



Annual Report 2021

CITIES AND VILLAGES DEVELOPMENT BANK

[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

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Introduction

The instability of 2021 continued to affect the global economy as a result of the continuation of the COVID pandemic. The Jordanian economy faced difficult conditions over the past few years leading to a slowdown in economic growth and high levels of public debt and unemployment. These factors reflected on the role of development and lending rates to improve the reality of local communities. Lending rates decreased by 50% and JD 7,765,000 million service loans were granted to municipalities. A total of JD 3,700,000 million investment loans were granted. Loan requests received by the bank amounted to JD 32,915,456 million, varying between service and investment loans and repayment of obligations.

The financial support of the municipalities was reduced to JD 105 million in 2020, from JD 210 million, allocated in the public budget. The amount allocated in the public budget in 2021, which was JD 126 million was insufficient, leading to an increase in municipalities' debt and operating expenses, and a decline in municipal revenues. This negatively affected the level of services provided by municipalities to citizens, forcing the bank to face major challenges in terms of local development in municipalities. The bank dealt with these challenges consciously and with commitment, playing an active role combined with the rest of the country's institutions. It took the initiative to reduce the burdens on municipalities by committing to transferring municipal revenues from the Ministry of Finance and Greater Amman Municipality every month. Furthermore, part of the investments in treasury bonds were liquidated, reaching JD 11 million, to meet the needs of the municipalities for cash. The bank also took the initiative to participate in the accelerator program of the government/ Prime Ministry to reduce financial challenges and find a solution to the insufficient liquidity problem, through finding a methodology in cooperation with partners to pay off municipal debt amounting to JD 300 million.

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

On behalf of myself and the Bank's Board of Directors, I am pleased to present the Annual Report of the Cities and Villages Development Bank, which includes the most prominent achievements and developments and financial statements for 2021, as well as the independent auditor's report on the bank's financial and administrative statements.

In 2021, the bank approved its five strategic objectives, which are: Increasing the rate of lending to improve the state of local communities, grant management and external loans, institutional performance development, technical support for municipalities, strengthening partnerships and contributing to achieving comprehensive development. These were based on the government's indicative executive program 2021-2024 and through the national goal, which includes: improving the level of services provided to citizens. In addition, many initiatives and ambitious projects were initiated, that promote the pillars of infrastructure and energy within the local development sector.

The bank continued to carry out its financial and developmental activities, despite the repercussions of pandemic. By following systematic and proper planning and rapid response, the effects of the pandemic were minimized, in order to sustain and enhance the development process to serve the municipalities in implementation of the visions 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 the areas that have been worked on to reflect the quality of service and support municipalities 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 closing, I take this opportunity to extend my deepest thanks and gratitude to the authorities. government, private, partners and all customers for their efforts, cooperation and participation in achieving the bank's vision and mission. Special thanks to the staff of the Institutional Performance Development Directorate for preparing the report professionally and objectively.

General Director
Osama Mohammed Al-Azzam

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 Ministry of Finance

Mr. Ziyad Sobha

A representative of the Ministry of Public Works

Eng. Jamil Al-Muhaqabeh

A representative of the Ministry of Local Administration

Dr. Bakr Al-Rahmanah until 23/11/2021

Mr. Nidal Ayoub Al-Adwan, as of 24/11/2022

A representative of the Ministry of Planning
and International Cooperation

Eng. Lamia Al-Zoubi

A representative of the Central Bank of Jordan

Dr. Nidal Al-Azzam

A representative of the local authorities

Mayor of Bab Amman Municipality

His Excellency Mr. Mahmoud
Al-Khawaldeh, until 1/4/2021

Mayor of Bab Amman Municipality

His Excellency Mr. Omar Al-Sharida,
as of 1/4/2021

A representative of the local authorities

Mayor of Quweira

His Excellency Mr. Abdullah Al-Najadat,
until 1/4/2021,

Mayor of Quweira

Abdul Rahman Al-Raba'a, as of
1/4/2021

The Cities and Villages Development Bank Objectives

[Diagram]

Supporting the projects of the local authorities to provide the services aimed to create public basic services and contribute to developing them by filling local and external financial resources, and providing the necessary credit facilities for the implementation of these projects.

Assisting local authorities in determining priorities of productive projects with regard to their economic feasibility, and contribute to the capital of these projects.

Managing and guaranteeing loans granted to local organizations, and performing any job or dealing or banking business required to carry out the duties assigned by this law or any other legislation or under any international agreement that Jordan's government is a party to, and requires the bank's involvement for its implementation.

Assisting in providing technical options and services, including training technicians that are needed by local authorities.

Providing credit facilities to any authority or organization whose objectives include providing basic services within the boundaries of local authorities.

Financing projects for local authorities not based on interest, on the basis and conditions to be determined by virtue of a regulation to be issued for this purpose.

The Cities and Villages Development Bank's 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.

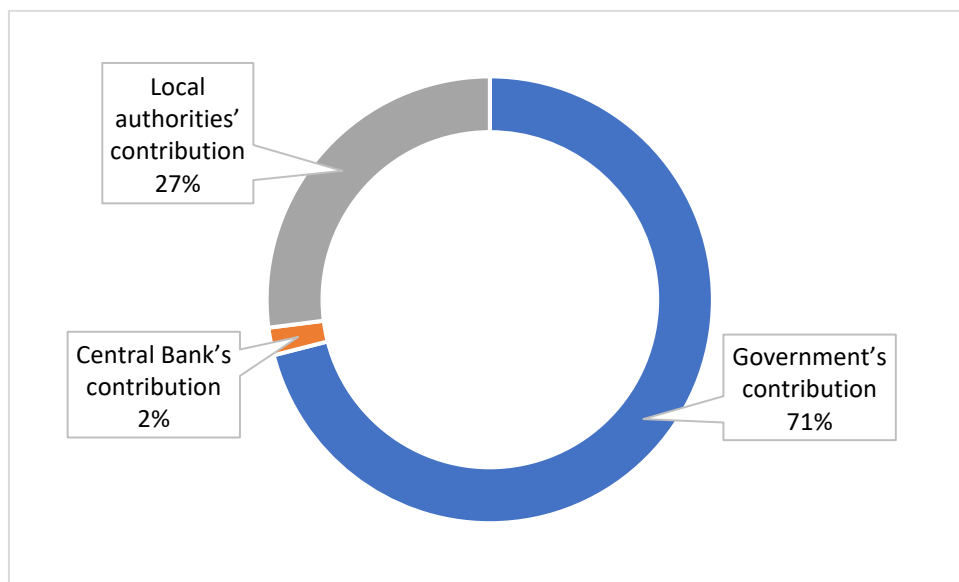
In 1996 the bank's capital was increased to JD 25 million.

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	2019 Amount/ JD	2020 Amount/ JD	2021 Amount/ JD	Percentage/ Bank's capital
Government's contribution	77,800,000	77,800,000	77,800,000	71%
Central Bank's contribution	2,200,000	2,200,000	2,200,000	2%
Local authorities' contribution	30,000,000	30,000,000	30,000,000	27%
Total	110,000,000	110,000,000		100%



The Governing Laws of the Bank

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

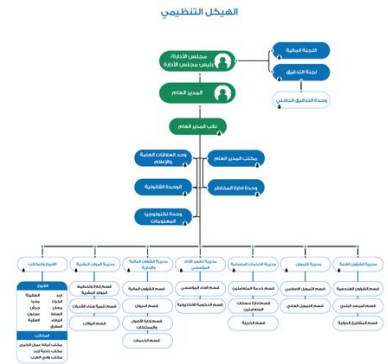
The internal organization instructions of CVDB issued pursuant to the Board of Directors Decision No. (111/2001) dated 10/12/2001.

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

Financial Committee

General Manager

Audit Committee

Deputy General Manager

Internal Audit Unit

General Manager's Office

Public Relations and Media Unit

Risk Management Unit

Legal Unit

IT Unit

Technical Affairs Directorate

Financing Directorate

Banking Services Directorate

Engineering Affairs Department

Islamic Financing Department

Customer Service Department

Municipal Observatory Department

Regular Financing Department

Customer Accounts Management Dept

International Projects Department

Treasury Department

Institutional Performance Development Directorate

Financial and Administrative Affairs Directorate

Institutional Performance Department

Financial Affairs Department

E-Government 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, Mafrq, Tafileh, Madaba, Jerash, Ajloun, Aqaba

Offices: Greater Amman Municipality Office, Irbid Municipality Office, Wadi Al-Arab Office

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

Corporate Values

Corporate governance

- Achieving justice, transparency and ensuring accountability.
- Review of financial performance effectively.
- Abiding by the law and distributing roles and responsibilities.

Creativity and innovation

- Finding new ideas and implementing them.
- Learning and training and adopting new concepts.
- Using tools and information in a modern way.

Driven by results

- Balance between targeted and achieved results.
- Building human capacity.
- Managing change effectively.

Community responsibility

- Community initiatives built on actual needs of segments.
- Raising awareness on relevant community issues.
- Considering the attention and needs of employees.
- Achieving cost savings through sustainable projects.

Teamwork

- Cooperate with everyone with utmost harmony.
- Everyone's best interest above personal interests.
- Effective participation in achieving leading results.

First Pillar: The Bank's Strategic Map 2021-2024

First: Strategic Plan 2021-2024

In light of His Majesty's vision, the directives of the astute government, and realizing Jordan's Vision 2025 and national goals, the bank prepared an updated strategic plan 2021-2024. The plan included the national goal (improving the level of services offered to citizens) and the fifth pillar of the executive program (infrastructure services). It also targeted two sectors within the government's indicative executive program of 2021-2024: the local development sector and the energy and mineral resources sector. Five strategic objectives, detailed programs and projects were included, and a matrix of performance indicators and ambitious targets was defined. The bank seeks to achieve these in line with its vision, mission and corporate values. The CVDB is the focus of attention and interest of international donors because of the importance of its role in the development of municipalities and the provision of technical support to them, and the impact this has on bringing about fundamental changes that add value to the services provided to customers.

CVDB Strategic Map 2021-2024

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.

National Goals

Improving the level of services offered to citizens

Infrastructure services

Local development sector

Energy and mineral resources sector

Strategic Objectives

Increasing lending ratio to improve state of local communities

Managing loans and external grants

Institutional Performance Development

Promote partnerships that contribute to achieving comprehensive development

Technical support to municipalities

Values

Corporate governance

Creativity and innovation

Driving with results

Community responsibility

Teamwork

Strategic Projects

[Diagram]

- Smart transformation of services
- Equipping the bank's building
- Smart satisfaction surveys
- Efficient use of energy in municipalities
- MSSRP
- Municipal Observatory
- Smart transformation of services
- Amending regulations governing the bank's work
- Applying compliance standards
- Green Climate Fund
- Developing an administrative and financial system
- Establishing an innovation lab
- Archiving bank's documents
- Funding investment loans

Second: Strategic Partners and Stakeholders:

The Bank works according to its vision, mission and strategic objectives to deepen its relationship with partners, as the fifth strategic objective has been identified: Strengthening partnerships that contribute to achieving comprehensive development, where the government participates by 71%, the Central Bank by 2% and municipalities by 27%. The bank also seeks to achieve comprehensive development in municipalities and support their service and productivity projects, banking services and credit facilities in cooperation with partners or any other party working on achieving development within municipal boundaries.

List of Strategic Partners

Partner Name	Size of dealing				How much is the dealing related to the bank's goals				How much is the bank impacted by changes in the partner's procedures or legislations				How much is the partner impacted by changes in the bank's procedures or legislations				Grade	Partner classification
	35%				35%				20%				10%					
	Large	Big	Small	Very small	Highly related	Related	Unrelated	Completely unrelated	Large	Big	Small	Very small	Highly impacted	Impacted	Unaffected	Completely unaffected		
Prime Ministry	3				4				4				4				3.65	Strategic
Ministry of Local Administration	4				4				4				4				4	Strategic
Municipalities	4				4				4				4				4	Strategic
Ministry of Planning	3				3				3				3				3.35	Strategic
Ministry of Public Works and Housing	2				2				2				3				2.9	Partner
Ministry of Finance	4				3				4				3				3.9	Strategic
Central Bank of Jordan	4				4				4				3				3.9	Strategic

Second Pillar: The Government's Indicative Executive Program 2021 - 2024

Infrastructure Services

1. Local Development Sector

The local development process acquires special importance because of the political will and movement that constitutes a motive for the advancement of societies and improving citizens' standard of living. Local development contributes effectively to the creation of effective local economies that can achieve optimal and sustainable investment of available resources.

Several programs and projects were implemented, aimed at improving the developmental performance of municipalities for the best interest of the citizens. The programs and projects were in the following areas: financial reform; infrastructure development; capacity building; providing services that meet citizens' needs and priorities in a participatory manner based on the principles of accountability and transparency; enabling municipalities to contribute to fighting poverty; activating their role in development planning; in addition to strengthening partnership between municipalities and the private sector.

Local Development Sector

[Diagram]

Sectoral Goal:

An efficient local economy capable of achieving sustainable local development.

Interim Goal:

Promoting local development by encouraging partnership between municipalities and provincial and sector councils and the private sector.

Bank's Strategic Goal:

Increasing the percentage of lending to improve the state of local communities, pertaining to the following indicators:

1. Percentage of granted investment loans / total interest-bearing loans.
2. Percentage of investment loans that are not based on interest / total loans that are not based on interest.

Infrastructure Services

2. Energy and Mineral Resources Sector

The energy sector is one of the most vital sectors in Jordan because of its great impact on sustainable development and achieving energy supply security and optimal utilization of natural resources. It follows a clear vision that is being achieved through goals and specific programs and projects in cooperation with partners in various sectors, using a participatory approach, in line with specific performance indicators, reflected in the Energy Sector Strategy 2020-2030.

Energy and Mineral Resources Sector

[Diagram]

Sectoral Goal:

Reducing energy costs on national economy.

Interim Goal:

Reducing energy costs in various sectors.

Bank's Strategic Goal:

Promoting partnerships for comprehensive development, supporting the following projects:

1. Raising energy efficiency in municipalities through the CVDB (European Investment Bank EIB grant).
2. Reducing energy costs for municipalities and camps in Jordan by replacing street lighting with energy-saving ones (financing the project).
3. Raising energy efficiency and installing solar energy systems for municipal buildings.

Second Pillar: The Government's Indicative Executive Program 2021 – 2024

#	Project name	Source of financing	Project description	Total cost	Responsible entity	Bank's role	Indicative cost (thousand JDs)				Total
							2021	2022	2023	2024	
Sectoral Goal 2: Reducing energy cost on the national economy											
Interim Goal 1: Reducing energy cost in various sectors											
Initiative 1: Develop the system of the electric energy sector											
New projects											
11	Consultation services to support the execution of project number 15	External technical support	New	1,100	Ministry of Energy	Direct payment by the donor					1,100
Ongoing projects											
14	Energy cost reduction project on municipalities and camps in Jordan, by replacing streetlights with energy savings lights	Bank financing	Ongoing	35,000	Ministry of Energy and municipalities	Project funding	-	10,000	20,000	5,000	35,000
15	Raise the efficiency of energy use and installing solar systems for the municipal service buildings	Grant + bank financing	Ongoing	37,000	Ministry of Energy	Managing loans	-	13,000	12,000	12,000	37,000

National Goal/ Improving the level of services offered to be distributed fairly									
Sectoral Goal 1: Capable local economy that can achieve local sustainable development									
Interim Goal 6: Promote local development by encouraging partnerships between municipalities, governorate councils and the private sector									
	Goals/ indicators	2019	2020	Targets				Concerned party	Implementing entity
				2021	2022	2023	2024		
13	Percentage of investment loans granted to total loans with interest	13%	10%	10%	15%	20%	25%	Ministry of Local Administration	CVDB
14	Percentage of non-interest investment loans granted to total non-interest loans	15%	10%	10%	15%	20%	25%	Ministry of Local Administration	CVDB

Third Pillar: Managing International Projects

The bank aims to achieve comprehensive and sustainable local development through the strategic objectives listed in its law, that are related to managing grants and loans and overseeing them. The bank seeks to be accredited by the Global Green Growth Institute (GCF). The Ministry of Environment officially nominated the bank in July 2019 to become the first direct access authority in the West Asian region, in addition to accredited bodies in each of: Morocco and Tunisia representing the MENA region. The institute aims to support and enhance inclusive and sustainable economic growth in developing countries through the Green Climate Fund, which is the largest global fund specialized to help developing countries reduce greenhouse gas emissions and enhance their responsiveness to climate change. The bank has demonstrated real commitment to meeting international standards and supporting sustainable development in Jordan through projects financed by international development partners such as EIB and the World Bank. The bank signed a financing agreement in 2019 with EIB with a value of €45 million for financing the efficient use of energy project and renewable energy projects in the municipal sector, whose cost is estimated at €90 million. The bank has allocated €45 million for financing the project in partnership with EIB. The agreement also includes a technical assistance grant of €1,400,000 from EIB's Economic Grant Initiative, for preparing project execution. Furthermore, it provides low interest sources of financing for municipalities, that would enable the beneficiaries to alleviate the cost of electricity within reduced financing in addition to providing technical support expertise from EIB to implement the project using best international practices.

The project overall goal is to alleviate the financial burdens on the municipalities by reducing the electricity bill in the municipal sector, through low interest financing, as the electricity expense constitutes a large part of municipal expenditures, about 15% of the municipal budget.

Fourth Pillar: Risk Management and Business Continuity

The bank applies the risk management plan and approves the general risk framework that are prepared by the Planning, Coordination and Follow-up Committee. The Risk Management Unit is responsible for managing the risks that the bank is exposed to and any obstacles that hinder it from attaining its strategic objectives. The unit then classifies them and determines their weight, and consequently places appropriate procedures in place, to reduce or mitigate risks in the event of its occurrence. All these steps are submitted in periodic reports to the committee for discussion and receiving feedback and recommendations, including:

1. Strategic Risk

Presents an integrated view of strategic and organizational developments, which included several risks, such as: Updating the legislative frameworks regulating the work and financial conditions of municipalities; not implementing good governance principles in a comprehensive manner; disruption of governmental organizations and partners' work due to the COVID crisis.

2. Financial Risk

Includes risks associated with lending, financing, liquidity, market risks, and interest rate fluctuations, among others.

3. Human Resource Risk

These include: a lack of adequate knowledge of the governing legislation, a lack of specialized and competent human resources, and instability of legislations related to human resources.

4. Health and Safety Risk

Risks such as: earthquakes, floods, pandemics etc.

5. Operational Risk (Projects)

Includes risks of failure or inadequacy of internal and external systems, people, external events, or fiduciary risks of operations associated with the Islamic financing system.

6. Technical Risk

These include the risks of service disruptions, breaches, and loss of data and information. The bank also keeps up with new, updated and advanced levels of security and data and information protection. The bank continues to identify and anticipate risks, and find appropriate solutions by applying several systems such as the information security policy of the Ministry of Digital Economy and Entrepreneurship (MoDEE), and other vital policies and programs such as: Password policy that sets specific standards for passwords for data and information protection; Veem software for backing up databases and main servers on a daily, weekly, monthly and yearly basis; DR site software for crash recovery site processing and data protection in the event of a malfunction of one of the main servers; making databases backup copies on the SAN storage software and the Tapelibrary; keeping backup copies in the bank safe and the safe of one of the branches; Firewall software and activating firewalls in Sophos to protect against cyber attacks and specify the permissions for Internet use, to reduce the risk of breaches through webfiltering technology.

Fifth Pillar: Governance and Management of Data and Information

The bank adopted the Government Data Classification and Management Policy of 2020 issued by MoDDEE. The policy aims to define the general framework for classifying and managing government data, and provides a work program for classifying and managing current government data. The bank has adopted the governance model contained in this policy which defines the requirements for implementation in internal units and divisions. These requirements cover the organizational structure needed to implement this policy. It defines roles and responsibilities within the government entity itself. It specifies the qualifications for employees concerned with implementing this policy and the development of internal procedures to institutionalize the application of this policy and ensure its effective implementation. Additionally, it states the roles and responsibilities for general supervision of the policy's implementation. The system classifies government data in different levels: confidential and requires an advanced level of security controls; sensitive and requires a high level of security controls; special and requires a moderate level of security controls.

The Internal Government Data Classification and Management Committee also adopted the corporate governance and data classification model. It participated in the government data classification and management platform to make use of AI technology for easing the process of transferring and exchanging data in a flexible manner between government agencies and other concerned parties.

Sixth Pillar: Institutional Governance

The bank is committed to applying all rules of governance, so that the Board of Directors can cover all risks that the bank is exposed to it in a practical way. The board has established committees and assigned their tasks. Each committee oversees specific responsibilities and tasks, to assist the board in properly covering all activities. These committees derive their strength and authority from the board. Since the board delegates powers to these committees, it remains responsible for all committees' actions.

Board of Directors

Chairman of the Board	Board members	Type of membership
	H.E. Tawfiq Mahmoud Krishan Deputy Prime Minister and Minister of Local Administration	Non executive / non independent
Vice Chairman of the Board of Directors	Osama Mohammed Al-Azzam General Manager	Executive / non independent
Member of the Board	Ministry of Finance representative	Non executive / non independent
	Ministry of Public Works representative	Non executive / non independent
	Ministry of Local Administration representative	Non executive / non independent
	Ministry of Planning and International Cooperation representative	Non executive / independent
	Central Bank of Jordan representative	Non executive / independent
	Municipality representative	Non executive / independent
	Municipality representative	Non executive / independent

Executive Management

Board members	Type of membership
General Manager	Osama Mohammed Al-Azzam
Deputy General Manager	Dr. Mohammad Al-Harabsheh
Director of Banking Services	Khaled Al-Zoubi
Director of Financial and Administrative Affairs	Dr. Mohammad Al-Harabsheh/ appointed
Director of HR	Mohammad Bani Issa
Director of Institutional Performance Development	Ahmad Al-Duweiri
Director of Technical Affairs	Eng. Marwan Thuneibat
Director of Financing	Kayed Al-Takhayneh
Head of Internal Audit Unit	Rula Al-Alyani

Board of Directors Committees

1. Financial and Administrative Committee
2. Audit Committee

Transparency and Disclosures

The bank is committed to the foundations and rules of accounting disclosure in the financial statements in accordance with the International Financial Reporting Standards (IFRS) and all Legislations governing the work of the bank and government agencies.

The Board of Directors approved the financial statements for the year ending December 31, 2021, to ensure accurate and fair representation of the bank's affairs during the fiscal year.

IT Governance

The bank's IT development processes are carried out in accordance with international standards and best practices, whereby the bank's IT strategy is in line with its overall business strategy.

Behavior

The policies approved and applied by the bank include the following:

- Gender policy.
- Environmental and social safeguards policy.
- Disclosure policy.
- Reporting and whistleblower protection policy.
- Monitoring and evaluation policy.
- Anti-money laundering and terrorist financing policy.
- Policy to prevent conflicts of interest.

Seventh Pillar: COVID-19 Response Procedures

The spread of the Corona virus (COVID-19) at the beginning of 2020 and across the globe led to the disruption of business. Its impact continued in 2021, causing the bank to take several measures to ensure the continuity of business and customer service. A business continuity emergency response plan was prepared, in coordination with the various organizational units who made sure certain procedures were implemented, for example: Prioritizing services and authorized operations; coordinating with institutions and government departments to ensure service integration, an uninterrupted chain of operations, preservation of the general safety of employees and customers according to specific procedures; using innovative methods for redistribution of human resources and the use of smart applications. Procedures also included identifying the necessary teams for preparation, response, sustainability and recovery periods; preparing the infrastructure and orientation for smart transformation; and defining the matrix of power in emergency situations. The impact of service interruption on the bank and services departments was also analyzed and presented according to the criteria (financial, interruption of operations, reputation and trust, liability and management participation). Each criterion was given a weight of 20%. Results were determined as per the attached table.

Criteria	Financial	Operations' interruption	Reputation and trust	Liability	Management participation	Result	Group
Weight	20%	20%	20%	20%	20%		
Management							
Banking Directorate	4	4	1	3	4	3.2	Group A
Finance Directorate	5	5	1	5	5	4.2	Group C
Technical Affairs Directorate	5	4	1	5	5	4	Group B
Financial and Administrative Services Directorate	4	4	1	5	4	3.6	Group B

Seventh Pillar: COVID-19 Response Procedures

Group	Groups' main functions				Main functions	Supporting functions
	Service	Date activated	Place provided	Unit responsible for implementation		
Group A	Managing banking services	18/3/2020	Main and branches	Banking Directorate	Customer Accounts Management Dept. Customer Services Dept	IT Managerial Services
Group B	Managing foreign grants	26/3/2020	Main branch	Technical Affairs Directorate	Technical Affairs Directorate	IT Managerial Services
	Financial and administrative services	26/3/2020	Main branch	Financial and Administrative Services Directorate	Banking Directorate	IT Managerial Services
Group C	Managing credit facilities	3/5/2020	Main branch	Financing Directorate	Regular Financing Dept. Islamic Financing Dept.	IT Managerial Services

Eighth Pillar: Institutional Performance Development

The bank is working on finalizing the and Investment procedures of the draft law amendment of the Cities and Villages Development Bank Law with the Economy and Investment Committee that's part of Jordan's House of Representatives in preparation for its approval at the beginning of 2022. A legal study will be prepared showing the regulations, instructions and policies whose issuance, amendment or revocation require a clause in the amended law and necessary reasons. An action plan is being prepared, that will identify top legislation that will enable the bank to expand its services to include all banking operations and credit facilities. This includes those provided for partnership projects between the private sector and municipalities. It covers the work related to the Municipal Development Fund and its tasks. The overall objective is to preserve the financial stability of the bank and its continuity in providing services to municipalities, in addition to strengthening the principles of corporate governance.

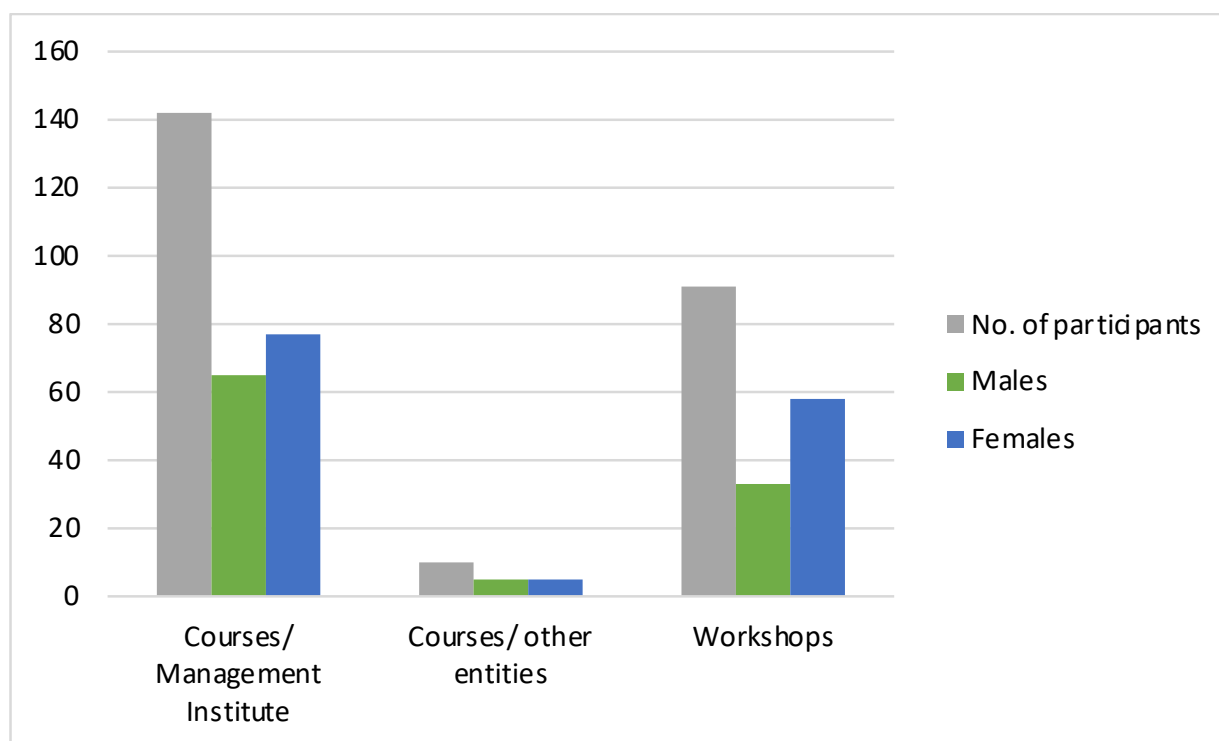
The bank worked on developing the financial and administrative system, with the aim of providing automated banking services that enable it to manage accounts. The system will enable municipalities to manage their accounts and issue transfers, electronic payment orders, manage financial transactions with suppliers, exchange operations, follow-up on guarantees, and manage and follow-up loans and facilities granted to municipalities. Furthermore, it manages all the bank's properties and assets and follows up on their depreciation. Using the system results in reducing time and effort, requiring less auditors, and paperless transactions.

Ninth Pillar: Human Resource Development

The bank works to enhance employees' competencies, develop their capabilities and experience, provide them with new skills and update their knowledge. Courses and workshops were conducted on various topics 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. The training courses were held in the main training hall at the bank or at the Institute of Public Management or provided by other third parties. The bank's training management process is based on "the foundations of participation in training programs for compulsory and permissive promotion in the civil service." Courses are also introduced to meet the needs for specialized training or technical staff according to the job description for each job, in addition to emerging and emergency needs. There were 43 training programs conducted in 2021, which had 243 participants in total, distributed as follows:

Program	No. of participants	Males	Females	Main branch	Branches
Courses/ Management Institute	142	65	77	75	67
Courses/ other entities	10	5	5	10	0
Workshops	91	33	58	88	3
Total					

Distribution of Training Courses Conducted in 2021



CVDB Staff

Organizational Unit	Males	Females	Total
Main branch	73	52	125
Irbid branch	17	10	27
Zarqa branch	6	1	7
Salt branch	9	8	17
Tafileh branch	6	3	9
Karak branch	7	13	20
Mafraq branch	8	7	15
Jerash branch	4	1	5
Ajloun branch	8	1	9
Madaba branch	9	1	10
Ma'an branch	16	3	19
Amman Municipality office	3	1	4
Aqaba office	2	1	3
Total	168	102	270

Tenth Pillar: Renewable Energy Projects

1. Efficient Use of Energy in Municipalities Project

A financing agreement was signed between the CVDB and EIB for €45 million, for financing the efficient use of energy project and renewable energy projects in the municipal sector, whose cost is estimated at JD 80 million. The bank has allocated JD 40 million for financing the partnership in partnership with EIB. The agreement also includes a technical assistance grant of €1.4 million from EIB's Economic Grant Initiative, for preparing the execution of the project.

The project's overall goal is to alleviate the financial burdens on municipalities by reducing the electricity bill in the municipal sector, through low interest financing. Electricity expense constitutes a large part of municipal expenditures, about 15% of the municipal budget. Municipalities' streetlighting bill reaches about JD 26.5 million. An amount of JD 13 million was also allocated in 2022 to finance renewable energy projects in municipalities. Additionally, technical support expertise will be provided from EIB to implement the project using best international practices.

2. The Bank's Accreditation Project as a Green Climate Fund in Jordan

The bank signed a Memorandum of Cooperation with the Ministry of Environment and the Global Green Growth Institute (GGGI) on 18-7-2019. The MOC aimed to document the partnership with the institute and raise the bank's readiness for becoming accredited as a global green climate fund. This would entail executing developmental projects that aim to achieve sustainable development, provide job opportunities and improve the citizen's living standards.

CVDB was selected through transparent procedures and clear criteria for evaluating applicants. The criteria focused on financial, environmental and social aspects. It is worth mentioning that the Green Climate Fund is a global fund that allows national institutions to become accredited for obtaining grants for national projects related to climate change. It provides technical support to concerned national authorities and nominated organizations that seek accreditation to support the national ability to partner with the Fund in executing projects. The bank is currently working, in partnership with GGGI and the Ministry of Environment on improving the bank's readiness. This is being done by developing several policies, systems and procedures for obtaining accreditation. Noting that GGGI is an international governmental agency that aims to promote comprehensive and sustainable economic growth in developing countries.

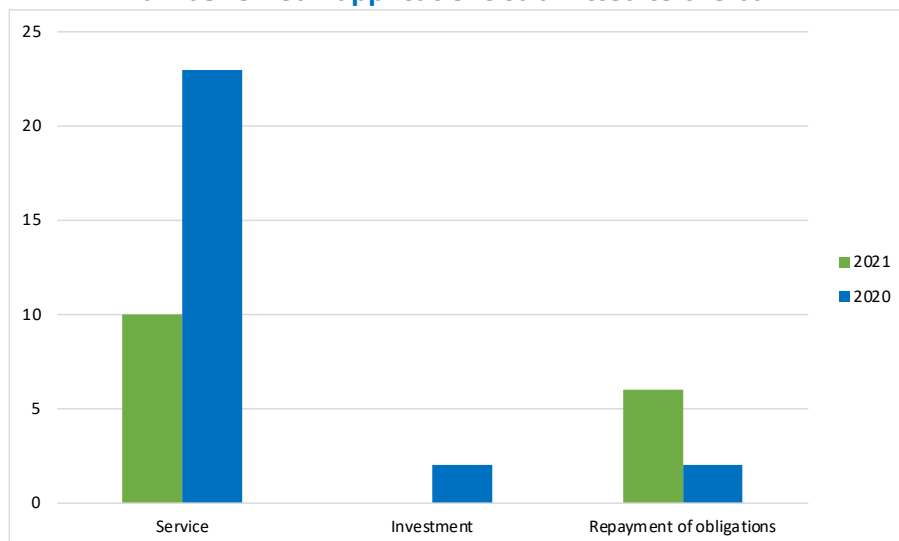
Eleventh Pillar: Financial Operations

1. Loan applications submitted to the bank, classified according to purpose

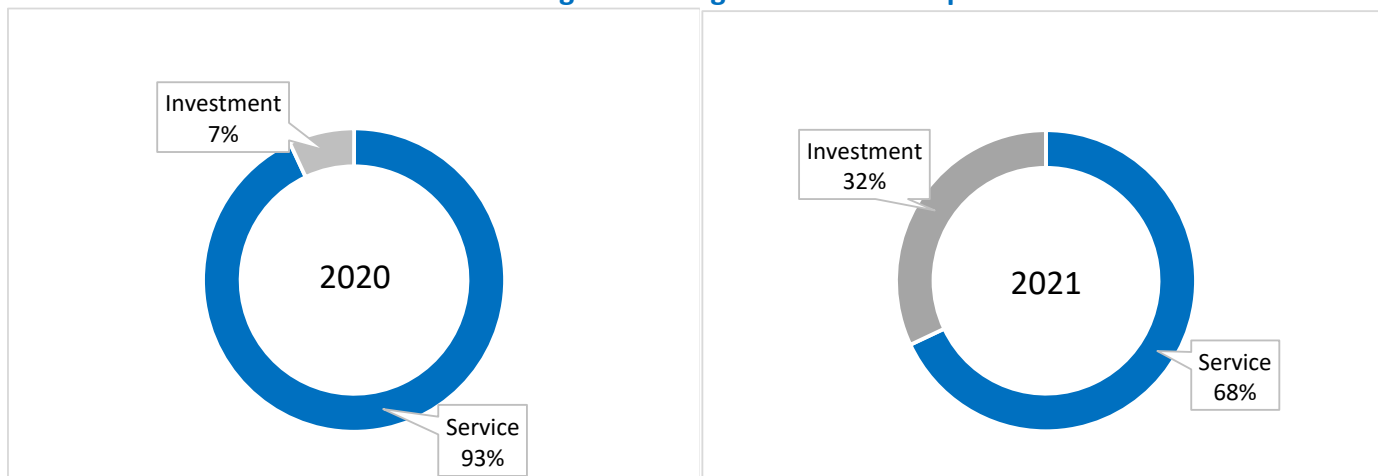
The total number of loans received from 2021 amounted to 16 loans at a value of JD 32,915,546, while for the year 2020 there were 27 loans at a value of JD 64,737,920, as the percentage of incoming loans for 2021 decreased from 2020 by 51%.

Loan Purpose	Loan applications submitted to the bank during the years			
	2021		2020	
	Number	Value	Number	Value
Service	10	19,100,000	23	56,637,920
Investment	0	0	2	600,000
Repayment of obligations	6	13,815,546	2	7500,000
Total	16	32,915,546	27	64,737,920

Number of loan applications submitted to the bank



Percentage of loans granted to municipalities



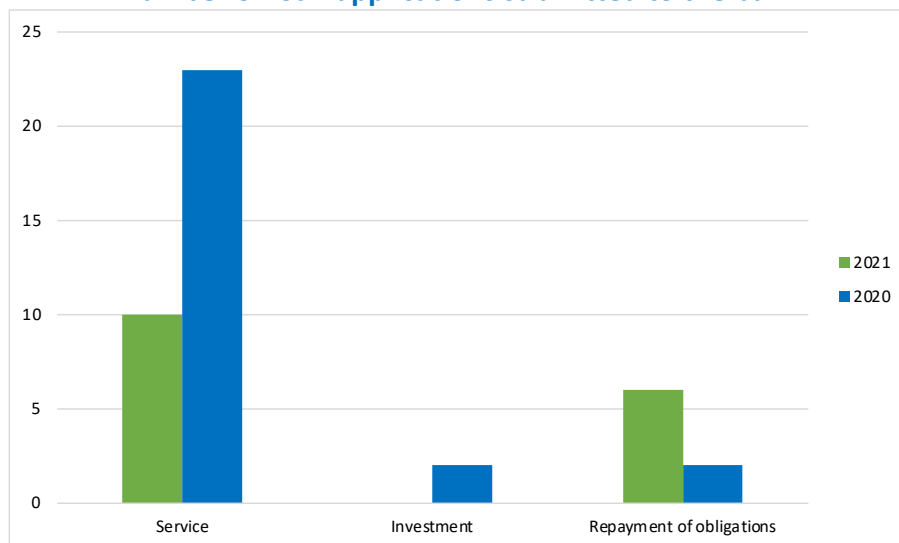
2. Loans granted distributed by projects

Loans granted in 2021 amounted to JD 11,465,000, divided into service loans with a value of JD 7,765,000 equivalent to 68% of the total loans, and investment loans worth JD 3,700,000, equivalent to 32% of the total loans. Loans granted in 2020 amounted to JD 29,680,000. They are divided into service loans with a value of JD 27,710,000, equivalent to 93% of the total loans, and investment loans worth JD 1,970,000 dinars, to 7% of the total loans.

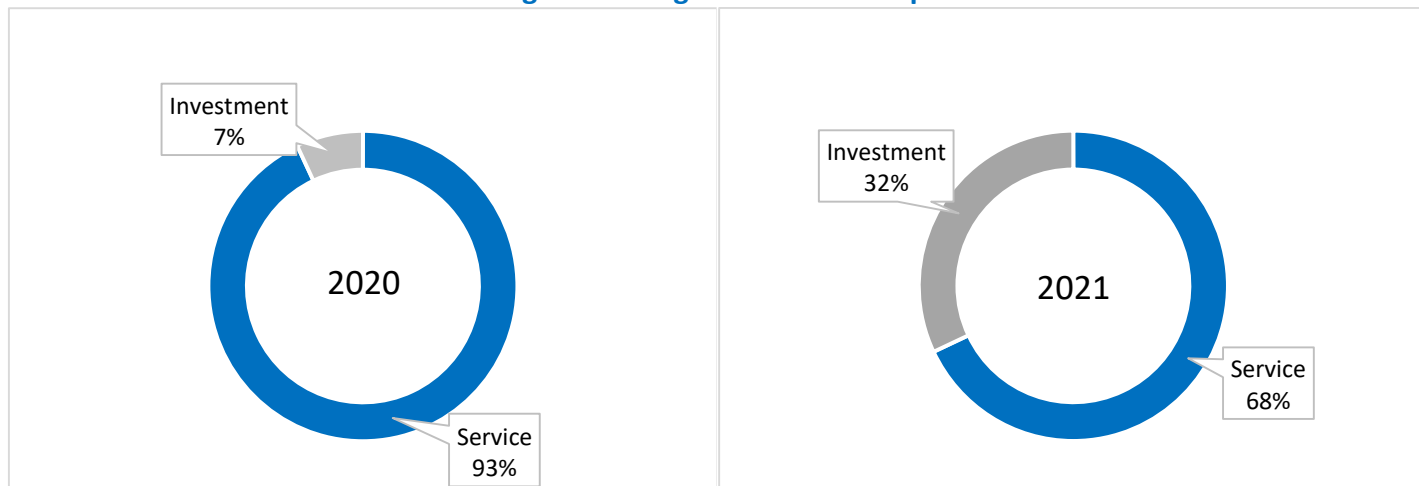
Loans granted to municipalities by type of project for the years

Loan Purpose	2021		2020	
	Number	Value	Number	Value
Service	7,765,000	68%	27,710,000	93%
Investment	3,700,000	32%	1,970,000	7%
Total	11,465,000	100%	29,680,000	100%

Number of loan applications submitted to the bank



Percentage of loans granted to municipalities



3. Loans granted to municipalities distributed by governorate

The percentage of granted loans distributed according to governorates in 2021 was as follows: Ma'an 43%, Zarqa 25%, and the Capital 32%. Meanwhile in 2020 it was as follows: the Capital 3%, Irbid 32%, Balqa 1%, Ma'an 41%, Mafraq 16%, and Tafileh 2% and Zarqa 5%.

القروض الممنوحة للبلديات للأعوام						اسم المحافظة
2020			2021			
قيمة	عدد	عدد	قيمة	عدد	عدد	
%3	1,000,000	1	%32	3,700,000	1	العاصمة
%32	9,650,000	3				إربد
%1	270,000	2				البيضاء
%41	12,200,000	2	%43	5,000,000	1	معان
%16	4,580,000	6				المفرق
%2	480,000	1				الطفيلة
%5	1,500,000	1	%25	2,765,000	1	الزرقاء
%100	29,680,000	16	%100	11,465,000	3	المجموع

Loans granted to municipalities for the years

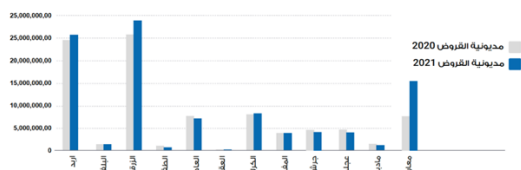
Governorate name	2021		2020	
	Number	Value	Number	Value
The Capital				
Irbid				
Balqa				
Ma'an				
Mafraq				
Tafileh				
Zarqa				
Total				

4. Loan indebtedness 2020 – 2021

The Loan Indebtedness report showed a significant increase in indebtedness when comparing between the years: 2020 and 2021. This was due to the impact of municipalities affected by the COVID pandemic in terms of weak revenues and increased expenditures. Indebtedness for the year 2021 compared to 2020 increased by 13%. The highest increase in indebtedness was observed in municipalities of Ma’an governorate, by 111%. It is also noted that there was an increase in indebtedness in six governorates, while there was a decrease in five governorates, and no indebtedness to the municipalities of Aqaba Governorate for 2020-2021. However, the rates of increase are higher than the rates of decrease, which was reflected in the total indebtedness as a whole, with an increase rate 13% as shown above.

مديونية القروض 2020 - 2021

مديونية القروض 2021	مديونية القروض 2020	المحافظة
24,826,059	23,482,191	إربد
743,545	763,545	البتلفاء
27,893,020	25,004,000	الزرقاء
443,669	597,481	التفيلية
6,419,745	6,994,633	العاصمية
-	-	العقبة
7,546,518	7,359,872	الكرك
3,474,009	3,297,027	الجرش
3,636,855	3,932,093	حماة
3,676,383	3,927,210	عجلون
707,398	788,800	مدابا
14,810,134	7,024,642	معان
94,177,335	83,171,494	المجموع



[Table] 4. Loan indebtedness 2020 – 2021

Governorate

Loan indebtedness 2020

Loan indebtedness 2021

Irbid

Balqa

Zarqa

Tafileh

The Capital

Aqaba

Karak

Mafraq

Jerash

Ajloun

Madaba

Ma’an

[Graph] Irbid, Balqa, Zarqa, Tafileh, The Capital, Aqaba, Karak, Mafraq, Jerash, Ajloun, Madaba, Ma’an

Legend: **Loan indebtedness 2020 / Loan indebtedness 2021**

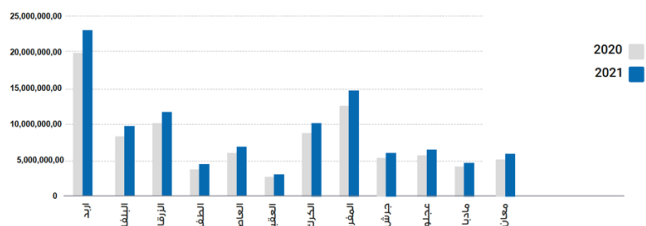
Eleventh Pillar: Financial Operations

5. Pillar: Fuel subsidies 2020 – 2021

The increase in fuel subsidies for all governorates came in equal proportions, amounting to approximately 17%, when comparing between 2020 and 2021. The aim was to contribute to covering the obligations incurred by municipalities and covering a large part of the current expenses and capital projects, in addition to encouraging municipalities to focus on capital investment projects that have a direct impact on increasing the municipal revenues.

دعم المحروقات 2020 - 2021

المحافظة	عام 2020	عام 2021
إربد	18,819,054.56	22,071,730.66
البيضاء	7,467,880.50	8,758,625.28
الزرقاء	9,175,003.88	10,760,807.02
التفيلية	2,763,525.94	3,241,172.40
العاصمة	4,995,304.88	5,858,690.89
العقبة	1,670,224.50	1,958,905.28
الكرك	7,942,212.00	9,314,940.00
المفرق	11,636,225.44	13,647,424.91
جرش	4,522,072.50	5,303,665.28
عجلون	4,725,899.44	5,542,721.56
مادبا	3,159,061.88	3,705,072.57
معان	4,123,534.50	4,836,244.17
المجموع	81,000,000.00	95,000,000.00



[Table] Fuel Subsidies 2020 -2021

Governorate	Year 2020	Year 2021
Irbid		
Balqa		
Zarqa		
Tafileh		
The Capital		
Aqaba		
Karak		
Mafraq		
Jerash		
Ajloun		
Madaba		
Ma'an		
Total		

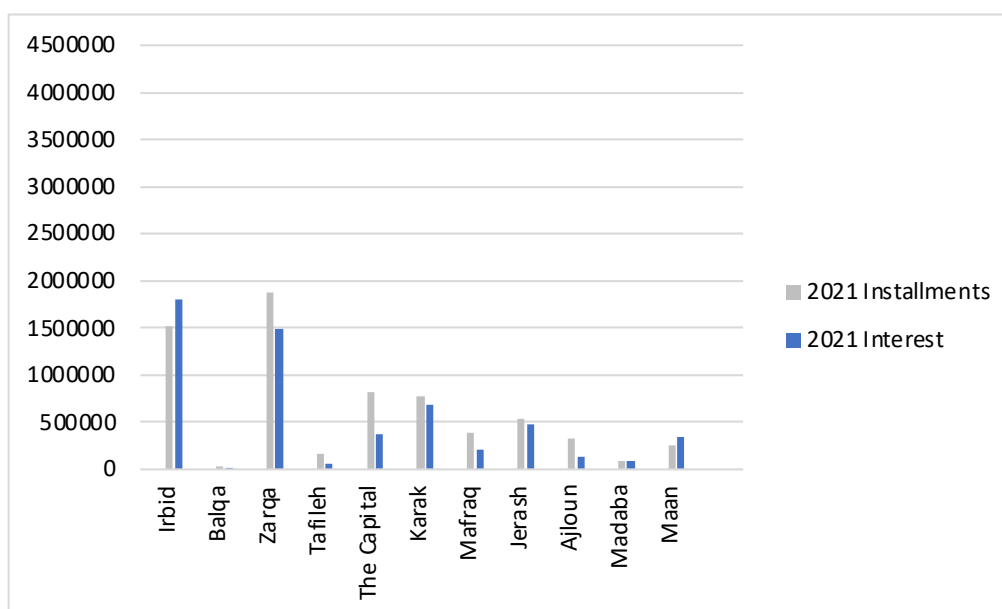
[Graph] Irbid, Balqa, Zarqa, Tafileh, The Capital, Aqaba, Karak, Mafraq, Jerash, Ajloun, Madaba, Ma'an

6. Pillar: Loan installments and interests received 2020 – 2021

The attached table shows one of the main roles of CVDB in supporting municipalities, which is postponing collection of installment and interests accrued on municipalities on 2020 by way of a Board of Directors decision. The bank strives to contribute to alleviating the financial burdens on municipalities resulting from weak revenues, and increased expenses to face the COVID pandemic. The table also shows the collected dues in 2021 that started in 2020 when the decision was passed to postpone collection of installments and interests, since collection happens automatically on the municipalities' balances and accounts. Collected installments and interests 2020 reached a total of JD 2,409,077 (two million four hundred and nine thousand and seventy seven Jordanian dinars) compared to the total collected in 2021 of 12,384,757 (twelve thousand three hundred and eighty four thousand and seven hundred and fifty seven dinars).

Loan installments and interests received in 2020 – 2021

Governorate	2020		2021	
	Installments	Interest	Installments	Interest
Irbid	315,000.000	146,947.170	1,510,518.993	1,803,385.704
Balqa	-	-	20,000.000	16,557.425
Zarqa	550,000.000	223,532.961	1,874,021.000	1,492,757.758
Tafleeh	-	-	153,097.000	62,944.217
The Capital	787,942.000	385,654.614	821,742.000	374,758.359
Karak	-	-	773,215.718	675,711.886
Mafraq	-	-	383,866.000	206,712.392
Jerash	-	-	529,077.401	476,243.071
Ajloun	-	-	317,843.000	129,695.881
Madaba	-	-	79,308.000	89,692.452
Ma'an	-	-	248,226.563	345,381.884
Total	1,652,942.000	756,134.745	6,710,915.675	5,673,841.029

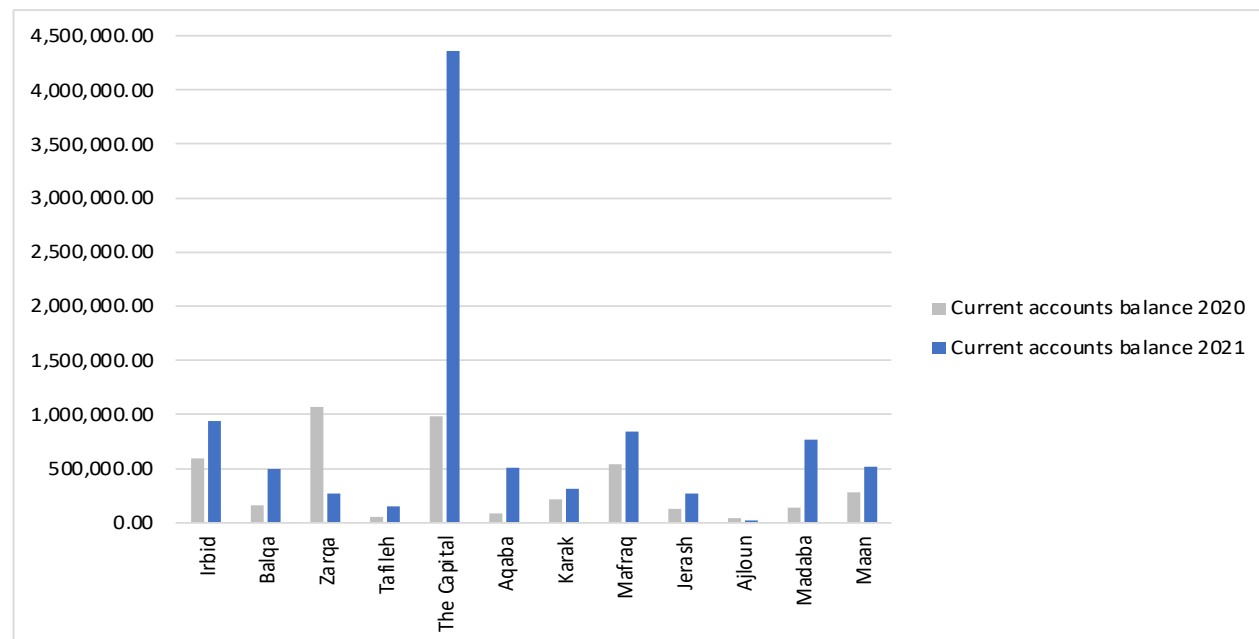


Eleventh Pillar: Financial Operations

7. Pillar: Balances of customer accounts - municipalities 2021 - 2020

When comparing the results of 2020 with 2021, an increase is noticed in the exposed balances of municipal deposits. Exposed deposit balances for the year 2020 amounted to JD 98,546,526, while they amounted to JD 139,427,414 in 2021, with an increase of approximately 41%, as shown in the attached table. This indicates an apparent weakness in municipal revenues and rise in expenditures. There was a slight improvement in the balances on current accounts, as they reached JD 9,424,320 in 2021, compared to JD 4,249,455 in 2020.

Governorate	Deposits balance 2020	Current accounts balance 2020	Deposits balance 2021	Current accounts balance 2021
Irbid	-19,042,981.41	588,446.20	-32,497,519.19	936,037.08
Balqa	-639,440.50	159,527.70	-2,372,060.38	492,319.77
Zarqa	-21,201,947.24	1,066,746.14	-27,911,603.20	264,832.81
Tafileh	-3,842,974.03	52,383.48	-6,221,986.24	151,088.67
The Capital	-16,328,481.73	977,422.81	-7,066,291.58	4,358,715.07
Aqaba	2,103,102.85	82,698.95	1,651,580.02	502,023.12
Karak	-6,077,525.29	218,137.53	-11,474,536.20	308,694.98
Mafrq	-9,037,700.49	534,938.43	-15,903,628.18	838,193.59
Jerash	-9,133,754.54	125,155.71	-14,145,522.99	271,358.44
Ajloun	-13,756,465.99	36,608.70	-18,529,349.46	19,478.77
Madaba	-669,634.47	133,308.97	-2,656,409.66	769,449.27
Maan	-918,723.13	274,080.18	-2,300,086.60	512,128.81
Total	-98,546,525.97	4,249,454.79	-139,427,413.66	9,424,320.36

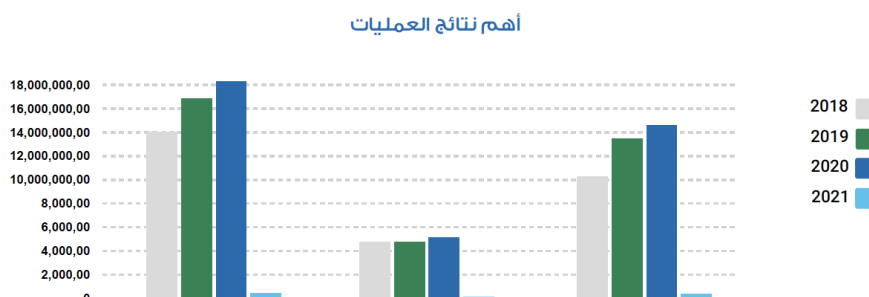


Twelfth Pillar: Financial Analysis and Key Project Financial Indicators

The bank has achieved remarkable success over the past five years, with positive growth in its financial performance in 2021 compared to previous years. There was also a significant increase in the value of received revenues for the years 2019 and 2020. However, the bank was affected by the repercussions of the COVID pandemic, which led to a decrease in the values of general and administrative expenses, respectively, for the years 2020 and 2021. General and administrative expenses in 2021 amounted to JD 3.6 million, due to donating to “Himmet Watan” fund JD 250 thousand, and due to defense orders, that obligated employees to work minimally for two years 2020 and 2021, which led to a significant decrease in the values of the expense items: electricity, water, telephone, and fuel. This contributed to an increase in net profit, reaching JD 13,367,044 million. The value of the facilities granted to municipalities for the year 2020 increased to JD 150 million, due to the granting facilities to most of the municipalities that year.

Key operational results	2018	2019	2020	2021
Received revenues	12,799,924	15,422,631	16,972,919	
Administrative and general expenses	3,633,014	3,475,787	3,609,875	
Net profits	9,166,910	11,945,228	13,367,044	
Most important budget items				
Total assets	9,166,910	11,945,228	13,367,044	
Total customer deposits	105,547,049	61,458,763	81,461,413	
Credit facilities granted	99,752,653	182,189,957	240,072,807	
Investments outside the financial center (Associate company - for energy saving technology)	10,000	8,384	12,384	
Total liabilities	196,005,917	140,343,255	167,834,366	
Total shareholder equity	119,671,252	131,611,230	143,523,400	
Some financial ratios				
Return on assets	3%	4%	5%	
Return on shareholder equity	8%	9%	9%	
Profit margin	72%	77%	79%	
Share percentage (Associate company - for energy saving technology)	20%	20%	20%	

Key Operational Results



Thirteenth Pillar: Future Outlook

The bank seeks to amend its 1985 law, which is in force in parallel with the amendment of the Local Administration Law. This amendment is in line with the government's indicative executive program (2021-2024). The program was prepared under exceptional circumstances surrounded by challenges related to the COVID pandemic and its continued repercussions, and a return to normalcy not only in Jordan, but in the region and the world at large, especially in terms of people's movement, global business and markets' recovery. The government commits to performing periodic reviews of the indicative executive program. It will take into account any developments or updates on the pandemic's situation and the economy in two frameworks: regional and global. Reviews will be done in order to improve and develop KPI, quantitative and qualitative targets and timelines for implementation. The bank has adopted the fifth pillar related to infrastructure service development, that including engaging the local community in placing priorities and detailing targeted policies for achieving local development. As well as, developing municipal services, increasing the efficiency of energy use across all sectors, and reducing its cost on national economy.

The draft law aims to enable the bank to provide banking services and credit facilities to municipalities, Aqaba Special Economic Zone, the Petra Development and Tourism Region Authority, and any entity working to create local development projects within municipal borders. It also includes partnership projects between municipalities and the private sector, and managing and overseeing grants and loans, providing technical and advisory services, and conducting studies. It covers the provision of a database and information related municipalities (Municipal Observatory application), and obliges them to provide the bank with all their balances at commercial banks and the results of their actual financial performance and any other data required by the bank on a regular basis. The bank will determine what is required for the purposes of its analysis in order to enable the municipalities to conduct proper planning, support appropriate decision-making, and forecast the needs of municipalities and customers for service improvement and development. The project also includes transferring the functions and powers of the Municipal Development Fund from the Jordan Enterprise Development Corporation to the bank. Whereby a special account will be allocated in the bank for the fund's money, revenues and expenditures. In turn the bank ensures the continuity of providing support to productive and investment projects in the governorates of Jordan outside the borders of the Greater Amman Municipality, in accordance with regulations to be issued for this purpose. The composition of the bank's Board of Directors will also be changed to be headed by the Minister of Local Administration, with members who are representatives of the Ministry of Local Administration, Ministry of Finance, Ministry of Public Works and Housing, Ministry of Planning, and the Central Bank of Jordan. The board will also include five members representing the municipalities of the three categories and two representatives of the private sector who are experienced and highly specialized. The tasks and powers of the board were aligned with the principles of corporate governance and the nature of the bank's business.

Bank Projects Completed During 2021

[Photos]

Renovation of Irbid municipality parks

Irbid municipality playing fields

Bus complex in Sahhab

Metal containers Zarqa municipality

Rainwater drainage Irbid municipality

Ma'an municipality building

Sports Hall in Sabha and Al-Difyaneh municipality

Auditor's Report 2021