

Deauville Partnership with Arab Countries in Transition: Chairman's Statement

Tokyo, October 12, 2012

Under the Deauville Partnership with Arab Countries in Transition, G-8 countries, regional partners, and international financial institutions are working in partnership with countries undergoing historic political and social transitions in the Middle East and North Africa. On October 12, Finance Ministers and regional and international financial institutions met on the margins of the World Bank and International Monetary Fund (IMF) Annual Meetings to advance our shared objective of sustainable, inclusive, growing economies in the region.¹ Finance Ministers also welcomed Yemen to the Partnership and discussed the economic challenges facing the new Yemeni government.

Under the Partnership, we have taken a new approach to the region, responding more directly to the ambitions and needs of citizens in Partnership countries so as to generate visible improvements in the lives of people – especially the younger generation. In 2011, the Partnership was established to develop an economic agenda to enable transitioning countries to achieve sustainable and inclusive growth. Key outcomes supported by the Partnership in 2012 include:

- **Transition Fund:** At the meeting, the Partnership launched a new Transition Fund to provide Partnership countries with technical assistance to undertake policy reforms to build more inclusive and transparent economies, boost trade and integration of the region, and enhance the environment for private sector growth. The United States, United Kingdom, Saudi Arabia, Canada, Japan, France, Kuwait, Russia, and Qatar all announced their proposed contributions, totaling about \$165 million towards a goal of \$250 million over several years. The Fund will be hosted by the World Bank, in partnership with the International Financial Institutions (IFIs) in the Deauville Partnership. The Fund will begin accepting proposals later this year.
- **EBRD Expansion:** In August, shareholders of the European Bank for Reconstruction and Development (EBRD) accepted amendments to Article 18 of its charter, unlocking immediate resources for the EBRD to invest to create jobs, build the private sector, and apply its substantial expertise to the region. In September, the EBRD approved its first investments into Tunisia, Jordan, and Morocco, with investment into Egypt to follow. The EBRD is ramping up its investments and has capacity up to \$3.4 billion per year in the region.
- **Stabilization and Development Programs:** In August, the IMF approved a \$2.1 billion Stand-by Arrangement for Jordan and a \$6.2 billion Precautionary and Liquidity Line for Morocco in support of these countries' economic programs, and in April the IMF approved a \$100 million concessional loan to Yemen under the Rapid Credit Facility. Discussions with Egypt on a program are also underway. IMF arrangements provide a macroeconomic

¹ Countries in the Partnership currently include the Partnership countries (Egypt, Tunisia, Jordan, Morocco, Libya, [and Yemen]), 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 Cooperation and Development is also a Partnership member.

framework for bilateral and multilateral assistance, help Partnership countries fill near-term financing gaps, and guard against downside risks. In addition, new partnership strategies have been launched between the World Bank Group and Jordan, Egypt, Yemen and Tunisia, and the partnership strategy has been updated with Morocco. These strategies provide for a wide range of financing, technical cooperation, and analytical work to support countries in their transition process.

- Capital Markets Access Initiative: The Partnership launched the Capital Markets Access Initiative to help Partnership countries access private capital to finance critical investments and increase access to finance for the private sector. Under the Initiative, the Partnership has taken a number of steps to help restore market access to Partnership countries, as summarized in the attached fact sheet.
- Asset Recovery: As noted in the Chairman's Statement from the Foreign Ministerial held on September 28, the Partnership launched the Arab Forum on Asset Recovery to raise awareness of multi-faceted measures for asset recovery, provide a forum for regional training and discussion of best practices, identify capacity building needs, and develop tools to facilitate asset recovery, including country-specific guides on asset recovery. We will work with relevant international organizations, notably the World Bank / UNODC StAR Initiative, to implement our Asset Recovery Action Plan and ensure that concrete progress is made in recovering stolen assets.

IFI Coordination Platform: The Coordination Platform, launched in September 2011, has allowed regional and international financial institutions to combine efforts on financial assistance and projects. As Secretariat of the Coordination Platform, the African Development Bank deepened IFI support for private sector development in the Partnership countries, with a focus on small and medium enterprise development. The Islamic Development Bank (IsDB), which took over the Secretariat in September 2012, will continue to expand the ongoing joint work of IFIs. As Secretariat, IsDB provided an update on IFI support to Partnership countries as part of the Deauville Partnership's ongoing accountability and transparency efforts.

The Deauville Partnership with Arab Countries in Transition will continue to provide concrete support to Partnership countries, building on the achievements of 2012. Building on the G-8's accountability efforts, Ministers reinforced the importance of shared accountability for commitments undertaken under the Deauville Partnership both within IFIs, as well as G-8 members, regional partners, and the countries in transition.

We look forward to continuing this important work under the United Kingdom's chairmanship in 2013. Chancellor Osborne indicated that the UK government's priorities for the Partnership in 2013 will be to: continue to support the Partnership countries in achieving and maintaining economic stability; achieve full operation of the Transition Fund by Spring 2013; secure full ratification of the EBRD mandate; take forward the Capital Markets Access Initiative to enable transition countries and businesses to raise money; and continue to expand trade with the region.

FACT SHEET
DEAUVILLE PARTNERSHIP WITH ARAB COUNTRIES IN TRANSITION
TRANSITION FUND

TOKYO - Members of the Deauville Partnership with Arab Countries in Transition announce the launch of a new, grant-based Transition Fund. The Fund will provide grants to Partnership countries in transition for technical cooperation and pilot projects to build institutions and implement critical policies in the areas of (1) economic governance; (2) trade, investment, and integration; and (3) inclusive development and job creation.

The Partnership countries in transition are eligible to apply for funding from the Transition Fund. Partnership country governments will design and implement proposals with support from international and regional financial institutions participating in the Partnership. The World Bank will serve as trustee of the Transition Fund.

The Transition Fund demonstrates a joint commitment by G-8 members, Gulf and regional partners, and international and regional financial institutions to support the efforts of the people and governments of the Partnership countries as they overhaul their economic systems to promote more accountable governance, broad-based, sustainable growth, and greater employment opportunities for youth and women. The Transition Fund has been designed to be rapid, flexible, and responsive so that Partnership countries can quickly call on it in support of a combination of diagnostic analyses, technical advice, and implementation of targeted policy initiatives. Through the Transition Fund, a modest amount of official finance can catalyze much larger changes that will help enable transitions to new, sustainable economic models.

Deauville Partnership members have currently pledged about \$165 million towards an overall Transition Fund envelope of \$250 million. Currently, nine donors have confirmed pledges, and the Partnership will work towards full participation. Assuming a total fund size of \$250 million to be implemented over several years, pledges are as follows:

- **United States:** \$50 million
- **United Kingdom:** \$25 million
- **Saudi Arabia:** \$25 million
- **Canada:** \$15 million
- **France:** €10 million [\$12 million]
- **Japan:** \$12 million
- **Kuwait:** \$10 million
- **Russia:** \$10 million
- **Qatar:** \$5 million

The Partnership will work to fill the remaining funding gap to fulfill an overall envelope of \$250 million for the Transition Fund.

FACT SHEET
DEAUVILLE PARTNERSHIP WITH ARAB COUNTRIES IN TRANSITION
CAPITAL MARKETS ACCESS INITIATIVE

TOKYO - Members of the Deauville Partnership with Arab Countries in Transition announced progress on the Partnership's Capital Markets Access Initiative. The Partnership launched the Capital Markets Access Initiative to help Partnership countries access private capital to finance critical investments and increase access to finance for the private sector. Under the Initiative, the Partnership has taken a number of steps to help restore market access to Partnership countries, including:

- In July, the United States guaranteed the repayment of principal and interest on a \$485 million, seven-year Tunisian sovereign bond, at a coupon rate of 1.69 percent. This issuance marked Tunisia's first sovereign debt issuance since 2007.
- The governments of Japan and Tunisia are exploring the possibility of a Tunisian government issuance of a Japan Bank for International Cooperation-backed, yen-denominated sovereign bond, which would provide an additional source of finance to help Tunisia invest in programs that support job creation and growth.
- The European Union (EU) is prepared to explore the possibility of providing credit enhancements on a project-by-project basis for project bonds in the Partnership countries starting in 2013 to provide countries with access to private capital in support of vital infrastructure investments. The EU will work with the European Investment Bank, the EBRD, and the World Bank to provide this guarantee to a first project in the region.
- The Islamic Development Bank, through its credit and political risk insurance arm, is planning to launch a new sukuk (Islamic bond) guarantee product possibly towards the end of 2012, which could benefit Arab countries in transition, as sovereign sukuk issuers, and enable them to raise financing for infrastructure investment and other developmental projects from international financial markets.
- The Middle East North Africa Micro, Small, and Medium (MSME) Enterprise Facility, supported by the IFC, the EU's Neighborhood Investment Facility (subject to final approval), EIB, Agence Francaise de Developpement, and World Bank, will provide risk coverage to enhance access to finance for MSMEs in Jordan, Tunisia, Egypt, Lebanon and Morocco. The World Bank and International Financial Corporation MSME Technical Assistance Facility (TAF) will provide support to MSMEs, lending institutions and governments to help access the Facility.
- In June, the International Financial Institutions, led by the Arab Monetary Fund and European Bank for Reconstruction and Development, launched joint needs assessments for local capital market development in the Partnership countries. The development of domestic capital markets will be crucial to providing sustainable finance to the public and private sector. Assessments have been completed in Jordan and Tunisia, and reports for Morocco and Egypt are scheduled to be completed by early 2013.