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THE EUROPEAN PARLIAMENT

THE COUNCIL

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**DECISION
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
PROVIDING FURTHER MACRO-FINANCIAL ASSISTANCE
TO THE HASHEMITE KINGDOM OF JORDAN**

DECISION (EU) 2016/...
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 14 December 2016

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 procedure¹,

¹ Position of the European Parliament of 24 November 2016 (not yet published in the Official Journal) and Decision of the Council of 8 December 2016.

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 Agreement¹ with the Union on 24 November 1997, which came into force on 1 May 2002. Under that 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 products² 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 establishing a dispute settlement mechanism 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 and the Single Support Framework adopted for 2014-2017.
- (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 Election Commission have been set up and a number of major laws, including the Election Law and the Law on Political Parties as well as laws on decentralisation and municipalities, have been passed by the Jordanian Parliament.

¹ Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part (OJ L 129, 15.5.2002, p. 3).

² Agreement in the form of an Exchange of Letters between the European Community and the Hashemite Kingdom of Jordan concerning reciprocal liberalisation measures and amending the EC-Jordan Association Agreement as well as replacing Annexes I, II, III and IV and Protocols 1 and 2 to that Agreement (OJ L 41, 13.2.2006, p. 3).

- (3) The Jordanian economy has suffered significantly from the ongoing regional unrest, notably in neighbouring Iraq and Syria. Together with a weaker global environment, 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, trading routes blocked and the flow of natural gas from Egypt disrupted. In addition, the Jordanian economy has also been impacted by a large inflow of Syrian refugees, which has increased pressure on its fiscal position, public services and infrastructure.
- (4) Since the outbreak of the conflicts in Syria in 2011, the Union has expressed its unequivocal commitment to supporting Jordan as it addresses the economic and social consequences of the Syrian crisis, and in particular of the presence of a large number of Syrian refugees in its territory. It has increased its financial support to Jordan, strengthening its cooperation in many fields, including the civil society, the electoral system, security, regional development and social and economic reforms. In addition, the Union has offered the possibility to Jordan of concluding a Deep and Comprehensive Free Trade Area agreement.
- (5) In this difficult economic and financial context, the Jordanian authorities and the International Monetary Fund (IMF) agreed in August 2012 on a first economic adjustment programme, which was supported by a three-year Stand-By Arrangement (SBA) in the amount of USD 2 000 million. That programme was successfully completed in August 2015. Under that programme, Jordan made considerable progress with fiscal consolidation, also helped by the decline in oil prices, and with a number of structural reforms.

- (6) In December 2012, Jordan requested complementary macro-financial assistance from the Union. In response, a decision providing macro-financial assistance of EUR 180 million in the form of loans was adopted in December 2013¹ (MFA-I). The Memorandum of Understanding defining the policy conditions related to MFA-I entered into force on 18 March 2014. Following the implementation of the agreed policy measures, the first tranche of MFA-I was disbursed on 10 February 2015 and the second tranche was disbursed on 15 October 2015.
- (7) Since the outbreak of the Syrian crisis, the Union has allocated almost EUR 1 130 million to Jordan. This includes, in addition to the EUR 180 million from the first macro-financial assistance operation, EUR 500 million in regular programmed bilateral cooperation for Jordan financed under the European Neighbourhood Instrument, about EUR 250 million from the humanitarian budget and more than EUR 30 million from the Instrument contributing to Stability and Peace. Moreover, the European Investment Bank has made loans in the amount of EUR 264 million available since 2011.
- (8) The intensification of the Syrian crisis in 2015 severely affected Jordan through its effects on trade, tourism and investor confidence. Jordan was also affected by a decline in financial support from the Gulf Cooperation Council countries, affected by the decline in oil prices. As a result, economic growth has slowed down again, unemployment has increased and new fiscal and external financing needs have emerged.

¹ Decision No 1351/2013/EU of the European Parliament and of the Council of 11 December 2013 providing macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 341, 18.12.2013, p. 4).

- (9) In this challenging context, the Union has reaffirmed its commitment to supporting Jordan in its economic and social challenges and reform process. In particular, that commitment was expressed at the conference ‘Supporting Syria and the Region’, held in London on 4 February 2016, where the Union pledged EUR 2 390 million in 2016-2017 in financial support for the countries most affected by the refugee crisis, including Jordan. Political and economic support from the Union to Jordan’s reform process is consistent with the Union’s policy towards the Southern Mediterranean region, as set out in the context of the ENP.
- (10) Following the deterioration in Jordan’s economic and financial situation, the IMF and Jordan have also started discussions on a successor arrangement, which could take the form of an Extended Fund Facility (‘IMF programme’) and would likely cover a period of three years, starting in the second semester of 2016. The new IMF programme would aim to alleviate Jordan’s short-term balance of payment difficulties while encouraging the implementation of strong adjustment measures.
- (11) In March 2016, in view of the worsening economic situation and outlook, Jordan requested additional macro-financial assistance from the Union.
- (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 to address 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 there is still a significant residual external financing gap in Jordan's balance of payments over and above the resources provided by the IMF and other multilateral institutions, the Union's macro-financial assistance to be provided to Jordan is, under the current exceptional circumstances, considered to be an appropriate response to Jordan's request to support 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 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 line with the key principles and objectives of the different areas of external action, with the measures taken in respect of those areas, and with 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 should 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 of the Council, as budgetary authority.
- (23) The amounts of provisioning required for 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 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 Council¹.
- (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:

¹ 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).

Article 1

1. The Union shall make macro-financial assistance of a maximum amount of EUR 200 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 IMF and Jordan, and with the key principles and objectives of economic reforms set out in the EU-Jordan Association Agreement, the Single Support Framework for 2014-2017 and the future Partnership Priorities. 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 the pre-condition set out in paragraph 1 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/EU¹.

¹ 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).

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, to enhance 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 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 two loan instalments. The size of each instalment shall be laid down in the Memorandum of Understanding.
2. The amounts of the Union's macro-financial assistance shall give rise to provisioning of the Guarantee Fund for external actions, where required, in accordance with Council Regulation (EC, Euratom) No 480/2009¹.
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.

¹ 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).

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

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 966/2012 of the European Parliament and of the Council¹ and Commission Delegated Regulation (EU) No 1268/2012².
2. The implementation of the Union's macro-financial assistance shall be under direct management.

¹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

² Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

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;
- (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 2988/95¹, Council Regulation (Euratom, EC) No 2185/96² and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council³;
- (c) expressly authorising the Commission, including the European Anti-Fraud Office, or its representatives to carry out checks, including on-the-spot checks and inspections;

¹ 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).

² Council Regulation (Euratom, EC) 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).

³ 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).

- (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; and
 - (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.
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.

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. That 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 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(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 Strasbourg...,

For the European Parliament
The President

For the Council
The President