



صندوق النقد العربي  
ARAB MONETARY FUND

# ANNUAL REPORT 2020







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## Introduction

The annual report of the Arab Monetary Fund (AMF) is prepared under Article 33 of AMF's Articles of Agreement. The Report provides a summary of the AMF's activities and the financial position for the fiscal year ending on December 31<sup>st</sup>, 2020, in addition to the financial and technical support provided by the AMF to its Member Countries. This is illustrated through lending activities and technical assistance, contributions in supporting the development of the financial and banking sector in the Arab countries, enhancing and strengthening the capabilities of the Arab official cadres in the Ministries of Finance, Planning, Economy, Trade, Central Banks, and Official Statistical Institutions, through training courses, workshops, and seminars, organized by AMF's Training and Capacity Building Institute (TCBI). The Report also reviews research activities, including economic, financial and monetary studies, reports and bulletins. Furthermore, the Report examines other activities and events organized by the AMF in the economic, monetary and financial field aiming to offer solutions and proposals to confront the diverse challenges facing Arab economies, as well as exchanging views and experiences on contemporary economic issues, in a way that contributes to supporting the efforts for economic development especially in the financial, monetary, banking, and public finance sectors. Furthermore, the Report sheds light on AMF's initiatives addressing the technical support requirements of its Member Countries, together with the development and modernization of the infrastructure of financial, monetary and banking sectors. The Report also shows developments in the Fund's investment activities, as defined by Article 5 of its Article of Agreement, as well as the summary of the activities in supporting and promoting Arab trade.



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





## Director Chairman of the Board's Message

Since February 2020, the world has witnessed an unprecedented health and economic crisis, the most severe in the modern era, due to the outbreak of the Covid-19 pandemic. This crisis has cast a shadow over the economies of the developed, emerging and developing countries alike. It has caused unexpected levels of economic stagnation, unemployment and low returns on savings, and cracked global value chains, in light of the lockdown decided in many countries to prevent the outbreak of the virus, and the deterioration of public finances, and the rise of debt-to-GDP ratios to unprecedented levels. The repercussions of the crisis exacerbated the state of uncertainty about the prospects for economic recovery and the delay in discovering a treatment or a vaccine for the virus. The levels of consumer and investor confidence decreased, bringing with its levels of production, consumption, investment and trade, and international capital flows to their lowest levels. In light of this, the global economy is expected to contract at an unprecedented rate and lose between 8 and 12 trillion dollars during the years 2020 and 2021.

Against this crisis, international and regional institutions rushed to provide wide-ranging rescue packages to prevent the global economy from falling into the economic recession, and countries adopted unprecedented expansionary monetary and financial policies, in stimulus packages estimated at \$ 19.5 trillion, which have mitigated the negative consequences of the pandemic to both individuals and business and have helped to pave the way for economic recovery.

The Arab countries were not immune to this, especially given the openness of their economies to global economies. Although the vulnerability of Arab countries to the crisis varies due to their different economic structures and degree of exposure to global economies and markets. Arab economies as a group lost some of their gains in the years preceding the crisis, with global financial and oil markets experiencing unprecedented volatility. In this regard, the Arab countries hurried to take many measures to face the repercussions of the crisis, aiming to support liquidity in the financial sector and reinforce the demand side.

As soon the World Health Organization declared the emerging Corona virus as a global pandemic, Arab governments took serious measures followed by preventive measures to limit the negative impact of its spread on Arab economies, as well as stimulus packages to stimulate aggregate demand amounting to approximately \$ 232 billion. This includes a variety of measures to mitigate social and economic impacts of the pandemic and support economic recovery in the medium term. Different levels of stimulus packages vary according to the fiscal space available to each Arab country, as well as the levels of social safety net coverage, and the countries' ability to mobilize large funds in a short time to overcome economic shocks.

At the level of Arab economies as a group, the Covid-19 pandemic is expected to have a negative impact on them, as the sectors affected by the total or partial closures in Arab countries contribute about 70 percent of GDP. On the other hand, the crisis has seriously

unpacked the SME sector, which contributes about 45 percent of GDP and absorbs about one third of the labor force.

In addition, the Group of Arab Petroleum Exporting countries will bear some 50 percent of the burden of the global reduction in oil supplies in 2020 and 2021 under the "OPEC +" agreement, which will have a significant impact on it. Despite ongoing economic diversification efforts, the oil sector continues to contribute about 27 percent of GDP, 42 percent of total exports and 60 percent of the general revenues of the Arab Countries as a group.

The inflation rate in Arab countries as a group during 2020 was affected by a number of factors, as the Covid-19 pandemic affected the supply of goods due to the disruption of global supply chains. The increase of the value-added tax rate and the broadening of the tax base for excise goods led to a higher general price level in some Arab countries. Moreover, the general price level in some Arab countries has been affected by unfavorable internal developments and their impact on the prices of goods and services. However, the continuous inflationary pressures have been accompanied by additional pressures resulting from the big drop in the value of some Arab currencies against foreign currencies, as a reflection of the economic challenges facing these countries, which caused the rise of the prices of imported goods, and the inflation rates in those countries. Among the factors that eased the inflationary pressures, the decrease of domestic demand as a result of the low levels of economic activity in most Arab countries because of the Corona pandemic, and the measures taken by most of Arab governments in this regard to maintain the stability of the prices of goods and services during that period.

Nevertheless, there is a hope that several vaccines are being detected. This should not discourage us from drawing lessons from this pandemic. The great efforts that were made at all local, regional and international levels would not have borne fruit in containing the repercussions of the crisis if it had not been for years of research, study and hard work before the crisis in the fields of technology, job automation, digital economy, and e-government. All of these efforts and solid technical infrastructure have enabled governments to respond effectively at all levels to contain the fallout from the crisis.

Concerns about the adverse impact of the pandemic on the global economy remain, against the backdrop of uncertainty about the time span needed to recover from the aftermath of the pandemic and the recovery's prospects, to regain normal patterns of economic growth, given the likelihood of a second and third wave of the pandemic. The global economy also continues to be captive to many growth inhibitors, the most important of which are continuing trade tensions, disruptions in international supply chains, reversed human development progress and historical decline in productivity rate. Facing these challenges requires unprecedented policy efforts, international solidarity to reach understandings that support the paths of economic recovery, and a drive to facilitate the economic transition to move toward more sustainable and inclusive paths of economic growth.

Considering these developments, Arab economies face multi-dimensional challenges that will lead to lower levels of activity in both the oil and non-oil sectors. Consequently, a contraction of GDP is expected in the Arab countries in 2020, followed by a gradual recovery in 2021, with a forecast of growth close to pre-crisis levels.

The limited fiscal policy space available to support the medium-term recovery is at the forefront of the challenges facing policymakers and authorities in the Arab countries. There is also the need to ensure the efficient and rapid allocation of resources among the economic sectors, to cope with the structural transformation imposed by the pandemic, which requires accelerating the pace of digital transformation with the necessity of maintaining accommodative fiscal policy as well as underlining the importance of debt sustainability.

On a related level, there is an urgent need to strengthen social safety nets and adopt active labor market policies to reduce the impact of job losses, especially in the small and medium-sized businesses. In addition to the necessity to create innovative financing patterns to achieve the goals of sustainable development, and to address the impending distress of financial markets, as well as its impact on the ability of Arab economies to meet their financing requirements.

In our view, the recovery phase involves many challenges. It is the responsibility of governments and policymakers to intensify efforts to create jobs, provide liquidity to businesses and households, strengthen social security networks to protect the most vulnerable, ensure adequate resources for health systems, and supporting programs to eligible groups and develop mechanisms to achieve the goals of recovery plans.

In this regard, further actions are needed to address vulnerabilities in countries with limited fiscal space, to ensure smooth recovery, while maintaining appropriate rates of inclusive and sustainable economic growth.

By contrast, the pandemic could provide opportunities to build a better future, with the help of international and regional institutions that have played an important role in helping countries to overcome the crisis through mechanisms that have enabled them to respond quickly and effectively to their Member Countries' most pressing needs.

In this regard, during 2020, the Arab Monetary Fund has activated simple and quick measures, both in the area of studying and assessing the consequences of the pandemic and its repercussions on the economies of the Arab Countries, or in accelerating the decision-making process, and in providing loans to support reform programs and confront the imbalance in the balance of payments. In addition to providing advice and technical assistance, training and exchanging information, data and analysis, with emphasis on policies that have a significant impact on the well-being and standard of living of the citizens.

During its participation in the Riyadh G20 Leaders' Summit, which was held during the period (21-22 November 2020) under the theme "Realizing Opportunities of the 21st Century for All", the AMF emphasized the need to build a comprehensive, sustainable and resilient future, in parallel with the intensification of efforts, building on gains in education systems, labor markets and universal access to opportunities, especially women, youth, small and medium-sized enterprises and micro-enterprises.

## About the Arab Monetary Fund

### The Origin

The Arab countries established the Arab Monetary Fund out of their desire to lay the monetary foundations for Arab economic integration, and to advance 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 27<sup>th</sup>, 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 AMF also adopts a proactive systematic methodology in providing support to its Member Countries, since it investigates 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 AMF 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, based on 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 to 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 VI of the AMF's Articles of Agreement identifies eight objectives for the AMF. 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 AMF, namely, Arab economic and monetary integration.

### Means and Resources

The AMF relies on several 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 AMF 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 AMF's objectives.

Article VI of the Articles of Agreement stressed the need for cooperation among Member Countries, and between them and the AMF, 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 AMF in achieving its objectives, Article IX stipulated on the possibility for the AMF, 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 AMF shall consist of the paid-up capital, reserves, loans and facilities obtained by the AMF, and any other resources approved by the Board of Governors.

### Governance Framework of the AMF

The AMF's governance framework is based on a set of principles. The AMF places the task of adherence to them at the forefront of its priorities, which 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.

- **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:** 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.
- **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.<sup>(1)</sup> 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.

<sup>1</sup> 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.

**Internal Audit Office (IAO)**, is a major component of the internal control system, and the senior management ensures that it plays its role independently. The functions of IAO 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.

It should be noted that the AMF adopts best internationally recognized practices for monitoring, controlling, evaluating and addressing risks that may affect its ability to achieve its strategic objectives. It sets and applies procedures and measures to prevent or mitigate the effects of such risks.

In this regard, the AMF's risk management policy is designed to ensure the proper management of risks that may hamper the AMF's ability to fulfill its mission and achieve its objectives, and to take the necessary steps to minimize the impact of potential risks.

The AMF's risk management policy is also intended to address potential negative events by identifying, measuring, monitoring, controlling, reporting risk exposure within



limits and permissible levels, and reporting to senior management and the Board of Executive Directors. The policy is also aimed at ensuring that the AMF's risk-management functions are consistent with leading practices, which helps to strengthen institutional risk-management discipline.

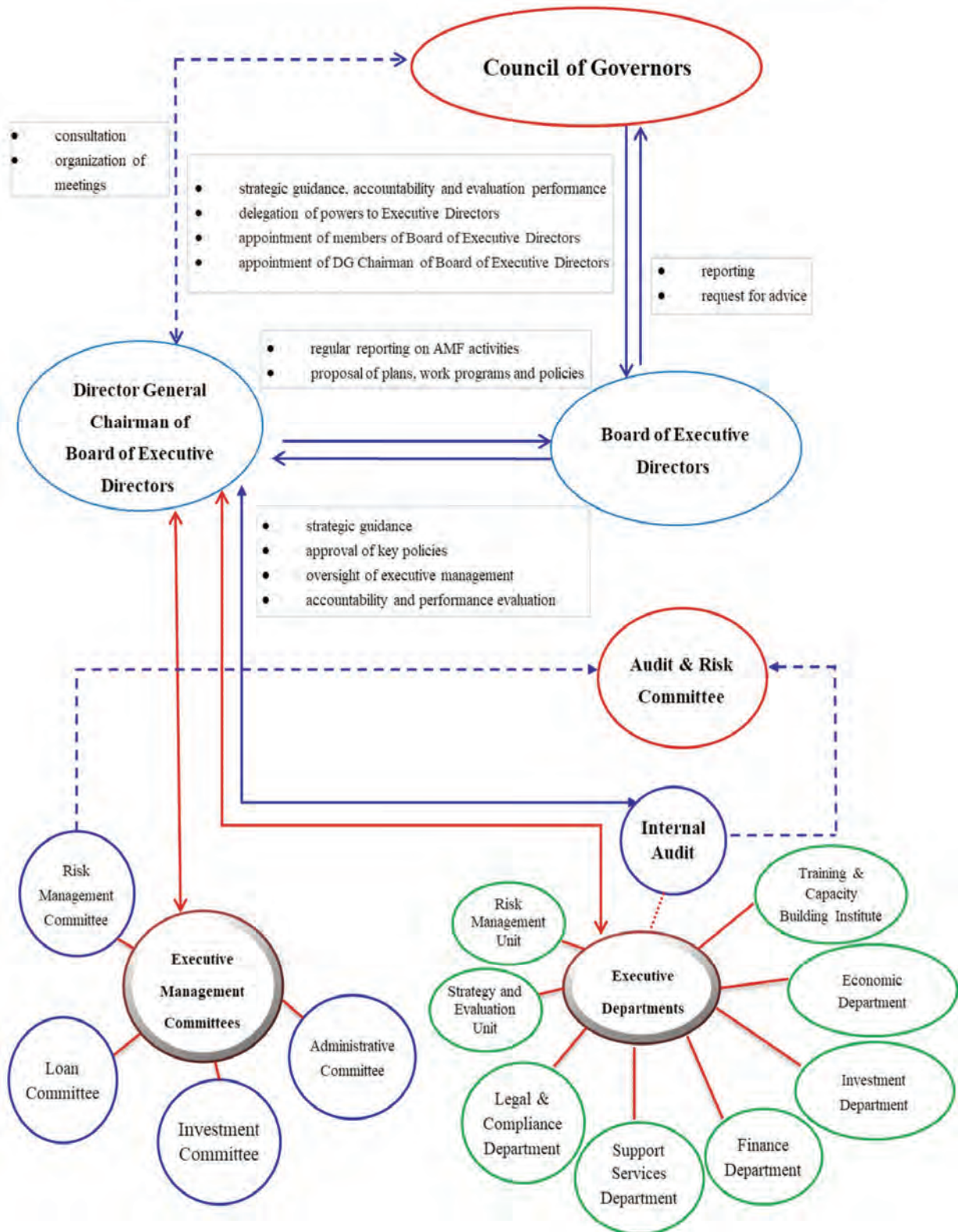
In order to strengthen the AMF's governance framework, a Risk Management Unit has been established within the institutional structure, to strengthen the governance system, which include three lines of defense for the risk management side, represented by the Organizational Units as the first line of defense, followed by the Risk Management Unit, then the Internal Audit Office as the third line of defense. The Unit aims to mainstream the concept of "effective management" of the core risks associated with the AMF's activity, by focusing on institutional determinants of doing business, ensuring and organizing group performance, and emphasizing the AMF's proactive approach.

The functions and responsibilities of the Risk Management Unit include strengthening institutional capacity for risk management through independent and institutional oversight of strategic, financial, investment, operational and reputational risks, as well as establishing appropriate and effective procedures for managing them in accordance with a framework and policy that is appropriate to the AMF's activities and nature of its operations, and strategic directions; taking into account the need for adequate flexibility and alternatives for dealing with variables and events.

In this context, the unit is developing institutional capabilities affecting risk management, including fostering a culture of risk management, human and organizational

capabilities, technical capabilities, and financial capabilities, through institutional control and supervision of risk management, and the application of appropriate and effective procedures.

**Chart (1): The AMF Governance Framework<sup>+</sup>**



\*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.



To achieve this vision, the AMF's strategic dimension includes four strategic plans, (five-years each), beginning with the 2020-2025 strategy and ending with the 2035-2040 strategy.

### AMF's Strategy Framework (2020 – 2025)

#### Features of the Strategy and its General Framework

The AMF's 2040 vision emphasizes that it is the **“closest partner of the Arab countries in their interaction with developments to enhance the process of stability and economic, financial and monetary development.”** This vision also frames its ongoing efforts to achieve its goals, which are embodied in its Article of Agreement, which are centered on **“laying the monetary foundations for Arab economic integration and advancing the economic development of all Arab countries”**.

The Board of Governors has adopted the 2040 vision and AMF's **strategic plan for the period 2020-2025**, which has been prepared in line with the AMF's vision over the next two decades, reflecting the hopes and aspirations of its Member Countries, and includes plans for continuous development in its areas of work and activities to keep pace with changes that may occur in these ambitions.

depending on changes in the international and regional arenas. The AMF's strategy also takes into account the results of the evaluation of achievements in its previous strategy framework, as well as its future potential role, given the different needs of the Arab Member Countries, and the increasing domestic, regional and international challenges, to the extent that it supports their efforts to determine the priorities of the required action and the appropriate policies for monetary, financial and economic reforms and moving forward with its development programs.

The AMF's strategic directions have considered ways of making greater use of its comparative advantages, being the sole monetary institution in the Arab region, and the importance of its role as a center of convergence and consultation for economic, financial and monetary policy makers. In addition to its role in capacity-building through specialized training programs provided by the AMF's Training and Capacity Building Institute for Member Countries' cadres. These benefits also include the strength of its financial position and the confidence of its Member Countries, reflected in the growth of the AMF's deposit-taking and investment management activities for the benefit of Member Countries.

Within the framework of its strategy for the period 2020-2025, the AMF also attaches

great importance to exploiting available opportunities to develop and strengthen its capacity to respond to the growing needs of Member Countries in providing financial support, advice and technical assistance in the areas of economic reform, and meeting the growing and diverse needs of training and capacity building in various economic, monetary, financial and statistical areas.

The flexibility of the available means and the breadth of its activities gave the AMF another comparative advantage to deal with the challenges that the Arab economies might face, in keeping with the international economic and financial trends and developments, and the possible repercussions on the Arab financial, banking and financial markets. The needs of the Arab Countries were an important reference for the Fund in preparing the overall framework of its strategy for the period (2020-2025), which focused on drawing up and defining the expectations and aspirations of the Member Countries during the mentioned period, and what this requires in terms of strengthening effective channels of communication with them, and developing its capabilities and initiatives to assist its Member Countries.

In addition to developing its research and statistical activity to provide reliable economic data and more comprehensive and in-depth analytical reports, that support the efforts of policymakers and researchers.

### Strategic Objectives

The Arab Monetary Fund is working to achieve its strategic vision by achieving a set of objectives, covering integrated areas including: Promoting inclusive growth opportunities, establishing effective

economic, financial and monetary institutions, and strengthening Arab economic cooperation and integration, in close cooperation with other relevant regional and international financial, monetary and economic institutions, as well as developing the capacity and effectiveness of its institutional structure.

**The objectives of the Fund's (2020-2025) strategy are: developing lending to support efforts to redress economic and financial imbalances in the Arab countries, developing the financial sector through supporting its role as an engine of growth and development, strengthen the Fund's role as a consultative center for economic, financial and monetary policy makers, and the Fund's role as a center of excellence for knowledge and capacity-building.**

### Means and activities. to achieve strategic objectives

The AMF's strategy framework for the period (2020-2025), includes seeking to improve the efficiency of the use of available means and to develop new means that will contribute to enhancing the outputs of the diverse and evolving activities undertaken to achieve the best desired results, and strategic goals in a way that meets the aspirations of the Member Countries.

In this respect, **the means adopted by the AMF to achieve the first objective of developing the lending activity** include a set of lending windows to provide financial support to meet the overall balance of payments deficit, and to support structural reforms in the public finance and banking & financial sector. This is within the context of the lending activity set by the AMF's Article

of Agreement at the top of the list of means made available to achieve the objectives of its establishment.

The programs and initiatives that AMF adopts to strengthen the financial, monetary and banking sectors in the Arab countries, and to enhance access to finance and financial services, are considered **as the most important means used by the AMF to achieve the second goal of Strategy (2020-2025), which is developing the financial sector in a way that supports its role as an engine for growth and development.**

These initiatives and programs contribute to deepening the financial and banking sector and strengthen its role in promoting inclusive growth opportunities and achieving economic and financial stability. In this context, the AMF has adopted the following means to achieve its strategic objective of financial sector development:

- Activating the initiative of developing bond markets in local currencies in the Arab countries (including providing technical advice to Arab countries, offering training courses, and organizing workshops).
  - Launching a comprehensive program to promote financial inclusion in the Arab Countries, to help build national strategies for financial inclusion, digital financial services system, develop financial education and awareness programs, develop frameworks for protecting consumers of financial services, and strengthen capacities in providing statistics on financial services, especially those relating to the extent to which women, youth, entrepreneurs, micro, small and medium-sized enterprises benefit from finance and financial services.
  - Adopting programs to develop non-bank financial institutions in Arab countries.
  - Supporting the development programs of the modern financial technology system, thereby contributing to the creation of an incubating environment for the growth of the modern financial technology industry and the development of digital financial services in the Arab Countries, within the framework of an appropriate legislative and regulatory environment.
  - Launching initiatives to strengthen and promote the infrastructure of the Arab financial and banking sector, including the development of credit and risk-centralization information systems and secured lending systems.
- Initiatives to support Member Countries' efforts are also launched within the framework of strengthening regulatory legislation and macro-prudential control policies.
- Releasing banking and financial market performance indicators (Arab Bond Index, Arab Sukuk Index, Financial Stability Index, and Financial Inclusion Index).
  - Launching activities to develop the Sharia-compliant finance sector to achieve a set of objectives, including: Strengthening Islamic finance activities, developing and modernizing Islamic financial markets, and exchanging experiences through the organization of forums and workshops.
  - Assisting Member Countries to implement relevant international standards and build their capacity.

- promoting financial integration among Arab countries and supporting their association with other financial blocs.

**Regarding the means utilised to achieve the third strategic objective, namely, strengthening the role of the AMF as a consultative center for economic, financial and monetary policy makers,** the response to the change in global economic trends, the accelerated developments in the knowledge economy, digitization, demographic developments, the anticipated competition for resources and the varying economic drivers, has been taken into consideration.

This requires the AMF to work in an effective partnership with the Arab countries to coordinate its positions in dealing with other economic blocs and to face the challenges facing their financial, banking and monetary systems.

In this regard, the AMF's work to achieve this goal, focus on strengthening its role as a center for policy dialogue and technical advice to support the Arab Countries efforts in the areas of developing public debt strategies, strengthening public-private partnership, reforming the support system and social safety nets, and supporting tax reform, and enhancing the efficiency of public spending.

The AMF will also focus on strengthening partnerships with local, regional and international financial and development institutions and activating cooperation frameworks in priority areas for policy makers in Arab countries.

**Regarding the means of achieving the fourth strategic goal of strengthening the role of the AMF as a center of excellence for knowledge and capacity-building,** it

included a variety of key themes for achieving the goal, the most important of which is training activity to build and strengthen the capabilities of Arab technical cadres, relying on the AMF's specialized technical staff., expanding the scope of activities and increasing the number of beneficiaries of training programs through the expansion of remote training, as well as research and statistical activities that support policy makers in the Arab Countries, as well as building partnerships with a number of relevant regional and international institutions, modernizing information policy and strategy, development of the AMF's website through enriching its digital content and its continuous updating>

The intensification of the AMF's media activity to highlight Arab Countries' economic and financial reforms, and the launching of joint programs and activities in cooperation with Arab institutions, universities, research centers and civil society organizations.

The investment activity is also an important tool used by the AMF to support its Member Countries, where the activity includes the acceptance of deposits from Member Countries and Arab financial institutions, the management of investment portfolios on their behalf, and the provision of investment technical assistance.

In this regard, the AMF has adopted a series of instruments, in its pursuit of this objective, that contribute to capacity-building in the management of funds and investments, and to the development of its activity of accepting deposits from Member Countries and Arab financial institution, including the expansion of depositors' base and geographical diversity by attracting the largest number of Member Countries, Arab institutions and

organizations. This will contribute to the expansion and diversification of the sources of funding for this activity.

During the strategy period, the AMF also adopted a series of activities to ensure the development of portfolio management activity, including encouraging Member Countries, Arab institutions and organizations, to take advantage of the AMF's potential to manage their external reserves, as the AMF provides portfolio management services.

The AMF is also keen on developing its role as the **Technical Secretariat for the Council of Governors of Arab Central Banks, and Monetary Authorities and the Council of Arab Finance Ministers** as one of the means used to achieve its objectives of coordination between Member Countries in the monetary and financial fields, and to coordinate member countries' positions in facing the international monetary and economic challenges, for their common interests.

The annual meetings of the two Councils represent an important framework for discussing several topics directly related to the objectives of the AMF, as well as the various current issues discussed by the Councils.

### Strategy and Evaluation Unit (SEU)

In 2019, the AMF established the "Strategy and Evaluation Unit -SEU" to strengthen institutional structure, as part of its ongoing pursuit to improve the efficiency of strategic planning, as it recognizes the importance of strengthening the institutional framework for strategic planning, and actively contributing to the formulation, implementation and

follow-up of the strategic plans of the AMF, and ensuring that they are in line with the long-term plans adopted by Member Countries to strengthen their economic reform programs, in order to achieve its greater economic, monetary and financial stability.

The terms of reference of the SEU include ensuring that the strategic plans prepared by the AMF's organizational units are consistent with its strategic objectives and coordinated with them, providing the necessary data for the preparation of the five-year strategic plans, following up on planned activities and initiatives and preparing performance reports on this matter.

The SEU prepares and reports periodically on the performance of strategic activities at all levels within the "balanced scorecard" methodology that is consistent with global best practices and enables performance evaluation at the level of strategic objectives and the underlying axes.

The SEU is also building a strategic planning culture in the AMF and promoting communication and integration between organizational units. Within this framework, during 2020, the SEU has worked to follow up on the implementation of the activities included in the Strategy for 2020, where the Departments' reports on the results achieved and the performance report at the institutional level, are discussed periodically.

## Summary of the AMF's activities during the year 2020

The aim of supporting and assisting decision makers and economic policy makers in the Arab Countries, in the specialized economic fields, is at the top of the AMF's list of priorities, where its activities are concentrated in the fields related to the economic, financial and monetary developments on the regional and international levels, which are directly or indirectly reflected in the Arab economic performance. This will help to strengthen the capacity of policy makers and decision makers in the Arab Countries to identify challenges and ways to address them, thereby providing a basis for them to formulate policies and identify the necessary reform paths.

The AMF also attaches importance to providing information, data and economic analysis that enables those interested in Arab economic affairs and researchers to discuss the most important economic issues facing the Arab world, in addition to enabling Arab policy makers to develop future strategies based on scientific and objective bases.

The Covid-19 pandemic is expected to have a profound negative impact on Arab economies, which could last more than a year, as Arab economies are expected to face multidimensional challenges that will lead to lower levels of activity in the oil and non-oil sectors, leading to a contraction of GDP as a group in 2020. A gradual recovery will occur in 2021, although the impact of the crisis on Arab economies is expected to vary.

In light of this, the AMF's performance during 2020 was accompanied by the exceptional circumstances in the Arab economies as a result of the Covid-19 pandemic, where all the means and procedures adopted by the AMF were used to cope with unusual circumstances

and developments, including rapid lending procedures, conducting "remote" consultations to agree with the relevant authorities, requesting that the resources of the AMF be utilized for reform programs supported by existing facilities and loan resources, or that instalments be drawn from contracted loans. Withdrawing them requires that the AMF be informed of the implementation of the agreed upon reform programs.

In this regard, the AMF has responded to all Arab Countries' requests, during 2020 for financial support to support, economic, monetary and financial reform programs and to their overall deficit in its balance of payments. A set of reform programs, supported by the AMF's resources, has been agreed, and some requests from Member Countries for direct support have been examined and responded through loan windows dealing with emergency balance of payments situations, or those involving a request to withdraw existing loan payments.

The AMF has also paid particular attention to strengthening the capabilities of Arab Countries to pursue fiscal policies aimed at achieving financial sustainability, including mechanisms and programs for social protection, for the benefit of the lowest income groups, and enhancing growth potentials through spending that supports structural reforms, and ensuring the continuity of public resources in the medium term.

In this context, one of the priorities of the AMF's activities during 2020 was to assist its Member Countries in implementing reforms aimed at increasing economic diversification,



deepening financial inclusion, and creating an enabling environment for SMEs to play their vital role in achieving sustained economic growth and creating productive employment.

The reforms have come to the AMF's forefront priorities list of in 2020 to confront the Arab financial and banking sector challenges, are aimed at developing macro / micro prudential policies, reducing increased leverage ratios, and containing risks to financial stability, including threats to cybersecurity. This coincided with a greater openness to global financial markets, which are undergoing a major shift toward digitization, and the wider use of financial technologies that, while contributing to the development of financial services, carry many risks that need to be hedged.

At the same time, the AMF has supported the Arab countries' trends in structural reforms and policies aimed at raising productivity, building on the gains from these reforms, by encouraging innovations, disseminating technologies, increasing participation in the labor market, especially by women and young people, and promoting investments in education and training to increase employment.

On the other hand, the AMF focused during 2020, as part of its strategy for the period (2020-2025), on activities that contribute to strengthening the resilience of Arab economies in facing the challenges resulting from crises in their various forms, within the framework of a proactive approach and a future vision that shape its work methodologies at all levels.

In the context of the **lending activity**, during 2020, the AMF provided six new loans to the Arab Republic of Egypt, the Hashemite Kingdom of Jordan, the Kingdom of

Morocco and the Tunisian Republic, with a total value of approximately AAD 284.3 million, equivalent to about U.S.\$ 1.2 billion.

The AMF provided AAD 153.5 million loan to the Arab Republic of Egypt, In the framework of structural adjustment facility in the public finance sector, and AAD 10 million Automatic loan to the Hashemite Kingdom of Jordan. As for the two loans extended to the Kingdom of Morocco, one of them Automatic, amounting to about AAD 30.8 million, and the other with a framework to structural adjustment facility in the public finance sector, with a value of AAD 51.4 million. The two loans extended to the Republic of Tunisia, amounted AAD 38.3 million, one of which is Automatic with a value of approximately AAD 14.4 million and the other with a framework to structural adjustment facility in the financial and banking sector, with a value of approximately AAD 23.9 million.

The AMF also agreed withdrawal instalments of loans previously provided to Member Countries, based on the progress of implementing reform programs supported by these loans. In this regard, the AMF approved the withdrawal of the amount of AAD 9.2 million, represented the value of the second installment of the Structural Facility Loan in the financial and banking sector, provided to the Hashemite Kingdom of Jordan, and also approved the withdrawal of the amount of AAD 10.96 million, represented, the value of final installment of the Ordinary loan previously extended to Republic of Sudan.

With regard to the **Technical Assistance** provided by the AMF to its Member Countries during 2020, it covered areas related to its activities such as the development of the financial, banking and government bond markets infrastructure, and

the strengthening of the capabilities of the Arab Countries to achieve financial coverage within the framework of activities under the AMF's Financial inclusion Initiative, and developing and strengthening capacities in the development of economic statistics and applying the internationally applied statistical methodologies, within the framework of the Arab Statistics Initiative, "Arabstat", and other relevant areas.

In its technical assistance framework to Member Countries during 2020, the AMF focused on the activities related to policy development, program design, skills enhancement, strengthening capacities to apply, implement and measure policy efficiency, as well as institutional development, which would help to improving the quality of structural reform programs, in order to enhance their economic conditions, and direct their policies toward the desired development goals.

The AMF also intensified its activities related to expanding the use of financial techniques in the economic, financial and banking fields, enhancing the capabilities of the Arab Countries in applying them and benefiting from the international experiences in this field. In addition to continuing to provide support through its activities aimed at developing the financial systems in the Arab Countries.

During 2020, the AMF continued to fulfill the functions associated with its role as the Technical Secretariat of the Governors Council of the Arab Central banks and Monetary Authorities, as well as to assume the Technical Secretariat of the committees and task forces emanating from it. The AMF also serves as the Technical Secretariat of the Council of Arab Ministers of Finance.

The **training and capacity building** activity of the AMF is performed through its training and capacity building institute TCBI. The 2020 training program has been redesigned considering the challenges associated with the Covid-19 pandemic and its implications, as the TCBI has been able to reschedule courses that were not possible during the closure period. Thirty training courses were held, of which seven were offered in attendance, while twenty-three were offered "remotely". They benefited 969 trainees from the official Arab cadres. Thus, from its inception to the end of 2020, the number of beneficiaries of the training courses offered by the Institute has reached 14,039 trainees.

**The reports, publications, research, and studies** released by the AMF during 2020, they focused on ways to support Member Countries' response levels to the repercussions of the Covid-19 pandemic and on the course of action to mitigate the economic impact of the pandemic in areas relevant to the AMF's work. The AMF's publications also addressed the challenges of economic, financial and monetary policies arising from the pandemic and the role of the relevant authorities in addressing them, as well as discussing the role of policies in preparing for the post-crisis phase. The AMF's 2020 publications aimed mainly at supporting and assisting decision makers and economic policy makers in the Arab countries to adopt policies to ensure a return to renewed normal growth paths.

In this context, the publications included a series of studies and working papers, covering a variety of topics, including: "Trade Tensions between the United States and China", "Government Spending Multipliers under Oil Price Fluctuations," "Applied Case for Some Arab Countries, "Generalized Basic Income", "Methodologies for Building and

Calculating Human Capital Indicators with Reference to the Status of Arab Countries”, "Economic Repercussions of the Corona Virus on Arab Countries”, "Assessment job losses due to Corona virus pandemic (Covid-19) and the minimum required economic growth for job creation in Arab labor markets, and "Digital Economy in Arab countries: Reality and Challenges,” as well as a policy paper on "The Digital Currencies of Central Banks: An Analytical Framework for Central Banks and Arab Monetary Authorities".

On the other hand, the AMF published the Joint Arab Economic Report in cooperation with partner Arab institutions. The 2020 edition was issued in Arabic and English.

The “Arab Economic Outlook” report was also released for April and September 2020, which included forecasts of the economic performance of the Arab Countries for the years 2020 and 2021.

In 2020, the AMF also released the third edition of the "Path of Reform Window" report, which addressed tax reforms in Arab Countries.

The AMF is keen on keeping its research contributions in line with the concerns of its Member Countries and as part of its strategy (2020-2025). The AMF published a periodical entitled “Observatory of Modern Financial Technologies in Arab Countries”.

The first edition dealt with "Modern Financial Technologies in the field of electronic payment in the retail sector”. In addition, a periodical research entitled "Observatory of Experimental Regulatory Environments in the Arab Countries" was published with the aim of sharing the most successful models in this field based on a questionnaire sent to the regulatory authorities in Arab countries.

Concerning the bulletins, the AMF released the seventh issue of the “Bulletin of total and inter-Arab trade competitiveness statistics,” which included a presentation of the external merchandise trade of Arab countries, including intra-regional trade, in addition to the index of comparative advantage of commodity exports for the period (2013-2019).

In the **area of investment**, during 2020, the AMF maintained a high level of deposits from Arab Member Countries to be invested by the AMF on their behalf. The AMF also continued its approach to a conservative investment policy and strategy for managing portfolio funds and risks, in line with Basel III risk management decisions, which protected invested capital and continued to yield positive, stable returns at the macro level, while maintaining low investment risk ratios.

The AMF also continued, within its investment activity, to employ its own resources, in addition to its activity in investing part of the funds of the Arab Trade Financing Program, and the funds collected in the unified account of the specialized Arab organizations, as well as the supervision of the foreign-controlled part, in accordance with the approved investment policy and strategy for their management.

With regard to the AMF's contribution to the capital of the **Arab Trade Finance Program**, applications received from the Program from its inception until the end of 2020 amounted to about U.S.\$ 18.4 billion to finance trade deals worth about U.S.\$ 24.2 billion, the ATFP agreed to finance U.S.\$ 17.9 billion. The total value of the withdrawals during the mentioned period was about U.S.\$ 17.3 billion.

## Lending Activities

Based on its role as defined by its Article of Agreement, the AMF, through its lending activity, supports economic and structural reform programs in Arab Member Countries in areas relevant to its functions and provides technical support for the design of these programs, with the appropriate and efficient way, with a view to help establishing macroeconomic stability and to address balance-of-payments imbalances, support efforts to implement the reforms required in a number of sectors to improve the efficiency of resource use and to promote opportunities for inclusive and sustainable economic growth.

The AMF's lending activity also contributes primarily to the achievement of its 2020-2025 strategy objectives by continuously harnessing and developing its potential to meet the changing and growing needs of its Member Countries.

## Categories of Loans and Facilities

The loans and facilities provided by the AMF include two major groups, the first group contribute to addressing the imbalances in Member Countries' balance of payments, while the second group are provided to support reforms in a number of economic sectors.

loans and facilities offered by the AMF to address the Member Countries' imbalances in their balance of payments are: Automatic loan, Ordinary loan, Extended loan, Compensation loan, Oil facility, and Short-term liquidity facility.

**The Automatic Loan** is extended to contribute to 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-year term, and it and is not conditional on the implementation of an economic reform program.

As for **the Ordinary Loan**, a Member Country eligible to borrow when its resource requirement exceeds 75 percent of its paid subscription in convertible currencies, up to 100 percent of the Member Country's paid subscription in convertible currencies which can be expanded, up to a maximum of 175 per cent, by adding automatic loan limits.

In order to obtain it, an agreement with the borrowing Member Country on a financial correction program that is valid for a period of not less than a year is required.

The policies and procedures included in this program are aimed at working on fiscal rebalancing with a view to reducing the balance of payments deficit. Each payment shall be made from the regular loan within five years from the date of its withdrawal.

With regard **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.

In terms of **Oil facility**, it was established by the Board of Governors' decision No. (3/2007), which was adopted on the recommendation of the Board of Executive Directors in its decision No. (1/2007), as a temporary lending mechanism for five years from its inception, to provide support to Member Countries affected by high import prices of oil and natural gas products, and to assist them in implementing appropriate reforms that enhance their capacity to cope with external shocks.

The rules governing the granting of loans in the framework of oil facility included that the facility be offered to eligible countries, up to a maximum of 100 percent of the subscription paid in convertible currencies, and could be provided with a maximum of 200 percent of the subscription paid in convertible currencies, provided that the Member State agrees with the AMF to implement a reform

program. The loan is to be repaid within the framework of oil facility within a maximum period of four years from the date of withdrawal.

According to Executive Directors Council decision No. (2/2017), dated March 13, 2017, the Loan Committee's recommendations to consider oil facility as expired were approved, and the possibility of re-establishing future facility according to oil price developments in world markets was considered, following approval by the Board of Governors for re-operation.

With regard to **short-term liquidity facility**, it is a lending mechanism to help Member Countries meet temporary liquidity challenges caused by developments in global financial markets. Loans are provided in a manner that is fast and without the requirement of agreement with the qualified member state on a reform program, up to a maximum of 100 percent of the subscription paid in convertible currencies, and the loan amount is withdrawn in one payment or in installments at the request of the borrowing Member State. Each payment shall be made six months after the date of its withdrawal, with the possibility of extending the same period up to two times.

The short-term liquidity facility was established according to the Board of Governors' decision No. (4/2009). The rules governing the facility were also adopted by Executive Board decision No. (13/2009). According to Executive Board decision No. (2/2017) the extension of the facility was approved for a three years interim period, after which consideration would be given to activating the facility permanently, extending it for another temporary period, or suspending it.

**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, “for both financial and banking sector, and public finance sector”, trade reform facility, and the SMEs Conducive Environment Support Facility.

Regarding **the for 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 AMF. 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 AMF. Each payment of the loan is made over four years from the date of its disbursement.

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.

### New Loans & Loan Commitments

During 2020, the AMF provided six loans to its Member Countries, totaling approximately AAD 284.1 million, represented by a loan to the Arab Republic of Egypt within the framework of structural adjustment in the public finance sector facility, with a value of AAD 153.5 million, an Automatic loan to the Hashemite Kingdom of Jordan, with a value of AAD 10 million, and two loans to the Kingdom of Morocco, one of which is Automatic, and the second within the framework of structural adjustment in the public finance sector facility, with a total value of about AAD 82.3 million, and two loans to the Tunisian Republic, one of them is Automatic, and the second within the framework of structural adjustment in the financial and banking sector facility, with a total value for both loans of about AAD 38.4 million.

By adding the value of the new loans provided by the AMF to its Member Countries, during the year 2020, to the balance of the loans provided since the beginning of its lending activity in 1978, the total value of the loans provided by the AMF to its Member Countries, until the end of 2020, is approximately AAD 2.7 billion, Equivalent to about U.S.\$ 11.4 billion.

Fourteen Arab Member Countries benefited from the 193 loans provided by the AMF during the period 1978-2020. Table (A-1) in Appendix No. (1), shows the details of these loans, by year and by recipient country.

Chart (2) shows the relative distribution of loans, by type, during the period 1978-2020, as loans that support the balance of payments (automatic, ordinary, compensatory, and extended loans) came at the forefront of the facilities provided by the AMF since the beginning of its lending activity in 1978, until end of 2020, with a share of about 56.4 percent of the total loans provided during that period, followed by the structural adjustment facility loans in both parts of the financial and banking sector and public finance sector, with a share of 35.2 percent, then the trade reform facility by about 2.4 percent, while the percentage of loans granted in the oil facility

framework to total loans is about 1.2 percent, and the percentage of loans provided under the framework of the facility to support an enabling environment for small and medium enterprises is about 4.8 percent.

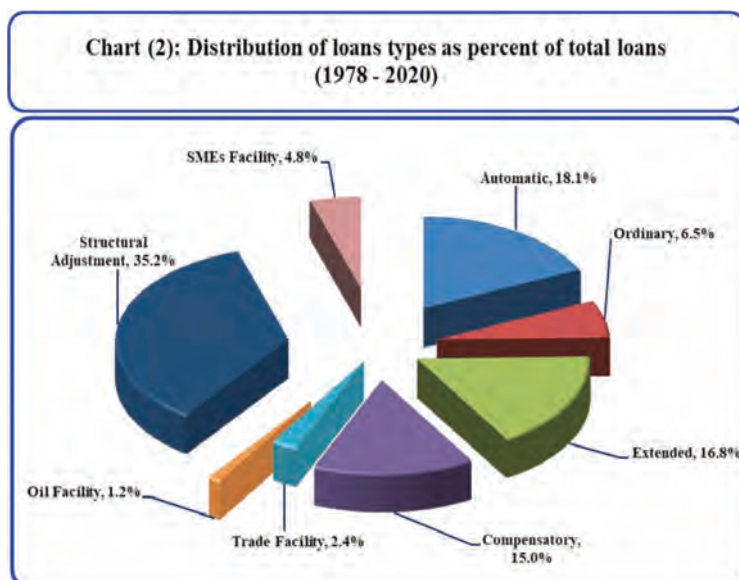
Table (A-2) in Appendix No. (1) shows the value and number of loans obtained by each Member State, distributed according to the types of loans offered.

**Technical consultations with Member Countries on new loan applications and withdrawal of existing loans**

Since the beginning of the Covid-19 pandemic, the AMF, during its communication with Member Countries, expressed its readiness to harness its financial and technical capabilities to stand by them in the face of the repercussions of the pandemic, and to use all means and tools available to its maximum capacity, to contribute to reducing the economic and financial repercussions of the pandemic.

In this regard, the AMF has examined funding requests from a number of Member Countries and responded to such requests through rapid and extraordinary actions, which have contributed to meeting financing needs, strengthening financial conditions and increasing the economic resilience of recipient countries.

In this regard, the AMF held virtual meetings and consultations with relevant officials in the Arab countries to determine the crisis consequences and to reach a comprehensive diagnosis of the economic, monetary and financial



situations, as these consultations represented a basis for agreement with the borrowing countries on elements of reform programs that can be financed by the AMF's resources. These include packages of measures to strengthen economic interactivity to counter the fallout of the crisis, which qualify them to return to the usual tracks of inclusive and sustainable economic growth during the post-crisis period.

The countries with which consultations were held concerning requests to use the AMF's resources or to withdraw the remaining installments related to existing loans are the Hashemite Kingdom of Jordan, the Kingdom of Morocco, the Republic of Egypt, the Republic of Tunisia and the Republic of Sudan.

Regarding the request of the **Hashemite Kingdom of Jordan**, the AMF has received a letter from the Governor of the Central Bank of Jordan and the AMF's Governor of the Hashemite Kingdom of Jordan, which includes a request to reutilize the AMF's resources in the form of an Automatic loan to finance the balance of payments deficit.

In this regard, the Economic Department prepared a study on the loan request, focusing on the expected effects of Covid-19 pandemic during the year 2020 on the balance of payments. The study showed a need to finance the expected total deficit in the balance of payments during 2020, thus contributing to the consolidation of the reserve position. The loan provides a suitable space for the Jordanian government to take policies aimed at accelerating economic growth and strengthening the financial position, especially in these exceptional circumstances.

The Loans Committee, recommended, during its meeting No. (3) of 2020, to approve an automatic loan of AAD 10 million to the Hashemite Kingdom of Jordan. According to the Director General authentication, to the Committee's recommendation, the automatic loan agreement was signed on September 6<sup>th</sup>, 2020. The loan amount was also withdrawn on September 10<sup>th</sup>, 2020.

With regard to the **Kingdom of Morocco**, the AMF received a letter dated March 19<sup>th</sup>, 2020, from the Minister of Economy, Finance and Administration Reform of the Kingdom of Morocco, and the AMF's Governor for Kingdom of Morocco, expressing his Country's desire to make use of the AMF's resources in the form of two loans, one of which is an automatic loan to support the balance of payments, and the other is structural adjustment facility in the public financial sector to support a reform program.

With regard to **the automatic loan**, the economic department prepared a study on the loan application, which addressed recent economic developments in the Kingdom of Morocco and the expected effects on the balance of payments during 2020, following the repercussions of Covid-19 pandemic. The study showed the need to finance the balance of payments deficit during 2020, to contribute to the enhancement of the external position.

With regard to **the loan provided to the Kingdom of Morocco, within the framework of structural adjustment facility in the public finance sector**, the Economic Department held several meetings in a virtual format with the concerned officials in the Kingdom of Morocco, where the necessary data and information were obtained. An agreement has been reached on elements of a reform program, supported by AMF's resources.



In accordance with the Board of Executive Directors' Decision No. (14/2020), dated May 21<sup>st</sup>, 2020, the elements of the aforementioned reform program were approved, and a loan to the Kingdom of Morocco in the framework of structural adjustment in the public finance sector facility amounted to AAD 51.406 million, was provided, representing 125 percent of its share in the AMF's capital, paid in convertible currencies, to support the agreed program.

The Decision also included approval of the withdrawal of the loan amount in two installments, the first in the amount of AAD 30.844 million, to be withdrawn after the signature of the loan agreement, and the second in an amount of AAD 20.562 million to be withdrawn after the AMF established the implementation of the agreed reform program.

The loan agreement was signed on May 23<sup>rd</sup>, 2020, and the first installment was withdrawn on June 5<sup>th</sup>, 2020.

Regarding the **Republic of Tunisia**, the AMF received a letter from the Governor of the Central Bank of Tunisia and the AMF's Governor for the Republic of Tunisia, expressing the desire to benefit from the AMF's resources in the form of an Automatic loan and a loan within the framework of structural adjustment in the financial and banking sector facility, to support the efforts of the Tunisian authorities in covering the balance of payments deficit and continuing reforms in the aforementioned sector, following the exceptional circumstances associated with the Covid-19 pandemic.

With regard to **the Automatic loan** request, the Economic Department has examined the demand, analyzing recent economic developments in the Republic of Tunisia, and

the expected impacts on the balance of payments, during the year 2020, resulting from the repercussions of the Covid-19 pandemic.

In this context, the Loans Committee recommended, during its meeting (4/2020), held on May 13<sup>th</sup>, 2020, the approval of the provision of an automatic loan to the Republic of Tunisia, amounted AAD 14.381 million, representing 75 percent of its paid subscription in convertible currencies. The Committee also recommended agreeing to withdrawal of the loan amount in one go, after signing the agreement. Based on the authentication of the Director General to Committee's recommendations, the loan agreement was signed on May 20, 2020, and the loan amount was withdrawn on June 3<sup>rd</sup>, 2020.

As for the **request of Tunisian Republic to obtain a loan within the framework of structural adjustment in the financial and banking sector facility**, virtual consultations were held with the concerned officials, and the necessary data and information were obtained. It was agreed on the elements of a reform program, which will be supported by the facility's resources.

The aforementioned loan agreement was signed on May 29<sup>th</sup>, 2020, and the first installment of the loan was withdrawn, On June 5<sup>th</sup>, 2020, based on the Board of Executive Directors Decision No. (15/2020), dated May 27<sup>th</sup>, 2020. The decision included the approval of the elements of the aforementioned reform program and the provision of the aforementioned loan to the Republic of Tunisia, in the amount of AAD 23.968 million representing 125 percent of its share in the AMF's capital paid in convertible currencies, to support the agreed program. In accordance with the same decision, the Board

also approved the withdrawal of the loan amount in two installments. The first installment amounted AAD 14.380 million, and to be withdrawn after the signing of the loan agreement. The second installment amounted AAD 9.588 million, and to be withdrawn after the AMF has established the implementation of the agreed reform program.

Also, during the year 2020, according to Executive Board Decision No. (1/2020), the AMF provided a loan to the **Arab Republic of Egypt** within the framework of structural adjustment in the public finance sector facility, with an amount of AAD 153.475 million, representing 175 percent of its share in the AMF's capital, paid in convertible currencies, to support a reform program that has been agreed with the Egyptian authorities.

The Board's decision also included the approval of withdrawing the loan amount in two installments, the first payment amounted AAD 87.700 million, to be withdrawn after the signing of the loan agreement, and the second payment of AAD 65.775 million, to be withdrawn after the AMF's establishment of the progress of the implementation of the agreed reform program. In this regard, the loan agreement was signed on July 21<sup>st</sup>, 2020, and the first instalment amount was withdrawn on July 29<sup>th</sup>, 2020.

**With regard to withdrawals on existing loans**, the AMF conducted virtual consultations with relevant officials in the **Hashemite Kingdom of Jordan** regarding a request to withdraw the second and final loan installment of the structural adjustment for the Financial and Banking Sector facility, provided to the Kingdom in accordance with Executive Directors' Decision No. (25/2018), amounting AAD 23 million to support a reform program in the aforementioned sector

to be adopted during the period (November 2018 - November 2019).

The decision stipulated that the loan should be withdrawn in two installments, the first amounting to AAD 13.8 million, after signing the loan agreement, and the second in an amount of AAD 9.2 million after establishing the progress of the implementation of the agreed reform program. The first installment was withdrawn on February 14, 2019.

The second loan installment, amounted AAD 9.2 million, was withdrawn on May 14, 2020, following the authentication of the Director General of the recommendation of the Loans Committee during its meeting No. (3/2020), considering the efforts made to implement the reform program is satisfactory within the framework of its three pillars, namely enhancing financial inclusion by facilitating individual and small, medium and micro-enterprises access to finance and financial services, strengthening the system of control and supervision of the financial and banking sector, strengthening payment and settlement systems and supporting the application of modern financial technologies.

Regarding the request submitted by the **Republic of Sudan**, within the letter received by the AMF on March 02<sup>ed</sup>, 2020 to withdraw the second and final installment of the Ordinary loan agreed on of March 16<sup>th</sup>, 2019, based on the Board of Executive Directors decision No. (1/2019), issued on February 22<sup>ed</sup>, 2019.

With the approval to provide a Ordinary loan to Sudan amounted AAD 27.4 million, the second installment of the loan was withdrawn on April 8<sup>th</sup>, 2020, based on the study conducted by the AMF in light of information and data on economic developments, economic and financial reforms during the

fourth quarter of 2019, the first quarter of 2020, as well as the outlook of the year of 2020.

The Board of Executive Directors' Decision No. (1/2019) stipulated that the loan amount be withdrawn in two installments, with the first installment of the loan in the amount of AAD 16.44 million after signing the loan agreement, and the second in the amount of AAD 10.96 million, after the AMF has established the implementation of the agreed economic reform program supported by the aforementioned loan resources. The first installment of the loan was withdrawn on March 20<sup>th</sup>, 2019 after signing the loan agreement on March 16<sup>th</sup>, 2019.

### Withdrawal and Repayment of Loans

The total withdrawal of contracted loans, during the year 2020, amounted to about AAD 208.309 million, compared to AAD 111.106 million during 2019.

In return, the borrowing countries, under the loan payment schedules, paid AAD 104.598 million, during 2020, representing installments of previously provided loans. Considering this, the balance of the outstanding loans owed by the borrowing Member Countries amounted to about AAD 569.692 million, at the end of 2020, compared to AAD 465.981 million, at the end of 2019.

It should be noted that the balance of non-withdrawn contracts amounted to AAD 114.180 million at the end of 2020, compared to AAD 38.415 million at the end of 2019.

Table (A-3) shows details of withdrawn and unwithdrawn balances and loan obligations

for Arab countries in 2019 and 2020, while Table (A-4) shows their details for the period 1978-2020.

Table (A-5) also shows the evolution of the interest rates that the AMF applies to loans to borrowing Member Countries and publishes them on its website through the electronic network on a monthly basis. In addition, Figure (6) in Appendix No. (1), shows the evolution of interest rates during the period (2003-2020).

### Arrears

The borrowing country is considered in arrears when the delay in repaying the outstanding loans exceeds a period of twelve months. According to the AMF's financial position as of the end of December 2020, there are three cases of delayed payment, of the Federal Republic of Somalia, the Syrian Arab Republic and the Republic of Yemen.

By the end of December 2020, the total arrears amounted to AAD 142.559 million, consisting of late-payment loan installments totaling AAD 78.080 million, in addition to accumulated interest of AAD 64.479 million.

With regard to the **Federal Republic of Somalia**, the delay has started since 1984, and the AMF is continuing with official consultations to reach a settlement of the arrears, which reached by the end of December 2020, AAD 71.626 million, representing late-payment loan installments by AAD 14,876 million and accumulated interest, of AAD 56.750 million.

About **Syrian Arab Republic** arrears, the country has started to delay payment since December 2011, and the total loan

installments and accrued interest at the end of December 2020 amounted to about AAD 3.475 million, representing the principal and interest installments of the second structural adjustment facility loan.

Regarding the **Republic of Yemen**, the delay has started since June 2016, and the total loan installments and accrued interest, at the end of December 2020, amounted to about AAD 67.458 million, representing late payment installments of AAD 60.323 million and accumulated interest of AAD 7.135 million.

### Technical Assistance Activities Provided by the AMF to the Member Countries.

The AMF's Article of Agreement identified the technical assistance activity as one of the most important means to be relied upon in order to achieve its goals, as the fund provides technical support to the official bodies in the Member Countries, in order to enhance their capabilities in the areas of design and implementation of economic, financial, monetary and trade policies, and the implementation of economic reforms as well as achieving financial inclusion, and strengthening statistical frameworks.

The AMF's activities in the field of providing technical assistance also aim to strengthen its role as a hub and consultation center for economic, financial and monetary policy makers, and to coordinate the positions of Arab countries in dealing with the challenges facing their economies, in order to achieve their common objectives.

In this regard, the AMF is keen to develop the operational framework of its strategy, to meet the requirements of enhancing the structure of

the AMF, to enhance its units by technical aspects and take advantage of the information technology advancements that have become the basis for modern working methods.

This enables the AMF to play its expected role as a technical reference and expertise center in its areas of competence, as well as to enhance risk management and business continuity, taking into account the application of appropriate governance principles and an effective and efficient internal control system.

The AMF shall initiate technical assistance to Member Countries, considering the AMF's experts view, as well as on the results of the questioners, periodically send to identify the views and aspirations of Member Countries about the AMF's current and anticipated activities.

The technical assistance activities are also a major activity that the AMF is implementing in its Strategy framework (2020-2025).

In this regard, the strategic vision framework ensures that a range of activities and initiatives are launched, and that the necessary expertise and competencies are provided in a more effective and efficient manner, with a focus on the priority aspects of technical assistance for Member Countries, as well as strengthening partnerships and areas of cooperation with global financial institutions and considering attracting resources from donors for technical assistance purposes.

The AMF is also keen on promoting activities that enable the establishment of the foundations of economic, financial and monetary integration in the Arab countries, support reform programs aimed at achieving macroeconomic stability and strengthen the resilience of Arab economies to face

challenges, as well as the access of active population such as youth and women to finance and financial services.

Within its technical assistance framework for Member Countries, The AMF focuses on activities related to policy development, program design, skill enhancement, strengthening capacities to implement and measure policy efficiency, as well as institutional development to improve the quality of the design and development of the necessary reform and structural adjustment programs for the reform of their economic situation, and direct their policies toward the desired development goals.

The AMF's methodology in providing technical assistance is based on direct and indirect technical support, with responding to requests from Member Countries wishing to benefit from its expertise in specific areas relevant to its activities, through technical missions involving members of its technical staff, with the participation of external experts, if needed. In addition, it provides technical assistance within the framework of lending missions.

The AMF also provides assistance and technical advice to Member Countries indirectly through its initiatives, as well as seminars, conferences and consultative meetings organized by its experts, or in cooperation with regional and international institutions, covering a range of areas, including strengthening the financial and banking sector infrastructure, and developing government bond markets, in addition to developing economic statistics, as well as initiatives to assist in the preparation of national financial integration strategies, support government efforts to create an enabling environment for SMEs, build up modern national credit-information systems

and other initiatives that enable the Member Countries to achieve inclusive and sustainable economic growth.

During 2020, The AMF's technical support to Member Countries included assisting a number of countries to develop the general frameworks for establishing an office for public debt management, including the organizational framework for the office's duties, the framework for governance and coordination with other bodies concerned with issues of public debt management and debt markets, and indicators for measuring Public Debt Management Performance, Public Debt Management Report Forms, and Public Debt Management Office website content.

The AMF also continued to follow the **fiscal balance program for the Kingdom of Bahrain, which covers the period 2018-2022**, and aims to restore balance in the Kingdom's general budget, and to reach the sustainability of the fiscal position in the medium term.

Also, reform programs were designed for several Member Countries to tackle the current challenges in the public finance, and financial and banking sectors, and it were supported by the AMF's resources.

#### **Managing the consolidated account for Specialized Arab Organizations**

A consolidated account specific to the AMF 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 to be channels of the Arab League as the technical arm to promote development in Arab region in different prospective, and a major pillar of the joint Arab action. These institutions also considered as 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.
- The Arab Labor Organization.
- The Arab Organization for Industrial Development and Mining.
- The Arab Organization for Education, Culture and Science.
- The Arab Organization for Agricultural Development.
- The Arab Centre for Studies of Arid Zones and Dry Lands.
- 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, a quarterly

combined periodic report on the activity of the Consolidated Account is issued. In this regard, the financial position of the Consolidated Account shows that the net assets balance amounted to USD 36 million as of December 31, 2020 compared to a balance of USD 30 million by the end of 2019.

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 U.S.\$ 11 million by the end of 2020. Thus, it currently covers about 23 percent of the overall budgets' appropriations of the organizations for the last financial year, mentioning 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.

### Activities to support the development of the financial and banking sector in the Arab countries

Knowing the importance of the financial and banking sector in mobilizing funds and directing them to support comprehensive and sustainable economic growth, creating job opportunities, and enhancing the foundations of financial stability, the AMF was keen in 2020 to intensify efforts to support the development of the sector in the Arab countries, and to provide opportunities for exchanging experiences and expertise and transferring knowledge, to confront developments and challenges dictated by the Covid-19 pandemic.

In this regard, the AMF prepared a number of guides and guidelines, reference papers on financial stability policies and issues, digital financial transformation in Arab countries, as well as preparing and publishing papers and studies on different axes of the financial sector. The AMF also intensified consultations with policy makers in Member Countries on the repercussions of the pandemic, the ways to confront it and for the recovery phase.

In this regard, the AMF's efforts during 2020 to support the development of the financial and banking sector were based on the following themes:

#### A. Issuing a set of manuals and guiding principles:

In order to keep pace with the efforts of its Member Countries in developing the financial and banking sector and in establishing financial stability, a number of guiding principles were issued in 2020, in

cooperation with the supervisory authorities, which would enhance the flexibility of the financial and banking sector facing the consequences of the crisis. Their findings principals are:

1. **General guidelines on how central banks should deal with the repercussions of the Coronavirus on financial stability:** It addressed aspects of financial stability issues, such as the development of crisis management governance within the central bank, strengthening coordination between macro-prudential and micro-prudential policies and economic policies, strengthening the financial sector's risk management system, and raising levels of coverage and digital financial awareness. The Principles emphasized the importance of progressive application of regulatory and prudential requirements, as well as the importance of maintaining the integrity and credibility of credit reporting, and of early post-Covid-19 pandemic preparedness.
2. **General guidelines on how central banks should deal with the repercussions of natural disasters and climate change on the banking system and financial stability:** It addresses the role of central banks in strengthening the natural disaster management system. The principles stressed the importance of adopting a strategic partnership between the central bank and the relevant bodies, developing plans to ensure the continuity of the work of the core central systems, and preparing stress tests involving the potential impact of natural disasters and climate change on the financial and banking sector. The principles also called for the study and analysis of the impact of the transition from energy-intensive products that contribute to increased carbon-gas emissions to clean and renewable energy products, as well as the monitoring and assessment of

systemic risks arising from climate change and the study of their sectoral impact.

**3. General procedures and guidelines for supervisory authorities' handling the impact of crises on financial markets in Arab countries:** These include the procedures and guidelines for dealing with crises, the most prominent of which is the establishment of a crisis management committee within the Securities and Markets Authority to deal with the consequences, and the determination of board responsibilities for promoting disclosure and governance of licensing processes for market makers, directing listed companies to hold general assemblies through modern technical means, and promoting digital transformation in Arab financial markets.

The guide shed light on the importance of establishing stock trading platforms for small and medium-sized enterprises and emerging companies, as well as promoting financial awareness and community outreach, to minimize the negative effects of rumors on financial markets during crises.

**4. Guiding principles on central bank strategies to support the post-Corona virus recovery:** include a set of recommendations on central bank policy to strengthen the crisis management system and early post-crisis preparedness. The principles emphasized the need for coordination and cooperation between monetary & fiscal policies and macro-prudential policy, as well as the need to a gradual return to the implementation of macro-prudential policy instruments in the post-crisis period, in addition to the importance of continuing to adopt a facilitating monetary policy to consolidate economic recovery. The principles also stressed the importance of central banks continuing to adopt government financing

programs led by the central bank to support productive economic activities at appropriate interest rates and time.

**5. Principles of dealing with family businesses and systemically importance firms:** Aim to strengthen family owned corporate governance and reduce systemic risk to the financial sector. The principles emphasized the importance of adopting a uniform definition of family companies at the state level, in coordination and consultation between the relevant official bodies and institutions, as well as developing an appropriate methodology for identifying family firms of systemic importance. The principles also emphasized the importance of relevant regulatory authorities issuing instructions on family corporate governance, including minimum terms and standards for the formation of their board of directors and their committees. In addition, the principles highlighted the importance of rules and regulations issued by the relevant regulatory authorities, which are recognized as a guiding charter for family companies at the state level, and that the board of directors of the family company should include an appropriate number of independent members designated by the supervisory authority.

**6. General guiding principles on how to abandon LIBOR and IBORs benchmark interest rates to promote financial stability:** It include several aspects related to the issues of enhancing financial stability during the transition, most notably:

- A plan to reduce the risk of abandonment of LIBOR and IBORs by central banks,
- Study of the extent of the exposures of the Arab financial sector to LIBOR and IBORs,
- Work on alternative pricing reference tools,



- Develop the central bank's monetary policy operational frameworks,
- Instructions on financial consumer protection, financial, legal, operational, accounting and reputational risks arising from the abandonment of LIBOR and IBORs.

On the other hand, the Principles emphasized the need to qualify banks' systems to make the transition from LIBOR and IBORs to another reference tool, with sufficient resources to support the transition effort.

#### **7. Guiding Principles on Cyber Security for Financial Infrastructure in Arab Countries:**

The principles made recommendations on strengthening e-security governance through a proactive and structured approach to managing both the prevailing and emerging cyber threats that a financial institution may face. The principles called for the preparation of a vision for the financial institution and its strategies for the safety of its electronic system and how it should be implemented, with a clear definition of roles and responsibilities in this regard. The principles also emphasized the importance of analyzing and testing the financial institution's ability to respond to and manage cyber-attacks.

#### **8. The guiding principles of digital identity and the electronic Know Your Customer (KYC) rules in the Arab countries:**

It addresses the role of digital identity and KYC rules, their role in promoting financial inclusion, balancing between the digital enrollment of customers and ensuring compliance with the rules for combating money laundering and terrorist financing crimes. The principles also provide steps to build and promote the use of digital identity.

#### **9. Guiding principles for building national strategies for modern financial technologies:**

It has five key axes to support the building of national strategies for modern financial technologies, as well as a review of the pillars of building regulatory frameworks, legislation, and policies needed to embrace financial innovations, how to develop the talent and capacity of start-ups, to innovate new financial solutions and products, and how to strengthen the financing aspects available to innovative financial solutions and products providers. The principles emphasized the importance of training to develop the competencies of young people, start-ups, cadres of the financial institutions and the supervisory and regulatory bodies.

#### **10. Guidelines on alternative financing models: developments and guidelines for Arab countries,**

which include two sets of principles and recommendations. The first concerns alternative financing models, which including developing rules and procedures based on the stages of market growth. The second group addresses digital financial asset encryption mechanisms.

The principles aimed at improving legislation and governance on financial asset encryption, the ways to address challenges to expand the use of digital assets in the financial system, strengthening data-preservation frameworks, electronic security with the expanded use of decentralized registry techniques, and the development of financial institutions' business models at various stages of dealing with digital financial assets.

The principles might work as complementarity of the alternative financing platforms operating system as well as the requirements for investor protection, and financial awareness in this regard.

## B. Supporting Digital Financial Transformation:

Given the prominence of new financial technologies during the current crisis, the AMF has supported Arab countries' efforts to strengthen supportive regulations to maximize their utilization and provide adequate infrastructure to support the transition to digital financial services.

In this context, the AMF issued, in 2020, a vision document on the “**Arab countries’ digital financial transformation framework**”, in collaboration with a number of international institutions that are partners in the Arab region’s Financial Inclusion Initiative. The document presented an integrated view of the requirements of the transition to digital financial services, both in terms of policies and the environment that is encouraging their development in the Arab countries. The themes of the document included building partnerships with various regional and international financial institutions and international development agencies to support the digital financial transformation efforts in the Arab countries.

The AMF also issued a periodical research entitled “**Observatory of Modern Financial Technologies in Arab Countries**”, which is concerned with monitoring the most successful models in the field of financial technologies, so as to identify the aspects and the elements of their success and measure their impact on increasing the efficiency of financial services and supporting financial inclusion. The first issue of the periodical dealt with the topic of “**Modern Financial Technology related to Electronic Payment in the Retail Sector**”.

Along the same line, the first issue of the research periodical, “**Observatory of**

**Experimental Regulatory Environments in the Arab Countries**”, was issued to monitor the most successful models in this field, highlight the aspects and components of the success of the experimental control environments, and their role in supporting the growth of the modern financial technology sector.

Through the Regional Working Group on modern financial technologies, the AMF has also launched an organizational guide on “**Modern Financial Technologies in Arab Countries**”, which aims to introduce the realities and prospects of the modern financial technology industry in Arab countries, including regulatory frameworks, legislation, regulations, regulatory and supervisory procedures, and licensing requirements for companies, as well as sectoral distribution of the companies that authorized to conduct the activities of the modern financial technology industry. The guide also reviews the incubating environment for the modern financial technology industry, its centers, business accelerators, and the activities and initiatives of modern financial technologies that exist in a number of Arab countries.

In a related context, the AMF issued a document on “**Open Banking Vision from the Arab World**”, which dealt with the opportunities offered by open banking in promoting financial technology innovation following the Covid-19 pandemic. The document reviewed the requirements for achieving open banking and business in the Arab region and was based on five key themes: “Basic principles, phased application, rights to customer data, standardization and identification of technical standards, and creating a stimulating environment for all parties.

The AMF also issued a policy paper entitled "Central Bank Digital Currencies: an analytical Framework for Arab Central Banks and Monetary Authorities".

The paper highlights the priorities and justifications for the issuance of digital currencies, the challenges associated with their issuance, in various types and designs, the legal and technical requirements, and their role in comparison with other technologies. The paper also reviews initiatives and developments in this regard at the level of the Arab countries and provides a vision and recommendations for arranging priorities to help the Arab supervisory authorities that want to issue digital currencies.

### C. Keeping abreast of developments and challenges to face the repercussions of Covid-19 Pandemic:

During 2020, the AMF intensified consultation with the Arab supervisory authorities on the implications of the Covid-19 pandemic for the financial and banking sector and the future of financial and banking services. In this context, **the AMF organized three virtual extraordinary meetings for Deputy Governors of Central Banks and Arab Monetary Institutions**, with the participation of senior officials of Arab supervisory authorities, representatives of international financial institutions, such as the International Monetary Fund, the Bank for International Settlements, and The Institute of International Finance, as well as a number of central banks from deferent countries.

The first meeting discussed the challenges of monetary policy and the role of central banks in confronting the economic and financial consequences of the Covid-19 pandemic, in addition to discussing the role of monetary policy in returning to the normal paths of

economic growth in the post-crisis phase, alleviating burdens on the sectors of family owned business, micro, small and medium-sized enterprises, and measures that can be taken to stabilize the monetary and domestic currency market, and to increase foreign reserves.

The second meeting discussed topics related to digital identity applications, KYC rules, open banking and their regulatory framework. The meeting also discussed digital currency launch initiatives, recent developments related to mitigating risks and cyber-attacks, the future of financial and banking services and the role of central banks, with the expansion of the use of modern financial technologies.

The third meeting focused on the impact of the Covid-19 pandemic on the financial and banking sector in the Arab countries, the potential volume of losses due to lower asset values or write-offs, and the expected impact on the safety and resilience of banking systems. The meeting also addressed other issues, including policy priorities in the Arab region to shied light on the effects of the current crisis, strengthening financial sector policy frameworks, strengthening micro and macro prudential supervision, supporting sustainable financing, and providing credit to small and medium-sized enterprises.

The AMF also organized the 15<sup>th</sup> High-Level Annual Meeting on "**The Global Banking System in the Post-Corona Pandemic Crisis**" to discuss banking issues and risks, addressing developments in confronting the risks of climate change in light of the Covid-19 pandemic crisis, and the lessons learned.

The meeting also discussed the priorities within the framework of Basel Committee for the post-crisis phase, the requirements for

enhancing financial sector flexibility, and the need to develop a post-crisis model for financial and banking institutions.

The meeting was held in cooperation with the Financial Stability Institute and the Basel Committee on Banking Supervision. The meeting was attended by several excellencies, governors and deputy governors of central banks and Arab monetary institutions. Senior officials concerned with financial stability and banking supervision issues from central banks and Arab monetary institutions participated in the meeting, besides high-ranking representatives from the most prominent banks operating in the Arab region. Several international institutions participated in the meeting, including the Bank for International Settlements, the Financial Stability Board, the Dutch Central Bank, the Central Bank of the Philippines and the German Federal Financial Supervisory Authority.

In addition to the above, and in order to enhance communication with the Arab supervisory authorities during the pandemic, the AMF organized during the period from April to December 2020 **seven virtual meetings for the Directors of Banking Supervision, Financial Stability and Credit Information Managers** of central banks and Arab monetary institutions to discuss the implications of the Covid-19 pandemic for financial stability.

High-level representatives of regional and international institutions, participated in this meeting such as: The IMF, the World Bank, the Financial Stability Board and the Basel Committee on Banking Supervision. The meetings focused on discussing a number of topics, such as: "The role of macro-prudential and other economic policies in the next

phase", "Ways to protect the corporate and individual sectors during the pandemic", "Assessing systemic risks to financial stability", and "The impact of the pandemic on the implementation of Basel III and IFRS requirements (IFRS9)".

These meetings also discussed an important topics such as: "The role of banking supervision in the next stage under current circumstances", "ways to develop partial stress tests in the next stage", "the operational and cyber risk assessment in the banking sector at the present stage", and "the implications of the Corona virus on the credit information industry, including the impact on customer credit rating and credit reporting", "ways to use capital and liquidity margins if the crisis extends through the end of 2020," and "means of central bank intervention to promote financial stability through the end of 2020".

The discussions also concerned systemic risks, credit risks, operational risks, and market risks, which could threaten financial stability in the current and future phases. Other topics were also addressed, including "ways of balancing between supporting the need for the government and private sectors for liquidity", "preserving the strength of the banking sector", and "the role of macro-prudential policy in supporting other economic policies in the recovery phase".

Within the same framework, the AMF organized **seven virtual meetings during the period (April-December) 2020, for the Directors of Financial Inclusion, Payment Systems and Digital Financial Infrastructure at central banks and Arab monetary institutions**, to discuss the implications of the Covid-19 pandemic on financial services and financial inclusion. Representatives of international and regional institutions participated in the

meetings, including IMF, the World Bank, the German Development Agency, the Global Alliance for Financial Inclusion and the Islamic Development Bank.

A number of topics were discussed at the meetings, on aspects of strengthening financial inclusion and improving financial services, with the implications of the Corona virus, measures to ensure the continuity of banks' business, provide basic financial services to individuals and companies, ensure consumer protection and reduce credit risks to households and companies, ways of improving the response of electronic payment systems and tools to confront the consequences of the crisis, as well as the transition opportunities for digital financial services, and the role of supervisory authorities in this regard were also discussed.

Discussions also included ways to encourage the use of e-payment tools in the context of the consequences of the Covid-19 pandemic and to develop current practices in providing liquidity to individuals, micro, small and medium enterprises and entrepreneurs through banking and non-banking sectors, how to promote community awareness of non-bank financial institutions and ways to enhance access to their services. The challenges and prospects of Sharia-compliant microinsurance in the Arab countries were also discussed, as was the issue of financing SMEs and their role in promoting financial inclusion.

The meetings also covered topics of interest to policy and decision makers in the Arab region, most notably: "Requirements for strengthening the regulatory environment for financial inclusion and supporting innovation in financial technologies", "The role of the digital currencies of central banks in promoting financial inclusion", and "The

future of payment instruments and systems under encrypted digital currencies", "The requirements of the post-Corona recovery" "Promoting opportunities for digital financial transformation and supporting innovations in support of digital financial inclusion," and "How to strengthen liquidity mechanisms to finance productive sectors".

During the period (April-December) 2020, the AMF also organized six meetings to discuss the applications of new technologies and the safety of financial and banking operations under the Corona pandemic. Officials of the modern financial technologies of central banks and Arab monetary institutions, finance ministries, financial market bodies, and financial technology companies in Arab countries participated in the meetings, along with representatives of international and regional institutions including: IMF, World Bank, Bank for International Settlements, Financial Stability Board, Financial Action Task Force (FATF) and International Finance Corporation.

The meetings discussed the role of the post-pandemic financial technology industry, the challenges of digitally enrolling customers, digital identity and KYC rules. Emphasis has also been placed on ways to address and exchange information on cyber threats. The meetings also focused on the issues of the safety of open banking applications, the available opportunities and related challenges, as well as the opportunities that modern financial technologies can offer to central banks.

The subject of regulatory and supervisory technology solutions to support supervisory and regulatory authorities in the Arab countries was also discussed, and how these solutions can be used in the performance of

their mission, as well as discussing the issue of digital currencies by central banks, their purpose, structure and all legislative and technical aspects related to them, as well as discussing digital financial assets and crowdfunding platforms, and their regulatory framework. The meetings also addressed the subject of the legislative structure and regulatory framework associated with the modern financial technology industry, and the requirements to strengthen the regulatory framework to maintain a balance between the integrity of the legislative and regulatory framework, on the one hand, and to support digital innovation on the other.

On the other hand, the AMF organized a **virtual high-level meeting for the heads of insurance supervision bodies in the Arab countries** with the participation of the central banks and Arab monetary institutions on "**Insurance Sector in the Arab Countries: Challenges and Prospects**", to discuss the reality of the insurance sector in the global financial system, under the Covid-19 pandemic, the challenges and risks it faces, the impact of climate and natural disasters on it, how to assess systemic risks arising from the insurance sector, key indicators to assess its performance, and its role in promoting financial inclusion and stability in the Arab countries.

The meeting addressed the reality of insurance and reinsurance in the Arab countries, under the Covid-19 pandemic, including risks and challenges facing the insurance sector, ways to take advantage of modern financial technologies in developing the insurance industry and services, and promoting coverage of individuals and companies by official insurance services.

The institutional framework for the control of the insurance sector, cooperation with central

banks, as well as regional cooperation between insurance regulators in the Arab Countries, has also been addressed.

In collaboration with the World Bank Group, the Committee on Payments and Market Infrastructures of the Bank for International Settlements and the Financial Stability Board organized a high-level workshop on "**Promoting Cross-border payments: A Vision for the Future**" to discuss a number of topics, including: Recent developments and trends in payment systems and financial infrastructure, in terms of cross-border payment arrangements and the safety and speed of financial transfers under the Covid-19 crisis.

The workshop also reviewed the innovative services provided by the "Buna" platform for clearing and settling Arab payments.

#### **D. Supporting financial and banking sector development policies through research activity:**

The AMF has issued a number of reports, studies and working papers on enhancing the safety, durability and efficiency of the financial sector, the most prominent of which is the third issue of the **Arab countries Financial Stability Report**, which was prepared in cooperation and coordination with the Financial Stability Working Group in the Arab countries, which emanates from the Board of Governors of Central banks and Arab Monetary institutions.

The report dealt with the challenges facing the Arab countries' economies as a result of the Covid-19 pandemic, in addition to the developments of the legislative and institutional frameworks for financial stability and strengthening the infrastructure of the financial sector in the Arab countries,

in addition to a number of other related topics. In 2020, the AMF prepared several papers and studies on issues of financial, banking and financial market development, including:

- A paper on "**The Risks of Money Laundering and Terrorist Financing in Islamic Banks**", on ways, trends and methods of money laundering and terrorist financing, related to Islamic banking services and instruments in accordance with Islamic law. The paper also reviewed an assessment of the current status of legal and regulatory frameworks for combating money laundering and terrorist financing in countries where Islamic banks operate.
- A study on "**Banking Crisis Resolution System and Deposit Guarantee System: Roles and Objectives**" presented an analytical view on the banking crisis management system and the role of deposit guarantee institutions in the Arab countries.
- A paper on "**Factors Influencing the Net Interest Margin of the Banking Sector in Arab Countries**" dealt with net interest margin as one of the most important factors that measure the operational efficiency of banks, in terms of their intermediate role of managing savings and allocating loans. The paper also touched on the implications of development in the margin of interest rate on investment and economic growth, by examining the determinants of Arab countries' interest rate margin during the period 2014-2018.
- A paper on the "**Role of Loan-to-Mortgage Ratio and Debt-to-Income Ratio in Reducing Real Estate Bubbles and Credit Growth**", which showed how both loan-to-value ratio, debt-to-income ratio, and the effectiveness of macro-prudential instruments are calculated in controlling real-estate risks when these risks are related to economic cycle trends.
- A study on "**The Gulf Stock Market Response to Oil Price Shocks**" aimed at analyzing and evaluating the relationship between stock indices and oil prices and the extent of impact of international crises on them, in five Gulf countries.
- A study on "**Financial Technologies and their Applications in the Islamic Financial Industry**", which reviewed the most important financial technologies and their applications (Block Chain, Encrypted Currencies, Insurance Techniques, Artificial Intelligence, Smart Contracts, etc.). The study also reviewed developments in the Islamic Financial Industry and the implications of developments in the field of technology on them.
- A study on "**Financial Inclusion in the Age of Technology-Based Globalization: Small Transnational Payments and their Perspectives in the Arab Countries**", which examined the opportunities that the "Buna" platform could provide in expanding access to financial services and their uses. The study made some basic recommendations regarding the options available to the policy supervisory authorities to support small cross-border payments, as well as the options available to financial institutions, payment service providers and market operators in this regard, consistent with efforts and programs to promote financial inclusion in the Arab region.
- A study entitled "**The Impact of Financial Sector Development on Economic Growth in the Arab Countries**", aimed at identifying the impact of a set of banking sector and financial market development indicators on the growth rate of GDP in a number of Arab

- countries using a methodology based on cross-sectional time-series data models.
- A study on "**Measuring the Integration of Arab Financial Markets in Global Markets**" focused on measuring the strength and similarity of the integration between Arab financial markets and international markets, and addressing the results of measurement in a coordinated and in-depth manner, using a reliable standard methodology, in addition to analyzing the consequences of international financial crises, and the drop in oil prices on the financial links in the Arab countries.
  - A study entitled: "**The Impact of Reciprocal Economic Relations on Financial Integration in the Arab Gulf Region**" discussed the evolution of financial ties within the Arab Gulf region and the impact of volatile periods on the integration of Gulf financial markets. The study offered a group of recommendations that can help in reinforcing the financial integration between the economies of the Gulf Cooperation Council countries.
  - A paper on "**Challenges of applying the International Financial Reporting Standard (IFRS9) to Arab banks**" addressed the most important requirements of the International Accounting Standard (IAS), particularly with regard to financial asset classification, as well as application challenges, lessons learned, and ways to address accounting provisions when applying the Basel Committee for Capital Adequacy.
  - A paper on "**Banking competition and its role in supporting opportunities for access to finance in Arab countries**", which dealt with the determinants of banking competition in the Arab countries, its effects on the level of financial inclusion, as well as highlighting efforts to support banking competition levels in the last ten years.
  - A paper on "**Application of Sharia-compliant banks Basel III requirements in the Arab countries**" aimed at identifying the current status of Islamic banks' implementation of Basel III decisions, related to capital requirements, liquidity, leverage, the supervisory review pillar and market discipline, as well as the challenges that face banks in this regard, and the efforts made by central banks and Arab monetary institutions to confront them.
  - A paper on "**Internal capital adequacy assessment**" highlighted the internal assessment of capital adequacy, post-evaluation control review, as well as methodologies and methods used by regulatory authorities for internal capital assessments.
  - A paper on the "**Market risk framework in the banking sector in the Arab countries**", dealt with a theoretical analysis of the public and private risks of the market, the relationship between market risks and liquidity risks, as well as the risk value analysis, which is one of the most important measures used in risk management. efforts by central banks and Arab monetary institutions to promote risk management in the banking sector in general, and market risks in particular.
  - A study, on "**Determinants of non-performing loans ratio in the banking sector in the Arab countries**", aimed to highlight asset quality determinants as one of the important indicators of bank strength and safety. It also provided an analytical framework that contributes to strengthening credit risk management in the banking sector in the Arab countries.



- The study of **"Non-performing loans and their impact on the banking sector in the Arab countries"**, aimed at assessing the impact of non-performing loans on the banking sector in the Arab countries, and measuring their impact on some indicators of the banking sector in these countries.
- A paper entitled **"Central bank digital currencies: An analytical framework for central banks and Arab monetary institutions"** referred to the global experiences with the issuance of digital currencies by central banks, their priorities and justifications, and the challenges associated with them. The paper touched on the role of digital currencies as opposed to the role that other technologies, such as open banking applications and real-time payments, might play.
- A paper on **"Arab countries' efforts to combat money laundering and terrorist financing"** highlighted Arab countries' experiences in strengthening their commitment to and meeting international requirements to combat money laundering and terrorist financing.
- A paper on **"Digital identity and Know Your Customer rules,"** on the importance of digitally enrolling customers to enhance their access to formal financial services. The paper has monitored international cases, the fact that customers are digitally signed in Arab countries, efforts in the development of a digital identity system, KYC frameworks, and customer due diligence procedures.
- A paper on **"Enhancing the safety and efficiency of electronic operations for financial infrastructure systems"** highlighted the importance of cyber governance, its role in strengthening institutions' capacity for cyber security, improving risk management, reviewing best practices for prevention, and achieving compliance with regulatory instructions.
- Paper on **"The role of centralized risks in facilitating the financing of micro, small and medium enterprises"**, discussed the role of credit information in enhancing the access of micro-, small- and medium-sized enterprises to finance. The paper stressed the importance of a uniform definition of SMEs at the level of each country and addressed the role of SMEs in promoting financial inclusion.
- A paper on **"Cross-border Credit Information Exchange"** on principles governing cross-border exchange of credit information, which reviewed the experience of exchange of credit information between GCC countries.
- A paper on **"The role of financial markets in financing development and infrastructure"** highlighted the role of financial markets in local currencies in financing development and infrastructure projects, and the challenges that Arab countries face in accessing global financial markets to finance development and infrastructure projects.
- A paper on **"The impact of concentration in the banking & financial sector on financial stability"** presented the experience of the Hashemite Kingdom of Jordan in addressing concentration risks, which reviewed an analysis of the relationship between concentration degree, competitiveness in the banking sector, and the implications of increased concentration on the financial stability level.

### **E. Launching the financial stability index in the Arab countries:**

During 2020, the AMF, in collaboration with the Arab countries' Financial Stability Task Force, launched an annual indicator that measures the level of financial stability in Arab countries and serves as an instrument of guidance and early warning. The AMF provided the index's methodology to use it in preparing local indicators for financial stability by Arab central banks that do not issue such indicators.

### **F. Raising awareness of financial and banking terms:**

In 2020, the AMF was active in promoting awareness and knowledge of financial and banking terminology, in light with the developments in the financial and banking industry. In this regard, in cooperation with the Arab Committee on Banking Supervision, the AMF has updated the "**Banking Supervision Guide**", which contains (381) terms in the three languages (Arabic, English, French).

Pursuant to the important role played by the financial infrastructure systems industry in promoting the safety and efficiency of financial transactions, the AMF, in cooperation with the Arab Committee for Payment and Settlement Systems, updated the "**Guide of Payment and Settlement Systems Terminology**", contains 551 terms.

In a related context, in order to standardize the terminology and concepts of credit information, the AMF has issued the "**Terminology of Credit Information Guide**" in cooperation with the Arab Credit Information Committee, which contains more than 300 terms for the industry of credit information.

In order to promote digital financial culture in Arab countries, the AMF issued the "**Handbook of Modern Financial Technology Terminology**", which contains (13) chapters, and (600) terms in three languages (Arabic, English, French) covering all terminologies of modern financial technologies, as well as a chapter on general terminology.

About **Arab Financial Markets**, the AMF continued to operate in the context of the development of the Arab financial markets database, which is relies on the preparation and issuance of the daily composite index for the performance of Arab financial markets participating in the database.

In order to monitor the most important developments in the Arab financial markets, by tracking the total movement of trading in the Arab financial markets, and to provide an analysis of the most prominent issues related to the development and deepening of trading activity in the Arab stock exchanges, the AMF issued the **weekly and monthly bulletin for the Arab stock markets, in addition to the quarterly bulletin**, to follow-up the performance of the Arab stock exchanges and monitoring of its most important developments.

### The AMF's Activity in the Field of Training and Capacity Building

The activities of the Training and Capacity Building Institute aim at strengthening the role of the AMF as a center of excellence for knowledge and capacity building through the development and strengthening of capacity building for Arab technical staff in the economic, financial, monetary, commercial and statistical sectors. The objective of developing and strengthening capacity building and training is on the top of the AMF's strategic priorities for the period (2020 – 2025).

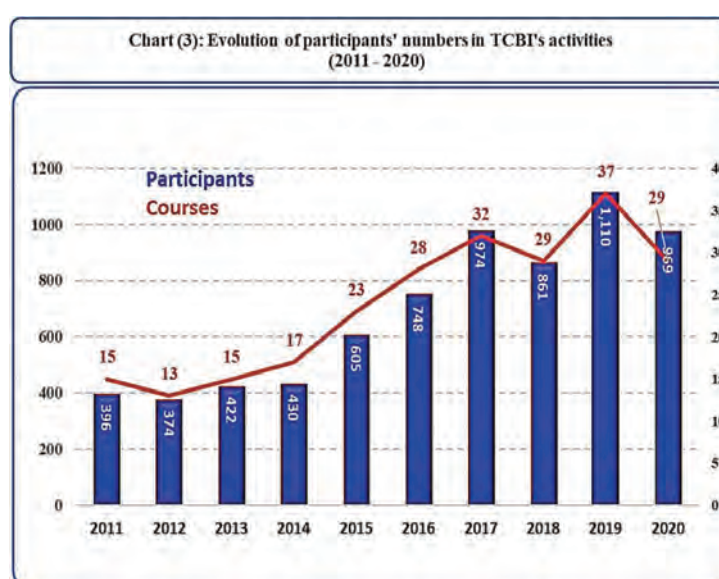
In this regard, the Institute has set a top priority for continuing to promote training activities, updating the scientific content of all the offered training programs, expanding its list of training activities and programs, both at its headquarters in Abu Dhabi and in Member Countries, and strengthening its partnerships with regional and international institutions.

During 2020, in line with the conditions associated with the Covid-19 pandemic and the implications of the complete closure of the airlines, many planned training courses for the year were offered in a virtual format and few courses were rescheduled for delivery later next year.

The 2020 action plan was based primarily on e-training platforms, providing the technical requirements for providing this type of training. Accordingly, the year 2020 witnessed the implementation of 29 training courses, held in a virtual format, and dealt

with topics in line with the aspirations of Member Countries, meeting their needs and making greater use of the courses by their staff. The number of Arab staff participating in the training programs held during the year 2020 was 969, compared with 1,110 participants during 2019 (chart 3).

Thus, the number of participants from official Arab cadres in the training courses, workshops and seminars organized by the Institute since its establishment until the end of 2020 reaches



14,039 participants (annex 3).

15 training courses provided by the AMF's technicians during 2020, and the other 14 training courses have been provided within collaboration between the Institute and a group of international and regional institutions, including seven courses with the International Monetary Fund, one with the World Trade Organization and the Islamic Development Bank, one with the Bundesbank, two sessions with the Central Bank of England, one with the Bank for International Settlements, one with the World Bank, one with the Japan International Cooperation Agency (JICA), and one with the Islamic Financial Services Board.

In another context, the AMF, in cooperation with the World Trade Organization and the Islamic Development Bank, organized a high-level regional dialogue on "Supporting the Arab countries in the process of joining the World Trade Organization", with a view to building and strengthening the capacities of workers in trade ministries and other stakeholders, in terms of negotiating skills to complete the accession process to the Organization, and to deal efficiently with technical issues related to this matter.

In order to improve the training Quality, the AMF attaches great importance to the requirements and needs of Member Countries in this area, as reflected in the results of the questionnaire sent annually to Member Countries, in order to identify their training needs, participants' impressions, opinions and suggestions on the AMF's training courses and programs, particularly with regard to the effectiveness of the training and the extent of application of information systems, acquired skills and training programs.

**The following is a list of topics covered by the training courses and workshops that have been provided during the year 2020, and their dates:**

1. **"Financial Sector Policies"**, (12-23) January 2020.
2. **"Strategic Planning"**, (26-30) January 2020.
3. **"Fiscal Frameworks"**, (26 January - 6 February) 2020.
4. **"Payment and Securities Settlement Systems"**, (4-6) February 2020.
5. **"Public Sector Debt Statistics,"** (9-20) February 2020.
6. **"National Accounts Statistics"**, (16-27) February 2020.
7. **"Econometrics"**, (23-27) February 2020.
8. **"Basel Standard - The Second pillar and Control, Focusing on Risk"**, (May 31 - June 18) 2020.
9. **"Application of the Statistical Survey Form for the Demand Side of Financial Services"**, (12-16) July 2020.
10. **"The Role of Fiscal Policy in the Covid-19 Crisis: Challenges and Options"**, (30 August - 10 September) 2020.
11. **"Risk Management in Islamic Banks"**, (13-24) September 2020.
12. **"Modeling Systemic Risks in the Banking Sector"**, (14-24) September 2020.
13. **"Reforms in the Fiscal Sector in the Arab Countries"**, (20-24) September 2020.
14. **"Fiscal Policy Analysis"**, (21 September - 1 October 2020).
15. **"Foreign Trade Competitiveness"**, during the period (27 September - 1 October) 2020.
16. **"Portfolio Management"**, (4-8) October 2020.
17. **"Reforms in the Financial and Banking Sector in the Arab Countries"** (4-8) October 2020.
18. **"Governmental Goods and Services and their Economic and Social Impact"**, (11-15) October.
19. **"Economic Crisis Management"**, (18-29) October 2020.
20. **"Financial Stability Index: Methodology and Objectives"**, (1-5) November 2020.
21. **"The Use of Input / Output Models in Studying the Impact of Economic and Sector Policies"** (1-5) November 2020.

22. **“Fiscal Continuity”**, (9-19) November 2020.
23. **“Control and Supervision of the Takaful Insurance Sector”** (15-19) November 2020.
24. **“Econometrics (I) Basic”** (15-19) November 2020.
25. **“Development of Debt Strategies and Markets in the Arab Countries”** (15-19) November 2020.
26. **“Partnership between the Public and Private Sectors (PPP) to Finance Infrastructure Projects in Arab countries”**, (22-26) November 2020.
27. **“Econometrics (II) Advanced”**, (6-10) December 2020.
28. **“Inclusive Growth”**, (7-17) December 2020.
29. **“Multidimensional Data Analysis”**, (13-17) December 2020.

**Research activity, Economic Studies,  
Reports, Books and Bulletins**

The AMF's activities in the production of reports, publications, research, studies, books and Bulletins are centered on supporting and assisting decision makers and economic policy makers in the Arab countries in the specialized economic fields, in addition to highlighting the important economic issues, and studying them in a way that contributes to identifying challenges and ways to confront them, in order to help in formulating policies and identifying the necessary reform paths. It also provides information and data and economic analysis, which enable those interested in Arab economic affairs and researchers to discuss the most important economic issues facing the Arab world.

In this context, the research, studies, books, reports and other publications prepared by the AMF during 2020 included the publication of the fortieth issue of the “**The Joint Arab Economic Report 2020**”, which is the main reference point for economic developments in the Arab countries, in addition to many important topics, including the digital economy, digital transformation, financial stability and financial inclusion, and the implementation of Basel III requirements.

The AMF also prepared the April and September 2020 issues of the “**Arab Economic Outlook**”, which included the economic performance forecasts of the Arab countries for 2020 and 2021. The aim of the report is to provide decision makers in the Arab countries with a forward-looking and analytical vision for the performance of the Arab economies. The two editions reflected developments related to the impact of the Covid-19 pandemic on economic

performance in the Arab countries, as well as on sectors affected by the pandemic, and the policies adopted by the Arab countries to cope with its health, economic and social repercussions.

In 2020, the AMF also issued the third issue of “**Window on the Path to Reform**” report, which dealt with the topic “**Tax Reforms in Arab Countries**”.

The AMF has also released the fourth issue bulletin of the “**Competitiveness of Arab Economies**”, which reviews the competitiveness of Arab countries, and highlights Arab countries’ economic actions and policies to improve their productivity and competitiveness.

The AMF continued to publish a research series entitled “**Policy Brief**”, which deals with the issues of highest priority for the policy makers of the Member Countries. Nine issues of this series were published, dealing with:

1. "Public-private Partnership Frameworks in the Arab countries"
2. "The Reality and Prospects of Digital Currencies in the Arab Countries"
3. "Fiscal Stimulus Packages Adopted to Confront the Emerging Corona Virus"
4. "The Implications of the Emerging Corona Virus on the Aviation Sector in the Arab Countries and the Policies of Supporting Recovery"
5. "The Dangers of Public Debt under the Crisis of the Emerging Corona Virus"
6. "The Implications of the Emerging Corona Virus on the Tourism Sector"
7. "Policy Space Available to Support Economic recovery from the Emerging Corona virus in Arab Countries"
8. "Digital Financial Inclusion"

9. “Deepening the Role of Social Protection Networks in Light of the repercussions of the emerging coronavirus pandemic”

On the other hand, in line with its strategy for the period 2020-2025, the AMF has issued a series of **introductory booklets** aimed at raising economic and financial awareness of the Arab youth, enabling them to understand the basics of priority economic issues for Arab countries, such as financial inclusion, financial fundamentals, modern financial technologies, artificial intelligence, digital currencies, savings, and other issues. In this context, five issues of this series were released during 2020 on the themes of “Financial Inclusion”, “Finance Essentials”, “Artificial Intelligence and Machine Learning”, “Modern Financial Technologies”, and “the Promotion of Women’s Financial Culture and Economic Empowerment”.

On the other hand, and within the framework of exchanging and benefiting from experiences, the AMF has created on its official website a **"Window on the Interventions of the AMF to Support the Arab Countries Efforts to Confront the Emerging Coronavirus Pandemic"**, which included the AMF's interventions on several areas within its competence, including financial and technical support, interventions to strengthen the AMF's role as a consultative and convergence center for policy makers to discuss priorities at the policy level related to mitigating the impact of the pandemic, supporting economic recovery, as well as interventions by ministries of finance, central banks and Arab monetary institutions, in addition to the AMF's activities in periodic monitoring and analysis of relevant economic developments.

**Moreover, in 2020, a series of books, economic studies and working papers were published, including:**

- A book on **"Monetary Policy Frameworks in the Arab Countries"**, representing the document that emerged from the third meeting of the Monetary Policy Working Group organized by the AMF and the Bank for International Settlements, with the participation of few high-ranking officials in the central banks and Arab monetary institutions in the field of monetary policy. The book includes a documentation of the operational frameworks and the latest developments on monetary policy reforms in the Arab countries.
- A book on **"Economic Strategic Planning and Future visions in Arab Countries"** highlighted the importance of the role of strategic planning in Arab economies, given the challenges it is facing.
- A book on **"The Role of the AMF in the Empowerment of Women"**, which deals with the AMF's technical support in the framework of training and capacity building, economic reform programs, the Financial Inclusion Initiative, and the Financial Technology Working Group.
- A study on **"Trade tensions between the United States of America and China: causes and effects on Arab economies"**, aimed at identifying the causes of trade tensions between the world's two largest economies and their economic implications, and their expected repercussions on Arab economies.
- A study entitled **"Islamic Finance Contracts"**, dealt with several areas of Islamic banking and financial transactions and comparing theoretical concepts with practical applications.

- A study on "**Government Spending Multipliers in Light of Oil Price Fluctuations**", concerned with assessing the impact of the change in government spending on GDP in Arab countries, in periods of oil price increases, compared to periods of decreases.
- A study on "**Methodology for Calculating Financial Sustainability Index: An applied case for some Arab countries**", aimed at highlighting the development of the public debt dynamic in a number of Arab countries, by calculating the financial sustainability index, which shows the country's ability to meet its financial obligations.
- A study entitled "**Generalized Basic Income**", which touches on the economic background of the generalized core income idea, its pros, the challenges of its application, its implications for Arab economies and international experiences.
- A study entitled "**The impact of economic instability and the effectiveness of governance on sovereign risk: The case of Arab countries**", examined the impact of both economic and institutional variables on the sovereign risk of a group of Arab countries, as well as the analysis and measurement of the impact of internal and external economic stability on sovereign risk.
- A study entitled "**Methodologies for building and calculating human capital indicators with reference to the status of Arab countries**" highlighted the most important methodologies for calculating human capital and the statistical indicators used in this regard, and addressed the most important challenges to measuring indicators, and the advantages of their use in national and international research and reporting.
- A study entitled "**Inflation Targeting: Arab and International Experiences**", highlighted a number of regional and international experiences in inflation targeting methodologies and the challenges that face policy makers when designing them.
- A study on "**The foreign trade policies of the Arab countries and the Arab countries' position on joining the World Trade Organization**", highlighted the policies related to the foreign trade in the Arab countries, and their position on joining the World Trade Organization (WTO). The study also reviewed the challenges that were hindering the accession of some Arab countries to the WTO and the efforts made by the authorities to overcome them in order to meet the requirements of accession.
- A study entitled "**The economic repercussions of the Corona virus on the Arab countries**", aimed at identifying the economic impact of the Covid-19 pandemic on the Arab countries, and the Arab and international efforts exerted to ease the consequences of this pandemic, in addition to the role of the central banks and Arab monetary institutions, and the ministries of finance in this regard.
- The study, "**Taxes on services and financial instruments in Arab countries**", aimed at identifying the current status of taxes on the financial sector in general, and in particular applying value added tax and sales tax on



services and financial instruments in Arab countries.

- The study, "**Response of economic growth to the development of the financial sector in the Arab countries**", aimed at enhancing understanding the relationship between the development of the financial sector and economic growth, in the Arab region, in the short and long term, using indicators of financial development.
- A working paper on "**The relationship between economic growth and savings in the Arab region**" dealt with the importance of the interlinkages between these two variables, taking into account the relatively high economic growth recorded in previous years.
- A study about "**Assessing job losses in Arab countries due to economic repercussions of the Coronavirus**", concerned with assessing the lost jobs and unemployment rates in several Arab countries, as a result of the Covid-19 pandemic.
- A study entitled "**The impact of human capital on economic growth in the Arab countries: an analytical comparison with some Asian countries and the OECD countries**", aimed at estimating the impact of human capital on the gross domestic product in the Arab countries, in comparison with two groups of Asian and OECD countries.
- A study entitled "**Tax policy options to support micro, SMEs in the Arab countries**", aimed at monitoring Arab and international experiences with tax policy options for dealing with small and medium-sized enterprises (SMEs). The study also included policy-making recommendations.
- A study on "**The impact of the tourism sector on economic growth in Arab countries**", aimed at determining the economic importance of the tourism sector in Arab countries, by estimating a quantitative model using the cross-sectional time series of several Arab countries.
- A study on "**The digital economy in the Arab countries: reality and challenges**" discussed the process of measuring the degree of transformation towards the digital economy, the indicators used in measurement, and the infrastructure supporting the digital transformation process. The study discussed the digital transformation experiences in some Arab countries.
- A working paper on the "**Time value of money in Islamic finance**", which dealt with the concept of discounting and the grounds on which it is based, in both traditional and Islamic financial systems.
- A paper on "**The role of Islamic finance in the event of pandemics**", which reviewed the most important provision of Islamic law to deal with the repercussions of crises, and the most important mechanisms and tools that Islamic finance provides to reduce the economic effects of pandemics. The study covered the applications of pandemic theories (force majeure theory, emergency conditions theory, and the theory pandemic situation).
- A paper on "**The Islamic financial industry in the Arab Maghreb Countries**", which dealt with the reality

- of the Islamic financial industry in the Arab Maghreb countries, and the most important legislations and laws that have been enacted to strengthen and support this industry. The study also analyzed the most important challenges facing this industry and ways to confront them.
- A paper on "**Governance of family owned businesses in the Arab countries**" highlighted the effectiveness of family firms' contribution to economies, the challenges they face and how to overcome them, and the experiences of Arab countries in this regard.
  - A paper on "**Guiding policies on the use of alternative data and how to coordinate with official entities**" discussed the guiding policies on the use of alternative and non-traditional data. It also addressed the characteristics of alternative data in terms of their coverage of population and their predictability.
  - A book on "**Banking risks and methods of its measuring,**" reviews methods to assess and measure risk, and the measure of consistent risk. It also addresses the most common methods to measure types of bank risk, including credit risk, market risk, interest rate risk in the bank portfolio, and liquidity risk.
  - A study on "**Risk analysis in Islamic finance instruments**", which included analysis of the risks of Islamic contracts and Islamic financing instruments, and the extent to which the nature of each contract or financing instrument relates to the quality of the risks it faces in application.
  - The study, "**The concept of hedging in Islamic finance**", addressed the theoretical framework of hedging, risk management techniques, and the concept and applications of hedging in Islamic finance.
  - A book on the "**Theory of risk in traditional and Islamic economic thought**", which analyzed the theory of risk and the decision-making process under uncertainty. The book also addressed the difference between the theory of risk in the traditional and Islamic economic thought.
  - A study entitled "**An applied model for the methodology for assessing enterprise risk management maturity**", which reviewed an experimental methodology for assessing risk management maturity in enterprises, with a view to enhancing the role of risk management, as well as a proposal for a model application of that methodology at the organizational unit level in the enterprise.
  - A study on "**Standards and principles for handling customer objections to the accuracy of credit data**", which addressed the importance of developing credit-information systems and their role in promoting access to finance and reducing credit risk.
  - The study "**Psychometric assessment and alternative information**" shed light on the important role that psychometric evaluation plays in enhancing people's access to finance, by evaluating personal characteristics and psychological indicators, and the role that this type of evaluation plays in achieving financial inclusion.

## 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 AMF'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 AMF's accumulated financial resources, which consist of capital and reserves that are employed in activities consistent with its 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 its 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 Countries 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 Countries and to Arab financial organizations.

It is worth mentioning that the AMF's investment activity 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's strategy.

The outbreak of the COVID-19 pandemic at the beginning of 2020 resulted in a major drop in economic activity in developed and emerging countries which resulted in pushing governments and monetary authorities in many major countries including the United States, the European Union and China to adopt expansionary fiscal and monetary policies to incentivize growth.

The drop in GDP had negative repercussions on unemployment which resulted in an increase in unemployment rates in most major countries and especially in the United States which witnessed record levels reaching about 14.7 percent in April 2020. In addition, many economic sectors have been affected including airlines, tourism and hotels. On the other hand, some other sectors such as

healthcare, Information Technology, and telecommunications benefited from the crisis.

In order to limit the repercussions of the pandemic, authorities in most countries provided packages of support and injection of liquidity in their economies in addition to cutting interest rates and other fiscal and monetary measures which contributed to increase money supply.

The US Federal Reserve Bank reduced the official interest rates to -0.25 percent in addition to the provision of significant financial support exceeding U.S.\$ 2.3 trillion in order to revive various economic sectors. The European Central Bank maintained the official interest rates at zero percent and provided packages of emergency support which reached Euro 1.85 trillion as exceptional measures in order to counterbalance the economic repercussions resulting from the health crisis. In addition, the ECB committed to postpone the end of quantitative easing measures from the end of 2020 until the end of March 2022. European leaders also reached an agreement on the establishment of a revival fund for the European economies with a capital reaching 750 billion Euros in order to help rebuild the economies of European countries which have been affected negatively from the repercussions of the COVID-19 pandemic.

The People's Bank of China initiated three reductions in the required reserves on financial institutions since the beginning of 2020 reaching 9.4 percent which made available about Yuan 8.1 trillion reflected in a reduction of the official interest rate to 0.25 percent.

The Bank of England increased the value of its purchases by G.B.P. 550 billion to reach

GBP 895 billion and noted that it's committed to deploy more resources for support in case of need.

In Japan, the government has made available a large package of financial assistance to support the economy which amounted to JPY 307 trillion or the equivalent of U.S.\$ 3.0 trillion.

The adopted measures have helped support economic sectors in various parts of the world including Arab countries. In addition to the incentives both fiscal and monetary which have been offered in major economies, there has been major challenges to get the economy back to the levels reached before the COVID-19 pandemic. As a result of the forced shutdown of important economic sectors and more specifically the services sector, it is expected that the vaccine will help the economies gradually recover during the year 2021.

The outbreak of COVID-19 pandemic resulted in sharp volatility in financial markets specifically in bond and stock prices; however, both the easy fiscal and monetary policies which have been applied had positive impact on financial markets and resulted in a reduction in bond spreads which reached recently acceptable levels; in addition, the easy fiscal and monetary policies lead to support stock prices which increased noticeably compared to the levels that prevailed before the COVID-19 pandemic. It's worth noting that the European leaders reached a final agreement on the future relationship between the European Union and the United Kingdom. As a result, this development is expected to have positive impact on investor confidence and reduce risks in financial markets.

In line with these developments, AMF has continued to pursue a conservative approach by prioritizing the preservation of the principal value of its investments.

Considering the economic and investment climate that has prevailed during the year, the AMF 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, in addition to reviews developments with these institutions through regular monitoring.

The AMF 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 3.48 billion, equivalent to about U.S.\$ 15.03 billion as of the end of 2020.

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 2020, the total investment portfolio had an allocation of 33 percent to bank deposits, 65 percent to bonds and marketable securities, and 2 percent to multi-strategy and property investment funds.

The AMF's 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, and it is subject to continuous monitoring on banks' financial status and credit ratings.

As for investment in bonds and marketable securities, the 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 71 percent 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 72 percent of the total bond portfolios while bonds rated (A) stood at 24 percent.

In order to reduce country risk and respond to developments in financial markets, the AMF 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 1,113 million, equivalent to U.S.\$ 4,811 million, representing about 32 percent of the total value of the funds invested at the end of 2020, including an amount of AAD 665 million, equivalent to U.S.\$ 2,874 million invested in deposits with Arab banks and financial institutions, and an amount of AAD 448 million, equivalent to U.S.\$ 1,937 million invested in bonds and

marketable securities issued by Member Countries, banks and Arab corporate issuers.

Investments in Arab government and corporate bonds and securities were valued at AAD 448 million, amounting to U.S.\$ 1,937 million by the end of the year, with government issues totaling AAD 291 million, equivalent to U.S.\$ 1,257 million, representing about 65 percent of total investment in Arab bonds. The remaining balance of 35 percent of the total portfolio, represents bonds issued by Arab commercial banks and financial institutions.

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 57 million, equivalent to U.S.\$ 246 million by the end of 2020.

In terms of the credit rating of Arab government bonds, 69 percent 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.\$ 497 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 AMF's growing interest in expanding its participation in, and contribution to, supporting and developing Arab bond markets through investment in bond issuances of Member Countries 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 AMF'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 Countries, and it allocated a portion of the AMF'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 AMF 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 AMF voluntarily adopted the Basel framework to manage risks of the investment portfolio of the accepted deposits of Member Countries, achieving a Capital Adequacy Ratio of 28.19 percent as of December 31<sup>st</sup>, 2020, compared to the minimum requirement of Basel III at 13 percent.

The 30-day short-term Liquidity Coverage Ratio reached 985.60 percent, compared to the minimum requirement of 100 percent which came into force in January 2019. The AMF recorded a Net Stable Funding Ratio of 564.18 percent, compared to the minimum requirement of 100 percent. The Leverage Ratio reached 7.32 percent, compared to a minimum of 3 percent.

These indicators reflect the robustness of the risk management of this activity and the attention the Fund allocates to deposits from Member States.

These characteristics have collectively contributed to the growth in the size of accepted deposits from Member Countries. This activity recorded a remarkable growth over the past several years. The amount of accepted deposits, as of December 31<sup>st</sup>, 2020, reached AAD 2,804 million,

equivalent to U.S.\$ 12,114 million received from 15 Arab countries and financial institutions.

The AMF'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 2020.

In addition, the AMF continued managing investment portfolios directly for a portion of the funds of the Arab Trade Financing Program (ATFP) and funds in the Consolidated Account of Specialized Arab Organizations. In addition, the AMF 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.

**The activities of  
the Arab Trade Financing Program**

The Arab Trade Finance Program (ATFP) is a specialized joint Arab financial institution, established in 1989 by a decision of the Board of Governors of the AMF. The program's authorized capital is U.S.\$ 1 billion, distributed over 200,000 shares with a par value of U.S.\$ 5 thousand per share.

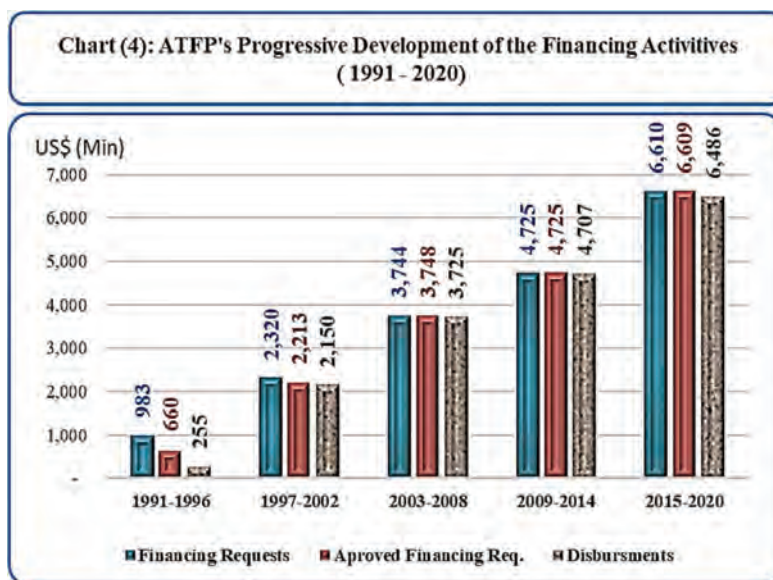
The number of shareholders in the capital is 53 national and regional Arab financial and banking institutions.

The ATFP's aim is to contribute to the development of Arab trade and to enhance the competitiveness of the Arab exporter by providing part of the necessary financing for this trade and its dealers, as well as providing information on the activities of this trade and promoting Arab goods and commodities.

The ATFP's mechanism is based on dealing with exporters and importers in the Arab countries through national agencies including banks, financial institutions and official agencies designated by the monetary authorities in the Arab countries for that purpose. The ATFP also provides unfunded credit facilities, such as issuance of guarantees or irrevocable payment undertakings, or a contribution with other banks in bearing the risks of national agencies paying the ATFP for their financial obligations resulting from eligible commercial operations.

National agencies contribute to the expansion of the scope of the ATFP's activities, with a number of 217 national agencies spread over 20 Arab countries and 5 foreign countries at the end of September 2020.

Applications received since its inception amounted to U.S.\$ 18.4 billion for commercial transactions worth about U.S.\$ 24.2 billion, U.S.\$ 17.9 billion approved, and U.S.\$ 17.3 billion worth of withdrawals during this period. Chart (4) illustrates the progressive development of cumulative funding activity between 1991 and the end of December 31<sup>st</sup>, 2020.



Regarding the information services provided by the ATFP to Arab trade dealers, it has completed the construction and implementation of the Intra-Arab Trade Information Network at the regional level for Arab countries, with 30 links distributed in all Arab countries. Information on all Arab countries and their trade is available through the official ATFP's web site ([atfp.org.ae](http://atfp.org.ae)).

To provide opportunities for the activation of trade exchanges among Arab trade operators, the ATFP organizes and implements meetings for exporters and importers working



in specific sectors within the framework of its activity to promote intra-Arab trade. In this context, the ATFP organized, in cooperation with various actors in the Arab countries, eighteen meetings for Arab exporters and importers active in the following sectors: Textiles and apparel, food industries, agricultural products and accessories, mineral industries, pharmaceutical industries and their supplies, petrochemical industries, furniture, and building and construction supplies.

#### **AMF's Activities in the Context of Strengthening Cooperation Frameworks with Arab, Regional and International Organizations**

The AMF is keen on strengthening its relationship with local, regional and international financial organizations and institutions and to build partnerships with them that serve Member Countries. Within the framework of these partnerships, the AMF adopts priority issues for decision and policy makers in the Arab region. The year 2020 has witnessed a momentum in cooperation with many regional and international institutions, imposed by the circumstances and developments resulting from the Covid-19 pandemic, experiences that we can benefit from in the face of their ramifications, to build different experiences that contribute to enhancing the paths of economic growth, in the post-pandemic period.

In this context, the AMF's activities during 2020 focused on expanding partnerships, through signing memoranda of understanding, participate in meetings of international committees, participate in Group of Twenty (G-20) meetings under the Kingdom of Saudi Arabia presidency of the

group, and to participate in regional and international conferences and events.

**With regard to enhancing its partnership, the AMF's signed, in September 2020, a memorandum of understanding (MOU)** with the International Association of Deposit Insurance institutions within the framework of the Bank for International Settlements, aimed at strengthening efforts to support financial stability in the Arab region through the development of an effective system of deposit guarantee services, in a way that promotes confidence and protection in the Arab banking sector and contributes to increasing access to financial services.

Cooperation in this regard includes substantive advice, training and capacity building, through the arrangement of joint workshops, symposium and training courses, participation in technical support activities provided by the AMF to its Member Countries in this area, as well as participation in the preparation of financial stability studies, reports and research.

In a related context, in April 2020, the extension of the MOU between the AMF and the Islamic Financial Services Board in 2016, which aims to build a comprehensive framework for cooperation and partnership in providing technical advisory services and capacity-building in the Arab region, was signed.

**In terms of the AMF's efforts to promote joint Arab action within the framework of the membership of the Arab Fund Coordination Group:** the AMF participated, during 2020, in the meeting of the Arab Fund Coordination Group at the level of presidents, where they discussed measures taken by institutions to assist their Member Countries

to confront the repercussions of the Covid-19 pandemic.

The AMF also participated in the operation managers' meetings in which the AMF had presented several presentations on framework of digital financial transformation in the Arab region, "Buna" platform for Arab payments, responsible financing and its role in reducing the impact of climate change, and the role of financial markets in financing infrastructure projects.

**As for the AMF's participation in meetings of international committees and working groups**, the AMF has participated in the extraordinary meetings of the International Committee on Credit Reporting, in the presence of representatives of international institutions, central banks and credit information companies. During the meetings, a number of issues were discussed such as : Efforts and actions taken by international institutions and regulatory authorities to address the impact of the Covid-19 pandemic on the credit information industry, and guidelines for dealing with credit information in the light of the crisis and what can be done in the coming period.

The AMF's presentations at the meetings focused on the reality of the credit information industry in the Arab region, developments in the industry during the past years, and the AMF's role in enhancing the efforts of Arab countries through its initiatives.

In a related context, the AMF participated in meetings of the **Basel Consultative Group** to discuss efforts and actions by international institutions and regulatory authorities on the impact of Covid-19 pandemic on banking supervision, as well as what can be done in the coming period. The AMF also continued

to participate in the activities of the **International Payment Aspects of Financial Inclusion Task Force**, chaired by the Bank for International Settlements and the World Bank, where it is contributed to the preparation of the reports on the Panel on issues of financial-coverage payment systems in the age of financial techniques and applied instruments of payment systems to enhance financial inclusion.

In order to promote presence, participation and cooperation with the international and regional arenas, the AMF participated at the **OECD Corporate Governance Working Group meeting**, where the AMF presented an intervention on the impact of the Covid-19 pandemic period on corporate governance procedures and priorities in the Arab region during the pandemic, institutions leading corporate governance reforms in the Arab region, the effect of the integration of capital markets on the Arab region and how Arab economies can implement the OECD and G-20 corporate governance principles under current conditions.

The AMF participated in a forum organized by the Institute for International Finance in Riyadh, Saudi Arabia. During its participation in the Institute's financial crime roundtable, it emphasized the importance of addressing financial crime risk management issues, information security, sovereign debt, and financial inclusion.

The AMF also participated in **the fifth high-level meeting of regional financial institutions and the International Monetary Fund**, held virtually, to discuss the current state of the world economy with the repercussions of Covid-19 pandemic, the efforts to reduce it, and the risks to global and regional economic and financial stability. The meeting provided an

opportunity for regional financial institutions to review their most prominent institutional developments in the areas of internal capacity-building, policy review, frameworks and other developments.

The AMF also participated in the session on financial inclusion issues, within the **Regional Intercontinental Dialog of the Bretton Woods Revival Committee**. The AMF's interventions focused on the importance of financial inclusion in the Arab region and its various activities to enhance financial inclusion, focusing on women, youth and small and medium-sized enterprises. On the other hand, the AMF participated at the annual conference of Euroclear and the Official Monetary and Financial Institutions Forum (OMFIF), on digital currencies and their role in promoting cross-border payments. At the conference, the AMF made a presentation on the role of “Buna” platform for clearing and settling Arab payments.

At the meetings of the **Middle East and North Africa Financial Stability Board (FSB-Mena) Consultative Group**, the AMF participated in the two regular meetings of the Group at the level of governors, introducing a intervention on financial vulnerability and financial stability issues in the Arab region.

Regarding meetings of **the IMF and the World Bank**, the AMF participated in the spring and annual meetings of the IMF and the World Bank, held virtually, as well as in the G-20 ministerial meeting, the G-24 ministerial meeting and the International Development Committee meeting. The Governors of the Arab Group met with both the President of the World Bank Group and the Director General of the International Monetary Fund. The AMF also participated in the meeting of the Heads of the

Coordination Group Institutions with the World Bank.

During the Spring Ministerial Meetings of G-24 and the International Development Committee, the AMF addressed the importance of strengthening cross-border payments and ways to support digital financial transformation in Arab countries.

On the sidelines of these meetings, the AMF also participated in the fifth meeting at the level of heads of regional financial institutions and the IMF, held virtually, to exchange views on the current state of the world economy, in light of the repercussions of Covid-19 pandemic, the efforts to reduce it, and the risks of global and regional economic and financial stability, in addition to ways to enhance cooperation and coordination between these institutions and the AMF.

The AMF participated virtually in the annual meeting of the IMF and the World Bank with their Excellencies, the Arab Finance Ministers, Governors of Central Banks and Monetary Authorities, and heads of regional and international financial institutions. In this regard, an intervention was made on the efforts of the AMF and the Arab governments to support the economic recovery from the Covid-19 pandemic. In the same vein, the AMF participated in the regular meeting of Governors of the Arab Central Banks and Monetary Authorities with the Middle East and Central Asia Administration at the annual meetings of the IMF and the World Bank.

On the level of the **AMF's participation in the G-20** activities, held under the Kingdom of Saudi Arabia Presidency, which focused on mobilizing international efforts to face the consequences of Covid-19 pandemic, and supporting the global economic recovery. It

was an opportunity to present the AMF's view on many contemporary issues, the challenges facing the Arab region in the face of the consequences of the pandemic, and the role of the AMF in providing the necessary support to its Member Countries in its various forms, in order to strengthen the protection of their economies and to maintain an appropriate degree of economic and financial stability.

In this context, the AMF participated in Sherpa G-20 meetings, the regular and extraordinary meetings of the Group's Finance Ministers and the Central Bank's Governors, as well as the meeting of Deputy Finance Ministers.

The AMF also participated in the **G-20 Riyadh summit of the leaders under the theme "Realizing Opportunities of the 2<sup>nd</sup> Century for All"**, in the presence of the Group's Heads of State and International and Regional Institutions that participated in the Group's work during the year of Saudi presidency 2020. The Summit discussed the repercussions of Covid-19 pandemic and support for the global economic recovery.

The AMF make an intervention on "**Building an Inclusive, Sustainable and Resilient Future**", which it commended the achievements of the Saudi Presidency of the G-20 on a number of levels, and discussed the efforts of the Arab countries to develop education systems, reform labor markets and facilitate access of all to opportunities, especially women, youth and small and medium enterprises.

The AMF also participated in the High-level **Ministerial Conference entitled "Addressing the Coronavirus Crisis: Restoring Sustainable Flows of Capital & Financing Supportive Development"**.

The AMF also participated in a series of seminars held during 2020, including a symposium on Islamic finance, organized by the Organization for Economic Cooperation and Development (OECD) and a symposium on the global economy.

### Activities of the Secretariat of the Council of Governors of Arab Central Banks and Monetary Authorities

The AMF is the Secretariat of the Council of Governors of Arab Central Banks and Monetary Authorities, and its permanent office. The AMF also serves as the Substantive Secretariat of the committees emanating from the Council, such as the Arab committee on Banking Supervision, the Arab Committee in payments and settlements systems, and Credit Information Committee.

The AMF also serves as the Technical Secretariat of the Arab Financial Inclusion Task Force and the Financial Stability Task Force. The AMF also serves as the Technical Secretariat of the Arab regional Financial Technology Working Group.

The achievements of the substantive secretariat of the Board during 2020 included organizing meetings of the Board and its Committees and task forces, preparing studies, working papers and reports required by the work of the Council, its permanent office and the committees and task forces. It also transmits the views of supervisory authorities and committee members at relevant international meetings and committees.

 **Activities of the Secretariat of the Council of Governors of Arab Central Banks and Monetary Authorities.**

In response to the requirements of coping with the consequences of Covid-19 pandemic on Arab economies, **an extraordinary consultative meeting was organized** for the Governors of Arab Central Banks and Monetary Authorities, on "The Economic, Financial and Banking Implications of the Emerging Corona Virus on Arab countries", with the participation of senior officials from the IMF and the World Bank. The meeting included consultations on the expected implications of the pandemic on the regional and international economies, in addition to the consequences on financial stability according to three assumptions: The continuation of the crisis for the first half of 2020, its continuation until the end of 2020, and its extension through 2021.

The meeting also discussed the challenges that this regard poses to the process of economic and financial reform in the Arab countries, the trends of financial flows, the impact of this on the external situation, as well as the effect of the fluctuations of the domestic and international financial markets on the economic and financial stability in the Arab region.

The discussion also touched on the main systemic risk issues that threaten financial stability, and the means to protect the individual and corporate sectors, in addition to discussing the impact of the pandemic's repercussions on the implementation of Basel III requirements and the International Financial Reporting Standard (IFRS9).

On the other hand, during the meeting a discussion was held on how strengthening financial inclusion, supporting the transition to digital financial services, and the challenges on the Arab countries' efforts in enhancing financial inclusion. the appropriate mechanisms for supporting micro, small and

medium enterprises. It also touched on protecting consumers of financial services, and ways to upgrade the system of enrolling customers, digital identity, Know Your Customer (KYC) rules, and the applications and requirements of open banking and the challenges that arise from it, as well as the risks and challenges that can occur from the use of modern financial technologies in the post-crisis phase.

The AMF also organized **the Forty-Fourth Session of the Council**, with the participation of the President of the European Central Bank, the Deputy Director-General of the Bank for International Settlements, the Deputy Governor of the Central Bank of France (Banque de France), the chairman of the Financial Action Task Force (FATF) and Dr. Mohamed Al Erian.

The meeting discussed the economic, financial and monetary implications of Covid-19 pandemic, policy options and instruments for the post-crisis phase, the impact of climate change on financial stability, issues related to the applications of Fintech, the digital transformation of banking services and products, with the repercussions of the pandemic, as well as developments in the framework of anti-money laundering and terrorist financing efforts and the importance of enhancing financial inclusion.

The Council was informed of the reports and working papers that were prepared within the work of the committees and working groups emanating from the Council which reached 23 working papers as well as the progress in establishing the "Buna" platform for clearing and settling Arab payments, in addition to preparing the draft of **the Unified Arab speech for the year 2020**, presented by the Arab countries group at the annual meetings of the IMF and the World Bank in October 2020.

### **Functions of the Secretariat of the Arab Committee on Banking Supervision:**

The AMF organized two committee meetings during 2020, with the participation of representatives of the Basel Committee on Banking Supervision, and a number of regional and international financial institutions and entities related to banking supervision.

During the two meetings a number of topics were discussed, including: “The Internal Assessment of Capital Adequacy in the Arab countries”, “Requirements for Supervision of Expatriate Banks”, “Updated Methodologies for Partial Stress Tests”, “Methods for Measuring Risks of Exposures and Credit Concentrations”, “Variations in Supervisory and Supervisory Methods in Light of the Accelerated Developments in Financial Technologies”, and “Assessing the Effectiveness of Regulatory requirements for Banks of Local Systemic Importance in Absorbing the repercussions of the Covid-19 Pandemic”.

Other topics, including "Market risk", "Bank institutional Governance", "Bank risk Management Systems Assessment mechanism", “Regulatory Challenges in Light of the Corona Crisis”, "The Risk of Lending to the Corporate Sector, Especially Family-Owned, with Systemic Risk", and "The Role of Banking Supervision in dealing with the consequences of Climate Change" were also addressed.

### **Activities of the Secretariat of the Task Force for Financial Stability in the Arab Countries.**

The AMF organized two meetings of the Task Force during 2020, with the participation of the directors of the financial

stability departments of the Arab central banks and monetary authorities, where a number of topics were discussed, the most prominent of which were: "Macro-Stress Tests and Arab Countries' Experiences in this regard", "Methodologies for Forecasting Financial Crises and Developing Early Warning Systems", in addition to discussing a number of issues related to financial stability in Arab countries, including: "Cyber Security and its Impact on Financial Stability", "Credit Environment in Arab Countries and its Impact on Financial Stability", and "Non-Banking Financial Sector Risks", "Government Fiscal Policy and its Impact on Financial Stability", “The Effect of Banking-Sector Concentration on Financial Stability” , "The impact of Financial Conglomerates on Financial Stability", "The Role of Deposit-Insurance Institutions in Crisis Management", and "The Interaction between Macro-Prudential Policy and other Economic Policies” .

Other topics related to the Task Force's duties were discussed during the two meetings, including: "Optimal Application of Macro-Prudential Policy", "The Implications of the Corona virus for Financial Stability" , "Preparing for the Post-Crisis Support Withdrawal Phase", "The Consequences of Abandoning LIBOR and IBOR's Benchmark Interest Rates" and "Liquidity Coverage Ratio and Stable Net Financing".

The Task Force's discussions also dealt with the risks of family businesses and non-financial companies, sustainable financing and stable digital currencies, the basic principles of deposit insurance institutions for Islamic banks, in addition to discussing the framework for assessing and mitigating systemic risks related to the insurance sector. In addition, the Task Force discussed preparations related to

the Financial Stability Report in the Arab Countries for the year 2021.

#### **The activities of the Secretariat of Arab Committee for Payment and Settlement Systems:**

The AMF organized two meetings for the Committee, with the participation of the directors of the payment and settlement systems and financial infrastructure departments of the Arab central banks and monetary authorities, to discuss promoting the digitization of government payments, their importance in the development of digital government services, and recent developments and trends in payment systems and financial infrastructure, the requirements of strengthening the general framework of supervision and control over payment systems, financial infrastructure and Arab countries' experiences in this regard.

During the two meetings, the Committee also discussed several topics such as: "The role of payment gateways and cross-border transfers in promoting financial inclusion and appropriate policies in this regard", "Opportunities and options for cloud computing applications in payment and settlement systems", and "Mechanisms for activating, organizing and supervising open banking in the Arab Countries, and their implications for changing banking institutions' Business Models".

In addition, the Committee discussed the arrangements and methodologies for stable currencies associated with assets versus other digital currencies, their implications for payment systems, the requirements for the use of big data, and the applications of the Blockchain in payments and settlement.

The opportunities for digital banks to develop, and the requirements for developing

operational controls for electronic payment channels, thereby enhancing the safety and efficiency of Arab countries' payment systems and financial infrastructure, were also discussed.

On the other hand, during the two meetings, the Committee discussed the AMF's Digital Financial Transformation Framework in the Arab countries, the mechanisms for cooperation with Arab central banks and monetary authorities, and the G-20 guidelines on cross-border payment arrangements and the safety of financial transfers.

#### **Activities of the Secretariat of Arab Credit Information Committee:**

The AMF organized two meetings for the Committee, where few topics were addressed, notably: "Framework for Cross-Border Exchange of Credit Information", and "How the Non-Banking Financial Sector Benefits from Credit Information".

The Committee was briefed on the European experience in cross-border exchange of credit information. It also discussed other important topics such as "The Role of credit Information in Pricing Banking Products", "Standards and Principles for Handling Customer Objections to Data Accuracy and Processing Mechanisms", as well as "The Governance of Credit Information Companies". The committee's discussions also included the implications of the Covid-19 pandemic on the credit information industry and post-crisis solutions, the governance of credit information companies, and the role of credit information in preparing the "KYC" model. On the other hand, the topics of the role of credit information in supporting the banking sector in implementing the Basel and International Financial Reporting Standard (IFRS9)

decisions and enhancing risk management and “Financial Education Related to Credit Information” gained the committee’s interest in these two meetings. The committee also discussed the requirements for establishing a credit information platform for small and medium enterprises.

The AMF also organized two extraordinary meetings for the committee to discuss the sequences of the Covid-19 pandemic on the credit information industry. In this regard, several topics were discussed such as: "Enhancing Digital Access to Credit Reports", "The Role of Central Banks in Resolving Credit Reporting Disputes", and "Enhancing Bank Customers' Awareness of Rescheduling Facilities' in light of the Impact of the Current Crisis". Both meetings also reviewed the latest international developments concerning the impact of the pandemic on the credit information industry, ways of dealing with credit reports in these circumstances, and means of limiting its negative impact on the credit rating of bank customers.

### **Activities of the Secretariat of the Arab Regional Fintech Working Group:**

In the framework of its assumption of the Technical Secretariat of the Regional Working Group on Modern Financial Technologies in the Arab countries, the AMF organized the fourth meeting of the Group, in the presence of representatives of the Arab central banks and monetary authorities, finance ministries, financial markets entities, commercial banks and financial services companies, as well as representatives of providers of Fintech services in the Arab countries, experts from various regional and international financial institutions, as well as a number of leading private-sector institutions in the field of Fintech worldwide.

The topics discussed during the meeting included the latest developments in open banking, open finance, regulatory frameworks around the world, and the Arab region. The latest developments of innovations in the regulation of the Fintech industry were also discussed, including crowdfunding platforms, peer lending, lending by large Fintech companies, solutions for modern technologies for control and supervision and their uses by regulatory and supervisory entities, in addition to discussing developments in digital banks, new banks across the information network, digital wallet service providers, and regulatory principles for digital wallet service providers.

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

During 2020, the AMF organized the Council's meeting, and the meeting of deputy ministers of finance, in addition to carrying out studies, working papers and reports required by the Council’s work. The AMF’s activities also included organizing a number of forums, meetings, and follow-up coordination on the annual letter that the Council sends to both the president of the World Bank Group and the director general of the IMF, about the aspirations of Arab countries from these two institutions.

At the 11<sup>th</sup> regular session of the Council of Arab Finance Ministers, the documents of the meeting were passed, as they could not be held because of the consequences of the Covid-19 pandemic. The documents included three studies prepared by the AMF entitled “The role of the financial markets in financing development and infrastructure projects in the Arab countries”, "Tax treatment of financial services and instruments", and "Social



spending for inclusive growth in the Arab countries". As well as a report on "Investment priorities for developing education systems and building skills" submitted by the World Bank Group and a working paper on "Tax challenges arising from the digital economy", submitted by the Organization for Economic Cooperation and Development (OECD).

**Regarding the fifth meeting of Deputy Ministers of Finance in the Arab countries,** several topics were discussed during the meeting, including "Fiscal policy options between social pressures and economic efficiency", "Indirect tax reforms", and "Public-Private partnership".

In the same context, the AMF organized virtually **an extraordinary consultative meeting for the Deputy Finance Ministers in the Arab countries entitled "The economic and financial implications of the emerging Corona virus on Arab countries: The challenges of fiscal policy and the role of Arab governments"**.

The meeting was attended by experts from the IMF, the World Bank and the OECD. Many topics were discussed at the meeting, including: "Fiscal policy challenges in the light of current developments", "Financial balance needs", and "Measures and reforms in the framework of rescue programs adopted by the authorities in the Arab countries to enhance support to the business sector, small and medium enterprises and families at this stage".

The meeting also discussed the consequences of the pandemic on current and future public debt policies, the importance of moving to digitize public finances and government services, and the steps and requirements needed to achieve this.

The AMF organized, in cooperation with the IMF, the fifth Public Finance Forum, entitled "Strengthening social protection for the Arab countries at the current stage and the post-Covid-19 Pandemic".

Ministers of Finance, Ministers of Economy, Arab Central Bank Governors and Monetary Authorities, and senior officials concerned with economic and financial policies in the Arab countries participated in the forum. The Forum discussed fiscal policy issues, the prospects for economic and financial developments, the requirements for strengthening social protection, as well as the mechanism for providing support to poorer families, and supporting economic growth to enhance financial stability.

As for the Annual Tax Forum organized by the AMF, in cooperation with the International Tax and Investment Center, discussions focused on the financial and tax measures needed to stimulate economic recovery and boost the financial situation to cope with the crisis consequences. Some topics were discussed during the meeting, including "The repercussions of financial measures to contain the Corona pandemic on public budgets and public debt in the medium term", "The consequences of the contraction of the global economy growth in 2020 on Arab economies".

In addition to a review of tax policy reform options to counter economic and financial challenges, in terms of a balance between measures to contain the repercussions of the crisis and the need to support the economic recovery. The Forum also held a dialogue on international tax issues and initiatives, and their impact on the Arab countries, as well as post-crisis response measures and procedures.

The discussion also touched on the issue of the continuity of tax administration in the post-crisis phase and improving work procedures to protect the workforce and taxpayers, by reviewing experiences and lessons learned, to help strengthen crisis management in the future.

### **“Buna” Platform for Clearing and Settling Payments in the Arab Region**

During 2020, the AMF completed the project of establishing a regional organization for clearing and settling Arab payments, by launching “Buna” platform for clearing and settling Arab payments.

“Buna” is affiliated to the Organization that was established pursuant to Arab Monetary Fund Board of Governors' decision No. 4 of 2018, which was issued during its meeting in the Dead Sea, Jordan on April 10, 2018. In this regard, the year 2020 witnessed intensive efforts by the AMF to complete the linkage with the central banks and commercial banks and to include the Arab currencies, in cooperation with the central banks and the Arab monetary institutions, in addition to continuing contact with the financial and banking institutions operating in the Arab region.

**The following are the main areas of progress in the establishment of the platform during 2020.**

➤ **Establishment of the legal entity of the Regional Arab Clearing and Payment Settlement platform:**

In cooperation with a global legal services company, the AMF has completed all legal forms, documents and requirements relating

to agreements and contracts with both banking institutions participating in the platform, and banks of settlement accounts for Arab and international currencies. The organizational guide and procedural rules for the platform's operations were also completed, in consultation with Arab central and commercial banks. In addition, the risk policy framework and the data privacy protection framework have been completed in the platform.

Efforts to complete the establishment of the legal entity for the platform have culminated in signing the agreement to host the headquarters of the platform by the United Arab Emirates, and the procedures for the issuance of the Federal Decree ratifying the agreement are being finalized.

➤ **Enhancing the role of “Buna” platform in supporting the compliance system in the Arab region:**

The AMF attaches great importance to ensuring that “Buna” platform is in line with sound international principles, standards and practices relating to payment, settlement and cross-border transfers, particularly those related to the fight against money laundering and terrorist financing. In this context, the compliance policy framework was developed during 2020, the technical system for verification of compliance has been completed and the necessary software for this system has been acquired and operated. In addition, a full document explaining the vision, mechanisms and procedures of the platform has been prepared, and has been shared with all financial and banking institutions that have shown interest in participation. On the other hand, a self-assessment of compliance with the BIS's international payment systems and financial infrastructure principles has been completed,

indicating that the platform's system and operations are in compliance with these standards.

➤ **Completing the technical system and launching the "Buna" platform for clearing and settling Arab payments:**

During 2020, the platform's technical and substantive systems were completed and the first and second data centers were operational, enabling the platform to be announced on February 23<sup>rd</sup>, 2020, on readiness to receive payments and transfers. In addition, the Disaster Recovery Data Center has been equipped. On the other hand, work has progressed on completing the platform's second phase functions and services, including instant payment service, initial internal testing and plug-in to the SWIFT network. Connectivity tests have also been pursued with an increasing number of bank participants to ensure that they are technically ready to connect to the platform.

➤ **Consultation with financial and banking institutions:**

During 2020, the AMF intensified its consultations with financial and banking institutions operating in the Arab region, where eighteen workshops were organized, including 16 workshops, held in a virtual format, for an explanation of "Buna" platform services, its procedural rules and linkage requirements, with a focus on compliance verification topics. In the same context, to spread the benefit, the AMF organized several workshops for banks operating in each country, aimed at identifying innovative services and linkage procedures for the platform, including workshops for banks operating in the Republic of Lebanon, the United Arab Emirates, the Hashemite Kingdom of Jordan, the Arab Republic of

Egypt, the Maghreb countries, and the Sultanate of Oman, The Kingdom of Bahrain, the Republic of Iraq and Saudi Arabia.

➤ **The inclusion of Arab currencies:**

In 2020, it was announced that five Arab currencies were included as settlement currencies in the platform: The Jordanian dinar, the UAE dirham, the Bahraini dinar, the Saudi Riyal, and the Egyptian pound. The agreements to open the settlement accounts were signed in the UAE, for the Egyptian pound and Saudi riyal and work is under way to complete the signing of agreements and the opening of settlement accounts for the Arab currencies that were declared included, as well as the inclusion of other Arab currencies.

➤ **Building the organizational framework and recruitment of cadres:**

During 2020, the AMF completed the organizational framework of the organisation, with the appointment of the CEO, all key managers, and a number of key professionals and assisting staff. The identity services of the organization and the platform have also been completed.

➤ **Follow up communication with the relevant parties:**

During 2020, the AMF continued to keep a regular briefing on the progress of work in establishing the platform and launching "Buna" Platform, through monthly reporting to the Council of Governors of central banks and Arab Monetary Authorities and during the AMF's Board of Executive Directors regular meetings. The AMF has also been in constant contact and consultation with central banks and the supervisory authorities of the international currencies listed on the platform. There has also been ongoing

contact with the coordination group, representing the central banks and Arab monetary institutions, as well as with members of the Arab Committee for Payment and Settlement Systems, to benefit from their expertise and proposals, as well as ongoing contact with the group of experts from the international financial institutions supporting the platform.

➤ **Strengthening strategic partnerships:**

During 2020, the AMF continued its consultations for an understanding on strategic partnerships with a number of international and financial institutions and providers of global financial services, thereby enhancing the development and spread of “Buna” services and responding to the needs of financial and banking institutions operating in the Arab region.

➤ **Cross-border payment implementation:**

In December 2020, the “Buna” Platform made the first cross-border payment by implementing a transfer in Emirati dirhams between Mashreq Bank in the United Arab Emirates and Banque Misr in the Arab Republic of Egypt. This process constituted the launch of the operational activity of the “Buna” platform, and proof of the operational and technical readiness of the platform to implement cross-border payments, in accordance with all international standards.

This achievement is an additional milestone for the success of the “Buna” platform, in completing the main stages of its clear strategy and plans to be the payment platform of choice in the different markets of the Arab region and beyond.

This success paves the way for further expansion of participation, which will begin

as participants who met the requirements and signed the Partnership Agreement enter into operation, as the “Buna” platform for Arab payments awaits the admission of more than 120 banks to its network of central and commercial banks. The list of Arab currencies and international currencies that meet eligibility requirements and achieve its vision to empower Arab and promote regional financial integration by encouraging the use of Arab currencies to clear and settle cross-border financial and investment transactions and linking with key Arab trading partners.

**AMF’s Activities within the Framework of the Financial Inclusion for the Arab Region Initiative (FIARI)**

During 2020, the AMF intensified its efforts to promote financial inclusion in the Arab countries through numerous activities and events, in cooperation with the partner institutions of the FIARI, including the issuance of a number of documents, reports and methodologies, and the organization of sessions and workshops.

▪ **Publications and reference documents during 2020:**

- **"The annual report on the activities and achievements of the FIARI for the year 2019"**, addressed the Initiative's efforts in technical support for the application of field surveys on the side of the demand of financial services for the individual sector, families and SMEs, and at the level of building national strategies for financial inclusion in light of digital financial transformations. In addition to capacity-building, awareness-raising and the protection of consumers of financial services.

- **The document on "The framework for digital financial transformation in the Arab countries"**, prepared in cooperation with the partners of the Initiative developed and built the key themes for successful digital financial transformation in the Arab countries, based on relevant international best practices. In addition to the stages of building and developing local plans of action. The document also aims at helping Arab countries draw up a roadmap for accelerating the transition to digital financial services, through the development of a system of legislation and financial infrastructure, backed by incentive policies.
- **"Regulatory and market methodologies for innovation - instruments for the application of financial technologies for financial inclusion"**, issued by the AMF in cooperation with the German Development Agency (GIZ), containing set of regulatory frameworks and approaches on the future of FINTECH, as well as a set of sound international principles and practices that contribute to building a pro-innovation environmental system. It ensures that financial inclusion goals are achieved in a balanced manner, that financial stability requirements are met, that market integrity is promoted, and that the consumer is protected.

- **Training courses and workshops:**

Within the framework of the initiative's activities program for 2020, the AMF organized a training course held in virtual format on "Application of the Demand-Side Statistical Survey Model for Financial Services", during the period (12-16) July 2020, aimed at assisting in the preparation and implementation of the integrated statistical model for the demand side of financial services, in accordance with international standards. It has already been

sent to Arab Central Banks and Monetary Authorities as technical assistance, with a view to strengthening capacities in the collection of data and indicators needed to develop financial inclusion strategies.

In a related context, the AMF organized two virtual workshops. The first one organized in cooperation with the Global Alliance for Financial Inclusion, on the theme **"Building and implementing national financial inclusion strategies in the Arab countries"**, where experiences and practical cases were reviewed from Arab countries and other countries in the field of building and implementing national financial inclusion strategies and the development of programs to enhance financial inclusion and digital financial transformation. The workshop also covered aspects of coordination and follow-up, implementation mechanisms and frameworks for engaging different relevant parties in the formulation and implementation of national financial inclusion strategies, as well as monitoring and evaluation tools and mechanisms.

The second workshop, organized in cooperation with the GIZ and the World Bank, under the title **"Digital education and protection of consumers of financial services in the era of new technologies"**, focused on discussing the opportunities offered by responsible financing, and the benefits of digital financial transformation as a tool to help supervisory authorities adopt appropriate programs and policies. Among the main topics discussed during the workshop were: "Requirements for protecting consumers of digital financial services and available modern solutions", "Legislative and regulatory requirements that promote responsible financing", "Ways to support digital financial transformation", "Ways to promote education and awareness

about the requirements of promoting responsible financing”, and “Requirements for developing mechanisms to protect consumers of financial services, in light of the digital transformation and the expansion of the use of modern financial technologies”. The workshop reviewed the experiences of many Arab countries.

On the other hand, the AMF participated in a workshop organized by the Bank of Morocco and the GIZ on the implementation of financial inclusion strategies. The AMF made an intervention on the financial inclusion in the Arab countries and the role and activities of the AMF in supporting financial inclusion and digital transformation.

▪ **Keeping pace with the repercussions of the Covid-19 pandemic on financial inclusion:**

In recognition of the importance of dialogue and consultation on the repercussions of the Covid-19 pandemic, the AMF, in cooperation with the Initiative's partner institutions, organized a series of virtual meetings of directors of financial inclusion departments, financial infrastructure systems and financial consumer protection, at Arab central banks and monetary authorities in the implications of the pandemic on financial services and financial inclusion, and the need to promote and accelerate the transition to digital financial services, with the participation of a number of regional and international financial organizations.

During the meetings, experiences and opinions were exchanged on the impact of the Covid-19 pandemic on financial inclusion, financial services, and the safety and efficiency of payment and settlement systems and payment instruments in Arab countries and worldwide. The role of regulatory and supervisory authorities in mitigating the risks

of the pandemic has also been addressed, and support that can be provided through the financial inclusion initiative to counter them. The discussions addressed the additional pressures on basic financial services and the need to intensify efforts to enhance access to finance and financial services. They also clearly highlighted the importance of accelerating the transition to digital financial services, and the urgent need to provide the necessary liquidity to enterprises and individuals to meet basic obligations, such as paying workers' salaries and covering operational expenses. The discussions focused on the following main themes:

1. How to deal with the current crisis, mitigate its effects, and protect the economy, financial consumers, and financial institutions from liquidity risks, as well as the risk of financial exclusion for micro, small, and medium-size enterprises.
2. The role of digital financial services solutions, digital payment systems, and mobile money transfer services, under the pandemic, in facilitating the safe and timely delivery of cash support to its recipients.
3. The role of non-bank financial institutions, such as microfinance institutions, in providing liquidity and supporting economic activity.
4. SME's support mechanisms, the provision of financing and financial services to help the economy recover, and the role of loan-guarantee programs in mitigating the risks from the repercussions of the pandemic, as an instrument of financial inclusion.
5. The most important global developments and trends related to digital currencies issued by central banks, the role of digital financial

services, the responsibility of regulatory agencies in facilitating the process of their spread and growth, and the appropriate tools.

▪ **The recommendations of the FIARI to overcome the repercussions of the Covid-19 pandemic:**

The meetings that took place within the framework of the FIARI reached two sets of recommendations, in terms of procedures and solutions, that aim at the first set of recommendations to maximize the use of the infrastructure available to most Arab countries to develop financial and banking services and to deliver them to the beneficiaries in safe, fast and easy ways and means, in addition to enhancing the role of electronic payment systems in confronting the consequences of the current crisis. In this regard, the first set of recommendations included:

1. Intensify cooperation and coordination between relevant regulatory, and government agencies to develop and expand government services, information and databases between them, while ensuring the protection of confidentiality and privacy of data.
2. Provide enabling and clear legislative and regulatory environment that helps banks and financial institutions in the process of digital transformation, especially when developing their systems and using digital solutions without the risk of non-compliance with legislation.
3. Stimulate the use of digital payment services, expand infrastructure, and develop the quality of digital financial services.
4. Adopting the digital ID certification, electronic signature, electronic KYC, use of risk-based approaches, especially when opening accounts, and providing some banking and financial services remotely.
5. Balancing between compliance with combatting money laundering and terrorist financing with efforts to broaden the customer base in the formal banking and financial system, by adopting a risk-based approach.
6. Consumer protection and data security, increasing the culture and awareness of digital financial services, as one of the main priorities for both regulatory authorities and financial service providers in the next phase.
7. Encourage compatibility between payment systems and financial service providers to reduce the cost, spread, and use of digital financial services, and reduce dependence on cash.
8. Reduce the cost of complying with customer due diligence requirements, by sharing information rules and other similar solutions, especially when customers are remotely registered and serviced.
9. Open payment systems to all providers of financial services without discrimination, to create a competitive environment among them, to allow providers of FINTECH services in the Arab world to spread innovative digital solutions, and to allow them to join and participate in national payment systems.

The second set of recommendations is based on lessons learned from the experiences of some countries and organizations and aims at addressing the major challenges facing the private sector, especially micro, small and medium-sized enterprises, in repaying their loans and financing on the one hand, and the difficulty of obtaining financing from banks

and financial institutions during the crisis on the other. In this regard, the second set of recommendations included:

1. Provide support programs, directly or through the provision of the necessary liquidity to the financial sector to be able to serve these institutions at the lowest cost and the requirements and at the right speed.
2. Considering blacklists and credit reports for clients who defaulted on loan installments due during the pandemic (including bounced check lists).
3. Using available alternatives to assess risk and provide alternative guarantees, especially given that micro, small, and medium-sized enterprises are the most affected by this crisis and need to obtain financing and assistance as soon as possible to cover their operational expenses.
4. Activating the role of loan-guarantee programs in mitigating the risks stemming from the repercussions of this crisis. In order to achieve the goals and objectives of these programs, certain conditions and requirements may be modified under the present circumstances to meet the needs of financial institutions on the one hand and SMEs on the other, depending on the nature of the risks and potentials of each group.

▪ **Innovation Lab for FINTECH Services**

The AMF organized a remote workshop on **building strategies for digital financial transformation**, in which Arab Central Banks and Monetary Authorities participated. The workshop included a review of regional and international

experiences and expertise in building innovation labs, and a discussion of their role in supporting digital financial transformation. The workshop also addressed the requirements for designing innovation laboratories and the environment that encourage their success. Ways to promote development and innovation have also been better addressed within central banks, in developing new financial technology strategies, addressing the challenges of digital financial transformation, and in creating an enabling environment that will help develop new financial technologies.

**AMF's activities within the framework of the Arab Statistics Initiative "ArabStat"**

The provision of comprehensive and reliable statistics on Arab economies is among the priorities and concerns of the AMF, in recognition of the importance of providing statistical data to enhance work in the economic and financial fields of the Arab countries. In this regard, during 2020, AMF continued to update statistical databases, prepare and develop economic bulletins and reports, and publish them on its website, as well as providing statistical annexes to the Unified Arab Economic Report. The AMF work also carried out the statistical areas included strengthening and developing the capacity of professional cadres in statistical structures in the Arab countries and preparing studies and reports.

During the year 2020, the AMF organized a number of specialized training courses in the priority statistical areas, including data analysis, econometrics, economic modeling, and financial and monetary statistics, which are topics of importance to Arab countries.



In the context of the AMF's Initiative to enhance Arab statistics “ArabStat,” and taking over the functions of the secretariat of its technical committee, the seventh meeting, of the committee, was held in virtual format with the attendance of 124 participants from statistical agencies, Arab Central Banks and Monetary Authorities, Ministries of Finance and some regional and international experts in statistics.

Seventeen regional and international organizations participated in the meeting as observers, including: The statistical center of the Gulf Cooperation Council, the Arab Institute for Statistical Training and Research, the general secretariat of the League of Arab Countries, the General Secretariat of the Gulf Cooperation Council, the Gulf Monetary Council, the Islamic Development Bank, The United Nations Economic and Social Commission for Western Asia (ESCWA), the International Monetary Fund (IMF), the World Bank, Irving Fisher Committee, the Bank for International Settlements, the German Central Bank, the African Development Bank, the International Labor Organization, the Organization for Agriculture and Food, the German Agency for Development, the Afristat, the Islamic Development Bank's Statistical, Economic, Social and Training Center.

On the other hand, in the context of the Initiative framework efforts, the AMF sent technical missions in conjunction with the IMF to provide technical support to the Arab countries. In this regard, the AMF provided technical assistance to Egypt in the preparation of supply-use table for national accounts, and Tunisia in the area of financial soundness indicators.

In addition, the AMF issued the Quarterly Economic Statistics Bulletin, which provides

quarterly data on key economic variables in Arab countries.

In the same context, the AMF released the seventh issue of "Competitiveness of Arab Foreign and Intra-Arab Trade Statistics," which included data on the total foreign trade of Arab countries and their share in global markets, in addition to global commodity trade data.

In 2020, the AMF prepared a series of questionnaires sent to statistics officials, with a view to identifying the needs of Arab countries for training and technical assistance in statistical areas, including:

- The Survey of “**Foreign Trade Statistics, Export-Import Prices indices**”, aims at identifying the most important challenges and measures taken by the Arab countries in these areas.
- The survey of “**The Arab countries' Real Estate Price Index**”, aims at obtaining data that contributes to building an index at the Arab countries level, to make the partial and total precautionary policy a success, and to clarify the degree of correlation between the periodic fluctuations in the level of economic activities.
- A questionnaire on the “**Use of Modern Techniques in Preparing Statistical Surveys**”, which aims to identify systems that improve the quality of data collection, processing and storage.
- The survey “**Labor Force Statistics in the Arab Countries**”, aims at identifying the sources of data for the labor force and identifying the most prominent challenges and development proposals in this area.

- The questionnaire on "**Balance of Payments Statistics and International Investment Status**", with a view to identifying methodologies for balance of payments preparation in the Arab Countries, and the most important challenges facing the data compilers.
- The survey of "**Household Consumption Statistics**", aims at identifying the extent to which this type of survey is being carried out in Arab countries, its periodicity and uses.

## The AMF's Consolidated Financial Position as of 31 December 2020

The consolidated financial statements of the AMF 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 of December 31, 2020, 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.

According to Article (49) of the AMF's Articles of Agreement; 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 main items contained in the consolidated financial statements of the Fund are summarized below:**

### Resources

The resources of the AMF, according to the provisions of Article Eleven of the AMF's Articles of Agreement, are made up from the paid-up capital, reserves, loans and facilities, and any other resources approved by the Council of Governors.

The AMF's Council of Governors 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 Council 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 AMF's Articles of Agreement, set the authorized capital stock at AAD 600,000 thousand, divided into twelve thousand shares, each worth AAD 50 thousand.

The Council 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 2020 and the end of 2019. The unpaid portion standing at AAD 16,975 thousand at the end of 2020 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 524,249 thousand by the end of 2020, compared to AAD 484,590 thousand by the end of 2019. The reserves by the end of 2020 represent approximately 59 percent of the paid-up capital, compared to 55 percent by the end of 2019. Reserves are made up of general reserve, emergency reserve.

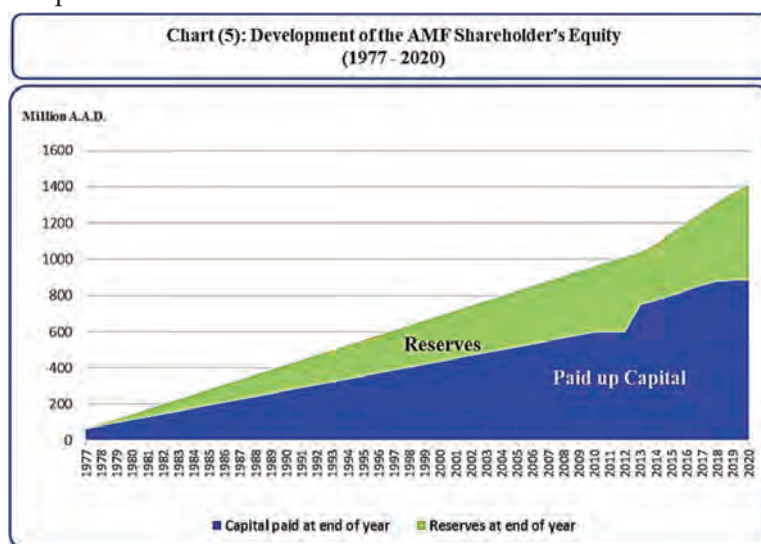
**General Reserve:** the balance amounted to AAD 339,249 thousand, by the end of 2020, including a provision of change in the financial investments at fair value, compared to AAD 304,590 thousand at the end of 2019.

**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 185,000 thousand by the end of 2020, compared to AAD 180,000 thousand at the end of 2019.

### Net Assets Attributable to Member Countries

The Net Assets Attributable to Member Countries, consisting of the capital and the reserves, increased to AAD 1,407,274 thousand at the end of 2020, compared to AAD 1,367,615 thousand at the end of 2019, i.e an increase of AAD 39,659 thousand and at a growth rate of 3 percent.

(Chart 5) shows the evolution of the Arab Monetary Fund Net Assets Attributable to Member Countries since its establishment until December 31<sup>st</sup>, 2020.



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 118,252 thousand at the end of 2020, compared to AAD 124,123 thousand at the end of 2019, with an decrease of AAD 5,871 thousand and 5 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 2020, compared to the

rate at the end of 2019, in addition to the decrease of the net income for the year.

Thus, the total of Net Assets Attributable to Member Countries and the Non-Controlling Interest in the affiliated institution amounted to AAD 1,525,526 thousand at the end of 2020, compared to AAD 1,491,738 thousand at the end of 2019. 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 569,692 thousand as of 31<sup>st</sup> December 2020, while reached AAD 465,981 thousand at the end of 2019. As for the Fund's commitments with regards to contracted loans with Member Countries, of which they amounted to AAD 683,872 thousand by 31<sup>st</sup> December 2020.

The loans commitments represent the outstanding loan balances owed by Member Countries, plus the balances of loans contracted and not disbursed, amounting to AAD 114,180 thousand by the end of 2020.

### 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 165,516 thousand (U.S.\$ 715 million)

as of 31<sup>st</sup> December 2020, compared to AAD 150,621 thousand (U.S.\$ 625 million) at the end of 2019.

### 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 2020 and 2019.

### Investments

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

The value of consolidated investment portfolio reached AAD 3,584,406 thousand at the end of 2020 compared to AAD 3,669,849 thousand at the end of 2019.

Accepted deposits from Arab monetary and financial institutions amounted to AAD 2,803,635 thousand at the end of 2020, compared to AAD 2,808,685 thousand at the end of 2019, means that investments of fund's self-resources reached AAD 780,771

thousand at the end of 2020, compared to AAD 861,164 thousand at the end of 2019.

### Forward Currency Contracts

The Fund uses foreign currency swaps and forward currency contracts to manage exposure to foreign exchange risk. The Fund and its Subsidiary do not hold or issue derivative instruments for trading purposes.

The Fair value of forward currency contract assets and liabilities at 31 December 2020 were AAD 804,264 thousand and AAD 825,328 thousand respectively (2019: AAD 899,015 thousand and AAD 886,006 thousand respectively).

### 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 7,733 thousand at the end of 2020, compared to AAD 8,073 thousand at the end of 2019.

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 Council of Governors.

### Other Assets

Other assets include amount of AAD 8,377 thousand as of 31<sup>st</sup> December 2020, compared to AAD 5,780 thousand for the previous year 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 31<sup>st</sup>, 2020, after excluding the income related to the non-controlling interest in the affiliated institution, amounted AAD 41,228 thousand, against AAD 43,946 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 49,818 thousand for the year ended 31<sup>st</sup> December 2020, compared to AAD 54,882 thousand for the previous year.

### Administration and General Expenses

The total administrative and General Expenses amounted to AAD 6,740 thousand for the year ended 31<sup>st</sup> December 2020, compared with AAD 6,423 thousand for the previous year. Expenses items include expenses related to personnel and of the Council 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 2020 amounted to AAD 288 thousand, including in-kind contributions from participants parties at around AAD 61 thousand, representing 21 percent of total expenses. Thus, total expenses incurred by the Fund amounted to AAD 227 thousand. While the Fund incurred the amount of AAD 982 thousand from the total expenses in 2019. Regional and international institutions contributed thereto with approximately AAD 245 thousand, representing 25 percent. Thus, the total expenses incurred by the Fund amounted to AAD 737 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 2020, and 2019, as well as the weights applicable as of September 30<sup>th</sup>, 2016.

Table (2):  
The Actual Weight of the currencies included in the SDR basket

Currency	The weights of the currencies included in SDR basket			SDR Exchange Rates Against each currency included in the basket	
	31 December, 2020	31 December, 2019	30 September, 2016	31 December, 2020	31 December, 2019
US Dollar	40.44 %	42.12 %	41.73 %	1.440	1.383
Euro	32.73 %	31.30 %	30.94 %	1.181	1.236
Pound Sterling	8.01 %	8.16 %	7.98 %	1.073	1.054
Japanese Yen	7.99 %	7.88 %	8.43 %	148.974	150.949
Renninbi-RMB	10.83 %	% 10.54	10.92 %	9.397	9.655
	100%	% 100	% 100		

### Contribution to Humanitarian Support of the Palestinian People

The AMF 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 Council of Governors approved, according to its decision No. (5 /2020) taken in its forty-third annual meeting, daily signed by circulation, the 18<sup>th</sup> allocation which amounted to AAD 4.395 million (equivalent to about USD 18.2 million). Thus, allocations

approved by the Council of Governors, to humanitarian support to Palestinian people, totaled AAD 54.7 million (equivalent to approximately USD 239.3 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 Council 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 AMF 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 40 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 11 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 12 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 83.4 million, and 35 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 617, as of the end of December 2020.





صندوق النقد العربي  
ARAB MONETARY FUND

**THE ARAB MONETARY FUND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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## The Arab Monetary Fund

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31 December 2020

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## 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 and other explanatory information.

#### 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

#### 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.

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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony and Rami Sarhan 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)

### Report on the audit of the consolidated financial statements (continued)

#### Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

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.
- 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.



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

### Report on the audit of the consolidated financial statements (continued)

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

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 2020 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 2020 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 consolidated financial position as at 31 December 2020.

PricewaterhouseCoopers  
04 March 2021

A blue ink signature of Rami Sarhan, consisting of a stylized, cursive script.

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

## The Arab Monetary Fund

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of 31 December

	Notes	2020 AAD 000	2019 AAD 000 (Restated)
<b>Assets</b>			
Cash and cash equivalent	3	261,552	973,323
Term deposits with banks	3	905,612	229,819
Financial investments	4	2,417,242	2,466,707
Forward currency contracts receivable	5	2,168	13,009
Lines of credit	6	165,516	150,621
Loans to Member Countries	7	569,692	465,981
Deposits with central banks of Member Countries	8	5,336	5,336
Investment in related entity	9	7,733	8,073
Accounts receivable and other assets	10	36,091	27,010
<b>Total assets</b>		<b>4,370,942</b>	<b>4,339,879</b>
<b>Liabilities</b>			
Deposits from Arab monetary and financial institutions	11	2,803,635	2,808,685
Forward currency contracts payable	5	23,232	-
Accounts payable and other liabilities	12	18,549	39,456
		<b>2,845,416</b>	<b>2,848,141</b>
<b>Net assets attributable to Member Countries</b>			
Subscribed capital 900 million AAD			
Paid-up capital	13	883,025	883,025
Reserves	13	524,249	484,590
		<b>1,407,274</b>	<b>1,367,615</b>
<b>Non-controlling interest in the Subsidiary</b>	13	<b>118,252</b>	<b>124,123</b>
<b>Total net assets attributable to Member Countries, non-controlling interest in the Subsidiary &amp; liabilities</b>		<b>4,370,942</b>	<b>4,339,879</b>



Abdulrahman A. Al Hamidy  
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 04 March 2021.

The attached notes from 1 to 24 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	2020 AAD 000	2019 AAD 000 (Restated)
<b>Income</b>			
<b>Income from loans and lines of credit</b>			
Interest and fee income on loans to Member Countries		13,758	19,686
Interest and fee income on lines of credit		3,627	6,633
		<u>17,385</u>	<u>26,319</u>
<b>Income from investment activities</b>			
Interest income on securities at amortized cost		12,802	16,521
Interest income on securities at fair value		12,447	24,026
Other investment income	14	16,663	22,092
Interest income on deposits and current and call accounts		18,382	28,937
		<u>60,294</u>	<u>91,576</u>
Interest expense on deposits from Arab monetary and financial institutions	11	(28,114)	(63,235)
		<u>32,180</u>	<u>28,341</u>
Other income		253	222
<b>Total income</b>		<u>49,818</u>	<u>54,882</u>
<b>Expenses</b>			
Administration and general expenses	15	(6,740)	(6,423)
Technical assistance	16	(227)	(737)
		<u>(6,967)</u>	<u>(7,160)</u>
<b>Operating income before other changes in net assets attributable to Member Countries and non-controlling interest (NCI)</b>		<u>42,851</u>	<u>47,722</u>
<b>Other changes in net assets attributable to Member Countries and NCI</b>			
Unrealized change in investments held at fair value	17	2,825	9,553
Appropriation to support the Palestinian people		(4,394)	(3,513)
Other Changes		(7,494)	(1,001)
Total other changes in net assets attributable to Member Countries and NCI		<u>(9,063)</u>	<u>5,039</u>
<b>Increase in net assets attributable to Member Countries and NCI</b>		<u>33,788</u>	<u>52,761</u>
<b>Operating income before other changes in net assets attributable to Member Countries and NCI</b>			
Attributable to:			
• Member Countries		41,228	43,946
• Non-controlling interest		1,623	3,776
		<u>42,851</u>	<u>47,722</u>
<b>Increase in net assets attributable to Member Countries and NCI</b>			
Attributable to:			
• Member Countries		39,659	49,935
• Non-controlling interest		(5,871)	2,826
		<u>33,788</u>	<u>52,761</u>

The attached notes from 1 to 24 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	Total net assets attributable to the Member Countries and NCI
	<i>AAD 000</i>				
<b>2019</b>					
<b>Balance at 1 January 2019</b>	<b>878,425</b>	<b>259,655</b>	<b>175,000</b>	<b>121,297</b>	<b>1,434,377</b>
Contributions received in cash to increase share capital	4,600	-	-	-	4,600
Change in net assets attributable to Member Countries and NCI	-	49,935	-	2,826	52,761
Transferred to contingency reserve	-	(5,000)	5,000	-	-
<b>Balance at 31 December 2019</b>	<b>883,025</b>	<b>304,590</b>	<b>180,000</b>	<b>124,123</b>	<b>1,491,738</b>
<b>2020</b>					
<b>Balance at 1 January 2020</b>	<b>883,025</b>	<b>304,590</b>	<b>180,000</b>	<b>124,123</b>	<b>1,491,738</b>
Increase in net assets attributable to Member Countries and NCI	-	39,659	-	(5,871)	33,788
Transferred to contingency reserve	-	(5,000)	5,000	-	-
<b>Balance at 31 December 2020</b>	<b>883,025</b>	<b>339,249</b>	<b>185,000</b>	<b>118,252</b>	<b>1,525,526</b>

This statement of net assets attributable to Member Countries and non-controlling interest in the subsidiary provides relevant and useful information to the reader corresponding to the requirements of IAS 1 and is therefore considered best practice.

The attached notes from 1 to 24 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

	<i>Notes</i>	<i>2020</i> <i>AAD 000</i>	<i>2019</i> <i>AAD 000</i>
<b>Operating activities</b>			
Increase in net assets attributable to Member Countries and non-controlling interest in the Subsidiary		33,788	52,761
Adjustments for:			
Unrealized change in investments at fair value	17	(2,825)	(9,553)
Depreciation of property and equipment		243	140
Change in provision for expected credit loss		(377)	85
Change in loans to Member Countries		(103,711)	36,577
Change in lines of credit		(14,861)	61,965
Net cash from investments	18	53,773	(117,060)
Change in forward currency contracts receivable		10,841	(4,220)
Change in forward currency contracts payable		22,208	-
Change in accounts receivable and other assets		(9,324)	(4,983)
Change in accounts payable and other liabilities		(22,987)	399
Change in appropriation to support Palestinian people		2,080	(1,296)
Change in deposits with banks maturing after three months from inception		(675,569)	184,669
Change in deposits from Arab monetary and financial institutions		(5,050)	284,068
<b>Net cash (used in)/generated from operating activities</b>		<b>(711,771)</b>	<b>483,552</b>
<b>Financing activities</b>			
Member Countries contributions in capital increase		-	4,600
<b>Net cash from financing activities</b>		<b>-</b>	<b>4,600</b>
<b>Net (Decrease)/ increase in cash and cash equivalents</b>		<b>(711,771)</b>	<b>488,152</b>
Cash and cash equivalents at beginning of year		973,323	485,171
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>261,552</b>	<b>973,323</b>

The attached notes from 1 to 24 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 2020

#### 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, aiming at 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).

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 reforms in financial & banking sector and public finance sector. Loans and facilities currently offered by the Fund include Automatic Loan, Ordinary Loan, Extended Loan, Compensatory Loan, Structural Adjustment Facility, Trade Reform Facility, Oil Facility, Short-Term Liquidity Facility, and Supporting an Enabling Environment for SMEs Facility. The 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.

The Fund provides technical assistance and training to its Member Countries to help them adopt effective policies and institutions, and build human capacity aiming at enhancing their effort to foster inclusive and sustainable development. It also adopts initiatives at the regional level, with a view to develop payment systems and modern financial technologies capital markets, economic databases and statistics. As well as to foster efforts aiming at improving financial inclusion and other activities related to the Fund.

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.

#### 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 the 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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (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 2020 (2019: 56.3%). Note 13 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:

Financial instruments at Fair Value Through Profit or Loss FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at Amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

###### 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 Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

##### iii. Reclassification:

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

##### 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 recognizes 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. If the terms are not substantially different, the modification does not result in derecognition, and the Fund recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognizes a modification gain or loss in the consolidated statement of comprehensive income. The Fund also assesses whether the new loan or debt instrument meets the Solely Payment of Principal and Interest (SPPI) criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 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.

**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”.

## The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2020

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (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.

##### (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. The Fund also considers geo-political risks of the borrowers in assessing whether there is a significant increase in credit risk.
- **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 by more than 3 notches downgrade or that there is a noticeable unfavorable change in the future outlook of the issuer Investment securities with a credit rating of BBB- and above are considered to have low credit risk and as such the Expected Credit Loss [ECL] allowance is based on 12-month ECLs (Stage 1).
- **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 for 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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (2) Significant Increase in Credit Risk (continued)

The following data are typically used to monitor the Fund's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;

The Fund uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Fund collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of financial asset and borrower as well as by credit risk grading. The information used is both internal and external depending on the financial asset assessed.

The Fund has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes past due.

##### (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 is 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**, The Fund considers an instrument to be in default when the borrower is more than 90 days past due on its contractual payments.
- **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 conclude whether due to adverse factors (financial, economic, legal, political or managerial) might have an impact on the market value of the security.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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

##### (4) Loans Expected Credit Loss

Loans to Member Countries are financial assets that are measured at amortized cost. Interest income on loans to Member Countries is recognized using the effective interest method. The Fund's assessment of its loans receivable for impairment is grounded in the context of the nature of the Fund's lending and the unique institutional status with the Member Countries.

The Fund has a unique relationship with its member countries, all of which are shareholders in the Fund. Furthermore, loans to Member Countries are sovereign debts by their nature and support corrective reform programs to overcome balance of payments problems. Thereby enhancing countries capacity repay in the medium and long term. Member Countries are committed to these programs which are subject to regular reviews of performance. In addition, the Fund has not recognized any impairment losses on its loans extended to Member Countries since its inception.

Taken together these factors significantly reduce the likelihood of the Fund incurring credit losses on its loan portfolio.

Due to its unique characteristics, the Fund's credit risk exposure is not comparable to credit risk faced by commercial financial entities. Accordingly, credit risk for the Fund is assessed holistically based on qualitative and quantitative considerations pertaining to each member country, such as the status of the economic programs supported by lending, the member's cooperation on policy implementation and timely settlement of financial obligations, and forward-looking assessments of the member's capacity to repay.

The Fund has developed a model for ECL and performed an impairment analysis of loan outstanding in accordance with its ECL model taking into consideration the unique nature of the Fund financing and institutional status.

##### (5) COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Fund utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes.

The Fund has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times.

The Fund has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in the Fund's ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Fund has assessed the impact of an increase in probability for the conservative scenario in ECL measurement. The probability of conservative scenario was increased from 10% to 30% while the probability of the optimistic scenario was reduced from 30% to 10%. If the pessimistic scenario was further increased by 10%, the ECL provision increase wouldn't be significant.



## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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

##### (5) COVID-19 impact on measurement of ECL *(continued)*

The Fund has also reassessed its portfolio of Stage 1 financial assets as at 31 December 2020 with none of them having experienced a significant increase in credit risk due to COVID19. This included evaluating whether the investment portfolio has suffered a significant deterioration in credit quality. Based on ratings from external rating agencies, the Fund has concluded that there has not been a significant increase in credit risk. Furthermore, the Contingency Reserve (AAD 185 Million as of 31 December 2020 -Note 13) aimed for mitigating any foreseen future losses, covers any default that might result from any deterioration in the Fund's financial assets credit quality as a result of COVID19.

##### (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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

##### (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.

##### (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 recorded in the consolidated statement of comprehensive income.

##### (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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

##### (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:

##### **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 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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### Response to the COVID-19 Pandemic

The COVID-19 pandemic has created severe disruptions in the global economic activity, with many country members facing liquidity shortages. The Fund has taken a number of steps to ensure that it can support its Member Countries through the global pandemic. The following measures were taken by the Fund:

The Fund has applied quick and easy procedures to respond to its Member Countries requests for loans, by activating the Fund's Rapid Lending Procedures Framework.

The Fund held High-Level meetings and workshops with senior officials in the Member Countries and international organizations to discuss the impacts of the pandemic and ways to mitigate such risks.

The Fund continues to manage its risks in accordance with its existing risk management framework (see Note 22) and as of the date of these financial statements has not seen a significant impact on its operational results.

As the COVID-19 pandemic continues to evolve, the magnitude and impact remain uncertain and are dependent on future developments that cannot be accurately predicted at this time. It is thus difficult to assess the full extent and duration of its impact on the Fund with any degree of certainty.

###### 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 and revised International Financial Reporting Standards (IFRSs)

The following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 01 January 2020. These amendments to IFRSs has not had any material impact on the Fund's consolidated financial statements for the period ended 31 December 2020.

- Amendments to references to the Conceptual Framework for Financial Reporting.
- Amendment to IFRS 3 "Business combination" regarding the definition of business.
- Amendment to IFRS 7, IFRS 9 and IAS 39 regarding the interest rate benchmark reforms.
- Amendments to IAS 1 and IAS 8 regarding the definition of materiality.
- Amendments to IFRS 16 regarding Covid-19 related rent concession.

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after 01 January 2020.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (n) New and revised International Financial Reporting Standards (IFRSs) (continued)

###### Standards and Interpretations in issue but not yet effective.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) The amendments clarify that hedge accounting is not discontinued solely because of the IBOR reform and also introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. Effective On or after 01 January 2021.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 'Insurance Contracts' from applying IFRS 9 "Financial Instruments", so that entities would be required to apply IFRS9 for annual periods beginning on or after 01 January 2023.
- Amendments to IAS 1 "Presentation of Financial Statements" to address classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date. Effective On or after 01 January 2023.
- Amendments to IAS 16 'Property, Plant and Equipment' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Effective On or after 01 January 2022.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Effective On or after 01 January 2022.
- Amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective On or after 01 January 2022.
- Improvements to International Financial Reporting Standards "cycle 2018-2020" effective 01 January 2022.

#### 3 CASH AND CASH EQUIVALENT AND TERM DEPOSITS WITH BANKS

##### 3.1 CASH AND CASH EQUIVALENT

	2020	2019
	<i>AAD 000</i>	<i>AAD 000</i>
Current and call accounts with banks and International Monetary Fund	7,326	7,710
Deposits maturing within three months from inception	254,226	965,613
	<u>261,552</u>	<u>973,323</u>

##### 3.2 TERM DEPOSITS WITH BANKS

	2020	2019
	<i>AAD 000</i>	<i>AAD 000</i>
Maturing within three months from inception.	254,226	965,613
Maturing after three months from inception.	905,612	229,819
	<u>1,159,838</u>	<u>1,195,432</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 4 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.

**Level 1:** The fair value of publicly traded investments is based on quoted market prices in an active market for identical assets without any adjustments (closing price for equities and derivative instruments and bid price for fixed-income securities). These investments are included within Level 1 of the fair value hierarchy.

**Level 2:** The fair value of fixed-income securities not actively traded is determined on the basis of a compilation of significant observable market information, such as recently executed trades in securities of the issuer or comparable issuers and yield curves. The assessment also takes into account the inherent risk and terms and conditions of each security. Given that the significant inputs are observable, these securities are included within Level 2 of the fair value hierarchy.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Investments reported at fair value are categorised using the fair value hierarchy of inputs used to measure fair value as follows:

	2020 AAD 000	2019 AAD 000
Investments at fair value through profit and loss (level 1)	1,342,617	1,255,373
Investments at fair value through profit and loss (level 2)	358,238	460,508
Investments at fair value through profit and loss (level 3)	88,204	90,196
Investments securities at amortised cost	628,914	661,480
	<u>2,417,973</u>	<u>2,467,557</u>
Provisions for expected credit losses on investments at amortised cost	(731)	(850)
	<u>2,417,242</u>	<u>2,466,707</u>

There were no transfers between levels of the fair value hierarchy during the year ending 31 December 2020, or 31 December 2019.

#### Investments at amortized cost

The fair value of investments at amortized cost at 31 December 2020 was AAD 636,066 thousand (2019: AAD 665,929 thousand).

They represent investments in multi-strategy funds 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 manager.

Movements of investments at fair value (Level 3) for the year ended 31 December 2020 and 2019 is as follows:

	2020 AAD 000	2019 AAD 000
Fair value at 1 January	90,196	78,172
Gains or losses recognised in profit or loss for the year	3,407	5,320
Subscription during the year	2,662	19,116
Redemption during the year	(7,501)	(12,314)
Exchange difference	(560)	(98)
Fair value at 31 December	<u>88,204</u>	<u>90,196</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2020

#### 4 FINANCIAL INVESTMENTS (continued)

##### Investments at amortized cost (continued)

Unrealized gain on investments at fair value (level 3) that is recognised in the profit or loss for the year ended 31 December 2020 is AAD 3,583 thousand (2019: AAD 4,969 thousand).

The composition of investments portfolio by category as of 31 December is as follows:

	2020			2019		
	Arab	Non- Arab	Total	Arab	Non- Arab	Total
	AAD 000			AAD 000		
<b>Debt Securities</b>						
Government & Semi Government	295,624	1,027,617	1,323,241	182,320	660,901	843,221
Banks & Financial Institutions	111,455	624,326	735,781	93,710	1,204,248	1,297,958
Industrial Sector	28,744	50,696	79,440	14,447	49,953	64,400
Other Commercial Sectors	16,902	67,218	84,120	15,136	59,829	74,965
Supranational Organizations	-	107,187	107,187	4,557	92,260	96,817
Provision for Expected Credit Loss	(674)	(57)	(731)	(788)	(62)	(850)
<b>Total Debt Securities</b>	<b>452,051</b>	<b>1,876,987</b>	<b>2,329,038</b>	<b>309,382</b>	<b>2,067,129</b>	<b>2,376,511</b>
<b>Unquoted Investment Funds</b>						
Multi- Strategy Funds	-	51,238	51,238	-	56,035	56,035
Real Estate Funds	-	36,966	36,966	-	34,161	34,161
<b>Total Unquoted Investment Funds</b>	<b>-</b>	<b>88,204</b>	<b>88,204</b>	<b>-</b>	<b>90,196</b>	<b>90,196</b>
	<b>452,051</b>	<b>1,965,191</b>	<b>2,417,242</b>	<b>309,382</b>	<b>2,157,325</b>	<b>2,466,707</b>

##### 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 208,384 thousand as at 31 December 2020 (2019: AAD 207,089 thousand).

#### 5 FORWARD CURRENCY CONTRACTS

The Fund uses foreign currency swaps and forward currency contracts to manage exposure to foreign exchange risk. The Fund and its Subsidiary do not hold or issue derivative instruments for trading purposes, all derivatives are held for economic hedging purposes.

The net fair value of forward currency contract assets and liabilities at 31 December 2020 were AAD 2,168 and AAD 23,232 thousand respectively (2019: AAD 13,009 thousand and AAD nil respectively). The fair value of the forward currency contracts is determined by reference to forward rates obtained from reliable sources of financial instruments pricing such as Bloomberg. Given that the significant inputs into the pricing models are market observable, these instruments are included within Level 2 of the fair value hierarchy.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2020

#### 6 LINES OF CREDIT

	2020 AAD 000	2019 AAD 000
Balance at 1 January	150,873	212,869
Drawings during the year	240,276	262,468
	<u>391,149</u>	<u>475,337</u>
Repayments during the year	(219,348)	(325,690)
Provision for expected credit loss	(218)	(252)
Differences in translation to AAD	(6,067)	1,226
Balance at 31 December	<u>165,516</u>	<u>150,621</u>

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 2020 is 11,109 thousand (2019: NIL).

#### 7 LOANS TO MEMBER COUNTRIES

	2020 AAD 000	2019 AAD 000
Balance at 1 January	465,981	502,558
Drawings during the year	208,309	111,106
Repayments during the year	(104,598)	(147,683)
Balance at 31 December	<u>569,692</u>	<u>465,981</u>

Loans to Member Countries at 31 December 2020 include over one-year principal amounts overdue and not received of AAD 91,404 thousand (2019: AAD 76,508 thousand). Outstanding loans to Member Countries also include unrealized capitalized interest balances which form part of restructured debt positions of one of the Member Countries. The Fund follows a policy of recognizing capitalized interest proportionately with the rescheduled debt repayments. Therefore, the balance of unrealized 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 2020 amounted to AAD 664 thousand (2019: AAD 5,249 thousand).

The undisbursed balances of the contracted loans at 31 December 2020 amounted to AAD 114,180 thousand (2019: AAD 38,415 thousand).

#### 8 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 2020

#### 9 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.

#### 10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2020	2019
	<i>AAD 000</i>	<i>AAD 000</i>
Interest receivable from loan to Member Countries (Gross)	95,012	90,273
Interest in suspense on rescheduled loans	(27,225)	(27,225)
Overdue interest receivable on loans	(64,583)	(61,467)
	<u>3,204</u>	<u>1,581</u>
Interest receivable from lines of credit	504	974
Interest receivable from deposits and financial investment	10,486	15,335
Total interest receivable	<u>14,194</u>	<u>17,890</u>
Property and equipment	1,800	1,379
Arab Regional Payments System (*)	8,377	5,780
Collateral margin receivable	10,138	-
Other debit balances	1,582	1,961
	<u>36,091</u>	<u>27,010</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 8,377 thousand as of 31 December 2020 (2019: AAD 5,780 thousand).

Contracts under execution signed by the Fund on behalf of the entity as at 31 December 2020 amounted to AAD 10,132 thousand of which AAD 7,614 thousand were executed.

#### 11 DEPOSITS FROM ARAB MONETARY AND FINANCIAL INSTITUTIONS

In fulfilling its objectives, and in accordance with article 5 of its Articles of Agreement, the Fund accepts deposits from Arab monetary and financial institutions at agreed rates of interest.

Interest expense on deposits accepted from Arab monetary and financial institutions for the period ended 31 December 2020 amounted to AAD 28,114 thousand (2019: AAD 63,235 thousand).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2020	2019
	AAD 000	AAD 000
Unrealized capitalized interest (Note 3)	664	5,249
Accrued interest payable	1,691	13,064
Net value of investment transactions	-	1,650
Contribution to support Palestinian people	10,747	8,667
Collateral margin payable	-	5,932
Other credit balances	5,447	4,894
	<u>18,549</u>	<u>39,456</u>

#### 13 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

	2020	2019
	AAD 000	AAD 000
Authorized Capital (24,000 shares of AAD 50 thousand each)	1,200,000	1,200,000
Subscribed capital (18,000 shares)	900,000	900,000
Unpaid capital	(16,975)	(16,975)
Paid-up capital	<u>883,025</u>	<u>883,025</u>

The Board of Governors of the Arab Monetary Fund had approved through resolution number (3) of 2013 increasing the Fund's authorized share capital by AAD 600 million, to become AAD 1,200 million. The resolution has also called for subscriptions from Member Countries amounting to AAD 300 million, of which AAD 149.01 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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

##### (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 2020 includes AAD 26,040 thousand (2019: AAD 26,607 thousand) being the Fund's share in reserves of the Subsidiary.

The Board of Governors approved through resolution number (5) of 2020, a 18<sup>th</sup> appropriation of 10% of 2019 net operating income before other changes in net assets attributable to Member Countries and non-controlling interest amounting to AAD 4,394 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (8) of 2019, a 17<sup>th</sup> appropriation of 10% of 2018 operating income before other changes in net assets attributable to Member Countries and non-controlling interest amounting to AAD 3,513 thousand for the same purpose.

##### (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. The non-controlling interest is classified as a financial liability.

Set out below is summarised financial information for the subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for the subsidiary are before inter-company eliminations.

	2020 USD 000	2019 USD 000
<b>Net assets attributable to stockholder's in the base currency of the Subsidiary:</b>		
- Paid-up capital	986,635	988,505
- Reserves	185,037	189,376
Total	<u>1,171,672</u>	<u>1,177,881</u>
<b>The value of non-controlling interest in the Subsidiary</b>	<u>510,959</u>	<u>514,923</u>
	2020 AAD 000	2019 AAD 000
<b>Non-controlling interest movement</b>		
Balance at the beginning of the year	124,123	121,297
Net income for the year	1,623	3,776
Dividends paid during the year	(2,196)	(1,862)
Exchange difference	(5,298)	912
	<u>118,252</u>	<u>124,123</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 14 OTHER INVESTMENT INCOME

	2020 AAD 000	2019 AAD 000
Amortization of FX currency swaps	9,159	17,994
Investment in multi-strategy funds and property funds	3,407	5,320
Gain\ loss on sales of securities	4,018	(474)
Other income	79	(748)
	<u>16,663</u>	<u>22,092</u>

#### 15 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2020 amounted to AAD 6,740 thousand (2019: 6,423 thousand) include Board of Directors remuneration and employees' salaries and benefits amounting to AAD 5,127 thousand (2019: AAD 5,078 thousand). The Fund and its Subsidiary employed 189 employees as at 31 December 2020 (2019: 188 employees).

#### 16 TECHNICAL ASSISTANCE

	2020 AAD 000	2019 AAD 000
Training courses, seminars and direct technical assistance	288	982
Cash and in-kind contributions from partner institutions	(61)	(245)
Technical assistance incurred by the Fund	<u>227</u>	<u>737</u>

#### 17 UNREALIZED CHANGE IN INVESTMENTS HELD AT FAIR VALUE

	2020 AAD 000	2019 AAD 000
Change in fair value of securities	3,849	9,553
Change in fair value of forward contracts	<u>(1,024)</u>	<u>-</u>
	<u>2,825</u>	<u>9,553</u>

#### 18 NET CASH FROM INVESTMENTS

	2020 AAD 000	2019 AAD 000
Cash from liquidation\ (subscription) multi strategy funds & property funds	1,992	(12,024)
Investments at fair value sold or matured	19,014	246
Investments at amortized cost sold or matured\ (purchased)	32,564	(105,222)
Revaluation difference	203	(60)
	<u>53,773</u>	<u>(117,060)</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 19 MANAGED FUNDS

Funds managed by the Arab Monetary Fund for Arab Specialised Organization amounted to AAD 8,253 thousand as at 31 December 2020 (2019: AAD 7,282 thousand).

#### 20 RELATED PARTIES TRANSACTIONS

Related parties for the Fund are the Member Countries who are targeted by the Fund's activities as explained in Note (1).

Balances and transactions with Member Countries as of 31 December are as follows:

		2020	2019
	<i>Notes</i>	<i>AAD 000</i>	<i>AAD 000</i>
Loans to Member Countries	7	569,692	465,981
Deposits from Arab monetary and financial institutions	11	2,803,635	2,808,685
Interest and fee income on loans to Member Countries		13,758	19,686
Interest expense on deposits from Arab monetary and financial institutions	11	28,114	63,235
Technical assistance expense	16	227	737

#### 21 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:

	2020	2019
	<i>AAD 000</i>	<i>AAD 000</i>
Arab and African Countries	1,305,654	1,013,754
Europe	741,693	904,219
North America	222,687	368,666
Far East and Pacific	1,216,952	1,294,717
Supra National Organisations	97,420	88,493
	<u>3,584,406</u>	<u>3,669,849</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 22 FINANCIAL INSTRUMENTS

##### (a) Maturities of assets and liabilities- 31 December 2020

Maturity analysis of the consolidated assets and liabilities as at 31 December 2020 were as follows:

	<i>Total</i>	<i>Less than 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Unspecified maturity</i>
	<i>AAD 000</i>					
<b>Assets</b>						
Cash and cash equivalent	261,552	261,552	-	-	-	-
Term deposits with banks	905,612	860,122	45,490	-	-	-
Securities at fair value	1,700,688	1,700,688	-	-	-	-
Securities at amortized cost	628,350	217,172	111,135	269,001	31,042	-
Multi- strategy and property funds	88,204	88,204	-	-	-	-
Forward contracts receivable	2,168	2,168	-	-	-	-
Lines of credit	165,516	123,145	28,648	13,723	-	-
Loans to Member Countries	569,692	143,003	80,854	330,959	-	14,876
Deposits with central banks	5,336	-	-	-	-	5,336
Investment in related entity	7,733	-	-	-	-	7,733
Accounts receivable and other assets	36,091	24,749	902	8,640	-	1,800
	<b>4,370,942</b>	<b>3,420,803</b>	<b>267,029</b>	<b>622,323</b>	<b>31,042</b>	<b>29,745</b>
<b>Liabilities</b>						
Deposits from Arab monetary and financial institutions	2,803,635	2,613,466	190,169	-	-	-
Forward contract payable	23,232	23,232	-	-	-	-
Accounts payable and other liabilities	18,549	3,128	12,049	652	-	2,720
Net assets attributable to Member Countries	1,407,274	-	-	-	-	1,407,274
Non-controlling interest in the Subsidiary	118,252	-	-	-	-	118,252
	<b>4,370,942</b>	<b>2,639,826</b>	<b>202,218</b>	<b>652</b>	<b>-</b>	<b>1,528,246</b>
<b>Loan commitments</b>	<b>114,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,180</b>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 22 FINANCIAL INSTRUMENTS (continued)

##### 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
	<i>AAD 000</i>					
<b>Assets</b>						
Cash and cash equivalent	973,323	973,323	-	-	-	-
Term deposits with banks	229,819	153,485	76,334	-	-	-
Securities at fair value	1,715,797	1,715,797	-	-	-	-
Securities at amortized cost	660,714	393,625	87,331	139,983	39,775	-
Multi- strategy and property funds	90,196	90,196	-	-	-	-
Unsettled forward contract receivable	13,009	13,009	-	-	-	-
Lines of credit	150,621	124,094	21,593	4,934	-	-
Loans to Member Countries	465,981	112,324	66,344	272,437	-	14,876
Deposits with central banks	5,336	-	-	-	-	5,336
Investment in related entity	8,073	-	-	-	-	8,073
Accounts receivable and other assets	27,010	23,996	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>
<b>Liabilities</b>						
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	-
Net assets attributable to Member Countries	1,367,615	-	-	-	-	1,367,615
Non-controlling interest in the Subsidiary	124,123	-	-	-	-	124,123
	<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>
<b>Loan commitments</b>	<u>38,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,415</u>

#### (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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 22 FINANCIAL INSTRUMENTS (continued)

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

Included in the consolidated financial statements provisions of AAD 1,066 thousand as at 31 December 2020 (2019: AAD 1,443 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.

For credit risk management purposes, the fund classifies its financial instruments into investment and non- investment grade exposures. The fund definition of “investment grade” is consistent with the globally understood definition- i.e.- financial exposures with credit rating of BBB and above are classified as investment grades, and those with rating less than BBB are classified as non- investment grades.

Analysis of the Fund’s credit risk exposures by class of financial asset is provided in the following tables as at 31 December 2020 and 31 December 2019 respectively:

(AAD 000)

Credit Rating	2020			Total
	Stage (1)	Stage (2)	Stage (3)	
<b>Loans to Member Countries (*)</b>				
Outstanding Loans	378,685	110,645	80,362	569,692
ECL	-	-	-	-
<b>Net of ECL</b>	<b>378,685</b>	<b>110,645</b>	<b>80,362</b>	<b>569,692</b>
<b>Lines of Credits</b>				
Sovereign Authorities	121,127	-	-	121,127
Commercial Banks	44,607	-	-	44,607
<b>Total</b>	<b>165,734</b>	<b>-</b>	<b>-</b>	<b>165,734</b>
ECL	(218)	-	-	(218)
<b>Net of ECL</b>	<b>165,516</b>	<b>-</b>	<b>-</b>	<b>165,516</b>
<b>Deposit with banks</b>				
Investment Grade	1,131,719	-	-	1,131,719
Non-investment Grade	16,201	-	-	16,201
Not rated	12,035	-	-	12,035
<b>Total</b>	<b>1,159,955</b>	<b>-</b>	<b>-</b>	<b>1,159,955</b>
ECL	(117)	-	-	(117)
<b>Net of ECL</b>	<b>1,159,838</b>	<b>-</b>	<b>-</b>	<b>1,159,838</b>
<b>Investments Securities</b>				
Investment Grade	2,238,624	-	-	2,238,624
Non-investment Grade	91,145	-	-	91,145
Not rated	-	-	-	-
<b>Total</b>	<b>2,329,769</b>	<b>-</b>	<b>-</b>	<b>2,329,769</b>
ECL	(731)	-	-	(731)
<b>Net of ECL</b>	<b>2,329,038</b>	<b>-</b>	<b>-</b>	<b>2,329,038</b>

(\*) 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 2020

#### 22 FINANCIAL INSTRUMENTS (continued)

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

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

(\*) 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 2020

#### 22 FINANCIAL INSTRUMENTS (continued)

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

The movement of gross exposure for the year 2020 and 2019 is as follows:

	(AAD 000)			
	2020			
	Stage (1)	Stage (2)	Stage (3)	Total
<b>Loans to Member Countries</b>				
<b>Balance at 01 Jan</b>	282,941	102,678	80,362	465,981
Change Attributable to:				
Transfers between stages	(10,960)	10,960	-	-
Withdrawals during the year	208,309	-	-	208,309
Repayments during the year	(101,605)	(2,993)	-	(104,598)
<b>Balance at 31 Dec</b>	<b>378,685</b>	<b>110,645</b>	<b>80,362</b>	<b>569,692</b>
<b>Lines of Credits</b>				
<b>Balance at 01 Jan</b>	150,873	-	-	150,873
Change Attributable to:				
Transfers between stages	-	-	-	-
Withdrawals during the year	240,276	-	-	240,276
Repayments during the year	(219,348)	-	-	(219,348)
Foreign exchange difference	(6,067)	-	-	(6,067)
<b>Balance at 31 Dec</b>	<b>165,734</b>	<b>-</b>	<b>-</b>	<b>165,734</b>
<b>Deposit with banks</b>				
<b>Balance at 01 Jan</b>	1,195,773	-	-	1,195,773
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	18,014,415	-	-	18,014,415
Sold/matured during the year	(18,004,776)	-	-	(18,004,776)
Foreign exchange difference	(45,457)	-	-	(45,457)
<b>Balance at 31 Dec</b>	<b>1,159,955</b>	<b>-</b>	<b>-</b>	<b>1,159,955</b>
<b>Investments Securities</b>				
<b>Balance at 01 Jan</b>	2,377,361	-	-	2,377,361
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	2,968,300	-	-	2,968,300
Sold/matured during the year	(3,006,080)	-	-	(3,006,080)
Foreign exchange difference	(9,812)	-	-	(9,812)
<b>Balance at 31 Dec</b>	<b>2,329,769</b>	<b>-</b>	<b>-</b>	<b>2,329,769</b>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 22 FINANCIAL INSTRUMENTS (continued)

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

(AAD 000)

	2019			Total
	Stage (1)	Stage (2)	Stage (3)	
<b>Loans to Member Countries</b>				
<b>Balance at 01 Jan</b>	<b>355,494</b>	<b>66,702</b>	<b>80,362</b>	<b>502,558</b>
Change Attributable to:				
Transfers between stages	-	-	-	-
Withdrawals during the year	58,146	52,960	-	111,106
Repayments during the year	(130,699)	(16,984)	-	(147,683)
<b>Balance at 31 Dec</b>	<b>282,941</b>	<b>102,678</b>	<b>80,362</b>	<b>465,981</b>
<b>Lines of Credits</b>				
<b>Balance at 01 Jan</b>	<b>212,869</b>	-	-	<b>212,869</b>
Change Attributable to:				
Transfers between stages	-	-	-	-
Withdrawals during the year	262,468	-	-	262,468
Repayments during the year	(325,690)	-	-	(325,690)
Foreign exchange difference	1,226	-	-	1,226
<b>Balance at 31 Dec</b>	<b>150,873</b>	-	-	<b>150,873</b>
<b>Deposit with banks</b>				
<b>Balance at 01 Jan</b>	<b>895,616</b>	-	-	<b>895,616</b>
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
<b>Balance at 31 Dec</b>	<b>1,195,773</b>	-	-	<b>1,195,773</b>
<b>Investments Securities</b>				
<b>Balance at 01 Jan</b>	<b>2,262,831</b>	-	-	<b>2,262,831</b>
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
<b>Balance at 31 Dec</b>	<b>2,377,361</b>	-	-	<b>2,377,361</b>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 22 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	
	2020 AAD 000	2019 AAD 000
<b>Time deposits</b>		
Balance at 1 January	341	303
Changes in ECL during the year	(224)	38
Balance at 31 December	117	341
<b>Investments</b>		
Balance at 1 January	850	908
Changes in ECL during the year	(119)	(58)
Balance at 31 December	731	850
<b>Lines of Credit</b>		
Balance at 1 January	252	156
Changes in ECL during the year	(34)	96
Balance at 31 December	218	252
<b>Total</b>		
Balance at 1 January	1,443	1,367
Changes in ECL during the year	(377)	76
<b>Balance at 31 December</b>	<b>1,066</b>	<b>1,443</b>

##### (d) Interest rate risk management

The risk of interest rate volatility for the Fund and its Subsidiary is very limited, as it 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	2020 AAD 000	2019 AAD 000
Effect on net assets attributable to Member Countries and non-controlling interest in the Subsidiary	25	1,009	1,192
Effect on consolidated statement of comprehensive income	25	2,996	1,080

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 22 FINANCIAL INSTRUMENTS (continued)

##### (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 2020 was AAD 636,066 thousand of which AAD 520,995 thousand are level (1) and AAD 115,071 thousand are level (2). (2019: AAD 665,929 thousand (level (1): AAD 545,455 thousand, level (2): AAD 120,474 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.

##### (g) Liquidity risk management

Fund is exposed to the risk of not meeting the financing needs of Member Countries, honouring own obligations in a timely manner. Resources to meet Members Countries demand for financing need to be readily available. Moreover, uncertainties in the timing and amount of credit extended to Members Countries during financial crises expose the Fund to liquidity risk and it must stand ready to provide resources for unexpected needs.

The Fund manages its liquidity risk by closely monitoring developments in its liquidity position, and closely following economic and financial development in Member Countries to better forecast their financing needs.

The Fund may periodically invest in forward currency swap contracts and debt securities that are traded over the counter and equity in multi-strategy funds and real estate funds that are not traded in an active market. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

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 tradeable debt securities.

##### (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.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 22 FINANCIAL INSTRUMENTS *(continued)*

##### (i) Price risk management

The Fund is exposed to debt securities price risk and forward currency swap contracts price risk, this arises from investments held by the Fund for which prices in the future are uncertain. Where financial instruments are denominated in currencies other than AAD, the price initially expressed in foreign currency and then converted into AAD will also fluctuate because of changes in foreign exchange rates. Note (f) “Foreign currency risk” above sets out how this component of price risk is managed and measured. The Fund’s policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the management of the Fund.

The Fund’s policy requires that the overall market position is monitored on a daily basis and is reviewed on a quarterly basis by the management of the Fund.

#### 23 PRIOR PERIOD RECLASSIFICATIONS

##### I) Reclassifications made in the consolidated statement of financial position.

###### Cash and cash equivalents reclassification

In prior periods, “cash and cash equivalents” balances amounted AAD 485,171 thousand and AAD 973,323 thousand (on 1st January 2019 and as at 31st December 2019, respectively) were presented together within “Term deposits with banks, current and call accounts”. IAS 1.54 requires that cash and cash equivalents are to be presented separately in the consolidated statement of financial position.

In the current period, management of the Fund identified and corrected the misclassification such that “cash and cash equivalents” are presented in a separate line item in the consolidated statement of financial position. This resulted in an increase of “cash and cash equivalents” of AAD 973,323 thousand for 31 December 2019 and AAD 485,171 thousand for 1 January 2019 and a decrease in “Term deposits with banks, current and call accounts” by the same amounts on 31 December 2019 and 1 January 2019, respectively.

###### Derivative contracts

In prior years, the derivative assets were shown under accounts receivable. These have now been disclosed separately increasing the forward currency contracts receivable line item by AAD 13,009 thousand on 31 December 2019 and by AAD 8,789 on 1 January 2019.

##### II) Reclassifications made in the consolidated statement of comprehensive income

According to IAS 1:82(a) the income statement shall include line items that present revenue, presenting separately interest revenue calculated using effective interest method. In prior periods, interest income from investments at amortised cost equivalent to AAD 16,521 was included as part of “investment income”. In the current period, management identified and corrected the misclassification such that the interest from investments at amortised cost that is integral part of the effective interest rate is presented as ‘interest income’ and ‘interest expense’ line items.

A third balance sheet has not been presented as the only change on the Consolidated Statement of Financial Position was the reclassifications of balances as noted above.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

#### 23 PRIOR PERIOD RECLASSIFICATIONS (continued)

##### II) Reclassifications made in the consolidated statement of comprehensive income (continued)

The table below shows the amount of adjustment for each financial statement line item affected by restatement for prior period.

##### Statement of financial position as at 1 January 2019

	As previously reported	Restatement Increase/ (Decrease)	Reclassification Increase/ (Decrease)	As Restated
	AAD 000			
Cash and cash equivalent	-	-	485,171	485,171
Term deposits with banks, current and call accounts	899,697	-	(485,171)	414,526
Forward currency contracts receivable	-	-	8,789	8,789
Account receivables and other assets	30,956	-	(8,789)	22,167

##### Statement of financial position as of 31 December 2019

	As previously reported	Restatement Increase/ (Decrease)	Reclassification Increase/ (Decrease)	As Restated
	AAD 000			
Cash and cash equivalent	-	-	973,323	973,323
Term deposits with banks, current and call accounts	1,203,142	-	(973,323)	229,819
Forward currency contracts receivable	-	-	13,009	13,009
Account receivables and other assets	40,019	-	(13,009)	27,010

##### Statement of comprehensive income for the years ended 31 December 2019

	As previously reported	Restatement Increase/ (Decrease)	Reclassification Increase/ (Decrease)	As Restated
	AAD 000			
Interest income on securities at amortized cost	-	-	16,521	16,521
Interest income on securities at fair value	-	-	24,026	24,026
Other investment income	-	-	22,092	22,092
Investment income	62,639	-	(62,639)	-
<b>Total comprehensive income</b>	<b>62,639</b>	<b>-</b>	<b>-</b>	<b>62,639</b>

## The Arab Monetary Fund

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2020

### 24 SUBSEQUENT EVENTS

#### **Risk management in the current economic scenario**

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving at the present time. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

The Fund is closely monitoring the situation and has invoked crisis management actions to ensure safety and security of the Fund's staff and stakeholders. A task force with representation from all key areas of the Fund has been set up to monitor the COVID-19 situation and take timely decisions to resolve any concerns. Remote working options were introduced in the month of March to enable employees of the Fund to continue working from home and remote locations to enable smooth business continuity.



## **Organization and Management Structure**

## Organizational Structure

### 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<sup>st</sup> December 2020:

Member Countries	Governors and Deputy Governors	
<b>Hashemite Kingdom of Jordan</b>	Governor:	H.E. Dr. Ziad Fariz
	Deputy Gov.:	H.E. Dr Mohammad Mahmoud Al Ississ
<b>United Arab Emirates</b>	Governor:	H.E. Obeid Humaid Al-Tayer
	Deputy Gov.:	H.E. Abdul Hamid Mohammed Saeed Al Ahmadi <sup>(1)</sup>
<b>Kingdom of Bahrain</b>	Governor:	H.E. Sheikh Salman Bin Khalifa Al Khalifa
	Deputy Gov.:	H.E. Rashid Mohammed Al Mearaj
<b>Republic of Tunisia</b>	Governor:	H.E. Dr. Marouane El Abassi
	Deputy Gov.:	H.E. Mourad Abdesslem
<b>People's Democratic Republic of Algeria</b>	Governor:	H.E. Ayman Ben Abderahmane <sup>(2)</sup>
	Deputy Gov.:	H.E. Rosthom Fadli <sup>(3)</sup>
<b>Republic of Djibouti</b>	Governor:	H.E. Abdul Karim Adam Shir
	Deputy Gov.:	H.E. Ahmed Osman Ali
<b>Kingdom of Saudi Arabia</b>	Governor:	H.E. Mohammed Bin Abdullah Al-Jadaan
	Deputy Gov.:	H.E. Dr. Ahmed Bin Abdulkarim Al Kholifey
<b>Republic of the Sudan</b>	Governor:	H.E. Dr. Heba Mohammed Ali <sup>(4)</sup>
	Deputy Gov.:	H.E. Mohamed al-Fatih Zainelabidine <sup>(5)</sup>
<b>Syrian Arab Republic</b>	Governor:	H.E. Dr. Dr. Kenan Yaghi <sup>(6)</sup>
	Deputy Gov.:	H.E. Dr. Hazem Younes Qarfoul

Member Countries	Governors and Deputy Governors	
<b>Federal Republic of Somalia</b>	Governor:	H.E. Abdirahman Duale Beyle
	Deputy Gov.:	H.E. Abdirahman Mohamed Abdullahi
<b>Republic of Iraq</b>	Governor:	H.E. Mustafa Ghaleb Makhaif <sup>(7)</sup>
	Deputy Gov.:	H.E. Dr. Salahuddin Hamid Juaatta
<b>Sultanate of Oman</b>	Governor:	H.E. Sultan bin Salim Al Habsi <sup>(8)</sup>
	Deputy Gov.:	H.E. Tahir bin Salim bin Abdullah Al Amri
<b>State of Palestine</b>	Governor:	H. E. Dr. Mohamed Mustafa
	Deputy Gov.:	H.E. Major General Talal Dwikat
<b>State of Qatar</b>	Governor:	H.E. Ali Sherif Al Imaadi
	Deputy Gov.:	H.E. Sheikh Abdulla Bin Saoud Al Thani
<b>Union of Comoros</b>	Governor:	H.E. Sayed Ali Sayed Sheikhan
	Deputy Gov.:	H.E. Younoussa Imani
<b>State of Kuwait</b>	Governor:	H.E. Khalifa Mosaed Hamada <sup>(9)</sup>
	Deputy Gov.:	H.E. Dr. Mohammad Yousef Al Hashel
<b>Republic of Lebanon</b>	Governor:	H.E. Riad Toufic Salame`
	Deputy Gov.:	H.E. Raed Charafeddine
<b>State of Libya</b>	Governor:	H.E. Saddek Omar Elkaber
	Deputy Gov.:	Central Bank of Libya
<b>Arab Republic of Egypt</b>	Governor:	H.E. Tarek Amer
	Deputy Gov.:	H.E. Dr. Mohamed Maait
<b>Kingdom of Morocco</b>	Governor:	H.E. Mohamed Benchaaboun
	Deputy Gov.:	H.E. Abdellatif Jouahri
<b>Islamic Republic of Mauritania</b>	Governor:	H.E. Cheikh El Kebir Moulay Taher <sup>(10)</sup>
	Deputy Gov.:	H.E. Boumediene Ould Taya`
<b>Republic of Yemen</b>	Governor:	H.E. Salim Saleh Bin Buriak
	Deputy Gov.:	H.E. Ahmed Obeid Alfadli

- (1) Replacing H.E Mubarak Rashid Al-Mansouri, as of April 2020.
- (2) Replacing H.E. Abdul Rahman Rawia (January-June), who replaced H.E. Mohamed Local, as of June 2020.
- (3) Replacing H.E. Ayman bin Abdulrahman, as of September 2020.
- (4) Replacing H.E. Dr. Ibrahim Ahmed Al-Badawi, as of July 2020.
- (5) Replacing H.E. Dr. Badr Eddin Abdel Rahim Ibrahim, as of March 2020.
- (6) Replacing H.E. Dr. Mamoun Hamdan, as of August 2020.
- (7) Replacing H.E. Dr. Ali Mohsin Ismail, as of September 2020.
- (8) Replacing H.E. Darwish bin Ismail Al Balushi, as of August 2020.
- (9) Replacing H.E. Barak Ali Chitan, as of Dec. 2020, who replaced H.E. Mariam Al-Aqeel, as of (Feb. – Dec) 2020.
- (10) Replacing H.E. Abdel Aziz Ould Dahi as of Feb. 2020.

### 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 2020.

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	Kingdom of Saudi Arabia	13.96
H. E. H.E. Ali Bouharaoua <sup>(1)</sup>	People's Democratic Republic of Algeria	12.27
H. E. Mazen Sabbah Ahmad	Republic of Iraq	12.27
H.E. Jamal Mohamad Nagm (Egypt)	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)	Kingdom of Morocco State of Libya Republic of Tunisia Islamic Republic of Mauritania	12.87
H.E. H.E. Dr. Qais bin Issa Alyahyai (Oman) <sup>(2)</sup>	State of Qatar Kingdom of Bahrain Sultanate of Oman	6.77
H.E. Raed Charafeddine (Lebanon) <sup>(5)</sup>	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. Abdelhak Bedjaoui as of November 2020.

(2) Replacing Mohamad Jawad Bin Hasan Suleiman, as of August 2020.

## 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 (A-1) : Loans Extended to Member States (1978 - 2020)

(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								
			<b>6,563</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>6,563</b>
1979	3	Mauritania	750								
	4	Morocco	1,875								
	5	Syria	750								
	6	Sudan	1,875								
	7	Sudan			11,250						
			<b>5,250</b>	<b>0</b>	<b>11,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>16,500</b>
1980	8	Mauritania	750								
	9	Mauritania		4,500							
	10	Somalia	1,500								
	11	Sudan				5,000					
			<b>2,250</b>	<b>4,500</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>11,750</b>
1981	12	Yemen	2,940								
	13	Morocco	1,875								
	14	Morocco			31,850						
	15	Morocco	3,600								
	16	Yemen		8,820							
	17	Morocco				9,800					
	18	Somalia	1,440								
	19	Somalia			12,740						
	20	Sudan	1,875								
	21	Yemen	3,675								
				<b>15,405</b>	<b>8,820</b>	<b>44,590</b>	<b>9,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	
1982	22	Sudan			5,000						
	23	Sudan	3,600								
	24	Mauritania	2,190								
	25	Morocco	1,875								
	26	Syria	2,940								
	27	Mauritania			8,240						
	28	Yemen	3,675								
	29	Yemen				3,920					
				<b>14,280</b>	<b>0</b>	<b>13,240</b>	<b>3,920</b>	<b>0</b>	<b>0</b>	<b>0</b>	
1983	30	Iraq	27,930								
	31	Sudan				4,800					
	32	Sudan	1,875								
	33	Yemen					3,920				
	34	Mauritania	750								
	35	Iraq				27,000					
	36	Syria					3,000				
	37	Jordan	3,990								
	38	Jordan					1,960				
	39	Yemen		5,700							
				<b>34,545</b>	<b>5,700</b>	<b>0</b>	<b>31,800</b>	<b>8,880</b>	<b>0</b>	<b>0</b>	
1984	40	Somalia	1,500								
	41	Yemen					4,900				
	42	Sudan			4,335						
	43	Morocco	1,875								
	44	Yemen	3,690								
			<b>7,065</b>	<b>0</b>	<b>4,335</b>	<b>0</b>	<b>4,900</b>	<b>0</b>	<b>0</b>		<b>16,300</b>
1985	45	Yemen	3,975								
	46	Morocco	3,600								
	47	Morocco	3,750								
	48	Yemen				5,100					
	49	Jordan	1,050								
	50	Jordan				2,660					
	51	Jordan					700				
	52	Mauritania	2,190								
	53	Iraq	27,930								
			<b>42,495</b>	<b>0</b>	<b>0</b>	<b>7,760</b>	<b>700</b>	<b>0</b>	<b>0</b>		<b>50,955</b>



## Appendix (A-1) : Loans Extended to Member States (1978 - 2020) (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	22,070	0	0		24,570
1988	68	Morocco	1,875								
	69	Yemen	3,690								
	70	Jordan					1,960				
	71	Morocco	7,350								
	72	Algeria					18,620				
	73	Mauritania				2,460					
	74	Yemen		6,150							
	75	Egypt	4,687								
	76	Yemen	3,975								
	77	Mauritania	2,190								
	78	Yemen					5,100				
	79	Syria		8,200							
80	Algeria	27,930									
81	Iraq	27,930									
			79,627	14,350	0	2,460	25,680	0	0		122,117
1989	82	Iraq	3,300								
	83	Jordan		5,320							
	84	Egypt	5,250								
	85	Morocco			17,150						
	86	Algeria		41,640							
				8,550	46,960	17,150	0	0	0	0	
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	3,250	0	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 - 2020) (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 - 2020) (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	Mauritania							9,120		
	146	Morocco				21,880					
			7,365	0	0	21,880	0	0	69,258		98,503
2010	147	Jordan				9,820					
	148	Jordan							17,185		
	149	Morocco							47,863		
	150	Yemen			43,000						
			0	0	43,000	9,820	0	0	65,048		117,868
2011	151	Morocco						13,675			
	152	Egypt	43,725								
	153	Egypt							58,300		
			43,725	0	0	0	0	13,675	58,300		115,700
2012	154	Jordan	7,365								
	155	Yemen		21,000							
	156	Yemen				24,000					
	157	Tunisia							15,935		
	158	Tunisia				12,750					
	159	Tunisia	9,562								
	160	Morocco				27,350					
				16,927	21,000	0	64,100	0	0	15,935	
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	
2014	169	Mauritania			20,000						
	170	Yemen			36,510						
			0	0	56,510	0	0	0	0		56,510
2015	171	Jordan							13,285		
	172	Egypt							78,880		
	173	Egypt	59,160								
	174	Sudan			39,900						
			59,160	0	39,900	0	0	0	92,165		191,225
2016	175	Jordan	9,964								
	176	Mauritania				12,340					
	177	Egypt				81,820					
			9,964	0	0	94,160	0	0	0		104,124
2017	178	Jordan				13,400					
	179	Morocco							69,500		
			0	0	0	13,400	0	0	69,500	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
2020	188	Morocco	30,844								
	189	Egypt							153,475		
	190	Tunisia	14,381								
	191	Morocco							51,406		
	192	Tunisia							23,968		
			10,000								
			55,225	0	0	0	0	0	228,849	0	284,074
<b>Total</b>			<b>486,475</b>	<b>174,151</b>	<b>450,331</b>	<b>402,292</b>	<b>64,730</b>	<b>32,489</b>	<b>945,476</b>	<b>129,032</b>	<b>2,684,976</b>

**Appendix (A-2) : Loans Extended to Member States By Type (1978 - 2020)**

Automatic Loans	No. of Loans	Value of Loans (Million AAD)	Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	7	43.724	Jordan	3	26.090
Tunisia	7	43.143	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	11	60.394	Comoros	1	0.787
Mauritania	7	10.320			
Yemen	9	40.635			
Comoros	1	0.184			
	<b>67</b>	<b>486.475</b>		<b>29</b>	<b>450.331</b>

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			
	<b>15</b>	<b>174.151</b>		<b>11</b>	<b>64.730</b>

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	7	88.912
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	6	368.303
Mauritania	3	17.260	Morocco	8	313.114
Yemen	3	33.020	Yemen	1	9.057
			Djibouti	2	0.770
			Syria	2	11.600
			Mauritania	1	9.120
	<b>26</b>	<b>402.292</b>		<b>39</b>	<b>945.476</b>

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
	<b>3</b>	<b>32.489</b>		<b>3</b>	<b>129.032</b>

## Appendix (A-3): Balance of Outstanding Loans (2019 - 2020)

(Thousands of AAD)

Country	End of 2019			End of 2020		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	25,394	9,200	34,594	35,921		35,921
Sudan	102,678	10,960	113,638	110,645		110,645
Syria	2,880		2,880	2,880		2,880
Somalia	14,876		14,876	14,876		14,876
Iraq	10,821		10,821	1,368		1,368
Egypt	100,321		100,321	164,876	65,775	230,651
Morocco	102,725		102,725	122,051	20,562	142,613
Yemen	62,605	18,255	80,860	62,605	18,255	80,860
Mauritania	11,250		11,250	6,250		6,250
Tunisia	32,431		32,431	48,220	9,588	57,808
<b>Total</b>	<b>465,981</b>	<b>38,415</b>	<b>504,396</b>	<b>569,692</b>	<b>114,180</b>	<b>683,872</b>

**Appendix (A-4): Balance of Loans Commitments (1978- 2020)**

(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	12,967	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
2020	284,074	683,872	569,692

\* Total outstanding loans and undisbursed balances.

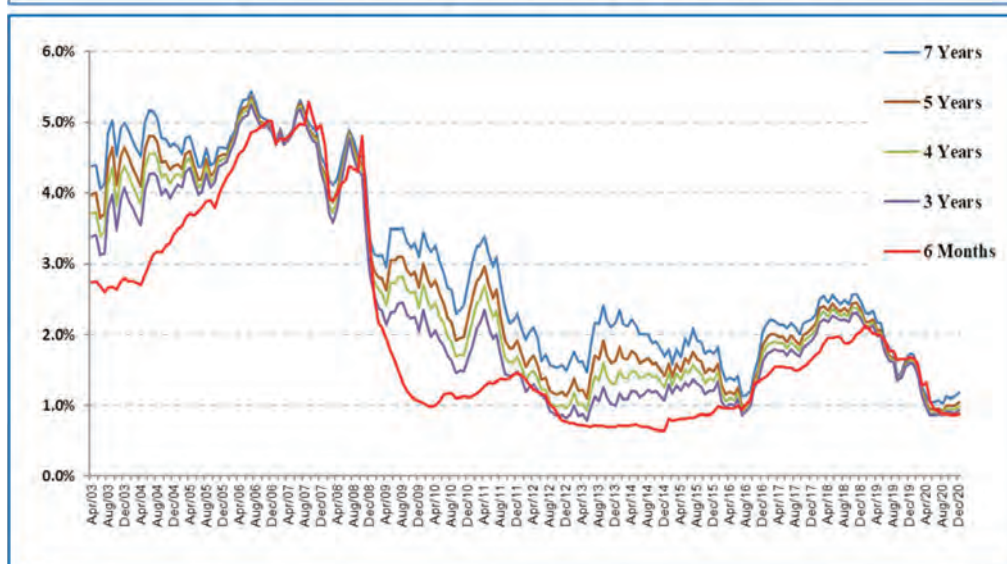
\*\* Total disbursed loans minus repayments.

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.) 2020

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
7 Years	1.72%	1.53%	1.26%	1.12%	1.05%	1.05%	1.07%	1.02%	1.12%	1.10%	1.13%	1.18%
5 Years	1.64%	1.47%	1.20%	1.03%	0.94%	0.94%	0.96%	0.92%	1.00%	0.99%	1.00%	1.05%
4 Years	1.61%	1.44%	1.16%	1.00%	0.89%	0.90%	0.91%	0.89%	0.95%	0.94%	0.94%	0.98%
3 Years	1.58%	1.43%	1.13%	0.97%	0.86%	0.86%	0.87%	0.86%	0.91%	0.90%	0.89%	0.93%
6 Months	1.66%	1.58%	1.28%	1.32%	1.07%	0.94%	0.91%	0.88%	0.87%	0.86%	0.86%	0.88%

Chart (6) : Interest Rates on Loans According to Maturity, (2003 - 2020)



**Appendix (B-1): Capital at 31 December 2020**

(Thousands of AAD)

	Country	Subscribed Capital	Paid-Up Capital			Total
			Local Currencies	Convertible Currencies	By a Transfer from General Reserve <sup>(2)</sup>	
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 <sup>(1)</sup>	5,940	0	0	0	0
21	Djibouti	675	5	245	313	563
22	Comoros	675	5	245	313	563
<b>Total</b>		<b>900,000</b>	<b>5,336</b>	<b>456,979</b>	<b>420,710</b>	<b>883,025</b>

(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 (3):  
Number of Participants Courses / Seminars / Workshops (1988-2020)**

Activities / Countries	Courses delivered by AMF Staff	Courses Coordinated With Various Inst.	Total
<b>Number of Activities</b>	<b>220</b>	<b>241</b>	<b>461</b>
Jordan	433	490	923
U.A.E	443	392	835
Bahrain	325	291	616
Tunisia	326	353	679
Algeria	264	316	580
Djibouti	63	335	398
Saudi Arabia	537	570	1107
Sudan	460	467	927
Syria	363	468	831
Somalia	31	52	83
Iraq	314	557	871
Oman	313	368	681
Palestine	314	307	621
Qatar	216	219	435
Comoros	46	43	89
Kuwait	348	289	637
Lebanon	178	280	458
Lybia	258	202	460
Egypt	490	426	916
Morocco	360	429	789
Mauritania	266	277	543
Yemen	248	312	560
<b>Total</b>	<b>6,596</b>	<b>7,443</b>	<b>14,039</b>

International and regional institutions the Fund co-provides courses and workshops include IMF, World Trade Organization, Islamic Development Bank, Bundesbank, Bank of England, Bank for International Settlements, World Bank, German International Cooperation Agency, Islamic Financial Services Council, The Banque de France, And The Japan International Cooperation Agency (JICA).







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