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EVALUATION

of Decisions (EU) 2016/1112 and (EU) 2016/2371

of the

European Parliament and of the Council
providing Macro-Financial Assistance to Jordan and Tunisia (2016-2019)

{SWD(2022) 301 final}

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Glossary

Term or acronym	Meaning or definition
BRG	Better Regulation guidelines
DG ECFIN	Directorate-General for Economic and Financial Affairs
DSA	Debt sustainability analysis
EFF	Extended fund facility
EP	European Parliament
EU	European Union
EUR	Euro
GDP	Gross domestic product
IMF	International Monetary Fund
LFS	Labour Force Survey
MFA	Macro-financial assistance
MoU	Memorandum of understanding
OLP	Ordinary legislative procedure
PFM	Public finance management
SBA	Stand-by arrangement
SWD	Staff working document
TFEU	Treaty on the functioning of the European Union
ToR	Terms of Reference
USD	United States dollar

1. Introduction

1.1. Purpose and scope of the evaluation

Macro-financial assistance (MFA) is a form of European Union (EU) financial aid for partner countries experiencing a balance-of-payments crisis, helping to restore their external stability and to bring their economies back to a sustainable path. It takes the form of medium-/long-term loans or grants (or an appropriate combination thereof) and complements financing provided by the international community in the context of a financing arrangement with the International Monetary Fund (IMF). Disbursements are conditional on the implementation of policy reforms agreed between the Commission, on behalf of the EU, and the beneficiary country and laid down in a memorandum of understanding (MoU).

Since the entry into force of the Treaty on the European Union and the Treaty on the Functioning of the European Union (TFEU) on 1 December 2009, MFA is governed by Article 212 TFEU (and Article 209 TFEU for developing countries). In turn, each MFA operation is authorised by the Council and the European Parliament based on a dedicated Commission proposal, in accordance with the ordinary legislative procedure (OLP, in line with Article 294 TFEU). In urgent cases, MFA operations can be authorised by the Council alone pursuant to Article 213 TFEU.

In accordance with Article 212 TFEU, in 2016, Parliament and the Council approved a EUR 500 million MFA to Tunisia[1] and a EUR 200 million MFA to Jordan[2] (both abridged as 'MFA-II' hereinafter). These operations followed a first EU macro-financial assistance intervention in the respective countries[3], as both countries continued to deal with serious balance-of-payments difficulties, albeit driven by different factors. While MFA-II to Tunisia was mostly triggered by domestic security threats and the repercussions of the crisis in Libya, both of which heavily impacted the Tunisian economy, MFA-II to Jordan was approved in the context of regional insecurity and the Syrian refugee influx, which continued to pose a major challenge to an already struggling economy.

The second MFA to Tunisia was implemented between October 2017 and October 2019[4]. It was linked to the fulfilment of 15 specific policy conditions[5], covering 7 reform areas: public finance management (PFM) and civil service reform; taxation; social protection; the labour market; the financial sector; the investment climate; and tourism. The second MFA to Jordan was implemented between October 2017 and July 2019, and contained 11 structural conditions[6] across 5 areas: PFM; taxation; social safety nets; employment and trade; and water.

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[1] Decision (EU) 2016/1112

[2] Decision (EU) 2016/2371

[3] MFA-I to Tunisia was adopted in 2014 and fully disbursed by 2017. MFA-I to Jordan was adopted in 2013 and fully disbursed by 2015.

[4] The final tranche was approved on 30 October and disbursed in early November 2019.

[5] The policy conditions are detailed in the related Memorandum of Understanding between the EU and Tunisia.

[6] The policy conditions are detailed in the related Memorandum of Understanding between the EU and Jordan.

In line with the requirements set out in the Better Regulation guidelines (BRG)[7], MFA operations are subject to an *ex post* evaluation. To this end, and in the context of the above-mentioned MFA-II operations to Tunisia and Jordan, the Directorate-General for Economic and Financial Affairs (DG ECFIN) engaged an external contractor to complete a single independent assessment[8] for the two interventions combined. The evaluation, which informs this staff working document (SWD), was undertaken by ICF NEXT S.A. in December 2020, in collaboration with Cambridge Econometrics, and concluded in September 2021[9]. The exercise assessed the respective MFA-II operations' contribution to the macroeconomic and structural adjustment of Tunisia and Jordan.

Innovating from previous evaluations, which covered one MFA operation at a time, this joint evaluation analysed key similarities, differences and patterns across the two interventions. The MFA operations in Jordan and Tunisia seemed suitable for a joint evaluation, based on regional similarities, partly comparable conditionality and overlapping time frames of implementation. Therefore, the joint evaluation also assessed the regional impact of MFA in the EU's Southern Neighbourhood. By analysing the relevance, effectiveness, efficiency, EU value added and coherence of the two operations, the evaluation examined:

1. whether the *ex ante* considerations determining the design and terms of the operations were appropriate, taking due account of the economic, political and institutional context; and
2. whether the outcome of the operations met their intended objectives.

In terms of its methodological approach, the evaluation rests on three pillars:

1. A theory-based approach, which involved making explicit the underlying theory of change for the MFA operations in Tunisia and Jordan, i.e. how the MFA interventions and conditions were expected to contribute to MFA objectives, and then testing that theory to draw conclusions about whether and how the MFA contributed to the observed results. The theory of change was developed based on desk research and validated through key informant interviews;
2. The use of mixed methods (a combination of both quantitative and qualitative research methods) to facilitate deeper understanding of the evaluation issues and to build a rich and comprehensive evidence base for the evaluation; and
3. Triangulation, i.e. the information and data collected from a range of different sources collectively provide answers to DG ECFIN's evaluation questions, as set out in the Terms of Reference (ToR).

While a number of limitations were experienced during the preparation and completion of the study, such restrictions did not affect the robustness or reliability of the evaluation conclusions, which serve as a useful basis for this document and provide further reflections on the assistance. The limitations and mitigating factors are further detailed in Annex II ('Methodology and Analytical models').

[7] European Commission SWD(2021) 305
[8] Ex post evaluation of the macro-financial assistance operations to Jordan and Tunisia (2016-2019)
[9] Annex I to this SWD provides a detailed timeline of the evaluation.

2. What was the expected outcome of the intervention?

2.1. Description of the intervention and its objectives

As of 2013[10], the Joint Declaration adopted by Parliament and the Council provides the guiding principles for MFA decisions, detailing the general eligibility criteria and principles relating to the instrument's conditionality. Principle 1 of the Joint Declaration states that MFA is an exceptional financing instrument of untied and undesignated balance-of-payments support to eligible non-EU countries and territories. Its objectives are:

a) to restore a sustainable external finance situation for eligible countries and territories facing external financing difficulties;
b) to underpin the implementation of a policy programme that contains strong adjustment and structural reform measures designed to improve the balance-of-payments position, in particular over the programme period; and
c) to reinforce the implementation of relevant agreements and programmes with the EU.

As reported in the *ex ante* assessment[11] accompanying the Commission's proposal for the second MFA operation, at the end of the first half of 2015 the Tunisian economy had experienced a sharp downturn in its growth projections compared to the beginning of that year, in the context of a difficult domestic situation and the civil war in neighbouring Libya. This downward revision was largely driven by the negative effect of the terrorist attacks on tourism (which contributed about 7% of GDP and accounted for about 15% of employment), on transport (about 7% of GDP), and on foreign investor sentiment. Despite lower oil prices, weaker domestic economic activity and improved export performance, the negative impact of the terrorist attack in Sousse on tourism put further pressure on the current account, pushing the external deficit towards 8.9% of GDP by the end of 2015. Official foreign exchange reserves ended 2014 at USD 7.7 billion, or the equivalent of just 3 months of imports. Despite the issuance of a USD 1 billion international bond in January 2015, which temporarily raised the level of reserves, reserves had fallen again to about USD 6.5 billion at the end of October 2015, just under 4 months of imports, due to the falling tourism income.

As regards reforms, Tunisia continued to suffer from a number of structural deficiencies. While the country had adopted a number of encouraging reform measures in the preceding years, notably in the context of the programme agreed with the IMF and supported by the then ongoing MFA-I[12], implementation had often been slower than planned, partly reflecting the complex political transition and security problems the country was going through. As was the case in 2014, structural reform progress was mixed in 2015. Delays in the formation of the new government and, subsequently, the challenging political context created by the domestic security threats led to the

[10] An initial framework for MFA operations was provided by the 'Genval criteria', set by the Council in 1993. Following the entry into force of the Lisbon Treaty in 2009, the 'Genval criteria' were replaced by the 2013 Joint Declaration of Parliament and the Council, which represents an understanding shared by the co-legislators.
[11] Commission SWD/2016/030
[12] Major progress was observed in relation to banking sector reform, tax reform and reform of the statistical system.

postponement of certain reforms[13]. In a complex domestic and regional environment, further progress was needed to support growth and fiscal consolidation, even if the reform agenda gathered some momentum in the last quarter of 2015.

Similarly, since the beginning of 2011, Jordan's economy had been significantly affected by the ongoing regional unrest, notably in neighbouring Iraq and Syria. The Syrian conflict had impacted Jordan not only by disrupting trade with and through Syria, but also by causing an influx of more than 670 000 Syrian refugees into the country, which increased pressure on Jordan's fiscal position, public services and infrastructure. Despite the difficult regional situation, the country's economic growth remained stable at around 2.7% between 2011 and 2014. However, in 2015 Jordan's economic growth slowed significantly, with the intensification of the crisis and through its impact on trade, tourism and investor confidence, as well as the slowdown in the Gulf Cooperation Council (GCC) economies. In that year, exports declined by 6.6%, while tourism income fell by 7.1%. Although low oil prices and an 11.5% reduction in total imports led to an improvement in the current account (excluding grants) compared to the previous year, Jordan still ended 2015 with a current account deficit of 8.9% of GDP. Despite net international reserves at the comfortable level of USD 13.4 billion, equivalent to about 7 months of imports, in the first quarter of 2016 Jordan's external position was still under considerable pressure[14].

In the context of adjustment and reform programmes supported by the assistance from the IMF, the World Bank and the EU's first MFA operation, the Jordanian authorities made significant progress in a number of key structural reform areas (notably fiscal policy and administration, PFM and the energy sector). However, while progress in reforms was substantial, additional structural reform efforts still needed to be pursued and intensified at the end of 2015, to enable Jordan to achieve the double goals of fiscal consolidation and strengthening growth in a challenging regional environment.

In light of the above, the Tunisian and Jordanian authorities formalised their requests for new MFA operations (the MFA-II operations) in August 2015 and March 2016 respectively.

Tunisia had already agreed on a two-year stand-by arrangement (SBA) with the IMF in June 2013, for an amount of USD 1.75 billion (400% of the Tunisian quota), which was then extended until December 2015. When the second MFA was requested, the SBA was on track, with discussions with the IMF for a 4-year extended fund facility (EFF) beginning 4 months later. With the EFF in place by spring 2016, the decision to provide a EUR 500 million MFA to Tunisia was adopted by Parliament and the Council in July 2016. The assistance was provided in the form of concessional long-term loans, whose funding the Commission borrowed on capital markets on behalf of the EU. The choice to provide the full amount of the assistance in the form of loans was consistent with the methodology for determining the use of grants and loans in the EU MFA, as endorsed by the Economic and Financial Committee in January 2011[15], considering the economic

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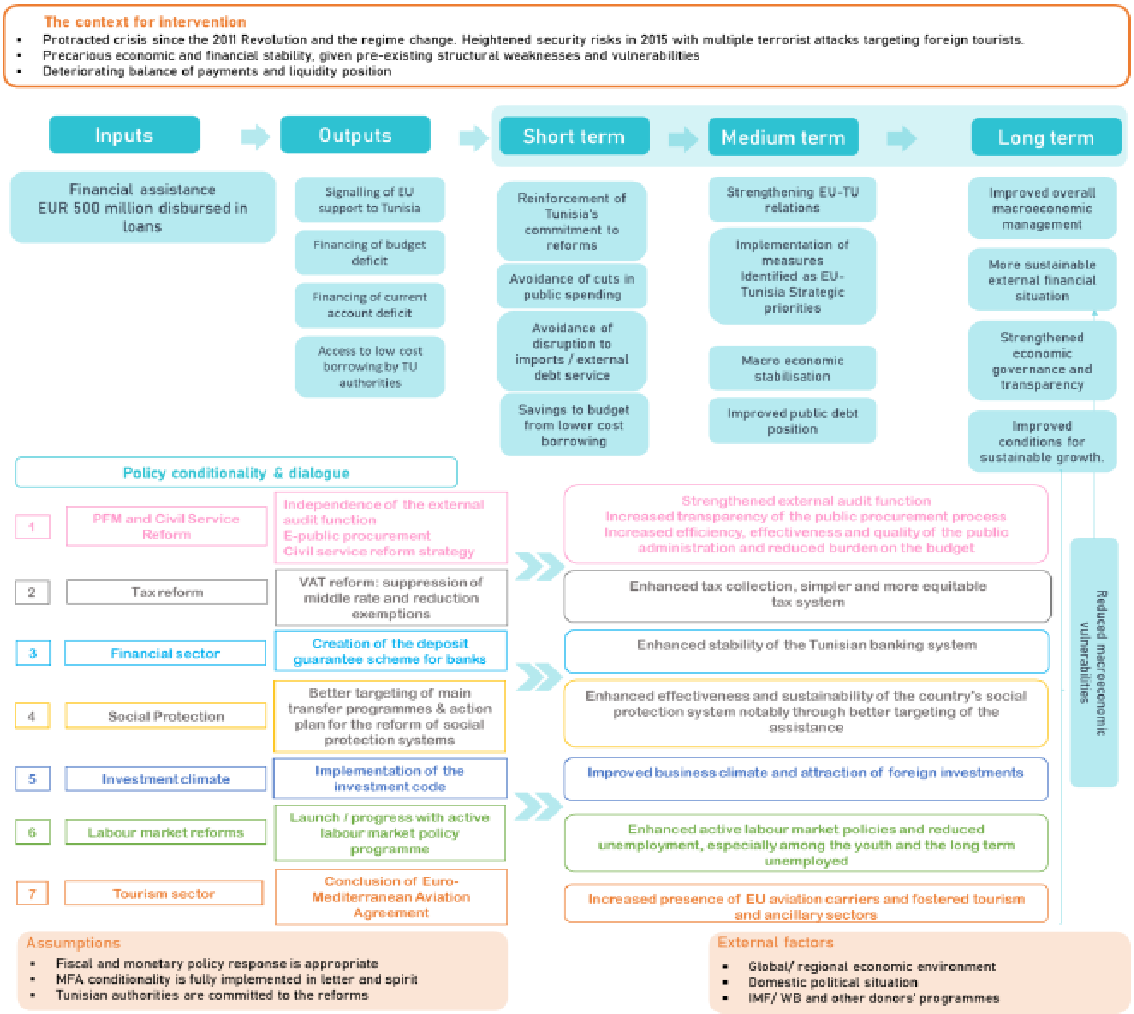
[13] Namely on the creation of an asset management company, on social safety nets, on the business climate and PFM.

[14] Com SWD/2016/0213

[15] The 2011 note to the Economic and Financial Committee states on the use of loans and grants in MFA operations that the criteria to be considered when choosing the form of assistance should be: (a) the level of wealth of the beneficiary country (as measured by GNI per capita and poverty rate); (b) sustainability of public debt; and (c) eligibility for the concessional arms of the IMF or World Bank.

situation in the country. The MFA-II loans were provided in three tranches: EUR 200 million in October 2017, EUR 150 million in June 2019 and EUR 150 million in October 2019[16].

Figure 1. Theory of change for MFA-II to Tunisia, 2016-2019



Source: ICF

The MFA-II operation aimed at covering, in conjunction with funding provided by the IMF and other international donors, at least 62% of Tunisia's estimated external financing gap for the period 2016-2017[17]. The MFA-II was intended to be disbursed over 2016-2017 and represented 14.3% and 6.8% of the overall residual financing gap (after deducting net IMF financing and the expected disbursement of World Bank policy-based loans) in the respective years. By coupling the disbursement of the second and third

Tunisia is a middle-income country with a relatively high level of income per capita. While its public debt ratios have increased significantly in recent years, the country's public debt dynamics are considered sustainable and it does not benefit from International Development Association (IDA) or Poverty Reduction and Growth Trust (PRGT) financing.

[16] Overview: EU macro-financial assistance operations to Tunisia.

[17] The total external financing gap estimated by the IMF stood at USD 5.1 billion in 2015 (USD 2.7 billion in 2016; USD 2.4 billion in 2017).

tranches to the realisation of 15 conditions covering 7 reform areas, the operation also aimed to support Tunisia's fiscal consolidation efforts and external stabilisation in the context of the IMF programme, while backing the country's structural reform efforts to pursue sustainable growth.

The theory of change (Figure 1) illustrates how the MFA financial assistance and conditions were expected to contribute to these objectives. Further details on the implementation process and timeline are provided in the evaluation findings (Chapter 5).

When the Jordanian authorities requested a second MFA in March 2016, the country had just completed the USD 2 billion (800% of quota) three-year SBA programme agreed with the IMF in 2012. Negotiations for a successor arrangement were already under way, and the three-year EFF with the IMF officially entered into force in the second half of 2016. Parliament and Council adopted the Decision to provide the EUR 200 million MFA to Jordan in December 2016.

The assistance was provided in the form of concessional long-term loans, in accordance with the above-mentioned methodology for determining the use of grants and loans in the EU MFA[18]. MFA-II loans were provided in two tranches: EUR 100 million in October 2017 and the remaining EUR 100 million in June 2019.

MFA-II was intended to be disbursed over 2016-2017 and represented 5.5% and 9.6% of the overall residual financing gap in the respective years, estimated by the IMF at USD 3 billion for the period 2016-2017 (roughly USD 1.7 billion in 2016 and 1.3 billion in 2017). The financing gap was broadly attributed to three factors: a persistently large current account deficit, large debt amortisation requirements, especially for 2016, and the need to maintain a prudent foreign exchange reserve level. Other donors (including France, Japan, the US, the Gulf Cooperation Council countries and the Arab Monetary Fund, as well as the EU through its grant-based budgetary support financed by the European Neighbourhood Instrument) contributed additional funds over the same period, ensuring reasonable burden sharing in the donors' support effort.

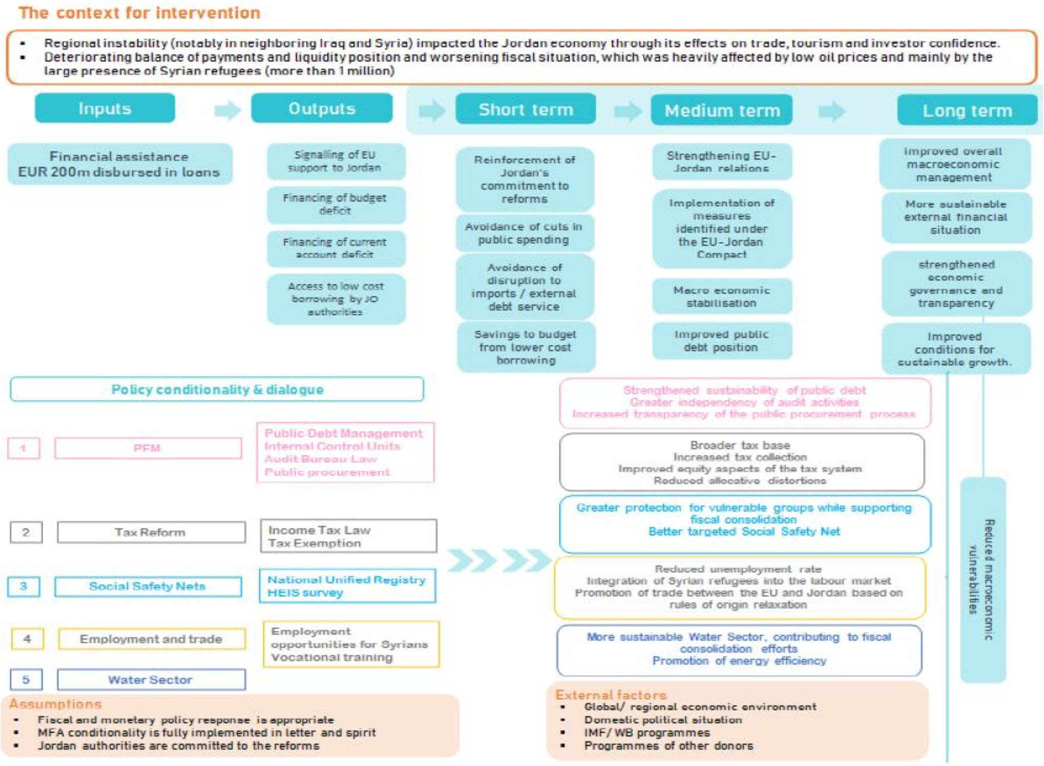
The objective of MFA-II was threefold: (i) contribute to covering Jordan's external financing needs in the context of a sizeable external financing gap; (ii) support the fiscal consolidation effort and external stabilisation, in the context of the IMF programme; and (iii) support structural reform efforts aimed at improving the overall macroeconomic management. The diagram below provides a complete view of the theory of change (Figure 2).

The MFA operations in both Jordan and Tunisia were part of respective broader financial assistance frameworks in which the European Union participated together with other international actors through a variety of financial instruments. Although different, the programmes shared many objectives, jointly contributing to the economic development of the beneficiary countries.

[18] Jordan is an upper middle-income country with a relatively high per capita income level. Jordan's per capita gross national income (GNI), which amounted to USD 5 160 in 2014, is the fifth highest per capita income in the Southern Neighbourhood. While the country public debt ratio had significantly increased in recent years, reaching 93% of GDP in 2015, the public debt dynamics were judged to be sustainable and the economy did not benefit from IDA or PRGT financing.

Focusing on the alignment between MFA-II and support provided through other instruments by actors other than the EU, the objectives and conditions of both operations were consistent with the financial assistance programmes offered by the IMF. Since MFA operations are conditional on a continuously satisfactory track record in the implementation of the IMF-supported policy programme, fund conditions (unless waived) are de facto incorporated into the MFA requirements, as the satisfactory implementation of the country-specific IMF programme is a pre-condition for the approval and disbursement of MFA assistance.

Figure 2. Theory of change for MFA-II to Jordan 2016-2019



Source: ICF

Similarly, the respective MFA-II operations intervened in tandem with other EU instruments, including the European Neighbourhood Instrument (ENI), to support partner countries in the Neighbourhood, and also worked in tandem with humanitarian aid and other thematic instruments[19].

The key value added of the MFA in comparison to other EU instruments is to alleviate the external financial constraints and to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, as well as an appropriate framework for structural reforms. By helping to put in place an appropriate overall policy framework, MFA can increase the effectiveness of the actions financed under other, more narrowly focused, EU financial instruments.

[19] The overall EU cooperation with Tunisia (2011-2019) was also examined through an independent assessment finalised in April 2022 (FWC COM 2019/410446/1). That evaluation confirms the overall contribution of EU-Tunisia cooperation to the democratic transition and macroeconomic stabilisation of the country during the period under review.

2.2. Point(s) of comparison

As specified in the Terms of Reference, Decision (EU) 2016/1112 and Decision (EU) 2016/2371 (Article 8(2)) state that: 'No later than two years after the expiry of the availability period referred to in Article 1(4), the Commission shall submit to the European Parliament and to the Council an *ex post* evaluation report.'

In line with Article 8(2) of the legislative Decisions, an external evaluation assessed the results and the efficiency of the operations, by focusing on: (i) the impact of MFA on the economy of the beneficiary countries and, in particular, on the sustainability of their external position and (ii) the added value of the EU interventions.

By doing so, the evaluation verified:

– Whether the *ex ante* considerations determining the design and terms of each operation were appropriate, taking due account of the economic, political and institutional context; and
–whether the programmes' outcome met the objectives set in the legislative Decisions.

In line with the BRG, the assessment focused on five evaluation criteria: relevance of MFA-II interventions; coherence with international and other EU financial assistance instruments; effectiveness; efficiency and EU value added. The points of comparison, against which the MFA operations of 2016-2019 were assessed, refer to the situation in Jordan and Tunisia prior to the intervention, on the one hand, and during and immediately after the implementation of the operations, on the other. As per the focus of the MFA instrument, particular attention was paid to the external sector and the fiscal situation of the two economies.

In addition to the above-mentioned evaluation questions, the *ex post* evaluation separately addressed the following issues:

– an analysis of social impact of the MFA operations (more specifically in relation to the policy measures included in the MoU relating to the social sector, and by including social variables in the analysis), including in combination with IMF programme measures;
– an analysis of the impact of the MFA operations (also in combination with the IMF programme) on the country's debt sustainability, by drawing on the IMF's debt sustainability analysis (DSA).

Finally, the *ex post* evaluation of MFA operations to the Southern Neighbourhood countries of Tunisia and Jordan also drew out noteworthy comparisons between the two interventions. This was achieved by using the results of the assessment of the evaluation criteria, highlighting corresponding strengths and weaknesses, while assessing the general impact of MFA on the Southern Neighbourhood region.

3. How has the situation evolved over the evaluation period?

As described in detail in the external evaluation report (Chapter 2), both countries faced external and domestic shocks that aggravated existing economic imbalances and precipitated the need for international financial support. To achieve the objectives detailed in Section 2.1, and as per the usual MFA procedure, disbursements under these operations were tied to the fulfilment of the political pre-conditions, as well as good progress on implementing the IMF programme. The disbursement of the following tranches was also subject to fulfilment of a set of country-specific policy conditions, specified in the MoU and related to key structural reform areas.

In the case of **Jordan**, the release of the first tranche took place on 25 October 2017, after the MoU[20] came into force in September 2017. The second and final tranche was released on 24 June 2019. The delay with the second disbursement reflected the slower-than-expected reform progress in some policy areas, more specifically the law on the Audit Bureau, the law on income tax and public procurement. By the time the compliance statement was submitted in May 2019, the Jordanian authorities had achieved a high degree of compliance, fulfilling all 11 policy conditions across 5 structural reform areas.

The MFA operation has had a positive contribution to the stabilisation of the Jordanian economy and helped reduce its macroeconomic imbalances and increase resilience to shocks in a challenging economic environment. The first tranche was disbursed in a particularly challenging context, against a backdrop of rising oil prices and subsequent adjustment in electricity tariffs, as well as issues of low growth and low investment. Without the first tranche, obtaining alternative financing from bilateral donors would have been complicated and highly uncertain, while drawing on reserves would have been severely constrained by looming repayment obligations. Similar challenges continued, in particular low growth, weak investment and shortfalls in expected tax revenue; these remained relevant when the second tranche was transferred.

Persistent regional instability has continued to weigh considerably on the Jordanian economy. Over the years, real GDP growth slowed from 3.1% of GDP in 2014 to an average 1.9% during 2016-2019, the years of the MFA-II implementation. With the outbreak of the coronavirus crisis in 2020 growth slumped to -1.6%, before recovering again. Lower growth figures are partly due to a contraction in private demand, which resulted from an increase in indirect taxation. Investment and public demand remained moderate.

Against this background, unemployment rose continuously from 11.9% (2014) to 19.1% (2019), which then soared to 25% during the coronavirus pandemic in 2021 as a result of business bankruptcies and layoffs. Unemployment is particularly high among women and young people.

Jordan had made remarkable progress with fiscal consolidation prior to the coronavirus pandemic. The government's budget deficit narrowed from 10.3% of GDP (2014) to 2.4% of GDP (2018), despite the previous interruption of gas supplies from Egypt, which drove the Jordanian government to replace gas with more expensive oil imports. With the onset of the coronavirus pandemic, the government adopted several support measures for the national economy and health sector, which weighed heavily on the budget. Yet Jordan was able to contain its budget deficit at 7% of GDP in 2021, also due to increases in tax revenue. Jordan's debt has continued to pile up over the years, from 89% of GDP in 2014 to 108.6% of GDP in 2021. The amounts include the debt holding by the Social

[20] Memorandum of Understanding between EU and Jordan - MFA-II.

Security Investment Fund, which represented 22% of GDP in 2021. The debt has continuously been assessed by the IMF as sustainable, most recently in December 2021.

With respect to the external sector, the current account balance has remained in deficit and fluctuated strongly throughout the past decade, with extreme values of -2.1% of GDP in 2019 and -15% of GDP in 2021. Before the coronavirus pandemic, fluctuations were driven by developments in energy prices and imports, changes in remittances and tourism receipts. With the pandemic, the current account deficit widened even further, as Jordan's tourism imports were halted due to travel restrictions. In addition, imports recovered more quickly than exports, widening the deficit further.

Foreign direct investment (FDI) plummeted to 1.1% of GDP in 2021, down from 5.4% of GDP in 2014. This downward trend is consistent with the long-term weakening of FDI (as a share of GDP) since the Syrian conflict, from an average of 12.7% in 2005-2010 to 4.8% in 2011-2017. The decline in FDI created further pressures on the capital and financial account.

The Central Bank of Jordan's gross foreign reserves have remained strong over the years, gradually increasing from USD 15.5 billion in 2016 to USD 18 billion at the end of 2021, which included the IMF's special drawing rights (SDR) allocation of SDR 328.8 million of August 2021. At the end of 2021, foreign reserves covered an estimated 8.2 months of Jordan's imports of goods and services.

Jordan	2017	2018	2019	2020	2021
Nominal GDP, USD millions	41 457	42 947	44 573	43 755	45 307
Nominal GDP per capita, USD	4 274	4 341	4 426	4 259	4 399
Real GDP, % change	2.0	1.9	2.0	-1.6	2.2
Consumer price inflation, %, end of period	3.2	3.7	0.6	0.1	2.4
Consumer price inflation, %, average	3.3	4.5	0.6	0.5	1.4
Key monetary policy rate, %, end of period	5.0	5.75	4.0	2.5	2.75
Unemployment rate, LFS, %	18.3	18.6	19.1	22.7	23.2
General government balance, % of GDP	-2.5	-2.4	-3.3	-7.0	-5.1
Public expenditure, % of GDP	27.8	28.1	27.9	29.7	30.6*
Gross public debt (including debt holding by Social Security Fund), % of GDP	92.8	92.9	95.2	106.5	110.3
Current account balance, % of GDP	-10.6	-6.9	-2.1	-8.0	-12.1
International reserves, USD billion	15.0	12.9	13.9	15.6	18.0
International reserves, months of imports	7.8	6.8	9.8	11.0	9.5
Gross external debt, % of GDP	71.1	72.9	72.1	82.1	85.5*
Net foreign direct investment, % of GDP	4.9	2.2	1.5	1.6	0.9*

*Source: National authorities, Commission staff calculations. *estimates 2021.*

In the case of **Tunisia**, MFA-II consisted of up to EUR 500 million in the form of long-term loans. MFA-II was approved by the European Parliament and the Council in July 2016, shortly after the Commission's proposal.

The Tunisian MFA-II was disbursed in full. The first disbursement of EUR 200 million was made in October 2017, soon after the Tunisian Parliament's ratification of the MoU[21] and the disbursement of the final tranche of MFA-I. The disbursements of the second and third tranches were linked to 15 specific policy conditions in seven reform areas: (i) public finance management (PFM) and civil service reform; (ii) taxation; (iii) social protection; (iv) the labour market; (v) the financial sector; (vi) the investment climate; and (vii) tourism. The disbursements of the second and third tranches (EUR 150 million each) were approved in June and October 2019 respectively, after a long time lag linked to a complicated political situation and slow progress in fulfilling some of the policy conditions.

During the evaluation period, Tunisia was facing a complicated economic and financial situation. The Tunisian authorities had requested the new MFA operation in August 2015, as the country was struck by three major terrorist attacks and an attempted invasion by Daesh in March 2016 that heavily impacted tourism, transport, investment and ultimately the entire Tunisian economy. As in the case of Jordan, the MFA operation also provided a positive contribution to the stabilisation of the Tunisian economy in a challenging economic environment, helping reduce major imbalances.

Tunisia	2017	2018	2019	2020	2021
Nominal GDP, millions USD	39 989	39 932	39 319	39 333	43 568
Nominal GDP per capita, USD	3 436	3 443	3 324	3 295	3 721
Real GDP, % change	1.9	2.6	1.3	-8.7	3.1
Consumer price inflation, %, end of period	6.2	7.5	6.0	4.9	6.6
Consumer price inflation, %, average	5.3	7.3	6.7	5.6	5.7
Key monetary policy rate, %, end of period	5.0	6.8	7.8	6.3	6.3
Unemployment rate, LFS, %	15.5	15.5	14.9	17.4	18.4
General government balance, % of GDP	-6.2	-4.8	-3.3	-9.7	-8.3
Gross public debt, % of GDP	70.4	77.9	67.9	77.8	85.6
Current account balance, % of GDP	-10.3	-11.2	-8.4	-6.5	-6.3
International reserves, USD billion	5.6	5.3	7.5	9.2	8.0
International reserves, months of imports	2.5	2.7	4.5	5.4	4.4
Gross external debt, % of GDP	86.2	99.7	97.3	100.9	96.3
Net foreign direct investment, % of GDP	2.0	2.5	2.1	1.5	1.2

Source: National authorities; Commission staff calculations; IMF

The Tunisian economy only saw a moderate expansion in 2017, one that continued in 2018, driven by the performance of the agriculture sector, greater exports and a recovery in tourism. During this period, the government made some progress on selected structural reforms and managed to introduce some measures aimed at balancing the fiscal deficit, which included higher taxes. These measures helped reduce the deficit from 6% of GDP in 2017 to 3.9% of GDP in 2019. Debt remained elevated (78% of GDP in 2018), however, limiting the authorities' fiscal headroom. Inflation, averaging 4.6% between 2010 and 2017, rose to 7% in 2018, while unemployment remained at around 15%.

[21] Memorandum of Understanding between EU and Tunisia - MFA-II.

Driven by a slowdown in agriculture and a contraction in industry, GDP growth fell to 1.3% in 2019. High unemployment rates persisted, while the current account deficit remained under pressure on the back of higher oil prices. There were some slippages in fiscal stabilisation, through civil service wage hikes and a pause in energy price hikes (partly due to pressures stemming from elections in 2019). More generally, the complicated political and economic situation stability weighed on reforms throughout the programme.

At the beginning of the MFA, the continuity of EU support in Tunisia was valuable, given the deteriorating fiscal stance (public deficit stood at 6.5% in 2017). In 2019, the second and third disbursements also came at a time when growth was decelerating and considerable debt repayment obligations were due (EUR 2 billion). In 2018, the absence of an MFA disbursement was accommodated by budgetary support from other international financial institutions (IFIs) and donors, as well as through financing raised from the domestic banks (in foreign currency). Overall, during the intervention period prior to the coronavirus pandemic, the implementation of reforms linked to the IMF and the MFA programmes accompanied improvements in macroeconomic data. These included lower fiscal deficits and public debt, a lower current account deficit and the improvement in international reserves in 2019.

4. Evaluation findings (analytical part) – Jordan

4.1. To what extent was the intervention successful and why?

The financial support provided under MFA-II has contributed to the stabilisation of Jordan's economic performance over the years. The majority of the experts interviewed in the evaluation study believe that the macroeconomic outcomes would have been less favourable in the absence of MFA-II. In particular, the highly favourable terms of the loan allowed for a reduction in the cost of public debt, as compared to alternative sources of financing (see Chapter 6.5 of the independent evaluation). The magnitude of the intervention allowed the Jordanian government to pursue fiscal savings without burdensome public spending cuts, creating room for much-needed structural reforms. In addition, MFA conditionality helped in identifying priority reform areas.

The amount of the MFA-II (EUR 200 million) corresponded to 0.6% of Jordan's GDP in 2017, or 0.3% of GDP for each disbursement in 2017 and 2019. Even though the final MFA amount was lower than originally requested by the Jordanian authorities (EUR 350 million), this was justified based on an updated assessment of the country's external financing needs. In addition, the prospect of an additional follow-up MFA was incorporated in a joint declaration by the European Parliament, the Council and the Commission, which was attached to the MFA decision. This follow-up MFA was eventually agreed in 2019, after the successful implementation of MFA-II. The size of MFA-II also corresponded to the amount pledged by the Commission at the London Donor Conference 'Supporting Syria and the Region' in February 2016.

Initially, the MFA-II was intended to be fully disbursed over 2016-2017, which would then have represented 5.5% and 9.6% of the overall financing gap in the respective years (evaluation Chapter 6.1 provides additional details). Other donors were identified *ex ante* to fill the remaining financing gap, including the IMF and WB commitments.

During the implementation of MFA-II, cooperation between the different donors and the Jordanian authorities continued to be strong, which was also confirmed in the context of the London conference in 2019, which had produced a 5-year reform matrix for Jordan. This cooperation not only made the MFA-II intervention more coherent and aligned with the work of other donors, but also reinforced the Jordanian government's ownership of the reform areas (Chapter 6.2).

The Jordanian government believed in the reforms, for which MFA-II provided impetus. The observable medium-term impacts, for instance higher tax revenue following the broadening of the tax base, have contributed to the government's sense of ownership of the reform. Despite this, interviewees stated public ownership of the policy reforms may have been held back by limited communication by the government on their importance. An example would be the law on income tax, for which the government did not run a campaign to inform the public about the reform's long-term benefits. In addition, the high turnover of government officials, together with unpredictable legislative and oversight processes, may in some instances have led to varying levels of reforms ownership.

By the time the compliance statement was submitted in May 2019, the Jordanian authorities had achieved a high degree of compliance, fulfilling all 11 conditions across 5 structural reform areas (see evaluation Chapter 6.1.2 for a detailed analysis). More specifically, policy conditions were either fully met (as in most cases, including on public debt, the Audit Bureau, tax reform, the household survey, the social safety net, vocational training and the water sector) or broadly met (public procurement).

Bureaucratic procedures negatively affected the implementation of MFA-II. Responses by the Jordanian authorities took a long time according to interviewees, partly due to bureaucracy and associated indecisiveness, but also due to high staff turnover, excessive red tape, lack of adequate resources, burdensome administrative practices and hierarchical complexity.

The monitoring and liaison processes went smoothly. The Commission cooperated closely with the European External Action Service headquarters and in Amman. The very good coordination with the IMF simplified the monitoring process in terms of negotiations and sharing information. The EU delegation in Amman effectively coordinated meetings with the Jordanian Ministry of Planning and International Cooperation (MoPIC) and engaged with the authorities on the ground, by regularly monitoring the implementation of reforms. Interviewees suggested improving the policy dialogue with actors in Jordan, especially at the design and implementation stages, so as to ensure effective coordination and monitoring.

All in all, the MFA-II contribution was deemed appropriate and proportional in terms of burden sharing with other donors and achieving macroeconomic stability in Jordan.

4.2. How did the EU intervention make a difference?

The EU added value from MFA-II had a financial and non-financial aspect. MFA-II was an indispensable part of an overall external financial assistance package prepared by international donors in 2016. In that context, the financial contribution was important to cover part of Jordan's financing gap. With the highly concessional terms of the loans, which included a relatively low interest rate, long maturity and a long grace period, the MFA also translated into fiscal savings for the government. In addition, individual EU

Member States alone would likely not have provided aid of that size in addition to the support they were already providing.

Beyond the financial contribution, the EU contributed to significant progress in key reform areas. MFA conditionality provided a politically reinforcing effect that contributed to the authorities' sustained mobilisation around crucial (and often new) reform areas. There was considerable cross-conditionality with other donors (IMF, World Bank) in areas related to the tax regime, debt sustainability and water.

The MFA had an important signalling effect to the Jordanian public, the private sector and to international donors, as it showed the EU's commitment to supporting Jordan during a difficult time. Despite this, interviewees noted that the visibility of the MFA was limited, as the instrument is not necessarily known beyond limited circles of informed stakeholders (see Annex 7.2 to the evaluation for additional details).

The MFA also contributed to restoring confidence in the economy, as the reforms are designed to foster economic stability. The continuous MFA support, together with the support of international donors, tends to be perceived positively also by credit rating agencies. Interviewees indicated that donors' assistance may not be sufficient to avoid downgrades in case of severe deterioration, yet the assistance is a stabilising factor also in that context.

The consultants conducted an analysis and consulted local experts to enquire about counterfactual alternatives, i.e. what might have happened in the absence of MFA (Annex 11 to the evaluation).

Under the first counterfactual scenario, it was assumed that the first MFA-II tranche of EUR 100 million in 2017 was not disbursed, and that there were no plausible alternatives.

Under counterfactual scenario 2, the second MFA-II tranche of EUR 100 million in 2019 was not disbursed, and again there were no plausible alternatives.

Under counterfactual scenario 3, the assumption was that neither MFA-II nor the IMF extended fund facility were disbursed. According to the survey results, respondents mostly considered increased tax collection, raising funds from domestic markets or reduced capital expenditure as the most plausible alternatives to external financing for scenarios 1 and 2. Respondents expected Jordan to have experienced a significant financing gap under scenario 3, with hypothetic consequences ranging from further tightening of the government's fiscal stance to sovereign default. The exercise on counterfactual alternatives showed that MFA delivered an essential contribution to bridging the financing gap the government was facing in 2017-2019.

4.3. Is the intervention still relevant?

The MFA-II conditions were in line with Jordan's reform priorities and also responded to the country's needs. The MFA-II conditions built upon previous reform efforts of the first MFA, in particular in the areas of public finance management (PFM), the social safety net, the labour market and utilities. All these areas were very relevant at that time and the reforms have been bearing fruits ever since. MFA-III in turn continued to build on previous reform achievements, in particular for PFM, taxation, the social safety net, the labour market and utilities.

All in all, MFA-II was highly relevant through its support of Jordan at a time of financial needs, helping it address its balance-of-payment problems and implement key structural reforms to stabilise the economy and increase the sustainability of its external position.

5. Evaluation findings (analytical part) – Tunisia

5.1. To what extent was the intervention successful and why?

The MFA-II operation to Tunisia also contributed to macroeconomic stabilisation in the country, in a persistently challenging economic context with high external financing needs. The independent evaluation shows that the assistance was effective in helping to improve Tunisia's balance-of-payment situation, as well as in supporting fiscal consolidation through highly concessional financial terms and policy conditions. As in the case of Jordan, this made it possible to create additional fiscal space and facilitated the implementation of structural reforms.

The operation covered around 9% of the financing gap for the period 2017-2019 through EUR 500 million in loans on highly concessional terms and increased confidence in the Tunisian economy (see evaluation Chapter 5.1). The evaluation for Tunisia offered some quantitative estimates of counterfactual scenarios, beyond the expert survey (Chapter 5.3). According to the evaluation[22], aside from the higher cost of servicing debt, the main downsides of the absence of MFA would have been a GDP decline as a result of cuts to public expenditure (real GDP 0.44-1.1% lower by 2025 compared to the baseline) and inflationary pressures (inflation rate 0.2-0.3 percentage points higher) from increased domestic financing.

Overall, the favourable loan terms allowed for an improvement in debt sustainability[23] and a reduction in the cost of public debt, as compared to alternative sources of financing. In the case of Tunisia, survey respondents (Annex 6 to the evaluation) felt that while domestic financing could have been a plausible alternative to MFA, there were important concerns regarding higher interest rates and 'crowding out' effects (i.e. rising public sector borrowing could have driven up interest rates and driven down private sector investment). With greater reliance on non-concessional (financial) support, Tunisia's ability to service its debt would have been affected. Additionally, many survey respondents also indicated that MFA-II helped to restore confidence in the economy (evaluation Chapter 5.7).

In addition, MFA was instrumental in identifying priority reform areas and implementing corresponding key reforms during the period. The operation was fully disbursed, with all but one condition met[24]. The evaluation found that in assessing the fulfilment of the conditions, the right balance was struck between flexibility (e.g. VAT) and steadfastness where necessary to foster reform (e.g. the Law on the Court of Auditors).

[22] The detailed counterfactual analysis can be found in Annex 12.2 to the evaluation.
[23] The absence of individual tranches of MFA-II would have increased Tunisia's debt accumulation only slightly, although the undiscounted impacts on the cost of Tunisia's borrowing would have been substantial in the absence of MFA (approximately EUR 235.9 million).
[24] As indicated in the evaluation, a duly justified waiver was granted for some of the conditions linked to the planned suppression of the VAT middle rate, due to relevant policy changes during the implementation period.

Tunisia made substantial reform progress in certain areas, notably on the legislative front, with the parliamentary adoption of key laws (external audit, social safety net), and on the technical front, with the creation of a scoring model to underpin the targeting of support to vulnerable households (social safety net). In other areas (tax reform, investment climate), progress was more fragmented. However, even in areas where there was significant progress, the evaluation indicated that there was little recognition in Tunisia beyond government circles and international experts. As expected, the visibility of the MFA instrument among the general public was very limited, with no associated public acceptance issues. By contrast, the IMF programme faced more criticism.

Beyond reforms, the counterfactual analysis conducted during the evaluation (Chapter 6.4) also suggested that in the absence of MFA-II the social situation would have been moderately negatively affected. The independent evaluation also shows that the MFA was designed and implemented efficiently and that it was consistent with the broad policy framework guiding EU-Tunisia relations and with interventions from other international donors. However, given its relatively limited size, it is unlikely that the absence of MFA would have significantly affected the sustainability of Tunisian public debt.

The relevance of the MFA financial envelope remained high throughout the operation. In 2017, the continuity of EU support in Tunisia was valuable given the deteriorating fiscal stance. In 2019, the second and third disbursements came at a time when growth was decelerating (dropping to 1%) and considerable debt repayment obligations were due (EUR 2 billion). In 2018, the absence of an MFA disbursement was accommodated by budgetary support from other IFIs and donors, as well as by financing raised from the domestic banks (in foreign currency).

MFA-related reforms were well aligned with the reform programme, to which the authorities were already committed. In general, the evaluation indicated that the liaison with the authorities was more fluid under MFA-II than in the previous operation. However, other factors served to block reforms, such as political instability resulting from frequent changes of government, and the severe deterioration of socioeconomic conditions. Additionally, capacity issues caused delays in implementing reform on the Tunisian side. In some cases, complementary technical assistance programmes run by other donors were instrumental in taking forward the reforms (e.g. technical assistance from the Word Bank for social safety net reforms). In other cases, the roots of the issue were more of a coordination failure on the authorities' side; these were to be partly addressed by the intensification of coordination work by key donors and IFIs from 2018.

The independent evaluation also shows that the MFA-II was aligned with the broad policy framework guiding EU-Tunisia relations, including the Association Agreement and the European Neighbourhood policy. It was also an integral part of the wider package of EU support to post-revolution Tunisia and adequately supplemented EU budget support programmes in several domains. The EU delegation in Tunis also supported effectively MFA implementation, contributed to monitoring the implementation of reforms and the engagement with authorities on the ground.

MFA-II was also consistent with the assistance provided by other international organisations, most notably the IMF and World Bank (including at conditionality level). Donor coordination efforts intensified in Tunisia over the course of MFA-II, as illustrated by the organisation of joint high-level missions to support policy dialogue and the adoption of joint policy matrices, including key socioeconomic reforms, agreed with the Tunisian government.

5.2. How did the EU intervention make a difference?

The EU provided significant added value to Tunisia through the MFA-II, both in financial terms and through a push for key reforms. As in the case of Jordan, the financial contribution was relevant to cover part of the country's financing gap and provided EU added value in that individual Member States alone would likely not have provided aid of that size in the form of budget support in addition to the support they were already providing. Also, the favourable conditions associated with the MFA loans, granted under very concessional terms (with low rates and long maturities averaging 15 years), created conditions for fiscal savings and a gradual adjustment of the primary public deficit.

MFA-II had some confidence-boosting effects and, together with the IMF, prevented a further drop in confidence in the Tunisian economy. As analysed in the evaluation report (Chapter 5.7), MFA-II also sent a strong signal of EU support to Tunisia at a time of crisis, reinforcing the EU-Tunisia privileged partnership and Tunisia's ongoing political transition. It was received positively in the country, despite certain public scepticism about the effectiveness of international support and the donor agenda in general.

The MFA also had a reinforcing effect on the implementation of key reforms and was instrumental in achieving the independence of the Court of Auditors[25]. The expert survey suggested that the EU could have used its leverage to promote deeper structural reforms, such as reform of state-owned enterprises or the public administration, which would have required a larger support package to overcome resistance to change. In the Tunisian MFA, cross-conditionality with the IMF and the World Bank was also evident in civil service reform, VAT reform, the financial sector, the investment climate, social protection and public procurement. Finally, the evaluation indicated that the roles with the IMF could have been better divided, with more efficient use of cross-conditionality and better targeted EU efforts.

5.3. Is the intervention still relevant?

The evaluation found that MFA-II was relevant in terms of its design and objectives, financial envelope and structural conditions. The MFA-II package of EUR 500 million in loans on highly concessional terms, was large in both absolute and relative terms. It represented a step change compared to MFA-I (EUR 300 million). Aside from Ukraine, the MFA-II operation to Tunisia was the largest MFA operation since 2000[26]. The total MFA support volume corresponded to circa 0.6% and 0.9% of GDP in 2017 and 2019 respectively (the years when the different instalments were disbursed). This represented more than public expenditure on one of the main social assistance programmes in Tunisia (Programme National d'Aide aux Familles Nécessiteuses, PNAFN), which commonly absorbed around 0.5% of GDP per year. Thus, the size and form of the MFA financing were assessed as appropriate by the evaluation.

[25] The independent evaluation contains a detailed case study of this reform in the area of external audit (Annex 9)

[26] European Union, *macro-financial assistance to non-EU partner countries*, 2019, Available at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/international-economic-relations/macro-financial-assistance-mfa-non-eu-partner-countries_en#documents

All thematic areas addressed by MFA-II conditionality corresponded to priority areas for reform. In several areas (external audit and social safety net), MFA-II conditions showed continuity with MFA-I, facilitating ongoing progress. Also, the lessons from MFA-I were incorporated in the design of MFA-II conditions: the level of ambition of the social safety net conditions was better calibrated than in MFA-I, and measures related to preparation for a deep and comprehensive free trade area (DCFTA) were not included.

The conditions were strongly aligned with the country's own reforms agenda, and there was an effort to balance and tailor different types of conditions to the Tunisian context. The focus was more on longer-term reform, with MFA-II containing more legislative/institutional change-related conditions that the previous MFA. The Tunisian authorities found that the conditions were sufficiently specific to avoid misinterpretation, while also providing for a degree of flexibility in implementation (Chapter 7.1). At the same time, some experts in the evaluation pointed to certain conditions that appeared linked to EU interests, including access of firms (including foreign firms) to public procurement or the Euro-Aviation agreement.

Overall, the EU added value primarily lay in the financial benefits to the Tunisian economy, with the highly concessional terms of the MFA loans allowing for fiscal savings, a more gradual adjustment of the primary public deficit and facilitating the sustainability of Tunisia's public debt. The EU's intervention helped Tunisia's adjustment path by creating fiscal space for other reforms and for sustaining social spending. Additional key added value resulted from the MFA's support for reforms. Conditions were aligned with the country's priorities and highly relevant in advancing important reforms in the country to foster growth and enhance sustainability of its external position.

6. Potential relevant impact of the operations in the region – current framework for evaluating interventions appropriate?

While MFA operations pursue objectives at national level, the independent evaluation also looked at their potential impact at regional level (Chapter 7). In principle, MFAs are of limited size compared to the economies they support. In a context where Tunisia and Jordan are not among the largest economies of the region and intraregional integration is low, it is less likely that MFA operations would have direct macroeconomic impacts beyond borders.

However, MFA was part of a broader package and the evaluation shows that shocks of large magnitude could have arisen in the absence of such a broader package, similar to the scenario assessed where no MFA and no IMF programmes would have been available (Chapters 5.5 and 6.5). This would have rendered negative spillovers more likely, especially for Jordan, where debt sustainability would have been severely affected already in the short term.

At the same time, the MFA to Jordan was part of a broader package intended to help the country deal with the consequences of the Syrian refugee crisis, which was a crisis on a regional scale. The MFA complemented EU efforts through other instruments to address the refugee emergency and contained specific policy conditionality supporting the scheme agreed in the EU-Jordan Compact, which eased the EU's rules of origin for Jordanian export companies employing a minimum share of Syrian refugees. By contrast, while the crisis in Tunisia partly stemmed from other regional problems (linked to terrorism and the war in Libya), this broader element was less evident.

Based on the experience from both Tunisia and Jordan (see Chapter 2 of the evaluation), crises in neighbouring countries can have tangible impacts on other countries in the region through channels such as image and confidence. Promoting stability in a single country (or two individual countries) can potentially contribute to building confidence and attracting tourism and investment flows into the Middle East and North Africa (MENA) region. In both cases, EU support might have contributed, indirectly, to moderating the total outflow of economic migrants in the area by helping to restore macroeconomic stability.

Finally, there was no specific evidence that the MFA support prompted change at a regional level. No specific example could be pinpointed in the evaluation, but interviewees generally felt that it could in theory play a role. There was certainly an expectation from the EU that the MFA-II operation to Tunisia would be seen as a signal of support for democratic reform in the region.

7. What are the conclusions and lessons learned?

7.1. Conclusions

The independent evaluation analysed the relevance, coherence, efficiency, effectiveness and EU value added of the MFA-II operations to Jordan and Tunisia implemented during 2016-2019. It also explored the social impact of MFA, its effect on the countries' public debt sustainability and the possible regional implications of the operations. The study, conducted during the COVID-19 pandemic, encountered some data limitations and other shortcomings that were, however, duly mitigated.

The evaluation finds that both MFA-II operations were relevant in terms of their objectives, form and timing. The overall design of the operations was also considered as appropriate. The size of the respective loans was deemed meaningful, but not critical, also according to key consulted stakeholders. Overall, the study shows that the macroeconomic situation would have been slightly worse in the absence of the MFA financing, at least in Tunisia. In both countries, debt sustainability would have remained largely similar to what was observed (the baseline) in the case of no MFA funding. However, the combined counterfactual effect of no-MFA and no-IMF would have been very negative for the Jordanian economy. The evaluation report notably finds that, in this hypothetical scenario, the country would have most likely lost access to international financial markets, further increasing the size of the financing gap.

Similarly, in the absence of the respective MFA-II operations, the social situation would have been negatively affected through direct channels in both countries (slower or more superficial progress on key reforms such as social safety net reforms and labour market policy) and via indirect channels in Tunisia (higher costs of living and lost income stemming from GDP impacts). Social impacts would have been even more severe in the absence of both the MFA and IMF funding.

MFA policy conditionality covered the most relevant reform areas for both countries and supported macroeconomic stabilisation. The thematic areas addressed by the MFA conditionality were relevant and aligned with the countries' own reform agendas, and both countries made tangible reform progress. Conditions in the respective MFA-II operations showed continuity with previous MFA operations and built on previous lessons learned, focusing on similar reform areas or better adjusting the reforms. This was the case in Tunisia, with the parliamentary adoption of key laws (on external auditing and the social safety net), and on the technical front, with the creation of a scoring model to target vulnerable households. In Jordan, key actions were taken with respect to social safety nets and public financial management. While all conditions were fulfilled in Jordan, a waiver in relation to one condition was granted to Tunisia. In the case of Jordan, all conditions were fulfilled, although there were moderate to substantial delays in implementation of some of them (tax reforms, the Law on the Audit Bureau, public procurement). The Tunisian authorities fulfilled all but one condition, with the waiver in relation to the suppression of the VAT middle rate considered justified.

The programmes were also deemed consistent with the broad policy framework guiding the EU relations with the countries, as well as with the previous MFA operations, other EU programmes and donors. MFA not only contributed to effective 'burden sharing' with the IMF and other donors in financial terms, but also reinforced reforms promoted by the government and the international partners.

The EU's added value primarily concerned the financial benefits to the Jordanian and Tunisian economies, with the highly concessional terms of the MFA loans allowing for fiscal savings and a gradual adjustment of the primary public deficit. The financial added value of MFA operations also derived from the fact that the EU could mobilise and coordinate a wider amount of resources than any other individual donor country. Beyond this, both MFAs had important confidence-boosting and signalling effects to the general population.

7.2. Lessons learned

The MFA operations in Jordan and Tunisia achieved the objectives of supporting macroeconomic stabilisation and fostering much-needed reform in these countries. The EU played a key role that could have not been achieved by Member States individually given the elevated amount of the loans and the increased economies of scale, compared to what other (project- or sector-based) approaches could have achieved. The EU involvement also helped safeguard key EU interests by supporting key reform areas for growth and stability in these countries.

The evaluation also offers a number of lessons on the design of MFA operations, particularly when it comes to fostering reform. The choice of reform areas remains highly relevant, with experience suggesting that focusing on areas where the EU is heavily involved (through other programmes/instruments/past MFAs) has greater added value. This was evident in Tunisia in the fields of external audit and social safety net reforms, and in Jordan in relation to PFM reform.

While the countries delivered on the agreed reform conditions, the external evaluation concluded that increased capacity from the country institutions would have facilitated better progress on these actions. This finding reiterates the importance of designing reforms in a way that secures achievable targets and allows for a certain degree of flexibility, considering the difficult situation in these countries, which is typically linked to limited administrative capacity and political instability. The expert survey also suggested that the EU could have used its leverage to promote deeper structural reforms through a support package large enough to overcome resistance to change. Finally, roles with the IMF could have been better divided, with more efficient use of cross-conditions and EU efforts better targeted towards areas where it had specific expertise and experience.

In parallel, the evaluation shows that the added value of cross-conditionality depends on the reform area and the country specifics. As stated in the report, these is less of a need for cross-conditions where donors are very well coordinated, as in Tunisia, where donors could refer to a common matrix of policy conditions negotiated with the government. However, given the constraints of the MFA instrument, targeted use of cross-conditions seems most appropriate. It does not eliminate the risk of discrepancies between different donor programmes, despite perfect alignment at the beginning of a programme. This is because other donors (e.g. the IMF) typically have more freedom to renegotiate conditions, while the MFA instrument does not offer such flexibility (this was the case with cross-conditions in relation to tax reforms in both countries). In general, the evaluation suggests reducing the number of cross-conditions in relation to strategic issues linked to a strong domestic agenda, where there is a need to politically reinforce or signal support for a particular reform effort.

Capacity issues were also one of the main factors causing delays in implementing reform. In Jordan, the authorities were very slow in their responses, partly owing to a high level of bureaucracy and associated indecisiveness in the public sector. Other constraints on capacity included a lack of adequate resources, constant turnover of staff, excessive red tape, burdensome administrative practices and hierarchical complexity. Additional issues in Tunisia blocking reforms included political instability resulting from frequent changes of government and political fragmentation in Parliament, combined with high socioeconomic pressure and domestic resistance to reform plans. Coordination with technical assistance from the EU and other donors should continue to address and anticipate this challenge.

The study identified a number of ways in which donors can help to ensure reform ownership. At design level, allowing beneficiary countries to propose a list of potential conditions along with the request for MFA support is one option. During the negotiation and implementation of the support, there is a need to ensure buy-in from all ministries/departments concerned, beyond the coordinating ministry. The experience of Tunisia with the donor matrix (after MFA-II negotiation) may be helpful here.

During the implementation phase, the government should ideally communicate with the public on the importance of reforms, or indeed donors could insist on such communication in their policy dialogues. The communication aspect was clearly lacking in both countries, resulting in the mobilisation of public opinion against certain reforms (the law on income tax in Jordan, civil service reform and VAT reform in Tunisia) and the low level of visibility in both countries.

Finally, this MFA evaluation was the first one providing a joint assessment of two different country operations. This provided some economies of scale for the study through a joint evaluation team, as well as the opportunity for additional comparative and regional assessments as referred to above. It will be examined to what extent this approach can be pursued further for future *ex post* evaluations.

Annex I: Procedural information

In accordance with Decision (EU) 2016/1112 and Decision (EU) 2016/2371 (Article 8 (2)) of the Council and the European Parliament, and in line with the requirements set out in the Better Regulation guidelines[27], MFA-II operations to Jordan and Tunisia are subject to an *ex post* evaluation. The intent of the evaluation is to assess the results and the efficiency of the operations, by focusing on: (i) the impact of MFA on the economy of the beneficiary countries and in particular on the sustainability of their external position; and (ii) the added value of the EU interventions.

By looking at the relevance, effectiveness, efficiency, coherence and EU value added of the operations, the evaluation verifies:

– whether the *ex ante* considerations determining the design and terms of each operation were appropriate, taking due account of the economic, political and institutional context; and

– whether the outcome met the objectives set in the legislative Decisions.

Apart from identifying areas of improvement for similar ongoing or future possible interventions, the evaluation also aimed to ensure better transparency and accountability of the Commission's activities. To ensure validity, the analysis and conclusions are based on the evidence obtained using several evaluation methods (documentary review, macroeconomic data analysis, targeted stakeholder interviews, expert survey, case studies, focus groups, comparative assessment and regional analysis, a debt sustainability analysis and a social impact analysis). The Decide planning entry for the *ex post* evaluation of MFA-II to Jordan and Tunisia is PLAN2021/10170.

The lead DG to carry out and manage this evaluation has been the Directorate-General for Economic and Financial Affairs (DG ECFIN). DG ECFIN chaired the Interservice Steering Group (ISG) that was set up to manage the external evaluation. Apart from DG ECFIN, the ISG comprised representatives of other Commission departments (the Secretariat-General and the Directorate-General for Neighbourhood and Enlargement Negotiations) and the EEAS.

The ISG had the responsibility to:

a. establish the evaluation roadmap for the external evaluation;
b. establish the Terms of Reference (ToR);
c. facilitate the evaluator's access to the information needed;
d. advise, monitor and comment on the work undertaken by the external contractor.

Under the framework contract to provide evaluation services on MFA operations, in March 2021 the Commission awarded the specific contract to undertake the external evaluation to ICF NEXT SA.

A kick-off meeting, where the ISG and the external contractor discussed the deliverables and the evaluation methods, took place already in March 2021. The evaluation roadmap ran from 20 May 2021 until 17 June 2021, to seek wider feedback. The publication of the

[27] European Commission SWD(2021) 305.

roadmap was followed by meetings on the inception and interim reports in May 2021 and June 2021 respectively. The draft final report was submitted in August 2021, with updates provided for a final version approved in September 2021.

In addition to meetings, ISG members were continuously informed and consulted (via email and by phone) during the evaluation. The work of the external contractor was complemented by internal analysis from Commission departments.

Annex II. Methodology and analytical models used

This annex presents the methodological approach to the joint evaluation study of MFA-II operations to Jordan and Tunisia. It describes the design of the methodology, the tools used for data and information gathering, and the results obtained. It also provides insights on the limitations encountered during the study and the mitigation strategies adopted.

Evaluation design

The methodology of the evaluation study was designed to respond to: (i) the evaluation questions detailed in the Terms of Reference (ToR) for the evaluation[28]; and (ii) the Better Regulation guidelines (BRG) evaluation criteria[29]. It rested on three pillars:

1. A theory-based approach, which involved making explicit the underlying theory of change for the MFA operation in Tunisia and Jordan, and then testing that theory to draw conclusions about whether and how the MFA contributed to observed results. The theory of change was developed based on desk research and validated through key informant interviews;
2. A mixture of qualitative and quantitative input, with qualitative input, to facilitate a deeper understanding of the evaluation issues and to build a rich and comprehensive evidence base for the evaluation; and
3. Triangulation, i.e. the information and data collected from a range of different sources using a range of methods collectively, provides answers to DG ECFIN's evaluation questions.

Tools for information gathering and results obtained

The information and data required for the study were collected using the following methodological tools:

a. **Review of documents and data** related to the two macro-financial assistance (MFA) operations under study, including: the MoUs of the operations under analysis; the relevant operational assessments and *ex ante* evaluation statements; the Commission proposals and mission reports; budget support publications; relevant IMF country reports; and the Commission's Better Regulation guidelines and toolbox.

b. **Macroeconomic data analysis** concerning national accounts, the balance of payments, public finances and monetary developments. The evaluation relied on primary data from the ministries of finance and central banks, as well as on statistics produced by the International Monetary Fund and the World Bank.

c. **Internal brainstorming session on counterfactual scenarios,** aimed at identifying, developing and testing hypothetical counterfactual scenarios that would have been: (i) most likely had the MFA or the MFA/IMF EFF not been made available to Tunisia and Jordan; and (ii) least likely, along with detailed reasons for rejecting these latter scenarios. This exercise provided a basis for further discussions with key stakeholders.

[28] Evaluation questions detailed in Annex III.
[29] SWD(2021) 305 final.

d. **Interviews with key stakeholders** from the European Union institutions, national authorities of the beneficiary countries, think thanks and organisations based in the MENA region, and international financial institutions (IFIs). A total of 50 detailed interviews were carried out. Interviews with EU representatives covered all key themes of the evaluation, to understand the design, monitoring and coordination process of the operations. The same aspects were discussed with officials at selected local authorities, namely: the coordinating ministries (MDICI and MoPIC), ministries of finance and the central banks of Jordan and Tunisia. Insights were gathered in respect of: the negotiation process of the MFA operations; their impact on each country's macroeconomic situation and reform operations; and the wider visibility of MFA compared to other budget support programmes and other forms of international aid. Stakeholders with specific local and regional knowledge were also probed on the extent of similarities, differences and patterns across the two MFA interventions.

e. **Expert survey** to gather informed views in relation to the macroeconomic impact of MFA-II on the Tunisian and Jordanian economies. The expert panel was recruited with the support of the local research team. Participants were recruited on the basis of their familiarity with MFA-II and their knowledge of each country's general context and macroeconomic situation. A total of 37 and 26 respondents participated in the Tunisian and Jordanian survey respectively.

f. **Two in-depth case studies** on MFA-promoted reforms in the area of external audit, which formed part of both operations. The case studies were primarily based on desk research and stakeholder interviews, and took into account inputs from local economic experts.

g. **Social impact analysis (SIA) and debt sustainability analysis (DSA)**. The aim of the SIA and DSA was to assess the impact of the MFA-II operations on the social situation and on the sustainability of public debt in each of Tunisia and Jordan. The SIA analysed direct and indirect effects of the operations, to understand the extent to which (as a result of policies linked to MoU conditionality) social protection was bolstered, the tax system was made more progressive and labour market conditions were improved. For both the SIA and DSA, and through the implementation of a counterfactual analysis, the study aimed to establish the likely social and economic situation in Tunisia and Jordan in the absence of the first tranche of the MFA (Alternative 1); in the absence of the second and third MFA tranches (Alternative 2); and in the absence of both MFA and IMF funding (Alternative 3).

h. **An online focus group** organised between the study team, the local expert team, and several representatives from the business community, civil society organisations, media and academics in each country. The main topics covered were the added value of MFA-II for each country in comparison to other EU instruments; the EU and MFA-II operations' contribution to each country's overall reform efforts; and in-depth discussions of specific reform areas targeted by MFA-II.

i. **Comparative assessment and regional analysis** to flesh out key similarities, differences and patterns across the two MFA interventions, and assess the regional impact of MFA in the Southern Neighbourhood. The assessment allowed for the respective strengths and weaknesses of each MFA operation to be thoroughly investigated in light of the specific national context.

While the expert survey, the case studies and the online focus group enabled the collection of information of a highly technical nature, the interviews extended the hearing to include less specialised interest groups.

The data collection tools were used to inform the work of the external evaluator. DG ECFIN, together with the other members of the Interservice Steering Group, closely monitored the contractor's work throughout the study.

During the execution of the study, DG ECFIN provided the evaluator with all necessary documentation in a timely manner. On completion of the exercise, the ISG concluded that the study addressed all key issues as requested in the Terms of Reference. The evaluator delivered all requested results in line with the work plan.

Limitations encountered and mitigation strategies

1. **Stakeholder interviews:** visits to Tunisia/Jordan were replaced with conference calls with all stakeholders consulted. For some national authorities, especially in Jordan, it was more challenging to secure the participation of stakeholders in this format and required close follow-up. Topic guides were tailored to take into account several factors, notably: the degree of involvement with the operation; the degree of familiarity with key aspects of the design; negotiations and implementation of MFA-II; the period during which the interviewee held the Tunisian/Jordanian file and time elapsed since then; and the risk of confusion about the ongoing MFA operation (or MFA-I, or other EU programmes). MoUs and key facts about MFA-II were included to limit possible confusion.

2. **Expert survey:** one challenge was to avoid insufficient familiarity among participants with specific aspects of MFA-II. Liaising with local experts, substantial efforts were made to select a sample of relevant experts with expertise in macroeconomics – with no particular emphasis on increasing the size of the sample.

3. **Debt sustainability analysis:** the design of DSA counterfactual scenarios relied on the insights collected through consultations and surveys. Given the uncertainty about possible outcomes, the counterfactual scenario assumptions include only the most tangible potential impacts that were assessed as relevant within the DSA framework. More uncertain implications of the counterfactual outcomes were not modelled, given the challenges of identifying what the impacts would have been and their magnitude. Data sources used in DSA analysis drew mainly on IMF data and data from the official releases by the ministries of finance, the Central Bank of Tunisia and Central Bank of Jordan. Some projections developed as part of the DSA related to the future (2020 onwards). These projections underpin both the baseline and the alternative scenarios, introducing a degree of uncertainty over the baseline values and the estimated impacts. Some simplifying assumptions were used in projecting the values of the key debt sustainability indicators.

4. **Social impact analysis:** a key challenge of the SIA was to determine the extent to which the different conditionality-specified policies would have occurred across the counterfactual scenarios. Interviewees (and respondents to the expert survey) engaged only to a limited extent in the hypothetical exercise, where questions relating to social impact were asked. This made it challenging to quantify the extent to which the specified policies would have occurred without MFA operations/conditionalities and hence identify the contribution which the MFA had in influencing the Tunisian/Jordanian authorities. Given this challenge, the SIA sought first to identify, as precisely as possible, the outcomes and social impacts of policies specified in MFA conditionalities, then attributed a share of these social impacts to the MFA in a descriptive/qualitative way.

5. **Comparative assessment:** the comparative assessment essentially draws on the individual country evaluations. The caveats and limitations which apply to these individual country evaluations also apply to the comparative assessment. In the present case, differences in context did not prevent meaningful comparisons from being made. Discussions with the ISG, our regional experts and interviewees with experience across the region helped put Tunisian and Jordanian results in perspective.

Annex III. Evaluation matrix and, where relevant, details on answers to the evaluation questions (by criterion)

This annex provides a more detailed overview of the evaluation matrix used for the evaluation study. It was developed by the external contractor, as a framework for the independent assessment. The matrix assigns each evaluation question outlined in the Terms of Reference to the relevant evaluation criteria and serves as general framework for the applied methodology.

Evaluation question on **relevance**: *To what extent was the MFA operation design (including adequateness of financing envelope, focus of conditionality) appropriate in relation to the outputs to be produced and objectives to be achieved?*

Judgment criteria	Quantitative analysis	Qualitative analysis	Source of information
• The size of the financial assistance was adequate in relation to the financing needs of the beneficiary country; • The form of support was appropriate given the beneficiary country debt position and income status; • MFA conditions were consistent with and relevant to Tunisian needs and realistic given the nature of the instrument; • The MFA package was generally regarded as relevant to Tunisian needs by stakeholders, local economists, media etc.	• Financing needs in 2016 and 2018 and how these were met; • Analysis of financing needs in 2017-2019 (as done by the IMF) and the role of MFA in meeting these needs; • Comparison between projected and actual financing needs – reasons for deviations and relevance and appropriateness of MFA in light of any changes; • Analysis of how Tunisia meets criteria defining eligibility to grants and of EU budgetary constraints; • Debt sustainability analysis.	• Degree of consensus among key stakeholders/ key informants regarding the relevance and importance of the MFA (in absolute and relative terms); • Stakeholders' and local economists' assessment of the use of the loan (and absence of grant) and focus of the conditions; • Examination of whether the focus of MFA conditionality was relevant and the ambition level appropriate in the local context, bearing also in mind the characteristics of the MFA instrument.	**Documentary analysis:** *Ex ante* evaluation of MFA-II to Tunisia and Jordan; Reports on memoranda of understanding (MoUs) and loan agreements; Supporting documentation submitted by the authorities to the European Commission on the fulfilment of the structural reform criteria; Commission's assessment of compliance with conditionality requirements (e.g. after mission reviews); IMF mission reviews; WB summary reports; Other reports / needs assessments (2015 PEFA report for Tunisia covering years 2011-2013, 2016 PEFA report for Jordan covering years 2013-2015); Various indices e.g. The Open Budget Index, WB Doing Business Ranking, World Economic Forum Competitiveness Index. **Semi-structured interviews:** EC officials: DG ECFIN, DG NEAR; EEAS Key representatives of Member States IMF/ WB officials; Authorities including ministries of finance, social

			affairs and central banks; EU Delegations in Tunis and Amman. **Case studies** **Experts' survey** **Focus group**

Evaluation question on **coherence**: *Were the measures of the MFA operation in line with key principles, objectives and measures taken in other EU external actions towards Jordan and Tunisia?*			
Judgment criteria	Quantitative analysis	Qualitative analysis	Source of information
• MFA-II was fully in line with EU objectives and reinforced EU action deployed via other instruments; • MFA conditionalities were consistent with and relevant to the EU's and other donors' programmes.	Not applicable	• Stakeholders' assessment of the coherence of the MFA-II operation with other EU external actions; • Mapping of conditions, qualitative assessment of the adequacy of the conditionality, potential synergies/ overlaps with other EU instruments (i.e. deployed under ENI); • Analysis of synergies with the IMF SBA/EFF programmes / WB programme(s).	**Document and data review:** MFA-II documentation including *ex ante* evaluations of MFA to Jordan and Tunisia; Identification of relevant programmes/ actions and review of their documentation (e.g. IMF, WB). **Semi-structured interviews:** EC officials: DG ECFIN, DG NEAR, EEAS. EU Delegation in Jordan /Tunisia; Jordan authorities, including Ministry of Finance and Central Bank ; Tunisian and Jordanian authorities including, ministry of finance and central bank representatives; Key representatives of Member States IMF/WB officials; Other IFIs / other donors **Focus group**

Framework for answering evaluation question on **effectiveness**: *To what extent have the objectives of the MFA operation been achieved?*			
Judgment criteria	Quantitative analysis	Qualitative analysis	Source of information
• Macroeconomic impact • There has been an improvement in the macroeconomic situation of both countries including external financial sustainability • The role and contribution of MFA can be identified • MFA had a positive social impact • The evidence suggests that Tunisia would have been worse off in absence of the MFA • Structural reforms • There is evidence of progress with reforms • There is evidence to suggest that MFA accelerated, reinforced or promoted reform in certain areas	• Analysis of trends in key indicators (national accounts, balance-of-payments statistics, government finance statistics, monetary statistics, external sustainability) before, during and after MFAs II; • Analysis of data on lending conditions available for both countries (focusing on financing available from bilateral / multilateral donors and to some extent from national and international capital markets); • Debt sustainability analysis; • Social impact analysis – evolution of key indicators relating to unemployment, poverty, etc.	• Counterfactual analysis • Stakeholders and local economists' views on the specific contribution of MFA to short-term macroeconomic stabilisation of Tunisia and Jordan; • Stakeholders and local economists' assessment of the contribution of MFA to progress with structural reform.	• Document and data review: • Macroeconomic data sourced from IMF/WB and national sources (for Tunisia, Jordan and MENA in general); • MFA documentation; • IMF reviews and country reports; • Credit rating agency reports (e.g. Moody's); • Academic and literature on Tunisian and Jordanian economy; • Data on public borrowing (scale/maturity/costs) and prevailing market conditions at the time of MFA/IMF programmes. • Semi-structured interviews: • EC officials: DG ECFIN; • IMF/WB officials; • Tunisian / Jordanian authorities, in particular ministries of finance and central banks; • EU Delegations in Tunis and Amman; • Inputs from local experts; • Expert survey • Focus group

Framework for answering evaluation question on **efficiency**:				
Evaluation question	Judgment criteria	Quantitative analysis	Qualitative analysis	Source of information
EQ1: Was the disbursement of the financial assistance appropriate in the context of the prevailing economic and financial conditions in the beneficiary country?	MFA disbursements were timely given Tunisia's/Jordan's financing needs MFA disbursements were consistent with the EU stance in Tunisia and Jordan	Timing of disbursements in relation to key macroeconomic developments and financing needs in Tunisia and Jordan	Analysis of the timing of disbursements of both MFA and IMF and factors affecting disbursements Time taken between Tunisian authorities' request for MFA assistance and approval/ disbursement of MFA Consistency of disbursement or non-disbursement decisions with the EU stance in the country	Document and data review: MFA documentation IMF/ WB documentation Semi-structured interviews EC officials: DG ECFIN, DG NEAR EEAS IMF/WB officials Tunisian/Jordanian authorities EU Delegations in Tunis/Amman
EQ2: In what way has the design of the MFA assistance conditioned the performance of the operation in respect to its cost and its objectives?	There were favourable entry conditions for the MFA operation e.g. political commitment; public buy-in, capacity to implement reform There was effective dialogue between the European Commission and national authorities The design of the MFA operation was flexible, and it adjusted to changes in context and/or feedback mechanisms There was effective monitoring of the MFA operation The MFA operation was well perceived in Tunisia/Jordan	Not applicable	The extent of liaison between the European Commission and national authorities Whether there was effective monitoring of the MFA operation The communication channels used, and media treatment received Stakeholders' feedback on what could have been done differently with the benefit of hindsight Identification of good practice / lessons learned from the design and implementation of MFA operation in Tunisia/Jordan, comparing the	Document and data review: Macroeconomic data sourced from IMF and national sources MFA documentation Semi-structured interviews: EC officials: DG ECFIN, DG NEAR EEAS IMF/WB officials Tunisian authorities EU Delegations in Tunis/Amman Expert survey Focus group

			experiences in both countries	

Framework for answering the evaluation question on **added value**: *What was the rationale for an intervention at EU level and to what extent did the MFA operation add value compared to other interventions by other international donors?*			
Judgment criteria	Quantitative analysis	Qualitative analysis	Source of information
There is clear financial added value of EU support – over intervention at MS level There is demonstrable evidence that the MFA operation had a signalling and confidence-building effect – building investor and private sector confidence EU had a discernible influence on the design and application of conditionalities	Trends in confidence indicators and proxy indicators of confidence such as interest rates for T-bills and longer-term bonds denominated in local / foreign currency and key indicators of the foreign exchange market	Qualitative assessment of links between wider fluctuations in confidence indicators and EU assistance Mapping of conditionalities (see also 'relevance') Stakeholders' views on the role and influence of EU in the design and application of support package	Document and data review: Macroeconomic data sourced from IMF and national sources; MFA documentation; IMF reviews and country reports; Academic and grey literature; Credit rating agencies' reports; Financial markets data; Any relevant press monitoring reports. Semi-structured interviews: EC officials: DG ECFIN, DG NEAR; IMF/WB officials; Other key bilateral/ multilateral donors; Tunisian/Jordanian authorities; EU Delegations in Tunisia/Jordan; Focus group; Expert survey; Insights from study experts.

Annex IV. Overview of benefits and costs and, where relevant, table on simplification and burden reduction

The typology of costs in the Better Regulation toolbox (defined as compliance, enforcement and other indirect costs) is impossible to apply in the context of MFA operations, as such costs are not incurred here. As indicated in the legislative financial statement accompanying the Commission's proposals for MFA, the budgetary impact at the level of the EU is limited to some administrative costs related to human resources and the outsourcing of operational assessments and *ex post* evaluations.

The typology of benefits (improved welfare, market efficiency and wider economic effects) can seem to be more relevant. However, as shown in past country *ex post* evaluations, which tried to quantify the macroeconomic effects of the MFA assistance, either by counterfactual modelling or by other more qualitative methods, it is almost impossible to disentangle the effects of MFA from IMF assistance (both disbursed at the same time) and from other macroeconomic events.

The guidelines for carrying out *ex post* evaluations of MFA operations of June 2015, acknowledged the problem and stated that:

[…] EU added value may be the results of different factors: coordination gains, legal certainty, greater effectiveness or efficiency, complementarities etc. In all cases, concluding on the continued need for the intervention at EU level may be difficult as measuring EU added value is challenging.
The analysis of EU added value is often limited to the qualitative, given the stated difficulties to identify a counterfactual.

More specifically in the field of *ex post* evaluation of MFA, challenges can arise which cannot be easily discarded and which should be taken into consideration:

- The nature of the instrument: MFA is not earmarked in any way. It is an instrument complementing an IMF programme. It cannot be linked directly to identifiable outputs as in the case of programme- or project-linked aid.
- Objectives of MFA operations can be implicit for political reasons – when they are explicitly presented in an MoU, they are sometimes not specific in nature.
- The size of the assistance: MFA grants/loans are provided in addition to an IMF loan and may represent a small proportion of the total funds accorded to the recipient country. Thus the financial components of both instruments cannot usually be easily or indeed meaningfully disassociated.

The consequence of these challenges is that:

- A classic assessment of efficiency (i.e. cost-effectiveness) is not feasible, although it is pertinent to examine the suitability of the blend of grants and loans making up the assistance, other questions about its design and implementation, and consequences for the achievement of objectives.
- Effects on macroeconomic variables over time cannot be uniquely attributed to MFA, meaning that analyses have to take into account the global package of which the assistance is a part.

Past country *ex post* evaluations have taken this guidance into account and have come with an evaluation methodology suited for the MFA instrument.

Annex V. Stakeholder consultation – Synopsis report

This annex provides a brief overview of all stakeholder consultation activities undertaken for the evaluation, already introduced in Annex II. A total of 50 **interviews** were carried out with key stakeholders as part of the evaluation, including various stakeholders from: (i) the EU; (ii) beneficiary countries; (iii) the donor community; and (iv) other relevant stakeholders at regional level.

More specifically, the evaluation team interviewed European Commission officials and representatives of the EU and individual Member States, as well as Tunisian and Jordanian national authorities. Other relevant stakeholders involved in the implementation and/or monitoring of MFA were also included, while IFIs, the wider donor community, civil society organisations (CSOs) and business representatives were also consulted. Owing to the ongoing COVID-19 pandemic and associated travel restrictions, interviews were generally conducted over the phone or via videoconferencing[30].

The focus of the interviews varied, depending on the stakeholder type. Interviewees received a copy of semi-structured questionnaires beforehand that were used to steer the interviews.

Additionally, a dedicated **expert survey** sought to elicit additional views in relation to: (i) the macroeconomic impact of MFA-II on the Tunisian and Jordanian economies; (ii) the impact and contribution of the operations to the structural reform process in each country; and (iii) various design and implementation aspects. Participants were also asked to comment on possible scenarios (i.e. alternative avenues that would have been considered by the authorities) had either MFA-II or the entire joint MFA/IMF assistance package not been made available. The survey also covered aspects pertaining to the role of the MFA in promoting structural reform and the associated economic and social impacts.

An online **focus group** discussion was also organised between the study team, the local expert team, and several representatives from the business community, CSOs, media and academics in each country. The discussion comprised a series of short presentations and live polls intended to facilitate open discussion among participants.

Finally, **two in-depth case studies**[31] on MFA-promoted reforms were developed (one for each country) in the area of external audit. These formed part of both operations, including consultations and interviews with the relevant stakeholders. The case studies addressed: (i) the rationale behind the selection of MFA conditions in the selected area, as well as the relevance and added value of MFA conditionality; (ii) the significance of MFA conditionality in the context of the overall need for reform in a particular thematic area/sector; (iii) how the MFA conditions were implemented and whether the authorities encountered any obstacles in implementing those conditions (e.g. lack of capacity, political or public resistance to change, etc.); (iv) the role and contribution of the MFA in

[30] Annex IV to the evaluation report provides all the detailed information. Its Table 11 lists the stakeholders consulted during the evaluation, while Table 12 lists survey experts (a total of 37 and 26 respondents participated in the Tunisian and Jordanian surveys respectively).

[31] In addition, the evaluation team also carried out a social impact analysis (using evidence from social indicators and primary data to assess the impact of the MFA-II operations on the social situation in each of Tunisia and Jordan) and a debt sustainability analysis to evaluate the impact of MFA-II operations on the sustainability of Tunisia's and Jordan's public debt.

promoting reform, including identification of key causal links; and (v) short-, mid- and long-term benefits of the MFA conditions.

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