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THE EUROPEAN PARLIAMENT

THE COUNCIL

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**Subject: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on providing macro-financial assistance to the Hashemite Kingdom of Jordan**

DECISION No .../2013/EU
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of

on providing 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 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 20 November 2013 (not yet published in the Official Journal) and Decision of the Council of

Whereas:

- (1) Relations between the Union and the Hashemite Kingdom of Jordan ('Jordan') are developing within the framework of the European Neighbourhood Policy (ENP). A Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and Jordan, of the other part¹ ('the EU-Jordan Association Agreement'), entered into force on 1 May 2002. Bilateral political dialogue and economic cooperation have been further developed within the framework of ENP Action Plans, of which the most recent covers the period 2010-2015. In 2010, the Union granted Jordan "Advanced Status" partnership, which covers a wide area of cooperation between both parties. In 2013 the EU-Jordan Association Agreement was complemented by a Framework Agreement between the Union and Jordan on the general principles for the participation of Jordan in Union programmes, furthering cooperation between the Union and Jordan.

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) Jordan's economy has been significantly affected by domestic events related to the events in the Southern Mediterranean since the end of 2010, known as the "Arab Spring", and by the ongoing regional unrest, in particular in neighbouring Egypt and Syria. In particular, the high inflow of refugees from Syria who have sought refuge in Jordan is having a severe impact on Jordan's economy. In the context of a much weaker global economic environment, the repeated disruptions to the flow of natural gas from Egypt, which have forced Jordan to replace gas imports from Egypt with more expensive fuels for electricity generation, and the significant financial resources required to provide humanitarian assistance to the refugees from Syria who are present on Jordan's territory, have resulted in important external and budgetary financial gaps.
- (3) Since the Arab Spring began, the Union has, on various occasions, declared its commitment to supporting Jordan in its economic and political reform process. That commitment was reaffirmed, in December 2012, in the conclusions of the 10th meeting of the Association Council between the Union and Jordan.
- (4) Jordan's geographical position makes it also a strategic country for stability and security in the Middle East, but equally makes the country particularly vulnerable to external shocks, both in political and economic terms. It is therefore important to provide adequate support to Jordan and to further political and economic dialogue between the Union and Jordan.

- (5) Jordan has embarked on a series of political reforms, most in particular leading to the adoption by the Jordanian Parliament in September 2011 of over 40 constitutional amendments, representing a significant step towards a fully-fledged democratic system. 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.
- (6) In line with the Joint Declaration by the European Parliament and the Council adopted together with Decision No 778/2013/EU of the European Parliament and of the Council¹, Union macro-financial assistance should be an exceptional financial instrument of untied and undesignated balance-of-payments support, which aims at restoring a beneficiary's sustainable external finance situation and should underpin the implementation of a policy programme containing strong adjustment and structural reform measures designed to improve the balance of payment position, in particular over the programme period, and reinforce the implementation of relevant agreements and programmes with the Union.

¹ Decision No 778/2013/EU of the European Parliament and of the Council of 12 August 2013 providing further macro-financial assistance to Georgia (OJ L 218, 14.8.2013, p. 15).

- (7) In August 2012, the Jordanian authorities and the International Monetary Fund (IMF) agreed on a non-precautionary three-year Stand-By-Arrangement ('IMF programme') of SDR 1 364 million (Special Drawing Rights) in support of Jordan's economic adjustment and reform programme. The objectives of the IMF programme are consistent with the purpose of the Union macro-financial assistance, namely to alleviate short-term balance of payment difficulties, and the implementation of strong adjustment measures is consistent with the aim of Union macro-financial assistance.
- (8) The Union has made available EUR 293 million in grants for the period 2011-13 under its regular cooperation programme in support of Jordan's economic and political reform agenda. In addition, EUR 70 million has been allocated to Jordan in 2012 under the "Support for partnership, reforms and inclusive growth" (SPRING) programme, and EUR 10 million in Union humanitarian aid to support Syrian refugees.
- (9) In December 2012, in view of the worsening economic situation and outlook, Jordan requested Union macro-financial assistance.
- (10) Given that Jordan is a country covered by the ENP, it should be considered to be eligible to receive Union macro-financial assistance.

- (11) Given that there is still a significant residual external financing gap in Jordan's balance of payments over and above the resources provided by IMF and other multilateral institutions, and despite the implementation of strong economic stabilisation and reform programmes by Jordan, and given the vulnerability of Jordan's external financial position to exogenous shocks, which requires an appropriate level of the foreign exchange reserves to be maintained, the Union macro-financial assistance to be provided to Jordan ("the Union's macro-financial assistance") 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.
- (12) 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.

- (13) 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.
- (14) The Commission should ensure that the Union's macro-financial assistance is legally and substantially in line with the key principles, objectives and measures taken within the different areas of external action and other relevant Union policies.
- (15) 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.

- (16) 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.
- (17) A precondition 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. Both fulfilment of the precondition and the achievement of those objectives should be regularly monitored by the Commission.
- (18) 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.

- (19) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council.
- (20) The amounts of the provision required for macro-financial assistance should be consistent with the budgetary appropriations provided for in the multi-annual financial framework.
- (21) 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.
- (22) 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.

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).

- (23) 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:

Article 1

1. The Union shall make macro-financial assistance available to Jordan ("the Union's macro-financial assistance") of a maximum amount of EUR 180 million, with a view to supporting Jordan's economic stabilisation and reforms. 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 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 and the EU-Jordan Action Plan for 2010-2015 agreed under the ENP. 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 years from the first day after the entry into force of the Memorandum of Understanding referred to in Article 3(1).
5. Where 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

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. The Commission shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union's macro-financial assistance. 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"). The Memorandum of Understanding shall include a time-frame 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 macro-economic adjustment and structural reform programmes implemented by Jordan, with the support of the IMF.
2. Those conditions 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 agreed between the Commission and the Jordanian authorities.
4. The Commission shall verify at regular intervals that the conditions 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 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 be provisioned, where required, in accordance with Council Regulation (EC, Euratom) No 480/2009¹.

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).

3. The Commission shall decide on the release of the instalments subject to the fulfilment of all of the following conditions:

- (a) the precondition 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 implementation, within a specific time-frame, of the economic policy and financial conditions agreed in the Memorandum of Understanding.

The disbursement of the second instalment shall not take place earlier than three months after the release of the first instalment.

4. Where the conditions in 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 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 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

3. The Memorandum of Understanding and the Loan Agreement to be agreed with the Jordanian authorities shall contain provisions:
- (a) ensuring that Jordan regularly checks that financing provided from the general 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;

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 in order 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).

- (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;
 - (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;
 - (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. During the implementation of the Union's macro-financial assistance, the Commission shall monitor, by means of operational assessments, the soundness of Jordan's financial arrangements, the administrative procedures, and the internal and external control mechanisms which are relevant to the assistance, as well as Jordan's adherence to the agreed time-frame.

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. The 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 on-going 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 ...,

For the European Parliament

The President

For the Council

The President
