

U.S. DEPARTMENT OF THE TREASURY

Press Center



Deauville Partnership with Arab Countries in Transition Fact Sheet on Finance

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Context

The Middle East and North Africa region is undergoing one of the most important transitions of our time. The G-8 launched the Deauville Partnership with Arab Countries in Transition^[1] to support the historic changes in the Middle East and North Africa. In the face of numerous challenges, the five transitioning countries (Egypt, Libya, Jordan, Morocco and Tunisia) have taken important steps toward democracy and economic development. However, these countries face growing economic challenges, including a difficult external environment and, for some countries, delays in the political transition.

The Partnership's efforts on finance focus on economic stabilization, near-term job creation, and economic governance to help the Partnership countries move towards sustainable and inclusive growth. Specifically, the Partnership is launching a Capital Markets Access Initiative, creating a new Transition Fund, and promoting assistance by International Financial Institutions (IFI) in a coordinated and effective way.

Capital Markets Access Initiative

The heightened uncertainty associated with political transitions has meant that the five transitioning countries face significant constraints in financing their budgets and accessing external capital to support much-needed investments. Access to private sector finance for governments and businesses, especially small and medium-sized enterprises, will be important to restoring economic stability, increasing jobs, reducing poverty, and boosting long-term growth. Since the events of last year, the Partnership countries and their private sectors have experienced reduced access to the international capital markets.

The Capital Markets Access Initiative aims to help the transitioning countries reintegrate into international capital markets under reasonable financing terms to fill their sizable financing gaps and to allow their enterprises to invest in job-creating projects. In particular, the Initiative creates a collective approach to channel credit enhancement and political risk insurance instruments to transitioning countries and their private sectors.

As an example of the work of this initiative, on April 20, U.S. Treasury Secretary Tim Geithner and Tunisian Finance Minister Houcine Dimassi signed a declaration of intent to proceed with a U.S. loan guarantee for Tunisia. Since the signing of the declaration, teams from the U.S. and Tunisian governments have made considerable progress toward signing a loan guarantee agreement and hope to proceed as quickly as possible with additional actions that would allow the Tunisian government to re-enter international capital markets later this year. This guarantee, combined with additional financing from the multilateral development banks, will help Tunisia meet its 2012 financing needs. Work proceeds on a follow-on financing package from the multilateral development banks, including additional sovereign guarantees.

A New Transition Fund

The five transitioning countries face an urgent need to fundamentally re-orient their economies to address their high levels of unemployment, weak rule of law, and deteriorating public services. The transitioning countries have asked for support to meet these demands, including technical assistance (TA) and grant resources to accelerate innovative reforms. While a wide range of bilateral and multilateral donors currently provide TA, it has not sufficiently addressed the needs of some key areas, in particular economic governance.

Members of the Deauville Partnership have proposed a new, grant-based Transition Fund to help countries implement critical reforms in the areas of: (1) economic governance, (2) trade, investment, and integration, and (3) institutional reform. A new Transition Fund would support a combination of diagnostic analyses, technical advice, and initial implementation of targeted policy initiatives and reforms that have strong demonstration effects. The G-8, regional partners and transition countries are working together to advance this fund. The fund will have broad support from G-8 and Gulf donors, and is expected to be operational later this year.

Multilateral Assistance and IFI Coordination Platform

The IFI Coordination Platform aims to facilitate information sharing and operational dialogue with the Partnership countries, identify opportunities for joint transactions and policy and analytical work, and coordinate monitoring and reporting on the implementation. The IFIs established a dedicated Coordination Platform in advance of the Finance Minister's Meeting in Marseille on September 10, 2011 to better leverage the collective resources of the ten IFIs that work in the region, with the African Development Bank as the first chair of the rotating secretariat. Since that time, the Partnership has sought to deepen the cooperation among the ten IFIs and between bilateral and IFI assistance.

On April 20, the Partnership called on the ten Partnership IFIs to deliver on their commitments in the short term, particularly in the area of job creation and small and medium enterprise (SME) development. Examples of ways in which the IFIs are providing concrete support to the Partnership countries this year include:

- The provision of development policy loans to Tunisia (African Development Bank and World Bank), Jordan (World Bank), and Morocco (World Bank) underpinning governance, private sector reforms and domestic markets.
- In Tunisia, the African Development Bank is supporting SME credit lines and rural infrastructure to support inclusive growth.
- Support for public-private partnerships through the Arab Financing Facility for Infrastructure, launched last year by the World Bank and Islamic Development Bank.
- Development of relevant post-secondary education skills in the region through the International Financial Corporation "e4e Initiative for Arab Youth."
- The European Bank for Reconstruction and Development and the Arab Monetary Fund are cooperating to promote local currency and capital markets in Egypt, Jordan, Morocco, and Tunisia.

[1] Countries in the Partnership include the five Partnership countries (Egypt, Tunisia, Jordan, Morocco, and Libya), the G-8, Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and Turkey. The International Financial Institutions include the African Development Bank, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the European Bank for Reconstruction and Development, the European Investment Bank, the Islamic Development Bank, the International Finance Corporation, the International Monetary Fund, the OPEC Fund for International Development, and the World Bank. The Organization for Economic Co-operation and Development is also a Partnership member.

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