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'I' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)
Subject:	Proposal for a Decision of the European Parliament and the Council on providing macro-financial assistance to the Hashemite Kingdom of Jordan – Mandate for negotiations with the European Parliament

1. On 8 April 2024 the Commission submitted to the Council a proposal for a Decision of the European Parliament and of the Council on providing macro-financial assistance to the Hashemite Kingdom of Jordan (ST 8636/24).
2. The draft Decision is based on Article 212(2) of the Treaty on the Functioning of the European Union (ordinary legislative procedure).
3. The Commission presented the proposal to the Working Party of Financial Counsellors on 7 May 2024. The Working Party of Financial Counsellors further discussed the proposal at its meetings on 3 February 2025 and 11 February 2025.
4. On 25 February 2025, the Working Party of Financial Counsellors agreed on the text in the Annex to this note, endorsing the Commission's proposal without amendments, in view of the need to proceed swiftly with the adoption of the Decision and given the emergency nature of macro-financial assistance, which is meant to provide financial aid to partner countries experiencing balance-of-payment difficulties.

5. The European Parliament's Committee on International Trade (INTA) is expected to vote on the final report on 19 March 2025.
6. In view of the above, it is suggested that the Committee of Permanent Representatives:
- agree the negotiating mandate to take over the text of the Commission's proposal without amendments for a Decision of the European Parliament and of the Council on providing macro-financial assistance to the Hashemite Kingdom of Jordan, as set out in the Annex to this note;
 - invite the Presidency to start negotiations with the European Parliament, on the basis of this mandate, with a view to reaching agreement at first reading.
7. In accordance with the approach to legislative transparency endorsed by Coreper on 14 July 2023, and in full consistency with Regulation (EC) 1049/2001 and the Council's Rules of Procedure, the text of the mandate thus agreed will be made public unless the Permanent Representatives Committee objects.
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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 procedure¹,

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 2002². 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 and the EU-Jordan Partnership Priorities adopted for 2022-2027.
- (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.

¹ Position of the European Parliament of ... and Decision of the Council of ...

² OJ L 129, 15.5.2002, p. 3, ELI: [http://data.europa.eu/eli/agree_internation/2002/357\(1\)/oj](http://data.europa.eu/eli/agree_internation/2002/357(1)/oj).

- (3) The Jordanian economy has suffered significantly from protracted conflicts in the region, notably in neighbouring Syria, and most recently in Israel/Gaza and the Red Sea. Since the start of the war in Syria, 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. In addition to regional instability, the macroeconomic and fiscal challenges related to the COVID-19 pandemic in 2020/2021, commodity price developments following Russia's invasion of Ukraine in 2022, high exposure to trade fluctuations and the increase of borrowing costs for emerging markets globally continued to weigh on the Jordanian economy. As a result, Jordan experienced an economic contraction in 2020, followed by a slow economic recovery, as unemployment increased significantly in 2020 and remained high, and new fiscal and external financing needs emerged.
- (4) The war in Israel-Gaza that started in October 2023 implies very substantial downside risk to the economic outlook, in particular due to the increased level of uncertainty in the region and the possible impact on the important tourism sector and consumer sentiment. The ongoing Houthi attacks on cargo and energy vessels in the Red Sea hinder vessel traffic to Asia, impacting Jordan's exports, in particular the mineral and chemicals exports, and imports. In January 2024, the Jordanian authorities and the IMF agreed on a new economic adjustment programme supported by a four-year Extended Fund Facility (EFF) in the amount of USD 1.2 billion, which followed a USD 1.7 billion four-year EFF, including a loan under the Rapid Financing Instrument, from 2020-2023.
- (5) In January 2020, the Union adopted a third programme of macro-financial assistance (MFA-III)³ of EUR 500 million in the form of loans, in response to a request from Jordan in July 2019 and following the completion of a second MFA (of EUR 200 million) in 2019. MFA-II⁴ came as a follow-up to MFA-I⁵ (of EUR 180 million) implemented in 2015. MFA-III was topped up in a Union decision in May 2020 by EUR 200 million in response to the socio-economic fallout of the COVID-19 pandemic. The first instalment of MFA-III was released on 25 October 2020, the second instalment on 20 July 2021, the third instalment on 3 May 2023, following the implementation of the agreed policy measures. The assistance was fully disbursed during 2020-2023.
- (6) MFA-III 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, committed to submit, if appropriate, a new proposal for extending and increasing MFA to Jordan, provided that the usual requirements for this type of assistance, including its exceptional character, political preconditions, complementarity, conditionality and financial discipline an updated assessment by the Commission of Jordan's external financing needs, are met.

³ Decision (EU) 2020/33 of the European Parliament and of the Council of 15 January 2020 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 14, 17.1.2020, p. 1, ELI: <http://data.europa.eu/eli/dec/2020/33/oj>).

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 Decision No 1351/2013/EU of the European Parliament and of the Council of 11 December 2013 on providing macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 341, 18.12.2013, p. 4, ELI: <http://data.europa.eu/eli/dec/2013/1351/oj>).

- (7) In this challenging context, the Union and the international community expressed again the commitment to supporting Jordan on several subsequent occasions, notably during annual Brussels Conferences on "Supporting the Future of Syria and the region" and the EU-Jordan Association Council in June 2022.
- (8) 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 1 080 million under the three aforementioned 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 1.1 billion in project loans to Jordan since 2011.
- (9) For the period 2021-2024, EU bilateral indicative allocation (grants) under the Neighbourhood Development and International Cooperation Instrument – Global Europe (NDICI-GE) to Jordan amounts to EUR 364 million and is complemented by EU 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 EU provided support to Jordan mainly through the European Neighbourhood Instrument with EUR 765 million. During the same period, Jordan also benefitted from additional EUR 126 million channelled via the Neighbourhood Investment Platform (NIP), which leveraged around EUR 580 million in investments.
- (10) In October 2023, in view of the still difficult economic situation and outlook, Jordan requested additional macro-financial assistance from the Union.
- (11) The IMF Board approved a new four-year Extended Fund Facility in January 2024. The first review mission is scheduled for April 2024, with a mission report expected to be published in June 2024.
- (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 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 Council⁶.
- (17) 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.
- (18) 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.
- (19) 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.
- (20) 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.
- (21) 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.

⁶ 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>.

- (22) 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 Council⁷ and Council Regulation (Euratom, EC) No 2185/966⁸, 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.
- (23) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council (as budgetary authority).
- (24) 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.
- (25) 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.
- (26) 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 Council⁹.

⁷ 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>).

⁸ 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>).

⁹ 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>).

- (27) 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.
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 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, 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/EU¹⁰.

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. The detailed financial terms of the Union's macro-financial assistance shall be laid down in a loan agreement in accordance with Article 220 of the Financial Regulation, 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.

¹⁰ 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>).

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 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;
 - (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 by the Central Bank of Jordan to the Jordanian Ministry of Finance as the final beneficiary.

Article 5

1. In order to finance the support under the macro-financial assistance 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 in accordance with Article 220 of Regulation (EU, Euratom) 2018/1046.

2. The Commission shall enter into a loan agreement with Jordan in respect of the amount referred to in Article 1. The detailed terms of the support under the MFA in the form of loans shall be laid down in a loan agreement in accordance with Article 220 of the Financial Regulation, to be concluded between the Commission and Jordan. 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 the loans shall be 35 years.
3. 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 2018/1046 of the European Parliament and of the Council¹¹.
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;

¹¹ 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) 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.
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
