



Arab Monetary Fund

# Annual Report 2014

## Contents

	Page
<b>Letter of Transmittal</b> .....	
<b>Activities of the Fund in 2014</b> .....	<b>1</b>
<b>Lending</b> .....	<b>7</b>
<b>Investment</b> .....	<b>23</b>
<b>Technical Assistance</b> .....	<b>29</b>
<b>Arab Capital Markets</b> .....	<b>34</b>
<b>Training</b> .....	<b>37</b>
<b>Secretariat of the Board of Arab Central Banks Governors and Council of Arab Finance Ministers</b> .....	<b>42</b>
<b>Cooperation with Arab, Regional and International Organizations</b> .....	<b>46</b>
<b>Arab Trade Finance</b> .....	<b>50</b>
<b>Reports, Bulletins, Research and Studies</b> .....	<b>52</b>
<b>Consolidated Financial Position</b> .....	<b>55</b>
<b>Consolidated Financial Statements &amp; Auditors' Report</b> .....	<b>62</b>
<b>Lending Appendices</b> .....	<b>82</b>
<b>General Appendices</b> .....	<b>90</b>
<b>Organization and Management</b> .....	<b>92</b>

## Letter of Transmittal

### *To the Board of Governors*

On behalf of the Board of Executive Directors, I have the honor to present to your Excellencies, members of the Board of Governors, the Annual Report and the audited financial statements for the year ended 31 December 2014, in accordance with Article 33 of the Arab Monetary Fund's Articles of Agreement.

*Yours Sincerely,*



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

*April 2015*

## Activities of the Fund in 2014

Throughout 2014, the Fund stepped up the level of its consultations with its member countries to explore channels through which it may provide support against the backdrop of weakening economic performance of a number of Arab countries due in part to the spillovers of political transition in those countries over recent years, as well as the implications on Arab economies due to moderate levels of global demand in an environment of sluggish global economic recovery. All these factors combined led to lower levels of exports of goods and services as well as to a drop in foreign direct investment (FDI) inflows to Arab economies, which had a negative impact on their respective internal and external balances, although the impact of these factors varied across countries.

In its endeavor to achieve its objectives, the AMF has been keen to further develop and expand its activities in the areas identified by its Articles of Agreement to meet the changing needs of its member countries against the backdrop of domestic, regional and international economic developments, with ensuing increases in financing needs in a number of countries. In 2014, the Fund rapidly responded to loan requests received from member countries to the extent of its available resources, through its various lending facilities as well as through credit facilities extended by the Arab Trade Financing Program (ATFP) to exporters and importers in Arab countries.

Moreover, the Fund continued in 2014 to deliver its training programs and initiatives aiming at strengthening human and institutional capacity building. In the area of technical assistance, the Fund continued in 2014 to provide technical support to its member countries in various fields so that they may overcome challenges facing their economies and develop their financial sectors particularly through the joint technical assistance initiatives carried out in collaboration with relevant international financial institutions (IFIs). In addition, the Fund, in cooperation with the International Monetary Fund (IMF), took steps to put into effect the Arab Statistics Initiative “ARABSTAT”, with the objective of developing the statistical systems and capabilities of National Statistical Agencies.

The Fund continued in 2014 to assume its responsibilities of the Secretariat of the Board of Governors of Arab Central Banks and Monetary Agencies, and the Secretariat of the Council of Arab Finance Ministers. Within these contexts, the Fund organized, during 2014, meetings for Finance Ministers and Governors of central banks and monetary agencies of its member countries, thus providing forum for exchanging views and experiences with the aim of encouraging and strengthening cooperation and coordination.

In response to guidance by the AMF Board of Governors, the Fund prepared a report on governance framework in place, including an extensive overview of the structure and relationships of governance bodies, with a special focus on supervisory dimensions and benchmark guidelines developed by the Organization of Economic Cooperation and Development (OECD). In addition, the Fund in 2014 developed a strategy for the period 2015-2020 to realize its vision as **“A leading Arab financial institution in supporting economic, fiscal and monetary reforms in the Arab region”**.

The strategy set forth a number of main objectives for the Fund, including the promotion of reform support activities and programs that would enhance macroeconomic stability in Arab countries, expansion of financial and banking sector programs and initiatives and increased access to finance and financial services, the enhancement of the pivotal role of the AMF as a platform for meeting and consultation among economic policy makers in Arab countries, support of Arab economic, financial and monetary integration plans, and the strengthening of the AMF role as a center of excellence for knowledge, expertise, technical advice and capacity building within its mandate. The strategy has identified multiple activities linked to the aforementioned objectives to support the efforts of member countries towards inclusive, sustainable growth, addressing financial imbalances and building human resource capabilities. The Fund has been busy developing a methodology and performance standards, including a number of indicators that would make it possible to measure the progress made on objectives set forth in its strategy.

In addition, the Fund has adopted a framework for risk management which had been developed in cooperation with an external specialized consultancy firm. A descriptive report on the current situation, identifying weaknesses in systems and processes, has

been developed. This made it possible for the Fund to develop an overall framework for risk management policy as well as a list of risks related to processes and plans to manage such risks and their implications as and when they materialize. Simultaneously, the Fund developed manuals for work processes and built up databases for those risks that are related to main work flows.

In the area of **lending activities**, the total amount of the new loans extended by the Fund to its member countries in 2014 reached about AAD 56.5 million (equivalent to USD 246 million). Thus, the Fund granted in 2014 an extended loan to the Islamic Republic of Mauritania for AAD 20 million (equivalent to USD 87 million) and another extended loan to Yemen for AAD 36.5 million (equivalent to USD 159 million). Total number of loans extended by the Fund to member countries, as of end-2014, was 170 loans to 14 member countries for a total value of AAD 1.76 billion (equivalent to USD 7.6 billion).

As part of the AMF's consultations with its member countries, six missions have been assigned in 2014 including to Mauritania, Egypt, Yemen, Sudan, Jordan, and Tunisia, in order to study their requests for new loans, and/or to follow up on the progress of AMF-supported reform programs previously agreed upon and to disburse remaining tranches of those loans. To this effect, AMF missions conducted an overall economic and financial assessment of the countries concerned, assessed the possibility of their access to AMF resources and the channels through which such resources could be provided, to finalize agreements on economic reform programs that support their economic goals, and to take stock of progress made in the implementation of reform programs previously agreed upon. In addition, the Fund contributed to enhanced HIPC initiative. Total debt relief granted to eligible Arab countries was AAD 6,328 thousand (equivalent to USD 28 million). In addition, the Fund continued to fulfill its commitment to contribute to the collective effort of Arab financial institutions to provide humanitarian support to the Palestinian people. This was in the form of allocating 10% of net annual income to support education and health sectors as well as economic empowerment.

With respect to **investment activities**, the AMF continued to pursue its approach in adopting a conservative investment policy and strategy in managing funds and risks in various investment portfolios which contributed to the preservation of capital and the

achievement of overall positive and stable returns during the year 2014 with low levels of investment risks.

The Arab Monetary Fund's investment activities include investing its own funds and accepting deposits from member countries and the investment of these deposits. The AMF maintained high levels of balances for the deposit taking activity which reflects the continued confidence of member countries in the AMF as it continues to implement the guidelines of Basel III for the management of risks for this activity. On the other hand, the AMF pursued its activity of managing part of the portfolios of the Arab Trade Finance Program and the AMF Employee Pension Fund in addition to overseeing the externally managed portfolios in line with their respective investment policy and strategy.

In the area of **technical assistance**, the Fund continued in 2014 to provide technical assistance needed by member countries in various fields to overcome economic challenges they faced. The Fund responded to a request from the Government of Algeria for technical assistance to help with the finalization of Banking Sector Development and Development Plan. A technical assistance mission visited Algeria during December 1-7, 2014, with participation by experts from both the International Bank for Reconstruction and Development (IBRD) and the European Investment Bank (EIB), to hold consultations with technical staff concerned at the Algerian Ministry of Finance and the Central Bank of Algeria on such needs and to agree on ways to provide assistance. Within this orientation, the AMF provided support to Arab countries in statistical fields with a view to improving economic statistics to help formulate appropriate macroeconomic policies in those countries. This was part of the Statistics Initiative "ARABSTAT" launched in 2013 in cooperation with the IMF, aiming at providing technical support towards developing statistical systems and capacities of national statistical agencies in Arab countries.

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

Regarding **Arab financial markets**, the Fund pursued its efforts in 2014 to provide data and statistics related to the performance of these markets. In this regard, the Fund continued issuing quarterly bulletins highlighting the performance of these markets, as well as the annual executive summary report on the performance of Arab financial markets, in addition to major news and events that occurred during 2014.

With respect to **training**, the Fund continued in 2014 to assist in building and improving skills through training services provided by its Economic Policy Institute (EPI). In this regard, the EPI held joint training courses, seminars and workshops in cooperation with relevant international institutions, including the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organization (WTO), Bank for International Settlements (BIS), the US Federal Reserve Bank, the Bank of England, Bundesbank and Japan International Cooperation Agency (JICA). In 2014, EPI conducted 17 courses attended by 433 trainees, with an overall number of training activities of 280 events attended by 8684 trainees since the launching of EPI training activities.

Acting as the **Secretariat of the Board of Governors of Arab Central Banks and Monetary Agencies**, the Fund in 2014 organized in Algeria the 38th Session of the Board, as well as the annual meetings of the Arab Committee on Banking Supervision and the Arab Committee on Payment and Settlement Systems. Moreover, as the **Technical Secretariat of the Council of Arab Finance Ministers**, the Fund organized the Council's 5th Ordinary Session in Tunisia on the sidelines of the annual meetings of Arab financial institutions. During this session, as part of its follow-up on issues discussed by the Council, the Fund submitted a number of reports and working papers.

In the area of **cooperation and coordination with Arab, regional, and international organizations**, the Fund contributed to the preparation, editing and publishing of the 2014 Joint Arab Economic Report. Further, it participated in the Economic and Social Council meeting held in Kuwait.

In 2014, the Fund maintained its collaboration with the international institutions and organizations and central banks of developed countries. In this regard, the Fund signed a memorandum of understanding (MOU) on cooperation with (JICA) in Tokyo. The MOU provides a framework for cooperation between the two institutions with a view to



fostering collaboration in the area of technical assistance to fiscal and monetary authorities of Arab countries. Under the AMF-JICA MOU, a course on national accounts was organized at the HQ of the Fund in December 2014. Collaboration with JICA shall continue, with more activities planned for 2015.

The Fund also took part in the meetings of the International Monetary Fund and the World Bank in April and October 2014, including the meetings of the Development Committee and the G24, the meeting of the Arab Ministerial Group with the President of the World Bank and the Managing Director of the IMF, and the Ministerial meeting on the Deauville Partnership Initiative. In addition, the Fund pursued its cooperation with the Bank for International Settlements (BIS), the Basel Committee on Banking Supervision (BCBS), and the Financial Stability Board (FSB).

In the area of **studies and research**, the Fund issued in 2014 a number of reports, bulletins, research and studies. In this context, it published the “Economic Statistics of Arab Countries” bulletin and “Statistics on Competitiveness of Intra-Arab Trade” bulletin. Concomitantly, the Fund released a number of studies and working papers which dealt with a variety of important economic issues of interest to its member countries, including, inter alia, energy subsidy reform in Arab countries, a general framework for financial stability and the role of central banks in financial stability, issues related to enhancing financial stability in Arab countries and approaches to foreign reserve formation and management.

## Lending

The Fund's lending activity is at the heart of the Fund's operations, and aims at fulfilling the objectives for which it was established. In general, lending activities aim at providing assistance to Arab countries to correct balance of payment disequilibria, laying the foundations of macro-economic stability, and supporting members' efforts towards implementing the necessary structural adjustments in a number of sectors falling within the Fund's mandate in a bid to increase the efficiency of resources, and hence, fostering sustainable economic development.

### Types of Lending Facilities

The Fund offers a range of loans and facilities on concessional terms for different maturities. The provision of such facilities involves extensive consultations with country authorities concerned to reach agreement on appropriate policies and actions for economic reform. **The Fund loans and facilities are of two main categories.**

The first category of AMF facilities aims at addressing balance of payment imbalances of borrowing member countries. They are associated with mainly macroeconomic reforms which are agreed upon between the Fund and a borrowing country. The Fund initiated this type of facilities since the inception of its lending activity in 1978. The second type was introduced later on and is meant to support sectors and areas that are within the area of Fund's mandate. This type of loans and facilities was introduced to reflect the Fund's keenness to respond to economic developments and changing priorities and needs of member countries. With the track record of stabilization and macroeconomic reform policies in Arab countries have been increasingly interested in recent years in adopting structural reforms with a view to improve resource use efficiency to achieve higher, sustainable growth.

The loans and facilities currently offered by the AMF to help address overall balance of payment deficit of member countries include four types of loans that vary in size, terms and maturity, based on the nature and causes of balance of payments disequilibria in eligible member countries. The first type of these loans is the **Automatic Loan** which is

extended to assist in financing the overall deficit in the balance of payments in an amount not exceeding 75 percent of the member country's subscription in the Fund's capital paid in convertible currencies. The loan has a maturity of three years with a grace period of 18 months, and is not conditional on the implementation of an economic reform program provided that the concerned member has no conditional loan outstanding (ordinary and/or extended loan). If, however, the country has ordinary or extended loans outstanding at the time it applies for an automatic loan, and the country has already implemented such a reform program, the AMF, based on an assessment of causes of overall balance of payment deficit, whether the requested loan would be considered an automatic loan, or be tied to ordinary or extended loans, in which case the Automatic Loan would be subjected to terms applied to the outstanding loans, and its amount would be considered an extension to the limit of the conditional loans outstanding.

The second type of these loans is the **Ordinary Loan**, which is extended to an eligible member country when its financing needs exceed 75 percent of its paid subscription in convertible currencies. Generally, this loan is extended up to 100 percent of the member country's paid subscription in convertible currencies and could be supplemented with an Automatic Loan to reach a maximum of 175 percent. To benefit from this loan, the borrowing member country must agree with the Fund on a stabilization program, covering a period of not less than a year. The policies and measures included in such a program would aim at restoring fiscal equilibrium with a view to reducing balance of payments deficit. The Fund follows up on the implementation of the program. As it is the case with all other conditional loans, the satisfactory implementation of the policies and measures agreed upon is a condition to the disbursement of the loan's tranches. Each disbursement is repaid within five years from its date of withdrawal and with a grace period of 30 months.

The third type is the **Extended Loan**, which is provided to an eligible member country with a chronic deficit in its balance of payments resulting from structural imbalances in its economy. The member country is required to agree with the Fund on a structural adjustment program covering a period of not less than two years. The maximum amount of this loan is normally equivalent to 175 percent of the member country's paid

subscription in convertible currencies. It can, however, be supplemented by an Automatic Loan, thereby reaching up to 250 percent of the member country's paid subscription. Each disbursement is repaid within seven years from its date of withdrawal.

The fourth type of loans is the **Compensatory Loan**, extended to assist a member country experiencing an unanticipated balance of payments deficit resulting from a shortfall in export earnings of goods and services and/or a sharp increase in the value of agricultural imports due to a poor harvest. This loan's limit is equivalent to 100 percent of the member's paid subscription in convertible currencies, and it has a maturity of three years and a grace period of 18 months. The borrowing country must be experiencing a transitory fall in exports or a transitory increase in food imports.

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

The **Structural Adjustment Facility (SAF)** was introduced in 1998, with focus initially laid on supporting reforms by borrowing member countries in the financial and banking sector. Following the broad acceptance this facility has received from member countries, thereby becoming the cornerstone of the Fund's lending activities, it was expanded in 2005 to cover support to fiscal reforms. In tandem with the evolution of financing needs of member countries, the Fund in 2009 separated these two strands of this facility to enable eligible member countries to have access to more financing under both strands. The Board of Governor agreed to split the SAF into 2 categories of facilities, one for the financial and banking sector and the other for public finance, each with a maximum limit of 175 percent of the borrowing member country's paid subscription in convertible currencies.

To benefit from the SAF, a member country is required to have achieved some progress in macroeconomic stabilization and to agree on the implementation of a reform program monitored by the Fund. The Fund has initially determined the ceiling for the SAF to be 75 percent of the member country's paid subscription in convertible currencies, but later

in April 2001, in light of member countries' interest in the facility, the Fund's Board of Governors increased the limit up to 175 percent. It may be noted that, to add more flexibility to this facility, the AMF Executive Directors in 2001 agreed that repayment modality under this facility be amended so that each tranche is to be repaid in four years from the date of disbursement instead of the member country having to repay the entire loan in four years from the date of the release of first tranche.

The **Trade Reform Facility**, which was established by the AMF Board of Governors in 2007, aims at assisting member countries to meet finance costs associated with the implementation of trade reforms, thus encouraging them to adopt necessary reforms to facilitate their access to financing from international markets so as to consolidate growth and create productive job opportunities. This facility is extended up to 175 percent of the member's paid subscription in convertible currencies, provided the borrowing member country agrees with the Fund on a structural reform program that will be monitored by the Fund. Maturity, repayments and disbursements applicable to this facility are the same as those of the SAF in both financial and banking and fiscal sectors.

The **Oil Facility** was approved by the Board of Governors in April 2007 as a temporary lending mechanism to remain active for five years. This facility went into effect in December 2008. This facility is meant to support member countries affected by the transitory rise in oil and gas imports, with ensuing deterioration in balance of payments position.

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

The second case is where an eligible member under this facility wishes to have access to the full amount of the same, i.e., 200 percent of the paid up subscription in convertible currencies. To benefit from the full amount of the facility, the eligible member must agree with the Fund on a reform program that is supported by one of the Fund's ordinary

facilities dedicated to support reform programs, including SAF and other facilities dedicated to finance sectoral structural reforms mentioned above, depending on prevailing conditions and current needs. Access to Fund resources in this case will be subject to the same terms and conditions applicable to a loan or a facility to be agreed upon with a member country. Thus, resources available under the Oil Facility would be additional resources to the resources under the loan that supports an existing and ongoing reform program. This reflects the Fund's interest in encouraging members affected by the rise of oil prices to implement the required reforms in order to reduce the exposure of their economies to external shocks.

The **Short Term Liquidity Facility** which has been approved by the Fund's Board of Governors in 2009, aims at assisting member countries with a track record of structural and economic reforms that face temporary liquidity shortage due to unfavorable developments in global financial markets. The facility is extended promptly and without any prior agreement on a reform program with the eligible borrowing member country. The short term liquidity facility is extended with a maximum limit of 100 percent of the member's paid up subscription in convertible currencies. The disbursement of the facility could be carried out in one or more tranches as requested by the borrowing members. Each payment is settled after six months of disbursement, with possible extension of maturity up to, i.e., eighteen months.

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

## **Interest Rates**

Since 2003, The Fund applies a scheme of interest rates which strives to achieve a high degree of compatibility in alignment with practices followed by other similar regional and international institutions. At the same time, it seeks to reconcile, to the extent

feasible, the concessionality of its loan conditions with the safety of its own financial position. Under its current flexible approach, the Fund enables eligible borrowing members using its resources to choose one of two interest rate mechanisms. The first is a floating rate based on the six-month interest rate on the SDR as determined on the first business day of each month. The second mechanism consists of an active fixing rate calculated on the first business day of each month, and based on the swap rate of the SDR for the corresponding loan maturity. In other words, the SDR interest rate prevailing in the currency futures market over the loan maturity plus a fixed margin to be determined and revised periodically by the Fund. Table A-5 shows the evolution of interest rate on loans during 2003-14.

## Loan Commitments

The total value of loans extended in 2014 by the Fund to its borrowing member countries amounted to approximately AAD 56.5 million, equivalent to USD 246 million, representing a total of 2 loans granted to Mauritania and Yemen.

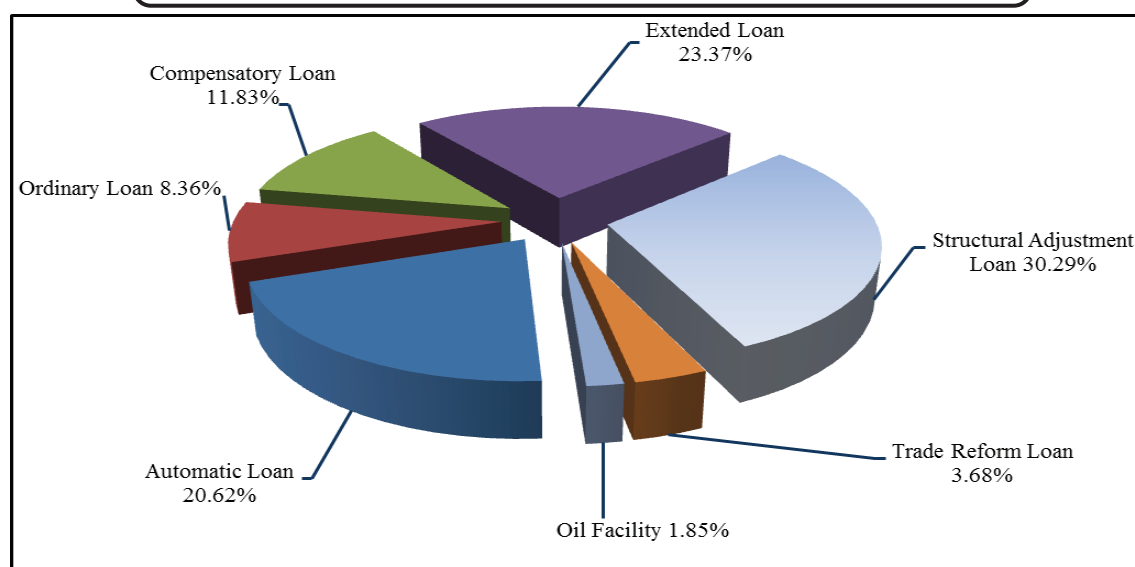
The loan extended to the **Islamic Republic of Mauritania** amounted to AAD 20 million, equivalent to USD 87 million. The loan aims at supporting a comprehensive reform program that covers 2014-15 to enhance economic stability, support growth and investment, and reduce poverty and unemployment. In this regard, the Fund sent a consultation mission to Mauritania during January 5-10, 2014 to reach an agreement on the components of the reform program.

The loan extended to **Yemen** amounted to AAD 36.5 million, equivalent to USD 159 million. The loan aims at supporting a comprehensive reform program that covers 2014-15 to achieve economic and financial stability, promote conducive macroeconomic environment for sustainable inclusive growth and to enhance medium-term fiscal sustainability. In this regard, the Fund sent a consultation mission to Yemen during May 4-8, 2014 to reach an agreement on the components of the reform program.

Adding up the loans extended by the Fund to member countries in 2014 to the balance of loans extended since the beginning of the Fund's lending activities in 1978, the total amount of loans extended by the Fund to its members until the end of 2014 is AAD 1.76 billion, equivalent to USD 7.6 billion. The total number of loans reached 170 loans benefiting 14 member countries. Table A-1 shows the details of loans by year and beneficiary countries during 1978-2014.

Conventional loans extended by the Fund; i.e., Automatic, Ordinary, Compensatory and Extended loans, were at the top of facilities granted by the Fund since the beginning of its lending activities in 1978 through end-2014, representing 64.2 percent of the total loans extended throughout this period. The structural adjustment facilities extended through various sub-categories of financial, banking and public finance sectors came second with 30.3 percent. The trade structural facility accounted for 3.7 percent, followed by oil structural facility with 1.8 percent. Table A-2 shows the value and number of loans extended to each member country, by type of loan. Chart 1 shows the percentage distribution of loans during 1978-2014.

**Chart 1: Distribution of Types of Loans as Share of Total Loans 1978-2014**



As of the end 2014, developments in lending activities during the year resulted in a decrease in the balance of loans to AAD 474.3 million, equivalent to USD 2,061.8 million representing 62 percent of paid-up capital, down from AAD 541.1 million at the end of 2013, representing 73 percent of paid-up capital.

## Loan Disbursements and Repayments

Total disbursements on contracted loans amounted to AAD 59.3 million during 2014, compared to AAD 121.7 million during 2013. In line with loan repayment schedules, member countries repaid to the Fund in 2014, AAD 123.4 million, representing installments on previously provided loans. The balance of undisbursed tranches of loans



agreed upon amounted to about AAD 72.2 million, equivalent to approximately USD 314 million as of end 2014, compared with 75.1 (USD 347 million by the end of 2013). Table A-3 shows the details of the balance of disbursed and undisbursed tranches of loans agreed upon for member countries in 2013 and 2014. Table A-4 shows the details of such balances during 1978-2014.

## Consultations with Member Countries

As part of the AMF's lending activities during 2014, six technical missions visited Mauritania, Egypt, Yemen, Sudan, Jordan, and Tunisia, for consultations on their respective requests for new loans, and to follow up on the progress of AMF-supported reform programs previously agreed upon and to disburse remaining tranches of those loans. To this effect, AMF missions conducted an overall economic and financial assessment of the countries concerned, assessed the possibility of their access to AMF resources and the channels through which such resources could be provided, to finalize agreements on economic reform programs that support their economic goals, and to take stock of progress made in the implementation of reform programs previously agreed upon. Typically, during such missions, the Fund provides technical assistance and policy advice and opinion on economic policies, apart from financial support to countries concerned.

The consultation mission headed to the Fund to the **Islamic Republic of Mauritania** during January 5-10, 2014 was in response to the request of the Mauritanian authorities to receive an extended loan to support the ongoing economic reform as well as the strengthening of fiscal and monetary policies with a view to enhancing economic stability, supporting growth and investment, reducing poverty and unemployment. Those reforms were especially important for fiscal consolidation, through the availability of an adequate fiscal space which would enable the government to positively respond to social demands and contribute to tackling the spillovers of various domestic and external shocks.

As a result of consultations between the mission and Mauritanian authorities, an agreement was finalized with the government on a comprehensive economic reform program for 2014-15. The main objectives of the program so finalized for 2014 included:

- Achieving 6% real GDP growth;
- Containing inflation at 5%;
- Containing BOP current account deficit at the level registered in 2013 (20% of GDP) and;
- Increasing central bank foreign exchange reserves to 4-month of imports.

To that end, the government committed itself to implement a package of fiscal and monetary policies and measures, as well as a set of actions on external transactions, with a view to improve BOP position and shoring up official reserves in foreign exchange. The government also committed itself to implement a package of structural reforms, including the modernization of, and the improvement of the efficiency of public finance, and the modernization of the financial and banking sector. The Fund agreed to grant an AAD 20 million extended loan to Mauritania to support the reform program. Following the signature of the loan agreement, an AAD 10 million first tranche was disbursed. The remaining amount of the loan is to be disbursed in two tranches once the Fund has established that the program was on track.

The consultation mission seconded by the Fund to the **Arabic Republic of Egypt** during February 2-6, 2014 was in response to the request of the Egyptian authorities to invite the Fund to field a mission to take stock of the progress on government finance sector reform program agreed upon with Egypt, with a view to disbursing the last tranche of the structural adjustment loan supporting the said program. The mission established that Egyptian authorities have made progress on the implementation of the program. They took a number of actions to activate the single treasury account as part of their efforts to enhance fiscal controls and budget operation commitment. They took action to enhance the efficiency of the government finance management information system. These actions supported earlier steps taken in this respect. Ministry of Finance has also created a new Public Investment Division within Directorate Central of Budget in order to enhance coordination between the Ministry of Finance and the Ministry of Planning and

international cooperation on the implementation of public investment plan with a view to enhance the efficiency public investment expenditure. Against this backdrop, the Fund determined that the program was on track. Accordingly, Egypt received the remaining tranche of the structural adjustment facility (about AAD 14.6 million) in support of the said program.

The consultation mission seconded by the Fund to the **Republic of Yemen** during May 4-8, 2014 was in response to the request of the concerned authorities to have access to AMF resources in the form of an extended loan to support Yemen's economic and financial reform and accelerate economic growth to be better equipped to face economic challenges associated with rising BOP deficit and other conditions that bear negatively on the budget. In addition, the terms of reference of that mission included taking stock of the progress on a complementary financial reform program that was supported by AMF resources as part of an outstanding ordinary loan granted by the Fund with a view to disbursing the second and last tranche of the said loan. The program aims at achieving economic and financial stability, promoting a conducive macroeconomic environment for sustainable, inclusive growth and enhancing medium-term fiscal sustainability. Within this context, the said program envisages the following main objectives for 2014:

- Achieving 3% real GDP growth;
- Containing inflation at 9%;
- Containing BOP current account deficit down to 2.1% of GDP; and
- Increasing central bank foreign exchange reserves to 4-month imports.

To that end, the Government of Yemen was committed to implement a package of reforms to improve and streamline tax procedures, and enhance collection efficiency with a view to increasing tax revenue and ultimately improving fiscal position. The government also committed itself to increase investment and social expenditure to support economic growth and reduce poverty. On the monetary policy side, the government planned to adopt a caution policy to contain inflation and to support exchange rate, while reducing borrowing from the central bank to finance fiscal deficit. In addition, the government committed itself to implement a package of structural reforms in public finance management, civil service and the financial sector. The Fund agreed to grant an AAD 36.5 million extended loan to Yemen to support the reform

program. Following the signature of the loan agreement, an AAD 18.26 million first tranche was disbursed. The remaining amount of the loan is to be disbursed in two tranches once the Fund has established that the program was on track.

As to the progress on the implementation of complementary fiscal reform program supported by the AMF ordinary loan, the mission established that Yemeni authorities have made progress on the implementation of policies and measures included in the economic adjustment program agreed upon. They took a number of actions to improve tax and customs administration, with a view to increase non-oil revenue. Furthermore, they took actions to control government spending. On the monetary side, the government took action to control liquidity and contain inflation. They implemented structural reforms to enhance the efficiency of the government finance system and improve the infrastructure of the financial and banking sector. Against this backdrop, and taking into account the efforts made by Yemeni authorities to implement the program agreed upon, the Fund determined that the implementation of the said program was satisfactory. Accordingly, Yemen received the second and final tranche of the loan (AAD 12.6 million).

The consultation mission seconded by the Fund to the **Sudan** during June 22-26, 2014 was fielded to take stock of the progress on government finance sector reform program supported by AMF structural adjustment facility, with a view to disbursing the second tranche of the said loan. The mission established that Sudanese authorities have made progress on the implementation of policies and actions included in the program agreed upon. The reforms implemented covered several components of the budgeting framework with a view to enhance its effectiveness and to link the allocation of fiscal resources to strategic objectives and priorities laid down in government policies. Actions taken also covered a number of components related to the improvement of government accounting system with a view to improving budget execution and liquidity management. In addition, they took a number of actions with respect to government finance management information system.

The consultation mission seconded by the Fund to **Jordan** during November 23-27, 2014 was fielded to take stock of the progress during 2014 on economic reform program supported by an AMF extended loan, with a view to disbursing the second tranche, and to finalize a complementary program for 2015. The mission established that Jordanian

authorities have made progress on the implementation of policies and measures included in the program agreed upon for 2014, with positive bearing on macroeconomic developments. They tallied with the objectives laid down in the program for 2014, including on economic growth, inflation, and domestic and external fiscal positions.

In this respect, the Jordanian Government in 2014 took action to increase tax collections as well as the enactment of several fiscal laws. In addition to that, the Central Bank of Jordan adopted an accommodative monetary policy through decreasing policy rate to cut down credit cost, make credit available to various private sector businesses and promote investment in productive sectors with a view to stimulating growth and job creation. The government also implemented structural reforms, including in energy and water sectors, government finance and financial and banking sectors. Against this backdrop, the Fund determined that the implementation of the first part of the said program for 2014 was satisfactory. Accordingly, Jordan received the second tranche of the loan (AAD 3.895 million).

Furthermore, the mission finalized a complementary economic reform program for 2015 that includes a package of fiscal and monetary policies and actions, as well as structural reforms with a view to consolidate the gains achieved so far, strengthen positive results, achieve higher, sustainable economic growth, create productive jobs, mobilize own resources to reduce dependence on external grants and assistance, enhance the resilience of the economy. The said complementary program envisages the following main objectives for 2015:

- Achieving 4% real GDP growth in 2015;
- Containing inflation at 3% by end- 2015;
- Containing BOP current account deficit (including external assistance) down to 8.1% of GDP in 2015; and
- Maintaining central bank foreign exchange reserves around 6.4-month imports in 2015.

To that end, the Government of Jordan committed itself to adopt a mix of fiscal and monetary policies as well as structural reforms during 2015.

The consultation mission seconded by the Fund to **Tunisia** during December 29, 2014-January 2, 2015 was fielded to take stock of the progress on both financial and banking

and government finance sector reform programs agreed upon with Tunisian authorities and supported by two AMF structural adjustment facility loans. The mission determined that Tunisian authorities had implemented policies and actions included in the said programs in a satisfactory manner. Accordingly, Tunisia received the remaining tranches of the said loans (AAD 6.0 million on the financial and banking sector structural adjustment facility loan and AAD 10.0 million on the public finance reform program loan).

As to the financial and banking sector reform program that covered November 2013-November 2014, the government made efforts within that program in order to enhance the functioning of, and deepening of, the foreign exchange market through easing conditions for using hedging instruments against risks associated with transactions in foreign currencies on local exchange market, enhance transparency and governance on exchange rate policy, enhance coordination among departments concerned within the central bank working on monetary policy and external financing to improve liquidity management and foreign exchange operations.

As to public finance program that covered 2014, a number of actions on tax policy in order to expand the tax base, unify tax laws, reduce tax exemptions and incentives and achieve tax equity have been implemented. In addition, actions were taken to enhance tax administration efficiency through streamlining tax procedures and reducing the burden associated therewith, enhance the effectiveness of control and collection, improve databases, and build the capacity of tax administration staff. Efforts have been made to improve budget system through expanding the “pilot” application of performance-based budgeting and improving government accounting system based on global best practices with a view to improving the institutional framework for the preparation and execution of budget and ensuring the allocation of government resources to priority sectors.

## **Arrears**

A borrowing country is considered to have payment arrears when the delay in the settlement of its due loan obligations exceeds a period of twelve months. The financial position as of December 31, 2014 shows that there are three arrears cases, namely, Somalia and Syria with arrears that have been carried over from the previous year, and

the Sudan whose arrears has been registered in 2014. Total arrears on the three countries were about AAD 71 million, including overdue loan installments of ADD 23.5 million and cumulative interest of about AAD 47.5.

In the case of **Somalia**, arrears were registered for the first time in 1984. The Fund has been engaged in consultations with Somalian authorities to settle arrears which amounted to AAD 62.2 million at the end of December 2014. This amount consists of overdue loan installments totaling AAD 14.9 million and accrued interest amounting to about AAD 47.3 million.

In the case of **Syria**, arrears were registered for the first time in December, 2011. Total overdue loan installments and accrued interest amounting was about AAD 3 million on the second structural adjustment facility loan.

In the case of the **Sudan**, arrears are overdue monthly loan installments for the period (September 2013-December 2014) on rescheduled debt, plus an overdue principal repayment on a new loan in addition to accrued interest, the total of which is about AAD 5.5 million.

## **Contribution to HIPC Initiative**

Total debt relief provided by AMF to member countries under the Highly Indebted Poor Countries Initiative (HIPC) was AAD 6,328 thousand (equivalent to US\$ 28 million). The Islamic Republic of Mauritania and the Union of Comoros received debt relief under this initiative as follows:

Pursuant to Board of Governors Decision 1/2003, **Mauritania** received debt relief under this initiative the total of which was AAD 6,206 thousand. It received two types of relief. First, the Fund granted a specific debt relief on outstanding debt as of June 30, 2003 under a partial debt relief program that covers debt on principal and accrued interest with effect from the said date through October 2007 when the last debt repayment would be due. Total debt installments on which relief was granted was AAD 3110 thousand at present value, or 50% of eligible debt under the HIPC initiative. The second type of relief was provided through a more concessional extended loan granted by the Fund to Mauritania in 2005. It included a relief from interest accrued as well as part of the last repayment on principal, whereby the grant element accounted for about 35% under this

loan while loan term was seven years. Total relief provided under this second type was AAD 3,096 thousand.

Pursuant to Board of Governors Decision 4/2011, the **Union of Comoros** has received a specific debt relief on outstanding debt the total of which is AAD 122 thousand. The said decision also granted the Comoros access to additional debt relief. The Fund has been engaged in consultations on a more concessional extended loan in which the grant element would be about 35%.

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

The Fund has contributed to the collective effort of Arab financial institutions to provide humanitarian support to the Palestinian people, allocating 10% of its annual net income for this purpose since 2002. Within this context, Board of Governors Decision 7/2014, adopted during its 37<sup>th</sup> Annual Meeting held in Tunisia on April 8, 2014, approved the 12<sup>th</sup> allocation of AAD 2.8 million (equivalent to US\$ 13 million). Thus, the total of the 12 allocations approved by the Board of Governors for the humanitarian support to the Palestinian people has reached AAD 34 million (equivalent to US\$ 153.4 million).

It is noted that the Executive Board of the Fund allocates these funds based on an agreement reached, while their management is undertaken with the Al-Aqsa Fund by the Islamic Development Bank (IDB). The Governor for Palestine takes part in developing recommendations on the sectors to form the framework of programs and project elements proposed for each allocation. This is done in coordination with Governors of other Arab financial institutions on the one hand and AMF and Al-Aqsa Fund on the other. The idea is to ensure complementarity among priority humanitarian projects for the Palestinian people. The table below summarizes program components that have received support through the twelve allocations approved by the AMF Board of Governors for a total of about US\$ 153.4 million. The table shows that education receives the greatest share of allocations at about 38% of total allocations.



# Annual Report 2014

**Table 1**

Program components	US\$ million		
	Total Allocations up to 31 Dec. 2013 (11 Allocations)	Total Allocations up to 31 Dec. 2014 (12 Allocations)	Total Allocations as of December 31, 2014
Education sector support	55.400	3.000	58.400
Delivery of health services	11.600	1.500	13.100
Support to Civil Society Organizations	23.800	0.500	24.300
Rural development and economic empowering	24.100	8.000	52.100
Protection of buildings and development of historic sites	5.500	-	5.500
<b>Total, Million (USD)</b>	<b>140.400</b>	<b>13.000</b>	<b>153.400</b>
<b>Total, Thousand (AAD)</b>	<b>31,197</b>	<b>2,807</b>	<b>34,004</b>

## Investment

The investment activity is considered one of the main activities of the AMF by virtue of the objectives and responsibilities that were set in the Articles of Agreement and the resolutions that were issued by the Board of Governors and the Board of Executive Directors setting the overall Investment Policy.

The Board of Executive Directors' resolutions set the general principles of the Investment Policy and the guidelines and constraints for executing these policies and managing the various investments. The AMF adopts a conservative and balanced investment policy based on the diversification rule of investment risks consistent with its nature as a regional public financial institution. The Investment Policy is based on four premises which include: safety as a priority, liquidity, transferability and then the achievement of the highest return possible on one year time horizon and within acceptable levels of risk for the purpose of preservation of capital for the overall investment portfolio.

The investment activity includes the investment of the AMF's own financial resources including capital and reserves until they are allocated to finance activities consistent with AMF objectives, encompassing lending and investment in Arab bonds within set limits, with the goal to grow these resources in accordance with the established investment policies and strategies and achieve a return that contributes to covering the administrative expenses and strengthen the AMF reserves and resources. The investment activity also includes cooperation with AMF member countries and Arab institutions through the activity of accepted deposits and its investment, in addition to managing deposit and bond portfolios for the benefit of other official parties of Member States and Arab financial institutions.

In an environment of continued low interest rates on the major currencies and the prevalence of easy monetary policies in several key countries, in addition to lower exchange rates of major currencies against the US dollar and the drop in oil prices during 2014, the AMF continued to pursue its conservative approach giving the utmost importance to the safety of its investments. It also aimed to achieve the highest possible

levels of safety given the economic and investment environment prevailing during the year by investing in assets carrying a high credit rating, in addition to dealing with international and regional financial institutions with a high credit rating while subjecting these institutions to continuous and close monitoring. The AMF actively manages portfolio investment risks with particular focus on risks emanating from concentration risks, interest rate risks, liquidity risks, foreign exchange risks and credit risks.

The AMF's investments' portfolios comprise portfolios of its own funds and a portfolio of the Arab member states' accepted deposits, with the total value of these investments reaching the equivalent of AAD 3.37 billion or the equivalent of approximately USD 14.66 billion at the end of the year 2014.

As for the portfolios' investments, they are comprised essentially of investments in bank deposits and investments in securities and limited investments in multi-strategies funds. By the end of year 2014, the composition of the investment portfolios was allocated at 38.4% to bank deposits, 60.6% to securities and 1.0% to multi-strategy funds.

The Investment Policy regulates the investment approach to investing in different investment products including deposits with commercial Arab and foreign banks which are on the approved list of banks for the purpose of deposits, and includes about 132 banks and financial institution. This Approved List of banks is prepared annually according to the rules approved by the Board of Executive Directors for selecting banks and setting the limits for dealing with them. These bank limits are continuously monitored and reviewed and set according to the institutions' specific situation and credit rating. As to investments in bonds and marketable securities, the AMF ensures high levels of asset quality in liquidity and credit ratings and wider issuer and geographical diversification, with a high proportion of the portfolio varying between at least 65% and 70% being invested in government and government related bond issues with an overall average credit rating of AA for these portfolios, and with approximately 95.2% of the portfolio with a credit rating of A and higher.

On the other hand, geographic diversification of investments has been used to limit country risk and to respond to the changes in financial markets. The AMF has continued to allocate its investments to the Far East and to international and regional financial

institutions. The size of investments in the Far East reached 27% of the portfolio value while the size allocated to international and regional institutions stood at 4.4%.

Investments in deposits, bonds and marketable securities in Arab countries have reached the equivalent of AAD 1,117 million representing approximately USD 4,855 million or 33.11% of the total invested funds at the end of 2014. This includes AAD 549 million or the equivalent of USD 2,386 million invested in deposits with Arab financial institutions, and approximately AAD 568 million representing USD 2,469 million invested in securities issued by Arab Member States, Arab banks and Arab companies. As for investments in Arab currencies, the Investment Policy allows, according to specific rules, the investment of a portion of the available funds in deposits, bonds and marketable securities in convertible and transferable currencies of Arab countries. Consequently, the Fund's investments in Arab currencies reached the equivalent of AAD 698 million representing USD 3,035 million at the end of year 2014.

As for investment in Arab bonds and marketable securities which reached AAD 568 million or the equivalent of USD 2,469 million at the end of the year 2014 (USD 2,171 million at the end of 2013) recording its highest level ever, it includes government issues for a total of AAD 408 million or the equivalent of USD 1,773 million representing approximately 72% of the total investment in Arab bonds; the remaining balance amounts to AAD 160 million or the equivalent of USD 695 million representing approximately 28% and comprising investments in bonds issued by banks and non-governmental Arab institutions. On credit rating of Arab government bonds in the portfolio, 83% by value is invested in government bonds rated A or higher, as for the remaining portion of 17%, it represents investments in Arab government issues with lower credit ratings ranging between B and BBB, and whose value reached AAD 69 million or the equivalent of USD 300 million at the end of the year 2014.

It is worth mentioning that in response to the observations made by the Board of Governors in their meeting in 2012, the AMF Board of Executive Directors decided in resolution number (22) of December 2012 to strengthen regulation and increase investments in Arab government bonds carrying a credit rating below A; eligible categories for investments were expanded to include Arab government bonds with a

credit rating of B. Furthermore, a portion of the Arab Monetary Fund's funds were allocated for investments in government bonds carrying a credit rating between B and BBB with a value of AAD 67 million (or the equivalent of USD 291 million) which increased to AAD 115 million (or the equivalent of USD 500 million) following Board of Executive Directors' resolution number (4) dated 27 February 2014. The resolution set maximum limits on the size of investments in bonds of any one country of Member States rated within the categories of this group with a maximum exposure equivalent to 25% of the total allocated funds, which contributed to increase the number of countries whose government bonds are eligible for investment and now includes Egypt, Morocco, Tunisia, Jordan, Lebanon and Bahrain.

The Board's resolution to invest in Arab government bond markets reflects the Arab Monetary Fund's increasing interest in expanding its participation and contribution to support and develop Arab bond markets through an increased participation in investments in the issues of Member States with a credit rating of BBB or lower as this comes part of the Arab Monetary Fund's continuous efforts in growing and developing these markets.

In the area of accepted deposits from member states and Arab financial institutions which fall under section (g) of Article Five of the Arab Monetary Fund's Articles of Agreement and the resolutions of the AMF Board of Governors including resolution number (1) for the year 1984 and resolution number (5) for the year 1989 which invited Arab countries to deposit a portion of their funds with the AMF at their discretion and set several rules including forbidding the AMF from using the deposited funds to provide loans to its members allocating a portion of the Arab Monetary Fund's own funds as reserve to support this activity. The Board of Executive Directors issued a number of resolutions which govern the management of these activities from accepting deposits to the management of investments of the deposited funds including resolution number (7) for the year 2010 which includes the voluntary adoption of the Basel standards as a guide for managing risks and setting limits for this activity. Furthermore, it allocated the necessary financial funding from its reserves to support this activity and boost depositors' confidence. The Board of Executive Directors' resolution also specified and limited the permissible investment tools in this activity to investing in

bank deposits, bonds and marketable securities in addition to setting conservative rules for managing assets and liabilities.

It is worth mentioning that the AMF enjoys special virtues that contribute to enhance the confidence of depositor countries. At the forefront, is the conservative Investment Policy that the AMF adopts which gives greater importance to the safety of investments. Deposited funds also enjoy considerable support given the Arab Monetary Fund's financial standing in addition to its commitment to managing investment activities with a view to minimizing risks.

Within the framework of applying the Basel Committee on Banking Supervision guidelines, which the Fund adopted on a voluntarily basis to manage risk for the member states accepted deposits portfolio, the capital adequacy ratio reached 28.4% by the end of December 2014 compared with the minimum requirement of Basel III of 13%; also, the liquidity coverage ratio for 30 days reached 82.9% compared to a minimum requirement of 60%; the Net Stable Funding Ratio for one year reached 501% compared to a minimum requirement of 100%; in addition, the Leverage Ratio stood at 6.82% compared to a minimum requirement of 3% during the same period.

The above mentioned characteristics have contributed to attract deposits from Arab countries and organizations. This activity has recorded a salient growth during the past several years. Accepted Deposits reached AAD 2,787 million or USD 12,112 million by the end of 2014. These deposits were received from 17 member countries and Arab financial institutions deposited in US Dollar, Euro and British Pound.

It's worth mentioning that the AMF's applications of its conservative Investment Policy in investment management and risk management have effectively contributed to protect the value of the invested funds and have recorded a consistently stable positive overall performance for these investments, despite the continued low interest rates prevailing on the main currencies including the currency components of the SDR basket "US Dollar, Euro, British Pound, and the Yen." During the year 2014, the investment portfolio achieved a net return on invested funds which exceeded the six-month LIBOR indices and 1-3 year government bond indices as well as inflation rates adjusted for the Special Drawing Rights (SDR) components weights.

In addition to the above, the AMF continued to directly manage investment portfolios for part of the funds of the Arab Trade Financing Program, the Joint Account of the Specialized Arab Organizations, the Employee Pension Funds as well as overseeing the part of the portfolios managed by external parties, according to investment policies and investment strategies set for each of these portfolios. The average fund size of these portfolios reached the equivalent of USD 570 million at the end of the year 2014 compared to USD 339 million at the end of the previous year.

## Technical Assistance

The Fund's activity in the technical assistance field aims to enhance and strengthen capabilities in the formulation and implementation of economic and financial policies, as well as economic reforms in member states. The Fund provides technical assistance in the fields related to its activities such as monetary policy, exchange rate policy, government finance management, compilation of economic statistics, financial and banking sector infrastructure development, and local currency debt markets. The Fund also provides training to senior officers of central banks and ministries of finance and economy in member states. It offers technical assistance and support to its member states by delegating missions composed of its technical staff, with the participation of consultants.

Within this context, as part of the **Arab Statistics Initiative "ARABSTAT"** launched by the Fund in 2013 in collaboration with the International Monetary Fund, the Fund provided support to Arab countries in the field of statistics with a view to improve economic statistics, with ensuing improvement of economic policy making in the region. In this respect, in 2014, the Fund developed three questionnaires to take stock of the status of statistics compiled by agencies entrusted with the compilation of economic and financial statistics in Arab countries, including statistical agencies, ministries of finance and central banks and monetary agencies. The questionnaires included parts on the legal and institutional environment in which statistical agencies operate, the statistical methodologies followed in several fields, and modalities of compiling and disseminating statistical data. Responses to those questionnaires have shown that most statistical agencies in Arab countries have improved the legal frameworks that govern statistical work and have enhanced their physical and human resources while some of them apply the latest statistical methodologies in several areas.

As part of this initiative also, the Fund organized a workshop on "**National Accounts in Mauritania**" during February 6-26, 2014 for the staff of statistical agencies in which 30 Mauritanian statistics officials took part. The workshop discussed the migration from SNA 1993 to SNA 2008 as well as quarterly national accounts. The Fund also organized



a workshop on **Quarterly National Accounts** in Abu Dhabi during March 23-26, 2014 in which statistics officials from several Arab countries took part. The workshop covered the stages of compilation of quarterly data and estimates under SNA 1993 and the new SNA 2008. The Fund collaborates on the Arab Statistics Initiative "ARABSTAT" with several international institutions, notably the IMF. The Fund took part in a joint mission with IMF to Mauritania during December 15-26, 2014 that aimed at providing technical support to the Mauritanian National Statistics Office on the methodology of compiling annual national accounts, particularly the stages of compiling input-output matrix.

Furthermore, the Fund continued to provide technical advice to its membership under the "**Arab Credit Reporting Initiative**" that aims at improving credit information systems in the region and the "Arab Secured Transactions Initiative" which aims at developing the institutional and legislative frameworks that allow an expansion of the range of movable assets being used as mortgages to acquire financing, especially for Small and Medium Enterprises (SME). The Fund participated with the International Finance Corporation (IFC) in the joint mission to Tunisia in January 2014. This mission presented relevant recommendations in this respect to Tunisian authorities.

It may be noted that, as part of these initiatives, the Fund, in collaboration with the IFC and Banque du Maroc, organized a workshop in Rabat during September 22-25, 2014 on Strengthening Infrastructure and Risk Management in the Financial Sector. The workshop focused on the importance of strengthening the infrastructure of the financial sector in Arab countries in order to enhance the efficiency and soundness of the financial and banking sector, given the role of the financial sector infrastructure in improving access to finance, particularly for SMEs with a view to promoting inclusive growth. The workshop program, in which experts from specialized agencies took part, included a review of latest tools and techniques that would improve credit information system and enhance the effectiveness of risk management.

Similarly, the Fund pursued its efforts under the "**Arab Housing Finance Initiative**" which aims to provide technical assistance to Arab countries in the area of housing finance. It delivered on its part in the AMF-WB technical support project that aims at making access to housing finance affordable for lower-income segments of the population in Tunisia and Morocco which is funded by the "Transition Fund". In this

respect, the Fund provided training to representatives of the Moroccan Ministry of Finance at Wharton School during June 2-14, 2014. The Fund also organized a workshop in Morocco on the “Status of Access to Housing Finance” in collaboration with the Moroccan Ministry of Finance on October 14, 2014.

In parallel, and as part of the objective of raising awareness on financial and economic developments, the Fund held workshops in 2014 and conferences for economic policy makers and senior officials. Main conferences included the “**High Level Meeting on Recent Developments in Banking Supervision and Financial Stability**”, which was organized by the Fund in collaboration with the BIS, Financial Stability Institute (FSI) and the Institute of International Finance (IIF) on December 9-10, 2014.

The meeting, in which a number of senior officials, including central bank governors, deputy governors and banking supervision directors from central banks and banking institutions in 14 Arab countries, apart from international institutions, notably the BIS, BCBS, European Central Bank (ECB), the Spanish Banking supervision Authority took part, discussed several important issues, including financial stability, macroprudential policies, and current priorities in improving legislation and supervision in financial and banking sectors in the Arab region. The meeting also reviewed the situation and developments in the banking industry in light of recent developments and legislative amendments. Discussions touched upon the status of supervision and financial stability in Europe as well as recent developments and work of BCBS. In addition, the meeting dwelt on challenges faced by banking institutions in the Arab region while applying regulatory requirements introduced by Basel III, including financial stability issues in the Arab region as well as topics and issues related to ways to improve risk management in the financial and banking sectors in the Arab region.

Furthermore, the Fund prepares for the launch of an initiative that aims at enhancing efforts for the **Improvement and Expansion of Financial and Banking Services Delivered to SMEs**, in collaboration with international financial institutions concerned. In this respect, the fund organized a consultative meeting on September 1, 2014 in Abu Dhabi, UAE, in which a large number of banking experts took part with a view to identifying priorities and needs in this respect. In the same respect, the Fund organized a banking community gathering on October 2, 2014 to discuss ways to enhance access to

Sharia-compliant finance for SMEs in light of a report authored by the IFC on the subject.

Lastly, on technical assistance provided by the Fund to its membership, and in response to a request by Algerian authorities, the Fund seconded a mission to Algeria during December 1-7, 2014 to provide needed assistance, in collaboration with the WB, EIB. The mission focused on the improvement of public sector banks in order to enhance their contribution to financing the economy, improve their business management towards converging with relevant international standards. A work plan was agreed upon to provide assistance in certain areas within a specific time frame.

Furthermore, the Fund in 2014 continued with its role as manager of the **Consolidated Account for Funding Arab Specialized Organizations with the AMF** <sup>(1)</sup>. The Fund prepares a quarterly report for each organization that shows expenditure and balance, the status of contributions by member countries to the budget of the organization concerned as well as a regular aggregated quarterly report on the operations of the consolidated account. In this respect, the financial position of the consolidated account that is managed by the AMF shows that the balance on the asset side as of December 31, 2014 was US\$ 24.7 million, up from US\$ 20.9 million at the end of 2013. The US\$ 3.8 million increase in net assets reflects cash flows of contributions received in the account minus disbursements to member organizations.

It may be noted also that the return on investment of this account assets are deposited in a special reserve subaccount. The balance of the said subaccount as of end 2014 was about US\$ 9.8 million, or almost 24% of total appropriations of the budgets of member organizations for the last fiscal year, although the percentages vary across individual

---

<sup>(1)</sup> It may be noted that, pursuant to Economic and Social Council Decision 1056 of July 1988, a Consolidated Account for Funding Arab Specialized Organizations was created with the AMF that receives their member country respective contributions to the budgets of those organizations with a view to cover expenditure under their respective approved budgets. Specialized organizations created within the League of Arab States are major pillars of inter-Arab cooperation. They serve as technical arms and centers of excellence that offer advice and expertise on economic, social, cultural and financial issues and activities. They are pivotal in achieving Arab common aspirations within their respective mandates that are relevant of the standard of living and decent lives of Arab citizens. The Arab organizations that are parties to this consolidated account include the Arab Administrative Development Organization (ARADO), Arab Labor Organization (ALO), Arab Industrial Development and Mining Organization (AIDMO), Arab League Educational, Cultural and Scientific Organization (ALECSO), Arab Organization for Agricultural Development (AOAD), Arab Center for the Studies of Arid Zones and Dry Lands (ACSAD), Arab Atomic Energy Agency (AAEA), and Arab Civil Aviation Commission (ACAC).



# Annual Report 2014

organizations. Decisions taken by the Economic and Social Council envisage a buildup of reserve under this account to be used in emergencies as decided by the Economic and Social Council.

## Arab Capital Markets

During the year 2014, the Fund pursued its activity to enhance the role of Arab capital markets and provide follow up reports in this respect. To that effect, the Fund continued to publish on its website daily capital markets' information on the Arab stock exchanges. The information released includes the Fund's composite index which measures the combined performance of those markets grouped together, the indicator calculated by the Fund on each individual stock exchange, as well as relevant data on the volume and value of trading and the size of Arab capital markets.

Concurrently, the Fund continued the publication of its **quarterly bulletins** covering the activities of Arab capital markets. Seventy eight issues of this bulletin have thus far been released. These quarterly bulletins address major economic developments of relevance to Arab capital markets, the legal and organizational developments in these markets, along with an analysis of their performance and activities. The bulletins released by the Fund during 2014 highlighted the continuing good performance of the Arab financial markets where the market capitalization of the Arab Stock Exchanges has risen significantly during 2014 to approximately USD 1,203 billion by end 2014. Bulletins issued during 2014 showed the continuous improvement of FDI inflows as well as the continuous increase of corporate bonds and Sukuk issuances.

Similarly, the Fund issued on **annual report on the performance of Arab capital markets**. This document sheds light on major events and developments which took place in these markets during the year. In this respect, it presented an analysis of the performance of Arab stock exchanges, initial public offering markets, bonds and Sukuk markets, foreign investment flows, in addition to a review of major legal and supervisory developments.

Furthermore, the Fund continued to provide its technical assistance on the development of local bond markets under the **“Arab Debt Market Development Initiative (ADMDI)”**, which was launched in collaboration with the International Monetary Fund. This was a parallel effort to AMF work on the development of domestic capital markets within the Deauville Partnership. In this regard, a joint mission visited Egypt during

January 27-February 3, 2014 in the context of the ADMDI. The Fund was represented in this mission, along with experts from the IMF, the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank and the African Development Bank. The mission prepared a report on the progress made on developing domestic finance markets in Egypt.

In addition, the Fund prepared a paper on the “**Importance of compliance with International Standards, Requirements for the Development of Bond and Sukuk Markets in Arab Countries, and Institutional Investment Base**”, as part of its participation in the meetings of the 6<sup>th</sup> Annual Conference of the UAE Securities and Commodities Commission, held in Dubai on April 27, 2014 under the title “International Standards: the right way to deeper, more liquid markets”.

The Fund prepared a paper on the “**Requirements and Prerequisites for Creating an Organized Security Market: Steps and Phases**” which was presented at the conference jointly organized by the Central Bank of Mauritania and the Federation of Arab Securities and Exchange Commissions in Nouakchott on September 10, 2014 on “the Role and Importance of Financial Markets in National Economic Development”. On the side of the meeting, a discussion on ways to provide AMF technical support to assist Mauritanian authorities to develop an organized securities market took place.

The Fund organized “**The First Conference on Arab Capital Markets**” in Dubai on November 25-26, 2014 in collaboration with the Federation of Arab Securities and Exchange Commissions and Thomson Reuters. The conference discussed issues related to supervisory legislation, the ability of Arab markets to compete on international markets, improvement of transparency in these markets and the status of Islamic finance instruments therein. It also discussed ways for integration and cooperation among Arab capital markets and the room for expansion in these markets to launch new specialized markets, such as markets for SME finance. Discussion also covered challenges associated with supervision of such markets by the regulatory authorities and the importance of applying new principles on capital market infrastructure. The Fund delivered the keynote address at the conference and took part in the session on the requirements of developing capital market infrastructure.

Lastly, as part of its efforts to coordinate work aiming at strengthening cooperation to support the development of Arab financial markets and to enhance their role in providing long-term finance for economic development in Arab countries, the Fund signed a **memorandum of understanding, in November 2014, with the Federation of Arab Securities and Exchange Commissions**. Cooperation between the two parties will promote opportunities for developing Arab capital markets through assistance with the development of laws and systems, in compliance with global standards and best practices, widen the scope for an exchange of experience and expertise, develop supervisory standards related to capital markets, foster the integration of Arab capital markets and inter-Arab investment and enhance investment awareness around the Arab region. Cooperation between the two parties shall cover, inter alia, the preparation of joint reports and studies, organization of conferences, seminars and training courses in areas related to financial market sector, as well as technical advice on financial markets.

## Training

The Fund's Institute of Economic Policy has intensified its activities throughout 2014 to meet the increasing needs of the member countries in order to promote and increase the efficiency of the Central Bank, financial Ministries and other finance institutions' staff, especially those responsible for national and economic statistics. The institute conducted several training programs and workshops covering all economic topics which significantly contributed in aiding staff to cope with the recent international standards and techniques, and promote business in accordance with the agreed upon international practices. Within this context and during 2014, the institute has organized 17 training courses and workshops in collaboration with the international concerned entities in different economic fields benefiting 433 trainees from all member countries. The total number of beneficiaries since its inception in 1989 reached 8,684 trainees through 280 activities. The training courses and workshops organized by the institute during 2014 are as follows:

Training course on **“Banking Supervision under Basel II and Basel III”** during **6-8 January 2014** in the institute premises in Abu Dhabi in collaboration with the Deutsche Bundesbank which aimed to inform the participants of the reforms on capital requirements for banks which requires improving its quality in order to absorb any losses immediately when incurred and maintaining an adequate level of capital in order to address the risk of periodic economic fluctuation.

Training course on **“Financial Market Analysis”** during **26 January - 6 February 2014** in the institute premises in Abu Dhabi in collaboration with the International Monetary Fund's Middle East Center for Economics and Finance which aimed to inform participants with the principles of financial market analysis which constitutes part of the decision making tools.

Training course on **“Macroeconomic Management and Fiscal Policy”** in **Algeria** during the **2- 13 March 2014** in the institute premises in Abu Dhabi in collaboration with the International Monetary Fund's Middle East Center for Economics and Finance which aimed to deepen the participants' understanding about the general



finance policy issues and their implication on the macroeconomic management. The training covered the mutual relation between public finance variables and the macroeconomic aggregation and the key aspects for designing and implementing fiscal policy.

Training course on **“Risk-Focused Supervision and Risk Assessment”** during **16-20 March 2014** in the institute premises in Abu Dhabi in collaboration with the Federal Reserve Bank of the United States aimed to inform participants on control measures with focusing on the risks faced by banks. Emphasis was placed on credit risk, market risk, liquidity risk and operational risk. In addition, the training included clarification of the key elements involved in conducting field inspections for banks such as planning, execution and follow-up.

Training course on **“Risk Management with Focus on Liquidity Risk”** during **25-27 March 2014**, in the institute premises in Abu Dhabi in collaboration with the Bank for International Settlements, Financial Stability Institute, aimed to inform participants of the proper principles for risk management in banks. The training focused on liquidity risk and the principles to be implemented for liquidity risk management and controls and the updates which took place on management style.

Training course on **“Government Finance Statistics”** during **6-17 April 2014** in the institute premises in Abu Dhabi in collaboration with the International Monetary Fund, the training focused on the main government finance statistics framework as well as the practical aspects of data preparation. The training discussed the fundamental concepts and principles of accounting, and the detailed classifications within the context of a new methodology which has been developed to achieve consistency with the broader national accounting system. The training discussed the accounting principles for the government finance statistics framework (including accounting on the accrual basis), double-entry accounting system, evaluation, timing and classification, the sources and methods utilized in the preparation of statistics.

Workshop on **“Hiring Foreign Workers in the GCC”** during **22- 23 April 2014** in the institute premises in Abu Dhabi in collaboration with the Ministry of Labour in the United Arab Emirates and the World Bank. The workshop attracted leaders and the

concerned individuals in formulating labour and market policies to discuss temporary contractual employment, recruitment mechanisms and exchange ideas and experiences related to any issues of interest in order to develop current recruitment policies and / or set new policies.

Training course on “**Technical Barriers to Trade**” during **29- 30 April 2014** in the institute premises in Abu Dhabi in collaboration with the World Trade Organization. The training aimed to assist Arab countries to promote their knowledge about the principles and obligations of the technical barriers agreement. The training focused on the transparency embedded within such agreement and informs participants of the latest achievements and discussions of the Technical Barrier Committee. It also aimed to encourage participants to share their experiences with regard to the challenges facing their countries in implementing the technical barriers agreement.

Training course on “**Macroeconomic Forecasting**” during **May 11 to 22, 2014**, in the institute premises in Abu Dhabi in collaboration with International Monetary Fund's Middle East Center for Economics and Finance. The training aimed to promote the participants skills in forecasting variables and the preparation of macroeconomic forecasting by applying modern economical and measurement methods.

Training course on “**Financial Stability and Macroprudential Policy**” during **May 25 - 29, 2014**, in the institute premises in Abu Dhabi in collaboration with Bank of England, the training aimed to deepen the participants’ understanding and knowledge of the theoretical and practical aspects related to the policies and tools designed to promote and enhance financial stability.

Training course on “**Macroeconomic Management and Financial Sector Issues**” during **31 August to 11 September 2014**, in the institute premises in Abu Dhabi in collaboration with the International Monetary Fund's Middle East Center for Economics and Finance, the training aimed to shade light on the policy issues facing authorities, as well as examining the available options to policy-makers in this field, with particular attention to financial sector issues related to macroeconomic management.

Training course on “**Forecasting in Central Banks**” during **14 August to 18 September 2014**, in the institute premises in Abu Dhabi in collaboration with the Bank

of England. The training course aimed to inform participants about the mechanism and principles of forecasting inflation. Within this context, the focus was placed on the Structural and Semi-Structural Forecasting Models utilized to forecast inflation, in addition to assessment of forecasting methods.

Training course on “**Government Procurement**” during **28 August to 30 September 2014**, in the institute premises in Abu Dhabi in collaboration with the World Trade Organization in Abu Dhabi. The training course aimed to inform the participants about the principals, concepts and commitments stated in the government procurement agreement.

Training course on “**Regulatory Review under Basel III**” during **28 August to 30 September 2014**, in the institute premises in Abu Dhabi in collaboration with the Bank for International Settlements, Financial Stability Institute. The training aimed to inform the participants about the review and evaluation process performed by the regulatory authorities on the method used by banks to calculate the capital ratio based on its internal models. In addition they also addressed stress Testing Technique.

Training course on “**The Macroeconomic Modeling & Forecasting**” during the period **17-19 November 2014** in the institute premises in Abu Dhabi in collaboration with the Deutsche Bundesbank which aimed to inform the participants in Central Banks about the methods and techniques for developing macroeconomic modeling and forecasting. The training session focused on the time frame and the standard econometrical aspects related to modeling and forecasting.

Training course on “**Monetary and Exchange Rate Policies**” during **7 -18 December 2014**, in the institute premises in Abu Dhabi in collaboration with the International Monetary Fund's Middle East Center for Economics and Finance which aimed to familiarize participants with the different strategies for each monetary policy and the exchange rate arrangements which countries opt to adopt in addition to the importance of consistency between the two arrangements. The training also discussed elements related to the selection of the exchange rate system and the monetary policy strategy and the consequences resulting from the different options.

Training course on "**National Accounts**" during **22 -24 December 2014** in the institute premises in Abu Dhabi in collaboration with Japan International Cooperation Agency (JICA), in order to deepen the understanding of the participants from finance ministries and central banks and statistical agencies in the Arab countries on the preparation of national accounts methodologies and introduce them to the latest methodologies, and the benefit from Japan's experience in the national accounts statistics, and that of some countries in this field. It is worth mentioning that the training represents the first training course which was organized in cooperation with the Japan International Cooperation Agency.

### **Secretariat of the Board of Arab Central Banks Governors and Council of Arab Finance Ministers**

The Fund is entrusted with the Secretariat of the Board of Arab Central Bank and Monetary Agency Governors. It is also in charge of the Technical Secretariat of both the Arab Committee on Banking Supervision – which comprises directors of banking supervision in Arab countries – and the Arab Committee on Payment and Settlement Systems – which consists of directors managing those systems in Arab countries. These two committees were both established by the Board of Arab Central Bank and Monetary Agency Governors. In that context, the Fund continued in 2014 to carry out its responsibilities in terms of arranging for meetings, preparing studies, papers and reports required by the Council, its permanent bureau and the two committees mentioned above.

As part of its responsibility as the Secretariat of the **Board of Arab Central Bank Governors**, the Fund handled in 2014 the preparations for the 38<sup>th</sup> Ordinary Session of the Board, which was convened in Algeria. The agenda of the meeting included several items, mainly the Report of the Secretariat, the initial version of the Joint Arab Economic Report for 2014, and the recommendations of the 23<sup>rd</sup> Meeting of the Arab Committee on Banking Supervision, including two working papers prepared by the said Committee on “Dealing with the Risks of Domestically Systemically Important Banks (DSIBs) and the Role of Central Banks” and “Supervision of Shadow Banking”. The agenda also included a discussion of the Report and Recommendations of the 10<sup>th</sup> Meeting of the Arab Committee on Payment and Settlement Systems, including two working papers prepared by the Committee on “the Implementation of the Central Intermediary Mechanism for the Settlement of Financial Market Transactions: the Experience of Banque du Maroc” and “the Principles of Financial Market Infrastructure, Exposure Framework and the Methodology of Evaluation for such Principles”. In addition, the agenda included a Report on the Work of the Regional Task Force on the Enhancement of Financial Inclusion in Arab Countries.

During the same meeting, the Board reviewed the paper presented by the Governor of the Central Bank of Algeria on “The Experience of the Central Bank of Algeria in Banking Sector Reform and Financial Stability”. The meeting discussed the draft joint

Arab address to be delivered at the IMF-WB Annual Meetings in Washington, DC, October 2014. The Board discussed the findings of the comprehensive study on “The Feasibility of Creating a Regional System of Clearing and Settlement for Inter-Arab Payments”. It adopted the recommendation by the sub-Committee on follow-up that confirmed that there were elements and factors that confirm the feasibility of such a regional system. The committee on payments was asked to meet and prepare a comprehensive action plan for implementation, taking into account all related questions and challenges, stressing the importance of compliance with international standards and the inclusion of Arab currencies.

As part of its responsibility as the Secretariat of the **Arab Committee on Payment and Settlement Systems**, the Fund handled in 2014 the preparations for the 10<sup>th</sup> Meeting of the Arab Committee on Payment and Settlement Systems, held in Abu Dhabi on May 27-28, 2014. The Committee discussed the report prepared by its task force on the findings of a comprehensive study prepared by the consultancy house concerning “The Feasibility of Creating a regional System of Clearing and Settlement for Inter-Arab Payments”. The Committee also discussed two working papers on “the Implementation of the Central Intermediary Mechanism for the Settlement of Financial Market Transactions: the Experience of Banque du Maroc” and “A Methodology of the Implementation of International Principles on Financial Market Infrastructure”. The Committee reviewed the experience of SAMA in the evaluation of the implementation of those principles. The Deputy Secretary General of BIS, Committee on Payments and Settlements Systems, took part in the meeting. He presented an overview of the latest developments of the work of the BIS in this respect, particularly the implementation of International Principles on Financial Market Infrastructure jointly developed by BIS and International Organization of Securities Commissions (IOSCO) and adopted by G-20.

As part of its responsibility as the Technical Secretariat of the **Arab Committee on Banking Supervision**, the Fund organized the 24<sup>th</sup> Annual Meeting of the Committee, hosted by the Banque du Maroc in Casablanca during December 15-17, 2014. The Governor of Banque du Maroc and the AMF Chairman of the Board took part in the meeting. Also present were representatives of BCBS, FSB and IMF. The Committee discussed several issues and papers, including “Dealing with Large Exposures in Arab Countries”, “Macroprudential Policy and Early Warning indicators on Asset Price

Bubbles” and uses of “Countercyclical Capital Buffer to Contain Risks Resulted from Credit and Business Cycles Fluctuations”. The Committee recommended that Arab central banks should develop supervisory action to tackle the cyclical and credit risks in order to promote sound financial sectors in the Arab region. The Committee also recommended that Arab central bank should develop an effective supervisory framework to measure and review large exposures, with a view to reduce systemic risks.

In addition, the Committee on Banking Supervision discussed a note submitted by the Secretariat on further development of the work of the Arab Committee on Banking Supervision and to reinvigorate the work of the said committee in the areas of banking supervision and financial stability. The Committee adopted new by-laws that would enhance its role, introducing new amendments, including the creation of a task force on financial stability, increasing the number of its annual meeting, and strengthening cooperation with International Financial Institutions (IFIs), BCBS, and the Islamic Financial Service Board. Lastly, the Committee adopted a draft “Banking Supervision Arabic Glossary”, an initiative that aims at unifying banking supervision terms used in the Arab banking sector. This would also contribute to a greater awareness of the issues of banking supervision and financial stability.

In addition, the Fund, acting as the Secretariat of the Board of Arab Central Bank and Monetary Agency Governors, organized several meeting of the **Task Force on Financial Inclusion** in Arab Countries. On the initiative of the Board of Governors, a task force was created to undertake the work on financial inclusion in the Arab region and to help share experience among Arab countries in this respect. Topics being discussed by the said task force include the development of a regional model for national strategies on financial inclusion, and the provision of credible statistics on the status of financial inclusion on Arab countries. They also include activities on enhancing financial education in Arab countries.

Lastly, the Secretariat in 2014 produced a number of booklets and other publications, including papers and studies discussed by the Board during the previous year. The list of new publications include papers on “Dealing with the Risks of Domestically Systemically Important Banks (DSIBs) and the Role of Central Banks”, “Supervision of Shadow Banking”, “the Implementation of the Central Intermediary Mechanism for the

Settlement of Financial Market Transactions: the Experience of Banque du Maroc”, “the Principles of Financial Market Infrastructure, Exposure Framework and the Methodology of Evaluation for such Principles”, as well as the paper by the Governor of the Central Bank of Algeria on “The Banking Sector Reform and Financial stability in Algeria”.

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

The Fund acts as the Secretariat of the Council of Arab Finance Ministers since its inception in 2010. Within this framework, in 2014, the Fund organized the **5th Meeting of the Council of Arab Finance Ministers**, which was held in Tunisia on the sideline of the Annual Meetings of the Arab Financial Institutions. The Council discussed international and regional economic developments. It also discussed experience and efforts towards energy subsidy reform. While appreciating the efforts made by member countries in this area, the Board called for continued reforms while taking economic developments and conditions into account and striving for effective protection of low-income groups. Minister of Finance of Jordan gave a presentation on Jordan’s experience in phasing in energy subsidy reform. In addition, the Secretariat prepared a working paper on energy subsidy reform in Arab countries.



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

During 2014, the Fund increased its efforts to promote cooperation and coordination with other Arab organizations and regional and international organizations which share mutual interests with a view to best serve its member countries and contribute to the achievement of its objectives.

### **Arab and Regional Organizations**

As part of its work to further cooperation and coordination with many Arab and international organizations in the best interest of its membership, whereby it promotes its objectives and tackle missions of common interest, the Fund continued its regular work on the preparation and publication of the Joint Arab Economic Report, which represents a major reference document that covers economic developments in Arab countries as a group. This report stands as a model of constructive cooperation between the Fund, the Arab Fund for Economic and Social Development, the Secretariat of the League of Arab States, and the Organization of Arab Petroleum Exporting countries (OAPEC). Within this framework, each organization prepares the Chapter of the Joint Report. The Fund takes care of the editing and production of the report since 1980.

As part of its work to further cooperation and partnership with Arab institutions and governments of member countries on relevant issues, the Fund took part in the seminar on “International Commercial Finance for a Sustainable Economic Development” organized by the Dubai Economic Council in Dubai, UAE, on January 26, 2014. The Fund also took part in the Preparatory Meetings of the Arab League Economic and Social Council for the 25<sup>th</sup> Ordinary Session of the Arab League Summit, held in Kuwait during March 20-22, 2014.

The Fund presented a report on the feasibility of establishing an Arab Free Investment Zone. The report was discussed at the consultative meeting held by the Secretariat of the Arab League in Egypt during June 2014. The report featured a full assessment of the feasibility of such a free investment zone and the view of the Fund on the same in light

of international experience. The Fund took part in the WB regional conference to launch the initiative on “Economic Integration among countries of the New Levant”, held in Beirut, Lebanon, during June 2014. The Fund also took part in the 18<sup>th</sup> Conference of Banking Supervision, organized by BCBS in Tianjin, China, during September 2014.

The Fund took part in the 1<sup>st</sup> Meeting of the committee on implementation and Following up of Investment in Arab Countries, held in Egypt during December 2014. The Fund presented a report on its views on the purpose of the committee and the proposed work mechanisms for it. The Fund also took part in the 3<sup>rd</sup> development seminar organized by the Arab Fund for Economic and Social Development in cooperation with the World Bank on “the Reform of Education System in Arab Countries to Improve Employment in Arab Countries” in Kuwait during November 2014. The Fund took part in the regional conference on “Investment and Economic Integration”, jointly organized by the Secretariat of the Arab League, Organization for Economic Cooperation and Development (OECD) and Swedish International Development Cooperation Agency (SIDA) in Cairo on December 9-10, 2014.

As part of the participation of the Fund in the semi-annual meeting of the Regional Group of the Financial Stability Board (FSB), held in Jordan in October 2014, the Fund presented a paper on “financial stability Issues in the Arab Region”.

In its capacity as an observer in the meetings of MENAFATF, the Fund took part in the 20<sup>th</sup> Plenary Meeting of the task force, held in Bahrain during November 2014.

During October 2014, the Fund took part in the 9<sup>th</sup> International Conference on Credit Information, this time jointly organized by Saudi Credit Information Company, Saudi Association of Consumer Credit Information Suppliers (ACCIS), the Credit Developers of Information Association (CDIA), an co-sponsored the Itihad Credit Information Company, UAE, the Qatar Center for Credit Information, and BAINFET Credit Information Company, Bahrain. The conference discussed the latest developments in the fields of lending and credit information system, including the principles issued in Europe and the principles of credit information issued by the World Bank, and the implications of those developments and principles for lending activities of banking institutions. It also dwelt on the implications of new supervisory legislation, particularly Basel III, for bank

lending and credit information systems. The conference discussed the issue of protecting financial information, a major challenge that faces credit information systems, as well as the awareness of new tools used in the field of risk management and detection of fraud. The conference also dwelt on recent developments in credit information systems in Arab countries. As a sideline event, the Fund organized a preliminary meeting for credit information companies in Arab countries to discuss ways to enhance cooperation and exchange of experience with a view to improving the level of credit information services in Arab countries.

## **Cooperation with International Organizations**

The Fund has continued in 2014 its cooperation with the relevant international organizations, particularly the IMF and the World Bank, in a way that would serve the interests of its member countries. In this regard, the Fund participated in the Spring Meetings of the IMF and the World Bank which convened in Washington D.C in April 2014, and attended the meeting of the G24 and the meeting of the Governors for Arab Countries with the IMF's Managing Director. The Fund conducted also consultations with the Consultative Group to Assist the Poor (CGAP) Management, as the entity of the World Bank Group involved in financial inclusion issues. It also held consultations with senior officials from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the International Finance Institute (IFI), International Finance Corporation (IFC), US Department of Treasury and US Federal Reserve. Discussion focused on ways to launch collaborative initiatives between the Fund and those agencies.

The Fund also participated in the Annual Meetings of the IMF and the World Bank which convened in Washington D.C on October 2014, and attended the meetings of the Development Committee and G24. The Fund also took part in ministerial meeting between the Governors for Arab Countries and both IMF's Managing Director and World Bank Group President. It also participated in the Ministerial meeting on the initiative of the "Deauville Partnership for Growth". The Fund's delegation also held several meetings with different IMF and WB departments to discuss joint activities and initiatives with both institutions.



## Annual Report 2014

The Fund took part in the “Geneva Week” organized by the WTO in Geneva, Switzerland, during May 5-9, 2014. It also took part in the meeting on launching the MENA REO Update, organized by the Dubai Economic Council in Dubai, UAE, on May 6, 2014.

As an accompanying event to the International Conference of Banking Supervisors, organized by BCBS and the Chinese Banking Supervision Authority in Beijing during September 22-25, 2014, the Fund convened a meeting of a number of the participating members of the Arab Committee of Banking Supervision. The meeting discussed latest developments in supervision legislation and issues related to the soundness of the financial and banking sector.

In August 2014, the fund signed a memorandum of Understanding (MoU) on cooperation with the Japan International Cooperation Agency (JICA) that identified a framework for cooperation between the two agencies in the Arab region with a view to deepen their cooperation in providing technical assistance to fiscal and monetary authorities in Arab countries.

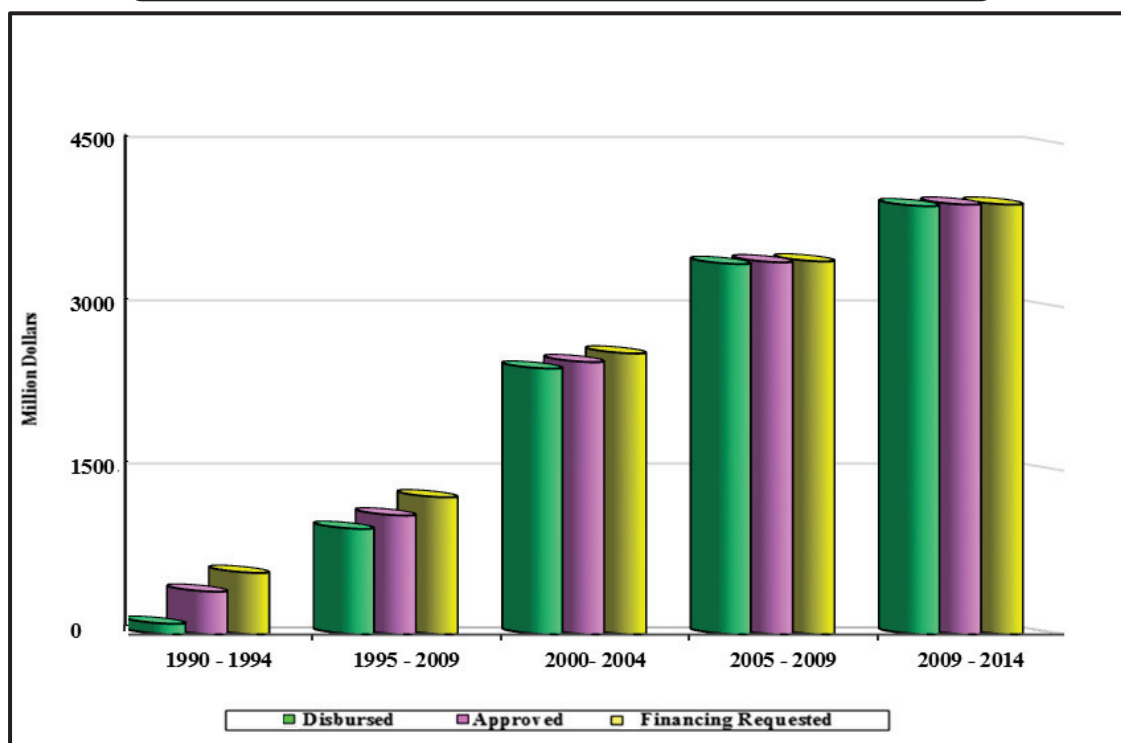
## Arab Trade Finance

The Arab Monetary Fund contributed during the year 2014 in promoting and enhancing Arab trade, through the Arab Trade Financing Program (ATFP), which was established in 1989 by virtue of a Resolution adopted by the Board of Governors of the Arab Monetary Fund for being a joint Arab financial Institution specialized in promoting Arab Trade. The ATFP authorized capital amounts to USD 1 billion distributed to two hundred thousand shares of USD 5000 each, subsequent to its increase by the General Assembly Resolution No. (7/2013) of 30 June 2013.

The ATFP's shareholders increased during 2014 to 53 national and regional Arab financial institutions and banks. ATFP contributes to developing Arab trade, and fostering the competitiveness of Arab Exporters by providing a part of the required funding to trade. The ATFP provides as well the information related to trade activities, and promotes goods and commodities of Arab origin. The ATFP's operational mechanism is based on dealing with importers and exporters in the Arab countries through national agencies appointed by Arab countries to carry out intermediation to this effect.

The wide stretch of national agencies contributes to the expansion of the ATFP activities, whereby the number of the said agencies reached to 207 agencies by the end of 2014, distributed in 19 Arab countries and 5 foreign countries. The value of requests received by the ATFP since its inception amounted to USD 11.77 billion for financing trade transactions worth US\$ 15.61 billion, where the Program approved to finance USD 11.35 billion thereof. Total disbursements during that period amounted to USD 10.84 billion. Chart (2) illustrates the gradual developments of the accumulative financing activities from 1990 to the end of 2014.

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



Regarding ATFP’s trade information services, the Program has completed the construction of its Intra Arab Trade Information Network (IATIN) and carried out its implementation at the regional level. The network is connected with 32 focal points spread over virtually all Arab countries. The Program’s website ([www.atfp.org.ae](http://www.atfp.org.ae)) provides access to information on trade in all Arab countries.

The program is keen on offering opportunities to support the promotion of trade flows between Arab importers and exporters. In line with this, ATFP organizes and conducts meetings between exporters and importers in specific sectors. In cooperation with numerous entities in Arab countries, the Program organized 17 meetings of such a type in the following sectors: textiles and readymade garments, food industries, agricultural products and inputs, metallurgical industries, pharmaceutical and petrochemical industries, furniture and building and construction.

## **Reports, Bulletins, Research and Studies**

During 2014, the Fund continued to publish reports, bulletins, research papers and studies. By publishing these releases, the Fund seeks to raise awareness on economic issues and developments in the areas of interest for Arab countries.

### **The Joint Arab Economic Report**

The Fund participates in drafting certain chapters of the Joint Arab Economic Report, and is, additionally, in charge of its editing and publishing. The Fund's contribution to the 2014 Report includes drafting of chapters on fiscal, monetary and banking developments, as well as those related to Arab capital markets, foreign trade, balance of payments and external public debt and exchange rates and regimes.

### **The Economic Statistical Bulletin on Arab Countries**

In 2014, the Fund issued the 34th edition of the Economic Statistical Bulletin on Arab Countries which covers various economic sectors in the Arab countries. Its preparation relies on data derived essentially from national sources in addition to some few other regional and international sources. The Bulletin contains chapters on national accounts, exchange rates, money and credit, foreign trade, balance of payments and public finance. It also carries a chapter on aggregated statistics which reviews various sectoral developments in individual countries and in Arab countries as a group.

### **Statistics of Inter & Intra Arab Trade Competitiveness Bulletin**

In 2014, the Fund issued the 3rd edition of this bulletin which covers data on inter and intra Arab trade, trade competitiveness indices measuring the share of commodities in international markets, such as the comparative advantage index, country gross exports relative to intra Arab commodity exports measured individually share of gross commodity exports in international market.

## Research and Studies

The research conducted during 2014 included the following papers and reports:

Following-up Report on **“AMF’s efforts to Enhance Economic Stability and Developing Financial Sector in Arab Countries”**, this report was prepared in response to recommendations endorsed by the Council of Arab Finance Ministers, held in Marrakech, Morocco in 2012, whereby the Council stressed the need for concerned Arab financial institutions to prepare follow-up reports on the main topics included in the UAE initiative to support economic stability and develop financial sector in the Arab countries. This report includes analysis of macroeconomic performance, fiscal and monetary positions, and external sector developments in Arab countries. It provides an overview of Arab Monetary Fund’s efforts to enhance economic stability and develop the financial sector in Arab countries, as well as the most important achievements at the level of trade finance facilitation and technical assistance to trade-related services. This report was presented at the conclusion of the 5<sup>th</sup> Ordinary Session of the Council of Arab Finance Ministers, held in Tunis as an accompanying event to the Annual Meetings of Arab Financial Institutions.

A study on **“Energy Subsidy Reform in Arab Countries”** that discusses the status of energy subsidy in Arab countries, the rationale for, and gains envisaged from, energy subsidy reform in Arab countries. It also covers lessons learnt from international experience, particularly on challenges that may face Arab countries while they strive to reform energy subsidy regime, the prerequisites for successful reform policies and mechanism adopted in this respect. In addition, the study provides an overview of energy subsidy reform experiences, policies and programs in a number of Arab countries.

Following-up Report on **“Global Financial Crisis Spillovers to Arab Economies”**. This report was prepared as part of regular reports prepared within the context of cooperation between the Fund and the Arab League Secretariat to take stock of major economic developments in Arab countries, including real sector, fiscal and monetary positions, and external sector developments in Arab countries with a view to



understanding economic challenges and policy priorities. A report was submitted by the Fund to the Arab League Economic and Social Council in March and September 2014.

A study on “**A Framework for Financial Stability and the Role of Central Banks**”. This study discusses the role of the financial sector in channeling resources to the real sector, the nature of risks which the financial system faces and, basic concepts related to financial stability, the challenges facing financial stability efforts, and responses to such challenges. The study also provides an overview of financial stability, including the concept, objectives, stages and mechanisms. Furthermore, the study explains the role of central banks in ensuring financial stability, and the status of financial stability frameworks in Arab countries.

A study on “**Foreign Reserve Formation and Management: Arab and International Experience**”. This study provides an overview of foreign reserve formation and management experience, policies and programs in a number of Arab and foreign countries, including Egypt, Jordan, Canada, Brazil, India, and Botswana.

A working paper on “**Global Macroeconomic and Financial Developments and Financial Stability Issues in Arab Countries**”. This paper explains the challenges and issues related to the enhancement of financial stability in the Arab region. It provides an overview of global macroeconomic and financial developments, the challenges facing countries in the Arab region while striving to ensure financial stability and supervision reforms adopted by supervisory authorities with a view to enhancing financial stability. The paper was presented to the meeting of the Financial Stability Board (FSB) Task Force for MENA Region, held in Jordan during October 2014.

A working paper on “**Arab Economic Outlook, 2014**”. This paper provides an overview of the global and regional economic outlook for 2014. It identifies current challenges faced by Arab countries, particularly against the backdrop of increasing unemployment, the urgent need to implement a number of structural reforms to achieve high and sustainable as well as inclusive economic growth, and enhance the role of private sector in economic activity.

## Consolidated Financial Position

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

The consolidated financial statements, which incorporate the financial statements of the Arab Monetary Fund and its subsidiary the Arab Trade Financing Program, are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. The consolidated financial statements reflect the consolidated financial position of the Fund and its subsidiary as at 31 December 2014, and the results of operations, changes in equity and cash flows for the year then ended. The following provides an overview of key financial information:

### Resources

The resources of the Fund, as defined in Article Eleven of the Articles of Agreement, consist of paid-up capital, reserves, loans and credits obtained by the Fund, and any other resources approved by the Board of Governors. The Board of Governors had accordingly approved in 1989 the acceptance of deposits from monetary and financial institutions of member states, aiming at supporting Arab states in managing their foreign reserves and strengthening the resources and financial position of the Fund, but such resources would not be used in providing loans.

The Board of Governors of the Fund had also approved, through the Articles of Association of the Arab Trade Financing Program, contributions by various financial institutions to the Program's Capital aiming at bolstering the resources directed to support Arab trade financing.

## Capital

Article Twelve of the Articles of Agreement had defined the authorized capital of the fund to be AAD 600,000 thousand divided into twelve thousand shares of AAD 50 thousand each. The Board of Governors of the Arab Monetary Fund has approved through resolution number (3) of 2013 increasing the Fund's authorized capital to AAD 1,200,000 thousand divided into twenty four thousand shares. The resolution also called for subscriptions from member countries amounting to AAD 300,000 thousand, raising accordingly the subscribed capital to AAD 900,000 thousand. The resolution also included the settlement of half of the subscriptions amounting to AAD 149,010 thousand through capitalization of general reserve, and the remaining half amounting to AAD 149,010 thousand by cash transfer from member countries in five annual installments commencing in April 2014, and continued consideration of deferring the call for Palestine share in accordance with the Board's resolution number (7) of 1978.

The paid-up share capital reached AAD 769,457 thousand at the end of 2014 (2013: AAD 745,545 thousand). The unpaid share capital of AAD 130,543 thousands at the end of 2014 (2013: 154,455 thousand) represents the balance of capital increase to be paid by member countries over the forthcoming period 2015-2018, in addition to the deferred share of Palestine.

## Reserves

Reserves amounted to AAD 315,621 thousand at the end of 2014 compared to AAD 292,404 thousand at the end of 2013. The reserves at the end of 2014 represent approximately 41 percent of the paid up capital compared to 39 percent at the end of year 2013. Reserves are composed of the general reserve, contingency reserve and the reserve for revaluation at fair value for investments classified as available for sale.

The **general reserve** balance reached AAD 161,856 thousand at the end of 2014, compared to AAD 143,383 thousand at the end of 2013.

The **contingency reserve** was established in accordance with the Board of Governors' resolutions No. (7) of 1989 and No. (4) of 2000, whereby AAD 5,000 thousand or 10 percent of the net annual income for the year whichever is greater, is appropriated to the

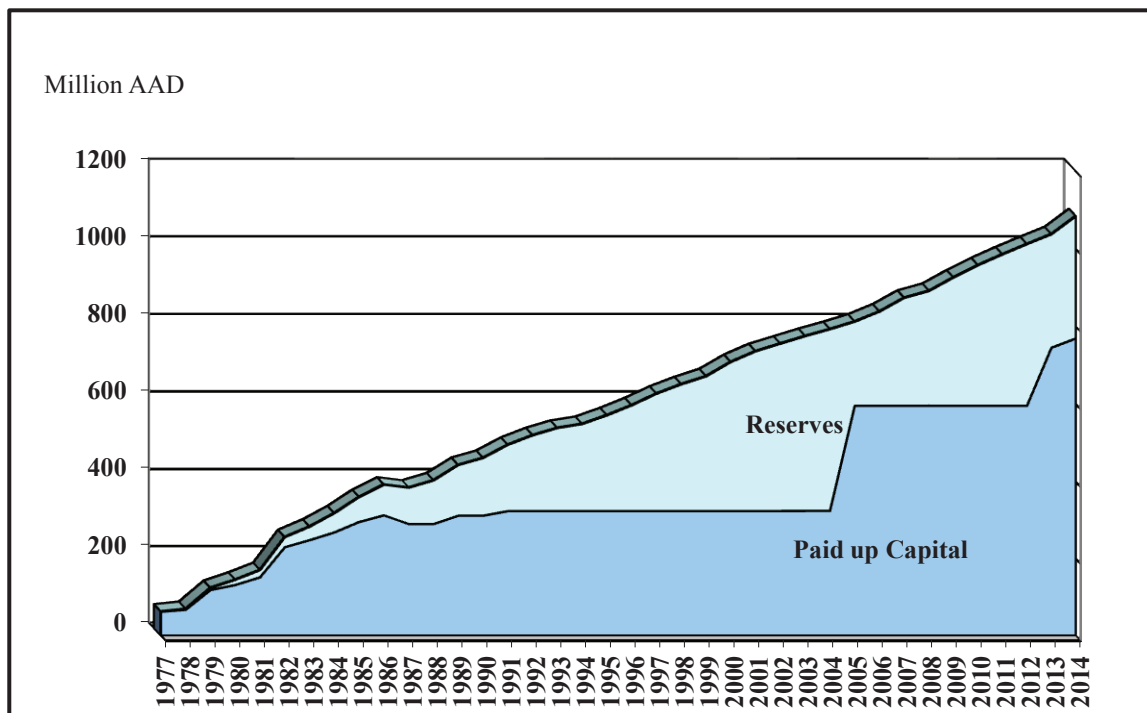
contingency reserve each year. This reserve is intended to mitigate unforeseen events in the future. The contingency reserve balance reached AAD 155,000 thousand at the end of 2014, compared to AAD 150,000 thousand at the end of 2013.

The **revaluation reserve** of available-for-sale investments showed a debit balance of AAD (1,235) thousand at the end of 2014 compared to a debit balance of AAD (979) thousand at the end of 2013.

## Shareholders' Equity

The net equity of the Fund's shareholders, represented by the paid-up capital and reserves, increased to AAD 1,085,078 thousand at the end of 2014, compared to AAD 1,037,949 thousand at 31 December 2013. The increase in net equity amounting to AAD 47,129 thousand represents an annual growth rate of 4.5 percent. Chart No. (3) below shows the growth in shareholders' equity of the Fund from inception to 31 December 2014:

**Chart 3: Shareholder's Equity  
(1977-2014)**



The interest of **other shareholders in the Subsidiary**, represented by their interest in the capital and reserves of the Arab Trade Financing Program, amounted to AAD 111,463 thousand at the end of 2014 compared to AAD 88,821 thousand at the end of 2013, resulting in an increase of AAD 22,642 thousand, which represents approximately 25.5 percent. The increase is attributed mainly to the increase in the paid-up capital of the Arab Trade Financing Program as approved by its General Assembly resolution No. (7) of 2013, and to the differences in USD exchange rate (The base currency of the Arab Trade Financing Program) vis-à-vis the AAD as at end of 2014 and 2013.

The total equity of the shareholders of the Arab Monetary Fund and other shareholders in the subsidiary amounted to AAD 1,196,541 thousand at the end of year 2014, compared to AAD 1,126,770 thousand at end of 2013. The resources were employed to finance loans to member countries, lines of credit to approved national agencies, and other activities as explained below.

## **Loans to Member Countries**

The balance of outstanding loans to member countries as at 31 December 2014 amounted to AAD 402,047 thousand compared to AAD 466,096 thousand as at the end of 2013. Loan commitments however, amounted to AAD 474,284 thousand at the end of 2014, comprising the balance of outstanding loans in addition to the balance of approved and undisbursed loans of AAD 72,237 thousand at the end of 2014.

## **Lines of Credit**

Financing aimed at promoting and developing Arab trade is provided in the form of lines of credit by the Subsidiary (Arab Trade Financing Program) to exporters and importers in member countries through national agencies. The balance of drawings against contracted lines of credit amounted to AAD 145,267 thousand (US Dollars 631 million) as at 31 December 2014 compared to AAD 131,560 thousand (US Dollars 608 million) at the end of 2013.

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

In accordance with Article Fourteen of the Articles of the Agreement of the Arab Monetary Fund, 2 percent of the initial capital contributions were paid in the national currencies of member countries and deposited with their central banks. These deposits are revalued by the member states at the end of each year to maintain their value in Arab Accounting Dinars, the total of which was equivalent to AAD 5,336 thousand at end of years 2014 and 2013.

## **Other Assets**

Other assets include the Fund's contribution in the share capital of inter-Arab Investment Guarantee Corporation in accordance with the Board of Governors resolution No. (6) of 2002, whereby the Board approved a contribution of US Dollars 27.5 million (equivalent to AAD 6.3 million) in the increase of share capital of the corporation.

## **Investments**

The consolidated investment portfolio is comprised of the current and call accounts with banks and the International Monetary Fund, time deposits with banks and financial investments, net of the accepted time deposits from Arab monetary and financial institutions. The consolidated investment portfolio amounted to AAD 666,492 thousand at 31 December 2014 compared to AAD 604,880 thousand at 31 December 2013.

## **Results of Operations**

Consolidated net income for the year ended 31 December 2014, after taking into consideration the interest of other shareholders in the Subsidiary, amounted to AAD 26,064 thousand compared to AAD 28,071 thousand at 31 December 2013. The components of net income are as follows:

## **Income**

The total consolidated income of the Fund and the Subsidiary for the year ended 31 December 2014, (net of interest paid on accepted deposits from monetary and

financial institutions of member states), amounted to AAD 32,943 thousand compared to AAD 34,483 thousand, at 31 December 2013.

## **Expenditure**

The total consolidated expenditure for the year ended 31 December 2014 amounted to AAD 5,848 thousand compared to AAD 5,334 thousand for the previous year. The total consolidated expenditure components include, in addition to administration and general expenses, technical assistance expenses and contribution to the international initiative to support Highly Indebted Poor Countries (HIPC).

For the year ended 31 December 2014, technical assistance to member countries amounted to AAD 334 thousand compared to AAD 348 thousand in 2013. Contribution to HIPC initiative amounted to AAD 657 thousand in 2014 compared to AAD 430 thousand in 2013.

## **Currencies**

When employing its resources, the fund manages currency risk by substantially maintaining its assets in currencies closely aligned to the components of the SDR basket. Loan transactions to member countries are contracted in Arab Accounting Dinars. The investment of the Fund in the Subsidiary is included in the US Dollar component of the Fund's assets, which are aligned to the SDR currency composition. Other transactions concluded in convertible currencies are covered as needed by forward foreign exchange contracts to maintain alignment with the components of SDR basket.

The table below shows the weights of the currencies of the SDR basket at the end of years 2014 and 2013, together with the SDR exchange rates against those currencies at the end of those years, and also their weights in effect as on 01 January 2011.

# Annual Report 2014

**Table (2)**

Currency	The Weights of the Currencies of SDR Basket			SDR Exchange Rates Against the Currencies of the Basket	
	31 December 2014	31 December 2013	01 January 2011	31 December 2014	31 December 2013
US Dollar	45.55%	42.83%	42.70%	1.449	1.541
Euro	35.49%	37.79%	36.58%	1.192	1.119
Pound Sterling	11.96%	11.90%	11.12%	0.928	0.933
Japanese Yen	7.00%	7.48%	9.60%	172.886	161.764
	100.00%	100.00%	100.00%		





# Annual Report 2014

## Consolidated Financial Statements & Auditor's Report

**The Arab Monetary Fund**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014



# Annual Report 2014

## The Arab Monetary Fund

---

CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

<b><u>Contents</u></b>	<i>Page</i>
Independent Auditors' Report	1
Consolidated statement of financial position	2
Consolidated statement of income	3
Consolidated statement of comprehensive income and changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 – 18



Ernst & Young  
P.O. Box: 136  
27<sup>th</sup> Floor, Nation Tower 2  
Abu Dhabi Corniche  
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400  
Fax: +971 2 627 3383  
abudhabi@ae.ey.com  
ey.com/mena

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements from pages 2 to 18 of the Arab Monetary Fund ('the Fund') and the Arab Trade Financing Program ('the Subsidiary'), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of income, comprehensive income and changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund and the Subsidiary as of 31 December 2014 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, proper books of account have been kept by the Fund and the financial statements are in agreement therewith and the total administrative expenses for the year are in accordance with the financial regulations of the Fund and within limits specified in the administrative budget. We have obtained all the information and explanations we required for the purpose of our audit and to the best of our knowledge and belief, no violations of the Articles of Agreement of the Fund have occurred during the year which would have had a material effect on the business of the Fund or on its financial position, and that the Fund complies with the relevant articles of establishment.

**Ernst & Young**

Ernst & Young  
02 March 2015  
Abu Dhabi

A member firm of Ernst & Young Global Limited

## The Arab Monetary Fund

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 December 2014

	Notes	2014 AAD 000	2013 AAD 000
<b>Assets</b>			
Loans to member countries	3	402,047	466,096
Lines of credit	4	145,267	131,560
Deposits with central banks of member countries	5	5,336	5,336
Term deposits with banks, current and call accounts		1,293,925	1,579,623
Financial investments	6	2,159,270	1,728,161
Accounts receivable and other assets	7	44,703	23,828
<b>Total assets</b>		<b>4,050,548</b>	<b>3,934,604</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Subscribed capital		900,000	900,000
Paid-up capital	8	769,457	745,545
Reserves	9	315,621	292,404
<b>Total equity</b>		<b>1,085,078</b>	<b>1,037,949</b>
<b>Interest of other shareholders in the Subsidiary</b>	10	<b>111,463</b>	<b>88,821</b>
<b>Liabilities</b>			
Deposits from Arab monetary and financial institutions	11	2,786,703	2,702,904
Accounts payable and other liabilities	12	67,304	104,930
<b>Total liabilities</b>		<b>2,854,007</b>	<b>2,807,834</b>
<b>Total equity and liabilities</b>		<b>4,050,548</b>	<b>3,934,604</b>



Abdulrahman A. Al Hamidy  
Director General Chairman of the Board

These consolidated financial statements were approved by the Board of Executive Directors on 02 March 2015.

The attached notes from 1 to 21 form part of these consolidated financial statements.  
The independent auditors' report is set out on page 1.

## The Arab Monetary Fund

### CONSOLIDATED STATEMENT OF INCOME For the year ended 31 December 2014

	Notes	2014 AAD 000	2013 AAD 000
<b>Income</b>			
Interest and fee income on loans to member countries		9,370	11,799
Interest and fee income on lines of credit		1,552	1,591
Investment income	13	19,996	18,794
Interest income on deposits and current and call accounts		8,001	10,456
Other income		396	363
		<u>39,315</u>	<u>43,003</u>
Interest expense on accepted deposits from Arab monetary and financial institutions		(6,372)	(8,520)
		<u>32,943</u>	<u>34,483</u>
<b>Expenses</b>			
Administration and general	14	4,857	4,556
Technical assistance	15	334	348
Contribution to HIPC	16	657	430
		<u>5,848</u>	<u>5,334</u>
Net income before the interest of other shareholders in the Subsidiary		27,095	29,149
Interest of other shareholders in the Subsidiary		(1,031)	(1,078)
Net Income		<u>26,064</u>	<u>28,071</u>

The attached notes from 1 to 21 form part of these consolidated financial statements.  
The independent auditors' report is set out on page 1.

# Annual Report 2014

## The Arab Monetary Fund

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY For the year ended 31 December 2014

	Paid-up capital	General reserve	Contingency reserve <i>AAD 000</i>	Available for sale investments valuation reserve	Total
<b>2013</b>					
<b>Comprehensive Income</b>					
Net income for the year 2013	-	28,071	-	-	28,071
Unrealized changes in values of available-for-sale investments excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	(418)	(418)
<b>Net Comprehensive Income</b>	-	28,071	-	(418)	27,653
<b>Changes in equity</b>					
Balance at 1 January 2013	596,040	272,110	145,000	(561)	1,012,589
Capitalized from reserve to increase share capital	149,010	(149,010)	-	-	-
Contributions received in cash to increase share capital	495	-	-	-	495
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (11th)	-	(2,788)	-	-	(2,788)
<b>Balance at 31 December 2013</b>	<b>745,545</b>	<b>143,383</b>	<b>150,000</b>	<b>(979)</b>	<b>1,037,949</b>
<b>2014</b>					
<b>Comprehensive Income</b>					
Net income for the year 2014	-	26,064	-	-	26,064
Unrealized changes in values of available-for-sale investments excluding amounts attributable to other shareholders in the Subsidiary	-	-	-	(256)	(256)
<b>Net Comprehensive Income</b>	-	26,064	-	(256)	25,808
<b>Changes in equity</b>					
Balance at 1 January 2014	745,545	143,383	150,000	(979)	1,037,949
Prior years adjustment	-	216	-	-	216
Contributions received in cash to increase share capital	23,912	-	-	-	23,912
Transfer to contingency reserve	-	(5,000)	5,000	-	-
Appropriation to support Palestinian People (12th)	-	(2,807)	-	-	(2,807)
<b>Balance at 31 December 2014</b>	<b>769,457</b>	<b>161,856</b>	<b>155,000</b>	<b>(1,235)</b>	<b>1,085,078</b>

The attached notes from 1 to 21 form part of these consolidated financial statements.  
The independent auditors' report is set out on page 1.

# Annual Report 2014

## The Arab Monetary Fund

### CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2014

	Note	2014 AAD 000	2013 AAD 000
<b>Operating activities</b>			
Net income for the year		26,064	28,071
Adjustments for:			
Depreciation of fixed assets		89	89
Changes in interests of other shareholders in the Subsidiary		22,858	11,390
		<u>49,011</u>	<u>39,550</u>
Loans drawings		(59,325)	(121,733)
Loans repayments		123,374	96,242
Change in lines of credit		(13,707)	(4,613)
Change in accounts receivable and other assets		(20,655)	18,341
Change in accounts payable and other liabilities		(37,553)	(44,498)
Change in deposits with banks maturing after six months from the date of the statement of financial position		(35,154)	(10,784)
Change in deposits from monetary and financial institutions		83,799	491,044
		<u>89,790</u>	<u>463,549</u>
Net cash from operating activities			
<b>Investing activities</b>			
Purchase of fixed assets		(309)	(59)
Change in investments in alternative strategies funds		(49,037)	8,802
Change in available for sale securities		(106,892)	(115,907)
Change in held-to-maturity securities		(275,436)	(207,063)
		<u>(431,674)</u>	<u>(314,227)</u>
Net cash (used) in investing activities			
<b>Financing activities</b>			
Contributions received to increase share capital		23,912	495
Appropriation paid to support Palestinian People		(2,880)	(2,202)
		<u>21,032</u>	<u>(1,707)</u>
Net cash from financing activities			
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(320,852)</b>	<b>147,615</b>
Cash and cash equivalents at beginning of year		1,543,428	1,395,813
		<u>1,222,576</u>	<u>1,543,428</u>
<b>Cash and cash equivalents at end of year</b>	18	<b>1,222,576</b>	<b>1,543,428</b>

The attached notes from 1 to 21 form part of these consolidated financial statements.  
The independent auditors' report is set out on page 1.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 1 ACTIVITIES

The Arab Monetary Fund is a regional Arab financial institution formed in 1976 and started its operations in April 1977, being desirous of laying the monetary foundations of Arab economic integration and accelerating the process of economic development in all Arab countries. The Fund includes all the Arab countries members in the League of Arab States. The Fund is situated in Abu Dhabi, United Arab Emirates (P O Box 2818, Abu Dhabi, United Arab Emirates).

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention as modified for forward foreign exchange contracts, available for sale investment securities and investments in the alternative strategies funds which are measured at fair value.

In accordance with the Articles of Agreement of the Fund, the consolidated financial statements are expressed in Arab Accounting Dinars ("AAD") rounded to the nearest thousand. Each AAD is equal to three Special Drawing Rights ("SDR") as defined by the International Monetary Fund.

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis to ensure appropriate valuations of assets and liabilities and recognition of results in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The accounting policies have been consistently applied.

##### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Arab Monetary Fund (the "Fund") and Arab Trade Financing Program (the "Subsidiary") in which the Fund owns more than 50% of its subscribed and fully paid up capital as of 31 December 2013 and 2014 as explained in note 10. The Subsidiary was established in accordance with resolution number (4) of 1989 by the Board of Governors of the Arab Monetary Fund with the aim of promoting and developing intra-Arab trade by providing the necessary financing in the form of lines of credit to Arab exporters and importers in member countries. The Subsidiary has its headquarters in Abu Dhabi, United Arab Emirates.

All significant inter-company balances, transactions and profits have been eliminated on consolidation.



## The Arab Monetary Fund

---

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

#### 2 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

##### i Initial recognition

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

##### ii Held-to-maturity investment securities - at amortised cost

Held-to-maturity investments comprise investment securities which are purchased with the intention of holding them to maturity and are measured at amortised cost. For investments carried at amortised cost, any gain or loss is recognised in the consolidated statement of income when the investment is de-recognised or impaired, as well as through the amortisation process.

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

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

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

Available-for-sale securities comprise those investments in bonds and financial papers other than held-to-maturity investments and investments at fair value through consolidated statement of income. It does not comprise of loans, or receivables originated by the Fund or the Subsidiary. Investments which are classified as “available-for-sale” through equity are measured at fair value at the statement of financial position date, with unrealised gain or loss reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

The fair value of available-for-sale securities is based on quoted market prices where available, or dealer price quotations or pricing models provided by established price information services.

##### v Loans and receivables

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

vi Financial assets and liabilities not included in (ii) to (v) above are stated at their fair value through the consolidated statement of income.

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

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 2 SIGNIFICANT ACCOUNTING POLICIES continued

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

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired as follows:

###### i *Loans to Member Countries*

The Fund adopts the policy of making provisions against interest on loans to member Countries who have defaulted in settlement of any instalment due for more than a year, as well as against interest calculated on delayed loan principal and interest instalments. The Fund then endeavours to reach agreements with those Countries for the settlement of their arrears.

###### ii *Financial Investments*

The Fund assesses, periodically, the exposure of its investments to a prolonged or significant decline in market value against cost. The assessment process requires the exercise of estimates and assumptions based primarily on the presence of evidence to support a decline in the credit or financial rating of the issuer.

In case objective evidence exists that a financial asset is impaired, the estimated recoverable amount of that financial asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount as follows:

- For financial assets carried at cost, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the consolidated statement of income for the period.
- For available for sale financial assets, if a loss has been recognised directly in equity (i.e. recoverable amount is below original acquisition cost), and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the consolidated statement of income for the period.

##### (e) Foreign currencies

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

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Assets (except fixed assets) and liabilities in foreign currencies at the statement of financial position date are translated at SDR rates of exchange at that date as issued by the International Monetary Fund. Forward foreign exchange contracts are valued at market rates applicable to their respective maturities at the statement of financial position date, and any resulting net gains or losses are taken to the income statement.

Fixed assets are recorded at historical rates of exchange.

###### ii *Financial statements of the Subsidiary*

The currency mix of the Fund's assets is closely aligned to the components of the SDR basket of currencies composing the special drawing rights unit. The investment in the subsidiary is included in the US Dollar Component of the fund's assets aligned to the SDR currency composition. Accordingly, exchange differences arising from the translation of the Subsidiary's financial statements are offset by the corresponding differences arising from translation of Fund's assets denominated in other currencies.

###### iii *Derivative financial instruments*

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

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

#### 2 SIGNIFICANT ACCOUNTING POLICIES continued

**(f) Depreciation of fixed assets**

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

**(g) Pension obligations and employees' terminal benefits**

The Fund's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value of the obligations compared to the fair value of plan assets. The calculation is performed by a qualified actuary every three years at least. Pension scheme assets, the net income arising thereon and corresponding liabilities are accounted for separately.

Terminal benefits relating to employees who are not covered under the pension fund scheme are accounted for in accordance with the relevant regulations.

**(h) Revenue recognition**

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

**(i) Cash and cash equivalents**

For the purposes of the consolidated statement cash flow statement presentation, cash and cash equivalents are defined as current and call accounts with banks and International Monetary Fund and deposits with banks maturing within six months from the statement of financial position date.

#### 3 LOANS TO MEMBER COUNTRIES

	2014 AAD 000	2013 AAD 000
Balance at 1 January	466,096	440,605
Drawings during the year	59,325	121,733
Repayments during the year	(123,374)	(96,242)
Balance at 31 December	<u>402,047</u>	<u>466,096</u>

Loans to member countries at 31 December 2014 include over one year principal amounts overdue and not received of AAD 23,583 thousand (2013: AAD 17,757 thousand). Total outstanding loans balance of countries in delay as at 31 December 2014 amounted to ADD 71,158 thousand (2013: AAD 17,757 thousand).

Loans to member countries also include capitalisation of unrealised interest forming part of restructuring the debt position of two of the member countries. The fund follows a policy of recognizing capitalized interest proportionately with the rescheduled debt repayments. Therefore, the balance of unrealised capitalised interest is included in accounts payable and other liabilities as deferred income, and gradually amortized to the consolidated income statement proportionately with the debt repayments. The balance of unrealized capitalized interest as at 31 December 2014 amounted to AAD 53,545 thousand (2013: AAD 57,883 thousand).

The undisbursed balance of the contracted loans at 31 December 2014 amounted to AAD 72,237 thousand (2013: AAD 75,052 thousand).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

#### 4 LINES OF CREDIT

	2014 AAD 000	2013 AAD 000
Balance at 1 January	131,560	126,947
Drawings during the year	183,371	182,137
	<u>314,931</u>	<u>309,084</u>
Repayments during the year	(178,040)	(177,236)
Differences in translation to AAD	8,376	(288)
Balance at 31 December	<u>145,267</u>	<u>131,560</u>

Lines of credit represent facilities provided by the Subsidiary with the aim of promoting intra-Arab trade. Unutilised balances of contracted lines of credit as at 31 December 2014 amounted to AAD 1,081 thousand (2013: AAD 50 thousand).

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

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

#### 6 FINANCIAL INVESTMENTS

Financial investments comprise of highly rated instruments of governments, international institutions, corporations, banks and investments in alternative strategies funds as follows:

	2014 AAD 000	2013 AAD 000
<b>Investments at fair value through equity:</b>		
Investment in alternative strategies funds: Available-for-sale	-	18,987
Available-for-sale securities	349,795	242,257
	<u>349,795</u>	<u>261,244</u>
<b>Investment at fair value through consolidated statement of income:</b>		
Investment in alternative strategies and real estates funds	67,122	-
<b>Held-to-maturity securities (at amortised cost)</b>	<u>1,742,353</u>	<u>1,466,917</u>
	<u>2,159,270</u>	<u>1,728,161</u>
<b>Change in fair value of investments through equity</b>		
Change in value of investments in alternative strategies funds	-	902
Change in value of investment in securities	(1,235)	(1,881)
	<u>(1,235)</u>	<u>(979)</u>

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

The market value of the held-to-maturity investments at 31 December 2014 was AAD 1,745,838 thousand (2013: AAD 1,468,858 thousand).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

#### 7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2014 <i>AAD 000</i>	2013 <i>AAD 000</i>
Total interest receivable	104,649	102,296
Deduct: Interest set-aside in accordance with rescheduling agreements	(45,593)	(45,593)
Overdue interest receivable	(47,762)	(44,829)
	<u>11,294</u>	<u>10,874</u>
Contribution in Inter-Arab Investment Guarantee Corporation	6,379	6,225
Fixed assets	492	272
Other debit balances	6,788	6,457
Net value of investment transactions	19,750	-
	<u>44,703</u>	<u>23,828</u>

The Fund's share in the Arab Investment & Export Credit Guarantee Corporation consists of 8,118 shares at a nominal value of one thousand KWD per share, having an acquisition value of USD 27.5 million. The Fund's Board of Governors has agreed on 16 April 2002 and based on its resolution number (6) to contribute in increasing the corporation's capital by the above amount, which was fully paid.

#### 8 SUBSCRIBED AND PAID-UP CAPITAL

	2014 <i>AAD 000</i>	2013 <i>AAD 000</i>
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	(130,543)	(154,455)
Capital paid-up	<u>769,457</u>	<u>745,545</u>

The Board of Governors of the Arab Monetary Fund had approved through resolution number (3) of 2013 increasing the Fund's authorized share capital by AAD 600 million, to become AAD 1,200 million. The resolution has also called for subscriptions from member countries amounting to AAD 300 million, half of which amounting to AAD 149.010 million to be paid by transfer from general reserve, and the remaining half amounting to AAD 149.010 million by cash transfer from member countries in five annual instalments commencing in April 2014, and continued consideration of deferring the payment of Palestine share in accordance with the Board's resolution number (7) of 1978.

The unpaid share capital represents the increase in the share capital to be paid through cash transfer during the period up to 2018, in addition to the deferred share of Palestine.

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 9 RESERVES

The transfer to the contingency reserve is made in accordance with the Board of Governors' resolutions number (7) of 1989 and number (4) of 2000, under which an annual sum being the greater of AAD 5 million or 10% of the net income for the year is to be appropriated to the contingency reserve each year. This reserve is to be used to mitigate any unforeseen future losses and the remaining amount is transferred to the general reserve.

The general reserve at 31 December 2014 includes AAD 17,839 thousand (2013: AAD 16,335 thousand) being the Fund's share in reserves of the Subsidiary.

The Board of Governors approved through resolution number (7) of 2014, a 12<sup>th</sup> appropriation of 10% of 2013 net income amounting to AAD 2,807 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (6) of 2013, a similar appropriation of 10% of 2012 net income amounting AAD 2,788 thousand for the same purpose.

In respect of the rights of member Countries in reserves, and because the payments of capital shares were made by member Countries on different dates, the resolution of the Board of Governors number (3) of 2005 accorded the application of the principal of weighted average capital (based on amounts and dates of Capital payments by each member Country) in determining the share of each member Country in the income and reserves.

#### 10 INTEREST OF OTHER SHAREHOLDERS IN THE SUBSIDIARY

Interest of other shareholder in the Subsidiary comprises minority shareholders interest in the net assets of the Subsidiary (Arab Trade Financing Program) at the statement of financial position date. Their interest is denominated in US dollars, being the base currency of the Subsidiary. Their ownership on 31 December 2014 is 43.61% of the authorized share capital (2013: 39.85%).

	2014 USD 000	2013 USD 000
Owners' equity in the base currency of the Subsidiary:		
- Paid up capital	986,605	916,485
- Reserves	124,278	113,918
Total owners' equity	<u>1,110,883</u>	<u>1,030,403</u>
The percentage of other shareholders interest in the Subsidiary	43.61%	39.85%
The value of other shareholders interest in the Subsidiary	<u>484,463</u>	<u>410,642</u>
	2014 AAD 000	2013 AAD 000
The value of other shareholders interest in the Subsidiary in the base currency of the Fund	<u>111,463</u>	<u>88,821</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 11 DEPOSITS FROM 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 Agencies and Central Banks at agreed rates of interest.

#### 12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2014 AAD 000	2013 AAD 000
Unrealised capitalised interest	53,545	57,883
Investments transactions payable	-	37,930
Accrued interest payable	869	864
Other credit balances	12,890	8,253
	<u>67,304</u>	<u>104,930</u>

#### 13 INVESTMENT INCOME

	2014 AAD 000	2013 AAD 000
Investment in alternative strategies funds – through reserves	1,016	1,018
Available-for-sale securities – through reserves	4,320	3,021
Investment in alternative strategies and real estate's funds - through income statement	835	-
Held-to-maturity securities	13,825	14,755
	<u>19,996</u>	<u>18,794</u>

#### 14 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2014 include Board of Directors remuneration and employees salaries and benefits amounting to AAD 3,925 thousand (2013: AAD 3,779 thousand). The Fund and its Subsidiary employed 180 employees as of 31 December 2014 (2013: 178 employees).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 15 TECHNICAL ASSISTANCE EXPENSES

	<i>2014</i>	<i>2013</i>
	<i>AAD 000</i>	<i>AAD 000</i>
Training courses and seminars	255	271
Direct technical assistance to member Countries	79	77
	<u>334</u>	<u>348</u>

#### 16 CONTRIBUTION TO HIPC

The Board of Governors approved through resolution number (1) for 2003, to provide loans exemptions through the Fund's participation in the Highly Indebted Poor Countries' initiative (HIPC) concerning the Islamic Republic of Mauritania. As part of the same initiative, the Board of Governors approved through resolution number (4) for 2012 additional exemptions to the Union of the Comoros. The relief from interest is charged to the income statement on the accrual basis.

	<i>2014</i>	<i>2013</i>
	<i>AAD 000</i>	<i>AAD 000</i>
Cumulative balance of debt reliefs up-to 31 December	6,360	5,703
Cumulative balance of debt reliefs at beginning of year	(5,703)	(5,273)
Debt reliefs recognised in the income statement for the year	<u>657</u>	<u>430</u>

#### 17 MANAGED FUNDS

The Fund and the Subsidiary assigned a part of their investment portfolios for management to a number of specialised external fund managers for agreed fees in accordance with respective fund management agreements. Managed funds amounted to AAD 118,775 thousand as at 31 December 2014 (2013: AAD 68,752 thousand).

Funds managed by the Arab Monetary Fund for Arab countries and Arab Specialised Organisations amounted to AAD 6,582 thousand as at 31 December 2014 (2013: AAD 5,354 thousand).

#### 18 CASH AND CASH EQUIVALENTS

	<i>2014</i>	<i>2013</i>
	<i>AAD 000</i>	<i>AAD 000</i>
Current and call accounts with banks and International Monetary Fund	6,551	5,799
Deposits with banks	1,287,374	1,573,824
Less: deposits maturing after six months from the statement of financial position date	(71,349)	(36,195)
	<u>1,222,576</u>	<u>1,543,428</u>



## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 19 GEOGRAPHICAL DISTRIBUTION OF INVESTMENT PORTFOLIO

The geographical classification of the investment portfolio is based on the country of institution for current, call and deposit accounts with banks and International Monetary Fund, and on the location of the issuer for securities portfolio.

The geographical distribution of the investment portfolio as at 31 December was as follows:

	<i>2014</i>	<i>2013</i>
	<i>AAD 000</i>	<i>AAD 000</i>
Arab countries	<b>1,149,428</b>	1,228,764
Europe	<b>991,428</b>	929,183
North America	<b>228,612</b>	152,180
Far East and Pacific	<b>934,096</b>	787,554
Supra National Organisations	<b>148,131</b>	175,366
Africa	<b>1,500</b>	34,737
	<b><u>3,453,195</u></b>	<u>3,307,784</u>

#### 20 PENSION OBLIGATIONS

In accordance with the policies followed by the Fund an actuarial valuation of the Fund's obligations toward employees covered under the Pension Plan is carried out every three years at least. The valuation which was carried out as at 31 December 2013, estimated the present value of retirement benefits (the value of the liabilities in respect of service up to the valuation date) to be UAE Dirhams 58,679 thousand (AAD 3,676 thousand). Based on the assumptions made in the actuaries' report, the book value of the pension fund's assets of UAE Dirhams 52,442 thousand (AAD 3,285 thousand) as at the valuation date was less than the present value of retirement benefits in respect of the service up to the valuation date by UAE Dirhams 6,237 thousand (AAD 391 thousand). Arab Monetary fund decided to cover the difference by instalments over the forthcoming three years period.

The amount of pension contribution recognised as an expense in the financial statements of the Fund for the year ended 31 December 2014 amounted to AAD 183 thousand (2013: AAD 134 thousand).

Funds managed by the Arab Monetary Fund for its Pension Plan amounted to UAE Dirhams 51,607 thousand (AAD 3,233 thousand) as at 31 December 2014 (2013: UAE Dirhams 52,443 thousand (AAD 3,089 thousand)).

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014

#### 21 FINANCIAL INSTRUMENTS

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

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

	Total	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
<i>AAD 000</i>						
<b>Assets</b>						
Current and call accounts with banks & IMF	6,551	6,551	-	-	-	-
Term deposits with banks	1,287,374	1,216,025	71,349	-	-	-
Available- for-sale securities	349,795	349,795	-	-	-	-
Alternative strategies at realstate funds	67,122	67,122	-	-	-	-
Held-to-maturity securities	1,742,353	606,228	627,668	483,246	25,211	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	145,267	108,883	28,683	7,701	-	-
Loans to member countries	402,047	53,769	65,716	225,509	31,571	25,482
Accounts receivable and other assets	44,703	30,948	680	463	-	12,612
	<u>4,050,548</u>	<u>2,439,321</u>	<u>794,096</u>	<u>716,919</u>	<u>56,782</u>	<u>43,430</u>
<b>Equity and liabilities</b>						
Interest of other shareholders in the Subsidiary	111,463	-	-	-	-	111,463
Deposits from monetary and financial institutions	2,786,703	2,754,262	32,441	-	-	-
Accounts payable and other liabilities	67,304	5,715	3,438	32,554	16,637	8,960
	<u>2,965,470</u>	<u>2,759,977</u>	<u>37,879</u>	<u>32,554</u>	<u>16,637</u>	<u>120,423</u>

##### (a) Maturities of assets and liabilities- 31 December 2013

Maturity analysis of the consolidated assets and liabilities as at 31 December 2013 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>						
Current and call accounts with banks & IMF	5,799	5,799	-	-	-	-
Term deposits with banks	1,573,824	1,537,628	36,196	-	-	-
Available- for-sale securities	242,257	242,257	-	-	-	-
Alternative strategies at realstate funds	18,987	18,987	-	-	-	-
Held-to-maturity securities	1,466,917	587,058	333,961	517,088	28,810	-
Deposits with central banks	5,336	-	-	-	-	5,336
Lines of credit	131,560	92,752	24,136	14,672	-	-
Loans to member countries	466,096	63,416	62,677	280,266	41,980	17,757
Accounts receivable and other assets	23,828	16,099	692	540	-	6,497
	<u>3,934,604</u>	<u>2,563,996</u>	<u>457,662</u>	<u>812,566</u>	<u>70,790</u>	<u>29,590</u>
<b>Equity and liabilities</b>						
Interest of other shareholders in the Subsidiary	88,821	-	-	-	-	88,821
Deposits from monetary and financial institutions	2,702,904	2,684,735	18,169	-	-	-
Accounts payable and other liabilities	104,930	38,309	3,244	30,792	23,644	8,941
	<u>2,896,655</u>	<u>2,723,044</u>	<u>21,413</u>	<u>30,792</u>	<u>23,644</u>	<u>97,762</u>

## The Arab Monetary Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

#### 21 FINANCIAL INSTRUMENTS continued

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

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

A significant concentration of the available for sale and held to maturity investment portfolios is invested in highly rated debt securities with lower risks. Loans are extended by the Fund to member Countries in order to correct disequilibria in their balance of payments and to finance structural adjustment programs in those countries. Lines of credit are extended by the Subsidiary to provide financing to Arab exporters and importers in the member countries with a view to promoting and developing intra-Arab trade in line with the Subsidiary's mandate.

The Fund and the Subsidiary seek to contain their exposure to credit risk relating to their financing activities through the implementation of policies and procedures that are designed to maintain the exposures within pre-defined limits. These limits have been set on the basis of the type of loans and the members' subscription to capital in convertible currencies and the credit rating of the counterparty, and hence the possibility of a credit loss is considered remote.

##### (c) Interest rate risk management

The risk of interest rate volatility for the Fund and its Subsidiary is very limited, as its being managed through revising the interest on lines of credit and loans to member Countries and through maturity date management techniques for held to maturity financial investments and repayment periods for available for sale investments.

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

	<i>Change in basis points</i>	<i>2014 AAD 000</i>	<i>2013 AAD 000</i>
Effect on Owners' equity	25	297	653
Effect on Consolidated income statement	25	1,177	1,100

##### (d) Fair value risk management

The fair value of the financial assets and liabilities is almost equal to their book values as shown in the financial statements the fair value risk is being managed by diversifying the components of the said assets and liabilities.

##### (e) Currency risk

The Fund principally manages currency risk by substantially maintaining its investment portfolio in currencies 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 Subsidiary principally manages its currency risk by lending in its base currency, US Dollar, and through the use of forward foreign exchange contracts for assets and liabilities denominated in foreign currencies.

Forward foreign exchange contracts entered into and outstanding at 31 December 2014 amounted to AAD 1,020,243 thousand (2013: AAD 894,281 thousand).

## The Arab Monetary Fund

---

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

### 21 FINANCIAL INSTRUMENTS continued

#### (f) Liquidity risk management

The liquidity risk is being managed by diversification in the components of assets, taking in consideration due dates of liabilities, liquidity requirements and by retaining enough balances of cash, cash equivalents and tradable financial instruments.

#### (g) Capital risk management

Capital is being managed in a way to achieve the main objectives of the Fund and its Subsidiary as stated in the Fund's Articles of Agreement and the Subsidiary's Articles of Association. This is being fulfilled by diversifying and managing the components of the assets taking into consideration due dates and costs of liabilities, in order to generate a return that supports the financial position through what gets allocated to their reserves to expand operations, in addition to Subsidiary's obligation to distribute cash dividends to its shareholders. The Capital base is composed of capital and reserves as detailed in page (4) as part of the Consolidated statement of changes in equity.

## Lending Appendices

### Appendix (A-1) Loans Extended to Member States 1978 - 2014

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total	
1978	1	Egypt	4,688								
	2	Sudan	1,875								
			<b>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>	<b>78,615</b>
1982	22	Sudan			5,000						
	23	Sudan	3,600								
	24	Mauritania	2,190								
	25	Morocco	1,875								
	26	Syria	2,940								
	27	Mauritania			8,240						
	28	Yemen	3,675								
	29	Yemen				3,920					
				<b>14,280</b>	<b>0</b>	<b>13,240</b>	<b>3,920</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,440</b>
	1983	30	Iraq	27,930							
31		Sudan				4,800					
32		Sudan	1,875								
33		Yemen					3,920				
34		Mauritania	750								
35		Iraq				27,000					
36		Syria					3,000				
37		Jordan	3,990								
38		Jordan					1,960				
39		Yemen		5,700							
			<b>34,545</b>	<b>5,700</b>	<b>0</b>	<b>31,800</b>	<b>8,880</b>	<b>0</b>	<b>0</b>	<b>80,925</b>	
1984	40	Somalia	1,500								
	41	Yemen					4,900				
	42	Sudan			4,335						
	43	Morocco	1,875								
	44	Yemen	3,690								
			<b>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>	

# Annual Report 2014

## Appendix (A-1) Loans Extended to Member States 1978 - 2014

(Thousands of AAD)

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

## Appendix (A-1)

### Loans Extended to Member States 1978 - 2014

(Thousands of AAD)

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

# Annual Report 2014

## Appendix (A-1)

### Loans Extended to Member States 1978 - 2014

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	Total
2009	142	Jordan	7,365							
	143	Jordan							12,275	
	144	Morocco							47,863	
	145	Mauritania							9,120	
	146	Morocco				21,880				
			7,365	0	0	21,880	0	0	69,258	98,503
2010	147	Jordan				9,820				
	148	Jordan							17,185	
	149	Morocco							47,863	
	150	Yemen			43,000					
			0	0	43,000	9,820	0	0	65,048	117,868
2011	151	Morocco						13,675		
	152	Egypt	43,725							
	153	Egypt							58,300	
			43,725	0	0	0	0	13,675	58,300	115,700
2012	154	Jordan	7,365							
	155	Yemen		21,000						
	156	Yemen				24,000				
	157	Tunisia							15,935	
	158	Tunisia				12,750				
	159	Tunisia	9,562							
	160	Morocco				27,350				
			16,927	21,000	0	64,100	0	0	15,935	117,962
2013	161	Sudan							9,800	
	162	Yemen		21,000						
	163	Jordan				12,790				
	164	Jordan			12,790					
	165	Comoros			787					
	166	Tunisia							12,000	
	167	Tunisia							20,000	
	168	Morocco							60,000	
			0	21,000	13,577	12,790	0	0	101,800	149,167
2014	169	Mauritania			20,000					
	170	Yemen			36,510					
			0	0	56,510	0	0	0	0	56,510
<b>Total</b>			<b>362,126</b>	<b>146,751</b>	<b>410,431</b>	<b>207,675</b>	<b>64,730</b>	<b>32,489</b>	<b>531,962</b>	<b>1,756,164</b>



## Appendix (A-2) Loans Extended to Member States By Type 1978 - 2014

Automatic Loans	No. of Loans	Value of Loans (Million AAD)	Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	5	23.760	Jordan	3	26.090
Tunisia	6	28.762	Algeria	2	60.380
Algeria	1	27.930	Sudan	4	30.385
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	5	81.975	Djibouti	2	0.613
Morocco	10	29.550	Comoros	1	0.787
Mauritania	7	10.320		<b>28</b>	<b>410.431</b>
Yemen	9	40.635			
Comoros	1	0.184			
	<b>62</b>	<b>362.126</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
Morocco	1	6.250	Syria	1	3.000
Mauritania	1	4.500	Iraq	1	18.620
Yemen	7	80.290	Morocco	1	2.500
Djibouti	1	0.367	Yemen	3	13.920
Comoros	1	0.184		<b>11</b>	<b>64.730</b>
	<b>14</b>	<b>146.751</b>			

Compensatory Loans	No. of Loans	Value of Loans (Million AAD)	Structural Adjustment Facility (SAF)	No. of Loans	Value of Loans (Million AAD)
Jordan	4	27.930	Jordan	4	38.584
Tunisia	2	16.200	Tunisia	6	64.944
Sudan	2	9.800	Algeria	1	30.605
Iraq	1	27.000	Sudan	2	19.600
Egypt	2	22.375	Lebanon	3	19.526
Morocco	4	66.430	Egypt	4	135.948
Mauritania	2	4.920	Morocco	6	192.208
Yemen	3	33.020	Yemen	1	9.057
	<b>20</b>	<b>207.675</b>	Djibouti	2	0.770
			Syria	2	11.600
			Mauritania	1	9.120
				<b>32</b>	<b>531.962</b>

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

## Appendix (A-3) Balance of Outstanding Loans 2013 - 2014

(Thousands of AAD)

Country	End of 2013			End of 2014		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	31,906	7,790	39,696	26,963	3,895	30,858
Sudan	54,460	3,300	57,760	53,401	3,300	56,701
Syria	2,880		2,880	2,880		2,880
Somalia	14,876		14,876	14,877		14,877
Comoros		787	787		787	787
Iraq	64,862		64,862	56,446		56,446
Egypt	59,758	14,575	74,333	40,810		40,810
Morocco	104,170	20,000	124,170	65,880	20,000	85,880
Yemen	74,900	12,600	87,500	88,380	18,255	106,635
Muritania	4,036		4,036	10,912	10,000	20,912
Tunisia	54,248	16,000	70,248	41,498	16,000	57,498
<b>Total</b>	<b>466,096</b>	<b>75,052</b>	<b>541,148</b>	<b>402,047</b>	<b>72,237</b>	<b>474,284</b>

## Appendix (A-4) Balance of Loans Commitments 1978- 2014

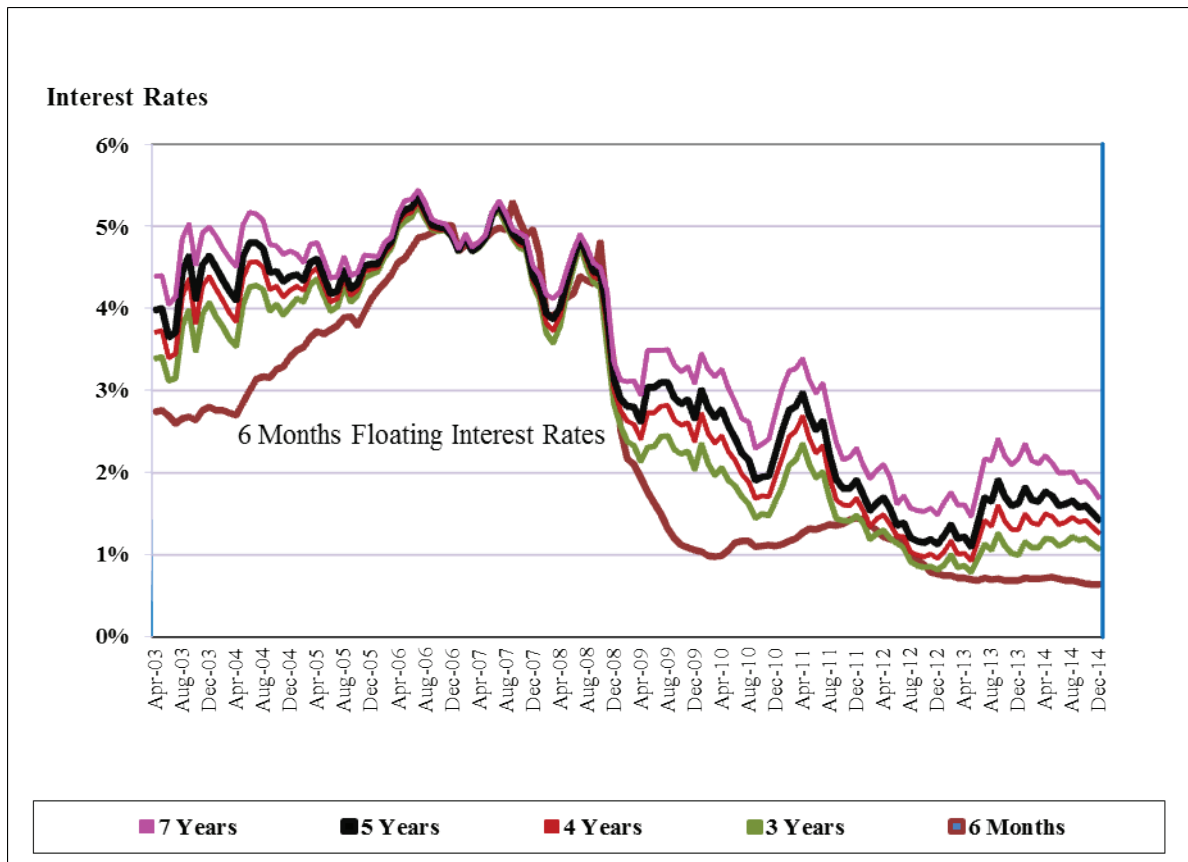
(Thousands of AAD)

Year	Loans Extended during the year	Balance of Outstanding Loans *	Balance of Disbursed Loans **
1978	6,563	6,563	6,563
1979	16,500	23,063	18,062
1980	11,750	48,687	42,187
1981	78,615	102,834	68,674
1982	31,440	129,733	111,700
1983	80,925	198,587	193,037
1984	16,300	189,388	183,423
1985*	50,955	187,724	181,759
1986	33,555	195,558	183,843
1987*	24,570	167,666	157,451
1988	122,117	226,484	213,717
1989	72,660	283,740	242,041
1990	15,675	244,329	233,379
1991	-	213,441	198,641
1992	18,475	189,467	179,467
1993	3,250	162,451	151,131
1994	50,930	203,450	167,985
1995	25,615	211,728	177,562
1996	36,185	218,253	186,905
1997	22,683	231,295	206,697
1998	15,023	227,413	199,314
1999	55,405	263,858	229,129
2000	38,399	276,416	250,459
2001	69,305	300,630	278,997
2002	34,965	278,180	275,970
2003	66,593	316,658	281,121
2004	38,784	280,182	252,695
2005	25,225	275,201	253,376
2006	350	262,611	231,511
2007	11,100	247,693	226,218
2008	28,598	283,693	251,111
2009	98,503	352,671	318,273
2010	117,868	418,105	356,614
2011	115,700	466,769	416,119
2012	117,962	509,722	440,605
2013	149,167	541,148	466,096
2014	56,510	474,284	402,047

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

\*\* Total disbursed loans minus repayments.

## Appendix (A-5) Interest Rates on Loans 2003 - 2014



## General Appendices

### Appendix (B-1) Capital at 31 December 2014

(Thousands of AAD)

Country	Authorized and Subscribed Capital	Paid-Up Capital			Total
		In Local Currencies	In Convertible Currencies	By a Transfer from General Reserve <sup>(2)</sup>	
1 Jordan	14,850	80	5,815.0	6,975.0	12,870.0
2 UAE	52,950	300	20,665.0	24,925.0	45,890.0
3 Bahrain	13,800	80	5,380.0	6,500.0	11,960.0
4 Tunisia	19,275	100	7,542.5	9,062.5	16,705.0
5 Algeria	116,850	760	45,535.0	54,975.0	101,270.0
6 Saudi Arabia	133,425	760	52,087.5	62,787.5	115,635.0
7 Sudan	27,600	200	9,800.0	13,000.0	23,000.0
8 Syria	19,875	80	7,120.0	9,362.5	16,562.5
9 Somalia	11,025	80	3,920.0	5,187.5	9,187.5
10 Iraq	116,850	760	45,535.0	54,975.0	101,270.0
11 Oman	13,800	80	5,380.0	6,500.0	11,960.0
12 Qatar	27,600	200	10,720.0	13,000.0	23,920.0
13 Kuwait	88,200	500	31,500.0	41,500.0	73,500.0
14 Lebanon	13,800	100	4,900.0	6,500.0	11,500.0
15 Libya	37,035	186	14,488.5	17,422.5	32,097.0
16 Egypt	88,200	500	34,440.0	41,500.0	76,440.0
17 Morocco	41,325	200	16,177.5	19,437.5	35,815.0
18 Mauritania	13,800	80	5,380.0	6,500.0	11,960.0
19 Yemen	42,450	280	16,535.0	19,975.0	36,790.0
20 Palestine <sup>(1)</sup>	5,940	0	0.0	0.0	0.0
21 Djibouti	675	5	245.0	312.5	562.5
22 Comoros	675	5	245.0	312.5	562.5
<b>Total</b>	<b>900,000</b>	<b>5,336</b>	<b>343,411.0</b>	<b>420,710.0</b>	<b>769,457.0</b>

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

(2) In accordance with the Board of Governors' Resolution No. (3) of 2005, a transfer from general reserve was made to cover additional subscriptions. In addition, Pursuant to its resolution No. (3) of 2013, the Board of Governors has approved to increase the authorized capital to AAD 1,200,000 thousand from AAD 600,000 thousand, and the subscription of the member countries in AAD 300,000 thousand and hence, the subscribed capital has increased to AAD 900,000 thousand. The Board also approved the payment of half of the subscription worth AAD 149,010 thousand by transfer from the general reserve.

## Appendix (B-2) Number of Participants Courses / Seminars / Workshops 1988-2014

Number of Activities	Before 1988	Courses	Courses Coordinated With IMF	Courses Coordinated With WTO	Workshops	Workshops Coordinated With Imf	Workshops Coordinated With WTO/IMF	Workshops Coordinated With WTO	Seminars	Seminars Coordinated With IMF	Total
Jordan	14	209	206	33	26	19	6	10	3	4	530
U.A.E	32	265	177	40	14	16	4	8	7	10	573
Bahrain	9	179	137	13	9	13	5	7	7	4	383
Tunisia	11	165	164	31	19	10	5	6	3	3	417
Algeria	6	166	152	18	16	15	4	8	4	3	392
Djibouti	0	14	40	1	0	2	2	0	0	0	59
Saudi Arabia	16	305	283	40	25	20	6	10	16	9	730
Sudan	14	139	215	28	14	16	5	6	4	6	447
Syria	8	189	211	62	68	18	5	5	3	4	573
Somalia	8	13	13	0	0	0	0	0	1	0	35
Iraq	13	114	385	21	15	8	5	2	3	2	568
Oman	9	171	163	32	17	13	6	8	7	6	432
Palestine	0	123	135	28	10	7	5	3	2	3	316
Qatar	5	155	116	16	19	16	5	5	10	3	350
Comoros	0	3	11	8	1	1	0	2	0	2	28
Kuwait	10	173	151	14	12	9	5	2	5	2	383
Lebanon	2	145	150	30	24	14	3	6	2	9	385
Lybia	0	158	107	14	13	7	4	4	3	1	311
Egypt	2	236	181	32	21	17	6	9	2	7	513
Morocco	15	145	203	18	15	15	6	8	3	4	432
Mauritania	9	123	137	18	10	13	1	2	5	4	322
Yemen	21	193	209	25	17	19	5	7	4	5	505
<b>Total</b>	<b>204</b>	<b>3383</b>	<b>3546</b>	<b>522</b>	<b>365</b>	<b>268</b>	<b>93</b>	<b>118</b>	<b>94</b>	<b>91</b>	<b>8684</b>

## Organization and Management

### The Organizational Structure

The structure of the Fund consists of the Board of Governors, the Board of Executive Directors, the Director General and the Staff.

### The Board of Governors

The Board of Governors consists of one governor and one deputy governor appointed by each member country of the Fund. The Board elects on rotation basis annually one of the governors as its Chairman. The Board of Governors is regarded as the General Assembly of the Fund and holds all management powers. The Board convenes once a year.

Member Countries		Governors & Their Deputies
The Hashemite Kingdom of Jordan	Governor	H.E. Dr. Ziad Fariz
	Deputy Governor	H.E. Dr. Ezzeddin Kanakrieh <sup>(1)</sup>
The United Arab Emirates	Governor	H.E. Obaid Humaid Al Tayer
	Deputy Governor	H.E. Mubarak Rashid Al Mansouri <sup>(2)</sup>
The Kingdom of Bahrain	Governor	H.E. Sheikh Ahmed Bin Moh'd Al Khalifa
	Deputy Governor	H.E. Rashid Mohammed Al Mearaj
The Republic of Tunisia	Governor	H.E. Dr. El Chedly Ayari
	Deputy Governor	H.E. Mounya Al Saadawi
The People's Democratic Republic of Algeria	Governor	H.E. Mohamed Djellab <sup>(3)</sup>
	Deputy Governor	H.E. Dr. Mohammed Laksaci
The Republic of Djibouti	Governor	H.E. Boudi Ahmad Roubleh
	Deputy Governor	H.E. Osman Ahmed Ali
The Kingdom of Saudi Arabia	Governor	H.E. Dr. Ibrahim Bin Abdul Aziz Al Assaf
	Deputy Governor	H.E. Dr. Fahd Bin Abdullah Al-Mubarak

(1) From June 2014 replacing H.E. Dr. Omar Mohammad Mansour Al-Zoubi.

(2) From September 2014 replacing H.E. Sultan Bin Nasser Al Suwaidi

(3) From May 2014 replacing H.E. Karim Djoudi.

# Annual Report 2014

The Republic of Sudan	Governor	H.E. Badr Elddine Mahmoud Abbas
	Deputy Governor	H.E. AbdulRahman Hasan A. Hashem
The Syrian Arab Republic	Governor	H.E. Dr. Ismail Ismail
	Deputy Governor	H.E. Dr. Adib M. Mayaleh
Federal Republic of Somalia	Governor	H.E. Hussein A. Halane <sup>(4)</sup>
	Deputy Governor	H.E. Bashir Isse
The Republic of Iraq	Governor	H.E. Dr. Ali Mohsin Ismail <sup>(5)</sup>
	Deputy Governor	H.E. Dr. Salahuddin Hamid Juaatta
The Sultanate of Oman	Governor	H.E. Darwish Bin Ismail Al Balushi
	Deputy Governor	H.E. Hamoud Bin Sangor Al Zidjali
The State of Palestine	Governor	H.E. Dr. Jawad Naji Harzalla <sup>(6)</sup>
	Deputy Governor	H.E. Dr. Jihad Al Wazir <sup>(7)</sup>
The State of Qatar	Governor	H.E. Ali Sherif Al Imaadi
	Deputy Governor	H.E. Sheikh Abdullah Bin Saoud Al Thani
Union of Comoros	Governor	H.E. Mohammad Ali Saleh
	Deputy Governor	H.E. Mohamed Shanfou Mzy Abdou
The State of Kuwait	Governor	H.E. Anas Khaled Al Saleh <sup>(8)</sup>
	Deputy Governor	H.E. Dr. Mohammad Yousef Al Hashel
The Republic of Lebanon	Governor	H.E. Riad Salame
	Deputy Governor	H.E. Raed Charafeddine
State of Libya	Governor	H.E. Saddek Omar Elkaber
	Deputy Governor	H.E. Dr. Ali Ramadan Shnebish
The Arab Republic of Egypt	Governor	H.E. Hisham Ramez Abdul Hafez
	Deputy Governor	H.E. Dr. Hany Kadry Dimian <sup>(9)</sup>

(4) From March 2014 replacing H.E. Mohamud Hassan Suleiman.

(5) From September 2014 replacing H.E. Dr. Abdulbasit Turki Said..

(6) From May 2014 replacing H.E. Saeed Tawfik Khoury.

(7) From May 2014 replacing H.E. Dr. Saleh Jallad.

(8) From January 2014 replacing H.E. Sheikh Salem Abdul Aziz Al Sabah.

(9) From March 2014 replacing H.E. Dr. Ahmad Jalal.





# Annual Report 2014

The Kingdom of Morocco	Governor Deputy Governor	H.E. Mohammad Boussaid H.E. Abdellatif Jouhari
The Islamic Republic of Mauritania	Governor Deputy Governor	H.E. Sid Ahmed Ould Raiss H.E. Dr. Mohamed Lemine Reghani
The Republic of Yemen	Governor Deputy Governor	H.E. Mohamed Mansour Ali Zenam <sup>(10)</sup> H.E. Mohamed Awad Benhumam

---

(10) From June 2014 replacing H.E. Sakhar Ahmed Abbas AlWageh.

## The Board of Executive Directors

The Board of Executive Directors is composed of the Director General of the Fund as Chairman and eight non-resident members elected by the Board of Governors for a renewable term of three years. The Board is entrusted with the supervision of the Fund's activities and renders advice when deemed necessary.

### Members of the Board of Executive Directors

Executive Directors	Countries Represented	Voting Power (percent)
H.E Dr. Abdulrahman Bin Abdullah Al Hamidy.	Director General & Chairman of the Board of Executive Directors	
H.E. Mohammed Saleh Alghofaili	The Kingdom of Saudi Arabia	13.96
H.E. Abedlhak Bedjaoui	The People's Democratic Republic of Algeria	12.27
H.E. Muneer M.Omran	The Republic of Iraq	12.27
H.E. Abdelati Jabir Elhaj (Sudan)	The Arab Republic of Egypt The Republic of Yemen The Republic of Sudan The Somali Federal Republic The Republic of Djibouti The Comoros	19.65*
H.E Younis Haji Al Khoori (U.A.E)	The State of Kuwait The United Arab Emirates	15.13
H.E Dr.Cheikh El Kebir Moulaye Taher <sup>(1)</sup>	The Kingdom of Morocco The Great Socialist People's Libyan Arab Jamahiriya The Republic of Tunisia The Islamic Republic of Mauritania	12.87
H.E. Sheikh Salman Bin Isa Al-Khalifa (Bahrain)	The State of Qatar The Kingdom of Bahrain The Sultanate of Oman	6.77
H.E. Raed Charafeddine (Lebanon)	The Syrian Arab Republic The Hashemite Kingdom of Jordan The Republic of Lebanon The State of Palestine	7.07

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

<sup>(1)</sup> From November 2014 replacing H.E Dr. Mohamed Lemin Reghani.

## **The Director General and the Staff**

The Board of Governors appoints a Director General of the Fund for a renewable term of five years. He serves ex-officio as Chairman of the Board of Executive Directors. The Director General of the Fund is the head of the staff and is responsible for all the work of the Fund. Staff members are currently distributed among the following six departments:

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

The organizational structure of the Fund also comprises the Bureau of the Internal Audit, the Office of the Director General and various other committees including those on Loans and Investment which are statutory. It also includes an Administrative Committee established within the framework of the Personnel Regulations by a decision of the Board of Executive Directors which was endorsed by the Board of Governors.



**Arab Monetary Fund**  
**Abu Dhabi, United Arab Emirates**  
**P.O.Box: 2818**  
**website: [http:// www.amf.org.ae](http://www.amf.org.ae)**