

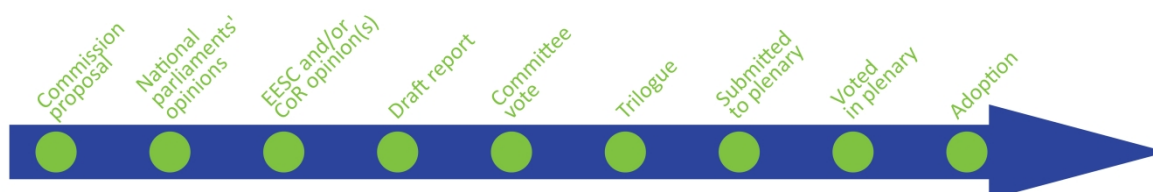
EU pledges further aid to Jordan

OVERVIEW

Since 2011, Jordan's economy has suffered from the negative spill-overs of the on-going regional conflicts and the Syrian refugee crisis, weakening the country's fiscal and external financing position. In line with the EU's objective to support the stability and development of Jordan's economy, the European Commission has presented a proposal to grant the country a second package of macro-financial assistance (MFA). Amounting to a maximum of €200 million, the assistance would help the country cover a part of its external financing needs. The first MFA package, worth €180 million, was approved in 2013 and fully disbursed in 2015. In addition to the significant resources mobilised by the multilateral and bilateral donors, this second MFA, adopted in December 2016, will, by strengthening the economy, contribute to Jordan's overall stability, which is a high priority for the EU. The Commission will, if appropriate, put forward a new proposal in 2017 to extend and increase this MFA to Jordan. EU aid will complement the International Monetary Fund's new programme of about US\$723 million, focusing on the country's economic and financial reform programme.

Proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to the Hashemite Kingdom of Jordan

<i>Committee responsible:</i>	International Trade (INTA)	COM(2016)431 of 29.6.2016
<i>Rapporteur:</i>	Emmanuel Maurel (S&D, France)	2016/0197(COD)
<i>Shadow rapporteurs:</i>	Salvatore Cicu (EPP, Italy) Sander Loones (ECR, Belgium) Marielle de Sarnez (ALDE, France) Lola Sánchez Caldentey (GUE/NGL, Spain) Klaus Buchner (Greens/EFA, Germany) David Borrelli (EFDD, Italy)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Procedure completed</i>	Decision (EU) No 2016/2371 OJ L 352, 23.12.2016, p. 18	



Introduction

On 29 June 2016, the European Commission adopted a [proposal](#) on providing additional macro-financial assistance (MFA) to Jordan. This MFA will help the country to cover a [part](#) of its external financing needs in the 2016-2017 period. It will also support Jordan in shouldering the burden of hosting around 1.3 million Syrians by partly covering the related fiscal costs. Finally, the proposed assistance will allow Jordan's government to deliver on its commitment to implement reforms and fulfil its aspiration for stronger ties with the EU.

Existing situation

Since early 2011, Jordan has been greatly affected by the instability in its neighbouring countries, particularly in Syria and Iraq. Regional unrest, coupled with an unfavourable international environment, has had serious consequences for Jordan's economy. A decline in exports (Syria and Iraq were Jordan's major [trading partners](#)), a decrease in income from tourism, which dropped by 7.1% between 2014 and 2015, a shrinkage of foreign direct investments, and disruptions in the natural gas supply from Egypt have all affected external receipts and public finances negatively. The arrival of around 1.3 million Syrians (approximately 20% of the Jordanian population) since 2011 has placed an additional burden on the country's fiscal position, public services, such as health and education, and infrastructure.

Jordan's gross public debt reached 93.4% of GDP by the end of 2015. GDP growth rate decreased to 2.4% in 2015, the lowest since 2010. In the first quarter of 2016, the overall unemployment rate reached 14.6%, with a marked impact on women (23.7%) and young people (33 %). According to official figures, the hosting of the large number of Syrian refugees has cost Jordan approximately US\$6.6 billion since the Syrian conflict broke out.

In 2013, the European Parliament and the Council of the EU adopted a first proposal for MFA of €180 million for Jordan ('MFA-I'), which was fully disbursed in 2015. It complemented a first International Monetary Fund (IMF) programme in the amount of US\$2 billion, agreed between Jordan and the IMF in 2012, and completed in 2015.

As regional conflicts intensified in 2015, Jordan's economic situation deteriorated and it requested new MFA in March 2016. In June 2016, the European Commission tabled a proposal on providing a second package of MFA ('MFA-II') to Jordan. This assistance will complement the new International Monetary Fund (IMF) programme. In [August 2016](#), the IMF's Executive Board endorsed a three-year extended arrangement under its [Extended Fund Facility](#) with Jordan for an amount of about US\$723 million. Moreover, in [July 2016](#), the World Bank's Board of Directors approved a new [Country Partnership Framework](#) for Jordan for the period of fiscal years 2017-2022.

MFA-II accompanies other EU measures. Since the outset of the Syrian conflict in 2011, the EU has provided Jordan with approximately [€1.13 billion](#) in assistance. This includes assistance to refugees and vulnerable communities, through €170 million from the [European Neighbourhood Instrument](#), more than €30 million from the [Peace and Stability Instrument](#), over €251 million from the humanitarian budget, the first tranche of MFA of €180 million, as well as €500 million financed under the [European Neighbourhood Policy](#) for regular programmed bilateral cooperation. Between 2011 and 2015, Jordan also received €264 million from the European Investment Bank. Moreover, since 2012, the EU has provided €24 million to the United Nations Children's Fund (Unicef) for various programmes in Jordan. Focusing on the longer-term resilience needs of Syrian refugees

in neighbouring countries, the available resources of the [EU Regional Trust Fund](#) ('Madad Fund') exceeded €700 million in March 2016. A part of this fund will go to Jordan.

At the 'Supporting Syria and the Region' [conference](#) held in London in February 2016, the EU pledged €2.39 billion to help the countries impacted by the Syrian refugee crisis. MFA-II to Jordan falls under this aid package.

EU support for Jordan not only comes in the form of financial assistance, but also in [other forms](#). For instance, Jordan is among the first countries with which the EU will enter into a tailored 'compact' (a new EU-Jordan agreement), as part of the new [Partnership Framework](#) aimed at mobilising and focusing the EU's external policies and tools on managing migration. Moreover, in the follow-up to the London conference, in July 2016 the EU [agreed](#) to simplify the rules of origin as applied to Jordanian trade exporters to the EU. This initiative is expected to boost trade and investment and create jobs, both for the Jordanians and the refugees they host.

European Parliament's starting position

The Parliament and Council adopted MFA-I on 11 December 2013 ([Decision No 1351/2013/EU](#)). Parliament, with 626 votes to 50 and 13 abstentions, adopted its [legislative resolution](#) at first reading. In a [resolution](#) of April 2014, it expressed concern about the large number of Syrian refugees in the neighbouring countries. Moreover, in a February 2015 [resolution](#), it called for strengthened cooperation with countries that have been dramatically affected by the Syrian conflict, such as Jordan. The EU has deployed an [Election Observation Mission](#) to Jordan to observe the parliamentary elections held on 20 September 2016, led by Jo Leinen (S&D, Germany).

Council starting position

The Council [conclusions](#) of 17-18 March 2016 reaffirmed the EU's support to Jordan. The Council urged to swiftly disburse the pledges and to conclude the [EU-Jordan compact](#), so as to improve the lives of the refugees and host communities in Jordan.

On 17 October 2016, the Council [agreed](#) on the EU-Jordan partnership priorities and the compact, for the 2016-2018 period. The EU-Jordan Association Council adopted the partnership priorities as well as the compact in [December 2016](#). The partnership priorities were agreed in the context of the revised European neighbourhood policy and the EU's global strategy for foreign and security policy. These priorities will be reviewed by the end of 2018.

Preparation of the proposal

MFA is an exceptional EU instrument designed for partner third countries experiencing acute external financing problems. Therefore, the Commission has not evaluated the possible impact of its MFA proposal, as there is a political imperative to proceed quickly. An [ex-ante evaluation statement](#) accompanies the proposal. A European External Action Service analysis as to whether the proposal satisfies the political criteria for MFA is annexed to the ex-ante evaluation statement.

The changes the proposal would bring

The proposal would make MFA-II available to Jordan in the form of a medium-term loan. It would be part of the EU-Jordan compact currently under discussion. The planned assistance would be disbursed in two instalments of €100 million each. MFA-II will help the country to cover part of its external financing needs in 2016-2017, while supporting reforms aimed at alleviating the balance of payments and budgetary needs, improving

the investment climate and strengthening economic integration with the EU. It is also intended to support efforts to boost economic growth and job creation.

Since 2004, a total of [16 ex-post evaluations](#) have been made for MFA operations. The evaluations have shown that these operations do contribute, albeit sometimes modestly and indirectly, to the improvement of external sustainability, macroeconomic stability and the achievement of structural reforms in the recipient country.

National parliaments

The [subsidiarity deadline](#) was 26 September 2016. No Member State has submitted a reasoned opinion on the proposal.

Stakeholders' views

In preparing the proposal, the Commission consulted the IMF and the World Bank, as well as the Economic and Financial Committee, from which it received an endorsement. It has been in regular contact with the Jordanian authorities.

Legislative process

On 29 June 2016, the Commission submitted the [legislative proposal](#) to the EP and to the Council. On 7 July 2016, the proposal was referred to Parliament's Committee on International Trade (INTA) as the committee in charge, and to the Foreign Affairs Committee (AFET) and the Committee on Budgets (BUDG) for their opinions. On 13 July 2016, Emmanuel Maurel (S&D, France) was appointed as INTA rapporteur. AFET and BUDG decided not to give an opinion, but their chairs each addressed a [letter](#) to the INTA Committee's chair. In their letters both committees expressed support for the proposed MFA-II operation.

On 31 August 2016, a first exchange of views on the Commission's proposal took place in INTA. The rapporteur briefly outlined the factors that had led to Jordan's current situation. He pointed out that, given the gravity of the economic and social challenges, it is important that the proposal should be adopted swiftly and the disbursement should start as soon as possible. On 7 September 2016 the [draft report](#) was presented. In it, the rapporteur expressed the hope that this assistance programme will be implemented as soon as possible to assist Jordan in these challenging times.

The draft report was discussed during the meeting of 26 September. All the MEPs who took the floor supported the Commission proposal in principle. The rapporteur announced he would table an amendment to raise the amount of the MFA-II to €350 million.

On 27 September 2016, the [amendments](#), including that to increase the MFA-II to a maximum of €350 million, were tabled in the committee. On 13 October, INTA adopted its [report](#), including the recommendation to increase the amount of the MFA-II, and a call for a timeframe to be imposed on Jordan for implementing the conditions laid down in the Memorandum of Understanding. The report was adopted with 31 votes in favour, 1 against and 2 abstentions. Moreover, it was decided to open interinstitutional negotiations with the report adopted in the committee as mandate.

On 27 October, a trilogue meeting took place. According to the agreement reached, in addition to the €200 million in assistance already referred to in the text of the proposed decision, the Commission will also, if appropriate, submit a new proposal for extending and increasing MFA to Jordan in 2017.

The outcome of the trilogue was [endorsed](#) by the Committee of Permanent Representatives (Coreper) on 4 November, and with a large majority by the INTA Committee on 10 November.

The European Parliament held a [debate](#) on 23 November and [voted](#) the following day. In the debate, the rapporteur presented the major economic and social challenges Jordan is facing. He also highlighted that, despite the difficult circumstances, the country has taken in a high number of refugees and this poses an additional and enormous challenge. The rapporteur recalled that there was unanimity within the INTA Committee to try to propose a considerably higher amount of MFA than that proposed by the Commission, and he presented the compromise reached in the trilogue meeting. He expressed the hope that the Commission will be flexible when discussing with Jordan the policy measures to be agreed in the Memorandum of Understanding. He also emphasised that this macro-financial assistance is not a grant, but will be provided in the form of loans. The European Parliament adopted by 540 votes to 29, with 52 abstentions, the [legislative resolution](#) on the proposal for a decision, thus completing the Parliament's first reading. A joint statement by the European Parliament, the Council and the Commission annexed to the legislative resolution states that the Commission will, if appropriate, submit a new proposal in 2017 to extend and increase MFA to Jordan, upon the successful conclusion of MFA-II.

On 8 December 2016, the Council [adopted](#) the decision without discussion. Following the signing of the legislative act, on 14 December 2016, by the President of the European Parliament and the President of the Council, the [final act](#) was published on 23 December 2016 in the Official Journal of the European Union, entering into force three days later.

EP supporting analysis

- [Jordan: A protest movement eclipsed](#), B. Immenkamp, EPRS, 2016.
- [Parliamentary elections in Jordan](#), B. Immenkamp, EPRS, 2016.

Other sources

- [Further macro-financial assistance to Jordan](#), EP, Legislative Observatory (OEIL).

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