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**'I/A' ITEM NOTE**

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| From: | General Secretariat of the Council |
| To: | Permanent Representatives Committee (Part 2)/Council |
| Subject: | Proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to the Hashemite Kingdom of Jordan<br>– Confirmation of the final compromise text with a view to agreement |

1. On 6 September 2019 the Commission submitted to the Council a proposal for a Decision of the European Parliament and of the Council providing further macro-financial assistance to the Hashemite Kingdom of Jordan (ST 11988/19).

2. The proposal was examined by the Financial Counsellors Working Party on 10 September 2019.

3. After informal contacts between the European Parliament and the Council, an agreement was found, which is set out in the Annex of this note.

4. The European Parliament's Committee on International Trade (INTA) approved the agreed text at its meeting of 3 December 2019.

5. The Permanent Representatives Committee is therefore invited:

   – to approve the final compromise text, as set out in the Annex to this note;

   – to authorize the Presidency to send a letter to the Chair of the European Parliament's Committee on International Trade (INTA) confirming that, should the European Parliament adopt its position at first reading, in accordance with Article 294 paragraph 3 of the Treaty, in the form set out in Annex I to this note, the Council would, in accordance with Article 294 paragraph 4 of the Treaty, approve the European Parliament's position and the act shall be adopted in that wording, subject, if necessary, to revision by the legal linguists of both institutions;

6. Unless objected by the Permanent Representatives Committee, this document will be made public after endorsement.

**ANNEX**

2019/0192 (COD)

Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**providing further 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,

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). Jordan signed an Association Agreement with the Union on 24 November 1997, which came into force on 1 May 2002. 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 EU and Jordan that entails expanded areas of cooperation. A protocol on Dispute Settlement Mechanisms for trade between the EU 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 and the Single Support Framework adopted for 2017-2020.

(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 suffered significantly from the protracted conflicts, notably in neighbouring Iraq and Syria. This regional unrest has taken a heavy toll on external receipts and has strained public finances. Tourism and foreign direct investment inflows have been negatively affected, and trading routes have remained blocked for long periods. Separately, the flow of natural gas from Egypt was disrupted for several years, giving rise to a need to procure energy from alternative sources at a higher cost. In addition, the Jordanian economy has been impacted by a large inflow of Syrian refugees, which has increased pressure on its fiscal position, public services and infrastructure.

(4) In August 2016, the Jordanian authorities and the IMF agreed on a second economic adjustment programme supported by a three-year Extended Fund Facility (EFF) in the amount of USD 723 million, which followed a USD 2 billion three-year Stand-by Arrangement running from 2012 to 2015. In May 2019, the EFF programme was extended until March 2020.

(5) In December 2016, the Union adopted[1] a second programme of macro-financial assistance (MFA-II) of EUR 200 million in the form of loans, in response to a request from Jordan in March 2016 and following the completion of a first MFA programme of EUR 180 million implemented in 2015. MFA-II came as a follow-up to the commitment expressed at the conference "Supporting Syria and the Region", held in London on 4 February 2016, where the Union pledged EUR 2.39 billion in 2016-2017 in financial support for the countries most affected by the refugee crisis, including Jordan. The Memorandum of Understanding defining the policy conditions related to MFA-II entered into force on 19 September 2017. The first instalment of MFA-II was released on 17 October 2017 and the second instalment on 21 June 2019, following the implementation of the agreed policy measures.

(6) The Decision for MFA-II, as adopted by the co-legislators in December 2016, included a Joint Statement by the European Parliament, the Council and the Commission in which the Commission, in light of the fiscal challenges and extraordinary circumstances Jordan faces as a result of hosting large numbers of Syrians (1.3 million according to the Jordanian authorities), committed to submit, if appropriate, a new proposal for extending and increasing MFA to Jordan, upon the successful conclusion of the second MFA and provided that the usual preconditions for this type of assistance, including an updated assessment by the Commission of Jordan's external financing needs, are met.

(7) In 2017-2019, the protracted regional instability, high exposure to fluctuation of oil prices and the increase of borrowing costs for emerging markets globally continued to weigh on the Jordanian economy. As a result, economic growth slowed again, unemployment increased significantly, tax revenues collections fell and new fiscal and external financing needs emerged.

[1] Decision No 2371/2016/EU of the European Parliament and of the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (O.J. L 352, 23.12.2016, p. 18–25).

(8) In this challenging context, the Union and the international community expressed again the commitment to supporting Jordan on several subsequent occasions, notably during the Brussels Conference on "Supporting the Future of Syria" in April 2017, the EU-Jordan Association Council in July 2017 and the Brussels-II Conference on "Supporting the Future of Syria" in April 2018. At the "London Initiative" conference, which took place in February 2019, and at the Brussels-III Conference held in March 2019, the international and regional donor community, including the EU, re-confirmed its intentions to support Jordan's efforts to preserve macroeconomic stability and enhance growth prospects.

(9) Since the beginning of the Syrian crisis in 2011, the Union has made available more than EUR 2.1 billion to Jordan under different instruments (including EUR 380 million under the two aforementioned MFA programmes) 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 486 million in project loans to Jordan.

(10) In July 2019, in view of the still difficult economic situation and outlook, Jordan requested additional macro-financial assistance from the Union.

(11) Following the successful completion of the second IMF programme review on 6 May 2019 the IMF and Jordan have started discussions on a successor IMF programme beyond March 2020 when the arrangement under the Extended Fund Facility is expected to be completed.

(12) 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.

(13) 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.

(14) Given that a residual 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 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 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.

(15) 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.

(16) 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.

(17) 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.

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

(19) 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.

(20) 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 preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service.

(21) 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, provision should be made for the Commission to carry out checks and for the Court of Auditors to carry out audits.

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

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

(24) 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.

(25) 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[2].

(26) 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. Under that Regulation, the advisory procedure should, as a general rule, apply in all cases other than as provided for in that Regulation. Considering the potentially important impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure be used for operations above that threshold. 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. 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. The loans shall have a maximum average maturity of 15 years.

3. 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.

[2] 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).

The Commission shall regularly inform the European Parliament and the Council of developments regarding the Union's macro-financial assistance, including disbursements thereof, and shall provide those institutions with the relevant documents in due time.

4. 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).

5. 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, acting in accordance with the examination procedure referred to in Article 7(2), shall reduce the amount of the assistance or suspend or cancel it.

*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 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[3].

*Article 3*

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Jordanian authorities on clearly defined 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(3), 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] 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).

3. The detailed financial terms of the Union's macro-financial assistance shall be laid down in a Loan Agreement 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, 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.

2. The amounts of the Union's macro-financial assistance shall be provisioned, where required, in accordance with Council Regulation (EC, Euratom) No 480/2009.[4]

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

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

   (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; and

   (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 the first subparagraph of paragraph 3 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 to the Jordanian Ministry of Finance as the final beneficiary.

[4] Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (OJ L 145, 10.6.2009, p. 10).

*Article 5*

1. The borrowing and lending operations related to the Union's macro-financial assistance shall be carried out in euro using the same value date and shall not involve the Union in the transformation of maturities, or expose it to any exchange or interest rate risk, or to any other commercial risk.

2. Where the circumstances permit, and if Jordan so requests, the Commission may take the steps necessary to ensure that an early repayment clause is included in the loan terms and conditions and that it is matched by a corresponding clause in the terms and conditions of the borrowing operations.

3. Where circumstances permit an improvement of the interest rate of the loan and if Jordan so requests, the Commission may decide to refinance all or part of its initial borrowings or may restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with paragraphs 1 and 4 and shall not have the effect of extending the maturity of the borrowings concerned or of increasing the amount of capital outstanding at the date of the refinancing or restructuring.

4. All costs incurred by the Union which relate to the borrowing and lending operations under this Decision shall be borne by Jordan.

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

*Article 6*

1. The Union's macro-financial assistance shall be implemented in accordance with Regulation (EU, Euratom) No 1046/2018 of the European Parliament and of the Council[5].

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

3. The Loan Agreement referred to in Article 3(3) shall contain provisions:

   (a) ensuring that Jordan regularly checks that financing provided from the budget of the Union has been properly used, takes appropriate measures to prevent irregularities and fraud, and, if necessary, takes legal action to recover any funds provided under this Decision that have been misappropriated;

[5] Regulation (EU, Euratom) No 1046/2018 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.07.2018, p. 1).

(b) ensuring the protection of the Union's financial interests, in particular providing for specific measures in relation to the prevention of, and fight against, fraud, corruption and any other irregularities affecting the Union's macro-financial assistance, in accordance with Council Regulation (EC, Euratom) No 2988/95[6], Council Regulation (EC, Euratom) No 2185/96[7] and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[8]. Notably, to that end, the European Anti-Fraud Office shall be expressly authorised to carry out investigations, including in particular on-the-spot checks and inspections including digital forensic operations and interviews;

(c) expressly authorising the Commission (OLAF), or its representatives to carry out checks, including on-the-spot checks and inspections;

(d) expressly authorising the Commission and the Court of Auditors to perform audits during and after the availability period of the Union's macro-financial assistance, including document audits and on-the-spot audits, such as operational assessments;

(e) ensuring that the Union is entitled to early repayment of the loan where it has been established that, in relation to the management of the Union's macro-financial assistance, Jordan has engaged in any act of fraud or corruption or any other illegal activity detrimental to the financial interests of the Union.

(f) ensuring that all costs incurred by the Union that relate to a financial assistance shall be borne by Jordan.

4. 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.

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[6] Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

[7] Council Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission to protect the Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

[8] 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).

*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;

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

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

2. Not 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, 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,

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| *For the European Parliament* | *For the Council* |
| *The President* | *The President* |