Further macro-financial assistance to Jordan

2019/0192(COD) - 06/09/2019 - Legislative proposal

PURPOSE: to provide further macro-financial assistance (MFA) of EUR 500 million to Jordan.

PROPOSED ACT: Decision of the European Parliament and 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: EU-Jordan relations are part of the European Neighbourhood Policy (ENP). Jordan signed an Association Agreement with the Union on 24 November 1997, which entered into force on 1 May 2002. In 2010, an Advanced Status partnership was agreed between the EU and Jordan.

The Jordanian economy has been particularly affected by the conflict that has been raging in Syria since 2011. This regional unrest has caused a considerable deterioration in external revenues and strained public finances. They have affected tourism and foreign direct investment. Regardless of these conflicts, the supply of natural gas from Egypt has been disrupted for several years. In addition, the Jordanian economy has faced a massive influx of Syrian refugees, which has increased pressure on public finances, public services and infrastructure.

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.

A recent evaluation of the implementation of MFA operations concluded that the first MFA programme was adapted to Jordan's economic challenges and in line with EU priorities. The evaluation also found that the programme had been implemented efficiently and in close coordination with the Jordanian authorities, had contributed to preserving macroeconomic stability and has had a positive social impact.

In July 2019, given its still difficult economic situation and prospects, Jordan requested further macro-financial assistance from the Union. In this context, the Commission considers that the continued support of the International Monetary Fund (IMF) and Jordan's international partners, of which the EU remains essential.

CONTENT: the European Commission proposes to provide Jordan with additional macro-financial assistance (MFA) of up to EUR 500 million in three instalments in the form of medium and long-term loans. The EU MFA is an exceptional emergency aid instrument designed to respond to serious balance of payments difficulties in third countries.

The objective of the proposed MFA is to help Jordan cover part of its additional external financing needs in 2020-2021, reducing the economy’s short-term balance-of-payment and fiscal vulnerabilities as well as contributing to the debt sustainability.

In addition, EU assistance would encourage Jordan to step up its reform efforts through a Memorandum of Understanding, to be agreed with the Jordanian authorities and shall include a package of measures to promote economic adjustment and the implementation of structural reforms.

MFA funds shall be made available in the form of low-interest and long-term loans. Disbursements under the proposed programme shall be strictly conditional on the implementation of specific conditions, to be agreed between the EU and Jordan and set out in a Memorandum of Understanding.

These conditions should be in line not only with the priorities of the EU-Jordan Partnership, as confirmed at the Brussels III Conference on the Future of Syria and the Region, held from 12 to 14 March 2019, and at the EU-Jordan Association Council on 17 July 2019, but also with the adjustment programmes agreed with the IMF and the World Bank.