Commission reply to the special report 'Macro-financial assistance and structural adjustment facilities'

(2002/C 65/04)

SUMMARY

I-II. Although similar in a number of aspects, MFA (macro-financial assistance) and SAFs (structural adjustment facilities) are designed differently and are meant to address different needs.

MFA is an exceptional instrument (based on ad-hoc Council Decisions) and is designed to help the beneficiary countries in dealing with serious but generally short-term macroeconomic imbalances (serious balance of payments and fiscal difficulties).

MEDA SAFs are regular instruments of financial cooperation with the beneficiary countries. They address more long-term budgetary needs associated with the development process of these countries and are decided in the context of the normal programming exercise applying to all operations implemented under the MEDA Regulation.

III. The amount allocated to an SAF takes into account the costs of the reforms supported by the operation and since 2001 is documented more fully. The Commission conducts close discussions with the country and the international financial institutions (IFI), in particular the International Monetary Fund (IMF) and the World Bank (WB) to coordinate action and to assess the country's real needs. In the case of SAFs, synergies with the World Bank are considered important, either as parallel operations with identical conditionality (to increase joint leverage and avoid 'donor splitting' by the beneficiary) or in the form of self-standing EU operations which further the goals of the association agreements to which the World Bank attaches great importance.'

As SAFs accompany the reform programmes of the Mediterranean partners, a fixed timetable of disbursements is not required (instalments are released only upon compliance with conditionality). This is because (a) the rhythm of reforms of the partner country should be respected, and (b) SAFs are not exceptional instruments to be used in the urgent financing of internal and external deficits.

IV. Although the Ecofin conclusions referred to by the Court are informal and not legally binding, the bulk of MFA follows the principles. Some exceptions may occur, which is not unexpected given the nature of the programme, though these are known about and subject to appropriate review.

Coordination, by its nature, can always be improved, but it is felt that there is generally a good balance achieved between coordination and action activities.

V. All the countries concerned by such aid are regularly subjected to IMF Article IV review, when budget implementation and the quality of the data concerning public finances are examined and evaluated. These provide a major input to assessing the quality of budgetary and accounting processes.

VI. Highly qualified and experienced staff, who have contacts with specialists and independent experts, are dedicated to the programmes. It is appropriate that the Commission works closely with the IFIs and uses the same information, as in many cases the objectives are the same. Disbursement can be based on an overall evaluation of the achievement of set objectives though all relevant available information should be weighed up to arrive at an appropriate conclusion. Some actions which may not have been foreseen in an original agreement may be important in achieving the overall objective.

VII. The Commission produces a report, which exceeds the minimum requirements. However, it is looking for continual improvement and as a result of a focus on evaluations the report should be further improved in the future with details of these results.

VIII. A systematic effort is made to ensure adequate complementarity with IMF/WB programmes. Generally the mobilisation of MFA and SAFs is associated with additional reform efforts required from the recipient partner countries. More evaluations are foreseen as part of the reform process which also includes output criteria. They should allow a better assessment of the value added of the EU interventions.

Although these two instruments are designed differently and pursue somewhat different objectives, an effort is under way to ensure consistency in their implementation procedures. The observation of the Court will be taken into account in this context.

The Commission will ensure, in all cases, that reasons for granting waivers are adequately documented.

This is foreseen as part of the general reform.

INTRODUCTION

4. Macro-financial assistance (MFA) is an exceptional instrument (based on ad hoc Council decisions) designed to help beneficiary countries in dealing with mainly short-term macroeconomic imbalances.

In contrast, Structural adjustment facilities (SAFs) are a standard instrument of economic cooperation, aimed at supporting the beneficiary countries in their reform efforts over a long period.

DESIGN OF PROGRAMMES

19. As part of the reform of the management of external aid, the Commission is planning to draft a manual of procedures and to provide specific training on this manual.

The Commission believes that the necessary expertise exists within the departments managing these instruments to guarantee effective evaluation of the performance criteria associated with implementation.

20. The amount allocated to an SAF takes into account the costs of the reforms supported by the operation and since 2001 is documented more fully.

21. Through the 'Country strategy papers 2000-2006' exercise and the three-year indicative programmes 2000-2002, Commission departments have managed to provide, for the medium term, a structure for setting up SAF operations. In this way it is possible to expand, year by year, the scope of the reforms required for the modernisation of the country, in a framework which guarantees the coherence of EU support.

23. See the reply to point 53.

24. The withdrawal of the World Bank was in part due to Lebanon's economic situation. There were extremely close consultations with the IMF and WB on the maintenance of the SAF. Both the IMF and the WB strongly urged the Commission to continue its operation so that there would be one way of bringing pressure to bear on the reform policy in Lebanon.

Although the Article IV consultations were delayed, the IMF, which was keeping a constant watch on the situation in Lebanon, was able to inform the Commission about all the necessary developments.

Meeting the conditions for the first tranche meant that preparations for VAT, the key item in fiscal reform in Lebanon, could be completed and the deadlock was broken in the negotiations on the association agreement. This justified disbursement, even though we made a point of expressing our deep concern about the macroeconomic situation in a letter from the Commissioner to the Finance Minister dated 28 July 2000.

The Commission opted for a non-binding formulation to demonstrate that it was reserving its freedom of judgment in relation to the IMF.

25. In the case of SAFs, synergies with the World Bank are considered important, either (a) in the form of parallel operations with identical conditionality so as to increase joint leverage and to avoid 'donor splitting' by the beneficiary, or (b) in the form of self-standing EU operations, not incompatible with World Bank ones, but furthering the goals of the association agreements to which the World Bank attaches great importance.

26. In each of the cases to which the Court refers, the Commission made a point of consulting the experts from the World Bank, who shared all their knowledge of the social sector. More generally this dialogue allowed the Commission departments to establish a balance in the nature of the actions covered by the programmes.

27. Only in exceptional cases have second tranche conditions been left open. However since January 2001, the Commission has not left any open conditions relating to second tranches in any SAF agreements.

28. The Genval informal Ecofin conclusions referred to by the Court provide general guidance for the design and implementation of MFA. However because of its ad hoc character, each macro-financial or exceptional financial assistance decision sets *de novo* the principles and the conditions of implementation of the corresponding assistance package.

30. The motivation of the Commission's proposal, including its assessment of the factors that justify financial intervention by the Community, is generally laid down in the explanatory memorandum accompanying the Commission's proposal. The existence of a residual external financing gap in the recipient country's balance of payments (after financing from the international financial institutions has been taken into account) is an important, but not a sufficient condition for this type of assistance to be initiated.

The expected added value of the Community's intervention derives from the very nature of macro-financial assistance. The assistance is generally made available to partner third countries, which are geographically close to the EU and maintain important political and economic links with it. This type of assistance complements financing provided by the relevant IFIs and its objectives are therefore consistent with those agreed by these institutions and the recipient country. However, the economic policy conditions (notably on structural reform) attached to the implementation of the assistance are also inspired by the economic cooperation agenda between the EU and the recipient country, as set out in association or cooperation agreements.

31. The Commission has put forward proposals for macro-financial assistance when there were residual external financing needs, over and above those that could be covered by the IFIs.

The characteristics of the exceptional financial assistance to Armenia, Georgia and Tajikistan were similar to those applying to other macro-financial assistance programmes with in particular:

— the necessity to be current on its external financial obligations towards the Community before being allowed to benefit from a new assistance package,

— a grant element justified by the exceptionally difficult economic and social situation in these countries and their limited debt-servicing capacity, as in Albania, Kosovo or Bosnia Herzegovina,

— grant disbursements subject to the fulfilment by the beneficiary countries of macroeconomic and structural reform conditions.

The requested reduction in the net debt position of Armenia, Georgia and Tajikistan was designed to ease the debt servicing obligations of these low income countries.

33. It is necessary to put the implementation of macro-financial assistance within a broader perspective.

In the early 1990s during the first years of the transition from central planning to market economies of most of the countries in central and eastern Europe, many of these countries benefited from one-off assistance packages (Hungary, Czech and Slovak Republics, Baltic countries). The fact that macro-financial assistance has been provided repeatedly to a limited number of countries (notably, Romania, Bulgaria and Ukraine) of eastern and south-eastern Europe simply demonstrates that the transition process to the market economy has in some cases been complex and discontinuous. Because of difficult political circumstances, the necessary structural reforms have been delayed or imperfectly implemented in some countries and exceptional circumstances have reappeared.

35. With regard to the geographical proximity Armenia and Georgia can in many respects be regarded as European NIS. With the possible accession of Turkey, they will even become the EU's immediate neighbours, like Belarus, Ukraine and Moldova. They are of strategic interest to the Community, since their macroeconomic and political stability is essential to adequate energy supplies to Europe through the oil and gas corridors linking it to Central Asia. These countries are linked to the European Union by a special relationship through their Partnership and Cooperation Agreements and important programmes like Traceca and Inogate. The case of Tajikistan is somewhat different, but the country's stability is also essential to Central Asia's stability and to the proper functioning of the oil and gas corridors.

Although it is recognised that further progress in the area of human rights is required in some of the countries concerned, the Commission considers that the political preconditions have so far been respected and no country with a dubious track record in the respect of democratic principles and human rights is presently benefiting from an active MFA programme.

38. The Community assistance is generally decided at a particular point in time and committed on the basis of the estimated average residual financing needs of the recipient country's balance of payments, in the context of an IMF supported programme. The disbursements take place, when the conditions of this assistance are fulfilled, in principle during the programme period, but irrespective of the balance of payments effective needs (which are constantly varying during the period) at the time of the disbursements (unless unexpected circumstances arise, the programme is discontinued or a reassessment of the external financial situation has been explicitly foreseen from the outset). This is the only practical way to implement financial assistance of this type and is the approach adopted by all major official donors.

39. As reflected in Annex 2.1 of the Commission report to the Parliament and to the Council on the implementation of macro-financial assistance in 2000 (COM(2001) 288 final), Community assistance to Bulgaria in 1999/2000 represents about 50 % of the total bilateral support made available to this country (see also reply to point 38).

40. In the view of the Commission, UNMIK had made particularly good progress in establishing a macroeconomic framework under very difficult circumstances. This included e.g. setting up a central fiscal authority ensuring fiscal control and the development of a revenue base. This justified in the Commission's view the release of the second payment.

This positive appraisal was corroborated by the positive appreciation of Kosovo's economic transformation from the IFIs and other international bodies. As appropriate when taking its decision, the Commission also took into account the external financing needs and the urgency. The Pristina Office of the European Agency for Reconstruction was not responsible for determining whether the conditions necessary for releasing the second payment had been met. It was deemed appropriate to proceed with the implementation of macro-financial assistance when conditions specifically attached to it were fulfilled, rather than introducing cross-conditionalities thereby running the risk of stalling progress in the area of the economic framework and the provision of basic services to Kosovo.

41. When the Kosovo crisis erupted, the Commission decided to provide Albania with emergency budgetary support (a grant) of up to EUR 67 million to help the country to cope with the presence of a larger number of refugees. Although only EUR 33 million was ultimately disbursed, because the refugees returned more quickly than anticipated, Albania then decided not to take advantage of the loan support already approved. This assistance is no longer programmed and the Commission agrees, could be cancelled.

43. MAF drawn up on policy-based conditionality may sometimes need to be formulated in general terms, so as to take into account complex circumstances and leave a margin of judgment.

In the case of the two examples, the Commission would observe:

— with regard to Kosovo, at the second Donors' Conference of 17 November 1999, UNMIK, the European Commission and the World Bank presented detailed programmes and documentation. These documents described priority areas for which regulatory frameworks had to be established (e.g. energy, water and waste, transport, telecommunications etc.). Results can be assessed on the basis of preparatory documents (e.g. the White Paper for private sector development), draft regulations (circulated in the JIAS or sent to the legal office) or adopted regulations,

— the condition mentioned in the case of FYROM was inspired by the World Bank's public expenditure and institutional review action plan. This action plan sets out certain steps to be undertaken, but was not very specific on the timetable to be followed (as most of the timetable was relative to the creation of the Civil Servants Agency). Therefore, it was deemed appropriate to formulate the condition broadly and to use the WB action plan for assessing whether the authorities had 'made significant progress . . .'.

44. All the conditions associated with the 1999 macro-financial loan to Romania were key issues identified in the Commission's Opinions and Regular Reports of 1997, 1998 and 1999.

45. At the time of the action, Montenegro both faced a very complex and difficult external environment and was embarking on a transition period that involved institution-building and modernising the administration. The assistance needed to be implemented urgently for political, economic and financial reasons. Against this background, it was decided to reduce the usual minimum interval between disbursements from three to two months. The structural reform conditionality attached to the disbursement focused on the budgetary sphere, notably on the enhancement of fiscal and budgetary transparency, where it was considered feasible for the authorities to make satisfactory progress within two months.

However, as the Council Decision made clear, the two-month period was a minimum and the assistance could not in any case be disbursed until conditions had been fulfilled. The actual disbursement of the second tranche took place four months after the first tranche precisely because of unsatisfactory compliance with the conditions.

ASSESSMENT OF PARTNER GOVERNMENT'S BUDGETARY AND ACCOUNTING PROCESSES

47. The MEDA countries are subject each year to an IMF Article IV review, when budget implementation and the quality of the data concerning public finances are examined and evaluated. The reason why the Commission did not conduct a specific evaluation of these matters was because it works in close coordination with the World Bank, which carries out reviews of public spending in the region, and with the IMF, including its fiscal department, on all the fiscal aspects. These provide a major input to assessing the quality of budgetary and accounting processes.

48. The guide to budgetary aid procedures currently in preparation states that the assessment of public finances is one of the main steps in the preparation of a budgetary aid operation.

49. When macro-financial assistance is used for its usual purpose of strengthening the country's external reserves, a close monitoring of the beneficiary country's national budget is not the main focus. The government is not expected to use the money paid to the Central Bank, since an increase in external reserves is not automatically translated into an increase in the Central Bank's credit to the government. The IMF quantitative targets monitoring is a sufficient guarantee in this respect.

When macro-financial assistance is paid directly to the national budget (e.g. Kosovo, Montenegro), it is appropriate to monitor this budget. In this respect, the Commission services benefited from the overall budgetary monitoring implemented by the IFIs, by the EU pillar of the UN administration in Kosovo and by a consultant in Montenegro.

50. The Commission agrees that lessons learned should be duly taken into account. It also agrees with the importance of assessing the quality of public finance management in countries benefiting from budgetary aid, a major point emphasised by the IAS report. The Commission consults with donors including the WB and IMF on the assessment of public finance management.

MONITORING OF MFA AND SAF

51. With regard to MFA, there are internal rules and procedures, although not always strictly formalised. The informal character of such rules and procedures results from the exceptional nature of the instrument.

The responsibility for the implementation of macro-financial assistance lies with the geographical Units, but the adviser in charge of coordination of financial assistance supervises all operations and ensures overall consistency.

53. Commission departments, including the delegations, regularly monitor the economic and political developments of the beneficiary countries.

In implementing its programme of deconcentration of staff to the delegations, the Commission is enhancing their capacity to monitor the political and economic conditions in beneficiary countries.

55. While retaining its freedom of judgment, the Commission now systematically coordinates its action with the World Bank.

56. The rationale of SAFs (accompanying the reform programmes of the Mediterranean partners) does not require the establishment of a fixed timetable for disbursements. Payment of instalments is made only when conditionality is met. The rhythm of reforms of the partner country should be respected. It should be recalled that SAFs are not exceptional instruments used in response to short-term urgent external financing needs.

58. As foreseen in the Memorandum of Understanding defining disbursement conditions the Government of Jordan approved a draft competition law taking into account the comments of DG Competition. This draft was submitted by the Government to the Parliament in 1997. Since then Parliamentary Committees have discussed the draft and sent it back several times to the Government with request for amendments. Unfortunately, in April 2001 the Parliament refused the Law. In conclusion, the interlocutor of the Commission, the Government of Jordan, has fully complied with the conditions as set out in the memorandum of understanding.

59. It is correct that there is generally consensus between the Commission and the IMF/WB about progress in the adjustment and reform process of the recipient countries. However, the Commission decisions concerning disbursements of macro-financial assistance and of SAFs are taken independently.

60. The Council Decisions authorising macro-financial assistance operations stipulate that the Commission is responsible, in consultation with the EFC and in coordination with the IMF, for agreeing with the authorities of the recipient countries the conditions of the macro-financial assistance operations and for verifying that these conditions have been fulfilled. The Commission endeavours in all cases to document fully the reasons for waiving conditions. The same approach is applied to SAFs (see also point 74).

REPORTING AND EVALUATION

61-62. All the SAFs approved since 2000 include a financial provision to carry out a final independent evaluation of the programmes. The Court's comment about the report to be submitted by the recipient country will be taken into account for current and future programmes.

62. An evaluation of macroeconomic policy support is planned for 2004/2005. It is not planned to cover MFA. Once the evaluation report is finalised, it will be made available on the Commission's website.

63. Substantial progress has recently been made: the Commission adopted the report on the implementation of macro-financial assistance in 2000 (COM(2001) 288) on 1 June 2001.

64.-65. The structural reform analysis contained in the annual report broadly corresponds to the policy-based conditions agreed with the beneficiary countries. However, given the sensitivity and the confidential character of the reforms agreed in the memoranda of understanding with the beneficiary countries' governments, the link between our analysis and the precise conditions attached to operations is generally not made explicit.

The Commission is planning to initiate independent evaluations of MFA programmes from 2003 onwards.

CONCLUSIONS AND RECOMMENDATIONS

66. The Commission shares the views of the Court and is presently exploring the best way to structure and implement these policy-based instruments so as to enhance consistency and efficiency.

67. As mentioned under point 30, the MFA is generally made available to geographically close partner countries with important economic and political links with the EU. It complements financing provided by the relevant IFIs and its objectives are therefore consistent with those agreed by these institutions and the recipient country. However, the economic policy conditions (notably on structural reform) attached to the implementation of the assistance are also inspired by the economic cooperation agenda between the EU and the recipient country, as set out in association or cooperation agreements.

68. In the case of SAFs, synergies with the World Bank are systematically sought, either (a) in the form of parallel operations with identical conditionality so as to increase joint leverage and to avoid 'donor splitting' by the beneficiary, or (b) in the form of self-standing EU operations, not incompatible with World Bank ones, but furthering the goals of the association agreements to which the World Bank attaches great importance.

In the case of MFA, the justification of a separate EU action is made explicit in the explanatory memoranda of the relevant Council decisions. Consistency is always sought with other EU instruments (see reply to point 30).

69. MFA and SAFs have different objectives as they aim to fulfil different needs although certain operational elements are similar, as noted by the Court.

70. The Commission wishes throughout its operations to harmonise its approach where possible while ensuring sufficient flexibility to cope with different requirements.

73. With respect to SAFs, the guide on budgetary aid, which is currently being prepared by AIDCO, takes into consideration several of the Court's recommendations. See also replies to points 60 and 74.

74. The Commission is working towards the establishment of a more systematic set of rules and procedures that should apply to financial instruments with macroeconomic implications. For instruments like MFA and SAFs, implementation is generally subject to the satisfactory fulfilment of policy-based conditionality. This type of conditionality may sometimes need to be formulated in broad terms, so as to take into account complex circumstances. It is often not only necessary but also productive to leave a margin of judgment.

For this reason, the verification of the satisfactory implementation of the conditions attached to MFA and SAFs require an expert and comprehensive assessment of the country's macroeconomic adjustment and structural reform programme.

75. The Commission fully agrees with the emphasis placed by the Court on the quality of budgetary processes and the importance of transparency.

76. The Commission intends to further enhance monitoring of financial management in the beneficiary countries.

The Commission maintains close working relations with the IMF and WB, but the EC is not a member of these institutions. They may therefore be institutional constraints for the Commission to be involved in their work.

78. The Commission is considering ways to enhance evaluation procedures for MFA, notably by financing evaluation exercises from 2003 onwards. Annual reporting by the Commission to the Council and the Parliament concerning the implementation of MFA, as well as any future exercise of evaluation of this type of assistance, have to duly take into account the sensitivity and the confidential character of the policy measures agreed between the Commission and the beneficiary countries, as conditions for the disbursement of the assistance.

As regards the SAF, the Commission, when preparing operations, begins the analysis of the feasibility and impact of the reform process supported by an SAF. In addition, since 2001 provision is systematically made for the evaluation of the SAF.

ANNEX 3

FULFILMENT OF CONDITIONS

Kosovo

1. In the case of Kosovo, the identification of conditions was particularly delicate given the exceptional circumstances and difficult situation on the ground. Nevertheless, following its review mission in June 2000, the Commission was convinced that the UNMIK progress in implementing the conditionality was sufficient to allow a disbursement.

With regard to Kosovo's budget, the conditionality did not require budget consolidation, but enhanced revenue collection and better expenditure control. UNMIK had progressed in these areas and was commended on this by the international community (Working Level Steering Group of 20 June 2000).

As the Court acknowledges (footnote 15), there are important social and economic reasons ('important concerns of equity') behind the decision of UNMIK not to introduce the wage withholding tax. The Commission concurred with this view and therefore accepted this decision.

With regard to self-financing, in the Commission's view, UNMIK had made significant progress towards increasing the domestically financed part of the budget: in the four budgeted months of 1999 (September-December), roughly one-third of recurrent expenses had been covered by own resources, albeit in a distinct budgetary framework. In 2000, the budget plan foresaw external financing of about 50 % or DEM 220 million, while in fact the budget closed with a cash surplus of DEM 46 million, of which DEM 38 million was from domestic revenues. The 2001 budget plan foresees a further reduction in external financing (in absolute and relative terms).

Bulgaria

2. As mentioned above the Commission always leaves a margin of judgment in the formulation of policy-based conditions.

The Commission considers that naming individual enterprises in policy-based conditionality may, in some cases, be necessary to ensure minimum progress in the privatisation process, notably of large banks and other State-owned enterprises. The argument that this may affect the sales price is only true if the conditionality is made public, which is not the case with the conditions attached to macro-financial assistance. It should be noted that the sale of 'Biochim' was also explicitly part of the IMF/WB conditionality.

3. At the time of the release of the second tranche, the Commission was able to verify that a new bill on EIA was prepared by the Ministry of Environment to ensure compliance with the EU EIA directive. Assurances received by the Bulgarian authorities concerning the adoption of this new legislation were considered sufficient.

4. The Commission considered that the condition was sufficiently met with respect to the objectives of the macro-financial assistance operation. Full compliance with the 'acquis communautaire', which is required for EU membership and is reviewed in the regular reports, is a far more demanding requirement and was not asked for in the agreed MoU.

5. The agreement with the Bulgarian authorities specified that the assistance would be disbursed in two tranches. The conditions for the release of the second tranche were met to a very large extent in the second half of 1998. In June 1998, the possibility of splitting the second tranche was indeed considered. The process was delayed, however, for reasons related to difficulties with several EU Member States arising from debt issues. The full payment was only made in December 1998, after the Commission was satisfied that the respect of conditionality was adequate.

Montenegro

6. The main task of the consultant was: supporting the Montenegrin Government in the area of budget/fiscal reform and helping the authorities to implement the economic policy conditions of this assistance. In pursuing his tasks the expert obviously provided useful information to the Commission that helped it to monitor the assistance. The Commission pursued its own monitoring and evaluation of the assistance through regular contacts and an assessment mission in December 2000.

The consultant accomplished his tasks satisfactorily, especially given the short period of his assignment and the difficult environment at that time. In particular, the consultant helped the Montenegrin Ministry of Finance to make substantial progress in enhancing budgetary transparency and improving budgetary procedures. The Commission did not expect a clear recommendation for or against a disbursement decision, since it considered this to be its own responsibility.

The Commission went on mission to carry out its assessment of conditionality early in December 2000. At that time the Consultant was also present in Podgorica and the Commission had the opportunity to discuss his draft final report, which was available at the beginning of the mission. The consultation of the Economic and Financial Committee was based on the Commission's own assessment and the conclusions in the draft final report.

During its mission in December 2000, the Commission observed that the progress made in some areas had not been satisfactory. It therefore warned the Montenegrin authorities that without further substantial progress in these areas a disbursement of the second tranche would not be possible. The Commission also specified action that had to be taken, but in no way softened the conditions laid down in the memorandum of understanding. It was also necessary to explain the conditions in greater detail, since information about some aspects of the situation on the ground and of the policy environment had been incomplete at the time when the conditions were formulated.

Tunisia

(a) Sale of five companies: the joint World Bank/ADB/Commission evaluation mission considered this condition to have been fulfilled, as the stock market situation was so unfavourable that it would not have been reasonable to demand that the three remaining companies be put up for sale. In return the Tunisians provided a timetable for sale going beyond what had been demanded. It is true that, with hindsight, the technical waiver procedure could have been more transparent in this instance, but the head of mission (World Bank) did not consider it necessary and this procedure does not exist at the Commission.

(b) Five of the 35 conditions for the second tranche were fulfilled in part. This was reflected in the file submitted for the approval of the Director-General and subsequently of the FC. Mathematically, therefore, performance exceeded 85 %.

Given that there is never 100 % compliance, that performance of certain conditionalities went far beyond what was demanded, that the Tunisians offered guarantees for total achievement of the remaining conditions, the decision-makers gave the go-ahead for disbursement provided that the funds were not finally acquired (double signature) until 'full compliance' had been established. This will not happen again as the double signature procedure has been discontinued. At the time nobody could have known that it would take six months. It is quite clear that the Commission cannot alter the regulations of the Tunisian Central Bank.

This programme was considered exemplary, in particular in terms of coordination between donors and the delivery of the privatisation programme.