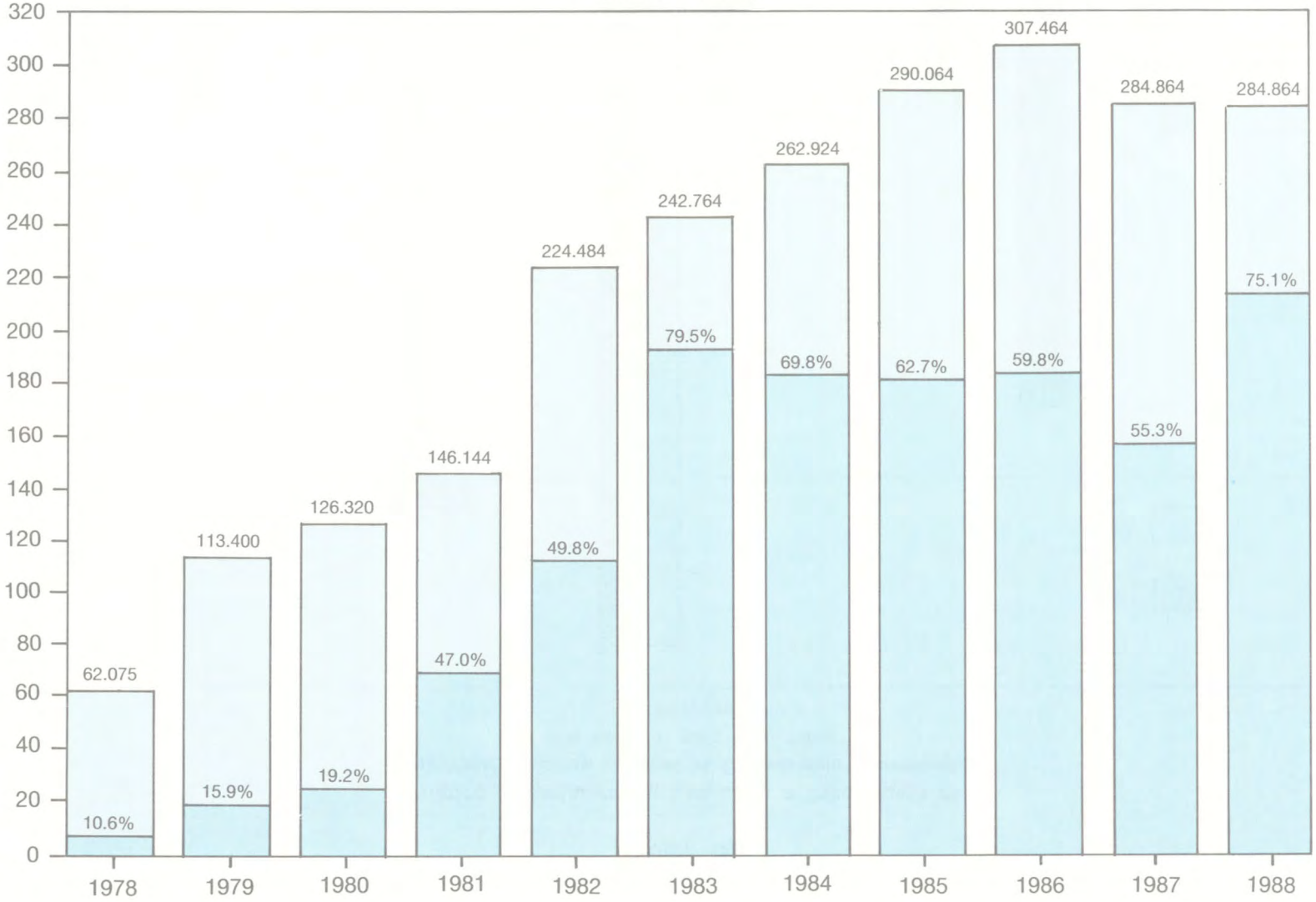
Graph (3)

Balance of Outstanding Loans as a Percentage of Countries' Paid-up Quotas in Convertible Currencies at the end of 1987 and 1988 (In Percent)



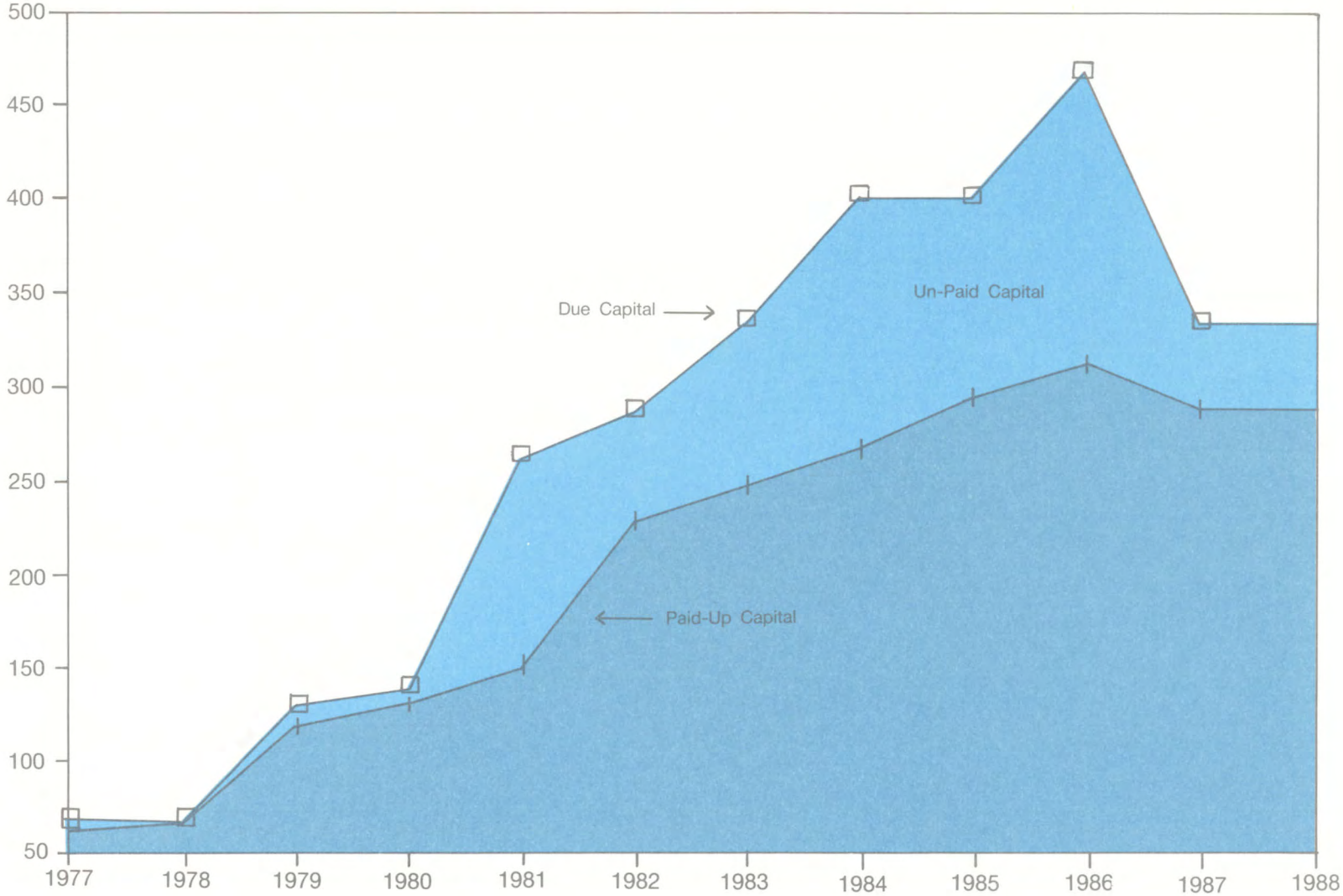
* The maximum lending limit as of July, 1983; prior to that date maximum lending limit was 500%.

Graph (4)
Balance of Outstanding Loans as a Percentage of Countries' Paid-up Capital in Convertible Currencies
1978 – 1988
(Million AAD's)



Graph (5)

Paid-up and Due Capital
1977 – 1988
(Million AAD's)



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