صندوق النقد العربي
ARAB MONETARY FUND

ANNUAL REPORT
2021

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Introduction

The annual report of the Arab Monetary Fund (AMF) is prepared as stipulated in Article 33 of AMF's Articles of Agreement. The report provides a summary of the AMF's activities and the financial position for the year ended December 31ST, 2021. The activities include the financial and technical support through lending and technical advice, its contribution to support the development of the financial and banking sector, and the training courses, workshops, and seminars, organized by the Training and Capacity Building Institute affiliated to the Fund, to contribute to building capacity of Arab officials in the Ministries of Finance, Planning, Economy, and Trade, Central Banks, and Statistical Bureaus. The Report also reviews research activities, including economic, financial, and monetary studies, reports, bulletins and booklets. This is in addition to the activities and events organized by the AMF in the economic, monetary and financial fields aiming at exploring solutions and proposals to various challenges facing Arab economies, as well as exchanging views and experiences on contemporary economic issues, in a way that contributes to supporting economic development efforts. The report sheds light on AMF's initiatives addressing the technical support requirements of its member countries, together with the development and modernization of the infrastructure of financial, monetary and banking systems. Moreover, the report highlights developments in the Fund's investment activity, as per Article 5 of its Articles of Agreement, as well as presenting its activities in supporting Arab trade.



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

Message of the Director General, Chairman of the Board

Significant steps have been taken so far by many economies heading for recovery during 2021 reaping the benefits of the comprehensive stimulus measures and packages provided by governments to limit the impacts of the Covid-19 pandemic, as the global economy witnessed varying signs of recovery. However, such recovery entails some challenges arising from the vaccines' distribution inequality, mounting public debt, and tight fiscal space for governments to finance the recovery phase.

Despite the early efforts exerted by most governments around the world to deal with the impacts of the Covid-19 pandemic, a state of anticipation and caution prevailed throughout 2021 among policymakers and decision-makers over the world for many and varied reasons. Foremost of which is the inability of most developing and low-income countries to provide the funding needed to obtain vaccines, as only about 4 percent of the population in low-income countries received full vaccination until the end of 2021, mostly for funding reasons, in addition to inconsistency in vaccines distribution. Many low-income countries are impeded by difficulties in securing enough financing to restore economic growth, and to compensate for the resources drained by the pandemic to reduce the implications thereof, in addition to the tight fiscal space to finance the recovery phase due to the burdens arising out of the support packages adopted by governments, which represented an unexpected burden on government budgets, exacerbating the challenges that existed before the pandemic.

With respect to economic growth, the global economy recorded a recovery during 2021, estimated at 5.9 percent, after recession witnessed in the preceding year, where the gross domestic product (GDP) contracted by about 3.1 percent, the world's worst performance since the 1930s. Advanced economies are heavily relied upon to lead the global economy in the recovery phase. Economic growth rates have improved in correlation with the continued rise in immunization rates in advanced countries, led by the United States of America, the Eurozone, as well as China, which recorded the fastest recovery from the pandemic.

Regarding foreign trade, the volume of international trade in goods and services recorded a growth of 9.3 percent during 2021, compared to a contraction of 8.2 percent in 2020, as a result of slowing economic activities which was expressed by noticeable decrease in demand for goods and services. Supply-side factors also constitute a major challenge to the recovery of foreign trade towards its pre-pandemic levels due to the global supply shortage of semiconductors, which coincides with the high demand for electronics to facilitate the shift to remote work, as well as the challenge associated with the disruption of production chains in many industries as a consequence of irregular services of shipping lines during the pandemic, and the rise in shipping costs to record levels.

In light of the aforesaid, the pandemic poses challenges on the global financial system, which exposed its weaknesses, and highlighted the need to address the impacts on the international debt, the mechanisms of international institutions and their procedures for intervention during

crises to limit their impacts on economic and social conditions, especially in developing and low-income countries. It is noteworthy that the delay and insufficient international interventions to assist these countries have impacted their capabilities to confront the implications of the pandemic and recovery in the appropriate intensity and manner. It is expected that it will take many years for these countries to return to the economic position before the pandemic, due to the chronic structural challenges facing these countries, that constrain their ability to return to the normal growth paths, in the short and medium terms.

As for the Arab countries, the region faces challenges in mobilizing capabilities and availing the needed fiscal space to acquire vaccines and reconsidering the allocations for this purpose by giving a high priority to preventing a renewed exposure to the health crisis witnessed in 2020, and its impacts on human capital, which constitutes the real and sustainable wealth in Arab countries.

It is worth noting in this context the challenges posed by the pandemic, and the inability of the developing countries to service debt, as 108 out of 116 developing countries experienced an increase in the volume of total public debt, and 33 developing countries experienced a significant increase in the public debt to GDP ratios during 2020 and 2021, caused by the double effect of a decline in the GDP on the one hand and an increase in the volume of public debt on the other. Despite the international interventions led by the G20 initiative that focused on addressing indebtedness, during the presidency of the Group by the Kingdom of Saudi Arabia, the number of countries that benefited from these interventions did not reach the target for various reasons, including the impact on the credit rating of the beneficiary countries, and the conditions, which prevented many highly indebted countries from benefiting from such interventions. Developing and low-income countries remained hindered by a liquidity crisis and debt unsustainability, which may limit their economic recovery, and pose a threat of a debt crisis, leading to unpredictable impacts on the global economy.

The recent allocation of Special Drawing Rights, equivalent to approximately U.S.$. 650 billion, announced by the International Monetary Fund (IMF)during the second half of 2021, may represent an opportunity for developing and low-income countries to manage their liquidity and enhances their capabilities during the recovery phase from the pandemic, without exacerbating the existing critical situation of their external debt.

Although the share from these allocations for the developing and low-income countries is approximately U.S.$. 21 billion, they represent only some 3.2 percent, as the allocation are based on countries' quotas in the International Monetary Fund, which is not commensurate with the needs of these countries to face the effects of the pandemic.

On another note, the social distancing and precautions measures imposed due to the pandemic, accelerated developments in payments solutions, as digital payments via mobile phone and other electronic means are now established among the primary means of payments at the expense of cash payments, which resulted in a significant change in trade patterns reflected in the achieved developments in this field in developing countries due to the pandemic, where online retail sales witnessed an unprecedented rise, aided by the efforts exerted by the governments and regulatory authorities in formulating policies aiming to address security concerns in accessing these systems, while encouraging innovation and

facilitating the entry of new payment systems. Despite the pandemic's repercussions, it represented an opportunity to stimulate digital payments, encouraging countries around the world to modernize their payment systems in order support trade in terms of volume and value, and allow recovery to normal development pace.

Despite the enthusiasm to further embrace the shift towards emerging payment methods, as they are seen as key contributors in financial inclusion and promoting inclusive and sustainable economic growth, by providing effective and equitable participation of a larger segment of the population in economic activity, there are still challenges that require rapid and sustainable efforts to address the digital payments concerns, particularly data integrity, financial fraud, and cyber security, which poses significant burdens on regulators and supervisory authorities to cope with and support the rapid technological development of digital payments and the digital economy in general.

The lack of common regulatory standards between geographically contiguous countries may lead to regional monopolies that need to be addressed, by working to standardize technologies such as QR codes, payment infrastructures, such as creating a unified payment platform, that can be accessed globally. Meanwhile, traditional companies face competition risk from their digital counterparts and electronic payment platforms, which requires increasing their investments in technical fields, to avoid their replacement to digitally advanced companies in the short and medium terms.

It is not an exaggeration to say that 2020 and 2021 witnessed the so-called digital payments revolution, and the gained momentum through the spread of digital currencies and applications, provided additional opportunities for more electronic reciprocal sales, despite the risks related to data security, privacy, and sustainable credit terms. This draws attention to the importance of intensified efforts and readiness of governments, relevant local authorities, payment service providers, and traditional financial services companies to take advantage of the new opportunities associated with these transformations.

Encouraging and promoting investments in digital payment systems and digital financial transformation in general is recommended, especially in countries with low level of digitization and financial inclusion. It is also recommended to encourage the adoption of a proactive and diversified approach in embracing to the technological changes when formulating new standards and controls for digital payment systems, taking into account the financial risks that characterize those systems.

It is also key for payment platforms to address the service level expectations and benefits to customers, and work to provide solutions to the challenge of high costs and complexities of complying with regulatory requirements, as this will naturally reflect in the increased demand for digital payment services and encourage the shift from reliance on traditional financial services to digital solutions. As for companies and service providers, the time factor will be the main benefit from the digital transformation and cope with developments by adopting efficient and effective strategies to improve and develop the mechanisms of operating digital platforms, and accessible application programming interfaces, to allow the use of advanced payment systems.

In this regard, the onus falls on the Arab financial sector, especially the banking sector under the supervision of Central Banks and Arab Monetary Institutions, through its role in the recovery phase from the pandemic to be the key supporter of the economy and utilizing the opportunity to shift to a broader dependence on digital financial means. The pandemic has imposed tangible changes in the consumer behaviour in the Arab countries, who is more aware and ready to consider the shift towards digital financial means and tools, compared to the pre-pandemic capacity.

Climate change was not absent from the global scene during 2021, and it featured on the top of agendas and discussions of decision-makers and policymakers. Equally important was the relative surge in energy prices during 2021, among other factors, which may have certain impact on global inflation and economic growth, especially since the surge in prices was caused by various factors, some of which the world has not witnessed before. There is still a long way to go before the transition towards renewable energy, considering its intermittent nature and storage difficulty, as well as the huge investments required for hydroelectric or nuclear energy projects, and the continued weak competitiveness of solar and wind energy with traditional energy sources. Moreover, the full risks that may arise from some renewable energy sources yet remain unknown.

The Arab Monetary Fund, mindful of the developments being witnessed, has issued “guiding principles on how central banks deal with the impacts of natural disasters and climate change on the banking system and financial stability", which included many aspects related to financial stability issues, notably: developing the governance of natural disaster within the Central Bank, developing strategic partnerships between the Central Bank and the authorities concerned with the environment and natural disasters, developing plans to ensure business continuity of the main central systems, preparing stress tests that include the potential impact of natural disasters and climate changes on the banking and insurance sectors, and studying and analysing the impact of the transition from "carbon-intensive" products to low-carbon products, and following up and evaluating systemic risks arising from climate change and studying their sectoral impact.

The Arab Monetary Fund enters the year 2022, with a view that it would be a challenging year in returning to economic normalization and further transformations in the Arab countries, embracing the technological changes the world is witnessing in general, and the digital services in particular.

The Arab countries need to be watchful of the impacts of technological developments on the economic sectors dependent on energy, and significant financial resources needed by the Arab countries to embrace and benefit from the resemble sources of energy.

About the Arab Monetary Fund

The Inception

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

Mission

The establishment of the AMF crowned the efforts made by the Arab countries in the area of monetary and financial cooperation since the middle of the forties, and the Arab region thus became the only region among all regional and economic blocks and groupings in the world to have a monetary fund of its own. The establishment of the AMF realised the dream to which decision-makers in the Arab Countries had long aspired to find the mechanism that would promote monetary cooperation and integration between Arab countries, within the joint Arab action system, which seeks to strengthen economic cooperation and integration ties among the Arab Countries, as a prelude to achieving the desired Arab unity at all levels.

The AMF also adopts a proactive systematic methodology in providing support to its Member Countries, since it investigates repercussions on the Arab economies, resulting from economic developments at the regional and global levels. Similarly, it sets appropriate alternatives to provide financial and technical support to help cope with such repercussions and to bring the Arab economies affected by those developments back on track of sustainable development. The AMF applies systematic strategic plans to manage the crises to which the Arab region economies may be exposed and to address their repercussions.

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

Moreover, The AMF pays particular importance to the development of Arab financial markets, based on its conviction of the important role these markets play in mobilizing and channelling financial resources to finance comprehensive and sustainable economic development plans, to contribute to creating productive job opportunities and to diversify and expand the economic base and productivity.

The AMF provides its Member Countries with technical assistance programs linked to

the elaboration of policies and mechanisms related to the development of national cadres' capacities. It also strives to enrich the adopted initiatives at the regional level, to develop payment systems and modern financial techniques as well as capital markets, economic databases, and national accounts statistics, and to foster efforts aiming at improving financial inclusion and other activities related to the Fund.

Objectives

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

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

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

Means and Resources

The AMF relies on several means to achieve its objectives, identified in Article V of the AMF's Articles of Agreement, including providing short- and medium-term facilities to member countries, to help finance the overall deficit in the balance of payments, and implementing restructure reforms in both financial and banking sector and public finance sector. Such means also include issuing guarantees in favour of member countries, so they would have better opportunities to benefit from other financial sources to fund the total deficit in their balance of payments and playing the role of intermediary in issuing loans in the Arab and international financial markets for the favour of member countries and with their guarantees.

These means also include the coordination of monetary policies in the Arab member countries and the strengthening of cooperation between monetary authorities in these countries, as well as striving to

liberalize and promote trade and ensuring current payments and encouraging capital flows between Member Countries.

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

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

As a confirmation of the flexibility given to the AMF in achieving its objectives, Article IX stipulated the possibility for the AMF, pursuant to a decision by the Board of Governors, to resort to any other means that help in achieving its objectives.

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

Governance Framework of the AMF

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

Protection of membership rights and equal treatment: The governance framework of the AMF ensures the protection of the shareholders' rights, the smooth exercise of the said rights, and the equal treatment of such shareholders. However, the framework does not allow for unilateral decisions to be taken on substantive matters, neither at the level of the Board of Executive Directors nor in the executive departments. Indeed, the appointment of the members of the Board of Executive Directors is approved by the highest authority which is the Board of Governors, and they are nominated among the citizens of Member Countries known for their expertise and efficiency. The Board of Executive Directors acts by procedural rules governing the decision-making process. At the level of executive departments, working policies and procedures regulate responsibilities and powers, while the specialized committees examine matters of substance and receive recommendations thereon.

Recognition of stakeholder rights: It aims to protect the rights of stakeholders, including Member Countries as well as the Fund's employees and contractors.

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

Accountability: The principle of accountability, applied by the AMF at all levels: The applied governance framework reflects the attention given by the Fund to defining the terms of reference across its

supervisory, oversight, and executive bodies, their integration, and interaction, and to enhancing communication and coordination channels between them, in addition to expanding the scope of their participation in sharing opinions before deciding.

The governance bodies' structure consists of the Board of Governors and the Board of Executive Directors under which there are the Audit and Risk Committee, the system of organizational units for the executive management, which includes the executive departments and the administrative committee, as well as the internal audit Office and the external auditors.

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

Board of Executive Directors: it consists of the Director General, Chairman of the Board, and eight members, appointed by the Board of Governors among the citizens of member countries for renewable three-year tenures on a part-time basis. The Board of Executive Directors oversees AMF operations. It is collectively entrusted with oversight of key policymaking, strategic plans and action programs, performance, and accountability of executive management. It reports to the Board of Governors. The Board holds quarterly meetings to take decisions under relevant voting and decision-taking procedure specified in AMF's Articles of Agreement.

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

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

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

In addition, the committees of the executive management, in their capacity as advisers, render advice on substantive matters. They are composed of competent and specialized senior staff in the AMF and are as follows: The Loan Committee, the Investment Committee, the Administrative Committee, and the Risk Management Committee. These organizational units in the Fund operate within an interconnected and integrated system of internal control which includes regulations, policies, and rules, as well as working procedures regulating the Fund's activities and operations. This system does not allow for unilateral decisions to be taken in substantive matters.

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

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

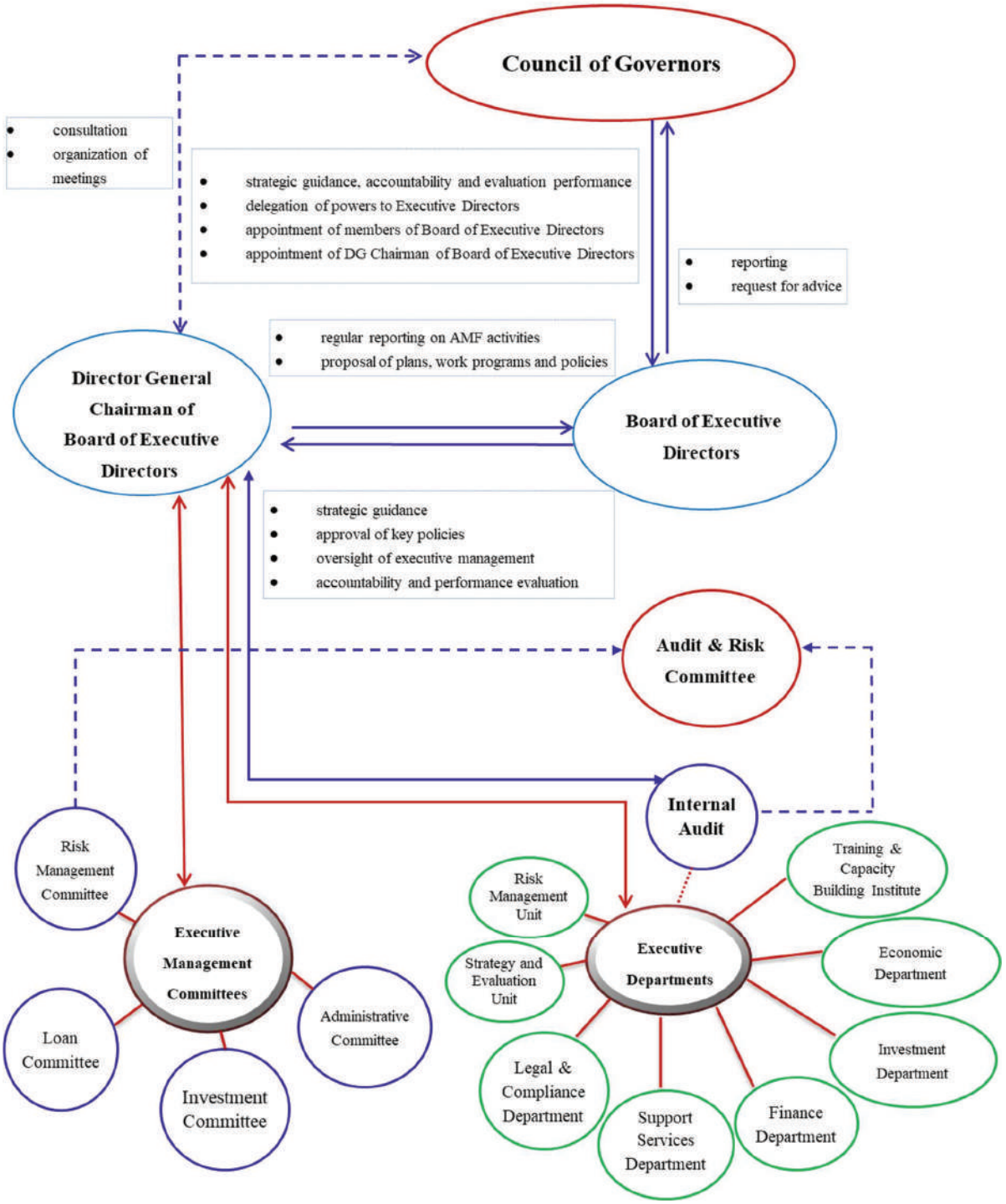
It should be noted that the AMF adopts the best internationally recognized practices for monitoring, controlling, evaluating, and addressing risks that may affect its ability to achieve its strategic objectives. It sets and applies procedures and measures to prevent or mitigate the effects of such risks.

In this regard, the AMF's risk management policy is designed to ensure the proper management of risks that may hamper the AMF's ability to fulfil its mission and achieve its objectives, and to take the necessary steps to minimize the impact of potential risks. The AMF's risk management policy is also intended to address potential negative events by identifying, measuring, monitoring, controlling, reporting risk exposure within limits and permissible levels, and reporting to senior management and the Board of Executive Directors. The policy is also aimed at ensuring that the AMF's risk-management functions are consistent with leading practices, which helps to strengthen institutional risk-management discipline.

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

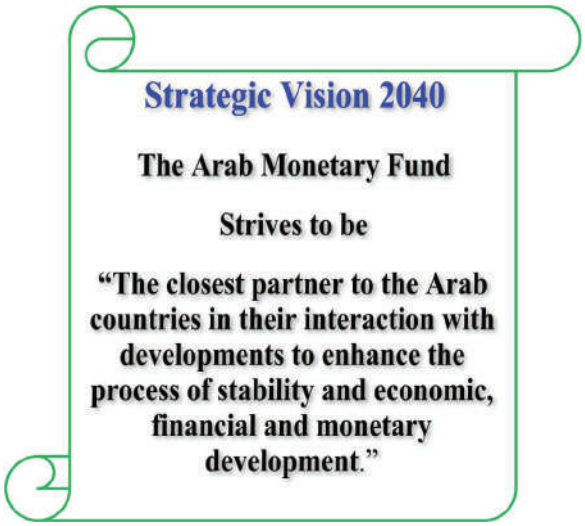
In this context, the Risk Management Unit continued during 2021 strengthening and developing institutional capabilities affecting risk management by undertaking independent monitoring and supervision at the institutional level of strategic, financial, investment, operational, and reputational risks, as well as establishing appropriate and effective procedures for managing such risks in accordance with the framework and a policy commensurate with the fund's activities, the nature of its operations, and its strategic directions, while considering the call for an appropriate space for flexibility and alternatives to deal with changes and events.

Chart (1): The AMF Governance Framework*



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

AMF's Strategy Framework (2020– 2025)



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

Features of the Strategy and its General Framework

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

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

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

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

Within the framework of its strategy for the period 2020-2025, the AMF also attaches great importance to exploiting available opportunities to develop and strengthen its capacity to respond to the growing needs of Member Countries in providing financial support, advice, and technical assistance in the areas of economic reform and meeting the growing and diverse needs of training and

capacity building in various economic, monetary, financial and statistical areas.

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

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

Strategic Objectives

The AMF is working to realize its strategic vision by achieving a set of objectives, covering integrated areas including Promoting inclusive growth opportunities; establishing effective economic, financial, and monetary institutions; and strengthening Arab economic cooperation and integration; in close cooperation with other relevant regional and international financial, monetary and economic institutions, as well as developing the capacity and effectiveness of its institutional structure.

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

Means and activities to achieve strategic objectives

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

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

The programs and initiatives that AMF adopts to strengthen the financial, monetary, and banking sectors in the Arab countries, and to enhance access to finance and financial services, are considered as the most important means used by the AMF to achieve the second goal of its (2020-2025) strategy, which is

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

- Activating the initiative of developing bond markets in local currencies in the Arab countries (including providing technical advice to Arab countries, offering training courses, and organizing workshops).

- Launching a comprehensive program to promote financial inclusion in the Arab Countries, to help build national strategies for financial inclusion, digital financial services system, develop financial education and awareness programs, develop frameworks for protecting consumers of financial services, and strengthen capacities in providing statistics on financial services, especially those relating to the extent to which women, youth, entrepreneurs, micro, small and medium-sized enterprises benefit from finance and financial services.

- Adopting programs to develop non-bank financial institutions in Arab countries.

- Supporting the development programs of the modern financial technology system, thereby contributing to the creation of an incubating environment for the growth of the modern financial technology industry and the development of digital financial services in the Arab Countries, within the framework of an appropriate legislative and regulatory environment.

- Launching initiatives to strengthen and promote the infrastructure of the Arab financial and banking sector, including the development of credit and risk-centralization information and secured lending systems. Initiatives to support Member Countries' efforts are also launched within the framework of strengthening regulatory legislation and macro-prudential control policies.

- Releasing Financial Stability Index and Financial Inclusion Index.

- Launching activities to develop the Sharia-compliant finance sector to achieve a set of objectives, including Strengthening Islamic finance activities, developing, and modernizing Islamic financial markets, and exchanging experiences through the organization of forums and workshops.

- Assisting Member Countries to implement relevant international standards and build their capacity.

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

Regarding the means utilized to achieve the third strategic objective, namely, strengthening the role of the AMF as a consultative center for economic, financial, and monetary policymakers, the response to the change in global economic trends, the accelerated developments in the knowledge economy, digitization, demographic developments, the anticipated competition for resources and the varying economic drivers, has been taken into consideration. This requires the AMF to work in an effective partnership with the Arab countries to coordinate its positions in dealing with other economic blocs and to face the challenges facing their financial, banking, and monetary systems.

In this regard, the AMF's work to achieve this goal, focuses on strengthening its role as a

center for policy dialogue and technical advice to support the Arab Countries efforts in the areas of developing public debt strategies, strengthening public-private partnership, reforming the support system, and social safety nets, and supporting tax reform, and enhancing the efficiency of public spending. The AMF will also focus on strengthening partnerships with local, regional, and international financial and development institutions and activating cooperation frameworks in priority areas for policymakers in Arab countries.

Regarding the means of achieving the fourth strategic goal of strengthening the role of the AMF as a center of excellence for knowledge and capacity-building, it includes a variety of key themes for achieving the goal, most importantly is training to build and strengthen the capabilities of Arab technical cadres, relying on the AMF's specialized technical staff., expanding the scope of activities and increasing the number of trainees of training programs through the expansion of remote training, as well as research and statistical activities that support policymakers in the Arab Countries, as well as building partnerships with a number of relevant regional and international institutions, modernizing information policy and strategy, development of the AMF's website through enriching its content and its continuous updating, the intensification of the AMF's media activity to highlight Arab Countries' economic and financial reforms, and the launching of joint programs and activities in cooperation with Arab institutions, universities, research centers and civil society organizations.

The investment activity is also an important tool used by the AMF to support its Member Countries, where the activity includes the acceptance of deposits from Member Countries and Arab financial institutions, the management of investment portfolios on their behalf, and the provision of investment technical assistance. In this regard, the AMF has adopted a series of instruments, in its pursuit of this objective, that contributes to capacity-building in the management of funds and investments, and to the development of its activity of accepting deposits from Member Countries and Arab financial institutions, including the expansion of depositors' base and geographical diversity by attracting the largest number of Member Countries, Arab institutions and organizations. This will contribute to the expansion and diversification of the sources of funding for this activity. During the strategy period, the AMF also adopted a series of activities to ensure the development of portfolio management activity, including encouraging Member Countries, Arab institutions, and organizations, to take advantage of the AMF's potential to manage their external reserves, as the AMF provides portfolio management services.

The AMF is also keen on developing its role as the **Technical Secretariat for the Council of Governors of Arab Central Banks, and Monetary Authorities and the Council of Arab Finance Ministers** as one of the means used to achieve its objectives of coordination between Member Countries in the monetary and financial fields and to coordinate Member Countries' positions in facing the international monetary and economic challenges, for their common interests. The annual meetings of the two Councils represent an important framework for discussing several topics directly related to the objectives of the AMF, as well as the various current issues discussed by the Councils.

Summary of the AMF's Activities during 2021

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

The AMF also highly attaches importance to providing information, data, and economic analysis that enable those interested in Arab economies and researchers to discuss the most important economic issues facing the Arab world, in addition to enabling Arab policymakers to develop future strategies based on scientific and objective foundations.

Since the beginning of the Covid-19 pandemic, the AMF has invested a large part of its capabilities to ease the burden of the pandemic's repercussions on the economies of its Member Countries, by intensifying its efforts to study these repercussions on Arab countries. Since the beginning of 2021, the Fund has begun a new phase of supporting the efforts of its Member Countries in the recovery phase to assist their return to the normal growth paths and address the effects of the crisis.

In light of this, during 2021, the AMF accompanied the exceptional circumstances in the Arab economies resulting from the Covid-19 pandemic, where all the means and procedures adopted by the AMF were used to cope with unusual circumstances and developments, including rapid lending procedures, conducting "remote" consultations to agree with the relevant authorities, requesting that the resources of the AMF be utilized for reform programs supported by existing facilities and loan resources, or that instalments be drawn from contracted loans that requires the implementation of the agreed-upon reform programs.

In this regard, the AMF has responded to all Arab Countries' requests during 2021 for financially support economic, monetary, and financial reform programs and to their overall deficit in its balance of payments. In this regard, a set of reform programs, supported by the AMF's resources, has been agreed upon, and the AMF responded favourably to requests from Member Countries to obtain facilities to support the enabling environment for SMEs, to confront emergency balance of payments situations, and to withdraw existing loan payments.

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

In this context, one of the priorities of the AMF's activities during 2021 was to assist its Member Countries in implementing reforms aimed at increasing economic diversification, deepening financial inclusion, and creating a enabling environment for SMEs to play their vital role in achieving sustained economic growth and creating productive employment.

The reforms that have come to the AMF's forefront priorities list of 2021 are those

related to enhancing the access of SMEs to finance, enhancing tax systems, addressing the challenges of narrow fiscal space in the public budget as a result of the stimulus packages adopted by the governments of Arab Member Countries, and containing risks that threaten financial stability, including cybersecurity threats, to face the challenges of the financial and banking sector, which is witnessing a major shift towards digitization, and the wider use of Fintech.

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

On the other hand, the AMF focused during 2021, as part of its strategy for the period (2020-2025), on activities that contribute to strengthening the resilience of Arab economies facing the challenges resulting from crises in their various forms, within the framework of a proactive approach and a vision that shape its work methodologies at all levels.

In the context of **the lending activity**, during 2021, the AMF approved five new loans to the Hashemite Kingdom of Jordan (two loans), the Republic of Tunisia, the Kingdom of Morocco, and the Arab Republic of Egypt, with a total value of AAD 147,683 million, equivalent to approximately U.S.$. 623 million, to meet urgent financing needs and support economic and financial reform efforts in light of the current challenges.

The loans approved during 2021 are represented in two loans to the Hashemite Kingdom of Jordan, one of which is a compensatory loan with a value of AAD 14.770 million, and the other is in the framework of supporting the enabling environment for SMEs with a value of AAD 13.290 million, and a compensatory loan to the Republic of Tunisia with a value of AAD 19.175 million, and a loan to the Kingdom of Morocco within the framework of the facilitation of supporting the enabling environment for SMEs with a value of AAD 12.748 million, in addition to a compensatory loan to the Arab Republic of Egypt amounting to AAD 87.7 million. The amounts allocated for three of these loans have been withdrawn, and the other two loans will be withdrawn during 2022, after completing the contracting procedures.

The AMF also approved the withdrawal of loan payments previously provided to Member Countries, based on the progress of implementing reform programs supported by those loans, with a total value of AAD 95.925 million. In this regard, the AMF approved the withdrawal of the second instalment of the structural adjustment facility of the financial and banking sector loan amounting to AAD 9.588 million provided to the Republic of Tunisia, and also approved the withdrawal of the amount of the second instalment of the structural adjustment facility loan in the government finance sector amounting to AAD 65.775 million provided to the Arab Republic of Egypt. In addition to approving the Kingdom of Morocco's withdrawal of the second instalment of the structural adjustment facility loan in the government finance sector, amounting to AAD 20,562 million.

About the **Technical Assistance** provided by the AMF to its Member Countries during 2021, it covered areas related to its activities such as the development of the financial, banking, and government bond markets infrastructure, and enhancing the capabilities of the Arab Countries to achieve financial coverage within the framework of activities under the AMF's Financial inclusion Initiative, and developing and enhancing

capacities in the development of economic statistics and applying the international statistical methodologies, within the framework of the Arab Statistics Initiative, "Arabstat", and other relevant areas.

In its technical assistance framework to Member Countries during 2021, the AMF focused on the activities related to policy development, program design, skills enhancement, enhancing capacities to apply, implement and measure policy efficiency, as well as institutional development, which would help to improve the quality of structural reform programs, to enhance their economic conditions, and direct their policies toward the desired development goals.

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

During 2021, the AMF continued to fulfil the functions associated with its role as the Technical Secretariat of the Governor's Council of Arab Central banks and Monetary Authorities, as well as to assume the Technical Secretariat of the committees and task forces emanating therefrom. The AMF also serves as the Technical Secretariat of the Council of Arab Ministers of Finance.

The **training and capacity building** activity of the AMF is performed through its training and capacity building institute (TCBI). The 2021 training program has been designed considering the challenges associated with the Covid-19 pandemic and its repercussions and how to deal with developments during the recovery phase of the pandemic, as the TCBI has been able to reschedule courses that were not possible during the lock-down period of 2020. 52 courses were held "remotely" during 2021. They benefited 1,521 trainees from the official Arab cadres. Thus, from its inception to the end of 2021, the number of beneficiaries of the training courses offered by the Institute has reached 15,559 trainees.

The reports, working papers, research and studies, bulletins, books, and guiding principles released by the Fund during 2021, reached 82 publications, 28 of which dealt with issues and topics related to the financial and banking sector development as well as financial stability in Arab countries.

The AMF's publications aimed to enhance its efforts to assist economic decision-makers and policymakers in the Arab countries and to correspond to the interests of its Member Countries, within the framework of its strategy for the period (2020-2025).

The publications also included 19 introductory brochures aimed at increasing the economic and financial awareness of Arab youth.

As per the AMF's **investment activity** during 2021, the AMF maintained a high level of deposits from Arab Member Countries to be invested by the AMF on their behalf. The AMF also continued its approach to a conservative investment policy and strategy for managing portfolio funds and risks, in line with Basel III risk management decisions, which protected invested capital and continued to yield positive, stable returns at the macro level, while maintaining low investment risk ratios.

The AMF also continued, within its investment activity, to employ its resources, in addition to its activity in investing part of the funds of the Arab Trade Financing Program, and the funds collected in the

unified account of the specialized Arab organizations, as well as the supervision of the foreign-controlled part, by the approved investment policy and strategy for their management.

About the AMF's contribution to the capital of the **Arab Trade Finance Program**, applications received from the Program from its inception until the end of 2021 amounted to approximately U.S.$. 19.4 billion to finance trade deals worth approximately U.S.$. 25.6 billion, the ATFP agreed to finance U.S.$. 18.9 billion. The total value of the withdrawals during the mentioned period was approximately U.S.$. 18.3 billion.

The AMF's Lending Activities

According to The AMF's Article of agreement, the Fund, through its lending activity, supports economic and structural reform programs in Arab Countries in areas relevant to its functions and provides technical support for the design of these programs, appropriately and efficiently, to help establish macroeconomic stability and to address balance of payments imbalances, support efforts to implement the reforms required in several sectors to improve the efficiency of resource use and to promote opportunities for inclusive and sustainable economic growth. The AMF's lending activity also contributes primarily to the achievement of its 2020-2025 strategy objectives by continuously harnessing and developing its potential to meet the changing and growing needs of its Member Countries.

Categories of Loans and Facilities

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

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

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

As for the **Ordinary Loan**, a Member Country eligible to borrow when its resource requirement exceeds 75 percent of its paid subscription in convertible currencies, up to 100 percent of the Member Country's paid subscription in convertible currencies which can be expanded, up to a maximum of 175 percent, by adding automatic loan limits. To obtain it, an agreement with the borrowing Member Country on a financial correction program that is valid for not less than a year is required. The policies and procedures included in this program are aimed at working on fiscal rebalancing to reduce the balance of payments deficit. Each payment shall be made from the regular loan within five years from the date of its withdrawal.

About the **Extended loan**, it is provided to a Member Country qualifying for borrowing in the event of a chronic deficit in its balance of payments, resulting from a structural imbalance in the economy. It requires an agreement between the borrowing Member Country and the AMF on a comprehensive economic adjustment program for at least two years. This loan is providing up to 175

percent of the Member Country's subscription in convertible currencies and could be expanded to a maximum of 250 percent by adding the automatic loan limits thereto. Each payment of the said loan shall be made within seven years of the date of its withdrawal.

As for the **Compensatory Loan**, it is extended to assist a Member Country experiencing an emergency in its balance of payments, resulting from the decline in the revenues of its exports of goods and services and/or a significant increase in the value of its imports of agricultural products, due to the regression of the domestic production of crops. The maximum amount of this loan, of which term covers three years, is 100 percent of the Member Country's subscription in convertible currencies. The compensatory loan requires that any decline in exports or the increase in agricultural imports be an urgent and temporary situation. The loan shall be repaid within three years from the date of withdrawal.

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

The rules governing the granting of loans in the framework of oil facility included that the facility is offered to eligible countries, up to a maximum of 100 percent of the subscription paid in convertible currencies and could be provided with a maximum of 200 percent of the subscription paid in convertible currencies, provided that the Member Country agrees with the AMF to implement a reform program. The loan is to be repaid within the framework of the oil facility within a maximum period of four years from the date of withdrawal.

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

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

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

The **Second Group** of loans and facilities is related to available loans and facilities to

support reforms in several economic sectors. These include structural adjustment facility, (for both financial and banking sector, and public finance sector), trade reform facility, and the SMEs Conducive Environment Support Facility.

Regarding the **structural adjustment facility**, it was introduced in 1998, since loans provided under such facility focus on providing support to reforms implemented by borrowing Member Countries in the financial and banking sector, and the public finance sector. Loans under this facility require that the borrowing member has already initiated structural reform efforts and has achieved an appropriate degree of macroeconomic stability. The facility shall be provided after agreeing on a structural reform program, the implementation of which will be followed up by the AMF.

According to the Board of Governors' decision No. (4/2009), the two tiers of the facility (the financial and banking sector, and the government finance sector) were separated so that the maximum borrowing within the framework of each tier reached 175 percent of the member's paid subscription in convertible currencies, and each instalment of the loan is repaid over four years from the date of its withdrawal.

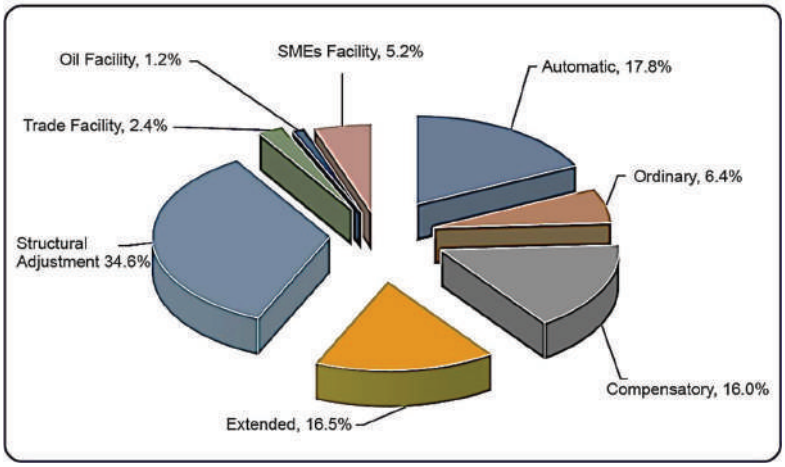
As for the **Trade Reform Facility**, which was endorsed by the AMF's Board of Governors in 2007, to provide support to Member Countries in overcoming burdens that could ensue from trade reform policies and procedures, and to back up the necessary reforms to raise their ability to utilize of the loans provided by international financial markets, to promote growth and create productive employment opportunities. The facility shall be provided up to a maximum of 175 percent of the Member Country's subscription in convertible currencies, after agreeing on an appropriate structural reform program, the implementation of which shall be followed up by the AMF. Each payment shall be made from the regular loan within five years from the date of its withdrawal.

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

New Loan Applications & Commitments

In 2021, the AMF received five requests from its Member Countries to utilize the AMF's resources, in supporting the balance of payments as well as reform programs adopted by governments in various economic aspects. In this regard, the AMF during 2021 approved five loans to its Member Countries amounted to AAD 147.683, represented in two loans to the Hashemite Kingdom of Jordan, one of which is a compensatory loan with a value of AAD 14.770 million, and the other in the framework of the facilitation of supporting the conducive ecosystem for SMEs with a value of AAD 13.290 million, and a compensatory loan to the Republic of Tunisia with a value of AAD 19.175 million, and a loan to the Kingdom of Morocco within the framework of the facilitation of supporting the conducive ecosystem for SMEs with a value of AAD 12.748 million, in addition to a compensatory loan to the Arab Republic of Egypt amounting to AAD 87.700 million.

Chart (2): Distribution of loan types as a percentage of total loans (1978-2021)



By adding the value of the new loans provided by the AMF to its Member Countries, during 2021, to the balance of the loans provided since the beginning of its lending activity in 1978, the total value of the loans provided by the AMF to its Member Countries, until the end of 2021, is approximately AAD 2.8 billion, equivalent to approximately U.S.$. 11.3 billion.

Fourteen Arab Member Countries benefited from the 196 loans provided by the AMF during the period 1978-2021. Table (A-1) in Appendix No. (1), shows the details of these loans, by year and by the recipient country.

Chart (2) shows the relative distribution of loans, by type, during the period 1978-2021, as loans that support the balance of payments (automatic, ordinary, compensatory, and extended loans) came at the forefront of the facilities provided by the AMF since the beginning of its lending activity in 1978, until end of 2021, with a share of approximately 56.7 percent of the total loans provided during that period, followed by the structural adjustment facility loans in both parts of the financial and banking sector and public finance sector, with a share of 34.6 percent, then the trade reform facility by about 2.4 percent, while the percentage of loans granted in the oil facility framework to total loans is about 1.2 percent, and the percentage of loans provided under the framework of the facility to support a conducive ecosystem for SMEs is about 5.2 percent.

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

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

2021 witnessed signs of improvement in the Arab economies, and some economies even started to achieve positive growth rates, indicating signs of a recovery phase. Despite the positive indicators, the lack of fiscal space in government budgets puts a challenge to providing sufficient funding to obtain vaccines to secure the recovery phase. Also, the SMEs sector was one of the most affected sectors by the pandemic, as many SMEs were unable to continue their operation under these challenges without government support, which in turn, exacerbated the financial conditions that were already suffering from unfavourable conditions.

The AMF also continued during 2021 to provide financial and technical support to its Member Countries to help them overcome the repercussions of the crisis and the challenges associated with the recovery phase, as it utilized all the means and instruments available thereto, according to the developments and circumstances.

In this context, the Fund responded to all requests of its Member Countries related to

addressing the deficit in the balance of payments, or financing reform programs adopted by these countries to enhance the capabilities of the economic sectors most affected by the crisis and to strengthen financial conditions and increase the resilience of the economy. The AMF examined the funding requests submitted by its Member Countries and responded to such requests through rapid and extraordinary actions, which contributed to meeting the funding needs in a timely and appropriate manner.

Also, the AMF held “virtual” meetings and consultations with relevant officials in the Arab Countries to determine the crisis repercussions on the balance of payments and to diagnose the urgent need for funding. These consultations represented a basis for agreement with the borrowing countries on elements of reform programs that can be financed by the AMF's resources. These include packages of measures to strengthen economic interactivity to counter the fallout of the crisis, which qualify them to return to the usual tracks of inclusive and sustainable economic growth during the post-crisis period.

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

Regarding the **Hashemite Kingdom of Jordan** request to benefit from the AMFs resources, the AMF has received a letter from the Governor of the Central Bank of Jordan and the AMF’s Governor of the Hashemite Kingdom of Jordan, which includes a request to reutilize the AMF's resources in the form of two loans, one of which is compensatory to finance the balance of payments deficit, and the second within the framework of the facility to support a conducive ecosystem for SMEs to support a reform program in the said sector.

About the request for compensatory loan, the Economic Department prepared a report on the loan request, based on the information received from the Central Bank of Jordan for this purpose, in addition to holding a "virtual" consultative meeting with the concerned officials in the Central Bank of Jordan, to discuss developments in the balance of payments and challenges that the Jordanian economy has suffered due to the Covid-19 pandemic repercussions, in addition to challenges of the internal and external financial conditions.

The report was presented to the Loan Committee during its meeting No. (3) of 2021, where the committee recommended approving the provision of a compensatory loan to the Hashemite Kingdom of Jordan in the amount of AAD 14.770 million, which represents approximately 100 percent of its paid subscription in convertible currencies and approving the withdrawal of the loan amount in one payment after signing the agreement.

Board of Executive Directors Resolution No. (16/2021), dated August 17, 2021, approved the provision of a compensatory loan to the Hashemite Kingdom of Jordan amounting to AAD 14.770 million and approved the withdrawal of the full loan amount in one instalment after signing its agreement.

The compensatory loan agreement was signed on September 26, 2021, and the loan was disbursed on October 6, 2021.

Concerning the **Hashemite Kingdom of Jordan** request to utilize the AMFs resources in the form of a loan within the framework of the facility to support the enabling

environment for SMEs, to support a reform program in the said sector, the Economic Department conducted a series of "virtual" consultations with the Hashemite Kingdom of Jordan's concerned officials, to deliberate and agree on the elements of the reform program, which were included in the letter of intent.

The Economic Department prepared a report on the loan request and the results of the consultations, which was presented to the Loan Committee during its meeting No. (8) of 2021, where the committee recommended approving the elements of the reform program included in the letter of intent and agreeing to provide a loan to the Hashemite Kingdom of Jordan within the framework of facilitating support for the enabling environment for SMEs with an amount of AAD 13.290 million, to support the approved program. The committee also recommended approving the disbursement of the loan amount in two instalments, the first instalment amounting to AAD 7.385 million, to be withdrawn after signing the loan agreement, and the second instalment amounting to AAD 5.905 million, to be withdrawn after the AMF ensures the implementation progress of the approved reform program.

Based on the decision of the Board of Executive Directors No. (22/2021), dated October 26, 2021, approving the recommendations of the Loan Committee during its meeting No. (8) of 2021, related to providing a loan to the Hashemite Kingdom of Jordan within the framework of facilitating support for an enabling environment for SMEs, a loan agreement was signed on December 9, 2021, and on December 17th, 2021, the first instalment of the loan amounting to AAD 7.385 million was disbursed.

Regarding the **Republic of Tunisia**, the AMF received two letters from the Governor of the Central Bank of Tunisia and the AMF's Governor for the Republic of Tunisia. The first letter included the request of the Tunisian government to withdraw the second instalment of the loan contracted upon within the framework of facilitating structural adjustment in the financial and banking sector that supports a reform program in the mentioned sector. While the second letter included a request to reutilize the AMF's resources in the form of a compensatory loan to contribute to financing the balance of payments deficit, considering the exceptional circumstances the country is going through under the repercussions of the Covid-19 pandemic, and its impact on the balance of payments.

About the request to withdraw the second and final instalment of the loan to facilitate the structural adjustment in the financial and banking sector, provided to the Republic of Tunisia under Resolution No. (15) of 2020, with a value of AAD 23.968, to support a reform program in the aforementioned sector, covering the period (June 2020 - June 2021), the AMF held a "virtual" series of meetings and consultations with the concerned officials of Republic of Tunisia concerned officials to ensure the progress of the program implementation.

In this regard, a report was prepared on the progress of the implementation of the approved reform program, within the framework of its four axes, namely enhancing financial innovation, enhancing financial inclusion, developing payment systems, enhancing banking supervision, and financial stability. It was found that the Tunisian government has made unremitting efforts to implement the elements of the program, within the framework of its aforementioned four main axes.

About the AMF's response to the fourth compensatory loan request submitted by the Republic of Tunisia, the AMF prepared a

report on the loan request, based on the information received from the Central Bank of Tunisia for this purpose, and held "virtual" consultative meetings between the AMF's Economic Department and a number of the Tunisian Central Bank departments, where they discussed the developments in the balance of payments and the challenges that the Tunisian economy has witnessed under the repercussions of the Covid-19 pandemic at the internal and external financial conditions levels.

Both of the referred reports were presented to the Loan Committee during its meeting No. (1) of 2021, where the committee recommended that the implementation of the reform program in the financial and banking sector for the period (June 2020 - June 2021), agreed upon and supported by a loan to facilitate the structural adjustment in the banking sector, be considered satisfactory, and approved the withdrawal of the loan's second instalment, amounting to AAD 9.588 million.

The committee also recommended approving the provision of a fourth compensatory loan to the Republic of Tunisia in the amount of AAD 19.175 million, representing 100 percent of its paid subscription in convertible currencies, and approved the withdrawal of the loan's amount in one instalment after signing its agreement.

Regarding the loan to facilitate the structural adjustment in the financial and banking sector, the second instalment thereof amounting to AAD 9.588 million, was withdrawn on July 15th , 2021, by virtue of the Director Chairman of the Board's approval of the minutes of the Loan Committee meeting No. (1) of 2021.

With regard to the compensatory loan, the Board of Executive Directors Resolution No. (14) of 2021 was passed approving the provision of a compensatory loan to the Republic of Tunisia, amounting to AAD 19.175 million, and withdrawing the loan amount in one instalment after signing its agreement. The loan agreement was signed on July 28th, 2021, and the loan amount was withdrawn on August 5th, 2021.

With regard to the **Kingdom of Morocco,** and in the context of the AMF follow up of the implementation of the reform program agreed upon with the Kingdom of Morocco, covering the period (May 2020 - May 2021), and supported by the loan provided by the AMF to the Kingdom within the framework of facilitating structural adjustment in the government finance sector pursuant to Board Executive Directors Decision No. (14/ 2020), which provided for the withdrawal of the loan amount in two instalments, the first instalment amounting to AAD 30.844 million to be withdrawn after signing the loan agreement, and the second instalment amounting to AAD 20,562 million, to be withdrawn after the AMF ensures the implementation of the agreed-upon reform program. The loan agreement was signed on May 23rd, 2020, and the first instalment of the said loan was withdrawn on June 5th, 2020.

The officials in the Kingdom of Morocco were contacted for data, information, and statistics to enable determining the progress of the agreed-upon reform program implementation. A series of "virtual" consultative meetings were also held to examine the implementation progress of the program, as well as to discuss macroeconomic developments and government efforts to confront the repercussions of the Covid-19 pandemic, and its impact on economic performance.

In this context, the Economic Department prepared a report on the implementation progress of the program, within the framework of its four axes, namely enhancing

the procedure of preparing and implementing the public budget, raising the efficiency of public procurement management, developing the tax administration, and enhancing public debt management.

The Fund found that the implementation of the program, within the framework of the aforementioned axes, was satisfactory, as there was progress in implementing the majority of the procedures.

The aforementioned report was presented to the Loan Committee, during its meeting No. (6) of 2021, where the committee recommended that the implementation of the reform program in the government finance sector for the period (May 2020 - May 2021), agreed upon and supported by a loan to facilitate structural adjustment in the government finance sector, be considered satisfactory, and approved the withdrawal of the loan's second instalment amounting to AAD 20,562 million.

Upon the approval of the Director General, Chairman of the Board's to the minutes of the Loan Committee meeting No. (6) of 2021, and its recommendations, the aforementioned instalment was withdrawn on September 29, 2021.

On a different note, the AMF received a letter from the Minister of Economy and Finance in the Kingdom of Morocco, and the Governor of the AMF for the Kingdom of Morocco, expressing the Kingdom's desire to utilize the AMF's resources in the form of a loan within the framework of facilitating support for a conducive ecosystem for SMEs to support a reform program in the said sector.

In response to this request, "virtual" consultative meetings were held with the concerned officials in the Kingdom of Morocco to deliberate and agree on the elements of a reform program, supported by resources facilitating support for a conducive ecosystem for SMEs, and included in the letter of intent. The Economic Department prepared a report on the request, based on the results of communication with the concerned officials in the Kingdom of Morocco, and the data, information, and statistics obtained by the Department to study the loan request.

The report was presented to the Loan Committee during its meeting No. (10) of 2021, held on December 07, 2021, where the committee recommended approving the reform program elements included in the letter of intent and approving the provision of a loan to the Kingdom of Morocco within the framework of facilitating support for the conductive ecosystem for SMEs in the amount of AAD 12.748 million, to support the agreed-upon program. The committee also recommended approving the disbursement of the loan amount in two instalments, the first instalment amounting to AAD 7.648 million, to be withdrawn after signing the loan agreement, and the second instalment amounting to AAD 5.100 million, to be withdrawn after the AMF ensures the implementation progress of the approved reform program.

On December 12, 2021, the Board of Executive Directors Resolution No. (23) of 2021 approved the provision of a loan to the Kingdom of Morocco within the framework of facilitating support for a conducive ecosystem for SMEs, amounting to AAD 12.748 million, to be withdrawn in two instalments as per the recommendations of the Loan Committee.

About the **Arab Republic of Egypt**, the AMF received a letter from the Governor of the Central Bank of Egypt and the AMF's Governor for the Arab Republic of Egypt, expressing the country's desire to utilize the AMF's resources in the form of a compensatory loan to overcome the

repercussions and impacts imposed by the Covid-19 pandemic on the balance of payments. The Fund also received a letter from the Minister of Finance and Deputy Governor of the AMF for the Arab Republic of Egypt, including a request to withdraw the second and final instalment of the contracted upon loan within the framework of facilitating structural adjustment in the government finance sector.

With regard to the compensatory loan request submitted by the Arab Republic of Egypt, the request has been examined taking into account the recent economic developments in the Arab Republic of Egypt, and the challenges arising mainly from the repercussions of the Covid-19 pandemic, which affected the economic performance, especially the external situation, as a result of the decline in the demand of the main trade partners impacted Egyptian exports, leading to a decline in the proceeds of commodity and service exports, and its reflection on the trade balance and the current account of the balance of payments, as well as the impacts on the position of foreign reserves.

On another note, the concerned officials of the Ministry of Finance and the Central Bank of Egypt were "virtually" contacted regarding the request to withdraw the second and final instalment of the loan to facilitate the structural adjustment in the government finance sector, provided to the Arab Republic of Egypt according to the Board of Executive Directors Resolution No. (1) of 2020 and amounting to ADD 153.475 million, to support a reform program in the mentioned sector covering the year 2020, where the aforementioned Resolution stipulated the withdrawal of the loan in two instalments, the first in the amount of AAD 87.700 million after signing the loan agreement, and the second in the amount of AAD 65,775 million. After examining the progress of implementing the agreed-upon reform program, the loan agreement was signed on July 21st, 2020, and the first instalment thereof was withdrawn on July 29th, 2020.

In this regard, and based on the communications with the concerned officials of the Ministry of Finance and the Central Bank of Egypt to determine the implementation progress of the program, the Economic Department prepared a report thereon within the framework of its five axes, namely enhancing the preparation and implementation of the general budget, developing the tax administration, and enhancing the government procurement department, enhancing the social protection system, and enhancing public debt management, as the AMF found the program implementation to be satisfied within the framework of its referred to axes.

Both reports for the compensatory loan and follow-up were presented to the Loan Committee during its meeting No. (2) of 2021, where the committee recommended approving the provision of a compensatory loan to the Arab Republic of Egypt in the amount of AAD 87.7 million, which represents approximately 100 percent of its paid subscription in convertible currencies and approving the withdrawal of the loan amount in one payment after signing the loan agreement.

The committee also recommended that the implementation of the agreed-upon reform program in the government finance sector for the year 2020, supported by the loan to facilitate the structural adjustment in the government finance sector, be considered satisfactory, and the approval of withdrawing the second instalment of the loan, amounting to AAD 65.775 million.

Upon the Director General Chairman of the Board's approval of the minutes of the Loan Committee meeting No. (2) of 2021 and its

recommendations, the second and final instalment was withdrawn on August 12th, 2021.

As for the compensatory loan, the Board of Executive Directors Resolution No. (15) of 2021 approved the provision of a compensatory loan to the Arab Republic of Egypt, amounting to AAD 87.7 million, to be withdrawn in one instalment after signing the loan agreement.

Withdrawal and Repayment of Loans

The total withdrawal of contracted loans during 2021, amounted to about AAD 137.255 million, compared to AAD 208.309 million during 2020

The borrowing countries repaid an amount of AAD 112.812 million during 2021, representing instalments of previously provided loans. In this context, the balance of outstanding loans owed by the borrowing Member Countries amounted to approximately AAD 596.436 million by the end of 2021, compared to AAD 569.692 million by the end of 2020.

It is noteworthy that the balance of undrawn contracts amounted to about AAD 24,160 million at the end of 2021, compared to AAD 114,180 million at the end of 2020. Table (A-3) shows details of withdrawn and unwithdrawn balances and loan obligations for Arab countries in 2020 and 2021, while Table (A-4) shows their details for the period 1978-2021.

Arrears

Regarding arrears, the borrowing country is considered in arrears when the delay in repaying the outstanding loans exceeds twelve months.

According to the AMF's financial position as of the end of December 2021, **there are four cases of a delayed payment of the Federal Republic of Somalia, the Syrian Arab Republic, the Republic of Yemen, and the Republic of Sudan.** The total arrears amounted to approximately AAD 199.464 million.

About the **Federal Republic of Somalia**, the delay has started in 1984, and the arrears reached AAD 73.203 million by the end of December 2021.

As for the **Syrian Republic**, the delay in the payment of obligations has started in December 2011, and the total arrears amounted to approximately AAD 3.528 million by the end of December 2021.

About the **Republic of Yemen**, the delay has started in June 2016, and the arrears reached approximately AAD 70.936 million by the end of December 2021.

About the **Republic of Sudan**, the delay has started in April 2020, and the arrears reached AAD 51.797 million by the end of 2021.

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

The AMF's Articles of Agreement identified the technical advice activity as one of the most important means to be relied upon to achieve its goals, as the fund provides technical support to the official bodies in the Member Countries, to enhance their capabilities in the areas of design and implementation of economic, financial, monetary and trade policies, and the

implementation of economic reforms as well as achieving financial inclusion and strengthening statistical frameworks.

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

In this regard, the AMF is keen to continuously develop the operational framework of its strategy, to meet the requirements of enhancing the structure of the AMF, to enhance its units by technical aspects, and utilize the information technology advancements that have become the basis for modern working methods.

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

The AMF initiates technical assistance to Member Countries, as per the AMF's experts view, as well as based on the results of the questioners, periodically send to identify the views and aspirations of Member Countries about the AMF's current and anticipated activities. The technical assistance and advice activities are also major activities that the AMF is implementing in its Strategy framework (2020-2025).

In this regard, the strategic vision framework ensures that a range of activities and initiatives are launched and that the necessary expertise and competencies are provided more effectively and efficiently, with a focus on the priority aspects of technical assistance for Member Countries, as well as strengthening partnerships and areas of cooperation with regional and global financial institutions.

The AMF is also keen on promoting activities that enable the establishment of the foundations of economic, financial, and monetary integration in the Arab countries, support reform programs aimed at achieving macroeconomic stability and strengthening the resilience of Arab economies to face challenges, as well as promoting access opportunities to promising groups such as youth, women, and SMEs to finance and financial services.

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

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

The AMF also provides assistance and technical advice to Member Countries indirectly through its initiatives, as well as seminars, conferences, and consultative meetings organized by its experts, or in cooperation with regional and international

institutions, covering a range of areas, including Strengthening the financial and banking sector infrastructure, and developing government bond markets, in addition to developing economic, financial, and monetary statistics, supporting trends towards the digital economy, expanding reliance on Fintech, as well as initiatives to assist in the preparation of national financial inclusion strategies, and supporting government efforts to create a conducive ecosystem for SMEs, build up modern national credit-information systems and other initiatives that enable the Member Countries to achieve inclusive and sustainable economic growth.

Also, the general framework of the AMF's activities in providing technical support to its Member Countries includes assistance in setting the general frameworks necessary for the establishment of public debt management offices, including the regulatory framework for these offices, the governance framework, coordination with other authorities concerned with issues of public debt management and debt markets, and public debt management performance indicators, public debt management report forms, and the Public Debt Management Office website content, in addition to supporting the efforts of Arab countries in reconciling their positions to obtain membership in the World Trade Organization, and applying internationally approved methodologies in banking supervision, information security, and preparing and classifying balance of payments data in accordance with the internationally agreed-upon guidelines issued by the International Monetary Fund, and the preparation of national accounts according to international evidence and methodologies.

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

Managing the Consolidated Account for Specialized Arab Organizations

Based on the approval of the Economic and Social Council via its Resolution No. 1056, dated July 1988, a special consolidated account was created with the Arab Monetary Fund to finance the specialized Arab organizations through the contributions received in their favour in this account from the Arab countries, for the purpose of spending on their approved budgets.

Specialized Arab organizations, which were established to be channels of the Arab League as the technical arm to promote development in the Arab region in different perspectives, and a major pillar of the joint Arab action. These institutions are also considered as Arab expertise firms that provide advice and expertise on economic, social, cultural, and financial issues and activities.

They also play a pivotal role in achieving the aspirations of the Arab countries through cooperation and coordination in all their areas of specialization that pertain to Arab citizens and have a direct impact on their living standards and decent life.

The organizations currently concerned by the consolidated account are:

- The Arab Organization for Administrative Development.
- The Arab Labour Organization.
- The Arab Organization for Industrial Development and Mining.
- The Arab Organization for Education, Culture and Science.
- The Arab Organization for Agricultural Development.
- The Arab Centre for Studies of Arid Zones and Dry Lands.
- The Arab Atomic Energy Agency.

- The Arab Civil Aviation Authority.
- The Arab Centre for the Prevention of Earthquakes and Other Natural Disasters.

The AMF submits a quarterly report to each organization showing funds already spent and the remaining balance, as well as Member Country's positions in paying their contributions to the budget of the concerned organization. In addition, a quarterly combined periodic report on the activity of the Consolidated Account is issued.

In this regard, the financial position of the Consolidated Account shows that the balance of the net assets amounted to U.S.$. 39 million as of December 31, 2021, compared to a balance of U.S.$. 36 million by the end of 2020.

It is worth noting that returns on investments in the consolidated account are included in the calculation of the special reserve for these organizations in the consolidated account. The special reserve balance amounted to approximately U.S.$. 11 million by the end of 2021. Thus, it currently covers about 24 percent of the overall budgets' appropriations of the organizations for the last financial year, mentioning that this percentage varies from one organization to another. It should be noted that the decisions of the Economic and Social Council aim to continue building up this reserve and use it for emergency purposes, by virtue of decisions it would issue.

Activities to Support the Development of the Financial and Banking Sector in the Arab Countries

Within the framework of the AMF's sought to support the development of the financial and banking sector, enhance the elements of financial stability in the Arab countries, provide opportunities for exchanging experiences, and expertise, transferring knowledge on methods to confront the developments and challenges posed by the Covid-19 pandemic on the financial sector, in addition to preparing for the recovery stage from the Covid-19 pandemic. In 2021 the AMF intensified consultations with policymakers in Member Countries and published several guides, guidelines, and reference papers on financial stability policies, instruments, and issues, and support for digital financial transformation in the Arab countries at this stage, in addition to publishing research papers and studies that dealt with various themes of the financial sector.

In this regard, the AMF's efforts during 2021 in supporting the development of the financial and banking sector focused on the following axes:

A. Issuing a set of manuals and guiding principles to provide technical assistance and advice in the recovery phase and organizing high-level consultations and meetings.

In 2021, in cooperation with the supervisory authorities, several manuals and guiding principles were published, aiming at strengthening the ability of the financial and banking sector to face the repercussions of crises, including:

1. **Guiding Principles on "Strengthening the Supervisory Role of Central Banks Over the Non-Banking Financial Institutions in the Arab Countries":** It covered many aspects of concern towards the non-banking financial sector issues, notably: Establishing an accurate definition at the country level for the non-banking financial sector institutions, determining the supervisory requirements for non-banking financial institutions, continuous assessment of the systemic risks arising from the sector, the importance of providing accurate data on non-banking financial institutions,

developing micro and macro performance indicators for the non-banking financial sector and publishing them periodically, strengthening coordination between Central Banks and other supervisory authorities concerned with the financial sector.

2. **Guiding Principles on "Strengthening Risk Management in the Credit Information Industry in the Arab Countries":** It included a set of recommendations on strengthening the credit information industry in the Arab countries, and highlighted the importance of credit reports reflecting the accurate and real position of clients at all times in a manner that enhances credibility, through accurate and full sharing of credit information on an ongoing basis, including reporting negative credit data under the usual circumstances as well as in times of crisis.

3. **Guiding Principles on "Developing Stress Testing Methodologies to Assess Financial Sector Risks":** This dealt with the key requirements and sound policies in implementing stress tests and utilizing the results, thus aiding both central banks and commercial banks in strengthening risk management. The principles emphasized the importance of utilizing the lessons learned from the Corona pandemic crisis in terms of developing stress tests, continuing coordination between banking supervision and financial stability departments, and research when assessing risks arising from the banking sector from both micro and macro perspectives.

4. A vision document on **"Developing the Microfinance Sector after the Pandemic":** This was submitted to central banks and Arab monetary authorities and serves as a road map towards developing the microfinance sector in Arab countries and promoting its contribution to economic development and job creation. The document also included a set of activities aimed at accelerating efforts to develop microfinance services and employ technologies and alternative financing, to provide more financing for SMEs.

On a different note, the AMF sought to strengthen channels of consultation with the supervisory authorities to discuss the repercussions of the Covid-19 pandemic on the Arab financial and banking sector, as well as to prepare for the recovery phase and the required review of policies and precautionary frameworks. Whereas, during 2021, high-level dialogue meetings were organized to discuss the pandemic repercussions on the financial and banking sector in the Arab countries. In this context, the AMF organized a series of virtual meetings, conferences, and workshops, as it follows:

- **Two consultative meetings for deputy governors of Arab central banks and monetary institutions:** The first meeting touched on several issues related to financial stability and the role of financial, monetary, and macroprudential policies in the recovery phase, in addition to methods to address risks and challenges facing the banking sector, reduce systemic risks, and the impact of fluctuations in global and local financial markets on financial stability, the role of the digital economy and responsible finance in the post-crisis phase.
  Whereas the second meeting touched on plans for economic recovery in the post-Covid-19 pandemic phase in the Arab region, and the required review and evaluation of the measures taken by

central banks to confront the pandemic repercussions.

The meeting also touched on several important topics, including: "Current regional and international economic and financial issues", "The main systemic risks to financial stability, to support the recovery phase", and "The appropriate timing for toning down or withdrawing support packages".

several priority issues and topics been discussed in the meeting, including: "The role of the private sector in supporting efforts to enhance economic, financial and social stability", "Means of protection and encouragement of productive sectors," "Strengthening the digital infrastructure of the financial sector and promoting digital transformation in the recovery phase," and "The aspects to consider in developing stress tests".

- **The 16th Annual High-Level Meeting on "The Global Banking System in the Post-Coronavirus Crisis**": The meeting discussed several important topics, including the challenges facing the banking sector under the repercussions of the Corona pandemic, the lessons learned from the crisis, the priorities of the supervisory authorities at this stage, and how to utilize Fintech to support digital financial transformation and promote financial stability in the post-pandemic phase. The discussion also touched on the extent of the need to review crisis management frameworks and policies and recovery plans, and the required amendments to the applications of traditional stress testing and deposit insurance systems and institutions, aiming to reduce risks arising from economic and financial crises.

The meeting also discussed the priorities within the framework of the Basel Committee for the post-Corona crisis, in addition to the aspects of enhancing the resilience of the financial sector through optimal preparation for potential crises in the future. The meeting also covered identifying the evaluation of central banks' response in applying prudential policies to mitigate the repercussions of the pandemic on the banking sector, and the views of these banks regarding appropriate instruments under the new situation of the banking system in the post-crisis phase.

- **A consultative meeting of the directors of banking supervision, financial stability, and credit information in central banks and Arab monetary institutions**: Which discussed the repercussions of the emerging virus on the banking system and financial stability, where several topics and related issues were discussed, including the role of macroprudential policy in reducing the systemic risks of the non-banking financial sector, the role of deposit guarantee institutions in crisis management, the role of effective banking supervision in enhancing financial stability, in addition to the "risks of individual and corporate indebtedness." The meeting touched on the latest developments of the Covid-19 pandemic repercussions on the foundations of financial stability, and the aspects of banking supervision.

- **A consultative meeting of the directors of financial inclusion, payment systems, and digital financial infrastructure departments in Arab central banks and monetary institutions:** The meeting touched on several topics, notably: "Requirements of the post-Corona pandemic recovery phase", "Enhancing

opportunities for digital financial transformation and supporting innovations in a manner that promotes digital financial inclusion", "How to enhance mechanisms for providing liquidity to finance productive sectors", and "How to enhance societal awareness in terms of dealing with non-banking financial institutions and methods to enhance access to their services".

The meeting also touched on the challenges and prospects of Islamic micro-insurance in the Arab countries, financing SMEs to enable them to play their role in promoting financial inclusion, the requirements for confronting the repercussions of the climate on the financial sector, and the importance of developing national strategies and proactive plans in this regard. The meeting also addressed the lessons learned from the pandemic regarding the role of microfinance guarantee programs to mitigate the repercussions of the crisis and the appropriate mechanisms and tools to mitigate risks in guaranteeing loans for MSMEs.

- **A consultative meeting for experts on the applications of Fintech in the Arab countries**: Organized within the framework of a series of meetings to discuss utilizing Fintech opportunities to confront the repercussions of the Covid-19 pandemic on the Fintech industry. The meeting touched on "Regulatory and supervisory technical solutions to support the regulatory and supervisory authorities in the Arab countries, and how they can utilize such solutions in performing their tasks", "The legislative structure and the supervisory framework associated with the Fintech industry", and "Requirements for strengthening the regulatory framework to maintain the balance between legislative and regulatory frameworks and support digital innovations".

  The meeting also reviewed the latest developments of stable coins and digital currencies and their repercussions on the international payment markets, in addition to discussing the issues of digital sandboxes, business accelerators, and incubators, and their role in promoting the digital financial services industry and providing innovative financial solutions and services within an organized framework and under the guidance of regulatory authorities.

- **An international conference on "Digitizing the International Financial System"**: Organized in collaboration with the Reinventing Bretton Woods Committee to discuss: "Cross-border payments and digital currencies", "Aspects of the digitization of trade finance operations and the emergence of global digital networks for trade finance", and "Supporting digital financial transformation in money market transactions, and orientation towards regional and international markets".

- **A workshop on "Governance of Family Businesses in the Arab Countries"**: the workshop was held aiming to provide a platform for dialogue and consultation between officials at leadership levels in the public and private sectors to exchange experiences and opinions on methods to support the family business sector and the challenges it faces during the Corona pandemic.
  The workshop provided an opportunity to discuss a set of aspects concerning strengthening the good governance of family businesses and reducing systemic risks to the financial sector, which may arise from the family business sector, in addition to the challenges of adopting a

unified definition of these companies at the level of each country and developing an appropriate methodology to identify systemically important family businesses. The workshop also touched on the role of the regulatory authorities in obligating family businesses to prepare a governance guide that considers, as a minimum, the supervisory instructions, as well as methods to issue rules and regulations as a guiding charter for family businesses at the country level.

B. Supporting digital financial transformation and promoting financial innovations in the Arab countries.

During 2021, The AMF continued its efforts to support digital financial transformation in the Arab countries, as well as the transition to digital financial services and promoting financial innovations, as it published several guiding principles and studies, and organized meetings and forums on the requirements of digital financial transformation.

The guiding principles and manuals published by the AMF during 2021, sought to support digital financial transformation and promote financial innovations in the Arab countries, namely:

1. **Guiding Principles on "Regulating Open Banking Operations":** It included eight principles to strengthen the regulatory framework for open banking in the Arab countries, through the gradual and phased application of business models, to reach a comprehensive framework for the system of open banking operations, based on the goals and strategies of each country. The document also touched on the latest legislation of open banking in the Arab region, how to promote a supportive ecosystem thereto, and shed the light on some experiences from Arab countries in this regard.

2. **A guide on the "Best Practices and Recent Developments for Digital Wallet Providers":** The guide touched on methods to enhance the regulatory framework for digital wallet service providers in Arab countries, aiming to develop such services, and enhance competitiveness among service providers in Arab countries.

   The guide also touched on the urge to develop the legislative framework and the licensing of these services, including setting capital controls and linking it to the size of the total balances of e-money, while ensuring combativeness. The guide also presents a vision for a step-by-step approach to establishing digital banks.

3. **A guide on "Strategies for adopting DLT/ Blockchain Technologies in Arab Countries":** The guide includes an explanation of the multiple applications used for DLT/ Blockchain in the financial and banking sector, existing challenges, and the appropriate procedures and policies to address and overcome such challenges.
   The guide also provides a set of recommendations and a roadmap accompanied by an action plan and considerations for activating these technologies at the national level. The guide also included an evaluation matrix to examine the progress in activating these technologies, including several indicators for several aspects of building an incubating ecosystem for DLT/ Blockchain technologies, including organizational and technical aspects, and the extent of user engagement, in

addition to indicators of the Fintech industry.

4. **Financial Technology Glossary (Second Edition):** It includes more than 1,100 terms used in various aspects of Fintech, in terms of business models and activities, techniques used, and policies and regulatory, supervisory, and institutional frameworks.

The meetings and forums organized by the AMF during 2021 on the requirements to support digital transformation included:

- **A workshop on Digital Transformation in Capital Markets Operations and Respective Regulations** touched several important issues, including digital financial assets cryptography, coding in monetary market transactions, and digital assets respective guidelines, regulations, and instructions. The workshop also touched on digital identity, getting to know the customer in monetary market transactions, and providing financial education for its parties. It also discussed utilizing decentralized records and blockchain technology in financial market operations in Arab countries.

- **A workshop on "Digital Identity, e-KYC Rules, and Customer Enrolment":** Discussed ways to support digital financial transformation, financial inclusion, and the Fintech industry in Arab countries. The discussions also touched on methods to support Arab countries' efforts in raising awareness of due diligence procedures and "KYC" rules, how to utilize modern regulatory and supervisory solutions, and how to remotely enroll customers.

- **A high-level panel discussion on "Digital Payments":** Addressed the role of digital payments in creating job opportunities and enhancing the inclusiveness of public services in the economy. It touched on the electronic payment applications trends and their role in improving government services, and the associated challenges, in addition to discussing the supervisory role of Arab central banks in digital payments aiming to enhance its efficiency. The workshop also reviewed the relevant experiences of Arab countries.

- **A workshop on "Open Banking Operations and the Respective Regulatory Framework":** Discussed several topics, notably: Concepts and developments of open banking operations, open data to activate the open financing system, and cooperation methods between the various relevant parties to reach a common vision. In addition to methodologies for designing open banking operations to promote financial inclusion. The workshop also touched on the best relevant global practices, while identifying the experiences of many countries in activating open banking operations.

- **A workshop on "Basic considerations for developing Fintech regulatory and supervisory tools":** Discussed recent trends in the supervision and control of the Fintech industry and digital financial services, in the context of realizing the importance of providing a legislative and regulatory ecosystem that stimulates the growth of innovations, while keeping guard against the associated risks.

- **International Conference on "Promoting Digital Innovation and Cross-Border Payments":** The conference discussed the objectives intended by the issuance of central banks' digital currencies and prioritizing the

issuance of digital currencies in Arab central banks at the current stage considering the rapid developments in instant payment services and platforms. The conference also touched on the Arab "Buna" platform, which was established with the support of Arab central banks, and its innovative solutions to enhance the efficiency and safety of cross-border payments and encourage innovations in financial services.

- **A workshop on "Addressing Cyber Threats to Financial Services in the Arab Countries":** Discussed trends and developments of cyber threats and potential repercussions on financial stability, and appropriate organizational and technical solutions to address such threats by reviewing several regional and international experiences and the lessons learned from them and identifying the applicable solutions by financial institutions to counter cyber threats and achieve cyber security.

Within the framework of encouraging digital innovation, the AMF published several policy papers regarding Fintech in Islamic financial services, the application of open finance, applications of blockchain technologies in financial services, and other relevant topics. In addition to the aforementioned, digital transformation issues were addressed in the meetings of committees and working groups emanating from the Board of Governors of Arab Central Banks and Monetary Institutions, the Council of Arab Finance Ministers, and the forums associated with both councils. The AMF also participated in many regional and international events concerning the Fintech industry and digital financial transformation, in addition to the relevant training courses the AMF organized.

C. Launching Fintech regional indicator "FinxAr":

Within the framework of the AMF's efforts, during 2021, to promote the Fintech industry, the **"Index of Modern Financial Technologies in the Arab Countries (FinxAr)"** was launched, which indicates the development extent of the Fintech industry and digital financial services in the Arab countries. The index aims to identify the efforts of Arab countries in enabling and promoting Fintech adoption. It also contributes to setting a vision for the modern financial technology industry in the Arab countries and how to support the Fintech ecosystem, to help formulate national policies to strengthen the industry in Arab countries in the future, where they harness potential opportunities.

D. Promoting interest in the repercussions of climate change on the financial sector and banking services:

The AMF, during 2021 focused on the repercussions of climate change on the financial sector and banking services, and green finance, as it sought to address these topics in the meetings of committees and working groups emanating from the Board of Governors of Arab Central Banks and Monetary Institutions, and in various meetings, conferences, and workshops.

The Financial Stability Report in the Arab Countries of 2021 also included a special chapter on the repercussions of climate change on financial stability. On a different note, the AMF, during its communication with Member Countries, stressed the importance of applying the guiding principles for central banks regarding the repercussions of climate change issued by the AMF.

In addition, the AMF organized a specialized workshop on "Implementing environmental and social standards in the investment policies of Arab pension funds": which aims to identify the efforts and readiness of Arab pension funds to implement inter-community standards and governance and to address the associated challenges in adapting to these standards, as well as working to enhance awareness regarding the issues of environmental standards and social responsibility of financial and banking institutions.

The workshop included dialogue sessions on a set of recommendations for methods to enhance the alignment of Arab pension fund investments with environmental, social, and governance standards, in terms of providing reliable compatible data with environmental and social standards.

e. Strengthening communication channels with non-banking financial institutions to support the development of the financial sector:

During 2021, the AMF continued its communication with the bodies and institutions regulating the non-banking financial sector, within the framework of its efforts to support the development of the sector, which included the following:

- **Organizing three meetings for Arab insurance supervision authorities:** The first meeting focused on "the role of the insurance sector in the Arab countries in the economic recovery phase," during which several issues regarding the reality of the insurance sector in the global financial system were discussed, notably: "The reality of the insurance sector in light of the current crisis arising from the repercussions of the Corona pandemic", "The challenges and risks facing the sector in the post-crisis period", "The role of the insurance sector in the post-crisis economic recovery phase, and the impact of climate repercussions and natural disasters on the insurance sector", "Fintech role in raising the insurance sector coverage rates", "Controlling the risks of money laundering and terrorist financing in the insurance sector", in addition to "Governance of insurance companies".

The meeting also touched on several topics, including: "Methods and means to expand and enhance the coverage of individuals and companies in Arab countries with official insurance services", "The qualitative gap in the insurance sector", "The insurance sector role in enhancing financial stability in Arab countries", and "Coordination requirements between supervisory bodies regarding the insurance sector", "Financial innovations regulatory sandbox and Fintech utilization methods in the insurance industry", and "Insurance consumer protection".

The second meeting organized by the AMF for Arab insurance supervisory bodies focused on combating financial crimes in the insurance sector, where the risks that insurance companies are exposed to because of financial crimes were discussed, in addition to the necessary measures to combat such crimes.

The discussion also touched on the procedures of insurance companies to combat financial crimes, including the procedures, policies, and regulations that they must take to prevent utilizing their products in financial crimes, as well as methods and means of continuous development of their "know your customer" procedures system, by focusing on the process of investigating customer data and linking it with the authorities concerned with combating financial crimes, the extent to which a strong compliance and disclosure system is

implemented within the regulatory ecosystem for combating money laundering and terrorist financing, and the compatibility criteria of countries' legislation with the requirements of supervision, control and exchange of information regarding insurance activity, as well as a review of best corporate governance practices in the insurance sector in the Arab region, and its role in combating money laundering, terrorist financing, market abuse, and fraud.

The third meeting focused on "Utilizing Fintech to improve and access insurance services": It included the opportunities and challenges offered by Fintech to develop the insurance industry, and access to insurance services in the Arab countries. The meeting also discussed several topics regarding the reality of the insurance sector in the global financial system in the post-Covid-19 pandemic, the challenges and risks it faces, and Fintech utilization methods in developing the insurance industry and services in the Arab countries, and its role in promoting insurance services access opportunities and develop the non-banking financial sector.

- **Cooperation with national credit guarantee schemes in the Arab region** n organizing a series of join consultation, including a regional workshop to discuss challenges and opportunities to extend financing for SMEs, as well as ways to join forces in moving forward SME finance agenda in the Arab region. The workshop discussed a number of topics, including Central banks perspectives and agenda to support sustainability of the financial system from ESG perspectives, facilitate post-pandemic smooth economy return to normal, address insolvency & expected new financial and climate related risks and ensure the application of suitable regulations that supports enhancing the role of Guarantee mechanisms as a significant tool going forward. The meeting explored also opportunity for the new guaranteed business model to properly align with public policies objectives going forward, in particular with the post-pandemic adjusted strategies & policies of Central Banks, that enhances risk mitigation, reduce risk concentration and expand the risk appetite of the national Guarantee Schemes by truly "sharing" the risk with a different non-state entity.

  The meeting discussed also prospects for regional approach in the Arab region vs global models, in a way of a tool to promote performance benchmarks that can foster the transfer of best practices among Guarantee Schemes.

- **Collaboration with the International Association of Deposit Insurers (IADI)** in organizing a workshop to discuss the basic principles for developing effective systems to guarantee deposits in Islamic banks with the participation of Arab deposit insurance institutions and programs.

f. Continued issuing the Arab Financial Stability Index (AFSI)

The AMF, during 2021, continued to issue the Arab Financial Stability Index, as a tool for prudential policymakers. Continuing publishing of the Financial Stability Report previously launched in 2020, given the importance of having a quantitative index that objectively measures the financial stability level, and acts as a tool for guidance and early warning, as it assists decision-makers and policymakers in identifying the possibility of an emerging potential financial crisis before their occurrence, to take the necessary preventive and proactive policies and procedures.

Within this frame of reference, the repercussions of the emerging Coronavirus crisis and its impact on Arab economies were reflected in the developments in the value of the Arab Financial Stability Index to indicate the impact of the Corona pandemic repercussions on Arab economies, in addition to the situation and challenges already impeding some of these countries.
In this context, profitability indicators declined, and the rate of defaulted facilities increased due to the impacted cash flow of the individual and corporate sectors because of the pandemic.

Contrarily, capital and liquidity adequacy indicators have improved, which indicates the resilience, durability, and ability of the banking sector to absorb shocks, as it is known that the capital and liquidity instruments enhance the banks' ability to withstand financial and economic shocks and the high risks to which they may be exposed.

In this regard, the key amendments within the Basel (III) are to enhance and improve the quality and quantity of capital at banks by maintaining high-quality capital to support their ability to confront risks and absorb losses, through the application of the liquidity coverage ratio and net stable funding standards, in addition to meeting quantitative liquidity requirements to enhance the banks' ability to meet their obligations over the short and medium-term using high-quality liquid assets.

In general, despite the severity of the Covid-19 pandemic crisis, and the challenges and risks surrounding the Arab region, the analysis results showed a slight decline in the banking sector index, which reflects a general trend in Arab countries towards adopting conservative precautionary policies, which contributed to enhancing financial stability. The index results also reflected the strength and resilience of the banking sector in the Arab countries and its ability to absorb financial and economic shocks.

In a related context, the AMF published, during 2021, the fourth issue of the **"Annual Financial Stability Report in the Arab Countries"**, which covered, with its nine chapters, several economic and financial aspects of interest to Arab countries in their efforts to enhance financial stability, namely: Regional and international economic developments and their repercussions on financial stability in Arab countries, developments in legislative and institutional frameworks for financial stability and strengthening the infrastructure of the financial sector in Arab countries, developments in the Arab banking sector performance and potential risks, developments in the non-banking financial sector in Arab countries and potential risks, the Arab banking sector stress tests analysis results, the repercussions of the Coronavirus on the elements of financial stability and the role of the macro-prudential policy in limiting the impact of the emerging Coronavirus pandemic.

The report chapters also acknowledged the efforts of Arab countries in promoting digital financial inclusion, while addressing the enhancement of cyber security and the reduction of electronic threats and their effects on financial stability, the Arab Financial Stability Index, and the repercussions of climate change and natural disasters on financial stability.

g. Supporting policies for the development of the banking financial sector by preparing working papers and policies primarily concerned with the development of the financial and banking sector.

During 2021, the AMF published several papers and studies to support efforts to develop the financial and banking sector, within the framework of a series of financial sector development publications and

publications of the Board of Governors of Arab Central Banks and Monetary Institutions, which included the following:

1. A study on **"The Effects of Banking Concentration on financial Stability"**: Covered the impact of developments in banking concentration rates, the growth of credit granted, and the growth of real GDP on financial stability in Arab countries.

2. A study on "**The Impact of Islamic Finance on Financial Inclusion in the Arab Region"**: Aims to measure the response degree of financial inclusion indicators to developments in Sharia-compliant finance in the Arab countries.

3. A study on **"Infrastructure Financing in Arab Countries: Challenges and Options":** Addressed the possibility of increasing the financing required to meet the infrastructure needs in the Arab countries. The study reviewed the current state of infrastructure in Arab countries in terms of the access level to its services, and government spending levels thereon. It also referred to the infrastructure financing needs, and the challenges facing Arab countries in financing these needs.

4. A study on the **"Motivations of Sharia-compliant Microfinance in the Arab countries"**: Examined the elements that the foundations of Sharia-compliant financing have in common with microfinance, and how to utilize those foundations in serving and activating the microfinance sector in the Arab countries.

5. A study on **"The Economic Repercussions of Blockchain Technology and The Arab Financial Markets Stability":** Included an economic analysis of the repercussions of Blockchain technology on Arab economies.

6. A study entitled **"Effects of Cross-Border Remittances on Financial Inclusion in Arab Countries":** Aims to analyse the relationship between financial inclusion indicators and cross-border remittances in Arab countries. The study also provides an analytical framework for policymakers in the Arab region, which contributes to promoting financial inclusion by supporting cross-border remittances.

7. A study on the **"Determinants of Operational Efficiency in the Arab Banking Sector":** Sheds light on the determinants of the net interest margin in the Arab banking sector. It also provided an analytical framework for Arab central banks and monetary institutions, thus contributing to the continuing efforts to improve the operational efficiency of the Arab banking sector.

8. A study on **"Bank performance Prediction in the Arab Region Using Logistic Regression Model":** Aims to identify the determinants of the banking sector performance. It also provided an analytical framework for Arab central banks and monetary institutions, thus contributing to the continuing efforts to improve the Arab banking sector's performance.

9. A study on **"The Relationship between Information and Communication Technology the Development of the Financial Sector and Economic Growth in the Arab Countries":** Aims to measure the effects of the interaction between the financial sector and information and communication technologies on economic growth in the Arab countries.
10. A study on **"Innovative Methods for Increasing Responsible Financial Inclusion"**: Examined the role of utilizing Fintech in providing innovative

instruments to enable individuals and institutions to access financial services at lower costs. The study also showed the acceleration of banks' digitization, to correspond to the increase in the percentage of individuals reliance on applications and websites in conducting banking transactions in light of the Covid-19 pandemic.

11. A research paper on **"Standards and Principles for Handling Customer Objections to the Accuracy of Credit Information":** Demonstrated the important role credit bureaus play in reducing the risk of default, by contributing to making sound credit decisions based on an accurate assessment of the customer.

12. A research paper on **"Alternative Finance"**: Touched on its importance in promoting financial inclusion, the opportunities, challenges, and infrastructure related to it, and the role of digital culture in enhancing it, in addition to the role of credit bureaus in encouraging this type of financing.

13. A research paper on **"Credit Scoring, Psychometric Credit Scoring, and Alternative Data"**: Demonstrated the key role psychometric credit scoring plays in enhancing individuals' access to finance, by evaluating personal characteristics and psychological indicators that help in analysing the customer's willingness and ability to pay financial obligations.

14. A study on **"Concentration in the Banking Sector and Financial Stability - The Hashemite Kingdom of Jordan Experiment":** Aims to test the impact of concentration in the Jordanian banking sector on financial stability.

15. A study entitled **"Do Financial Inclusion Indicators Affect Banks' Profitability? Evidence from Selected Arab Countries":** Examined the factors affecting the rate of return on assets in the Arab countries, and the variables that could affect the percentage of non-performing loans, whether those belonging to the bank itself or those related to the banking industry and the overall economy.

16. A research paper entitled **"Liquidity Coverage Ratio (Application Requirements and Challenges) - the Central Bank of Iraq and the Palestinian Monetary Authority Experiment"**: Examined the challenges associated with the application of the liquidity coverage ratio in the banking sector, and its role in improving its ability to absorb shocks caused by financial and economic pressures and reduce the chances of transferring risks to the real sector.

17. A research paper entitled **"Application of the Net Stable Funding Ratio, and the Challenges Associated with the Emerging Coronavirus Crisis - the Central Bank of Kuwait Experiment":** Reviewed the Central Bank of Kuwait experiment in confronting the challenges associated with the application of the Net Stable Funding Ratio in light of the pandemic repercussions.

18. A study entitled **"Sensitivity of Capital Adequacy Ratio to Bank-Specific and Economic Factors in the Arab Banking Sector":** Addressed the determinants of capital adequacy as one of the important indicators of banking strength and soundness and included an analytical framework that contributes to strengthening capital management in the banking sector.

19. A study entitled **"Supervision of Foreign Banks by the Host Supervisory Authority - the Central Bank of Jordan Experience":** Addressed the responsibilities of the supervisory authorities in the host country and the supervisory authorities in the home country over foreign banks. It also clarified the mechanisms of information exchange and coordination between both authorities.

20. A study entitled **"Control and Supervision under Fintech Rapid Developments - the Central Bank of Egypt Experiment"**: Reviewed Fintech developments and their repercussions on the financial and banking sector, and the challenges facing the regulatory authorities when conducting supervision and inspection of products and services provided by Fintech-reliant financial institutions.

21. A study on **"Updated Methodologies for Micro Stress Testing - Bank Al-Maghrib Experiment"**: Examined the impact of the rapid technological development on the financial and banking sector, digital transformation, and the advantages offered by Fintech.

22. A study on **"The Risks of Family Sector Over-indebtedness on Financial Stability":** Sheds light on the potential relationship between the credit risk of the family sector and its impact on financial stability in the Arab countries.

23. A study on **"The Risks of Money Laundering and Terrorist Financing on the Banking Sector in the Arab Countries in light of the Corona Pandemic":** Addressed the potential financial challenges and risks related to combating money laundering and terrorist financing that faced the financial and banking sector in Arab countries during the Corona pandemic, and the measures taken to confront those challenges.

24. A study **on "Modelling and Analysing Stock Returns Fluctuations in Arab Stock Exchanges During the Emerging Coronavirus Pandemic":** Included analysis of stock price and returns fluctuations in Arab stock exchanges related to the repercussions of the Covid-19 pandemic.

25. Policy paper entitled **"Islamic Fintech in the Arab Region: Imperatives, Challenges and the Way Forward":** Aims to raise awareness of the requirements for developing the Fintech industry, the Shariah-compliant financial services industry, and digital financial transformation in the Arab countries.

26. Policy paper entitled **"Open Finance: A framework for the Arab Region to develop the scope of financial services"** aims to raise awareness of the requirements for developing digital financial and banking services and supporting digital financial transformation efforts in Arab countries. The paper also included a roadmap for formulating the transition paths to open financing, including all financial services and products.

27. A study on **"The Application of Micro and Macro Stress Testing":** Aims to aid central banks and the financial and banking sector in strengthening the risk management system and adopting advanced methods to measure the ability of this sector to absorb shocks by the best international standards and practices. The study also touched on the application of micro and macro stress tests, whether applied by central banks and/or the financial sector, in a manner that

contributes to strengthening the banking crisis management system.

28. A study entitled **"The Role of Fintech in Post-COVID Era":** Covered the great opportunities in employing Fintech to develop financial services in the post-pandemic era, and the respective Arab experiments.

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

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

The AMF sought to achieve such objective through continuing to promote training activities, updating the content of all the offered training programs, expanding its list of training activities and programs, and focusing on topics related to the needs and challenges facing Arab economies, in addition to strengthening its partnerships with regional and international institutions.

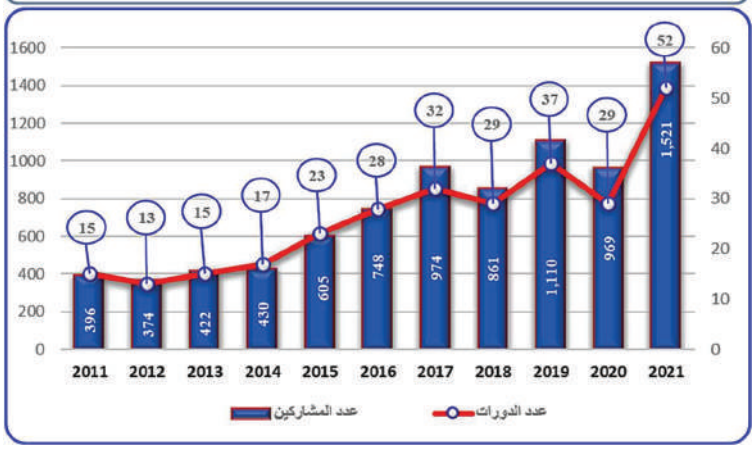
In 2021, under the repercussions of the Covid-19 pandemic and lockdowns that limited mobility as well as holding training courses in person, all the scheduled training courses the mentioned year were provided "virtually". The 2021 work plan primarily relied on the online training platform and provided the technical requirements necessary to provide this type of training in line with international standards and best practices and considering the current and future training needs.

In this context, 52 training courses were held during 2021, which covered topics that correspond with the aspirations of Member Countries, meet their needs, and maximize their cadres' utilization of the courses, in addition to focusing on practical workshops and case studies. The number of Arab staff participating in the training programs held during 2021 was 1,521 compared to 969 participants during 2020 (chart 3).

Thus, the number of participants from official Arab cadres in the training courses, workshops, and seminars organized by the Institute since its establishment until the end of 2021 reached 15,559 participants (annex 3).

thirty training courses were provided by the AMF's staff during 2021 and the other 22 training courses have been provided within a collaboration between the Institute and a group of international and regional institutions, including twelve courses with the International Monetary Fund, two with the Islamic Development Bank, two with Deutsche Bundesbank, two with the Central

Chart (3): Evolution of participants' numbers in TCBI's activities (2011 - 2021)



Bank of England, one with the Bank for International Settlements, one with the World Bank, one with Banque de France, and one with the German Agency for International Cooperation (GIZ).

To improve the training Quality, the AMF attaches great importance to the requirements and needs of Member Countries in this area, as reflected in the results of the questionnaire sent annually to Member Countries, to identify their training needs, participants' feedback, opinions, and suggestions on the AMF's training courses and programs, particularly about the effectiveness of the training and the extent of application of the information systems, acquired skills from training programs. The institute continued to update its internal process by adding functions and improvements to the "virtual" training system, especially virtual labs, pre- and post-course quizzes, the degree of knowledge acquisition, and objective and constructive evaluation of the courses.

The following is a list of topics covered by the training courses and workshops that have been provided during 2021, and their dates:

1. **"Monetary and Financial Statistics (Introductory)"**, (11-14) January 2021.
2. **Fiscal Policy Analysis,** (18-28) January 2021.
3. **Strategic Planning,** (24-28) January 2021.
4. **Quarterly National Accounts,** (1-4) February 2021.
5. **Islamic Banking - Microfinance, (7-11)** February 2021.
6. **The role of Fin-Tech in Developing Islamic Financial Products,** (14-18) February 2021.
7. **Econometric Modelling**, (14-18) February 2021.
8. **Risk-Based Supervision in the COVID-19 times,** (17-18) February 2021.
9. **Investment Portfolio Management,** (21-25) February 2021.
10. **Financial Stability,** (2-4) March 2021.
11. **Economic Reforms,** (7-18) March 2021.
12. **Financial Soundness Indicators,** (22-25) March 2021.
13. **Cross-Border Statistics,** (March 29 - April 1) 2021.
14. **Investment Risk Management,** (16-20) May 2021.
15. **Fiscal Vulnerabilities Diagnostics,** (23-27) May 2021.
16. **Financial Inclusion Data Boosting Evidence for MSMEs Finance,** (24-27) May 2021.
17. **Macroeconomic Framework,** (May 30 - June 3) 2021.
18. **Capital Adequacy standards for Islamic Banks,** (May 30-June 3) 2021.
19. **External Trade Competitiveness,** June (6-10) 2021.
20. **Digital Economy & Economic Policies,** (6-10) June 2021.
21. **Fiscal Frameworks**, (7-17) June 2021.
22. **Macroeconomic Modelling,** (13-17) June 2021.
23. **Economic and Financial Balances,** (20-24) June 2021.
24. **Economic Crisis Management,** (June 27 - July 1) 2021.
25. **Risk Management in Islamic Banks,** (4-8) July 2021.
26. **Financial Sector Surveillance,** (5-15) July 2021.
27. **Advanced Econometric Analysis,** (11-15) July 2021.
28. **International Trade in goods & services Statistics,** (6 - 9) September 2021.
29. **Policies for Economic Stabilization and growth,** (12-16) September 2021.
30. **Economic and Financial Variables Modelling**, (12-16) September 2021.
31. **Public Goods and Services and their Economic and Social Impact,** (19-23) September 2021.

32. **Measurement of Systematic Risk, Macroprudential Policy, and Stress Tests,** (20-23) September 2021.
33. **Corporate & Financial Institutions Governance,** (26-30) September 2021.
34. **The Input-output Models for Economic Policies Assessment,** (26-30) September 2021.
35. **Alternative Investments in Reserve Management,** (3-6) October 2021.
36. **Leveraging mobile to support payment systems and accelerate women's financial inclusion in the Arab region,** (10-14) October 2021.
37. **Government Finance Statistics,** (11-21) October 2021.
38. **Financial technology and its applications in the in the financial & banking sector,** (17-21) October 2021.
39. **Exchange Rate Policy,** (18 - 28) October 2021.
40. **Public - Private Partnership (PPP) for Financing Infrastructure projects in the Arab countries,** (24-28) October 2021.
41. **Multidimensional Data Analysis** (October 31-November 4) 2021.
42. **High-Frequency Indicators of Economic Activity,** (1-4) November 2021.
43. **Fiscal Policy, Stability, and Growth in Arab Countries,** (7-11) November 2021.
44. **Debt Management Strategies & Domestic Debt Market Developments,** (7-11) November 2021.
45. **"Financial Stability & Macroprudential Policy Tools",** (14-18) November 2021.
46. **"Banking Supervision within Basel III Framework",** (16-18) November 2021.
47. **"Anti-Money Laundering and Countering the Terrorism Finance"** (23-25) November 2021.
48. **"Balance of Payments Statistics",** addressed to the cadres working at the Central Bank of Kuwait, (28-30) November 2021.
49. **Economic Uses of Eviews Program: Introductory course,** (5-9) December 2021.
50. **Inclusive Growth,** (6-16) December 2021.
51. **Legal and Practical Aspects of Shariah Sukuk,** (13-16) December 2021.
52. **Islamic Insurance (Takaful),** (19-23) December 2021.

Research Activity: Economic Studies, Reports, Books, and Bulletins

The AMF's research activities, including reports, publications, research studies, books, and bulletins, are centered on supporting and assisting decision-makers in the Arab countries. It also focuses on highlighting important economic issues and studying them to identify challenges and ways to confront them.

The focus during 2021 was on studying the repercussions of the Covid-19 Pandemic, its impact on Arab economies, ways to confront them, and exploring the paths of recovery and return to the normal economic growth pace in the post-crisis era.

In addition to publications concerned with the development of the financial and banking sector referred previously, the AMF's publications released during 2021 included a set of economic reports and studies, working papers and policies, bulletins, books, and brochures concerned with Arab youth, which dealt with various economic, monetary and financial issues and topics.

A. Reports and Periodicals published in 2021:

1. The forty-first edition of the **"Joint Arab Economic Report 2021"** reviews economic developments in the Arab countries, in addition to many essential topics, including the digital economy, digital transformations, financial stability,

financial inclusion, and the application of Basel III requirements.

2. A report on **"the Role of Fintech in Post-COVID Era" s**hed light on various models of Fintech activities and applications that Arab countries have adopted to mitigate the repercussions of the Corona pandemic, including the transition to non-cash channels, progress in the conditions of remote customer enrolment and "eKYC" rules, and the activation of digital financial services, all of which to enhance access to financial services, as well as strengthening electronic safety frameworks.

3. **"The Annual Report- 2020 for the Financial Inclusion in Arab Region Initiative (FIARI)",** aimed to introduce the initiative's activities according to the priorities of the financial inclusion strategy and programs in the Arab region.

4. Three editions of the **"Arab Economic Outlook Report"** included forecasts for the economic performance of Arab countries for 2021 and 2022. Through publishing the report, the AMF aims to provide decision-makers in Arab countries with a forward-looking and analytical vision for the performance of Arab economies on several levels, namely: The international economic environment, economic growth, domestic price trends, monetary conditions, the public financial sector, the external sector and the balance of payments.

   Given the new Coronavirus developments, the questionnaire for the report was developed to reflect the impact of the Pandemic on the economic performance in the Arab countries and to shed light on the sectors most affected by the virus outbreak. It addressed the policies adopted by Arab countries to confront the health, economic and social repercussions due to the virus outbreak and the total stimulus packages provided at the Arab country's level.

5. The fifth edition of the **"Competitiveness of Arab Economies"** report reviewed the state of competitiveness in Arab countries. It shed light on the economic measures and policies adopted by Arab countries to improve their productivity and competitiveness levels.

6. The second edition of the **"Arab Fintech Observatory"** touched on the topic of **"crowdfunding platforms"** in light of their role in supporting MSMEs, based on a questionnaire completed by the Arab regulatory authorities.

7. The first edition of an annual research periodical entitled **"Arab Fintech Regulatory Sandboxes Observatory"** aimed to monitor the most prominent successful models in this field based on a questionnaire completed by the Arab regulatory authorities, to identify the aspects and ingredients for the success of the control ecosystems in the Arab countries, and its role in supporting the growth of the Fintech sector.

8. A research series entitled **"Policy Brief"** aimed to support the decision-making process in the Arab countries by providing brief research publications that address the most prominent priorities and topics of interest to Member Countries, accompanied by recommendations for policymakers. In this regard, the AMF worked during 2021 to publish seven editions of this series, addressing the following topics:

   - Financial Inclusion Role in Empowering Women: Lessons Learned

from the Most Prominent Regional and International Experiences.
- Utilizing Behavioural Economics to Support the Economic Policy-Making process.
- Towards a New Social Era: Public Finance Role.
- Infrastructure Financing Challenges and Options in the Arab Countries.
- Supply-side economics and the "Laver" effect, "too much tax kills tax" principle, and an introduction to tax reforms in the Arab countries.
- Non-Banking Financial Sector: Insurance Sector.
- Global Inflation Wave: Causes and Implications on Arab Economies.

B. Research publications, including economic studies, policy and working papers, bulletins, and books:

1. A study entitled **"A Research Project on the Economic Repercussions of the Fourth Industrial Revolution: Artificial intelligence"** reviewed the economic repercussions of artificial intelligence at the Arab and global levels. It also addressed the challenges accompanying these transformations, especially those related to the digital divide, digital infrastructure, human capital, the regulatory and institutional ecosystem, and funding sources.

2. A study on **"The Impact of the Manufacturing Sector on Economic Growth in the Arab Countries"** estimated the relationship between worker productivity in the manufacturing sector and the rate of economic growth in Arab countries. The study also touched on the sector's role in achieving sustainable economic growth and the importance of acquiring modern technologies to increase production, production efficiency, and competitiveness of the manufacturing sector.

3. A study entitled **"Monetary Policy and Addressing Economic Recession in the Arab Countries"** highlighted the role of monetary policy in addressing the economic recession in the Arab countries, due to the repercussions of the Covid-19 Pandemic, in the short and medium terms.

4. A study on **"Factors Affecting the Money Turnover Velocity"** shed light on the determinants of the money turnover velocity in Arab countries and the role of monetary policy in this regard. The study also clarified the importance of identifying these determinants to achieve the effective and optimal monetary policies.

5. A study on the **"Transmission Mechanism of Monetary Policy in an Interest-Free Economy"** highlighted the role of monetary policy in achieving many main economic objectives, notably maintaining monetary stability, a high level of employment, and achieving balance in the balance of payments, as well as achieving economic and social development objectives, and providing them with the necessary funding.

6. A study entitled **"Digital Economy Taxes in the Arab Countries"** aimed to highlight the importance of the digital economy in terms of the impact of the rise in financial resources generated by digitalization-based companies, the challenges facing the application of taxes on the digital economy at the Arab and global levels, the efforts made to address them, and the nature of the measures and actions planned and taken

at the level of Arab countries in this regard.

7. A study on **"Digitizing Social Payments in the Arab Countries"** captured the Arab experiences of digitizing social payments systems to identify the current status of such systems, the economic gains, the challenges facing the concerned authorities, and lessons learned.

8. A study entitled **"Tax Policy Options to Support MSMEs"** shed light on the MSMEs tax frameworks and touched on Arab and international experiences in this regard. The study highlighted efforts of the concerned authorities in the Arab countries to integrate these institutions into the formal sector system to support growth and sustainable development.

9. A study entitled **"Towards Constructing a Composite Index to Measure the Digital Economy in the Arab Countries"** developed a composite index to measure the digital economy in the Arab countries based on four main pillars that measure the digital transformation on several levels.

10. A study on **"Digitizing Tax Collection in the Arab Countries" s**hed light on the role of digital transformation in increasing the efficiency levels of fiscal policy, the economic gains arising from this transformation, and the successful ingredients of digitizing tax collection in the Arab countries, including direct and indirect taxes, in addition to the extent of digital development of tax collection from the information stage, all the way to compliance and tax payment stage.

11. A study on **"Capturing Financial Cycles in Arab Countries"** estimated and measured the credit, stock market, and real estate price cycle considering these cycles as the main component of the financial cycle.

12. A study on **"Modelling the Effect of the Parallel Exchange Rate on Inflation Dynamic"** analysed the relationship between the parallel exchange rate and the consumer price index in an ecosystem characterized by high levels of inflationary pressures.

13. A study on **"Capital Flows in Selected Arab Economies: Evidence from the Relationship between Investment and Savings"** analysed the relationship between investment and savings to verify the role that domestic savings play in the development of domestic investments. The study also provided an analytical framework that contributed to enhancing the understanding of this relationship and shed light on capital flows in the region.

14. A study on the **"Effects of the Information and Communications Technology on Labour Productivity in the Arab Region"** discussed the methods of measuring the effects of information and communication technologies on labour productivity in selected Arab countries, taking into consideration the impact of three economic activity drivers, namely: Trade openness, investment, and government spending. The study also provided an analytical framework for policymakers in the Arab region, which contributed towards understanding the relationship between information and communication technologies and labour productivity.

15. A study entitled **"Macro and Sectoral Implications of Oil Price Decrease on**

Oil-Exporting Countries" sought to assess the effects of the decrease in international oil prices on the real sector in the Arab oil-exporting countries. The study touched on the negative impacts on the real GDP and its main components on both sides of supply and demand in the Arab oil-exporting countries. The study also showed the need for Arab oil-exporting countries to make more efforts to achieve flexibility towards oil price fluctuations by diversifying fiscal revenues. Progress in diversifying non-oil revenues helps to gradually separate changes in public spending from changes in oil prices.

16. A study on **"Asymmetric Responses of Economic Growth to the Fluctuations in Oil Prices in the GCC Region"** addressed the asymmetric effects of global oil price fluctuations on economic growth in the GCC region, taking into account the impact of the main drivers of economic activity.

17. The **"Quarterly Economic Statistics Bulletin"** monitors the development of the key economic variables, including the real sector, the monetary sector, the government finance sector, and the external sector.

18. The **"Arab Capital Markets Weekly Bulletin"** seeks to capture the key developments in the Arab financial markets, based on the AMF database for the Arab financial markets and the data published by the Arab stock exchanges.

19. The **"Arab Capital Markets Monthly Bulletin"** seeks to track these markets' total monthly trading movement.

20. The **"Arab Capital Markets Performance Quarterly Bulletin"** deals with the key economic developments related to the activity of Arab capital markets. It also addresses the changes in the legislative and institutional frameworks regulating them, aiming to inform the investors of the developments in these markets and their performance and the evolution of foreign investors' transactions in these markets.

21. The third edition of the **"Cross Exchange Rates"** bulletin covers the period from January 2015 to December 2020 and the exchange rates of Arab currencies against the US dollar and their average annual change rate. It also includes exchange arrangements in Arab countries.

22. A book on **"Monetary Policy Frameworks in the Arab Countries"** represents the document emanating from the fourth meeting of the Monetary Policy Working Group, organized by the AMF and the Bank for International Settlements in 2021, with the participation of several high-level officials from Arab central banks and monetary institutions in the monetary policy field. The book included documentation of the monetary policy operational frameworks and the latest reforms in the Arab countries.

c. A series of introductory booklets aiming to increase the economic and financial awareness of Arab youth and enable them to understand the basics of priority economic issues in Arab countries.

The AMF issued 19 introductory booklets during 2021, which dealt with many topics and economic and financial issues, including:

1) Non-banking financial institutions.
2) Digital wallet.
3) Youth awareness towards saving.

4) Money laundering risks.
5) The reality of digital currencies.
6) Credit concentration risks in financial and banking institutions.
7) Knowledge economy.
8) Duties and responsibilities of Credit Information Companies (CIC).
9) Artificial intelligence implications on auditing.
10) Big data technology.
11) Monetary policy.
12) Inflation: Causes, effects, and remedies.
13) Basic Economic Concepts: GDP.
14) E-commerce.
15) Financial markets.
16) Movable collateral systems.
17) Digital currency technologies.
18) Have you ever thought of being an Economist?
19) Using Artificial Intelligence (AI) in Banking Services.

On another note, the content included in the **"AMF's Interventions to Support the efforts of Arab Countries in confronting the emerging coronavirus pandemic"** has been updated continuously basis on the AMF's website, covering interventions on several levels.

This section highlights the role of the AMF in supporting its member countries, including Financial and technical support and interventions in terms of strengthening the AMF's role as a center of excellence for policymakers to discuss priorities at the policy level related to mitigating the impact of the Pandemic, supporting economic recovery. This section also sheds light on interventions by ministries of finance, Arab central banks and monetary authorities, in addition to the AMF's activities in periodic monitoring and analysis of relevant economic developments.

The AMF's Investment Activity

The investment activity is considered as one of the AMF main activities, based on the objectives and the scope defined by the AMF's Articles of Agreement, and the resolutions issued by the Board of Governors, that define the general framework of the investment activity.

The resolutions of the Board of Executive Directors set the general guidelines for the investment policy, in addition to setting the controls and the standards for its implementation and for the management of various investments and their associated risks. In this context, the AMF follows a conservative and balanced investment policy based on the principle of diversification of investment risks in line with its nature as a regional financial and developmental institution.

The AMF's approved investment policy is based on four main principles: the protection of the principal invested as a priority, the availability of liquidity, the free transferability, and then realizing the highest possible return on an annual basis while complying with portfolio risk limits to protect the value of the overall investments.

The AMF's investment activities include investing its accumulated financial resources, which consist of capital and reserves that are employed in activities consistent with its strategic objectives. Such activities include lending and investing in Arab government bonds within set limits in the interest of developing Arab capital markets in line with approved investment strategy and policy.

The AMF earns an income which contributes to cover its administrative expenses and grow its reserves and its own resources.

The investment activity also includes the engagement in activities that are expected to enhance channels of cooperation with both public institutions of Member Countries and with Arab financial institutions; these activities include accepting deposits and deployment of investments in line with the approved investment policy in addition to offering portfolio management services in deposits, money market and bonds to Member Countries and to Arab financial organizations. It is worth mentioning that the AMF's investment activity is directly and indirectly affected by economic and financial developments at the regional and international levels. These factors are considered in setting the investment strategy within the AMF's strategy.

The outbreak of the COVID-19 pandemic at the beginning of 2020 resulted in a major decline in economic activity in both developed and emerging countries. As a result, governments and monetary authorities in many countries including the United States, the European Union and China adopted easy fiscal and monetary policies to incentivize growth. The massive fiscal and monetary stimulus coupled with increased inoculation have helped the global economy recover during 2021 at a fast pace.

The huge financial and monetary stimulus measures provided by governments and central banks, in addition to allocating large funds to finance large-scale vaccination campaigns, contributed to the gradual return to normal economic activities during 2021, which was reflected in a relative recovery of the global economy, as the reopening of the global economy and huge support measures led to a significant increase in global demand for commodities during 2021. Despite the positive nature of these developments, the increase in consumption was so great that both manufacturers and suppliers faced difficulties in meeting the increasing demand considering the decline in stocks, and the inability of imports to compensate for such decline.

The asymmetry between supply and demand, in addition to the lack of employment, led to additional pressures on price levels, as inflation rates rose, and reached unprecedented levels in recent decades. In this regard, the significant increase in prices was initially concentrated in a few categories of consumer durables, but in the final months of 2021, the price increases extended broadly, and the economic recovery and the relatively large rise in inflation levels prompted central banks to put forward plans to start reducing the stimulus packages that have been provided since the pandemic outbreak to help the various economic sectors face the crisis repercussions.

The labour market recorded a significant improvement during 2021 based on improving global economic conditions, a reflection of the stimulus packages, and the great financial support provided by central banks and governments.

In this regard, the support provided by the Federal Reserve to the US economy has exceeded U.S.$. 4.6 trillion since the pandemic outbreak in order to revive various economic sectors. In Japan, during 2021, the government continued to implement financial support measures to boost domestic demand and mitigated some of the measures taken to contain the pandemic repercussions. It is noteworthy that Japan's economic growth during 2021 was mainly driven by the strong recovery in exports, while domestic demand decreased, which prompted the Bank of Japan not to make any changes to its monetary policy during 2021.

As for China, the pace of economic recovery slowed down during 2021, as the Chinese government sought to balance between

boosting growth and controlling economic sectors that showed signs of inflation. The slow economic growth in China is to some extent due to the efforts made by the government to implement its plans for achieving balanced, multi-dimensional and high-quality economic growth. The strict fiscal and monetary measures that were taken in China targeted specific sectors such as real estate and technology. It is worth noting that the People's Bank of China reduced the percentage of Statutory Reserve Requirement (SRR), aiming to provide more financing to the economic sectors that significantly contribute to economic growth.

With regard to interest rates, the US Federal Reserve has kept official interest rates unchanged around (0-0.25) percent during 2021. The European Central Bank also maintained zero-level interest rates and provided emergency economic support packages amounting to approximately € 1.85 trillion, as part of exceptional measures to confront the economic repercussions resulting from the health crisis. Also, several EU members states have received part of the funds allocated thereto in the Economic Recovery Fund, which supported the most affected sectors by the pandemic.

Bank of England was the first major central bank to raise the official interest rate since the pandemic outbreak, raising the cost of borrowing by 15 percentage points, to 0.25 percent, while maintaining the size of its balance sheet at 875 billion pounds.

Financial markets performed strongly during 2021, due to economic recovery, financial and monetary support, and the continuous improvement in vaccination campaigns in all major countries of the world.

Considering the economic and investment climate that has prevailed during the year, the AMF ensured its conservative approach by prioritizing the safety of its investments through allocations to highly rated investment instruments and dealing with regional and global financial institutions with high credit ratings, in addition the regular monitoring of these institutions.

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

The AMF's investment portfolios consist of its own funds, as well as deposits received from Member Countries. The total value of these investments amounted AAD 3.74 billion, equivalent to approximately U.S.$. 15.69 billion as of the end of 2021.

The investment portfolio consists primarily of investments in bank deposits and bonds and marketable securities apart from limited investments in multi-strategy investment and property funds. As of the end of 2021, the total investment portfolio had an allocation of 31 percent to bank deposits, 67 percent to bonds and marketable securities, and 2 percent to multi-strategy and property investment funds.

The AMF’s investment policy allows allocation to investments through various investment instruments, including deposits with Arab and foreign commercial banks that fall within the list of approved banks for the purposes of deposit. The list currently includes about 100 banks and financial institutions. The list, which is approved annually by the Board of Executive Directors, is prepared according to established rules for bank selection and limit setting for dealing, and it is subject to continuous monitoring on banks’ financial status and credit ratings.

As for investment in bonds and marketable securities, the AMF maintains high quality

instruments in its portfolios in terms of liquidity and credit ratings, aiming to diversify its exposures and geographical distribution.

An allocation of 71 percent of the bond portfolios were invested in government and semi-government securities, and money market instruments; the share of bonds rated (AA) or better stood at 76 percent of the total bond portfolios while bonds rated (A) stood at 20 percent.

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

Investment in deposits, bonds and marketable securities in Arab countries amounted to AAD 1,311 million, equivalent to U.S.$ 5,505 million, representing about 35 percent of the total value of the funds invested at the end of 2021, including an amount of AAD 662 million, equivalent to U.S.$ 2,780 million invested in deposits with Arab banks and financial institutions, and an amount of AAD 649 million, equivalent to U.S.$ 2,725 million invested in bonds and marketable securities issued by Member Countries, banks and Arab corporate issuers.

Investments in Arab bonds and securities both government and corporate were valued at AAD 649 million, amounting to U.S.$ 2,725 million by the end of the year, with government issues totaling AAD 501 million, equivalent to U.S.$ 2,105 million, representing about 77 percent of total investment in Arab bonds. The remaining balance of 33 percent of the total portfolio, represents bonds issued by Arab commercial banks and financial institutions.

In terms of investments in Arab currencies, the investment policy allows, under specific conditions, the investment of a portion of the funds available for investment in deposits, bonds and securities in the Arab convertible currencies, where the Fund's investments in Arab currencies amounted to AAD 313 million, equivalent to U.S.$ 1,314 million by the end of 2021.

In terms of the credit rating of Arab government bonds, 81percent of the portfolio value is invested in government bonds with a credit rating of (A) or higher; the remaining balance represents investments in Arab government issues with a credit rating ranging from (BBB) to (B).

It is worth noting that the Board of Governors expressed its support, during its 2012 meeting, to the creation of an Arab government bonds' portfolio. In response, the Fund's Board of Executive Directors resolved to regulate investments in Arab government bonds rated below (A), expanding the credit ratings' categories that were acceptable for investment in Arab government bonds to include the B credit rating category. In addition, part of the Fund's own resources was allocated to investment in Arab government bonds with a credit rating ranging from (BBB) to (B)., amounting to AAD 115 million (equivalent to U.S.$ 483 million), under a Board of Executive Directors' resolution increasing the number of Arab countries in which the Fund may invest.

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

Arab financial markets, including bond markets.

Deposit acceptance from Arab governments and financial institutions is conducted in line with the Fund's strategic objectives as set out in its Articles of Agreement and in accordance with the Board of Governors' various resolutions which called upon Arab countries to voluntarily deposit a portion of their funds with the AMF. These resolutions established several rules including prohibiting the AMF from using its deposits in providing loans to its Member States, and it allocated a portion of the Fund's resources to support this activity.

The Board of Executive Directors issued several resolutions that govern the management of this activity in terms of deposit acceptance and management of its investment funds, which includes the voluntary adoption of the Basel framework as a reference for managing risks and limits for this activity.

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

The Fund has distinctive capabilities that contribute to enhancing confidence of depositing countries, predominantly through its conservative investment policy that accords greater weight to the preservation of invested capital. Deposited funds also enjoy a high level of safety by virtue of the Fund's financial solvency, and its risk mitigation approach to investment activities.

The Fund voluntarily adopted the Basel framework to manage risks of the investment portfolio of the accepted deposits of Member States, achieving a Capital Adequacy Ratio of 29.65 percent as of December 31st, 2021, compared to the minimum requirement of Basel III at 13 percent.

The 30-day short-term Liquidity Coverage Ratio reached 859.36 percent, compared to the minimum requirement of 100 percent which came into force in January 2019. The Fund recorded a Net Stable Funding Ratio of 1078.63 percent, compared to the minimum requirement of 100 percent. The Leverage Ratio reached 6.76 percent, compared to a minimum of 3%.

These indicators reflect the robustness of the risk management of this activity and the attention the Fund allocates to deposits from Member States. These characteristics have collectively contributed to the growth in the size of accepted deposits from Member States. This activity recorded a remarkable growth over the past several years. The amount of accepted deposits, as of December 31st, 2021, reached AAD 3,098 million, equivalent to U.S.$ 13,007 million received from 14 Arab countries and financial institutions.

The Fund's conservative implementation of its investments policy and proactive risk management practices effectively contributed to protecting the value of invested funds and recorded a positive stable performance from these investments, despite low interest rates on some currencies included in the components of the SDR basket. The investment portfolio achieved a return on net invested funds that exceeded the 6 Months LIBOR and the FTSE Russell index for government bonds for the 1-3 year sector during 2021.

In addition, the Fund continued managing investment portfolios directly for a portion of the funds of Arab Trade Financing Program and funds in the Consolidated Account of Specialized Arab Organizations. In addition, the Fund continued to oversee the portfolios

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

The activities of the Arab Trade Financing Program

The Arab Trade Finance Program (ATFP) is a specialized joint Arab finance institution, established in 1989 by a resolution of the Board of Governors of the AMF. ATFP's authorized capital is U.S.$. 1 billion, distributed over 200,000 shares with a par value of U.S.$. 5 thousand per share. The number of shareholders in the capital includes 53 national and regional Arab financial and banking institutions.

ATFP aims to contribute to the development of Arab trade and to enhance the competitiveness of Arab exporters by providing part of the necessary financing for this trade, and supports parties involved in Arab trade. The program also provides information on Arab trade and on means to promote Arab goods and commodities.

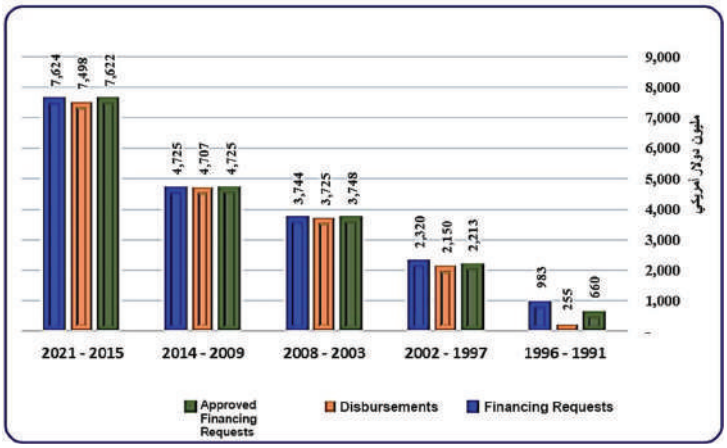
ATFP's mechanism is based on the financing of exporters and importers in Arab countries through a network of national agencies including banks, financial institutions and official agencies designated by the monetary authorities in the Arab countries for that purpose. ATFP also provides unfunded credit facilities, such as issuance of guarantees or irrevocable reimbursement Undertakings, or participation with other banks in bearing the risks of ATFP national agencies of their financial obligations resulting from eligible trade transactions. ATFP also provides financing facilities other than the lines of credit facilities through secondary market operations in cooperation with regional and international banks and financial institutions, such as discounting commercial papers and financing documentary credits. ATFP also recently activated direct financing services to enable the program to finance Arab companies in cooperation with its national agencies.

National agencies contribute to expanding the scope of the ATFP's activities. By the end of December 2021, there was a total of 217 national agencies operating in 20 Arab countries and 5 foreign countries.

Applications for financing received since ATFP's inception amounted to U.S.$. 19.4 billion for eligible trade transactions worth about U.S.$. 25.6 billion, U.S.$. 18.9 billion were approved, and U.S.$. 18.3 billion were disbursed during this period. Chart (4) illustrates the progressive development of cumulative funding activity between 1991 and the end of December 31st, 2021.

As for the trade information services provided by the ATFP to Arab traders, ATFP continues to develop and update its Intra-Arab Trade Information Network (IATIN) and makes it available at the regional level. IATIN provides information on all Arab countries

Chart (4): ATFP's Progressive Development of Financing Activities (1978-2021)



and their trade through ATFP's official web site (atfp.org.ae).

Within the framework of its activity to promote intra-Arab trade, ATFP organizes and implements meetings for exporters and importers working in specific sectors. In this context, ATFP organized, in cooperation with various stakeholders in Arab countries, eighteen buyers/sellers' meetings in the following sectors: Textiles and apparel, food industries, agricultural products and accessories, mineral industries, pharmaceutical industries and their supplies, petrochemical industries, furniture, and building and construction material.

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

The AMF is keen on strengthening its relationship with local, regional and international financial organizations and institutions. In this context, the AMF's activities during 2020 focused on the following:

a. Partnerships and Memoranda of Understanding:

In January 2021, a memorandum of understanding was signed with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), aimed at building a comprehensive framework for cooperation and partnership between the two institutions in providing technical advisory services and capacity building in the Arab region in terms of raising the awareness of standards related to the regulation and supervision of Islamic financial institutions, as well as other topics of common interest between the two institutions. The cooperation and partnership framework also included the joint organization of technical assistance activities related to the application of prudential, regulatory and accounting standards, aiming to raise awareness of the emerging issues in the Islamic financial services industry in the Arab countries. The cooperation also includes organizing joint training courses and workshops for capacity building.

b. The AMF's participation in international committee meetings:

The AMF participated in the "virtual" extraordinary meetings of **the International Committee on Credit Reporting.** During the meetings, a number of issues were discussed such as: "Efforts and actions taken by international institutions and regulatory authorities to address the impact of the Covid-19 pandemic on the credit information industry", and "guidelines for dealing with credit information in the light of the crisis and what can be done in the coming period".

c. The IMF and the World Bank meetings

The AMF participated in the spring and annual meetings of the IMF and the World Bank, held virtually, as well as the Governors of the Arab Group meeting with both the President of the World Bank Group and the Director General of the IMF.

The AMF also participated in the meeting of the Heads of the Coordination Group Institutions with the World Bank, In addition to the G-24 ministerial meeting and the International Development Committee meeting.

On the side-lines of these meetings, the AMF also participated in **the sixth periodical meeting at the level of heads of regional financial institutions and the**

IMF, held virtually, to exchange views on the current state of the world economy, and ways to strengthen the global financial system and safety net.

d. Participation in regional and international conferences and events:

The AMF continued its participation in meetings and conferences related to its work, as it participated in the opening of **"The International Arab Banking Summit "IABS" 2021"**, organized by the Union of Arab Banks, on "Recovery Strategies Post Crisis: Restoring Sustainable Development and Debt Sustainability". The AMF gave a speech at the opening in which it highlighted the risks facing the recovery phase, and the challenges of the high debt ratio.

On another note, the AMF virtually participated in the **"Regional Meeting on the Arab Least Developed Countries"**, which was organized by the United Nations Economic and Social Commission for Western Asia. The AMF also participated in the **"International Financing Guarantee Forum"** organized by the "Kafala" program in the Kingdom of Saudi Arabia.

In the context of working to achieve the sustainable development goals, the AMF, in cooperation with the United Nations Development Program, launched a questionnaire on **"Environmental, Social and Governance Standards for Investments of Pension Funds in Arab Countries"**, aiming to prepare a joint study on the subject, in the context of the AMF's growing interest in issues of responsible financing.

Within the meetings of the FSB Regional Consultative Group for MENA, the AMF participated in the two periodic meetings of the group at the level of governors, where it made a presentation on financial stability in the Arab countries.

On a different note, the AMF organized the Working Party Meeting on Monetary Policy in the Arab Region, held virtually, in cooperation with the Bank for International Settlements. The meeting reviewed recent global and regional economic and financial developments and allowed to exchange views on their implications for the banking sector and monetary policies management in the Arab region. Also, the meeting addressed technical issues related to the role of monetary policy on mitigating the impacts of Covid-19 and supporting economic recovery in coordination with fiscal and macroprudential policies. It also included a special session on "Central Banks digital currencies implications for monetary policy.

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

The AMF serves as the Secretariat of the Council of Governors of Arab Central Banks and Monetary Authorities, and its permanent office, the committees emanating from the Council, such as the Arab committee on Banking Supervision, the Arab Committee on payments and settlements systems, and Arab committee Credit Information, the Arab Financial Inclusion Task Force, the Financial Stability Task Force, and the Arab Regional Fintech Working Group.

The achievements of the technical secretariat of the Council during 2021 included organizing meetings of the Council and its Committees and task forces, preparing studies, working papers and reports required by the work of the Council, its permanent office and the committees and task forces. It

also transmits the views of supervisory authorities and committee members at relevant international meetings and committees in a manner that contributes to reflecting the views of the Arab countries in setting international principles and guidelines.

With regard to the AMF activities within the framework of the secretariat of the Council of the Arab Central Banks and Monetary Authorities Governors and its permanent office, they were all held "virtually" and included:

- Organizing the meeting of the forty-fifth session of the Council, where the agenda focused on discussing two main topics: The role of macroprudential policy in economic crises, and the components of the financial and banking system in the new decade.

- Organizing six technical meetings for the Arab clearing project, in which they discussed the follow-up to the inclusion of Arab currencies and linking banks to the Buna platform.

As for the AMF activities within the framework of the secretariat of the committees and task forces emanating from the Council of Arab Central Banks and Monetary Authorities Governors and its permanent office, during 2021, they included:

- **The Arab Committee on Banking Supervision (ACBS):**

  The AMF "virtually" organized three meetings of the committee, in which a number of topics were discussed, notably "the application of Basel requirements in the Arab countries", "compliance principles in the banking sector in the Kingdom of Saudi Arabia", and "central banks assessment of commercial banks' recovery plans implemented during the Covid-19 pandemic crisis", "transition to risk-based supervision requirements", "assessing the effectiveness of the regulatory requirements for banks of local systemic importance in absorbing the repercussions of the Coronavirus", "digital banks and the services they provide", in addition to " Measuring the risk of credit exposures and concentrations".

  Also, during the meetings, the latest legislative and regulatory developments in the Arab countries were discussed, including "banking supervision during the Covid-19 pandemic", "the impact of the pandemic on credit provided to the corporate sector", and "restrictions on the distribution of bank profits resulting from the Corona pandemic", "How to deal with environmental risks for bank customers when applying IFRS 9", and "Understanding the performance of machine learning models to predict credit default: A new approach to supervisory assessment", "the risks of money laundering and terrorist financing in light of the reliance on Fintech during the pandemic", and "the relationship between the complexity of banking risks and the role of regulatory authorities", in addition to the topic of "renewing and maintaining the network of banking relations in light of reducing fixed costs.

- **Financial Stability Task Force:**

  The AMF "virtually" organized two meetings of the task force, where a number of topics were discussed, notably "the repercussions of the emerging Covid-19 pandemic on financial stability", "preparing for the stage of withdrawing support in the post-crisis phase", and "lessons learned to deal with the Covid-19

pandemic and preparing for the recovery phase".

The two meetings also discussed topics such as "the repercussions of climate change and natural disasters on financial stability, and AMF guiding principles implementations methods", "challenges of applying solution techniques in Islamic banks", "stable coins", and "the role of excess liquidity and capital surpluses in mitigating crises repercussions", "non-banking financial sector risks", and "a framework for assessing and mitigating the insurance sector's risks", in addition to discussing the latest developments related to the abandoning of LIBOR and IBOR's Benchmark interest rates, and its impact on the business models of the financial sectors. Also, macro-stress testing conditions were discussed, and the relevant Arab experiments were reviewed.

In addition to the foregoing, the experiments of selected Arab countries were reviewed with regard to the application of liquidity instruments, especially the liquidity coverage ratio and stable net financing. Other topics were also discussed, notably: The role of macroprudential policy in periods of financial stress, and the impact of climate changes on financial stability, in addition to the basic principles of deposit insurance institutions in Islamic banks.

- **Financial Inclusion Task Force.**

The AMF "virtually' organized two meetings of the task force, where a number of topics were discussed, notably: "The importance of digital financial services in times of crisis and their role in enhancing the resilience of SMEs", "Innovative methods and their role in promoting responsible financial inclusion", and "Means of developing the microfinance sector in the Arab region." Other relevant topics were discussed during the two meetings, including: "Capital Financing Mechanisms for MSMEs", "Access to Microinsurance Services for MSMEs", "e-KYC Model" and "Digital Clients Enrolment to Promote Financial Inclusion." The discussions also dealt with activities aimed at promoting responsible financing, consolidating the social responsibility of banks and financial institutions, and the role of supervisory authorities.

On another note, the two meetings also discussed the role of digital payment systems to render government transfers to people in enhancing financial inclusion and financial stability, and the proposal of the task force's activities related to promoting responsible financing and the role of central banks in this regard. In addition to reviewing the latest developments of surveys concerning statistics of the demand side for financial services by central banks in the Arab region.

In addition to the aforementioned, the two meetings reviewed and discussed selected Arab experiments in "microfinance" and "the role of non-banking financial institutions in promoting financial inclusion", and the preparations and proposals of Arab countries related to the activities and events of the Arab Day for Financial Inclusion, and the priorities of the Financial Inclusion for the Arab region Initiative for 2022 work program. Within the framework of the technical secretariat's work, the AMF coordinated the activities of the Arab day for Financial Inclusion, celebrated on April 27, 2021, under the theme "Role of Digital Transformation in Increasing Financial Inclusion", in cooperation with Arab

central banks and bank unions in and the task force members.

- **The Arab Committee on Payment and Settlement Systems:**

  The AMF "virtually" organized two meetings of the Arab Committee on Payment and Settlement Systems. The committee discussed several topics during the two meetings, notably: "The latest developments and recent trends in payment systems and financial infrastructure," "Recent trends in retail payments, including payment systems tools to enhance financial inclusion," and "Digitizing employee remittances."

  The committee also discussed "Crisis management framework of payment systems" and "Operational controls on electronic payment channels in payment and settlement operations." The discussions also included regional arrangements for dealing with digital banks, stable and digital currencies, in addition to recent trends in the use of big data, and blockchain applications in payment and settlement operations.

  In addition to the above, the committee discussed relevant topics to the current global trends regarding payments, notably: "Modern trends in payment systems and financial infrastructure in light of the G20 work", "A renewed view on the role of central banks in developing payment and settlement systems", "Awareness of the risks associated with stable currencies and cross-border payments and mechanisms for their containment", and "Prospects and future of Automated clearinghouses and their role in the era of rapid payments", "Enhancing the role of payment acceptance intermediaries in commercial payment gateways and digital wallets", "Current trends in the banking sector's use of (ISO20022) messages internationally, and developments in SWIFT message models" and "Opportunities and risks of Fintech companies in the Arab region".

- **The Arab Credit Information Committee:**

  The AMF "virtually" organized two meetings for the Committee, where few topics were addressed, notably: "The repercussions of the emerging coronavirus on the credit information industry and its impact on the credit rating of financial sector clients", "Fintech and electronic platforms role in exchanging credit information and enhancing access to credit", and "requirements for establishing a credit information platform for SMEs," in addition to "credit information financial education".

  The committee also discussed "The role of public risk centres and credit information companies in the Coronavirus crisis recovery phase," "The impact of cyber risks on the credit information industry," "The future of the credit information industry in light of the development of financial innovations," and "The European experiment in the integration of credit risk centralization with the credit information database", "The European Central Bank's experiment in cross-border exchange of credit information", "The American experiment in protecting the credit information industry during natural disasters, and the requirements for establishing a credit information platform for SMEs".

- **The Arab Regional Fintech Working Group:**

  The AMF "virtually" organized two meetings for the working group, where

few topics were addressed, notably: "The latest developments and regulatory frameworks for the use of DLT in the financial sector", "The latest developments in stable coins and digital currencies for central banks", "Applications of artificial intelligence in the financial sector", "Open banking and open finance", and "Protecting data in the Arab region. The committee also discussed a policy paper entitled "A practical guide to activating digital currencies." The meetings included a panel discussion on organizing Fintech activities, during which various Arab experiments were reviewed from the reality of the regulatory guide for Fintech in Arab countries.

The AMF launched the Arab Fintech Index (FinxAr) as a part of the AMF's follow-up of the Fintech industry and digital financial services development in the Arab countries. The index sheds light on the developments in the financial technology industry and digital financial services in the Arab countries during the period (2018-2020).

The annual index aims to identify the efforts of Arab countries in enabling and promoting Fintech adoption. It also contributes to setting a vision for the Fintech industry in the Arab countries and how to support the Fintech ecosystem, to harness potential opportunities and mitigate related challenges.

The General Index for Fintech in the Arab region (FinxAr) consists of six main indices that represent the main pillars of the Fintech ecosystem, including: Policies and legislation, the demand side, access to finance, financial markets infrastructure, talent development to support innovations, and finally collaboration and partnerships.

Activities of the Secretariat of the Council of Arab Finance Ministers

The AMF serves as the technical secretariat of the Council of Arab Finance Ministers. In this context, the AMF acts as the technical secretariat for the meetings of the Council and the meetings of the Deputy Ministries of Finance. The achievements of the secretariat during 2021 included preparing the meetings of the Council and the Deputies, and the completion of studies, working papers and reports required for the Council's work.

In addition to organizing several forums and meetings, following up on coordination of the annual message the Council sends to the President of the World Bank Group and the Director-General of the International Monetary Fund on the aspirations of the Arab countries from these two institutions.

The AMF's activities within the framework of the Council of Arab Finance Ministries and its Deputies meetings technical secretariat included the following:

- **Organizing the 12th Regular Session of the Council of Arab Finance Ministers:**

  Within the framework of its role as the secretariat of the Council of Arab Finance Ministers, the AMF passed the meeting documents of 12th Regular Session of the Council of Arab Finance Ministers. The documents included several papers on: "Economic Governance Reforms to Support Inclusive Growth in Arab Countries", "Requirements for the Transition towards a Digital Economy to Promote Growth and Employment in Arab Countries", "Taxes on the Digital Economy in Arab Countries", and "Tax Policy Options to Support MSMEs".

- **Organizing the meetings for the Deputy Finance Ministers in the Arab countries:**

  The AMF "virtually" organized the sixth meeting of the Deputy Finance Ministers in the Arab countries. The meeting touched on several important topics, including: "Governance of investments and public projects", "Reforms to the wage and pension system", in addition to reviewing selected Arab countries' experiments in these two matters, in addition to "International tax systems trends".

- **Organizing the Sixth Arab Fiscal Forum:**

  The AMF "virtually" organized, the "Sixth Arab Fiscal Forum, under the title **"Recovery Measures in Arab Countries Post COVID-19"**, in cooperation with the International Monetary Fund. The forum discussed issues of fiscal policy, prospects for economic and financial developments, the importance of accelerating the process of digital transformation in public finances to enhance transparency and governance, as well as ways to enhance the efficiency of public investments and the need to support the partnership between the public and private sectors to achieve recovery and restore the path of comprehensive and sustainable growth while maintaining economic, financial, and social stability.

- **Organizing a "virtual" workshop on "Improving the efficiency of public debt management in the Arab countries":**

  The workshop discussed the phenomenon of the high volume of Arab debts, the need to develop appropriate policies to enhance the sustainability of public debt, the importance of developing public debt management operations, developing local debt markets, and upgrading public debt management strategies on the medium term, to ensure an effective contribution to providing financing needs for economic activities and supporting economic and financial stability and recovery opportunities.

  The workshop also touched on the repercussions of the Covid-19 pandemic on public debt, and the policies and methodologies used to support the sustainability of public debt in the post-crisis phase. The discussions also touched on the issues of responsible and sustainable financing, and its role in providing additional financing channels for financing projects with social impact, and those that contribute to improving the environmental quality, in addition to its role in providing financing to meet the challenges of climate change.

- **Organizing the Annual Arab Regional Tax Forum:**

  The AMF "virtually" organized the third Arab Regional Tax Forum to discuss tax measures to support economic recovery in the post-crisis phase. The forum discussed financial policy trends and opportunities for economic recovery in the Arab region, with a focus on tax policy options in terms of balancing between stimulating economic recovery and enhancing the financial situation of Arab countries in the post-crisis phase, in light of the increasing economic and financial challenges arising from the pandemic outbreak, and the high risks surrounding the economic recovery, in addition to discussing the options available to build a modern tax administration, leading to strengthening tax compliance.

"Buna" Platform for Clearing and Settling Payments in the Arab Region

The AMF Board of Governors adopted Resolution No. (4) of 2018, approving Resolution No. (10) of 2017 of the Council of Arab Central Banks and Monetary authorities Governors, regarding the establishment of a regional system for clearing and settlement of inter-Arab payments, through the establishment of an institution that operates the system with an independent legal personality. The Resolution determined its authorized capital at U.S.$. 100 million, owned by the Arab Monetary Fund.

Since the adoption of the aforementioned resolution, the AMF has been implementing its requirements, as the Arab Regional Payments Clearing and Settlement Organization was established, and the "Buna" platform for Arab payments, affiliated with the Organization, was launched.

In this context, the AMF intensified its efforts to complete the linkage with central and commercial banks and to include more Arab currencies on the platform, in cooperation with Arab central banks and monetary institutions, in addition to continuous communication with financial and banking institutions operating in the Arab region. These efforts culminated in the start of transfer services in December 2020, to confirm the technical, operational and statutory readiness.

The following is a summary of the key axes of achievement in various tracks.

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

In cooperation with a global legal services company, the AMF has completed all legal forms, documents and requirements relating to agreements and contracts with both banking institutions participating in the platform, and banks of settlement accounts for Arab and international currencies. The organizational guide and procedural rules for the platform's operations were also completed, in consultation with Arab central and commercial banks. In addition, the risk policy framework and the data privacy protection framework have been completed in the platform.

Efforts to complete the establishment of the legal entity for the platform have culminated in signing the agreement to host the headquarters of the platform by the United Arab Emirates, and the procedures for the issuance of the Federal Decree ratifying the agreement was finalized in April of 2021.

- **Enhancing the role of "Buna" platform in supporting the compliance system in the Arab region:**

The AMF attaches great importance to ensuring that "Buna" platform is in line with sound international principles, standards and practices relating to payment, settlement and cross-border transfers, particularly those related to the fight against money laundering and terrorist financing. In this context, the compliance policy framework was developed during 2020, the technical system for verification of compliance has been completed and the necessary software for this system has been acquired and operated. In addition, a full document explaining the vision, mechanisms and procedures of the platform has been prepared, and has been shared with all

financial and banking institutions that have shown interest in participation.

On the other hand, a self-assessment of compliance with the BIS's international payment systems and financial infrastructure principles has been completed indicating that the platform's system and operations are in compliance with these standards.

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

In 2021, the platform's technical team worked on introducing new additions and applications to the technical system to serve the needs of the participating banks. In the same context and in sought for continuous development, the platform's technical team and the contracting alliance companies continued to progress in developing applications related to instant payment functions and services, as a number of technical workshops were held with banks interested in instant payments that have the technical readiness to launch this innovative and first-of-its-kind cross-border payment service in the Arab region.

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

During 2021, the AMF intensified its consultations with financial and banking institutions operating in the Arab region, where twelve workshops were organized for the explanation of "Buna' platform services, its procedural rules and linkage requirements, with a focus on compliance verification topics. Thus, the number of workshops that were organized reached twenty-eight, including twenty-five virtual workshops, in which more than 170 banks and financial institutions participated.

- **Further inclusion of Arabic currencies:**

The procedures for including currencies and opening accounts in the currencies that were announced as settlement currencies on the "Buna" platform have been completed. The UAE dirham, the Egyptian pound, and the Saudi riyal were previously included in 2020, while the Jordanian dinar was included in 2021, bringing the number of included Arab currencies to four, and work is underway to include other Arab currencies.

In terms of international currencies, in January 2021 it was announced that the procedures for including the US dollar would be completed and the platform would start providing clearing and settlement services in US dollars, to be the first regional payment platform in the world to provide clearing services in US dollars, and in June 2021, the completion of the euro inclusion procedures was announced, and the platform started providing clearing and settlement services in euros, and work is underway to include other international currencies.

- **Progress in linking the "Buna" with the European system for Payment Settlement (TIPS):**

Among the most prominent achievements of 2021, was the joint announcement on September 28, 2021 with the Italian Central Bank of the completion of the first-of-its-kind joint experiment of the harmonious interconnection between the "Buna" platform for Arab payments and the TARGET Instant Payment Settlement (TIPS), to implement the work of instant payments settlement in multiple currencies, in cooperation between the "Bank of Italy" and the "Buna" platform, with the participation of the "Swift Association",

the Italian "Intesa Sanpaolo" Bank, and the Jordan Ahli Bank. The experiment included a simulation of remittance settlement work through the TARGET Instant Payment Settlement (TIPS) and the Buna Arab Payments platform.

The results of this experiment were presented during the International Conference on "Enhancing Digital and Global Infrastructures in Cross-border Payments", which was held under the auspices of the Italian Presidency of the G20 and organized by the Central Bank of Italy, on 27 and 28 September 2021. It is noteworthy that the participation of the Buna platform for Arab payments in the activities of the G20 reflects the efficiency of the Buna platform for Arab payments and its consistency with modern international standards, principles and trends.

- **Progress in connecting banks to "Buna" platform:**

About 190 banks were contacted and consulted in 2021, and progress was achieved with these banks, including the completion of tests, and 48 banks completed the technical readiness for the link, while the number of banks that completed the link reached 32.

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

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

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

- **Strengthening strategic partnerships:**

During 2021, the AMF continued its consultations for an understanding on strategic partnerships with a number of international and financial institutions and providers of global financial services, thereby enhancing the development and spread of "Buna" services and responding to the needs of financial and banking institutions operating in the Arab region.

In this context, memoranda of understanding were signed with "Visa" and "MasterCard", which include the two companies working on linking their networks with the "Buna" platform, and the necessary preparations started in order to conduct technical experiments for the interconnection between "Buna" network platform and their networks for cross-border payments.

Also, progress has been made in linking with the Pan-African Payments and Settlement System (PAPSS), and work is underway to sign a memorandum of understanding with them. There is also progress in consultations with the Chinese authorities regarding the linkage with the payment system in China and the inclusion of the Chinese currency, as the memorandum of understanding regulating the linkage between the Buna platform and

the Cross-Border Interbank Payment System (CIPS) is currently being discussed after the technical discussions have been completed. Discussions have also progressed to link with the National Payments Corporation of India (NPCI), where work is underway to sign a memorandum of understanding with them in this regard.

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

The AMF intensified its efforts in 2021 to promote financial inclusion in the Arab countries through numerous activities and events within the FIARI framework. The efforts were based on four main axes represented in: Corresponding with the launch of financial inclusion strategies in the Arab countries, raising awareness and knowledge of financial inclusion, capacity building, and promoting and disseminating financial and banking knowledge.

With regard to the AMF's FIARI initiative activities within the framework of **Corresponding with the launch of financial inclusion strategies in the Arab countries**, the AMF organized a "virtual" workshop on **"Building and Implementing National Strategies for Financial Inclusion in Iraq"** in cooperation with the Central Bank of Iraq.

The workshop aimed to help strengthen the human capabilities of the Central Bank of Iraq at the strategy preparation level, with the participation of all parties and relevant authorities in Iraq, as well as the exchange of experiences and expertise and the transfer of knowledge between Arab countries in preparing and implementing national strategies.

With regard to the AMF's activities within **the framework of raising awareness and knowledge of financial inclusion**, the AMF, during 2021, organized a number of events in which discussions focused on topics related to issues of financial inclusion and achieving comprehensive and sustainable economic and social development.

The following is a list of the events and topics they covered, and the parties involved therein:

- **A conference on "Advancing Youth Financial Inclusion to Boost Job Creation and Growth in the Arab Region"**, organized "virtually" by the AMF, aimed to consult on the challenges the youth face in obtaining financing, and priority actions and policies that can lead to enhancing financial inclusion in the Arab region.

- **A workshop on "Developing the Microfinance Sector in the Arab Countries",** organized "virtually" by the AMF to discuss ways to develop the microfinance sector, and enhance its role in promoting financial inclusion, employment, and achieving sustainable economic and social development. The workshop discussed the reality of microfinance in the Arab region before, during and after the pandemic, and a number of issues on ways to develop the microfinance sector in the Arab region, including aspects of reforms to advance the microfinance sector, in addition to policy options and legislative and regulatory requirements to enhance microfinance opportunities on the short and medium-term.

- **A workshop entitled "Digital Financial Transformation: Testing and expanding the comprehensiveness of digital financial services"**, organized "virtually" by the AMF to discuss various aspects of digital financial transformation and the role

of supervisory authorities in planning digital transformation and providing an ecosystem that promotes innovation. Discussions focused on issues related to enhancing the regulatory ecosystem to assist in digital financial transformation, the applicability of a range of methods and policies that supervisory authorities can use to create safe paths for the development of the local Fintech industry, and considerations for selecting regulatory fintech sandboxes, in addition to discussing the incentives that can be offered to digital services providers and the challenges they face in providing value-added services to financial services consumers.

- **A workshop entitled "Digital Payments: A supportive tool for creating jobs and providing public services in the Arab** region, organized "virtually" by the AMF with the aim of promoting awareness of the contributions of digital payments to creating job opportunities, improving service delivery, and promoting the integration of youth and women into the formal financial sector. In the workshop, the strategies of institutions that have achieved success in digital government and digital business facilities, and future steps to accelerate the adoption of digital payment methods in the Arab region, were reviewed as a basic pillar of the digital transformation map in the region.

With regard to the AMF's activities within the framework of the capacity-building axis to promote financial inclusion in the Arab region, it was represented in organizing four "virtual" training courses aimed at enriching the information of Arab cadres at the theoretical and practical levels in Sharia-compliant microfinance, and helping to design and implement a statistical survey of the demand side of financial services, identifying recent developments in the Fintech industry, the challenges facing women in using digital services and how to address them, raising the awareness of official Arab cadres on the concepts of comprehensive growth, and introducing them to analytical and operational tools to assess, measure and follow up how macroeconomic policies affect economic growth, poverty levels, inequality, and sustainable job creation.

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

The provision of comprehensive and reliable statistics on Arab economies is among the priorities and concerns of the AMF, in recognition of the importance of providing statistical data to enhance work in the economic and financial fields of the Arab countries.

In this regard, during 2021, AMF continued to update the 2020 statistical databases, focusing on increasing the data comprehensiveness levels, and including quarterly data series for the key variables, and updating them periodically.

With regard to the Arab financial markets, the AMF continued its work within the context of the Arab financial markets database, to issue and publish the daily performance composite index of these markets. The AMF also continued publishing the weekly, monthly and quarterly bulletin of the Arab Capital Markets, through which the key developments in the performance of Arab stock exchanges and stock markets are reviewed and monitored.

During 2021, the AMF continued its endeavours to provide support to the authorities concerned with statistical work in the Arab countries in cooperation with the International Monetary Fund, with the aim of

developing statistics and supporting the efforts of Member Countries to adopt the latest international evidence and methodologies, within the framework of the Arab Statistics Initiative "Arabstat" 2021, where three "virtual" technical assistance meetings were held on the following aspects of statistics: Balance of Payments Statistics, and Government Finance.

On a different note, the AMF "virtually" organized the "eighth meeting of the Technical Committee of the Arab Statistics Initiative "Arabstat". During the meeting, presentations were made that dealt with priority topics for Member Countries in terms of developing statistical work, including:

- Indirectly measured financial services.
- The reality of preparing consumer price indices and core inflation in the Arab countries.
- Foreign direct investment statistics in the Arab countries.
- Household consumption surveys in Arab countries.
- Sustainable development statistics in the Arab countries.
- Economic surveys and industrial production index (IPI).
- Census.
- Government finance and public debt statistics.
- Statistical data quality in the Arab countries.

Within the initiative framework, the AMF also "virtually" organized, a training course on **"Using the ERETES software in preparing annual national accounts in the Arab countries"**, aimed at strengthening the capabilities of technical cadres working in the institutions concerned with statistical work in Arab countries.

The AMF also organized, within the framework of the initiative, a workshop on the **"Real Estate Assets Price Index in the Arab Countries:** Reality and Prospects", which dealt with ways to enhance the capabilities of Arab central banks and national statistical agencies cadres to develop such indicators, which contribute to supporting the decisions of the monetary and macroprudential policies.

The AMF's Consolidated Financial Position as of 31 December 2021

The consolidated financial statements of the AMF and its subsidiaries (the Arab Trade Financing Program, and the Arab Regional Payments Clearing and Settlement Organization), are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The consolidated financial statements incorporate the consolidated financial position as of 31 December 2021, as well as the results of operations, cash flows and changes in Net assets attributable to Member Countries and Non-Controlling Interest in the Arab Trade Financing Program for the year ended on that date, in addition to significant accounting policies and other explanatory notes.

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

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

Resources

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

The AMF's Board of Governors had approved in 1989 the acceptance of deposits from Arab Central Banks and monetary institutions, with the aim of supporting the Arab countries in managing their foreign reserves, provided that such resources would not be used in lending activities, so the Fund could achieve its objectives, based on means authorized by the Fifth article of the Fund's Agreement.

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

Capital

Article No. (12) of the AMF's Articles of Agreement, set the authorized capital stock at AAD 600,000 thousand, divided into twelve thousand shares of AAD 50 thousand each.

The Board of Governors of the Fund had approved through its resolution No. (3) of 2013, to increase the authorized share capital by AAD 600,000 thousand to become AAD 1,200,000 thousand. The resolution has also called for subscription of Member Countries at AAD 300,000 thousand and thus, the subscribed capital has increased to AAD 900,000 thousand.

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

The paid-up capital amounted to AAD 883,025 thousand at the end of 2021. The

unpaid portion standing at AAD 16,975 thousand at the end of 2021 represents the overdue instalments paid by cash transfer from some member Countries, in addition to the state of Palestine's deferred share.

Reserves

Reserves amounted to AAD 540,809 thousand by the end of 2021, compared to AAD 524,249 thousand by the end of 2020. The reserves by the end of 2021 represent approximately 61 percent of the paid-up capital, compared to 59 percent by the end of 2020. Reserves are composed of general reserve, and contingency reserve.

With regard to the General Reserve, its balance amounted to AAD 350,809 thousand, by the end of 2021, including the provision for unrealized change in the financial investments held at fair value, compared to AAD 339,249 thousand at the end of 2020.

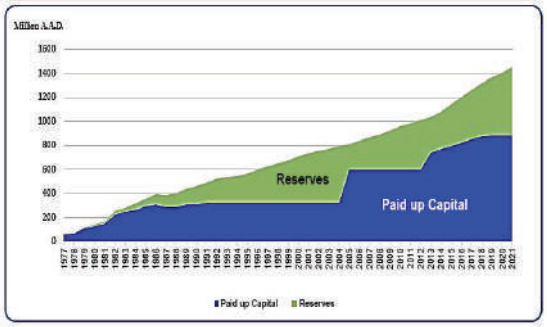
As for the Contingency Reserve which was established according to the Board Governors' resolution No. (7/1989 & 4/2000), where the amount of AAD 5,000 thousand or 10 percent of the net income per annum, whichever is greater, is transferred to this reserve. This reserve is intended to mitigate unanticipated future losses. The contingency reserve balance reached AAD 190,000 thousand by the end of 2021, compared to AAD 185,000 thousand at the end of 2020.

Net Assets Attributable to Member Countries

Net Assets Attributable to Member Countries, which consists of the paid-up capital and the reserves, has increased to AAD 1,423,834 thousand at the end of 2021, compared to AAD 1,407,274 thousand at the end of 2020, equivalent to an increase of AAD 16,560 thousand which represents a growth rate of 1 percent.

Chart no. (5) below shows the evolution of the Arab Monetary Fund Net Assets Attributable to Member Countries since its establishment until December 31st, 2021.

Chart (5): Development of the AMF shareholder's Equity (1978-2021)



As for the Non- Controlling Interest in the subsidiary, which represents interest of other shareholders in the capital and reserves of the Arab Trade Financing Program, amounted to AAD 122,143 thousand at the end of 2021, compared to AAD 118,252 thousand at the end of 2020, representing an increase of AAD 3,891 thousand or 3.3 percent growth. This difference is mainly attributable to the difference in the exchange rate of the US dollar (the base currency of the Program), compared to the Arab Accounting Dinar between the end of 2020 and end of 2021.

Thus, the total of Net Assets Attributable to Member Countries and the Non- Controlling Interest in the subsidiaries amounted to AAD 1,545,977 thousand at the end of 2021, compared to AAD 1,525,526 thousand at the end of 2021. The resources were spread over the financing of Member Countries' lending operations, credit lines for accredited national agencies, financial investments and other assets, as shown below:

Loans to Member Countries

The balance of outstanding loans owed by Member Countries amounted to AAD 596,436 thousand as of 31st December 2021, compared to AAD 569,692 thousand at the end of 2020.

Loans commitments amounted to AAD 620,596 thousand by 31st December 2021. The loans commitments represent the outstanding loan balances owed by Member Countries, plus the balances of loans contracted and not disbursed, amounting to AAD 24,160 thousand by the end of 2021.

Lines of Credit

Lines of credit represent facilities provided by the Subsidiary to approved national agencies with the aim of promoting intra Arab trade in commodity exports and imports and in related services. The balance of drawings against contracted lines of credit amounted to AAD 182,641 thousand (U.S.$ 767 million) as of 31st December 2021, compared to AAD 165,516 thousand (U.S.$ 715 million) at the end of 2020.

Deposits at Central Banks of Member Countries

In accordance with Article Fourteen of the Articles of the Fund Establishment Agreement, 2 percent of the initial capital contributions were paid in the national currencies of Member Countries and deposited with their central banks. These deposits are adjusted by the Member Countries at the end of each year, based on exchange rate announced by the IMF to maintain their nominal value in Arab Accounting Dinar. The total of these deposits was equivalent to AAD 5,336 thousand as of December 2020 and 2021.

Investments

The consolidated investment portfolio is comprised of current and call accounts and time deposits with banks, accounts of other shareholders with the IMF, and financial investments portfolios. The value of consolidated investment portfolio reached AAD 3,833,351 thousand at the end of 2021 compared to AAD 3,584,406 thousand at the end of 2020.

Accepted deposits from Arab monetary and financial institutions amounted to AAD 3,097,798 thousand at the end of 2021, compared to AAD 2,803,635 thousand at the end of 2020. Whereas the investments of fund's self-resources reached AAD 735,553 thousand at the end of 2021, compared to AAD 780,771 thousand at the end of 2020.

Forward Currency Contracts

The Fund uses foreign currency swaps and forward currency contracts to manage exposure to foreign exchange risk. The Fair value of forward currency contract assets at 31 December 2021 were AAD 35,854, representing a net of forward contracts assets total of AAD 1,177,928 thousand and forward contracts liabilities total of AAD 1,142,074 at that date. Total forward contracts assets and liabilities at the end of 2020 were AAD 804,264, and AAD 825,325 thousand respectively.

Investment in Related Entity

This item represents the Fund's contribution

in the share capital of Arab Investment and Export Credit Guarantee Corporation denominated in Kuwaiti dinars. AMF contribution amounted AAD 7,987 thousand at the end of 2021 compared to AAD 7,733 thousand at the end of 2020. The AMF's Board of Governors approved, by virtue of its decision No. (6/2002), to contribute, on behalf of its Member Countries, to increasing the Corporation's capital by the equivalent of Kuwaiti Dinars (KWD) 8,118 thousand, that have been paid in full. It was followed by its decision No. (3/2015) about the Fund subscription in the increase of the Corporation's capital by 25 percent from its paid-up contribution, equivalent to KWD 2,030 thousand and to be paid in five equal instalments, raising its contribution to KWD 10,148 thousand. The Fund paid the entire subscribed increase approved by the Council of Governors.

Other Assets

Based on the decision of the Board of Governors No. (4) of 2018, the costs incurred by the Fund for the establishment of an Arab entity to manage a regional system for clearing and settlement of Arab payments, shall be considered as part of its contribution to the capital of the entity. Other assets as of 31 December 2021, do not include payments for the establishment of the entity, as the entity was established in April 2021, its separate financial statements were issued and consolidated with the Fund financial statements for 2021.

The balance of other assets as of 31December 2020, included an amount of AAD 8,377 thousand, representing incurred by the Fund for the establishment of the entity till that date.

Results of Operations

The consolidated net income from operations for the year ended 31 December 2021, after excluding the share of the non-controlling shareholders in the income of the Arab Trade Financing Program, amounted to AAD 31,960 thousand, compared to AAD 41,228 thousand in 2020.

The components of net income from operations are as follows:

Income

The total consolidated income of the Fund and the subsidiary, after deducting interests' expense on accepted deposits from Arab monetary and financial institutions, amounted to AAD 39,579 thousand for the year ended 31st December 2021, compared to AAD 49,818 thousand for the previous year.

Administration and General Expenses

The total administrative and general expenses amounted to AAD 5,649 thousand for the year ended 31st December 2021, compared to AAD 6,740 thousand for the previous year. Expenses include personnel, Board of Governors and Board of Executive Directors meetings, in addition to office, communications, bank expenses and consultancy.

Technical Assistance Expenses

The Fund provides technical assistance programs to Arab Member Countries, to which regional and international institutions

contribute within the framework of partnerships. Total spending on technical assistance programs provided through 2021 amounted to AAD 108 thousand.

In-kind contributions from participants parties amounted to approximately AAD 68 thousand in 2021 (representing 63 percent of total expenses) compared to ADD 61 thousand in 2020 (representing 21 percent). the expenses incurred by the Fund amounted to AAD 40 thousand in 2021 (representing 37 percent), compared to ADD 227 thousand (representing 79 percent) in 2020.

Currencies

The Fund manages currency risk by substantially maintaining its assets in currencies that are closely aligned to the components of the SDR basket. All lending to Member Countries is provided in Arab Accounting Dinar. The Fund's share in Arab Trade Financing Program denominated in U.S. dollars, is included in the US dollar component of the Fund's assets. The other resources are invested in convertible currencies, in conjunction with forward foreign exchange contracts.

Table No. (1) shows the weights of currencies included in the SDR basket, and SDR exchange rates. 1 AAD equal to 3 SDRs, by the end of 2020, and 2021, as well as the weights applicable as of September 30th, 2016.

Table (1): The Actual Weight of the currencies included in the SDR basket (1978-2021)

Currency	The Weight of the currencies included in the SDR basket			SDR exchange rate against each currency included in the basket	
	31 December 2021	31 December 2020	30 December 2016	31 December 2021	31 December 2020
USD	41.62 %	40.44 %	41.73 %	1.400	1.440
Euro	31.29 %	32.73 %	30.94 %	1.236	1.181
Pound Sterling	8.25 %	8.01 %	7.98 %	1.042	1.073
Japanese Yen	7.44 %	% 7.99	8.43 %	195.966	148.974
Renminbi-RMB	11.4 %	10.83%	10.92 %	8.922	9.397
	% 100	% 100	% 100		

Contribution to Humanitarian Support of the Palestinian People

The AMF contributes to the collective effort of Arab financial institutions, with a view to provide humanitarian support to the Palestinian people, by allocating 10 percent of the net annual income of the Fund to such aid, since 2002.

In this context, the AMF's Board of Governors in its forty-fourth annual meeting adopted, by circulation, Resolution No.(6) of 2021 on which the Board has agreed on a 19th allocation of AAD 4.123 million (equivalent to about U.S.$ 17.8 million).

Thus, allocations approved by the Council of Governors, to humanitarian support to Palestinian people, totalled AAD 58.8 million (equivalent to approximately U.S.$ 257 million).

The Board of Executive Directors adopts the components of programs supported by AMF contributions, based on a methodology agreed with the Al-Aqsa Fund, managed by the Islamic Development Bank. Under that methodology the Administrative Committee of Al-Aqsa Fund approves sectors included in the support programs and components projects for implementation to be supported by each allocation, taking into consideration the necessary coordination with the governors of Arab financial institutions, the AMF and Al-Aqsa Fund, to ensure the integration of priority projects to

provide humanitarian support to the Palestinian people.

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

1. **Education sector:** establishment of new schools, support to the Palestinian Student Loan Fund, rehabilitation, maintenance and equipping of schools. The total allocation directed to supporting the education sector amounted to about U.S.$. 101.8 million, accounting for 40 percent of the total allocated amounts

2. **Healthcare services sector:** such as the establishing medical centers, building and expanding hospitals and providing medical equipment to hospitals and clinics. The total allocation directed to this sector amounted to around U.S.$. 34.2 million, accounting for 13 percent of the total Allocations.

3. **Institutional and NGOs support sector:** such as support for Red Crescent activities as well as youth employment and rehabilitation projects. The total allocation amounted to approximately U.S.$. 28.8 million dollars, and 11 percent of total allocations.

4. **Integrated rural development and economic empowerment sector:** such as support to small-scale artisans, rehabilitation of areas, support to villages, and decision support, networks of electricity, water, rural roads and land reclamation, paving and rehabilitation of internal roads, establishment of sanitation systems, projects for productive women, and support to needy families and orphans. The total allocations to support this sector amounted to U.S.$. 86.7 million, and 35 percent of total allocations.

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

In addition, the Fund provides the government cadres in Palestine with opportunities for training and capacity building in the areas of specialization of the Fund, through training courses and workshops provided by the Training and

Capacity Building Institute, according to regular annual programs in collaboration with many regional and international institutions, to which cadres of all the Arab countries are invited.

The number of Palestinian trainees stood at 701, as of the end of December 2021.

صندوق النقد العربي
ARAB MONETARY FUND

The Consolidated Financial Statements and External Auditors' Report 2021

THE ARAB MONETARY FUND

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

The Arab Monetary Fund

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNONRS OF THE ARAB MONETARY FUND

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Arab Monetary Fund and its subsidiaries, Arab Trade Financing Program and Arab Regional Payments Clearing And Settlement Organization, (the "Fund"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, and consolidated statement of net assets attributable to member countries and non-controlling interest in the subsidiaries for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021 and its financial performance for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Other matter

The Fund's consolidated financial statements for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 4 March 2021.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNONRS OF THE

ARAB MONETARY FUND continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNONRS OF THE

ARAB MONETARY FUND continued

Report on Other Legal and Regulatory Requirements

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

1) we have obtained all the information we considered necessary for the purposes of our audit;

2) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Fund's Financial Rules;

3) the Fund has maintained proper books of account in accordance with the Fund's Financial Rules;

4) the total administrative expenses for the year ended 31 December 2021 are within the limits specified in Administrative Budget approved by the Fund's Board of Executive Directors, as required by the applicable provisions of the Fund's Financial Rules; and

5) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Fund has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the Articles of Fund's Agreement of Establishment or of the Fund's Financial Rules which would have a material impact on its activities or its consolidated financial position as at 31 December 2021.

Signed by
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

3 March 2022
Abu Dhabi

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December

	Notes	2021 AAD 000	2020 AAD 000
Assets			
Cash and cash equivalent	3	**467,708**	261,552
Term deposits with banks	3	**742,436**	905,612
Financial investments	4	**2,623,207**	2,417,242
Forward currency contracts receivable	5	**35,854**	2,168
Lines of credit	6	**182,641**	165,516
Loans to Member Countries	7	**596,436**	569,692
Deposits with central banks of Member Countries	8	**5,336**	5,336
Investment in related entity	9	**7,987**	7,733
Accounts receivable and other assets	10	**22,025**	36,091
Total assets		**4,683,630**	4,370,942
Liabilities			
Deposits from Arab monetary and financial institutions	11	**3,097,798**	2,803,635
Forward currency contracts payable	5	**-**	23,232
Accounts payable and other liabilities	12	**39,855**	18,549
		3,137,653	2,845,416
Net assets attributable to Member Countries			
Subscribed capital 900 million AAD			
Paid-up capital	13	**883,025**	883,025
Reserves	13	**540,809**	524,249
		1,423,834	1,407,274
Non-controlling interest	13	**122,143**	118,252
Total net assets attributable to Member Countries, non-controlling interest, and liabilities		**4,683,630**	4,370,942



Abdulrahman A. Al Hamidy
Director General Chairman of the Board

These consolidated financial statements were agreed by the Board of Executive Directors on 03 March 2022.

The attached notes from 1 to 23 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

	Notes	2021 AAD 000	2020 AAD 000
Income			
Income from loans and lines of credit			
Interest and fee income on loans to Member Countries		4,249	13,758
Interest and fee income on lines of credit		2,169	3,627
		6,418	17,385
Income from investment activities			
Interest income on securities at amortized cost		11,854	12,802
Interest income on securities at fair value		6,898	12,447
Other investment income	14	13,499	16,663
Interest income on deposits and current and call accounts		6,379	18,382
		38,630	60,294
Interest expense on deposits from Arab monetary and financial institutions	11	(5,581)	(28,114)
		33,049	32,180
Other income		112	253
Total income		39,579	49,818
Expenses			
Administration and general expenses	15	(5,649)	(6,740)
Technical assistance	16	(40)	(227)
		(5,689)	(6,967)
Operating income before other changes in net assets attributable to Member Countries and non-controlling interest (NCI)		33,890	42,851
Other changes in net assets attributable to Member Countries and NCI			
Unrealized change in investments held at fair value	17	(6,998)	2,825
Appropriation to support the Palestinian people		(4,123)	(4,394)
Expenses for the establishment of the Arab Regional Payments, Clearing and Settlement Organization		(4,279)	-
Other Changes	18	1,961	(7,494)
Total other changes in net assets attributable to Member Countries and NCI		(13,439)	(9,063)
Increase in net assets attributable to Member Countries and NCI		20,451	33,788
Operating income before other changes in net assets attributable to:			
• *Member Countries*		31,960	41,228
• *Non-controlling interest*		1,930	1,623
		33,890	42,851
Increase in net assets attributable to:			
• *Member Countries*		16,560	39,659
• *Non-controlling interest*		3,891	(5,871)
		20,451	33,788

The attached notes from 1 to 23 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

NET ASSETS ATTRIBUTABLE TO MEMBER COUNTRIES AND NON-CONTROLLING INTEREST
For the year ended 31 December

	Paid up capital	General reserve	Contingency reserve	Non-controlling interest (NCI)	Total net assets attributable to the Member Countries and NCI
			AAD 000		
2020					
Balance at 1 January 2020	**883,025**	**304,590**	**180,000**	**124,123**	**1,491,738**
Increase in net assets attributable to Member Countries and NCI	-	39,659	-	(5,871)	33,788
Transferred to contingency reserve	-	(5,000)	5,000	-	-
Balance at 31 December 2020	**883,025**	**339,249**	**185,000**	**118,252**	**1,525,526**
2021					
Balance at 1 January 2021	**883,025**	**339,249**	**185,000**	**118,252**	**1,525,526**
Increase in net assets attributable to Member Countries and NCI	-	16,560	-	3,891	20,451
Transferred to contingency reserve	-	(5,000)	5,000	-	-
Balance at 31 December 2021	**883,025**	**350,809**	**190,000**	**122,143**	**1,545,977**

The attached notes from 1 to 23 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	2021 AAD 000	2020 AAD 000
Operating activities			
Increase in net assets attributable to Member Countries and non-controlling interest		**20,451**	33,788
Adjustments for:			
Unrealized change in investments at fair value	*17*	**6,998**	(2,825)
Unrealized change in net assets value of multistrategies and property funds		**(7,243)**	(3,583)
Depreciation of property and equipment		**1,125**	243
Change in provision for expected credit loss		**637**	(377)
Change in loans to Member Countries		**(26,744)**	(103,711)
Change in lines of credit		**(17,366)**	(14,861)
Net cash from investments	*19*	**(210,124)**	57,356
Change in forward currency contracts receivable		**(29,903)**	10,841
Change in forward currency contracts payable		**(23,232)**	22,208
Change in accounts receivable and other assets		**12,941**	(9,324)
Change in accounts payable and other liabilities		**17,183**	(22,987)
Change in appropriation to support Palestinian people		**4,123**	2,080
Change in deposits with banks maturing after three months from inception		**163,147**	(675,569)
Change in deposits from Arab monetary and financial institutions		**294,163**	(5,050)
Net cash generated from/ (used in) operating activities		**206,156**	(711,771)
Net increase / (Decrease) in cash and cash equivalents		**206,156**	(711,771)
Cash and cash equivalents at beginning of year		**261,552**	973,323
Cash and cash equivalents at end of year	*3*	**467,708**	261,552

The attached notes from 1 to 23 form part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 3.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

1 LEGAL STATUS AND ACTIVITIES

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

The Fund relies on a number of means to achieve its objectives, identified in Article five of the AMF's Articles of Agreement, including providing short and medium term facilities to Member Countries, to help financing the overall deficit in balance of payments, and implementing reforms in financial & banking sector and public finance sector. Loans and facilities currently offered by the Fund include Automatic Loan, Ordinary Loan, Extended Loan, Compensatory Loan, Structural Adjustment Facility, Trade Reform Facility, Oil Facility, Short-Term Liquidity Facility, and Supporting an Enabling Environment for SMEs Facility. The means also include the coordination of monetary policies in the Arab Member Countries and the strengthening of cooperation between monetary authorities in these countries, as well as striving to liberalize and promote trade and ensuring current payments and encouraging capital flows between Member Countries.

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

The objective is to help Arab countries to lay the foundations for macroeconomic stability, and to address the challenges in the balance of payments and support their efforts to implement the required reforms in a number of sectors in order to improve the efficiency of resources utilization and enhance opportunities for achieving inclusive and sustainable economic growth.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB), under the historical cost convention as modified for investment measured at fair value. In accordance with the Articles of Agreement of the Fund dated in April 1976, the consolidated financial statements are expressed in Arab Accounting Dinar ("AAD"). Each AAD is equal to three Special Drawing Rights ("SDR") as defined by the International Monetary Fund.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the current circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure appropriate valuations of assets and liabilities and recognition of results in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Accounting policies have been consistently applied for periods presented in these consolidated financial statements.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Arab Monetary Fund (the "Fund"), Arab Trade Financing Program and Arab Regional Payments Clearing and Settlement Organization (the "Subsidiaries").

Arab Trade Financing Program 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 Fund owns 56.3% of the subscribed and fully paid-up capital of the Arab Trade Financing Program as of 31 December 2021 (2020: 56.3%)

The Arab Regional Payments Clearing and Settlement Organization ("The Organization") is a regional Arab Financial Organization established pursuant to the Board of Governors of Arab Monetary Fund resolution No. (4) of 2018, in implementation of the decision of the Council of Governors of Arab Central Banks and Arab Monetary Institutions No. (10) of 2017, and it is wholly owned by Arab Monetary Fund. The organization's Articles of Establishment stipulate the organization's objectives, which include contributing to supporting opportunities for economic and financial integration among Arab Countries and with the trading partners of Arab countries through the establishment, management and operation of a platform that provides the necessary services for payments clearing and settlement among Arab Countries and trading partners.

The Subsidiaries headquarters are located in Abu Dhabi, United Arab Emirates. All significant inter-entity balances, transactions and profits have been eliminated on consolidation.

Note 13 to the consolidated financial statements explains the non-controlling interest in the Subsidiaries.

(c) Financial instruments: recognition and measurement

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

i. Initial recognition:

Financial instruments at Fair Value Through Profit or Loss FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other changes in net assets attributable to member countries and non-controlling interest in the statement of comprehensive income (FVOCI.).

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

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

ii. Classification of financial assets:

Under IFRS9, on initial recognition, a financial asset is classified either at amortized cost, fair value through other comprehensive income (other changes net assets attributable to member countries and non-controlling interest in the statement of comprehensive income) or fair value through profit and loss, based on two factors: the approved business model for managing the financial assets and the cash flow characteristics of the financial assets.

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

iii. Reclassification:

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

iv. Financial liabilities:

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

v. Modification of financial assets:

The Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund assesses whether the modification of contractual cash flows is substantial considering the following factors: any new contractual terms that substantially affect the risk profile of the asset, and significant change in interest rate. If the modified terms are substantially different, the rights to cash flow from the original asset expire and the Fund derecognizes the original financial asset and recognizes a new asset at its fair value: The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. If the terms are not substantially different, the modification does not result in derecognition, and the Fund recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognizes a modification gain or loss in the consolidated statement of comprehensive income. The Fund also assesses whether the new loan or debt instrument meets the Solely Payment of Principal and Interest (SPPI) criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss.

vi. Derecognition:

The Fund derecognizes a financial asset when the contractual right to the cash flows from the financial asset expire or it transfers the right to receive the contractual cash flows in a transaction in which it transfers substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in the profit or loss.

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

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

(d) Impairment of financial assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

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

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

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

The Fund recognizes provisions for expected credit loss in the consolidated statement of comprehensive income for debt instruments measured at amortized cost and those measured at fair value through other changes in net assets attributable to member countries and non-controlling interest (FVOCI). However, the financial assets classified at fair value through profit and loss, the effect of future events on credit loss is directly recognized as changes in fair value through the consolidated statement of comprehensive income.

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

- Debt investment securities that are determined to have low credit risk at the reporting date; and other financial assets on which credit risk has not increased significantly since their initial recognition.
- The Fund considers debt security to have low credit risk when its credit rating is equivalent to the globally understood definition of "investment grade".

(I) Measurement of Expected Credit Loss

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

- **For loans to Member Countries** The probability of default is calculated taking into account the most influencing factors for occurrence of default in the sovereign debt, which include (i) economic indicators, such as the ratio of external debt to GDP, the number of months of imports covered by reserves, and the ratio of external debt to exports of goods and services of the borrowing country, (ii) the historical experience of the Fund with the borrowing country and their repayment history, and (iii) credit rating of the borrowing country is also considered. The loss given default is calculated taking into consideration the Fund's experience with its member states, and the credit default swap of the borrowing country.

  The Fund estimates the exposure at default based on the forecast of the amounts due on default. This applies to all other portfolios.

- **For Financial investments and lines of credit extended to national agencies**, the probability of default and loss given default are calculated based on data provided by credit rating agencies.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(2) Significant Increase in Credit Risk

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

- **For loans to Member Countries** the Fund considers that there is a significant increase in credit risk if the borrowing country is late in paying its dues for a period of six months, unless there are sufficient evidences that the credit risk has not increased significantly despite the delay, such as that the delay is due to internal administrative procedures. The Fund also considers geo-political risks of the borrowers in assessing whether there is a significant increase in credit risk.
- **For financial investments** the Fund considers that there is a significant increase in the credit risk if there is a decline in the credit rating of the financial investments by more than 3 notches downgrade or that there is a noticeable unfavorable change in the future outlook of the issuer. Investment securities with a credit rating of BBB- and above are considered to have low credit risk and as such the Expected Credit Loss [ECL] allowance is based on 12-month ECLs.
- **For lines of credit to national agencies** the Fund considers that there is a significant increase in credit risk, if the borrower fails to perform his financial obligations, either over the next12 months or for the remaining life of the borrower's commitment, and the level of default depends on the amounts expected to be incurred at the time of the default.

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

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

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

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

(3) Definition of Default

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

- **For loans to Member Countries,** the Fund considers that the borrowing countries have defaulted if they are in arrears for a period of one year. The Fund adopts a policy of making provisions against interest on loans to Member Countries that defaulted in settlement of any installment due for more than a year, as well as against interest calculated in delayed loan principal and interest installment. The Fund then endeavors to reach agreements with those countries for the settlement of their arrears.
- **For lines of credit to national agencies**, The Fund considers an instrument to be in default when the borrower is more than 90 days past due on its contractual payments.
- **For financial investments,** the Fund considers default has occurred if the financial asset is past due for at least 90 days. The Fund assesses, periodically, the exposure of its investments to conclude whether due to adverse factors (financial, economic, legal, political or managerial) might have an impact on the market value of the security.

- ***Loans Expected Credit Loss***

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

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

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

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

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(4) COVID-19 impact on measurement of ECL

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

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

The Fund has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid at this point, which makes it challenging to reliably reflect impacts in the Fund's ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Fund has assessed the impact of an increase in probability for the conservative scenario in ECL measurement. The probability of a conservative scenario was increased from 20% while the probability of the optimistic scenario was reduced. The ECL provision increase wouldn't be significant.

The Fund has also reassessed its portfolio of Stage one financial assets as at 31 December 2021 with none of them having experienced a significant increase in credit risk due to COVID19. This included evaluating whether the investment portfolio has suffered a significant deterioration in credit quality. Based on ratings from external rating agencies, the Fund has concluded that there has not been a significant increase in credit risk. Furthermore, the Contingency Reserve (AAD 190 Million as of 31 December 2021 - Note 13) aimed for mitigating any unforeseen future losses, covers any default that might result from any deterioration in the Fund's financial assets credit quality as a result of COVID19.

(e) Fair value measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) Debt restructuring

The Fund adopts a flexible mechanism for managing and settling loans to Member Countries that were in default. The policy aims to assist the troubled countries and at the same time preserve the Fund's financial rights. Each case is treated separately, considering the size of the debt, economic conditions and financial capabilities of the borrowing countries and their ability to settle overdue debts in a manner that leads to restructuring of the loan principle and the interest accrued on them.

Due to the distinguished relationship with its member states, the Fund does not write off loans that it provides to its Member Countries.

(g) Collateral and credit enhancements

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

(h) Foreign currency transactions

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

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Assets (except property and equipment) and liabilities denominated in foreign currencies at the statement of financial position date are translated to Arab Accounting Dinar (AAD) which is equivalent to three Special Drawing Rights (SDR) at the exchange rates announced by the International Monetary Fund for the said date.

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

(i) Derivative financial instruments

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

(j) Cash and cash equivalents

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

(k) Depreciation of property and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Revenue recognition

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

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

(m) Critical judgements in applying the accounting policies

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

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

Business model assessment

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

Impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

Response to the COVID-19 Pandemic

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

- The Fund has applied quick and easy procedures to respond to its Member Countries requests for loans, by activating the Fund's Rapid Lending Procedures Framework.
- The Fund held High-Level meetings and workshops with senior officials in the Member Countries and international organizations to discuss the impacts of the pandemic and ways to mitigate such risks.

The Fund continues to manage its risks in accordance with its existing risk management framework (see Note 23) and as of the date of these financial statements has not seen a significant impact on its operational results.

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

Determination of the redemption value to Member Countries

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

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

The accounting policies applied in these consolidated financial statements are consistent with those applied in the previous year, except the followings which are newly issued or amended and became effective on or after 1 January 2021:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2**

  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR) as follows:
  - Contractual changes, or changes to cash flows that are directly required by the reform, are to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
  - Relief from discontinuing hedging relationships by permitting changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
  - Provides temporary relief to entities from having to meet the "separately identifiable requirement" when an RFR instrument is designated as a hedge of a risk component

- **Amendments to IFRS 16- Covid-19-Related Rent Concessions**

  A lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change

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

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

in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The above amendments did not materially affect the consolidated financial statements of the Fund.

In addition, the Fund has not early adopted new standards or amendments that were issued but not yet effective on or before the date of the financial statements which include the following:

- **IFRS 17 Insurance Contracts:** It applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Effective for annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 16 Property, Plant and Equipment**: The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location for intended use. Effective for annual periods beginning on or after 1 January 2022.
- **Amendments to IAS 1 Financial Statement Presentation**: Paragraphs 69 to 76 of IAS1 were amended to specify the requirements for classifying liabilities as current or non-current. Effective for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 3 Business Combination:** The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. Effective for annual periods beginning on or after 1 January 2022.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** The amendment is to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Effective for annual periods beginning on or after 1 January 2022.
- **Amendments to IAS 8 Accounting Policies, Change Accounting Estimates and Errors**: The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. Effective for annual periods beginning on or after 01 January 2023.
- **Annual improvement cycle 2018-2020**
  - IFRS 1 First-time Adoption of International Financial Reporting Standards: The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS. Effective for annual periods beginning on or after 1 January 2022.
  - IFRS 9 Financial Instruments: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Effective for annual periods beginning on or after 1 January 2022.
  - IAS 41 Agriculture: The amendment removes the requirement that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. Effective for annual periods beginning on or after 1 January 2022.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

3 CASH AND CASH EQUIVALENT AND TERM DEPOSITS WITH BANKS

3.1 CASH AND CASH EQUIVALENT

	2021 *AAD 000*	*2020* *AAD 000*
Current and call accounts with banks and International Monetary Fund	**8,938**	7,326
Deposits maturing within three months from inception	**458,770**	254,226
	467,708	261,552

3.2 TERM DEPOSITS WITH BANKS

	2021 *AAD 000*	*2020* *AAD 000*
Maturing within three months from inception.	**458,770**	254,226
Maturing after three months from inception.	**742,436**	905,612
	1,201,206	1,159,838

4 FINANCIAL INVESTMENTS

Financial investments are comprised of highly rated instruments of governments, governmental corporations, international institutions, financial and non-financial corporations, banks and multi strategies and property funds.

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

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

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

4 FINANCIAL INVESTMENTS *(continued)*

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

	2021 *AAD 000*	*2020* *AAD 000*
Investments at fair value through other change in the statement of comprehensive income (level 1)	**1,309,908**	1,342,617
Investments at fair value through other change in the statement of comprehensive income (level 2)	**429,814**	358,238
Investments at fair value through profit and loss (level 3)	**103,201**	88,204
Investments securities at amortised cost	**781,382**	628,914
	2,624,305	2,417,973
Less: Provisions for expected credit losses on investments	**(1,098)**	(731)
	2,623,207	2,417,242

There were no transfers between levels of the fair value hierarchy during the year ending 31 December 2021, or 31 December 2020.

Investments at amortized cost

The fair value of investments at amortized cost at 31 December 2021 was AAD 781,990 thousand *(2020: AAD 636,066 thousand)*.

Investments at fair value (Level 3)

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

Movements of investments at fair value (Level 3) for the year ended 31 December 2021 and 2020 is as follows:

	2021 *AAD 000*	*2020* *AAD 000*
Fair value at 1 January	**88,204**	90,196
Gains or losses recognised in profit or loss for the year	**7,243**	3,407
Subscription during the year	**13,345**	2,662
Redemption during the year	**(5,692)**	(7,501)
Exchange difference	**101**	(560)
Fair value at 31 December	**103,201**	88,204

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

4 FINANCIAL INVESTMENTS *(continued)*

Investments at fair value (Level 3) *(continued)*

Unrealized gain on investments at fair value (level 3) that is recognised in the profit or loss for the year ended 31 December 2021 is AAD 7,243 thousand *(2020: AAD 3,583 thousand)*.

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

	2021			*2020*		
	Arab	Non- Arab	Total	Arab	Non- Arab	Total
		AAD 000			*AAD 000*	
Debt Securities						
Government & Semi Government	548,376	970,081	**1,518,457**	295,624	1,027,617	1,323,241
Banks & Financial Institutions	82,523	677,630	**760,153**	111,455	624,326	735,781
Industrial Sector	-	14,768	**14,768**	28,744	50,696	79,440
Other Commercial Sectors	-	92,585	**92,585**	16,902	67,218	84,120
Supranational Organizations	-	135,141	**135,141**	-	107,187	107,187
Expected Credit Loss	(805)	(293)	**(1,098)**	(674)	(57)	(731)
Total Debt Securities	**630,094**	**1,889,912**	**2,520,006**	**452,051**	**1,876,987**	**2,329,038**
Unquoted Investment Funds						
Multi- Strategy Funds	-	61,956	**61,956**	-	51,238	51,238
Real Estate Funds	-	40,214	**40,214**	-	36,966	36,966
Investment in exchange traded funds	-	1,031	**1,031**	-	-	-
Total Unquoted Investment	-	**103,201**	**103,201**	-	88,204	88,204
	630,094	**1,993,113**	**2,623,207**	**452,051**	**1,965,191**	**2,417,242**

Externally Managed Funds

The Fund and the Subsidiaries assigned parts of their investment portfolios for management by a number of specialized external fund managers for agreed fees in accordance with respective fund management agreements. Managed funds amounted to AAD 227,157 thousand as at 31 December 2021 *(2020: AAD 208,834 thousand)*.

5 FORWARD CURRENCY CONTRACTS

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

The net fair value of forward currency contract receivable at 31 December 2021 were AAD 35,854 thousand *(2020: AAD 2,168* thousand receivable *and* 23,232 thousand payable*)*. The fair value of the forward currency contracts is determined by reference to forward rates obtained from reliable sources of financial instruments pricing such as Bloomberg. Given that the significant inputs into the pricing models are market observable, these instruments are included within Level 2 of the fair value hierarchy.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6 LINES OF CREDIT

	2021 *AAD 000*	*2020* *AAD 000*
Balance at 1 January	**165,516**	150,873
Drawings during the year	**241,121**	240,276
	406,637	391,149
Repayments during the year	**(228,572)**	(219,348)
Provision for expected credit loss	**(241)**	(218)
Differences in translation to AAD	**4,817**	(6,067)
Balance at 31 December	**182,641**	165,516

Lines of credit represent facilities provided by the Arab Trade Financing Program to approved national agencies with the aim of promoting intra-Arab trade. There are no unutilised balances of contracted lines of credit as at 31 December 2021 and 31 December 2020.

7 LOANS TO MEMBER COUNTRIES

	2021 *AAD 000*	*2020* *AAD 000*
Balance at 1 January	**569,692**	465,981
Drawings during the year	**137,255**	208,309
Repayments during the year	**(110,511)**	(104,598)
Balance at 31 December	**596,436**	569,692

Loans to Member Countries at 31 December 2021 include over one-year principal amounts overdue and not received of AAD 128,224 thousand *(2020: AAD 91,404 thousand)*. Outstanding loans to Member Countries also include unrealized capitalized interest balances which form part of restructured debt positions of one of the Member Countries. The Fund follows a policy of recognizing capitalized interest proportionately with the rescheduled debt repayments. Therefore, the balance of unrealized capitalized interest is included in accounts payable and other liabilities as deferred income, and gradually amortized to the consolidated statement of comprehensive income proportionately with the debt repayments. There is no balance of unrealized capitalized interest as at 31 December 2021. *(2020: AAD 664 thousand)*.

The unwithdrawn balances of the contracted loans at 31 December 2021 amounted to AAD 24,160 thousand *(2020: AAD 114,180 thousand)*.

8 DEPOSITS WITH CENTRAL BANKS OF MEMBER COUNTRIES

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 INVESTMENT IN RELATED ENTITY

The Fund's share in the Arab Investment & Export Credit Guarantee Corporation consists of 10,148 shares at a nominal value of one thousand Kuwaiti Dinar (KWD) per share, representing about 11% of the paid-up capital, which were fully paid. This investment is classified at cost as the Fund has no significant influence on the decision taken by the Corporation. The Fund has no representation in the Board of Directors of the Corporation nor the right of voting in its general assembly meetings.

10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2021	*2020*
	AAD 000	*AAD 000*
Interest receivable from loan to Member Countries (Gross)	**72,804**	95,012
Interest in suspense on rescheduled loans (1)	**-**	(27,225)
Overdue interest receivable on loans	**(71,459)**	(64,583)
	1,345	3,204
Interest receivable from lines of credit	**714**	504
Interest receivable from deposits and financial investment	**8,149**	10,486
Total interest receivable	**10,208**	14,194
Property and equipment	**9,947**	1,800
Arab Regional Payments System (2)	**-**	8,377
Collateral margin receivable	**-**	10,138
Other debit balances	**1,870**	1,582
	22,025	36,091

(1) In accordance with the contractual terms of the agreement to reschedule the debt of Iraq, an amount of AAD 27,225 thousand was written off upon full settlement of the rescheduled debt on 20 March 2021.

(2) In accordance with the board of Governors' resolution number (4) of 2018 which adopted the decision issued by the board of the Governors for Central Banks and Arab Monetary Institutions, that commissioned the Fund to set-up a legal entity for clearing and settlement of inter-Arab payments with an authorized capital USD 100 million. The decision also provided for considering the cost incurred by the Fund until the establishment of the entity as part of its contribution to the capital. The total cost incurred by the Fund for setting-up the entity amounted to AAD 8,377 thousand as of 31 December 2020. The Organization was established in April 2021, its separate financial statements were issued and consolidated with the fund's financial statements.

11 DEPOSITS FROM ARAB MONETARY AND FINANCIAL INSTITUTIONS

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

Interest expense on deposits accepted from Arab monetary and financial institutions for the period ended 31 December 2021 amounted to AAD 5,581 thousand *(2020: AAD 28,114 thousand)*.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2021 *AAD 000*	*2020* *AAD 000*
Unrealized capitalized interest *(Note 7)*	-	664
Accrued interest payable	880	1,691
Net value of investment transactions	932	-
Contribution to support Palestinian people	14,870	10,747
Collateral margin payable	17,096	-
Other credit balances	6,077	5,447
	39,855	18,549

13 NET ASSETS ATTRIBUTABLE TO MEMBER COUNTRIES AND NON- CONTROLLING INTEREST

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

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

(a) Subscribed and Paid-up Capital

	2021 *AAD 000*	*2020* *AAD 000*
Authorized Capital		
(24,000 shares of AAD 50 thousand each)	1,200,000	1,200,000
Subscribed capital (18,000 shares)	900,000	900,000
Unpaid capital	(16,975)	(16,975)
Paid-up capital	883,025	883,025

The Board of Governors of the Arab Monetary Fund had approved through resolution number (3) of 2013 increasing the Fund's authorized share capital by AAD 600 million, to become AAD 1,200 million. The resolution has also called for subscriptions from Member Countries amounting to AAD 300 million, of which AAD 149.01 million to be paid by transfer from general reserve, and the other part by cash transfer from Member Countries in five annual instalments commencing in April 2014, and continued consideration of deferring the payment of Palestine share in accordance with the Board's resolution number (7) of 1978. The unpaid capital amount represents the instalments and the deferred share of Palestine.

13 NET ASSETS ATTRIBUTABLE TO MEMBER COUNTRIES AND NON- CONTROLLING INTEREST *(continued)*

(b) Reserves

The transfer to the contingency reserve is made in accordance with the Board of Governors' resolutions number (7) of 1989 and number (4) of 2000, under which an annual sum being the greater of AAD 5 million or 10% of the operating income attributable to Member Countries before other changes in net assets attributable to Member Countries and non-controlling interest for the year is to be appropriated to the contingency reserve each year. This reserve is to be used to mitigate any unforeseen future losses and the remaining amount of the operating income is transferred to the general reserve. The general reserve at 31 December 2021 includes AAD 26,622 thousand *(2020: AAD 26,040 thousand)* being the Fund's share in reserves of the Arab Trade Financing Program.

The Board of Governors approved through resolution number (6) of 2021, the 19th appropriation of 10% of 2020 net operating income before other changes in net assets attributable to Member Countries and non-controlling interest amounting to AAD 4,123 thousand as contribution towards the efforts exerted to support the Palestinian people. The Board of Governors had also approved through resolution number (5) of 2020, the 18th appropriation of 10% of 2019 operating income before other changes in net assets attributable to Member Countries and non-controlling interest amounting to AAD 4,394 thousand for the same purpose.

(c) Non-Controlling Interest

Non-controlling interest comprises minority shareholders interest in the net assets of the Arab Trade Financing Program at the consolidated statement of financial position date. Their interest is denominated in US dollars, being the base currency. The non-controlling interest is classified as a financial liability.

	2021 *USD 000*	*2020* *USD 000*
Net assets attributable to shareholders in the base currency of the Arab Trade Financing Program:		
- Paid-up capital	986,635	986,635
- Reserves	189,411	185,037
Total	1,176,046	1,171,672
The value of non-controlling interest	512,873	510,959

Non-controlling interest movement	*2021* *AAD 000*	*2020* *AAD 000*
Balance at the beginning of the year	118,252	124,123
Net income for the year	1,930	1,623
Dividends paid during the year	(1,004)	(2,196)
Exchange difference	2,965	(5,298)
	122,143	118,252

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14 OTHER INVESTMENT INCOME

	2021 *AAD 000*	*2020* *AAD 000*
Amortization of FX currency swaps	**3,288**	9,159
Investment in multi-strategy funds and property funds	**7,243**	3,407
Gain\ loss on sales of securities	**3,732**	4,018
Other income	**(764)**	79
	13,499	16,663

15 ADMINISTRATION AND GENERAL EXPENSES

Administration and general expenses for the year ended 31 December 2021 amounted to AAD 5,649 thousand *(2020: 6,740 thousand)* include Board of Executive Directors remuneration and employees' salaries and benefits amounting to AAD 4,918 thousand *(2020: AAD 5,127 thousand)*. The Fund employed 185 employees as at 31 December 2021 *(2020: 189 employees)*.

16 TECHNICAL ASSISTANCE

	2021 *AAD 000*	*2020* *AAD 000*
Training courses, seminars and direct technical assistance	**108**	288
Cash and in-kind contributions from partner institutions	**(68)**	(61)
Technical assistance incurred by the Fund	**40**	227

17 UNREALIZED CHANGE IN INVESTMENTS HELD AT FAIR VALUE

	2021 *AAD 000*	*2020* *AAD 000*
Change in fair value of securities	**(10,781)**	3,849
Change in fair value of forward contracts	**3,783**	(1,024)
	(6,998)	2,825

18 Other Change

	2021 *AAD 000*	*2020* *AAD 000*
Cash dividends to minority shareholders	**(1,004)**	(2,196)
Exchange difference of minority shares	**2,965**	(5,298)
	1,961	(7,494)

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 NET CASH FROM INVESTMENTS

	2021 *AAD 000*	*2020* *AAD 000*
Cash (used in) /received from investment in multistrategy and property Fund	**(7,754)**	5,575
Cash (used in) /received from investment at FVOCI	**(49,779)**	19,014
Cash (used in) /received from investment at amortized cost	**(152,468)**	32,564
Difference in conversion	**(123)**	203
	(210,124)	57,356

20 MANAGED FUNDS

Funds managed by the Arab Monetary Fund for Arab Specialised Organization amounted to AAD 9,311 thousand as at 31 December 2021 *(2020: AAD 8,253 thousand).*

21 RELATED PARTIES TRANSACTIONS

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

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

	Notes	**2021** *AAD 000*	2020 *AAD 000*
Loans to Member Countries	7	**596,436**	569,692
Deposits from Arab monetary and financial institutions	11	**3,097,798**	2,803,635
Interest and fee income on loans to Member Countries		**4,249**	13,758
Interest expense on deposits from Arab monetary and financial institutions	11	**5,581**	28,114
Technical assistance expense	16	**40**	227

22 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:

	2021 *AAD 000*	*2020* *AAD 000*
Arab and African Countries	**1,485,055**	1,305,654
Europe	**781,227**	741,693
North America	**225,774**	222,687
Far East and Pacific	**1,206,384**	1,216,952
Supra National Organisations	**134,911**	97,420
	3,833,351	3,584,406

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

23 FINANCIAL INSTRUMENTS

(a) Maturities of assets and liabilities- 31 December 2021

Maturity analysis of the consolidated assets and liabilities as at 31 December 2021 were as follows:

	Total	*Less than 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Unspecified maturity*
			AAD 000			
Assets						
Cash and cash equivalent	467,708	467,708	-	-	-	-
Term deposits with banks	742,436	682,414	60,022	-	-	-
Securities at fair value	1,739,444	1,106,755	221,949	327,161	83,579	-
Securities at amortized cost	780,562	503,665	64,973	194,338	17,586	-
Multi- strategy and property funds	103,201	103,201	-	-	-	-
Forward contracts receivable	35,854	35,854	-	-	-	-
Lines of credit	182,641	125,687	35,555	21,399	-	-
Loans to Member Countries	596,436	188,919	89,724	302,917	-	14,876
Deposits with central banks	5,336	-	-	-	-	5,336
Investment in related entity	7,987	-	-	-	-	7,987
Accounts receivable and other assets	22,025	10,318	1,346	414	-	9,947
	4,683,630	**3,224,521**	**473,569**	**846,229**	**101,165**	**38,146**
Liabilities						
Deposits from Arab monetary and financial institutions	3,097,798	3,097,798	-	-	-	-
Accounts payable and other liabilities	39,855	19,744	15,468	816	3,827	-
Net assets attributable to Member Countries	1,423,834	-	-	-	-	1,423,834
Non-controlling interest	122,143	-	-	-	-	122,143
	4,683,630	**3,117,542**	**15,468**	**816**	**3,827**	**1,545,977**
Loan commitments	**24,160**	-	-	-	-	**24,160**

23 FINANCIAL INSTRUMENTS (*continued*)

Maturities of assets and liabilities- 31 December 2020

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

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

(b) Credit risk management and concentration of credit risk

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

Investments accounted for at amortized cost are concentrated in highly rated debt securities with lower risks. Loans are extended by the Fund to Member Countries in order to correct disequilibria in their balance of payments and to finance structural adjustment programs in those countries. Lines of credit are extended by the Arab Trade Financing Program 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 its mandate.

The Fund and the Arab Trade Financing Program seek to contain their exposure to credit risk relating to their financing activities through the implementation of policies and procedures that are designed to maintain the exposures within pre-defined limits. These limits have been set on the basis of the type of loans and the Member Countries' subscription to capital in convertible currencies and the credit rating of the counterparties. Accordingly, the occurrence of expected credit loss is unlikely.

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

23 FINANCIAL INSTRUMENTS *(continued)*

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

Included in the consolidated financial statements provisions of AAD 1,703 thousand as at 31 December 2021 *(2020: AAD 1,066 thousand)* for expected credit loss recognized on time deposits, debt instruments, in addition to the lines of credit extended by the Arab Trade Financing Program.

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

Analysis of the Fund's credit risk exposures by class of financial asset is provided in the following tables as at 31 December 2021 and 31 December 2020 respectively:

(AAD 000)

	2021			
Credit Rating	**Stage (1)**	**Stage (2)**	**Stage (3)**	**Total**
Loans to Member Countries (*)				
Outstanding Loans	405,429	-	191,007	596,436
ECL	-	-	-	-
Net of ECL	**405,429**	-	**191,007**	**596,436**
Lines of Credits				
Sovereign Authorities	124,560	-	-	124,560
Commercial Banks	58,540	-	-	58,540
Total	183,100	-	-	183,100
ECL	(459)	-	-	(459)
Net of ECL	**182,641**	-	-	**182,641**
Deposit with banks				
Investment Grade	1,158,292	-	-	1,158,292
Non-investment Grade	43,060	-	-	43,060
Not rated	-	-	-	-
Total	1,201,352	-	-	1,201,352
ECL	(146)	-	-	(146)
Net of ECL	**1,201,206**	-	-	**1,201,206**
Investments Securities				
Investment Grade	2,426,416	-	-	2,426,416
Non-investment Grade	94,688	-	-	94,688
Not rated	-	-	-	-
Total	2,521,104	-	-	2,521,104
ECL	(1,098)	-	-	(1,098)
Net of ECL	**2,520,006**	-	-	**2,520,006**

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

23 FINANCIAL INSTRUMENTS (*continued*)

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

(AAD 000)

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

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

23 FINANCIAL INSTRUMENTS *(continued)*

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

The movement of gross exposure for the year 2021 and 2020 is as follows:

(AAD 000)

	2021			
	Stage (1)	Stage (2)	Stage (3)	Total
Loans to Member Countries				
Balance at 01 January	**378,685**	**110,645**	**80,362**	**569,692**
Change Attributable to:				
Transfers between stages	-	(110,645)	110,645	-
Withdrawals during the year	137,255	-	-	137,255
Repayments during the year	(110,511)	-	-	(110,511)
Balance at 31 December	**405,429**	**-**	**191,007**	**596,436**
Lines of Credits				
Balance at 01 January	**165,734**	**-**	**-**	**165,734**
Change Attributable to:				
Transfers between stages	-	-	-	-
Withdrawals during the year	241,121	-	-	241,121
Repayments during the year	(228,572)	-	-	(228,572)
Foreign exchange difference	4,817	-		4,817
Balance at 31 December	**183,100**	**-**	**-**	**183,100**
Deposit with banks				
Balance at 01 January	**1,159,955**	**-**	**-**	**1,159,955**
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	20,991,457	-	-	20,991,457
Sold/matured during the year	(21,115,390)	-	-	(21,115,390)
Foreign exchange difference	165,330	-	-	165,330
Balance at 31 December	**1,201,352**	**-**	**-**	**1,201,352**
Investments Securities				
Balance at 01 January	**2,329,769**	**-**	**-**	**2,329,769**
Change Attributable to:				
Transfers between stages	-	-	-	-
Originated during the year	3,063,043	-	-	3,063,043
Sold/matured during the year	(2,981,300)	-	-	(2,981,300)
Foreign exchange difference	109,592	-	-	109,592
Balance at 31 December	**2,521,104**	**-**	**-**	**2,521,104**

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

23 FINANCIAL INSTRUMENTS (*continued*)

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

(AAD 000)

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

The Arab Monetary Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

23 FINANCIAL INSTRUMENTS (*continued*)

(c) Movement of expected credit losses

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

	12-Month expected Credit loss	
	2021 AAD 000	2020 AAD 000
Time deposits		
Balance at 1 January	117	341
Changes in ECL during the year	29	(224)
Balance at 31 December	146	117
Investments		
Balance at 1 January	731	850
Changes in ECL during the year	367	(119)
Balance at 31 December	1,098	731
Lines of Credit		
Balance at 1 January	218	252
Changes in ECL during the year	241	(34)
Balance at 31 December	459	218
Total		
Balance at 1 January	1,066	1,443
Changes in ECL during the year	637	(377)
Balance at 31 December	1,703	1,066

(d) Interest rate risk management

The risk of interest rate volatility for the Fund and its Subsidiaries is very limited, as its being managed through revising the interest on lines of credit and loans to Member Countries and through maturity date management techniques for investments at amortized cost and repayment periods for investment at fair value.

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

	Change in basis points	*2021 AAD 000*	*2020 AAD 000*
Effect on net assets attributable to Member Countries and non-controlling interest	25	841	1,009
Effect on consolidated statement of comprehensive income	25	1,293	2,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value risk management

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

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

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

(f) Foreign currency risk

The Fund principally manages currency risk by substantially maintaining its assets in AAD that are closely aligned to the components of the SDR basket of currencies, matching deposits received with deposits placed in terms of currency and maturity, and also through the use of forward foreign exchange contracts.

The Fund and Subsidiaries manage currency risk by hedging financial assets and liabilities denominated in currencies other than base currency against exchange rates fluctuations by using forward foreign exchange contracts, within the limits specified in the investment policy.

(g) Liquidity risk management

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

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

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

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

(h) Capital risk management

Capital is being managed in a way to achieve the main objectives of the Fund and its Subsidiaries as stated in the Fund's Articles of Agreement and the Subsidiaries' 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 Arab Trade Financing Program obligation to distribute cash dividends to its shareholders. The capital base is composed of capital and reserves as detailed in the net assets attributable to Member Countries and non-controlling interest in the Subsidiaries.

23 FINANCIAL INSTRUMENTS (*continued*)

(i) Price risk management

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

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

صندوق النقد العربي
ARAB MONETARY FUND

Organization and Management Structure

Organizational Structure

The Board of Governors

The Board of Governors consists of the Governor and deputy Governor appointed by each Member Country in the Fund, and the Board shall elect its chairman from among its members on a rotational basis. The Board of Governors is considered the General Assembly of the Fund and has all the administration authorities. The Board of Governors of the Fund meets annually, in the first half of each year, in or outside the headquarters country. The following table shows the composition of the Board of Governors of the Fund, as on 31st December 2021:

Member Countries	Governors and Deputy Governors	
Hashemite Kingdom of Jordan	Governor:	H.E. Dr. Ziad Fariz
	Deputy Gov. :	H.E. Dr Mohammad Mahmoud Al Ississ
United Arab Emirates	Governor:	H.E. Mohammed bin Hadi Al Husseini (1)
	Deputy Gov. :	H.E. Khaled Mohamed Balama (2)
Kingdom of Bahrain	Governor:	H.E. Sheikh Salman Bin Khalifa Al Khalifa
	Deputy Gov. :	H.E. Rashid Mohammed Al Mearaj
Republic of Tunisia	Governor:	H.E. Dr. Marouane El Abassi
	Deputy Gov. :	H.E. Mourad Abdesslem
People's Democratic Republic of Algeria	Governor:	H.E. Ayman Ben Abderahmane
	Deputy Gov. :	H.E. Rosthom Fadli
Republic of Djibouti	Governor:	H.E Abdul Karim Adam Shir
	Deputy Gov. :	H.E Ahmed Osman Ali
Kingdom of Saudi Arabia	Governor:	H.E. Mohammed Bin Abdullah Al-Jadaan
	Deputy Gov. :	H.E. Dr. Fahad al-Mubarak (3)
Republic of the Sudan	Governor:	H.E. Dr. Gibril Ibrahim Mohamed (4)
	Deputy Gov. :	H.E. Mohamed al-Fatih Zainelabidine
Syrian Arab Republic	Governor:	H.E. Dr. Kenan Yaghi (5)
	Deputy Gov. :	H.E. Dr. Hazem Younes Qarfoul

Member Countries	Governors and Deputy Governors	
Federal Republic of Somalia	Governor:	H.E. Abdirahman Duale Beyle
	Deputy Gov. :	H.E. Abdirahman Mohamed Abdullahi
Republic of Iraq	Governor:	H.E. Mustafa Ghaleb Makhaif
	Deputy Gov. :	H.E. Dr. Salahuddin Hamid Juaatta
Sultanate of Oman	Governor:	H.E. Sultan bin Salim Al Habsi
	Deputy Gov. :	H.E. Tahir bin Salim bin Abdullah Al Amri
State of Palestine	Governor:	H. E. Dr. Mohamed Mustafa
	Deputy Gov. :	H.E. Major General Talal Dwikat
State of Qatar	Governor:	H.E. Ali bin Ahmed Al Kuwari (6)
	Deputy Gov. :	H.E. Sheikh Bandar bin Mohammed bin Saoud Al-Thani (7)
Union of Comoros	Governor:	H.E. Kamaliduni Souef (8)
	Deputy Gov. :	H.E. Younoussa Imani
State of Kuwait	Governor:	H.E. Abdul Wahab Al-Rasheed (9)
	Deputy Gov. :	H.E. Dr. Mohammad Yousef Al Hashel
Republic of Lebanon	Governor:	H.E. Riad Toufic Salame`
	Deputy Gov. :	H.E. Dr. Wassim Manssouri (10)
State of Libya	Governor:	H.E. Saddek Omar Elkaber
	Deputy Gov. :	H.E. Naji Mohammed Issa (11)
Arab Republic of Egypt	Governor:	H.E. Tarek Amer
	Deputy Gov. :	H.E. Dr. Mohamed Maait
Kingdom of Morocco	Governor:	H.E. Nadia Fettah (12)
	Deputy Gov. :	H.E. Abdellatif Jouahri
Islamic Republic of Mauritania	Governor:	H.E. Cheikh El Kebir Moulay Taher
	Deputy Gov. :	H.E. Filaly Mohamed Filaly (13)
Republic of Yemen	Governor:	H.E. Salim Saleh Bin Buriek
	Deputy Gov. :	H.E. Ahmad Ahmad Ghaleb (14)

(1) Replacing H.E Obeid Humaid Al-Tayer, as of October 2021.

(2) Replacing H.E. Abdul Hamid Mohammed Saeed Al Ahmadi, as of April 2021.

(3) Replacing H.E. Ahmed Bin Abdulkarim Al Kholifey, as of January 2021.

(4) Replacing H.E. Dr. Heba Mohammed Ali, as of February 2021.

(5) Replacing H.E. Dr. Kenan Yaghi, as of April 2021.

(6) Replacing H.E. Ali Sherif Al Imaadi, as of October 20214.

(7) Replacing H.E. Sheikh Abdulla Bin Saoud Al Thani, as of November 2021.

(8) Replacing H.E. Sayed Ali Sayed Sheikhan, as of October 2021.

(9) Replacing H.E. Khalifa Mosaed Hamada, as of December 2021.

(10) Replacing H.E. Raed Charafeddine as of July 2021.

(11) Replacing the Deputy Governor of Central Bank of Libya, as of August 2021.

(12) Replacing H.E. Mohamed Benchaaboun, as of October 2021.

(13) Replacing H.E. Boumediene Ould Taya`, as of October 2021.

(14) Replacing H.E. Ahmed Obeid Alfadli, as of December 2021.

The Director General and Executive Management Departments

The Board of Executive Directors is composed of the Director General of the Fund as Chairman and eight non-resident members elected by the Board of Governors for a renewable term of three years. The Board is entrusted with the oversight of the Fund's activities and renders advice when deemed necessary. The following table shows the composition of the Board of Executive Directors for 2016-2019, as at the end of December 2021.

Executive Directors	Country/Countries represented	Voting power (percent)
H.E. Dr Abdulrahman A. Al-Hamidy	Director General Chairman of the Board of Executive Directors	-
H.E. Dr. Ryadh Mohammed Alkhareif (1)	Kingdom of Saudi Arabia	13.96
H.E. Ali Bouharaoua	People's Democratic Republic of Algeria	12.27
H.E. Mazen Sabbah Ahmad	Republic of Iraq	12.27
H.E. Jamal Mohamad Nagm (Egypt)	Arab Republic of Egypt Republic of Yemen Republic of Sudan Federal Republic of Somalia Republic of Djibouti The Republic of Comoros	*19.65
H.E. Younis Haji Al Khoori (UAE)	State of Kuwait United Arab Emirates	15.13
H.E. Naji Mohamad Issa (Libya)	Kingdom of Morocco State of Libya Republic of Tunisia Islamic Republic of Mauritania	12.87
H.E. Dr. Qais bin Issa Alyahyai (Oman)	State of Qatar Kingdom of Bahrain Sultanate of Oman	6.77
H.E. Dr. Wassim Manssouri (Lebanon) (2)	Syrian Arab Republic Hashemite Kingdom of Jordan Republic of Lebanon State of Palestine	7.07

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

(1) (1) Replacing H.E. Hussein Bin Shuwish Al Shuwish as of May 2021.

(2) Replacing Raed Charafeddine, as of April 2021.

Executive management of the Fund

The Board of Governors appoints a Director General of the Fund for a renewable five- year term. The General Director of the Fund chairs the meetings of the Board of Executive Directors. The Director General of the Fund is considered as the Supreme Chief of the Fund's staff and responsible for all its operations. He submits an annual report on the Fund's operations to the Board of Governors at its regular annual meeting.

The Director General is assisted, in the accomplishment of the Fund's operations, by technical staff in several departments. In addition to departments, the organizational structure includes an internal audit office and a Strategy and Evaluation Unit.

Five committees have also been established, two of which are standing committees, namely the Loan and Investment Committees provided for in the Agreement establishing the Fund, in addition to the Administrative Committee set up under the Workers' Statute, approved by the Board of Executive Directors, and adopted by the Board of Governors, as well as the Risk Management Committee, in addition to the Audit and Risk Committee under the Board of Executive Directors.

Appendices

Appendix (A-1) : Loans Extended to Member States (1978 - 2021)

(Thousands of AAD)

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

Appendix (A-1) : Loans Extended to Member States (1978 - 2021) (Cont.)

(Thousands of AAD)

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

Appendix (A-1) : Loans Extended to Member States (1978 - 2021) (Cont.)

(Thousands of AAD)

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

Appendix (A-1) : Loans Extended to Member States (1978 - 2021) (Cont.)

(Thousands of AAD)

Year	Loan No.	Country	Automatic	Ordinary	Extended	Compensatory	Trade Facility	Oil Facility	Structural Adjustment	SMEs Facility	Total
2009	142	Jordan	7,365								
	143	Jordan							12,275		
	144	Morocco							47,863		
	145	Mauritania							9,120		
	146	Morocco				21,880					
			7,365	0	0	21,880	0	0	69,258		98,503
2010	147	Jordan				9,820					
	148	Jordan							17,185		
	149	Morocco							47,863		
	150	Yemen			43,000						
			0	0	43,000	9,820	0	0	65,048		117,868
2011	151	Morocco						13,675			
	152	Egypt	43,725								
	153	Egypt							58,300		
			43,725	0	0	0	0	13,675	58,300		115,700
2012	154	Jordan	7,365								
	155	Yemen		21,000							
	156	Yemen				24,000					
	157	Tunisia							15,935		
	158	Tunisia				12,750					
	159	Tunisia	9,562								
	160	Morocco				27,350					
			16,927	21,000	0	64,100	0	0	15,935		117,962
2013	161	Sudan							9,800		
	162	Yemen		21,000							
	163	Jordan				12,790					
	164	Jordan			12,790						
	165	Comoros			787						
	166	Tunisia							12,000		
	167	Tunisia							20,000		
	168	Morocco							60,000		
			0	21,000	13,577	12,790	0	0	101,800		149,167
2014	169	Mauritania			20,000						
	170	Yemen			36,510						
			0	0	56,510	0	0	0	0		56,510
2015	171	Jordan							13,285		
	172	Egypt							78,880		
	173	Egypt	59,160								
	174	Sudan			39,900						
			59,160	0	39,900	0	0	0	92,165		191,225
2016	175	Jordan	9,964								
	176	Mauritania				12,340					
	177	Egypt				81,820					
			9,964	0	0	94,160	0	0	0		104,124
2017	178	Jordan				13,400					
	179	Morocco							69,500		
			0	0	0	13,400	0	0	69,500	0	82,900
2018	180	Tunisia				18,532					
	181	Tunisia								18,532	
	182	Sudan								22,800	
	183	Egypt								87,700	
	184	Morocco				41,125					
			0	0	0	59,657	0	0	0	129,032	188,689
2019	185	Sudan		27,400							
	186	Sudan				27,400					
	187	Jordan							23,000		
			0	27,400	0	27,400	0	0	23,000	0	77,800
2020	188	Morocco	30,844								
	189	Egypt							153,475		
	190	Tunisia	14,381								
	191	Morocco							51,406		
	192	Tunisia							23,968		
	193	Jordan	10,000								
			55,225	0	0	0	0	0	228,849	0	284,074
2021	194	Tunisia				19,175					
	195	Jordan				14,770					
	196	Jordan								13,290	
			0	0	0	33,945	0	0	0	13,290	47,235
Total			486,475	174,151	450,331	436,237	64,730	32,489	945,476	142,322	2,732,211

Appendix (A-2) : Loans Extended to Member States By Type (1978 - 2021)

Automatic Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	7	43.724
Tunisia	7	43.143
Algeria	1	27.930
Sudan	5	11.100
Syria	4	9.030
Somalia	3	4.440
Iraq	4	87.090
Lebanon	2	7.350
Egypt	6	141.135
Morocco	11	60.394
Mauritania	7	10.320
Yemen	9	40.635
Comoros	1	0.184
	67	**486.475**

Extended Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	3	26.090
Algeria	2	60.380
Sudan	5	70.285
Somalia	1	12.740
Egypt	1	55.125
Morocco	3	63.800
Mauritania	8	61.345
Yemen	3	99.166
Djibouti	2	0.613
Comoros	1	0.787
	29	**450.331**

Ordinary Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	1	5.320
Algeria	1	41.640
Syria	1	8.200
Sudan	1	27.400
Morocco	1	6.250
Mauritania	1	4.500
Yemen	7	80.290
Djibouti	1	0.367
Comoros	1	0.184
	15	**174.151**

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

Compensatory Loans	No. of Loans	Value of Loans (Million AAD)
Jordan	6	56.100
Tunisia	4	53.907
Sudan	3	37.200
Iraq	1	27.000
Egypt	3	104.195
Morocco	5	107.555
Mauritania	3	17.260
Yemen	3	33.020
	28	**436.237**

Structural Adjustment Facility	No. of Loans	Value of Loans (Million AAD)
Jordan	6	74.869
Tunisia	7	88.912
Algeria	1	30.605
Sudan	2	19.600
Lebanon	3	19.526
Egypt	6	368.303
Morocco	8	313.114
Yemen	1	9.057
Djibouti	2	0.770
Syria	2	11.600
Mauritania	1	9.120
	39	**945.476**

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

SMEs Facility	No. of Loans	Value of Loans (Million AAD)
Sudan	1	22.800
Egypt	1	87.700
Tunisia	1	18.532
Jordan	1	13.290
	4	**142.322**

Appendix (A-3): Balance of Outstanding Loans (2020 - 2021)

(Thousands of AAD)

Country	End of 2020			End of 2021		
	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments	Balance of Outstanding Loans	Balance of Undisbursed Loans	Total Loans Commitments
Jordan	35,921		**35,921**	50,609	5,905	**56,514**
Sudan	110,645		**110,645**	110,645		**110,645**
Syria	2,880		**2,880**	2,880		**2,880**
Somalia	14,876		**14,876**	14,876		**14,876**
Iraq	1,368		**1,368**	-		**-**
Egypt	164,876	65,775	**230,651**	202,587		**202,587**
Morocco	122,051	20,562	**142,613**	86,539		**86,539**
Yemen	62,605	18,255	**80,860**	62,605	18,255	**80,860**
Mauritania	6,250		**6,250**	2,500		**2,500**
Tunisia	48,220	9,588	**57,808**	63,195		**63,195**
Total	**569,692**	**114,180**	**683,872**	**596,436**	**24,160**	**620,596**

Appendix (A-4): Balance of Loans Commitments (1978- 2021)

(Thousands of AAD)

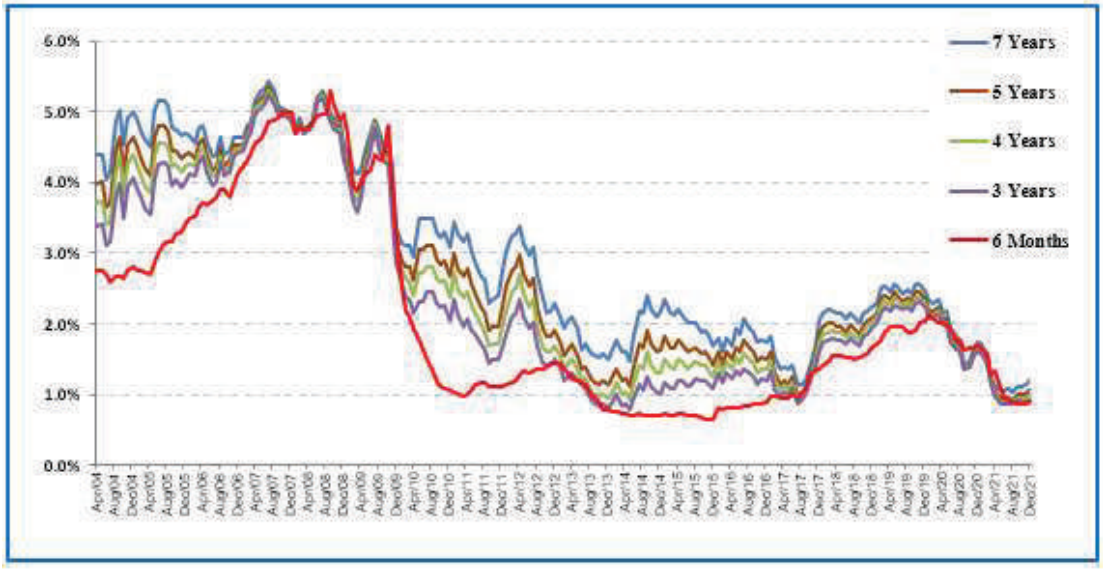
Year	Loans Extended during the year	Outstanding Loans Commitments*	Balance of Outstanding Loans**
1978	6,563	6,563	6,563
1979	16,500	23,063	18,062
1980	11,750	48,687	42,187
1981	78,615	102,834	68,674
1982	31,440	129,733	111,700
1983	80,925	198,587	193,037
1984	16,300	189,388	183,423
1985	50,955	187,724	181,759
1986	33,555	195,558	183,843
1987	24,570	167,666	157,451
1988	122,117	226,484	213,717
1989	72,660	283,740	242,041
1990	15,675	244,329	233,379
1991	-	213,441	198,641
1992	18,475	189,467	179,467
1993	3,250	162,451	151,131
1994	50,930	203,450	167,985
1995	25,615	211,728	177,562
1996	36,185	218,253	186,905
1997	22,683	231,295	206,697
1998	12,967	227,413	199,314
1999	55,405	263,858	229,129
2000	38,399	276,416	250,459
2001	69,305	300,630	278,997
2002	34,965	278,180	275,970
2003	66,593	316,658	281,121
2004	38,784	280,182	252,695
2005	25,225	275,201	253,376
2006	350	262,611	231,511
2007	11,100	247,693	226,218
2008	28,598	283,693	251,111
2009	98,503	352,671	318,273
2010	117,868	418,105	356,614
2011	115,700	466,769	416,119
2012	117,962	509,723	440,605
2013	149,167	541,148	466,096
2014	56,510	474,284	402,047
2015	191,225	528,846	451,978
2016	104,124	570,911	542,869
2017	82,900	542,813	486,578
2018	188,689	574,279	502,558
2019	77,800	504,396	465,981
2020	284,074	683,872	569,692
2021	47,235	620,596	596,436

* Total outstanding loans and undisbursed balances.

** Total disbursed loans minus repayments.

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

Chart (6) : Interest Rates on Loans According to Maturity, (2003 - 2021)



Appendix (A-5): Interest Rates According to Maturity of Loans (Jan. Dec.) 2021

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
7 Years	1.14%	1.25%	1.50%	1.60%	1.53%	1.55%	1.54%	1.34%	1.41%	1.57%	1.74%	1.69%
5 Years	1.00%	1.07%	1.28%	1.36%	1.30%	1.31%	1.36%	1.18%	1.25%	1.40%	1.62%	1.59%
4 Years	0.94%	0.99%	1.15%	1.21%	1.17%	1.17%	1.24%	1.10%	1.15%	1.28%	1.54%	1.52%
3 Years	0.88%	0.91%	1.02%	1.05%	1.03%	1.02%	1.10%	0.99%	1.04%	1.15%	1.43%	1.42%
6 Months	0.83%	0.82%	0.83%	0.83%	0.82%	0.80%	0.79%	0.77%	0.76%	0.78%	0.84%	0.85%

Appendix (B-1): Capital at 31 December 2021

(Thousands of AAD)

	Country	Subscribed Capital	Paid-Up Capital			
			Local Currencies	Convertible Currencies	By a Transfer from General Reserve (2)	Total
1	Jordan	14,850	80	7,795	6,975	14,850
2	UAE	52,950	300	27,725	24,925	52,950
3	Bahrain	13,800	80	7,220	6,500	13,800
4	Tunisia	19,275	100	10,113	9,063	19,275
5	Algeria	116,850	760	61,115	54,975	116,850
6	Saudi Arabia	133,425	760	69,878	62,788	133,425
7	Sudan	27,600	200	14,400	13,000	27,600
8	Syria	19,875	80	7,120	9,363	16,563
9	Somalia	11,025	80	3,920	5,188	9,188
10	Iraq	116,850	760	61,115	54,975	116,850
11	Oman	13,800	80	7,220	6,500	13,800
12	Qatar	27,600	200	14,400	13,000	27,600
13	Kuwait	88,200	500	46,200	41,500	88,200
14	Lebanon	13,800	100	7,200	6,500	13,800
15	Libya	37,035	186	19,427	17,423	37,035
16	Egypt	88,200	500	46,200	41,500	88,200
17	Morocco	41,325	200	21,688	19,438	41,325
18	Mauritania	13,800	80	7,220	6,500	13,800
19	Yemen	42,450	280	16,535	19,975	36,790
20	Palestine (1)	5,940	-	-	-	-
21	Djibouti	675	5	245	313	563
22	Comoros	675	5	245	313	563
Total		**900,000**	**5,336**	**456,979**	**420,710**	**883,025**

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

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

Appendix (3):
Number of Participants Courses / Seminars / Workshops (1988-2021)

Activties / Countries	Courses delivered by AMF Staff	Courses Coordinated With Various Inst.	Total
Number of Activities	250	261	513
Jordan	493	538	1031
U.A.E	498	413	911
Bahrain	356	313	669
Tunisia	361	364	725
Algeria	329	372	701
Djibouti	68	336	404
Saudi Arabia	607	612	1219
Sudan	540	513	1053
Syria	418	508	926
Somalia	36	66	102
Iraq	381	587	968
Oman	355	390	745
Palestine	362	339	701
Qatar	224	242	466
Comoros	51	48	99
Kuwait	371	326	697
Lebanon	189	292	481
Lybia	297	234	531
Egypt	550	474	1024
Morocco	417	489	906
Mauritania	290	299	589
Yemen	277	335	612
Total	7,470	8,090	15,560

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



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