



# ANNUAL REPORT 2020

CITIES AND VILLAGES DEVELOPMENT BANK

# Developmentalists

**ANNUAL REPORT 2020**

[Photo]

His Majesty the Hashemite  
**King Abdullah II bin Al-Hussein**

[Photo]

His Royal Highness Crown Prince  
**Al-Hussein bin Abdullah II**

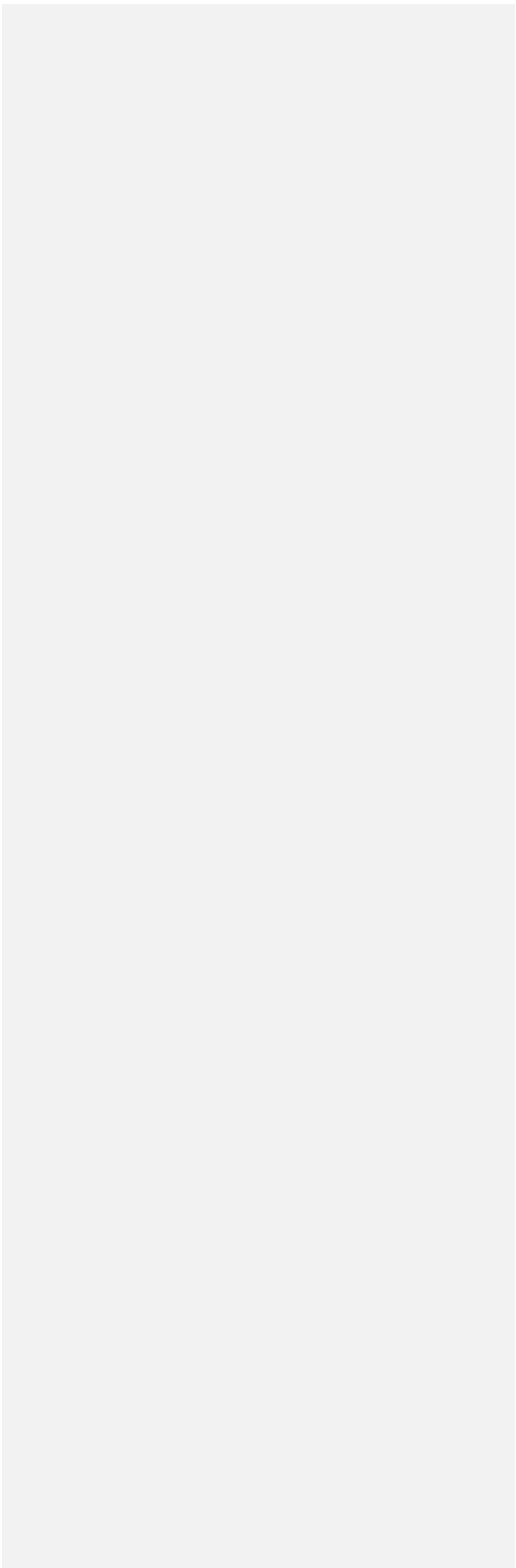
### **From the quotes of His Majesty King Abdullah II bin Al-Hussein**

“Boosting our economy tops our national priorities. Accordingly, it is essential to continue with economic reform programmes and efforts to develop the economy and realize our national goals. It is also important to advance and deliver specific well-planned laws, policies and measures that enhance the competitiveness of the economy, attract investments, facilitate their success and limit unproductive red tape. These efforts are needed in order to generate jobs, maintain financial and fiscal stability, narrow budget deficit, lower the debt-to-GDP ratio, increase growth rates and achieve sustainable development.”

Letter of Designation 2017  
Of His Excellency the Prime Minister

**Annual Report 2020**

**Prepared by: Nancy Mitwalli**



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FINANCIAL STATEMENTS AND AUDITOR'S REPORT



## Chairman's Message

I am pleased to present to you the 2021 Annual Report of the Cities and Villages Development Bank, including the bank's financial statements, its most prominent achievements throughout the year and future goals. The past year witnessed great development in digital transformation in many of the services that are provided to municipalities and customers, aiming to achieve the highest levels of speed, ease and efficiency of procedures, and proper resource utilization.

The bank was able to achieve outstanding results despite the economic crisis facing Jordan and the world as repercussions of the COVID pandemic. Its impact was catastrophic on the international economy and the economy of the Kingdom indeed. This created great challenges for us with regard to local development in the municipalities. The bank dealt with these challenges consciously and with commitment, playing an active role combined with the rest of the country's institutions. The bank also initiated a financial donation to the Himmat Watan Fund in the amount of JD 250 thousand.

To make it easier on municipalities to provide the necessary liquidity in the aftermath of the pandemic, the bank postponed installments and interest during 2020. It also offered financial support of JD 2.4 million from the Municipal Services and Social Resilience Project (MSSRP).

The bank believes in fulfilling its mission of serving municipalities and improving the quality of services provided to the local community. Stemming from this belief, the bank supported and supervised many services and investment development projects in municipalities, and provided credit facilities and technical services necessary to finance these projects. It also supervised many agreements and partnerships with international agencies and organizations to support renewable energy projects, solid waste management, and the MSSRP.

In closing, I would like to express my sincere gratitude to our bank employees who have contributed to achieving these results, which we hope will contribute to the continued advancement of our dear homeland under the victorious Hashemite banner under the leadership of His Majesty the Hashemite King Abdullah II Ibn Al-Hussein, may Allah protect him and perpetuate his glory.

Deputy Prime Minister and Minister of Local  
Administration/Chairman of the Board of Directors  
Tawfiq Mahmoud Krishan

## General Manager's Message

I am pleased to present the Annual Report of the Cities and Villages Development Bank for 2020, which includes the most prominent achievements. The bank is keen to follow a systematic and sound planning approach, that achieves the bank's strategic objectives in enhancing the development process to serve municipalities, in implementation of the vision and aspirations of His Majesty King Abdullah II bin Al-Hussein, may Allah protect him.

This report portrays the bank's level of work during the year with complete transparency. It presents in detail the pillars that have been worked on and continuously develop. It reflects the quality of service in line with the bank's mission and objectives that are based on supporting local authorities in setting up their projects and providing technical support and capacity building through service and investment development projects. As well as encouraging partnership between the private sector and municipalities to improve the state of local communities.

In 2020, the bank worked on providing different facilities stemming from its national role in leading local development through the COVID pandemic outbreak. The bank rapidly responded to face the effects of the pandemic. Through a Board of Directors decision, the bank postponed due loan installments and interests accrued on municipalities during 2020, with a total value of JD 10.360070. The municipalities were also allowed to withdraw an unguaranteed amount of approx. JD 80 million. In addition, the bank covered the municipalities outstanding electricity bills. Follow-up and scheduling were done for most for installments of receivables, in coordination with the electricity distribution companies and concerned municipalities.

Moving towards the international community, the bank made several international agreements and partnerships with a number of organizations and relevant parties. These partnerships aim to exchange knowledge and experiences. The bank aims to amend the regulations governing its work to be able to fund partnership projects between municipalities and the private sector for investment. These regulations would hopefully work on building and developing new tools for financial dealing with municipalities, through presenting funding that will improve its performance, and securing the needed technical support, in partnership with the Ministry of Local Administration and supporting international parties.

and developments and financial statements for 2021, as well as the independent auditor's report on the bank's financial and administrative statements.

General Manager  
Osama Mohammed Al-Azzam

CHAPTER ONE

# HIGHLIGHTS

## Our Vision, Mission and Corporate Values

### **Our Vision**

Smart Development Bank promotes sustainable local development

### **Our Mission**

Provide the necessary financing, banking services, consulting, technical support and capacity building to local authorities and interested parties through service and investment development projects and encourage public-private partnership to improve the reality of local communities

### **To Our Municipalities**

Our promise is to invest in our municipalities to help them succeed, and help in developing their skills to better manage and provide better services, for a better life for citizens.

## **Our Corporate Values**

Corporate governance  
Creativity and innovation  
Driven by results  
Community responsibility  
Teamwork

## **Our Goals**

Connecting national goals and Sustainable Development Goals (SDGs) with strategic objectives

### **National Goals**

Improving the level of services offered to citizens  
Infrastructure services  
Local development sector  
Energy and mineral resources sector

### **SDGs**

Sustainable cities

### **Strategic Objectives**

Institutional Performance Development  
Managing loans and external grants  
Increasing lending ratio to improve state of local communities  
Promote partnerships that contribute to achieving comprehensive development  
Technical support to municipalities

## Cities and Villages Development Bank

### Board of Directors

Chairman of the Board of Directors, Deputy Prime Minister and Minister of Local Administration  
Tawfiq Mahmoud Krishan

Vice Chairman of the Board of Directors, General Manager of Cities Development Bank  
Osama Mohammed Al-Azzam

#### **Board of Directors**

A representative of the Central Bank of Jordan Dr. Nidal Al-Azzam

A representative of the Ministry of Planning and International Cooperation /Eng. Lamia Al-Zoubi

A representative of the Ministry of Finance/ Mr. Ziyad Sobha

A representative of the Ministry of Local Administration/ Dr. Bakr Al-Rahmanah

A representative of the Ministry of Public Works/ Eng. Jamil Al-Muhaqabeh 31/8/2020

A representative of the local authorities Mayor of Bab Amman Municipality His Excellency Mr. Mahmoud Al-Khawaldeh

A representative of the local authorities Mayor of Quweira Municipality His Excellency Mr. Abdullah Al-Najadat

A representative of the Ministry of Public Works, Eng. Darwish Al-Majali, until 30/8/2020

#### Local authorities' representatives:

A representative of Thaiban Municipality Mr. Adel Al-Janadbeh, until 14/4/2020

A representative of Al-Qadsiyeh Municipality Dr. Suleiman Al-Khawaldeh, until 14/4/2020

## The Services of the Bank

Banking services  
Financing services  
Technical Support services

## Cities and Villages Development Bank

### Financial Resources

In 1951 a financial institution was established especially for funding municipal projects named the economic growth fund with a modest capital of JD 68 thousand.

In 1955 this fund was transferred to the Imaar (building) Council under the name of the Municipal Loans Fund, with an estimated capital of JD 1.7 million, and the rural reform division was merged into it.

In 1966 the fund became an independent institution called the Municipal Loans Fund, with an estimated capital of JD 2.1 million.

On 16/9/1979 the Cities and Villages Development Bank was established with an estimated capital of JD 5.8 million.

In 1982 the bank's capital was increased to JD 12 million.

In 1996 the bank's capital was increased to JD 25 million.

In 2002 the bank's capital was increased to JD 50 million.

In 2016 the bank's capital was increased to JD 100 million.

In 2017 the bank's capital was increased to JD 110 million.

### Authorized capital

#### 2020

<b>Government's contribution</b>	77,800,000	71%
<b>Local authorities' contribution</b>	30,000,000	27%
<b>Central Bank's contribution</b>	2,200,000	2%
<b>Total</b>	110,000,000	100%

## The Governing Laws of the Bank

### Laws

The bank operates according to CVDB Law No. (63) of 1985 and its amendments.

### Regulations

- Regulation of Financing Local Bodies Projects No. (19) of 2014.
- Financial Regulations of CVDB No. (56) of 2011.
- Administrative Organization System for CVDB No. (129) of 2019.
- Civil Service System No. (9) of 2020 and issued legislations.

### Instructions

- The Islamic financing instructions of CVDB and their amendments issued based on the text of Article (8) of the Regulation of Financing Local Bodies Projects No. (19) of 2014
- Instructions for documents storage and destruction at the bank, which were issued according to the provisions of Article (30) of the Financial Regulations of CVDB No. (56) of 2011
- The internal organization instructions of CVDB issued pursuant to the Board of Directors Decision No. (111/2001) dated 10/12/2001.
- Instructions of the Financial Regulations of CVDB No. (56) of 2011 and its amendments.
- The CVDB general policy and its amendments issued pursuant to Board of Directors Decision No. (30/2004) dated 10/5/2004
- Instructions of the Social Activity Committee for CVDB employees.



## Organizational Structure



Board of Directors/ Chairman of the Board  
General Manager

Financial Committee  
Audit Committee  
Internal Audit Unit  
Compliance Dept      Control Dept

Deputy General Manager  
General Manager's Office  
Risk Management Unit

Public Relations and Media Unit  
Legal Unit  
IT Unit

Technical Affairs Directorate  
Engineering Affairs Department  
Municipal Observatory Department  
International Projects Department

Financing Directorate  
Islamic Financing Department  
Financing Department

Banking Services Directorate  
Customer Service Department  
Customer Accounts Management Dept  
Treasury Department

Institutional Performance Development Directorate  
Institutional Performance Department  
E-Government Department

Financial and Administrative Affairs Directorate  
Financial Affairs Department  
Bureau Department  
Asset Management Department  
Service Department

Human Resources Directorate  
HR Management and Planning Department  
Capacity Building and Development Department  
Payroll Department

### Branches and Offices

Branches: Irbid, Karak, Maan, Salt, Zarqa, Mafraq, Tafileh, Madaba, Jerash, Ajloun, Aqaba  
Offices: Greater Amman Municipality Office, Irbid Municipality Office, Wadi Al-Arab Office

**Employees by Category**

	First Category	Second Category	Third Category
Males	82	10	73
Females	57	23	21

**Employees by Educational Level**

	Doctorate	Master's	Bachelor's	Diploma	High school or less
Males	3	20	62	10	73
Females	1	10	43	24	20

### **Quote about Excellence**

King Abdullah II Center for Excellence

Organizations are facing mounting pressure to deliver innovative and technically advanced products and services that meet the needs and expectations of service recipients in line with international practices. There are several challenges demanding rationalization and prioritization related to planning and budgets. Therefore, excellence at present lies in the ability to balance between defining and rearranging priorities, raising spending efficiency and effectiveness to achieve the citizens expectations and needs. This is done by offering services and products of value that achieve financial sustainability. Most importantly are institutional, national priorities and the current circumstances and new requirements imposed by COVID.

Osama Azzam  
General Manager of Cities and Villages Development Bank

CHAPTER TWO

# ACTIVITIES AND SERVICES

## Banking Services

**01** Collection of government revenues of taxes and fees revenues from oil derivatives vehicle licensing returns, traffic violations, sanitary and municipal violations, distributed on the municipalities according to the criteria established by the Council of Ministers.

**02** Opening commercial bank accounts to receive municipal collections from its own revenue or from other accounts with the bank, where direct exchange is made to customers of the municipalities from contractors and suppliers from these accounts.

**03** Opening deposit accounts where social security deposits, health insurance, employee deposits, and other security deposits are disbursed.

**04** The bank has started utilizing an electronic payment system since 2017 through eFAWATEERcom for (social security, property tax, vocational license, electricity, water, fines, university tuition and many others).

**05** Opening Accounts for engineering Interns in municipalities and exchange their monthly salaries.

**06** Receipt and delivery of guarantees (entering bids – proper execution – maintenance).

**07** Opening and monitoring accounts related to international projects from external grants and disbursement thereof.

**Cash and cheque disbursement on clients and municipalities' accounts:**

Account Type	Total Operations 2019	Total Operations 2020
Current individuals and bank employees	954,588	615,471
Engineering interns in municipalities	884,956	70,107
Current municipalities and councils' joint services	174,434,800	157,684,128
Other accounts	7,487,931	3,675,521

Other projects funded by the French Development Agency, AFD and municipality services and social adaptation project funded by the World Bank.

**Electronic Bills and Online Payment Service (eFAWATEERcom):**

eFAWATEERcom is an electronic service for displaying and payment of electronic bills instantaneously. This service is owned by the Central Bank of Jordan and operated by MadfootCom for Electronic Payments. The service enables users to check and pay their bills securely and quickly. This service was activated at the bank in 2017. Several payment benefits and services to a number of entities were offered, including, bill inquiry and payment of more than 300 entities in Jordan: electricity, water, telecom services, governmental services, school tuitions, financial services and many more.

eFAWATEERcom total transactions for 2020 reached 49,854 transactions, for a total amount of JD 31,456,769.

Bank share of collected commissions JD 14,160.

Whereby the system serves the bank's branches across the Kingdom, which are 15 branches. Number of bank employees who use the system are 35 users.

**Building and Land Tax Municipality Project:**

The Ministry of Finance in cooperation with the Ministry of Local Administration, launched the unified window for business development of buildings and lands tax project. It enables citizens to inquire about and pay their taxes through municipalities and their related areas in the Kingdom in 2017. The project, which is done in cooperation with the UN Development Program, aims to enhance the level of service to citizens. It also aims to improve the efficiency of issuing and collecting taxes and fees in municipalities through a unified database that contains all the municipalities' revenues.

The bank has signed an agreement in cooperation with the Local Administration Ministry and the Central Bank of Jordan, whereby the bank has collected fees and taxes through the system of the buildings and lands tax project 2020 for a total value of JD 18,557,463.

Distributed on the municipality projects.

**Project of Computerizing the Municipal Financial Systems:**

To complement the Ministry of Local Administration's computerizing the financial and administrative systems in the Kingdom's municipalities, made of 12 systems. The project included the computerization of the financial system (revenues, expenditures, cheques, budget, cashier, payroll systems and personnel affairs). The bank has issued and printed payment orders to municipalities through which municipalities can pay employees' salaries and pay their dues. Overall, the bank printed 92,000 payment orders. Orders were given a code according to the account number of each municipality at CVDB, which was entered into the financial system, and tracked up until its delivery to the Municipal Commissioner. Thereby replacing the previous manual payment orders.

## Customer Accounts

### 1 Salaries

Issuing a financial position showing the municipal balance and expected revenue from the governmental support and evaluating its financial position. In addition to assigning the amount to be transferred to the Banking Director and transferring the salaries of the joint service councils. Salary expenditure reached JD 74,817,844.

### 2 Infrastructure projects

Through support provided by the Ministry of Local Administration. Support was allocated for establishing infrastructure projects in most of the Kingdom's municipalities, provided there is follow-up on the special allocations for each municipality, and on the payment of transactions provided by the contractors by the CVDB. Total amount spent on the municipal infrastructure project was JD 1,041,843.

### 3 Unified Ticket

Follow-up on the cheques collection for the unified ticket, that was launched in 2019 by the Ministry of Tourism for municipalities that contain tourist sites and deposited to each municipality's account according to the attached list from the Ministry. The amount deposited in municipal accounts as unified ticket allowance was JD 631,449.

### 4 Traffic Violations

Following up on cheque collection of the traffic violations in the Greater Amman Municipality (GAM). Once collected, it will be deposited to the account of each municipality according to the attached list from GAM. The total amount deposited in the municipal accounts for traffic violations was JD ( ), and JD 13,947,835 the previous year.

Commented [DS1]: Unclear

### 5 Government Aid

Follow-up on the collection of government aid with the Ministry of Finance. A specific amount is allocated for each municipality, in the form of payments to the bank. Special distribution forms are prepared and followed up by the Computer Department , to be transferred to each municipal account [...]. The amount deposited in the accounts as government aid allowance was JD 136,000,000.

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### 6 Vehicle Licensing

Follow-up on the collection of vehicle license payments from the Ministry of Finance and crediting them to each municipality's account according to the attached list from the Ministry. The amount deposited in municipal accounts as vehicle licensing allowance was JD 21,982,131.

### 7 Payment of Municipal Obligations

The Ministry of Local Administration allocated specific amounts during 2018, 2019 and 2020 to provide assistance to municipalities. The allocations for each municipality are followed up and held in a special account. In addition to following up, auditing and disbursing the transactions presented by contractors. The total amount spent on the project was JD 8,142,218.



### **8 Zoning Revenue**

As part of the service provided to the Ministry of Local Administration, payments and cheques are received from visitors and installed and credited to the Ministry's zoning revenue account. Cheques are under collection monthly as soon as they become due. The amount deposited in the Ministry's account as zoning revenues allowance was JD 1,369,828. This service commenced in 2019.

### **9 Municipal Deposit Balances**

The following table contains the balances of municipal deposits for the years 2019 + 2020 by governorate. A negative balance represents bank facilities provided by the bank because of the obligations on municipalities and a weakness in collecting them by themselves. A decline in the shares of governmental aid to half and delay in transferring municipalities share of vehicle licensing, where they are open balances. By end of 2019, they reached 79 million as facilities and overdrafts.



Governorate
Capital
Irbid
Karak
Balqa
Ma'an
Zarqa
Mafraq
Tafilah
Madaba
Jerash
Ajloun
Aqaba
Total

## Treasury Department

The Treasury Department manages the bank's money by following up and auditing the bank's account balances at commercial banks and the Central Bank, and replenishing funds when needed and performing necessary transfers. The department also follows up on collected interests and profits earned from investing the bank's money.

The Treasury Department also disburses approved loans to local authorities and follows up on repayment of loan installments and interest due, that were collected and not collected.

The department also works on transferring the salaries of engineering interns in local authorities to their accounts at the bank according to the salary statement issued by the Ministry of Local Administration.

In addition to safekeeping of tender guarantees for the various tenders funded through the bank. Guarantees are followed up and coordination with various department heads takes place on a periodical and ongoing basis, where a monthly statement is issued in this regard. Guarantees that were still effective by end of 2020 reached JD 1,702,257 for 81 guarantees, as follows:

Item description	Number	Amount
International	1	3,750
Islamic financing	19	430,009
Municipal services	25	1,115,353
CVDB	24	16,468
Syrian refugees	12	136,677
Total	81	1,702,257

In 2020, due to the COVID pandemic, which effected municipalities' financial situation, and the bank's developmental role in supporting and assisting local authorities, and based on the decision to postpone municipal loan installment payments for 2020, the bank postponed loan installments and interests due in 2020. The postponed loan installments accrued were JD 6,364,304, and the interests accrued were JD 3,995,766. Thus, total postponed loan installments and interests was JD 10,360,070.

The bank helps municipalities pay their dues to the electricity companies, by scheduling and installment of the receivables due in the form of monthly installments in coordination with the municipalities and electricity companies.

## Financing Services

### Received Loan Applications

The bank received 27 loan applications in 2020, with a total value of JD 64,737,920, compared to 69 applications in 2019 with a total value of JD 52,278,835.

The loan requests received by the bank varied between service and productivity type of projects. The bank received 25 loan applications for service projects with a total value of JD 64,137,920 vs. 63 service project loan applications in 2019 with a total value of JD 47,578,835.

The bank received 2 applications to finance productivity projects with a total value of JD 600,000 in 2020 compared to 6 applications, with a total value of JD 4,700,000 in 2019. As shown in the table below:

#### Loan applications received by the bank classified by purpose

Loan applications received by the bank throughout the years

Item description	2019		2020	
	Value	Number	Value	Number
Service loans	47,578,835	63	64,137,920	25
Productivity loans	4,700,000	6	600,000	2
Total	52,278,835	69	64,737,920	27

## Granted Loans

The figure below shows the number and value of loans granted to local authorities. The bank granted local authorities 16 loans with a total value of JD 29,680,000 in 2020, compared to 39 loans in 2019, with a total value of JD 23,772,150.

### Loans granted to local authorities throughout the years

Item description	2019		2020	
	Value	Number	Value	Number
Local authorities	23,772,150	39	29,680,000	16

### Distribution of Loans Granted by Type of Projects

The following figure indicates the distribution of loans granted to local authorities by type of project. As shown in the figure a total of 16 loans were granted during 2020, compared to 39 loans the previous year 2019.

2020	عدد	2019	عدد	البيان
0	0	3,525,400	5	استثمارات
3730000	4	3,390,000	4	مباني عامة
14880000	5	15888075	26	فتح وتعميد وخططة اسفلتية
0	0	400000	1	ارصفة واطاريف
9000000	2	0	0	تسديد التزامات
0	0	190000	2	شراء اليات
0	0	0	0	حل الازمة مرورية
0	0	378675	1	عبارات صندوقية
970000	3			انجاجي
100000	1			حدائق
100000	1			اخرى
2968000	16	23772150	39	المجموع

Item description	Number	2019	Number	2020
Acquisitions				
Public buildings				
Road construction and asphalt mixture				
Pavements and curbs				
Obligations payment				
Purchase of machinery				
Resolving traffic congestion				
Box culverts				
Productive				
Gardens				
Other				
Total				

## Islamic Financing Services

Borrowers are institutions, ministries and government agencies that are obligated to repay appointment without delay.

Schedule of due and paid installments for the period 31/12/2019 – 1/1/2018

2019		2020	
Installments due	Installments paid	Installments due	Installments paid
4,701,088	4,701,088	675,850	4,552,722.27
Percentage collected = 100%		Percentage collected = 90%	

Work on applying new calculation basis for municipalities' creditworthiness on all profit-based loans. These bases were adopted upon Board of Directors approval, whereby municipalities were classified into (gold, silver, bronze) according to their financial status, and average actual operating expenses after financial commitments and after deducting a reserve percentage to buffer from risks of economic fluctuations.

Implementation of the outputs of the credit rating map (Islamic window) within three levels, gold silver, bronze.

## Technical Support Services

### Supervision and follow-up of municipal projects

The bank studies the projects submitted by the municipalities. The actual need is assessed on the ground and an economic feasibility study is prepared. Where necessary, preparing the presentation to the Board of Directors. The bank carries out supervision, follow-up and invoice exchanges for all projects approved for financing by the bank. During 2020, the bank made 186 field visits. Visits covered several aspects, such as studying loan applications, opening project bids, supervision, follow-up and receipt. This aimed to ensure that the implementation of these projects is carried out according to the required technical specifications and to ensure the integrity of the management of productivity projects after its completion. Moreover, the extent to which revenues matched the economic feasibility study was examined. Furthermore, 45 environmental field visits were made to ensure the safety of environmental and precautionary measures in projects implementation.

One of the most significant projects that the department is currently supervising and following up on is the Municipal Services and Social Resilience Project (MSSRP). The project is funded by several donors in addition to the World Bank and targets municipalities affected by Syrian refugees. To date, 21 municipalities have benefited from this project, distributed according to the density of the Syrian refugees' presence in them. This component has 46 projects, including infrastructure projects, gardens and parks, installation of energy-saving streetlights, and rainwater drainage projects, in addition to investment projects and two solar energy projects. This project includes an important component in the form of innovative projects. The pioneering idea of introducing innovative projects was the basis for enhancing municipal work. It changed the predominant municipal projects from service projects to participatory development/production projects PPP between the municipal and private sectors, based on building capacities and creating job opportunities, in addition to strengthening the role of women in that regard.

### Glimpse of the projects followed up and supervised by the bank

The Engineering Affairs Department has reviewed and put forward 4 bids funded through grants during 2020.

#### Some examples of projects implemented in municipalities:

- 01 Gym in Sabha and Dafyaneh municipality
- 02 Rainwater drainage in Greater Irbid Municipality
- 03 Initiating the maintenance of parks in Greater Irbid Municipality
- 04 Energy saving lighting in Hosha municipality
- 05 Pavements and curbs in Deir Abi Said municipality

**Glimpse of the projects followed up and supervised by the bank**

[Photo]  
Pavements and curbs in Deir Abi Said municipality

[Photo]  
Rainwater drainage in Greater Irbid Municipality

[Photo]  
Gym in Sabha and Dafyaneh municipality

[Photo]  
Parks maintenance in Greater Irbid Municipality



CHAPTER THREE

# BANK COVID RESPONSE PROCEDURES

## Banking Business Continuity

From the very first hours of the COVID pandemic, the bank made sure to place all its capabilities to face its repercussions by setting a business continuity plan to ensure the bank provides services, to support municipalities in fulfilling their duties towards citizens. The business continuity plan was based on government's directives and defense orders, and the bank's strategic objectives as the main inputs for creating it. This was evident in the formation of team and their tasks. The bank updated the emergency team, and the rest of the business continuity teams at the main branch and other branches. It included performing necessary operations (that are priorities) to service recipients in municipalities, joint service councils, ministries, and government departments.

To ensure constant communication between various work teams, the bank updated new communication channels that help employees complete their work and meet remotely, such as MS Teams and Zoom systems. The bank offered tools that enable employees to use bank programs remotely, such as the banking system CABS, and the internal messaging system ZageL. Programs were provided to help employees login to the bank systems from home, such as AnyDesk program and TeamViewer. This contributed to no service disruption to the bank's customers and processing their affairs.

The bank took part in the government's efforts to facilitate municipal work in light of the COVID pandemic and its impact on various sectors. This was to support the ability of municipalities across the Kingdom to perform their duties towards local communities, and contribute to health and safety measures. The bank's board of directors approved the following:

- 1 Postponing installments and interests accrued on municipalities until end of 2020.
- 2 Offering emergency advance payments to municipalities to help them perform their duties to the utmost.
- 3 Donating to "Himmet Watan" fund JD 250 thousand.
- 4 ...

Commented [DS3]: Unclear

### **Risk management and business continuity**

- 01 Sustainability of banking business
- 02 Bank donating JD 250 thousand to "Himmet Watan" fund
- 03 Supporting municipalities to overcome the repercussions of the COVID pandemic 2.400 million from MSSRP
- 04 Postponing municipalities' installments and interests due

[Diagram] 01 Preparatory phase, 02 Response phase, 03 Sustainability phase, 04 Recovery phase

[Picture]

Cities and Villages Development Bank

#In\_service\_of\_Jordan

## Municipal Support to Overcome the Repercussions of the COVID Pandemic 2.400 million from MSSRP

As part of national efforts made to combat the COVID pandemic, MSSRP in cooperation with CVDB, granted municipal beneficiaries of the project \$2,374,000 partly fund the national COVID response plan. This was done through financing municipalities' needs of personal protection supplies and sanitizers, plus maintenance of all the tools used for spraying and sterilization and transferring solid waste. Financing was provided for the purchase of new tools for some municipalities, which didn't have them. It also covered the operational expenses of these tools for fuel and sanitizers. In addition, the purchase of sterilization and spraying tools was financed, and personal protection supplies for those working in the sterilization and spraying process, plus personal protection supplies for the employees of municipal beneficiaries of the project:

لوازم الحماية الشخصية	129,492.14
معقمات	108,289.97
مخروقات الياث التعقيم و التقايات الصلبة	990,201.83
الياث و تئكات رش	183,983.59
معدات رش و تعقيم	97,006.85
صيانة الياث الرش و التقايات الصلبة	472,199.83
الرصيد المتوفر لنفس الغاية	392,861.10
	<b>2,374,035</b>

	Personal protection supplies
	Sanitizers
	Fuel for sterilization and solid waste machinery
	Spraying machines and tanks
	Spraying and sterilization tools
	Maintenance of sterilization and solid waste machinery
	Available balance for the same purpose

## Postponing Municipal Loan Installments and Interests Due

In 2020, due to the COVID pandemic, which effected municipalities' financial situation, and the bank's developmental role in supporting and assisting local authorities, and based on the decision to postpone municipal loan installment payments for 2020, the bank postponed loan installments and interests due in 2020. The postponed loan installments accrued were JD 6,364,304, and the interests accrued were JD 3,995,766. Thus, total postponed loan installments and interests was JD 10,360,070.

The bank helps municipalities pay their dues to the electricity companies, by scheduling and installment of the receivables due in the form of monthly installments in coordination with the municipalities and electricity companies.

[Picture]

In the news

Cities and Development Bank donates JD 250 thousand to "Himmat Watan" fund.

And postpones municipal loan installments until the end of this year.

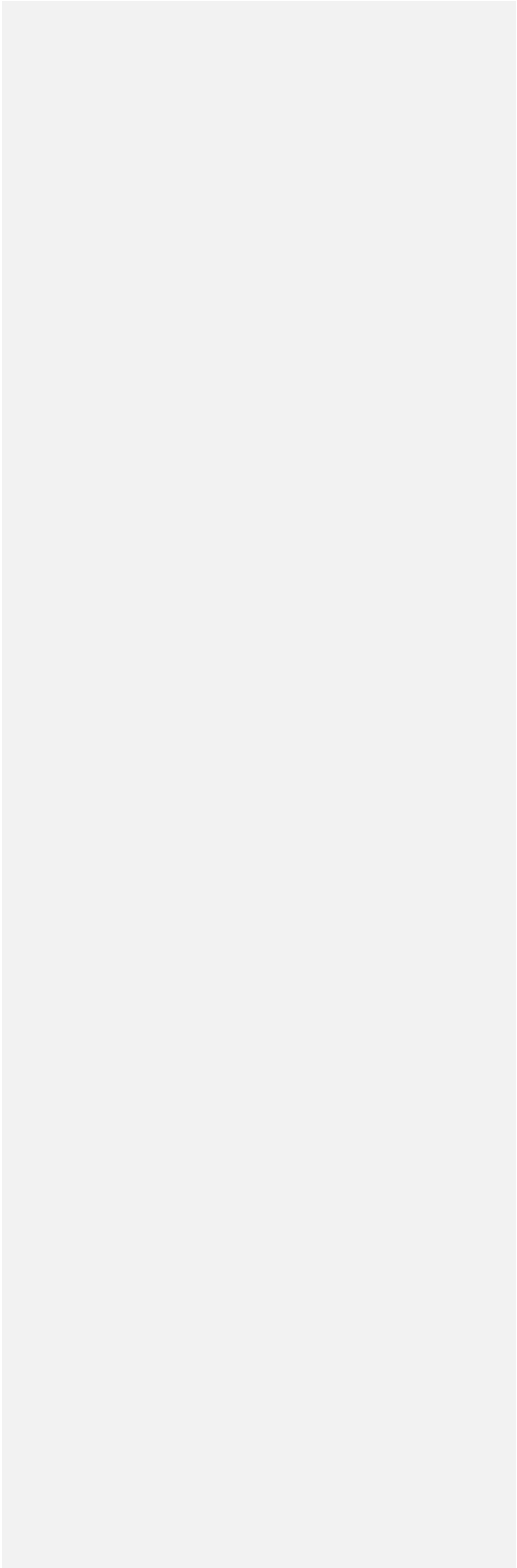
CVDB

#developmentalists [social media icons] @cvdbjo

The donation was made in support of national efforts aiming to combat the COVID pandemic and limit its impact, and for enabling the "Himmat Watan" fund to achieving the goals for which it was created.

CHAPTER FOUR

# OUR ACHIEVEMENTS 2020



## First Pillar: Partnerships and International Agreements

### **Deepening international partnerships - meeting with the Director of Operations of the European Investment Bank in Southern Mediterranean countries**

CVDB seeks to deepen partnerships with international organizations to open financing channels that aims to serve local communities. The Bank General Manager, Mr. Osama Azzam, met a delegation from the European Investment Bank, headed by the Director of Operations in the Southern Mediterranean Countries, Flavia Pallanza. Azzam asserted CVDB's keenness for constructive communication with the European Investment Bank, in order to achieve their common goals of improving the status of local communities. He stated that he is looking forward to increasing the continuous cooperation between the two parties in a number of areas. Meanwhile, Pallanza explained the importance of joint cooperation between the two sides, and the role of the CVDB in local development, confirming that the meeting aims to strengthen partnership and achieve national development goals.

**Signing a technical support agreement between CVDB and the European Investment Bank worth a million and four hundred thousand euros, for supporting the municipal energy efficiency project**

The European Investment Bank and the CVDB signed a cooperation agreement worth 1.4 million euros, as a grant for the purpose of providing technical support services for the energy efficiency project in Jordanian municipalities, which is implemented by CVDB. The grant comes in the form of complementary advisory services for the loan provided by the European Investment Bank amounting to 45 million euros to CVDB, which was signed in October last year.

The technical support grant includes a group of advisory services represented in conducting the necessary technical studies, and identifying projects that will benefit from financing and supporting the efficient energy use project as well as supporting the project management process and staff capacity building. This project contributes to achieving one of the most important strategic objectives that the bank seeks to achieve (efficient use municipal energy).



### **CVDB participates in the co-financing summit**

CVDB participated in the co-financing summit, which was organized within the framework of the Forum Paris for Peace, with 12,000 participants from all over the world participating online. The conference is the first global gathering of all public development banks, and the conference showed that public development banks worldwide are committed to supporting the transformation of the global economy and societies towards sustainable and flexible development.

Local development banks also agreed to unite efforts and form a global alliance of all governmental sustainable development agencies around the world, to promote cooperation and work coherently for the benefit of planet and its inhabitants.

### **CVDB Board of Directors adopts the main organizational policies to fulfill the requirements of the Green Climate Fund**

CVDB has adopted the main organizational policies of the bank, for direct access to the Green Climate Fund, the top fund in West Asia, funded by the Global Green Growth Institute.

The bank demonstrated its commitment to meeting international standards and supporting sustainable development in Jordan, through projects funded by international development partners, such as the European Investment Bank and the World Bank. The bank's accreditation by the Green Climate Fund will provide the opportunity for climate financing of the bank's portfolio and performing actions that contribute to mitigating the problem of climate change in municipalities and in Jordanian governmental projects.

CVDB Board of Directors unanimously approved 7 policies to achieve the required standards, which will provide the opportunity for financing climate change projects in Jordan. These policies include: Gender policy, environmental and social safeguards policy, disclosure policy, reporting and whistleblower protection policy, follow-up and evaluation policy, and combatting money laundering and terrorist financing policy, and conflict of interest prevention policy. The council agreed to implement the policies across the bank.

**Achieving the indicators of the municipal financial policy development loan provided by the French Development Agency AFD to the Jordanian government**

The bank participates with the Jordanian government in achieving the indicators of the municipal financial policy development loan that is provided by the French Development Agency (AFD), at a value of JD 80 million. Some indicators of the loan matrix are directly related to CVDB, pertaining to municipalities' financial improvement.

The bank has achieved all relevant indicators related to helping municipalities to prepare multi-year investment plans. AFD provides technical support to the bank to qualify it to achieve all indicators.

## Second Pillar: Automation of Banking Services

### **ACH system service for transferring employees' salaries**

CVDB updated its ACH (automated clearing house) system service for transferring employees' salaries to municipalities, in cooperation with the Central Bank.

Updating this service comes in line with the bank's vision and objectives to provide banking optimal services within the digital transformation framework. The bank seeks to become a smart bank, by providing all services in an advanced way to municipalities and customers. The capacity of the bank's employees has been built to gradually begin using this system in July. This system aims to facilitate and quicken the delivery of banking services and financial dues to municipal employees at a high speed and less effort and cost.

[Photos]

Mayor of Greater Mafraq Municipality Amer Al-Dughmi commences the workshop on the salary transfer system, in the presence of the manager of the Mafraq branch, Dr. Mohammad Al-Harahsheh, finance managers and payroll accountants in the governorates municipalities. The workshop was held at the conference hall in the Greater Mafraq Municipality.

[Photos]

Training workshop on the salary transfer system for municipal employees and joint service councils in Mafraq municipality.

## **Municipal Observatory**

The Jordanian Municipal Observatory project is the first of its kind in the Arab world in terms of the comprehensiveness of the data it contains and the way it is presented and managed. The Municipal Observatory will be presented in the form of an integrated electronic system application that works on computers or all types of mobile devices. The observatory will be evaluated as a system based on the standards of the Ministry of Digital Economy and Entrepreneurship for electronic smart transformation and the standards of the King Abdullah II Award for Excellence for electronic transformation.

As for the data included in the observatory and the reports that will be issued by it, they are provided according to the requirements of the ISO 37120 standard for the sustainable development of cities. The observatory represents a leap towards fulfilling the bank's vision and cementing its strategic plan, which complements the government's approach towards digital transformation. Through this application, strengths, weaknesses, opportunities and challenges will be monitored, moving towards future access to artificial intelligence, in addition to alerting to early warning signs. All of which, would support the development cycle in all municipalities. It will be used to form development plans that propose to place the municipalities on the right track in development work, enabling it to play its desired role in development.

## **Electronic Messaging System**

Pursuant to government directives to simplify service delivery procedures and move towards paperless work and correspondence with clients, the e-government department worked to link the northern municipalities on the electronic messaging system. Tarasul is a system that helps to reduce the time and effort used to send paper correspondence between municipalities and other government departments, in addition to reducing associated costs. To ensure the optimal use of this program, the bank has trained a total of 46 municipalities by holding 10 training workshops for municipal employees on the use of the system. The workshop included managing the system and messaging through it within a training plan held in the training hall of the Irbid branch. Afterwards, the bank, in cooperation with the Ministry of Local Administration and the Ministry of Economy Digital and Entrepreneurship, began activating municipal accounts on the system to start its practical application. It then conducted field visits to some municipalities to ensure that work on this system is progressing as required.

## Third Pillar: Capacity Building of our Partners

### **Qualifying the bank's staff as accredited trainers in the field of long term investment planning**

CVDB held a group of training workshops in cooperation with the French Development Agency and the Ministry of Local Administration. The workshops comprised 26 municipalities of various categories. Each workshop lasted three days. They were distributed in the northern, central and southern governorates. The workshops aimed to train the bank's staff and municipal workforce and build their administrative and technical capabilities in this field, to enable them to prepare their long-term investment plans, in line with available resources in the municipalities and their strategic and developmental plans.

The workshops included a presentation and discussion of the concepts and applications of preparing multi-year investment plans for municipalities. Finance, investment and development managers and executives from targeted municipalities actively participated in the workshops. It also clarified the scientific and professional foundations that are based on creating investment plans for municipalities and linking them to their strategic objectives. This contributes to raising the level of local, economic and social development.



### **Qualifying the bank's staff as accredited trainers in the field of long term investment planning**

Working on finding investment projects that generate self-revenue and job opportunities. He explained that the new updated instructions for approving the 2021 municipal budget were conditional on the approval of the indicative budget of the municipality within its budget. In addition to providing the ministry with investment projects' plans, the allocated amounts and feasibility studies, to be listed within the new budget. He also pointed out that due to the COVID pandemic, revenues are less, and expenses are much greater, which requires greater effort to face these challenges. Azzam also called on the municipalities to work on saving energy through the use of energy-saving appliances, and resort to alternative energy sources.

### **Qualifying the bank's staff as accredited trainers in the field of long term investment planning**

[Photos]

The General Manager of the bank concluded the training workshops by honoring fellow trainers, Eng. Randa Hamdan, Rania Al-Sarayrah and Hassan Jabr from the bank, for their distinguished participation as trainers in the bank's workshops for the municipalities of the Kingdom. And for trying their best to raise awareness and provide guidance to municipal participants, to abide by best professional practices in preparing multi-year municipal investment plans.

### **Economic feasibility studies**

In pursuit of the goal of technical support for municipalities and within the activity of managing the MSSRP for municipalities hosting Syrian refugees, the bank seeks to build the capabilities of the staff working on the project and the municipal staff. The CVDB team and the BDO team organized training courses on preparing economic feasibility studies. The training course covered introducing study methodology for the proposed projects, starting from the initial meeting of the projects and the collection of information, then the technical study stage (market research, environmental and social study, identify costs and basic skills in how to transform investment ideas into commercial projects that are feasible and sustainable through standards and requirements that need to be abided by to reach a successful and sustainable project model. And a professional presentation on the factors of economic feasibility Economic and required computers methods in such studies in order to ensure the success of the study and the sustainability of commercial projects) ending with the evaluation of projects.

Two training courses were held for municipalities. The first course, which was held in the CVDB building in January 2020, targeted the municipalities in the Center and the South, in addition to a team from CVDB and a team from the Ministry of Local Administration. The number of participants were 40 male and female participants. The second course targeted the municipalities in the North, a CVDB team working in the North. The workshop was attended by about 45 people.

### **Palestinian Municipal Development and Lending Fund visits the bank**

[Photos]

A delegation from the Palestinian Municipal Development and Lending Fund arrives to CVDB to exchange experiences and promote knowledge transfer and performance development

### **Palestinian Municipal Development and Lending Fund visits the bank**

A delegation from the Palestinian Municipal Development and Lending Fund visits CVDB to exchange experiences and enhance knowledge transfer and performance development.

Bank General Manager, Osama Azzam, discussed with the guest delegation ways to develop and strengthen relations, cooperation and exchanging experiences in supporting the municipal sector technically and financially.

In addition, the bank shared the standards used by the bank to achieve the highest degrees of professionalism and governance, which offers real opportunities in advancing developmental performance and achieving the highest levels of efficiency and effectiveness on infrastructure, investment, innovative and entrepreneurial projects.

Financial and Administrative Director of the Palestinian Municipal Development and Lending Fund, Muhammad Al-Ramahi, presented the Fund's successful program and experience in developing municipalities through a distinguished and pioneering reform and development program. The program was designed by the Municipal Development and Lending Fund in Palestine. He stated that the program provides Palestinian municipalities with grants to support infrastructure projects and supports good performance by building better capacities of municipalities in several areas. The delegation gave a full explanation of this mechanism, mentioning its details, main criteria and approximate indicators.

## Fourth Pillar: Bank Capacity Building

During 2020, despite the COVID pandemic, the Capacity Development and Building Department continued to perform its main tasks in managing the training process in the bank. This aims to enhance and develop staff competencies, abilities and experiences, and to provide them with new skills and update their knowledge. Courses and workshops on various topics are conducted that are directly related to the bank's work and objectives, in a manner that guarantees better performance of tasks and quality of services provided. Training was held in the main training hall of the bank or through the Institute of Public Administration or provided by other third parties.

The bank's training management process is based on "the foundations of participation in training programs for purposes of obligatory and permissive promotion in civil service." In addition to meeting the specialized or technical training needs of the staff based on the job description for each job, plus emerging and emergency needs.

There were 18 training programmes, 4 programs held inside the bank and 14 outside the bank as shown in Table (1). There were 6 training workshops in various topics as shown in Table (2).

The first phase of the "Special Leaders" program was also held, which is a program that was specially designed for the bank. It aims to enhance leadership skills of employees and provide them with knowledge and tools of modern leadership through two phases. The first is remote training with the participation of 30 employees. The second phase is direct training in the main training hall of the bank with 20 employee participants. It has begun preparation to be completed during 2021.

In addition, training programs and workshops were held by external donors, such as the "Prepare a Multi-year investment Plan" program, which was held through the incentives of the French loan. The program had 32 employee participants. Participants from the main branch were trained face-to-face in the bank hall. Participants from the branches joined through TEAMS. Three of them were selected and taught additional training skills that qualified them to train a number of municipal employees to prepare investment plans. This encouraged investing in the capabilities of employees and transferring knowledge to municipalities.

Three employees participated in a training program entitled "Management of Engineering Contracts" through joint training, through which employees from the bank, Ministry of Local Administration and municipalities are trained.

Cooperation and exchange of experiences between the bank and other government institutions also played a role in training. A training program entitled "The Role of Internal Audit in Evaluating Risk Management Operations and Governance" was held through the Central Bank of Jordan, in which 13 employees participated.

The total number of participants in various programs and workshops during 2020 was 257 employees, of which there were 120 employees from the Institute of Public Administration.

Training Program	Location	Training entity	Training method	No. of Participants
Setting policies and decision-making	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	4
Developing and qualifying managerial candidates	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	2
Connecting and communicating effectively	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	16
Promoting good governance practices	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	1
Knowledge management	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	9
Work planning and organization skills	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	1
Empowerment	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	10
Directing a new employee	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	9
Empowering a new employee	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	6
Leadership theories, and leadership traits and skills	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	30
Special leaderships	CVDB	Institute of Public Administration	Face-to-face	20
Change management	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	3
Comprehensive advanced quality management	Institute of Public Administration	Institute of Public Administration	Virtual "ZOOM"	3
Public accountant	Ministry of Finance	Ministry of Finance	Virtual "ZOOM"	1
Preparing a multi-year investment plan	CVDB	AFD	Face-to-face and Virtual "ZOOM"	32
Role of internal audit in evaluating risk management and governance operations	CVDB	Central Bank	Face-to-face in the main training hall	13
Preparing economic feasibility studies	Institute of Public Administration	BDO Academy	Face-to-face	5
Managing engineering contracts	CVDB	Jordan Engineers Association	Face-to-face	3

<b>Training Program</b>	<b>Location</b>	<b>No. of Participants</b>
Principles and basics of operational risk management and business continuity (1)	CVDB	22
Municipal salary transfer	CVDB	17
Municipal budget audit	CVDB	5
Principles and foundations of operational risk management and business continuity (2)	CVDB	22
Principles and foundations of operational risk management and business continuity (3)	Institute of Public Administration	1
Government connection	CVDB	22

<b>Academically Dispatched Employees</b>	<b>Specialty/ Country</b>	<b>Scholarship Date</b>	
		<b>From</b>	<b>To</b>
Imad Ibrahim Kassab Al-Shudaifat	PhD in Business Law from Ain Shams University/ Egypt	1/10/2016	1/10/2021
Kayed Hamad Afnan Al-Takhayneh	PhD in Business Law from Suez Canal University/ Egypt	15/11/2017	15/11/2021
Abdul Kareem Abul Hafeez Talal Al-Theeb	PhD in Accounting from Mansoura University	15/8/2018	15/8/2022
Rami Hussein Naji Al-Dabbas	MBA China		



Workshops/ Principles and Basics

**Operational risk management and business continuity**

The aim of the workshops was to build basic knowledge.

These workshops came in response to the COVID crisis, and the risks that arose from it. The aim was to provide the participants with the capabilities and skills necessary to face crises, and enable them to manage crises to ensure business continuity. The workshops focused on: The necessary knowledge to pre-plan and predict risks, and the ability to deal with risks when they occur through appropriate operational plans that ensure business continuity.

## Fifth Pillar: Automation of Fixed Assets

In light of the bank's efforts to develop joint business with municipalities, CVDB began the second phase of the project of taking inventory of the fixed assets of the municipalities. The first phase involved identifying the main axes of the fixed assets owned by municipalities through a team from the bank, that was specially trained to carry out this task in cooperation with the World Bank.

Meanwhile, the second phase focused on providing an electronic system capable of dealing with information and data related to the fixed assets of the municipalities, and the formation of a comprehensive and updated database about municipal ownership of their fixed assets. This will enable decision makers to take appropriate decisions efficiently and effectively. The second phase focused on the following:

01 Coordination with the Department of Lands and Survey on knowledge exchange related to municipal lands, that include various information regarding property ownership, survey, location and other.

02 Coordination with Drivers and Vehicles Licensing Department with the aim of information exchange about municipal property for cars and machinery.

03 Coordination with the Ministry of Local Administration with the aim of linking the outputs of the fixed assets inventory with the financial system.

Whereby, the US Agency for International Development has expressed interest in this project because of its great importance in identifying and evaluating the assets owned by the municipalities. Moreover, it has expressed its desire to provide financial and technical support for the implementation this project.

### **Innovative idea award**

Several internal awards were launched at the bank, including the Innovative Idea Award. Two applications were submitted for the award. The ideas received by the directorate were nominated and evaluated based on approved criteria. An idea (programming the reports of the internal audit unit) qualified to win the award. The winners were honored by the senior management and the Planning, Coordination and Follow-up Committee.

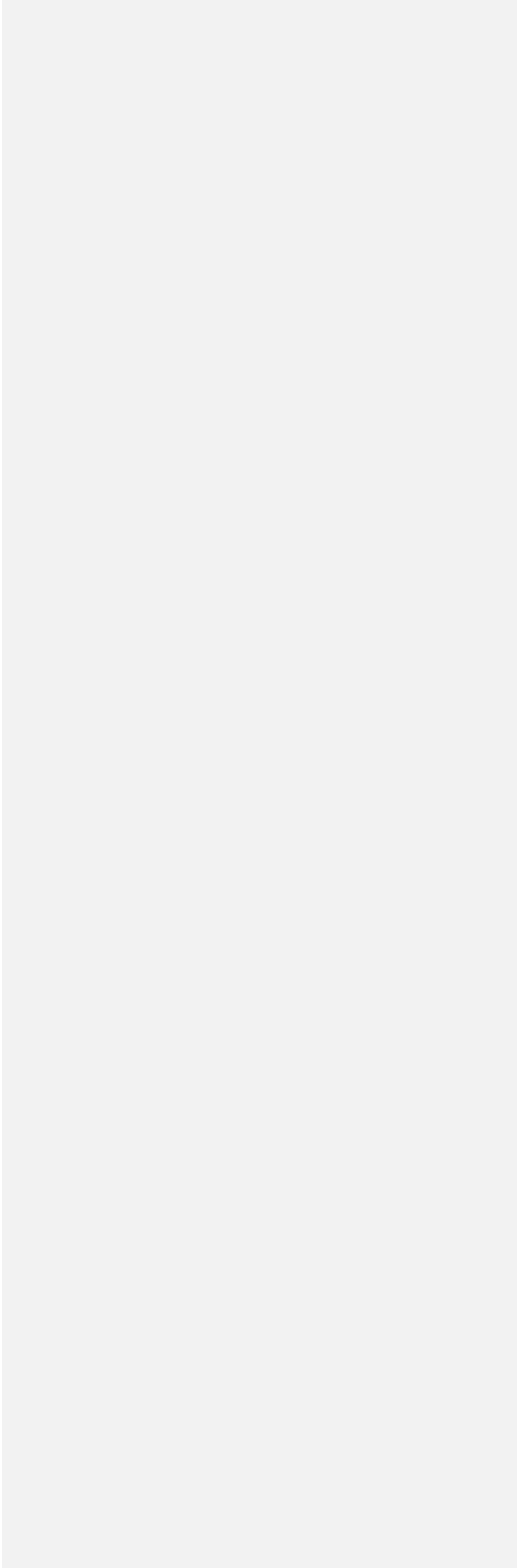
### **Bank participates in the UN Secretary Initiative**

CVDB participated in the “United Nations Secretary's Initiative” to celebrate the 75<sup>th</sup> anniversary of the United Nations. The bank was enlisted in the governments category, about what the ideal world looks like 25 years from now.

The Bank Director of Institutional Performance Development, Ahmed Al-Duwairi, participated by presenting the CVDB vision as a smart institution and its strategic objectives that stem from National Goals, Jordan Vision 2025, the government's priority action plan, and Sustainable Development Goals.

In celebration of International Women’s Day CVDB General Manager Osama Azzam assigned colleague Lana Al-Tal as the bank’s general manager, as the longest standing department head at the bank’s main branch.

[Photos]



### Telephone Numbers of the Main Branch and other Branches

CVDB General Manager Osama Azzam assigned colleague Lana Al-Tal as the bank's general manager, as the longest standing department head at the bank's main branch.

General Administration	065682690
	065682691
Greater Amman Municipality office	064653018
Irbid branch	027276421
Greater Irbid Municipality Office	027276421
Karak branch	032353917
Mafraq branch	026232576
Aqaba branch	032063399
Wadi Al-Arab office	027276421
Ma'an branch	032133162
Tafilah branch	032242942
Madaba branch	053241299
Salt branch	053559957
Zarqa branch	053960592
Jerash branch	026342127
Ajloun branch	026420116

# **Financial Statements and Auditor's Report 2021**

**Talal Abu-Ghazaleh & Co. International TAG-Audit**

**Independent Auditor's Report**

**Messrs. Cities and Development Bank**  
**Public institution established by a special decree**  
**Amman – Hashemite Kingdom of Jordan**

**Opinion**

We have audited the financial statements of CVDB (public institution established by a special decree), comprising the statement of financial position as of 31 December 2020, the comprehensive income statement, statement of change in equity and cash flow statement for year ended, accounting disclosures and a summary of significant accounting policies.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the bank as of 31 December 2020, and its financial performance and cash flows for year ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We have performed the audit in accordance with International Financial Reporting Standards. Our responsibility is clarified later in our report within the Auditor's Responsibility of the Audited Financial Statements paragraph.

We are independent of the bank in accordance with the international accountants' ethical standards "Handbook of the Code of Ethics for Professional Accountants" and the ethical requirements that are relevant to our audit of the financial statements. In addition to fulfilling our other ethical responsibilities in accordance with these requirements.

**Management's Responsibility and those Responsible for Governing the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for the internal control we deem necessary for preparing financial statements that are free of material misstatement, whether due to fraud or error.

When preparing the financial statements, the management is responsible for evaluating the bank's ability for continuation and disclosure, when that applies to matters related to continuity and using the accounting basis of continuity, if the government has no intention to liquidate the bank, stop its business or the lack of a realistic alternative otherwise.

Those responsible for governing are responsible for supervising the preparation the bank's financial statements.

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

### **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue our auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards for auditing 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 economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with international auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 bank'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 bank'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 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 bank to cease to continue as a going concern.

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TAGUCI Building  
104 Mecca Street, Um-Uthaina, Amman, Jordan  
Tel: +962 6 5100 900  
Fax: +962 6 5100 601  
P.O. Box: 921100 Amman 11192, Jordan

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**tagi.com**  
[tagco.amman@tagi.com](mailto:tagco.amman@tagi.com)



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining audit evidence that are sufficient and appropriate about the facilities and/or business activities at the bank to provide a basis for our audit opinion. We are responsible for directing, supervising and completing the bank audit. We remain solely responsible for the audit report.

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.

We provided those responsible for governing with a declaration about our commitment to the requirements of professional conduct related to independence, and informing them of all relationships and other matters that could influence our independence, and of preventive measures if found.

Of these matters communicated to those responsible for governance, we have identified the most significant issues in auditing the financial statements of the current year, and they are basic auditing matters. We describe these issues in our report, except if there were a law or legislation that permits us from disclosing this matter, or in extremely rare cases, we decide not to disclose the issue in the report, due to the existence of expected negative effects that surpass the public benefit from these disclosures.

#### **Report on Other Legal and Regulatory Requirements**

The bank keeps organized accounting records in their original form, that abide by the material aspects of financial statements, and we advise the General Assembly to approve them.

**Talal Abu-Ghazaleh & Co. International**

[signature]

**Aziz Abdel kader  
(License No. 867)**

**Amman, on 23 August 2021**

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman – The Hashemite Kingdom of Jordan**

**Statement of financial position as at December 31, 2020**

	Notes	2020	2019
<b>Assets</b>		JD	JD
Cash and cash equivalents	3	16,882,898	33,194,756
Checks under collection	4	34,017	10,025,000
Granted credit facilities	5	240,072,807	182,189,957
Uncollected accrued interests	6	14,670,521	10,220,834
Other debit balances	7	1,137,480	412,397
Net of joint investment with municipalities	8	249,040	284,040
Investment in an associate	9	12,384	8,384
Investment in financial asset at fair value through other comprehensive income	10	525,000	236,250
Investment in treasury bonds	11	22,000,000	22,000,000
Islamic financing loans	12	12,062,114	10,556,024
Property and equipment	13	3,711,505	2,826,843
<b>TOTAL ASSETS</b>		<b>311,357,766</b>	<b>271,954,485</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-Current Liabilities</b>			
Customer's deposits and current accounts	14	81,461,413	61,458,763
Loans – long term	15	54,350	74,120
Local authorities and public institutions deposits	16	86,175,696	78,643,454
Other credit balances	17	123,137	147,148
<b>Total Non-Current Liabilities</b>		<b>167,814,596</b>	<b>140,323,485</b>
<b>Current Liabilities</b>			
Loans -short term	15	19,770	19,770
<b>TOTAL LIABILITIES</b>		<b>167,834,366</b>	<b>140,343,255</b>
<b>EQUITY</b>			
Authorized capital	18	110,000,000	110,000,000
Paid-up capital	18	104,514,173	102,969,840
General reserve	19	25,642,183	16,984,912
Cumulative changes in fair value			(288,750)
Retained earnings		13,367,044	11,945,228

<b>TOTAL EQUITY</b>		<b>143,523,400</b>	<b>131,611,230</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>311,357,766</b>	<b>271,954,485</b>
CONTRA ACCOUNTS			
Unwithdrawn approved loans - Debit	24	40,480,140	30,309,406
Unwithdrawn approved commitments - Credit	24	40,480,140	30,309,406

**The accompanying notes form part of these financial statements**

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman – The Hashemite Kingdom of Jordan**

**Statement of income for the year ended December 31, 2020**

	Notes	2020	2019
<b>REVENUES</b>		JD	JD
Net of interest revenues	21	14,618,040	12,593,927
Other revenues	22	402,040	462,630
Islamic financing revenues	12	561,257	982,920
Amortization of deferred revenues	17	22,864	22,887
Joint revenue with municipalities	8	29,532	45,424
Islamic Murabaha revenue		128,086	103,743
Revenue from treasury bonds	11	1,211,100	1,211,100
<b>TOTAL REVENUES</b>		<b>16,972,919</b>	<b>15,422,631</b>
<b>EXPENSES</b>			
Administrative expenses	23	(3,574,875)	(3,425,787)
Amortization of joint investment with municipalities		(35,000)	(50,000)
Bank's share of result of associate		4,000	(1,616)
<b>Profit for the year</b>		<b>13,367,044</b>	<b>11,945,228</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in fair value		288,750	(5,250)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>13,655,794</b>	<b>11,939,978</b>

The accompanying notes form part of these financial statements

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman – The Hashemite Kingdom of Jordan**

**Statement of changes in equity for the year ended December 31, 2020**

	Paid-up capital	General reserve	Cumulative change in fair value	Retained earnings	Net equity
	JD	JD	JD	JD	JD
<b>Balance as at January 1, 2019</b>	101,144,134	9,643,708	(283,500)	9,166,910	119,671,252
Comprehensive income	-	-	(5,250)	11,945,228	11,939,978
Amounts transferred to the capital from local authorities' shares in dividend	1,825,706	-	-	(1,825,706)	-
Amounts transferred from comprehensive income to general reserve	-	7,341,204	-	(7,341,204)	-
<b>Balance as at December 31, 2019</b>	<b>102,969,840</b>	<b>16,984,912</b>	<b>(288,750)</b>	<b>11,945,228</b>	<b>131,611,230</b>
Comprehensive income	-	-	288,750	13,367,044	13,655,794
Amounts transferred to the capital from local authorities' shares in dividend	2,544,333	-	-	(2,544,333)	-
Exemption municipalities		(1,743,624)	-	-	(1,743,624)

from accrued interest (*)					
Amounts transferred from capital to general reserve	(1,000,000)	1,000,000	-	-	-
Amounts transferred from retained earnings to general reserve	-	9,400,895	-	(9,400,895)	-
<b>Balance as at December 31, 2020</b>	<b>104,514,173</b>	<b>25,642,183</b>	<b>-</b>	<b>13,367,044</b>	<b>143,523,400</b>

(\*) According to the Prime Minister's letter No. 25/2/4/1725 dated 19 January, 2020, the decision of CVDB board of directors was approved to exempt municipalities from the interests on overdraft account incurred by them for the benefit of CVDB by reducing the bank's general reserve accordingly.

(\*\*) According to the Board Resolution No. 18/2021 dated November 23, 2021, and approved to distribute the profits of year 2020 amounting to JD 13,367,044 as follows:

1. An amount of JD 3,141,255 paid to local authorities and transferred to pay their share in the bank's capital.
2. An amount of JD 10,255,789 to the general reserve of the bank.

**The accompanying notes form part of these financial statements**

**Cities and Villages Development Bank**  
**Public institution established by a special decree**  
**Amman – The Hashemite Kingdom of Jordan**

**Statement of cash flows for the year ended December 31, 2020**

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		JD	JD
Profit for the year		13,367,044	11,945,228
<b>Adjustments for:</b>			
Uncollected accrued interests		(6,193,311)	(4,313,123)
Gain on sale of property and equipment			(16,250)
Depreciation	13	58,737	57,870
Amortization of deferred revenues	17	(22,864)	(22,887)
Amortization of joint investment with municipalities		35,000	50,000
Bank's share of result of associates		(4,000)	1,616
<b>Change in operating assets and liabilities:</b>			
Checks under collection		9,990,983	28,740,330
Granted credit facilities		(57,882,850)	(82,437,304)
Islamic financing loans		(1,506,090)	(1,294,763)
Customers' deposits and current accounts		20,002,	(44,088,286)
Local authorities and public institutions deposits		7,532,242	(11,504,838)
Other debit balances		(725,083)	(399,387)
Other credit balances		1,147	(27,094)
<b>Net cash from operating activities</b>		<b>(15,348,689)</b>	<b>(103,308,888)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment deposits certificates – Safwa Islamic Bank		-	2,000,000
Purchase of property and equipment	13	(943,399)	(847,926)
Proceeds from sale of property and equipment		-	16,250
<b>Net cash from investing activities</b>		<b>(943,399)</b>	<b>1,168,324</b>

<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowed amounts		(19,770)	(19,557)
<b>Net cash from financing activities</b>		<b>(19,770)</b>	<b>(19,557)</b>
<b>Net cash in cash and cash equivalents</b>		<b>(16,311,858)</b>	<b>(102,160,121)</b>
Cash and cash equivalents – beginning of year		33,194,756	135,354,877
<b>Cash and cash equivalents – end of year</b>		<b>16,882,898</b>	<b>33,194,756</b>
<b>Information about non-cash transaction</b>			
Amounts transferred to the capital from local authorities' shares in dividend		-	2,544,333
Exemption of municipalities from accrued interest		(1,743,624)	-

The accompanying notes form part of these financial statements



The Hashemite Kingdom of Jordan



Cities and Villages Development Bank

<http://www.cvdb.gov.jo>

[cvdb@cvdb.gov.jo](mailto:cvdb@cvdb.gov.jo)

Amman – Shmeisani

Prince Shaker bin Zein Street, Building no. 7