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Brussels, 5.8.2025
COM(2025) 456 final

2025/0251 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on providing macro-financial assistance to the Hashemite Kingdom of Jordan

{SWD(2025) 245 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The outlook for Jordan's economy is subject to large downside risks, in the face of continued regional instability and a fragile global outlook. Jordan's real GDP growth was estimated at 2.5% in 2024 and is projected to remain broadly unchanged in 2025. Inflation remained below 2% by end-2024, supported by lower import prices and continued monetary tightening by the Central Bank in line with the US dollar peg. However, potential spillovers of nearby wars have increased pressures on Jordan's security situation and economic resilience, further raising downside risks to its outlook. The Middle East has been experiencing increasing instability, due to the war in Gaza, the fragile ceasefire in Lebanon, the fall of the Assad regime in Syria. The escalation of tensions between Israel and Iran in mid-2025 disrupted travel and increased uncertainty, with direct impacts on the tourism sector and likely adverse effects on consumer and investor confidence. While Jordan's economic backdrop remains broadly stable, heightened volatility and geopolitical unpredictability pose growing challenges for its future economic and social stability.

Moreover, the country faces deep-rooted structural challenges. The *unemployment* rate remains persistently high at 21.4%, with even higher rates among the youth, while female participation ranks among the lowest in the world. These labour market weaknesses continue to constrain Jordan's growth potential and hinder broader economic inclusion and social cohesion. *Fiscal pressures* intensified in 2024 amid spillover effects from regional conflicts and falling prices of key export commodities. Although the government introduced revenue-raising measures and cut down on capital spending, the general budget deficit still widened to 5.6% of GDP. Public debt rose slightly to 90.4% of GDP (excluding Social Security Corporation holdings)[1]. The *current account deficit* widened to close to 6% of GDP in 2024, driven by lower exports and a decline in tourism revenues. Jordan's structural reliance on energy and food imports, coupled with a weak export base, continues to weigh on external balances. Despite stable reserves of around USD 21 billion, vulnerabilities to external shocks persist, reinforcing the need for continued international financial support.

In recent years, Jordan has pursued efforts to modernise its economic structure, notably through the launch of the Economic Modernisation Vision (EMV) in 2022, a ten-year strategy aimed at boosting investment, creating jobs, and raising living standards. Building on earlier reforms, such as the 2018 London Initiative, the EMV focuses on eight key sectors and includes measures to enhance public sector efficiency and citizen engagement, with reform efforts supported also through the consecutive IMF programmes and EU Macro-Financial Assistance (MFA). The first phase (2023–2025) is nearing completion, laying the groundwork for future implementation. These reform efforts have advanced despite a series of overlapping external shocks, including the protracted Syrian refugee crisis, the COVID-19 pandemic, global supply disruptions triggered by Russia's unprovoked war of aggression against Ukraine, and renewed regional tensions following the Israel-Gaza conflict and Red Sea trade disruptions. Although recent diplomatic steps toward Syria's reintegration have been positive, they have yet to create the conditions conducive to the large-scale return of refugees from Jordan.

[1] Debt including SSC's holdings reached 114.7% of GDP.

Given the series of external shocks and Jordan's strategic role in promoting regional stability, the country has received substantial international support over the past decade through various international partners. This includes four consecutive IMF programmes since 2012, four MFA operations by the EU since 2014, significant US assistance, and targeted support for hosting Syrian refugees.

– The first three *MFA programmes* (MFA I: EUR 180 million; MFA II: EUR 200 million; MFA III: EUR 500 million + EUR 200 million top-up in response to COVID-19) provided a total of EUR 1.08 billion in loans between 2014 and 2023. Moreover, following a request by the Jordanian authorities on 8 October 2023, the EU adopted a new MFA IV operation in 2025, amounting to EUR 500 million, with disbursements planned over 2025–2027. The MFA IV will be disbursed upon fulfilment of agreed policy conditions in the Memorandum of Understanding (MoU), covering measures in public finance management, governance and anti-corruption, social and labour market policies, and in energy and the business environment.

– Jordan is also making good progress under the USD 1.2 billion *IMF Extended Fund Facility* (2024-2027), which has completed three positive reviews to date (the last one concluded on April 2025). Besides, on 25 June 2025, the IMF also approved approximately USD 700 million under the *Resilience and Sustainability Facility* (RSF) to support reforms addressing climate-related and pandemic preparedness risks.

– Although temporary uncertainty remains around the disbursement of *US budget support* in 2025, Jordan has successfully mobilized critical external financing from the World Bank, and GCC partners.

Beyond short-term financial assistance, the European Union (EU) and Jordan have a close and long-standing partnership, anchored in the EU-Jordan Association Agreement, which has been in force since 2002. This relationship has steadily deepened over the years, reflecting strong political ties, economic cooperation, and shared regional interests. In January 2025, the EU and Jordan have agreed to strengthen their ties through a Strategic and Comprehensive Partnership (SCP) aimed at promoting shared prosperity, stability, and security, rooted in mutual trust and long-standing cooperation. This renewed partnership focuses on six key pillars: political relations and regional cooperation; security and defence; economic resilience, trade and investment; human capital; migration; and protection of, and support to, refugees. Its implementation will be supported by a substantial financial package (including through MFA), combining short- and long-term assistance to advance Jordan's macro-fiscal and structural reform agendas, scale up investment support, and provide targeted aid for the delivery of strategic priorities.

Given their challenging economic situation and sizeable and unmet financing needs, Jordanian authorities requested an additional MFA V operation of EUR 500 million in January 2025. The request highlighted the deteriorating economic and political environment, noting that regional turmoil intensified throughout 2024, compounding an already uncertain and unstable global context. Moreover, these developments have weighed on foreign direct investment, exports, domestic consumption and domestic revenues, further weakening Jordan's economic and fiscal outlook and increasing the risk of larger external financing needs. The renewed violence in the region, including escalating tensions between Israel and Iran in mid-June, led to flight suspensions in Jordan and is likely to further complicate the country's fragile economic recovery, dampen investor and tourist confidence, and contribute to an increasingly uncertain outlook.

Against this background, the European Commission proposes to provide further financial support to Jordan, in the form of a new MFA, with the following features:

– After an in-depth assessment of the political and economic situation in Jordan, the Commission is submitting to the European Parliament and the Council a proposal to provide a new MFA of *up to EUR 500 million* to the benefit of Jordan. The proposed MFA would help Jordan cover part of its overall residual external financing gap, which is estimated at around USD 3.9 billion in the context of the ongoing IMF programme over the period of 2024-2027. It would also help safeguarding the ongoing reform progress.

– The disbursement would take place in *three instalments*, with the release of instalments strictly linked to progress with the implementation of both the *IMF programme and a number of additional policy measures* to be agreed between the Commission and the authorities and listed in a Memorandum of Understanding (MoU). The MoU could, in principle, include policy reforms covering economic governance (such as public finance management and measures to strengthen domestic revenue mobilization), social and labour market policies, governance, anti-corruption measures, utilities, and the business environment.

– The implementation of the proposed operation is expected to go hand-in-hand with the support under budget support operations financed by the Neighbourhood, Development and International Cooperation Instrument - Global Europe ('NDICI-GE').

– As further elaborated in the Commission Staff Working Document (SWD) accompanying this proposal, the Commission considers, based also on the assessment of the political situation made by the European External Action Service (EEAS), that the *political and economic pre-conditions for the proposed MFA operation are satisfied*.

• **Jordan's economic context**

The Middle East faces growing instability from the war in Gaza, a fragile Lebanon ceasefire, the fall of Syria's regime, and the recent Israel-Iran conflict. These tensions heighten pressure on Jordan's security and economy, with rising volatility and increasing downside risks, **Economic growth decreased to 2.5% y-o-y (year on year) in 2024 (from 2.9% in 2023), due to the increased uncertainty resulting from the instability in the region, including the war in Israel-Gaza, and the moderation of global growth**. Key sectors such as tourism and trade continued to perform relatively well, despite disruptions linked to the war, and exceeding initial expectations, supported by an increase in regional tourist arrivals that partially offset the decline in visitors from the West. Despite this, tourism revenues fell by 2.3% in 2024, and the number of visitors declined by 3.9%. The sectors that contributed most to economic growth were manufacturing, agriculture, transport and communications, as well as financial services. Jordan started 2025 with sustained economic growth, broadly in line with the 2.5% recorded in 2024, driven by continued recovery in tourism, manufacturing and agriculture. However, the second quarter is expected to have been affected by the escalation of tensions between Israel and Iran, which prompted the temporary closure of Jordanian airspace. This disruption, led to suspension of flights and disrupted cargo traffic, and caused broader uncertainty, thus likely weighting on investor and consumer confidence.

The unemployment rate remains high, despite a small decrease to 21.4% in 2024 (from 22.0% in 2023). The *unemployment rate* among men stood at 18.3% and at 33.3% among women. Youth unemployment remains an important challenge and continues into young adulthood, as the unemployment rate for the age brackets of 15-19 years and 20-24 years was 54.7% and 46.4%, respectively. At only 34.3%, *labour force participation* remains an important challenge, where men's and women's labour force participation are both low or very low at 53.6% and 14.8%, respectively, which compares to 72% and 18% in the MENA region, respectively.

Inflation pressures are contained, in line with recent monetary policy decisions. *Inflation* fell to 1.6% in 2024 on average y-o-y (from 2.1% in 2023) though it picked up at the beginning of 2025 (2.2% in Jan-Feb 2025, y-o-y) in line with the central bank's monetary easing. Most recently, main drivers of inflation were prices for rents, meat and poultry, and tobacco and cigarettes. Price decreases were recorded in particular for clothing, dairy products and oils, the latter two had contributed to driving inflation in previous years. Since September 2024, the Central Bank of Jordan (CBJ) cut its *interest rate* in 3 steps by 100 basis points to 6.5%, marking the end of the monetary tightening phase that began 2.5 years earlier. Between March 2022 and July 2023, the main rate was raised in 10 steps from 2.5% to 7.5%. The CBJ decisions were necessary given the JOD's peg to the USD, to be in line with the US Federal Reserve's monetary tightening/easing and avoid pressures on capital flows, and indeed contributed to the moderation of inflationary pressures.

The banking system remains liquid and well capitalised. The capital adequacy ratio stood at 18% in 2024 (from 17.9% in 2023), well above the required 12%. The non-performing loans (NPL) ratio slightly increased to 5.6% in 2024 (from 5.1% in 2023), while the coverage ratio for NPLs stood at 74.8% in 2024. Banks' profitability remained stable with an estimated return on assets of 1.2%.

Public finances show vulnerabilities, though the IMF's overall public debt sustainability assessment is supportive. The *general government deficit* reached 5.6% of GDP in 2024, which is higher than in the previous year (from 5.1% of GDP in 2023). The primary deficit (excluding interest payments on public debt) stood at 0.1% of GDP (0.4% of GDP in 2023). Current expenditure accounted for 89.9% of public expenditure. Besides interest payments (20% of current expenditure) main components of expenditure were military expenditure (29.6%), compensation of civil sector employees (19.3%) and pensions (16.3%). *Public debt* amounted to 90.4% of GDP (excluding the debt held by the Social Security Investment Fund, SSIF) in 2024, slightly higher than the 89.2% of GDP in 2023. Including the SSIF debt, public debt stood at 116.8% of GDP in 2024, which compares to 113.8% in 2023. Jordan's public debt is assessed as sustainable with a high probability by the IMF (Article IV, June 2025). Indeed, while the high level of public debt renders Jordan vulnerable to a tightening in financial conditions, the large share of concessional debt provides an important cushion. Moreover, Jordan has significant buffers: foreign exchange reserves correspond to 7.7 months of imports; and assets of the Social Security Investment Fund reached 40 percent of GDP. The risk of sovereign stress is assessed as moderate by the IMF.

Jordan's external situation remains fragile, but foreign exchange reserves are adequate. The *current account deficit* (including grants) widened to 5.9% of GDP in 2024 (from 3.6% in 2023), as the services surplus decreased, while the goods deficit and the primary income deficit widened. Main domestic goods export items were chemicals and minerals (30% of goods exports) mainly destined for India and Arab countries, as well as clothes (20%) largely destined for the US. The largest goods import groups were transport equipment & spare parts (10% of goods imports) mainly from China, the US and South Korea; petroleum products (6%) mainly from Saudi Arabia and India; and textiles (5%) from Asia. The current account deficit continued to be mitigated by strong secondary income flows: remittances reached 6.8%

of GDP in 2024, while programme financing (World Bank, IMF and other bilateral/multilateral support) reached 4.2% of GDP. Foreign direct investment decreased to 3.3% of GDP in 2024. The CBJ's *gross foreign reserves* remained strong and above 100% of the IMF's reserve adequacy metric.

The outlook over the next few years is uncertain. Looking ahead, a modest uptick in growth for 2025 and in the following years was expected by the IMF in June 2025, but this forecast predates the Israel-Iran conflict. The regional wars pose an important downside risk to the outlook, in particular due to the increased level of uncertainty in the region and the possible future impact on the important tourism sector, further fuelled by the recent conflict between Israel-Iran. External and fiscal deficits are expected to remain high, reflecting the underlying structural challenges to sustainably improve fiscal revenue and the trade deficit. Given the large public debt burden, the fiscal consolidation course needs to continue, in addition to ongoing economic modernisation efforts to improve the business environment, to foster private sector growth, including by attracting foreign direct investment.

- **Consistency with existing policy provisions in the policy area**

The proposed MFA would support the resources allocated to Jordan under the existing operation adopted by the European Parliament and the Council on 14 April 2025 under the Decision (EU) 2020/33[2] on providing MFA to the Hashemite Kingdom of Jordan amounting to EUR 500 million in loans to be disbursed during the period 2025-2027.

- **Consistency with other EU policies**

The EU and Jordan have developed a close and long-standing partnership, underpinned by the Association Agreement that has been in force since 2002, and that was upgraded to an Advanced Status partnership in 2010[3]. This relationship was further reinforced by the adoption of the EU-Jordan Partnership Priorities in June 2022, setting the strategic framework for cooperation until 2027. The priorities reflect shared values and a commitment to reforms in the areas of good governance and respect for human rights, the promotion of sustainable economic development and, and the strengthening of cooperation on regional stability and security.

Jordan also enjoys solid economic relations with the European Union, which stands as one of its key trading and investment partners. Their trade relationship is anchored in the EU-Jordan Association Agreement, which facilitates preferential access to EU markets. Jordan has also benefited from the EU's simplified rules of origin initiative since 2016, designed to stimulate exports and industrial development. In line with the EU's 2021 Trade Policy Review, the EU and Jordan are working to deepen trade and investment relations, including efforts to improve the business climate, advance sector-specific regulatory alignment, and fully harness the potential of the Association Agreement.

This cooperation was further elevated through the launch of the EU-Jordan Strategic and Comprehensive Partnership, endorsed in January 2025. The partnership outlines key areas for deeper collaboration, including political relations and regional cooperation, security

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[2] Decision (EU) 2025/793 of the European Parliament and of the Council of 14 April 2025 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (*OJ L, 2025/793, 22.4.2025, ELI: http://data.europa.eu/eli/dec/2025/793/oj*).

[3] OJ L 129, 15.5.2002, p. 3–176. (http://data.europa.eu/eli/agree_internation/2002/357(1)/oj)

and defence, economic resilience, trade and investment, human capital development, migration, and the protection and support of refugees. These pillars align closely with Jordan's Economic Modernisation Vision (2022–2033) and aim to support the country's long-term resilience, inclusive growth, and ability to respond to regional and global challenges.

The proposed MFA operation aligns with the EU's broader objectives under the European Neighbourhood Policy (ENP). It contributes to support the European Union's objectives of economic stability and development in Jordan and, more broadly, resilience in the South European neighbourhood. The EU MFA would complement the grants mobilised under the NDICI and other EU programmes and instruments and, in particular, the conditions envisaged under the budget support packages being implemented by the EU under the current multiannual financial framework (MFF) 2021-2027. By continuing to support the adoption by the Jordanian authorities of an appropriate framework for macroeconomic policy and structural reforms, the EU's MFA would increase the added value and effectiveness of the EU's overall financial support measures, including through other instruments.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this proposal is Article 212 of the Treaty on the Functioning of the European Union ('TFEU').

- **Subsidiarity (for non-exclusive competence)**

The subsidiarity principle is respected as the objectives of maintaining short-term macroeconomic stability in Jordan cannot be sufficiently achieved by the Member States alone and can be better achieved by the European Union. The main reasons are the budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectivenes of the assistance.

- **Proportionality**

The proposal complies with the proportionality principle: it confines itself to the minimum required in order to achieve the objectives of short-term macroeconomic stability and does not go beyond what is necessary for that purpose.

As identified by the Commission based on the estimates of the IMF in the context of the EFF, the amount of the proposed new MFA corresponds to 14.6% of the estimated residual financing gap for the period 2025-2027. This is consistent with standard practices on burden-sharing for MFA operations (for a country with an Association Agreement, the upper limit is 60% according to the ECOFIN Council conclusions of 8 October 2002), taking into account the assistance pledged to Jordan by other bilateral and multilateral donors. When considering the overall EU support to Jordan via various instruments (including the proposed MFA, MFA IV, EU budget support and EIB loans, excluding bilateral support by Member States), the total EU support would cover about 35.4% of the estimated residual external financing gap. The overall EU contribution including budget support and EIB loans to Jordan is expected to be higher than in the past.

- **Choice of instrument**

Project finance or technical assistance would not be suitable or sufficient to address the macroeconomic objectives. The key added value of the MFA compared to other EU instruments is to alleviate external financial constraints and to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and 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 in Jordan under other, more narrowly-focused EU instruments.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The Commission's MFA proposal builds on lessons learnt from ex-post evaluations carried out on past operations in the EU's neighbourhood, including on the ex-post evaluation of the MFA-II operation provided to Jordan in 2016-2019 that was governed by Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016[4], as well as the most recent ex-post evaluation of Covid-19 MFA package, which covered Jordan MFA-III[5].

The Jordan 2016-2019 ex-post evaluation[6] concluded overall that the MFA-II programme met its objectives. Its design was relevant to Jordan's economic challenges, while it contributed substantially to the effective stabilisation of Jordan's external and fiscal financial position. The programme had considerable added value for the EU as it supported macroeconomic stability in a neighbouring partner country and mitigated the impact of the Syrian refugees crisis. It was designed and implemented in a way that was coherent with other EU policies and instruments.

- **Stakeholder consultations**

MFA is provided as an integral part of the international support for the economic stabilisation of Jordan, including from the IMF. To prepare this proposal for MFA, the Commission consulted with the IMF, which is disbursing a sizeble financing programme. The Commission consulted the Alternate Economic and Financial Committee on the 2 July 2025, where an endorsement for the draft proposal was provided. The Commission has also been in regular contact with the Jordanian authorities.

- **Collection and use of expertise**

In line with the requirements under Regulation (EU, Euratom) 2024/2509[7] ('Financial Regulation'), the Commission services has carried out an operational assessment of the financial and administrative circuits of Jordan ahead of the implementation of MFA IV. The purpose was to ensure that the country's procedures for managing programme assistance, including MFA, provide adequate guarantees for sound financial management. The final

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4 Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 352, 23.12.2016, p. 18, ELI: http://data.europa.eu/eli/dec/2016/2371/oj).

5 The evaluation was conducted by external consultants and concluded in May 2025. The publication of the ex-post evaluation alongside the Commission Staff Working Document (SWD) is expected for the second half of 2025.

6 Ex-post evaluation on: MFA Operations to the Southern Neighbourhood Countries of Tunisia and Jordan (2016-2019), September 2021, available at: https://commission.europa.eu/about-european-commission/departments-and-executive-agencies/economic-and-financial-affairs/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/joint-ex-post-evaluation-macro-financial-assistance-mfa-operations-tunisia-and_en

7 OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj (BG, ES, CS, DA, DE, ET, EL, EN, FR, GA, HR, IT, LV, LT, HU, MT, NL, PL, PT, RO, SK, SL, FI, SV)

report of the operational assessment, prepared by a consultancy company, was received in October 2024. The report noted clear progress in public finance management systems and other financial circuits since 2020, when the last exercise was undertaken. The report concluded that the status of Jordan's financial circuits and procedures is deemed favourable for an MFA operation. As the operational assessment was conducted less than a year ago and its findings remain valid, the Commission considers that a new assessment is not required for the proposed MFA V operation.

• **Impact assessment**

The EU's MFA is an exceptional emergency instrument aimed at addressing severe balance-of-payments difficulties in non-EU countries. This MFA proposal is therefore exempted from the requirement to carry out an Impact Assessment in line with the Commission's Better Regulation Guidelines (SWD(2015) 111 final) as there is a political imperative to move ahead quickly in a situation requiring a rapid response.

More generally, the Commission's MFA proposals build on lessons learnt from ex-post evaluations carried out on past operations in the EU's neighbourhood. The new MFA, and the economic adjustment and reform programme attached to it, will help alleviate Jordan's short-term financing needs while supporting policy measures aimed at strengthening medium-term balance of payments and fiscal sustainability and raising sustainable growth, thus complementing the programme of the IMF Executive Board. These policy conditions should address some of the fundamental weaknesses shown over the years by the Jordanian economy and economic governance system. Possible areas of conditionality could, in principle, include reforms to improve economic governance, including public finance management and tax administration, social and labour market policies, business environment and energy/green transition.

• **Fundamental rights**

Countries that are covered by the European Neighbourhood Policy are eligible for MFA. A pre-condition for granting MFA is that the eligible country respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guarantees respect for human rights.

Jordan has continued its political reform efforts to strengthen parliamentary democracy and the rule of law. In 2021, Jordan launched a political modernisation process aspiring to foster political participation of women and youth, to overcome tribal allegiance and encourage the formation of nationwide programme-based political parties, introduced through amendments to the Elections and Political Parties Laws. In 2023, the government amended the Labour Code in line with international human rights standards. Despite a very challenging context, Jordan remains committed to advancing reforms towards a more effective democratic political system based on the rule of law and respect for human rights. In this context, the political preconditions for MFA are considered to be satisfied.

4. BUDGETARY IMPLICATIONS

The proposed MFA operation of up to EUR 500 million in loans for Jordan is planned to be disbursed in three instalments to be released over a period of up to 2.5 years. The loan will be provided under the External Action Guarantee with a provisioning at a rate of 9%, which will be programmed under the NDICI-GE, for a total amount of EUR 45 million (budget line 14 02 01 70 'NDICI – Provisioning of the Common Provisioning Fund'). The loans shall be granted in the form of amortising loans with a grace period and subsequent capital repayments in equal tranches over a long period. Such a loan structure will be beneficial for both the beneficiary in that it facilitates repayments, and the EU budget, by spreading contingent liabilities over a long time-frame.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The European Union will make the MFA available to Jordan for a total amount of up to EUR 500 million, provided in the form of loans, which will contribute to covering Jordan's residual external financing needs in the operation's availability period. The assistance is planned to be disbursed in three instalments, provided that the policy measures attached to each instalment have been fully implemented in a timely manner. The assistance will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

Disbursements under the proposed MFA operation will be conditional on successful programme reviews under the IMF programme. In addition, the Commission and the Jordanian authorities will agree on a specific set of structural reform measures, to be set out in a Memorandum of Understanding. These reform measures should support the authorities' reform agenda and complement the programmes agreed with the IMF, the World Bank and other donors, as well as the policy programmes associated with the EU's budgetary support operations. They should be consistent with the main economic reform priorities agreed between the EU and Jordan in the Association Agreement, the Partnership Priorities and annexed Compact, the SCP and Jordan's Modernisation Vision and other national strategies.

2025/0251 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on providing macro-financial assistance to the Hashemite Kingdom of Jordan

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure[8],

Whereas:

(1) Relations between the European Union ('the Union') and the Hashemite Kingdom of Jordan ('Jordan') are developing within the framework of the European Neighbourhood Policy (ENP). The Union and Jordan signed an Association Agreement on 24 November 1997, which entered into force on 1 May 2002[9]. Under the Association Agreement, the Union and Jordan gradually established a Free Trade Area over a transitional period of 12 years. In addition, an agreement on further liberalisation of agricultural products entered into force in 2007. In 2010, an Advanced Status partnership was agreed between the Union and Jordan that entails expanded areas of cooperation. A protocol on Dispute Settlement Mechanisms for trade between the Union and Jordan initialled in December 2009 entered into force on 1 July 2011. Bilateral political dialogue and economic cooperation have been further developed within the framework of the Association Agreement, the EU-Jordan Partnership Priorities adopted for 2022-2027 and the Strategic and Comprehensive Partnership, signed in January 2025.

(2) Since 2011, Jordan has embarked on a number of political reforms to strengthen parliamentary democracy and the rule of law. A Constitutional Court and an Independent Electoral Commission have been set up and a number of major laws, including the Electoral Act and the Political Parties Act as well as laws on decentralisation and municipalities, have been passed by the Jordanian Parliament. Legislative improvements as regards the independence of the judiciary and women's rights have been adopted.

(3) The Jordanian economy has been heavily affected by prolonged regional instability, notably the conflict in Syria and, the conflict in Israel-Gaza, along with security disruptions in the Red Sea. These instabilities have added further uncertainty, undermining investor confidence, disrupting trade routes, and weakening tourism. These challenges have come on top of lingering economic and social impacts from the

8 Position of the European Parliament of … and Decision of the Council of …

9 OJ L 129, 15.5.2002, p. 3, ELI: http://data.europa.eu/eli/agree_internation/2002/357(1)/oj.

COVID-19 pandemic global price shocks following Russia's invasion of Ukraine, and higher borrowing costs linked to tighter global financial conditions. More recently, increased uncertainty of the global environement also represents an additional challenge. While Jordan has avoided a renewed economic contraction, in part thanks to the pursuit of sound macro-economic policies and reforms, the recovery remains sluggish. Unemployment remains persistently high, particularly among youth and women, and fiscal and external financing pressures continue to weigh on the economy.

(4) The conflict in Israel-Gaza alongside the renewed violence in the region, notably escalating tensions between Israel and Iran in mid-June 2025, led to flight suspensions in Jordan and is likely to further complicate the country's fragile economic recovery, dampen investor and tourist confidence, and contribute to an increasingly uncertain outlook. Social tensions in Jordan have remained low but could rise if the ongong conflicts were to further escalate. Furthermore, climate-change risks exacerbating Jordan's already dire water scarcity could hurt growth and add further pressures on government finances.

(5) In January 2024, the Jordanian authorities and the IMF agreed on a economic adjustment programme supported by a four-year Extended Fund Facility (EFF) in the amount of USD 1.2 billion, which is currently being implemented. As of July 2025, Jordan's performance under the EFF has been strong, with all quantitative performance criteria and structural benchmarks met across the first three programme reviews (July and December 2024, and April 2025), triggering disbursements totalling USD 391 million out of the approved USD 1.2 billion.

(6) In April 2025, the Union adopted a fourth programme of macro-financial assistance (MFA-IV)[10] of EUR 500 million in the form of loans, in response to a request from Jordan in October 2023. The disbursements are planned over 2025–2027, upon fulfilment of agreed policy conditions in the Memorandum of Understanding, covering measures in public finance management, governance and anti-corruption, social and labour market policies, energy and business environment. The MFA IV follows from a series of three previous MFA programmes (MFA I: EUR 180 million; MFA II: EUR 200 million; MFA III: EUR 500 million + EUR 200 million top-up in response to COVID-19) provided a total of EUR 1.08 billion in loans between 2014 and 2023.

(7) Since the beginning of the Syrian crisis in 2011, the Union has made available approximately EUR 3.5 billion to Jordan under different instruments (including EUR 1.08 million under the three MFA operations) to help the country preserve economic stability, sustain political and economic reform and address its related humanitarian, development and security needs. In addition, the European Investment Bank has allocated around EUR 2.4 billion in project loans to Jordan since 2011.

(8) For the period 2021-2024, Union's bilateral indicative allocation (grants) under the Neighbourhood Development and International Cooperation Instrument – Global Europe (NDICI-GE) to Jordan amounts to around EUR 360 million and is complemented by Union's support to help Jordan address the impact of the Syrian crisis (EUR 214 million from 2021 to 2023) as well as other regional and thematic programmes. During the period 2014-2020, the Union provided support to Jordan mainly through the European Neighbourhood Instrument with EUR 765 million.

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10 Decision (EU) 2025/793 of the European Parliament and of the Council of 14 April 2025 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L, 2025/793, 22.4.2025, ELI: http://data.europa.eu/eli/dec/2025/793/oj).

During the same period, Jordan also benefitted from additional EUR 126 million channelled via the Neighbourhood Investmen Platform (NIP), which leveraged around EUR 580 million in investments. In 2021, under the Economic and Investment Plan (EIP), the EU launched more than 20 flagship projects in Jordan, committing approximately EUR 461 million (via grants, blending and guarantees) and leveraging around EUR 4.760 billion in total investment.

(9) In January 2025, in view of the still difficult economic situation and outlook, Jordan requested additional macro-financial assistance from the Union.

(10) Given that Jordan is a country covered by the ENP, it should be considered to be eligible to receive macro-financial assistance from the Union.

(11) The Union's macro-financial assistance should be an exceptional financial instrument of untied and undesignated balance-of-payments support, which aims at addressing the beneficiary's immediate external financing needs and should underpin the implementation of a policy programme containing strong immediate adjustment and structural reform measures designed to improve the balance-of-payments position in the short term.

(12) Given that a residual external financing gap remains in Jordan's balance of payments over and above the resources provided by IMF and other multilateral institutions, the provision by the Union of additional macro-financial assistance to Jordan is, under the current exceptional circumstances, considered to be an appropriate response to Jordan's request to the Union to support its economic stabilisation, in conjunction with the IMF programme. The Union's enlarged macro-financial assistance would support the economic stabilisation and the structural reform agenda of Jordan, supplementing resources made available under the IMF's financial arrangement.

(13) The Union's macro-financial assistance should aim to support the restoration of a sustainable external financing situation for Jordan thereby supporting its economic and social development.

(14) The Union's macro-financial assistance is expected to go hand-in-hand with the implementation of budget support operations under NDICI-GE established by Regulation (EU) 2021/947 of the European Parliament and of the Council[11].

(15) The determination of the amount of the Union's macro-financial assistance is based on a complete quantitative assessment of Jordan's residual external financing needs, and takes into account its capacity to finance itself with its own resources, in particular the international reserves at its disposal. The Union's macro-financial assistance should complement the programmes and resources provided by the IMF and the World Bank. The determination of the amount of the assistance also takes into account expected financial contributions from bilateral and multilateral donors and the need to ensure fair burden sharing between the Union and other donors, as well as the pre-existing deployment of the Union's other external financing instruments in Jordan and the added value of the overall Union involvement.

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[11] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1), ELI: http://data.europa.eu/eli/reg/2021/947/o).

(16) The Commission should ensure that the Union's macro-financial assistance is legally and substantially in accordance with the key principles and objectives, and of the measures taken within, the different areas of external action and other relevant Union policies.

(17) The Union's macro-financial assistance should support the Union's external policy towards Jordan. Commission services and the European External Action Service (EEAS) should work closely together throughout the macro-financial assistance operation in order to coordinate, and to ensure the consistency of, Union external policy.

(18) The Union's macro-financial assistance should support Jordan's commitment to values shared with the Union, including democracy, the rule of law, good governance, respect for human rights, sustainable development and poverty reduction, as well as its commitment to the principles of open, rule-based and fair trade.

(19) A pre-condition for granting the Union's macro-financial assistance should be that Jordan respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in Jordan and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. Both the fulfilment of the pre-conditions and the achievement of those objectives should be regularly monitored by the Commission and the EEAS.

(20) In order to ensure that the Union's financial interests linked to the Union's macro-financial assistance are protected efficiently, Jordan should take appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. In addition, a loan agreement to be concluded between the Commission and the Jordanian authorities should contain provisions authorising European Anti-Fraud Office (OLAF) to carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[12] and Council Regulation (Euratom, EC) No 2185/966[13], the Commission and the Court of Auditors to carry out audits and the European Public Prosecutor's Office to exercise its competences with regard to the provision of the Union's macro-financial assistance during and after its availability period.

(21) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council (as budgetary authority).

(22) The amounts of provisioning required for the Union's macro-financial assistance should be consistent with the budgetary appropriations provided for in the multiannual financial framework.

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12 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/883/oj).

13 Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1, ELI: http://data.europa.eu/eli/reg/2017/1939/oj).

(23) The Union’s macro-financial assistance should be managed by the Commission. In order to ensure that the European Parliament and the Council are able to follow the implementation of this Decision, the Commission should regularly inform them of developments relating to the assistance and provide them with the relevant documents.

(24) In order to ensure uniform conditions for the implementation of this Decision, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[14].

(25) The Union’s macro-financial assistance should be subject to economic policy conditions, to be laid down in a Memorandum of Understanding. In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Jordanian authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council. Considering the potentially significant impact of assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Considering the amount of the Union’s macro-financial assistance to Jordan, the examination procedure should apply to the adoption of the Memorandum of Understanding, and to any reduction, suspension or cancellation of the assistance.

HAVE ADOPTED THIS DECISION:

Article 1

1. The Union shall make macro-financial assistance of a maximum amount of EUR 500 million available to Jordan (‘the Union’s macro-financial assistance’), with a view to supporting Jordan’s economic stabilisation and a substantive reform agenda. The assistance shall contribute to covering Jordan’s balance of payments needs as identified in the IMF programme.

2. The full amount of the Union’s macro-financial assistance shall be provided to Jordan in the form of loans.

3. The Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions and to on-lend them to Jordan.

4. The release of the Union’s macro-financial assistance shall be managed by the Commission in a manner consistent with the agreements or understandings reached between the International Monetary Fund (IMF) and Jordan, and with the key principles and objectives of economic reforms set out in the EU-Jordan Association Agreement.

5. The Commission shall regularly inform the European Parliament and the Council of developments regarding the Union’s macro-financial assistance, including

[14] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission’s exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: http://data.europa.eu/eli/reg/2011/182/oj).

disbursements thereof, and shall provide those institutions with the relevant documents in due time.

6. The Union's macro-financial assistance shall be made available for a period of two and a half years, starting from the first day after the entry into force of the Memorandum of Understanding referred to in Article 3(1).

7. If the financing needs of Jordan decrease fundamentally during the period of the disbursement of the Union's macro-financial assistance compared to the initial projections, the Commission shall adopt implementing acts to reduce the amount of the assistance or suspend or cancel it. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 7(2).

Article 2

1. A pre-condition for granting the Union's macro-financial assistance shall be that Jordan respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights.

2. The Commission's services and the European External Action Service shall monitor the fulfilment of this pre-condition throughout the life cycle of the Union's macro-financial assistance.

3. Paragraphs 1 and 2 of this Article shall be applied in accordance with Council Decision 2010/427/EU[15].

Article 3

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Jordanian authorities on economic policy and financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro-financial assistance is to be subject, to be laid down in a Memorandum of Understanding ('the Memorandum of Understanding') which shall include a timeframe for the fulfilment of those conditions. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings referred to in Article 1(4), including the macroeconomic adjustment and structural reform programmes implemented by Jordan with the support of the IMF.

2. The conditions referred to in paragraph 1 shall aim, in particular, at enhancing the efficiency, transparency and accountability of the public finance management systems in Jordan, including for the use of the Union's macro-financial assistance. Progress in mutual market opening, the development of rules-based and fair trade, and other priorities in the context of the Union's external policy shall also be duly taken into account when designing the policy measures. Progress in attaining those objectives shall be regularly monitored by the Commission.

3. The detailed financial terms of the Union's macro-financial assistance shall be laid down in a loan agreement in accordance with Article 223 of Regulation (EU,

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15 Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30, ELI: http://data.europa.eu/eli/dec/2010/427/oj).

Euratom) 2024/2509 of the European Parliament and of the Council[16], to be concluded between the Commission and the Jordanian authorities.

4. The Commission shall verify, at regular intervals, that the conditions referred to in Article 4(3) continue to be met, including whether the economic policies of Jordan are in accordance with the objectives of the Union's macro-financial assistance. In so doing, the Commission shall coordinate closely with the IMF and the World Bank, and, where necessary, with the European Parliament and the Council.

Article 4

1. Subject to the conditions referred to in paragraph 3 of this Article, the Union's macro-financial assistance shall be made available by the Commission in three loan instalments. The size of each instalment shall be laid down in the Memorandum of Understanding referred to in Article 3(1).

2. The amounts of the Union's macro-financial assistance shall be provisioned, where required, in accordance with Regulation (EU) 2021/947.

3. The Commission shall decide on the release of the instalments subject to the fulfilment of all the following conditions:

   (a) the pre-condition set out in Article 2(1);

   (b) a continuous satisfactory track record of implementing a policy programme that contains strong adjustment and structural reform measures supported by a non-precautionary IMF credit arrangement;

   (c) the satisfactory implementation of the economic policy and financial conditions agreed in the Memorandum of Understanding.

   The release of the second instalment shall not, in principle, take place earlier than three months after the release of the first instalment. The release of the third instalment shall not, in principle, take place earlier than three months after the release of the second instalment.

4. Where the conditions referred to in paragraph 3 of this Article, first subparagraph, are not met, the Commission shall temporarily suspend or cancel the disbursement of the Union's macro-financial assistance. In such cases, it shall inform the European Parliament and the Council of the reasons for the suspension or cancellation.

5. The Union's macro-financial assistance shall be disbursed to the Central Bank of Jordan. Subject to the provisions to be agreed in the Memorandum of Understanding, including a confirmation of residual budgetary financing needs, the Union funds may be transferred by the Central Bank of Jordan to the Jordanian Ministry of Finance as the final beneficiary.

Article 5

1. In order to finance the Union's macro-financial assistance in the form of loans, the Commission shall be empowered, on behalf of the Union, to borrow the necessary

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16 Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

funds on the capital markets or from financial institutions in accordance with Article 223 of Regulation (EU, Euratom) 2024/2509.

2. The Commission shall enter into a loan agreement with Jordan in respect of the amount referred to in Article 1. The loan agreement shall lay down the availability period and the detailed terms of the support under the macro-financial assistance in the form of loans, including in relation to the internal control systems. The loans shall be granted at terms that allow Jordan to repay the loan over a long period, including a possible grace period. The maximum duration of each disbursement of the loans shall be 35 years from the date of disbursment.

3. The Commission shall inform the European Parliament and the Council of developments in the operations referred to in paragraphs 1 and 2.

Article 6

1. The Union's macro-financial assistance shall be implemented in accordance with Regulation (EU, Euratom) 2024/2509[17].

2. The Union's macro-financial assistance shall be implemented under direct management.

3. Before the implementation of the Union's macro-financial assistance, the Commission shall assess, by means of an operational assessment, the soundness of Jordan's financial arrangements, the administrative procedures, and the internal and external control mechanisms which are relevant to the assistance.

Article 7

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 8

1. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Decision in the preceding year, including an evaluation of that implementation. The report shall:

   (a) examine the progress made in implementing the Union's macro-financial assistance to Jordan;

   (b) assess the economic situation and prospects of Jordan, as well as progress made in implementing the economic policy and financial conditions referred to in Article 3(1);

   (c) indicate the connection between the economic policy conditions laid down in the Memorandum of Understanding, Jordan's ongoing economic and fiscal performance and the Commission's decisions to release the instalments of the Union's macro-financial assistance.

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2. Not later than two years after the expiry of the availability period referred to in Article 1(6), the Commission shall submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the completed Union's macro-financial assistance and the extent to which it has contributed to the aims of the assistance.

Article 9

This Decision shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Decision of the European Parliament and of the Council on providing macro-financial assistance to the Hashemite Kingdom of Jordan

1.2. Policy area(s) concerned

Policy area:	Economic and Financial Affairs
Activity:	International economic and financial affairs

1.3. Objective(s)

1.3.1. General objective(s)

The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

"An Economy that works for people"

"A stronger Europe in the world"

1.3.2. Specific objective(s)

Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including through regular economic dialogues with key partners and by providing macro-financial assistance.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

(1) Contribute to covering the external financing needs of Jordan in the context of a significant deterioration of their external accounts brought by recent geopolitical developments.

(2) Alleviate the partner's budgetary financing needs.

(3) Support the fiscal consolidation effort and external stabilisation in the context of the IMF programme.

(4) Support structural reforms aimed at improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for sustainable growth

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The authorities of Jordan will be required to report on a set of economic indicators to the Commission services on a regular basis and provide a comprehensive report on the compliance with the agreed policy conditions ahead of the disbursement of the instalments of the assistance.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in Jordan. The EU Delegation will also provide regular reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their insights from their ongoing activities in the respective partner.

An annual report to the Council and European Parliament is foreseen in the proposed legislative decision, including an assessment of the implementation of this operation. An independent ex-post evaluation of the assistance will be carried out within two years after the expiry of the availability period.

1.4. The proposal/initiative relates to:

X a new action

☐ a new action following a pilot project / preparatory action[18]

☐ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The disbursement of the assistance will be conditional on the fulfilment of the political preconditions and a satisfactory track record in the implementation of the ongoing economic programme between Jordan and the IMF, which was approved by the Board on 10 January 2024. In addition, the Commission shall agree with the authorities of Jordan on specific policy conditions, listed in a Memorandum of Understanding.

The assistance is planned to be disbursed in three instalments. The disbursements are expected to take place between 2026 and 2028.

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

The instrument of macro-financial assistance is a policy-based instrument directed to alleviate short- and medium-term external financial needs. In the context of the ongoing regional crisis, MFA will help to provide economic and fiscal policy space for the authorities to mount an effective economic response to the crisis by helping the partner country overcome the economic difficulties amplified by the recent geopolitical developments and in particular the war in the Middle East and the consequent Red Sea crisis. The proposed MFA will contribute to promoting macroeconomic and political stability in the partner country. MFA will complement the resources made available by international financial institutions, bilateral donors and other EU financial institutions. In doing so, it will contribute to the overall effectiveness of the financial support provided by the international community, as well as of other EU financial assistance, including budget support operations.

[18] As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

Furthermore, by providing long-term financing in highly concessional terms, usually at more favorable terms than the rest of international or bilateral donors, the MFA programme is expected to help the government to execute its budget without fiscal deviations and to contribute to debt sustainability.

In addition to the financial impact of the MFA, the proposed programme will strengthen the government's reform commitment. This result will be achieved, inter alia, through appropriate conditionality for the disbursement of the assistance.

1.5.3. *Lessons learned from similar experiences in the past*

Macro-financial assistance operations in partner countries are subject to ex-post evaluation. Evaluations conducted thus far (on completed MFA programmes) conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of the external sustainability, the macroeconomic stability and the achievement of structural reforms in the partner country. In most cases, MFA operations had a positive effect on the balance of payments of the partner country and helped to relax their budgetary constraints. They also led to somewhat higher economic growth.

1.5.4. *Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments*

Compatibility with the Multiannual Financial Framework

In the 2021-2027 Multiannual Financial Framework, the provisioning of MFA loans is covered by the External Action Guarantee within Global Europe (Neighbourhood, Development and International Cooperation Instrument).

Possible synergies with other appropriate instruments

The EU is among the major donors to Jordan, supporting its economic, structural and institutional reforms as well as civil society. In this context, MFA complements other EU external actions or instruments used to support Jordan. The policy measures associated with MFA cover selected provisions related to the Association Agreement and the EU Jordan Partnership Priorities.

The key value added of the MFA in comparison to other EU instruments would be to help create a stable macroeconomic framework, including by promoting a sustainable balance-of-payments and budgetary situation, and an appropriate framework for advancing structural reforms. MFA does not provide regular financial support and is to be discontinued as soon as the country's external financial situation has been brought back onto a sustainable path.

MFA would also be complementary to interventions envisaged by the international community, in particular the adjustment and reform programmes supported by the IMF and the World Bank.

1.5.5. *Assessment of the different available financing options, including scope for redeployment*

By using loans, this MFA operation increases the effectiveness of the EU budget through the leverage effect and provides for the best cost-efficient option.

The Commission is empowered to borrow funds from capital markets on behalf of both the European Union and Euratom using the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates thanks to the EU's triple A rating.

1.6. Duration of the proposal/initiative and of its financial impact

X limited duration

– in effect for 2.5 years from the entry into force of the Memorandum of Understanding, as stated in Article (1.4) of the proposal for a Decision.

– Financial impact in 2027 both for commitment appropriations and payment appropriations.

1.7. Method(s) of budget implementation planned

X Direct management by the Commission

X by its departments, including by its staff in the Union delegations;

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

This assistance is of macroeconomic nature and its design is consistent with the IMF-supported programme. The monitoring of the action by the Commission services will take place on the basis of progress in the implementation of the IMF arrangement and the implementation of specific reform measures to be agreed with the authorities of the partners in a Memorandum of Understanding with a frequency that is consistent with the number of instalments (See also point 1.3.4).

2.2. Management and control system(s)

2.2.1. Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

MFA disbursements are dependent on successful reviews, and tied to the fulfilment of conditionality attached to each operation. The implementation of conditions is closely monitored by the Commission, in close coordination with the Union delegations.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

Risks identified

There are fiduciary, policy and political risks related to the proposed MFA operations.

There is a risk that the MFA could be used in a fraudulent way. As MFA is not designated to specific expenses (contrary to project financing, for example), this risk is related to factors such as the general quality of management systems in the partner's Central Bank and the Ministry of Finance, administrative procedures, control and oversight functions, the security of IT systems and the appropriateness of internal and external audit capabilities.

A second risk stems from the possibility that the partner will fail to service the financial liabilities towards the EU stemming from the proposed MFA loans (default or credit risk), which could be caused for example by a significant additional deterioration of the balance of payments and fiscal position of the partner.

Internal control systems

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and by the European Court of Auditors as foreseen by Article 129 of the Financial Regulation.

Ex-ante: Commission assessment of management and control system in the beneficiary country. For each beneficiary country, an ex-ante operational assessment of the financial circuits and control environment is carried out by the Commission, if necessary, with technical support from consultants. An analysis of accounting procedures, segregation of duties and internal/external audit of the Central Bank and the Ministry of Finance are carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses be identified, they are translated into conditions, which have to be implemented before the disbursement of the assistance. Also, when needed, specific arrangements for payments (e.g. ring-fenced accounts) are put in place.

During implementation: Commission checks of periodic partner declarations. The payment is subject to (1) monitoring by DG ECFIN staff, in close coordination with the EU delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities, and (2) the normal control procedure provided for by the financial circuit (model 2) used in DG ECFIN, including the verification by the financial unit of the fulfilment of conditions attached to the disbursement of the assistance mentioned above. The disbursement relating to MFA operations may be subject to additional independent ex-post (documentary and/or on-the-spot) verifications by officials of the ex-post control team of the DG. Such verifications may also be initiated at the request of the responsible AOSD. Interruptions and suspensions of payments, financial corrections (implemented by Commission), and recoveries may be practised where needed (it has not occurred so far), and are explicitly foreseen in the financing agreements with the partners.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)

The control systems in place, such as the ex-ante operational assessments or the ex-post assessments, ensured an effective error rate for the MFA payments of 0%. There are no known cases of fraud, corruption or illegal activity. MFA operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

2.3. Measures to prevent fraud and irregularities

To mitigate the risks of fraudulent use several measures have been and will be taken:

First, the Loan Agreement will comprise a set of provisions on inspection, fraud prevention, audits and recovery of funds in case of fraud or corruption. It is further envisaged that a number of specific policy conditions will be attached to the assistance, including in the area of public finance management, with a view to strengthening efficiency, transparency and accountability. Also, the assistance will be paid to a specific account of the central bank of the partner.

Finally, the assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and the European Court of Auditors as foreseen by Article 129 of the Financial Regulation.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

<u>In order</u> of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[19]	from EFTA countries [20]	from candidate countries and potential candidates [21]	From other third countries	other assigned revenue
	14.02.01.70 NDICI — Global Europe — Provisioning of the common provisioning fund [MFA loans – EAG]	Diff.	NO	NO	NO	NO

- New budget lines requested – not applicable

[19] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
[20] EFTA: European Free Trade Association.
[21] Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

– ☐ The proposal/initiative does not require the use of operational appropriations

– **X** The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework	6	Heading 6 - 'Neighbourhood and the World'

DG ECFIN			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations							
Budget line 14.02.01.70 NDICI — Global Europe — Provisioning of the common provisioning fund [MFA loans – EAG]	Commitments	(1a)				45	**45**
	Payments	(2a)				45	**45**
Appropriations of an administrative nature financed from the envelope of specific programmes							
Budget line 14.20.03.01	Commitments and payments	(3)				**0.1**	**0.1**
TOTAL appropriations for DG ECFIN	Commitments	=1a+1b+3				**45.1**	**45.1**
	Payments	=2a+2b+3				**45.1**	**45.1**

			Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)			45	**45**

	Payments	(5)			45	**45**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)			0.1	**0.1**
TOTAL appropriations under HEADING 6 of the multiannual financial framework	Commitments	=4+6			**45.1**	**45.1**
	Payments	=5+6			**45.1**	**45.1**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• TOTAL operational appropriations (all operational headings)	Commitments	(4)					
	Payments	(5)					
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)					
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6					
	Payments	=5+6					

Heading of multiannual financial framework	**7**	'Administrative expenditure'

DG: <…….>		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• Human resources						
• Other administrative expenditure						
TOTAL DG <…….>	Appropriations					

DG: <…….>		Year 2024	Year 2025	Year 2026	Year 2027	**TOTAL MFF 2021-2027**
• Human resources						
• Other administrative expenditure						
TOTAL DG <…….>	Appropriations					

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)					

EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	**TOTAL MFF 2021-2027**
TOTAL appropriations under HEADINGS 1 to 7	Commitments					
of the multiannual financial framework	Payments					

			Year 2024	Year 2025	Year 2026	Year 2027	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)				45	**45**
	Payments	(5)				45	**45**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)				0.1	**0.1**
TOTAL appropriations under HEADING 6 of the multiannual financial framework	Commitments	=4+6				**45.1**	**45.1**
	Payments	=5+6				**45.1**	**45.1**

3.2.2. *Estimated output funded from operational appropriations (not to be completed for decentralised agencies)*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩			Year **2025**		Year **2026**		Year **2027**		**TOTAL**	
	Type[22]	Average cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1[23]…										
- Output 1	Provisioning of the External Action Guarantee						1	45	1	45.1
- Output 2	Ex-post evaluation						1	0.1	1	0.1
Subtotal for specific objective No 1							2	45.1	2	45.1
SPECIFIC OBJECTIVE No 2 ...										
- Output										
Subtotal for specific objective No 2										
TOTALS							2	45.1	2	45.1

22 Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

23 As described in Section 1.3.2. 'Specific objective(s)'

3.2.3. *Summary of estimated impact on administrative appropriations*

– **X** The proposal/initiative does not require the use of appropriations of an administrative nature

– ☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 2027
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other administrative expenditure	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	**0.000**
Subtotal outside HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together, if necessary, with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

3.2.4. *Estimated requirements of human resources*

– **X** The proposal/initiative does not require the use of human resources

– ☐ The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)

VOTED APPROPRIATIONS		Year 2025	Year 2026	Year 2027
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	0
20 01 02 03 (EU Delegations)		0	0	0
01 01 01 01 (Indirect research)		0	0	0
01 01 01 11 (Direct research)		0	0	0
Other budget lines (specify)		0	0	0
20 02 01 (AC, END from the 'global envelope')		0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0
	- in EU Delegations	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0

01 01 01 12 (AC, END - Direct research)	0	0	0
Other budget lines (specify) - Heading 7	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0
TOTAL	**0**	**0**	**0**

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	**Exceptional additional staff***		
		To be financed under Heading 7 or Research	**To be financed from BA line**	**To be financed from fees**
Establishment plan posts	4		N/A	
External staff (CA, SNEs, INT)				

Description of tasks to be carried out by:

Officials and temporary staff	
External staff	

3.2.6. *Compatibility with the current multiannual financial framework*

The proposal/initiative:

– **X** can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

– ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation

– ☐ requires a revision of the MFF

3.2.7. *Third-party contributions*

The proposal/initiative:

– **X** does not provide for co-financing by third parties

– ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year **2024**	Year **2025**	Year **2026**	Year **2027**	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

– **X** The proposal/initiative has no financial impact on revenue.

– ☐ The proposal/initiative has the following financial impact:

  – ☐ on own resources

  – ☐ on other revenue

  – ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative[24]			
		Year **2024**	Year **2025**	Year **2026**	Year **2027**
Article ………….					

4. DIGITAL DIMENSIONS

Not applicable to this policy initiative.

4.1. Requirements of digital relevance

N/A

4.2. Data

N/A

4.3. Digital solutions

N/A

4.4. Interoperability assessment

N/A

4.5. Measures to support digital implementation

N/A

[24] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.