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

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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[(1)],

Whereas:

(1) Relations between the Union and the Hashemite Kingdom of Jordan (Jordan) are developing within the framework of the European Neighbourhood Policy (ENP). On 24 November 1997, Jordan signed the 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,[(2)] (the 'Association Agreement'), 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 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[(3)] 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 between the European Union and the Hashemite Kingdom of Jordan establishing a dispute settlement mechanism applicable to disputes under the trade provisions of the 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,[(4)] was initialled in December 2009 and 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 Election Commission have been set up and a number of major laws,

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including the Electoral Act and the Political Parties Act, as well as laws on decentralisation and municipalities, have been passed by the Jordanian Parliament. In addition, legislative improvements as regards the independence of the judiciary and women's rights have been adopted.

(3) The Jordanian economy has suffered significantly from protracted conflicts in the region, notably in neighbouring Iraq and Syria. That regional unrest has taken a heavy toll on external receipts and has strained public finances. Tourism and inflows of foreign direct investment 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 Jordan's fiscal position, public services and infrastructure.

(4) In August 2016, the Jordanian authorities and the International Monetary Fund (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 2 000 million 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 a second macro-financial assistance programme[(5)] (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 the first macro-financial assistance 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 2 390 million 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) Decision (EU) 2016/2371 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 number of Syrians (1,3 million according to the Jordanian authorities), committed to submit, if appropriate, a new proposal for extending and increasing macro-financial assistance to Jordan, upon the successful conclusion of the MFA-II and provided that the usual preconditions for that type of assistance, including an updated assessment by the Commission of Jordan's external financing needs, are met.

(7) Between 2017 and 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 revenue collections fell and new fiscal and external financing needs emerged.

(8) In this challenging context, the Union and the international community expressed again their commitment to supporting Jordan on several subsequent occasions, notably during the Brussels conference on supporting the future of Syria and the region in April 2017, the EU-Jordan Association Council in July 2017 and the Brussels II conference on supporting the future of Syria and the region 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 Union, 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 2 100 million to Jordan under different instruments, including EUR 380 million under the two macro-financial assistance programmes, to help the country preserve economic stability, sustain political and economic reform and address Jordan's humanitarian, development and security needs. In addition, the European Investment Bank has allocated approximately 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 EFF 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 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 a residual financing gap remains in Jordan's balance of payments over and above the resources provided by the 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 Jordan's 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,

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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 of the different areas of external action, with the measures taken within 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 (EEAS) should work closely together throughout the macro-financial assistance operation in order to coordinate Union external policy and to ensure the consistency thereof.

(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. The Commission and the EEAS should regularly monitor both the fulfilment of the preconditions and the achievement of the specific objectives of the Union's macro-financial assistance.

(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 that 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 Council[(6)] and Council Regulation (Euratom, EC) No 2185/96[(7)] and the Commission and the Court of Auditors to carry out audits during and after the availability period of the Union's macro-financial assistance.

(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 that 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[(8)].

(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 Regulation (EU) No 182/2011, 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 as specified in Regulation (EU) No 182/2011 be used for operations above that threshold. Considering the amount of the Union's macro-financial assistance to Jordan, that examination procedure should apply to the adoption of the Memorandum of Understanding and to any reduction, suspension or cancellation of that 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 IMF and Jordan, and with the key principles and objectives of economic reforms set out in the Association Agreement.

The Commission shall regularly inform the European Parliament and the Council of developments regarding the Union's macro-financial assistance, including