Further macro-financial assistance to Jordan

2016/0197(COD) - 29/06/2016 - Legislative proposal

PURPOSE: to provide a further EUR 200 million in macro-financial assistance to Jordan.

PROPOSED ACT: Decision of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: since early 2011, the Jordanian economy has been significantly affected by the ongoing regional unrest, notably in neighbouring Iraq and Syria. Combined with a weaker global environment, this regional unrest has taken a heavy toll on external receipts and has strained public finances.

The Syrian conflict has impacted Jordan not only by disrupting trade with and through Syria but also by causing an inflow of around **1.3 million of Syrian refugees into Jordan** that has increased pressure on Jordan's fiscal position, public services and infrastructure.

In 2012, Jordan and the IMF agreed on a first adjustment programme, which was supported by a three-year Stand-By Arrangement (SBA) in the amount of USD 2 billion. This programme was successfully completed in August 2015. The IMF programme was complemented by a **first Macro-Financial Assistance from the European Union (the EU) in the amount of EUR 180 million** (MFA-I), which was adopted by the European Parliament and the Council in December 2013 and was disbursed in two tranches of EUR 100 million and EUR 80 million in February 2015 and in October 2015, respectively.

While the country made progress with macroeconomic stabilisation and reform under the first programme supported by the IMF, the EU and other donors, the persistence of the conflicts in neighbouring Syria and Iraq continued to disrupt Jordan's foreign trade and undermine investor and tourist confidence, with the economic situation deteriorating again in 2015. In this context, the Jordanian government has called for increased support from the international community to address the economic consequences of the Syrian crisis, and in particular the presence of a large number of Syrian refugees in Jordan.

At the conference 'Supporting Syria and the Region', held in London on 4 February 2016, the international community pledged about USD 10 billion to help the countries most affected by the Syrian refugee crisis. Of this amount, the EU pledged EUR 2.39 billion for the countries affected by the Syrian refugee crisis including a **EUR 200 million loan** for the purpose of a second Macro-Financial Assistance operation for Jordan (MFA-II).

This is the aim of this proposal.

CONTENT: the proposal seeks to make MFA available to Jordan for a total maximum amount of **EUR 200 million**, provided in the form of a **medium-term loan**. The assistance will contribute to cover Jordan's residual external financing needs in 2016-2017, as identified by the Commission based on the estimates of the IMF.

The assistance is planned to be disbursed in **two loan instalments of EUR 100 million each**. The disbursement of the first instalment is expected to take place towards the end of 2016. The second instalment, conditional on a number of policy measures, could be disbursed in the second quarter of 2017.

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?

The loans shall have a **maximum average maturity of 15 years.**

Conditions granting assistance: 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 and the respect for human rights.

Disbursements: the disbursements would be conditional on successful programme reviews under the new IMF's financial arrangement. The Commission and the Jordanian authorities would agree on **specific structural reform measures** in a Memorandum of Understanding aiming to **improve the overall macroeconomic management and the conditions for sustainable growth**.

These reform measures would 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 would be consistent with the economic reform priorities agreed between the EU and Jordan in the context of the Single Support Framework for 2014-2017 and other strategic documents (including the future Partnership Priorities and the Jordan Compact). They would also build upon the structural reforms implemented under MFA-I.

Availability of assistance: the proposed MFA would be made available for two and a half years, starting from the first day after the entry into force of the Memorandum of Understanding.

Implementing powers: 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. Considering the potentially important impact of assistance, it is appropriate that the examination procedure be used in this context.

Follow-up and reporting: 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.

BUDGETARY IMPLICATIONS: the planned assistance would be provided in the form of a loan and would be financed through a borrowing operation that the Commission will conduct on behalf of the EU.

The budgetary impact of the assistance will correspond to the provisioning of the EU's Guarantee Fund for external actions, at a rate of 9 % of the amounts disbursed, from budget line 01 03 06 ("Provisioning of the Guarantee Fund").

Assuming that the first loan disbursement (of EUR 100 million) will be made in 2016 and the second loan disbursement (of EUR 100 million) in 2017 in accordance with the rules governing the guarantee fund mechanism, the provisioning will take place in the 2018-19 budgets.

Based on current projections on the utilisation of the budget line 01 03 06, the Commission assesses that the budgetary impact of the operation can be accommodated.