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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on providing macro-financial assistance to the Hashemite Kingdom of Jordan

{SWD(2024) 89 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Amid increasingly challenging global economic developments, Jordan's economic growth has remained overall stable at around 2% in the last 5 years (excluding a marked contraction in the COVID-19 pandemic year of 2020). However, this growth performance was weaker than that of regional peers and not strong enough to lower the very high unemployment or help ease the considerable public debt burden. Instead, fiscal pressures have remained high, with persistent budget deficits further adding to the already high public debt, which reached 88.7% of GDP (excluding holdings by the Social Security Corporation) in 2023. Having remained relatively contained in the last 5 years, consumer price inflation slowed to 1.6% at the end of 2023 as a result of the monetary tightening policy, among other factors. The high interest rates, however, are expected to weigh on economic activity going forward. On the external side, Jordan experiences chronic external deficits (7.1% of GDP current account deficit in H1 2023), driven by the persistent deficit in trade in goods, which reflects the economy's dependence on energy, food and machinery imports in conjunction with a weak export base.

A broadly appropriate policy response and large-scale international support have so far helped the country to preserve macroeconomic stability, but the persistent economic challenges reflected in external and fiscal deficits make the economy vulnerable to external shocks. In past years, Jordan has taken initiatives to modernise its economy, most recently with the Economic Modernisation Vision of 2022, to attract foreign investment and promote growth, also supported by the reform agendas underpinning the earlier macro-financial assistance (MFA) operations.

These reform efforts were undertaken at a time when Jordan faced multiple external shocks, in particular the war in neighbouring Syria and the major influx of refugees that followed, the COVID-19 pandemic, Russia's fullscale war of aggression against Ukraine, increased security challenges along the Syrian border and, most recently, the war in Israel/Gaza and ensuing Red Sea crisis impacting important trade routes.

In light of the multiple external shocks and its importance to ensure stability in the region, Jordan received substantial support in various forms from its international partners in the past decade. This includes three MFA programmes since 2014 for a total of EUR 1 080 million; four consecutive International Monetary Fund ('IMF') programmes since 2012; and substantial US support in the form of grants. The third and latest MFA operation (MFA-III, 2020-2023) with an initial amount of EUR 500 million was adopted in January 2020 and subsequently (May 2020) topped up by EUR 200 million in response to the socio-economic fallout of the COVID-19 pandemic in 2020. MFA-III was successfully concluded in May 2023, having supported reforms on public finance management, the utilities sector, social and labour market policy, and governance, where overall positive even if somewhat uneven progress was achieved.

In this context and given Jordan's continued sizeable financing needs and the many different challenges faced by the country, the Jordanian authorities requested a follow-up MFA operation of EUR 700 million on 8 October 2023 in a letter to Commissioner Gentiloni, where they specifically referred to challenging global economic prospects, restrictive credit conditions due to monetary tightening, high energy costs, inflationary pressures and the burden of the Syrian refugee crisis. The call for further assistance comes in a situation of increased uncertainty and regional instability, not least due to the outbreak of the war in neighbouring Israel and Gaza the day before the letter was sent.

After an in-depth assessment of the political and economic situation in Jordan, the Commission is submitting to the European Parliament and the Council a proposal to provide a new MFA of up to EUR 500 million to the benefit of Jordan. The proposed MFA would help Jordan cover part of its residual external financing needs, in the context of the new IMF programme, and would by creating the necessary fiscal space also help safeguard the ongoing reform progress.

The disbursement is planned to take place in three instalments, with the release of instalments strictly linked to progress with the implementation of both the IMF programme and a number of additional policy measures to be agreed between the Commission and the authorities and listed in a Memorandum of Understanding (MoU). The MoU could, in principle, include policy reforms addressing economic governance, including Public Finance Management and tax administration; social and labour market policy; and governance and fight against fraud, corruption and money-laundering. The implementation of the proposed operation is expected to go hand-in-hand with the support under budgetary operations financed by the Neighbourhood, Development and International Cooperation Instrument- Global Europe ('NDICI-GE').

As further explained in the Commission staff working document accompanying this proposal, the Commission considers, based also on the assessment of the political situation made by the European External Action Service ('EEAS'), that the political and economic pre-conditions for the proposed MFA operation are satisfied.

- **General economic context**

Economic growth has remained stable albeit relatively low (compared to regional peers), over the past years, and is expected to only slowly pick up. Following the contraction during the COVID-19 pandemic, GDP recovered at 2.2% growth in 2021 and 2.5% in 2022; growth expectations for 2023 were slightly revised downward to 2.6% following the outbreak of the Israel-Gaza war in Q4. The sectors that contributed most to economic growth in 2023 were agriculture, manufacturing, tourism and mining, reflecting the still strong role of these sectors in the economy but also the rebound in tourism. Major structural challenges remain to boosting economic growth, in particular in the area of private sector development, where deficiencies in the business environment, access to finance, labour market flexibility and public administration persist.

Economic growth has not been strong enough to lower the very high unemployment. Bringing down the traditionally high unemployment rate and increasing labour market participation are important structural challenges in Jordan. In 2023, the unemployment rate slightly decreased to 22.3% in Q3-2023 (22.9% in 2022). Unemployment remains high especially for women, youth and university graduates, with women's labour force participation rate (around 14% in 2023) being one of the lowest world-wide.

Inflation decelerated considerably in 2023, with average inflation at 2.1% in 2023 (down from 4.2% in 2022). Price increases levelled out in response to the tightening of monetary policy and lower global commodity prices. The Central Bank of Jordan (CBJ) raised its policy rates in 10 steps from 2.5% in March 2022 to 7.5% in July 2023. The CBJ decisions were necessary given the Jordanian Dinar's peg to the USD, to be in line with the US Federal Reserve's monetary tightening and avoid pressures on capital flows, and indeed contributed to the moderation of inflationary pressures.

The fiscal situation remains challenging, with structurally high deficits reflecting a narrow revenue base (domestic tax revenue mobilisation at 16% of GDP, compared to Tunisia at 23.3% of GDP and Morocco at 21.4% of GDP) feeding further into the already high level of debt. The fiscal deficit stood at 5.1% for the first 8 months of 2023 (4.6% of GDP in 2022), roughly in line with the average fiscal deficit of the past 5 years. Public sector revenue increased by 5.4% during the first 8 months compared to the same period a year earlier, on the back of higher income and profit tax collection. Total expenditure grew by 2.9%, driven by higher interest payments, military expenditure and compensation of civil sector employees. In April 2023, Jordan successfully issued Eurobonds for USD 1.25 billion, despite the tightening of global financing conditions. The issuance has a maturity of 6 years at 7.5% and was oversubscribed six times, allowing the government to increase the initially sought amount.

Total public sector debt (excluding debt holdings by the Social Security Corporation, SSC) remained at a very high 88.7% of GDP in 2023, slightly down from 90.8% of GDP in 2021, as nominal GDP growth during these 2 years outpaced the increase in debt. Adding debt holdings by the SSC, public sector debt reached 111.5% of GDP in 2023, after having continuously increased over the past decade (from 84.5% of GDP in 2013). In its report on the new Extended Fund Facility (EFF) arrangement with Jordan (January 2024), the IMF assessed Jordan's public debt level as sustainable, stating further that while debt sustainability risks remained, the authorities' policy efforts and the development partners' ongoing commitment to Jordan would constitute important safeguards.

On the external side, Jordan experiences chronic external deficits, driven by the persistent deficit in trade in goods, which reflects Jordan's dependence on energy, food and machinery imports in conjunction with a weak export base relying on low-value added sectors. Main export items over the past years have been phosphoric acid, potash and phosphates, which have benefited from increased demand following Russia's invasion of Ukraine. Overall, the current account deficit averaged around 6.5% of GDP in the past 5 years, with larger deficits in 2021-2023. Most recently, the current account deficit narrowed to 7.1% of GDP in H1 2023 (from 13% in H1 2022, 8.8% of GDP in 2022), on the back of an increased trade in services surplus driven by increasing tourism revenue. Traditionally strong remittances (around 8% of GDP over the past years) from abroad have also contributed to mitigating the current account deficit. The CBJ's gross foreign reserves have remained strong, whilst decreasing slightly in the period 2021-2023 to USD 17.3 billion at the end of September 2023, covering an estimated 7.6 months of imports of goods and services.

The IMF, in its January 2024 forecast, expects economic growth to stand at 2.6% in both 2023 and 2024. Its previous forecast was revised slightly downwards following the outbreak of the war in Israel/Gaza. However, the war implies a very substantial downside risk to the outlook, in particular due to the increased level of uncertainty in the region and the possible impact on the important tourism sector, with cancellations by tourists from advanced economies, who represent a third of tourism receipts. Domestic demand may be negatively impacted by consumer sentiment and a boycott of Western brands, which reportedly could be weighing on value added tax revenue. After the Hamas terrorist attack of 7 October 2023, sovereign bond spreads for Jordan temporarily increased but were back to pre-war levels 4 weeks later. A similar development was observed for oil prices. The ongoing Houthi attacks on cargo and energy vessels in the Red Sea hinder vessel traffic to Asia, impacting Jordan's exports – in particular exports of minerals and chemicals, and imports. Jordan's energy imports are less affected, as they are mostly transported via pipelines locally.

Given the significant public debt burden, the fiscal consolidation course needs to continue, as supported by the new IMF programme, with a view to narrowing the budget deficit by broadening the tax base and improving the efficiency and targeting of social measures. The inflation rate in Jordan has dropped to low levels and is expected to remain low in 2024, also due to the monetary tightening of the CBJ. The resulting high interest rates are expected to curb credit growth to the private sector. Fiscal and external deficits are expected to remain high, reflecting the underlying structural challenges to sustainably improve fiscal revenue and the trade deficit. At the same time, since Jordan imports most of its energy and a large share of its food, including essential cereals, the slower growth of global commodity prices helps ease pressures on fiscal and external balances. The Red Sea crisis is expected to weigh on exports of fertilisers and phosphates, while the war and general regional instability is expected to lessen tourism revenue; in normal times, both sectors considerably alleviate external pressures.

- **Consistency with existing policy provisions in the policy area**

Decisions (EU) 2020/33[1] and (EU) 2020/701[2] on providing macro-financial assistance to the Hashemite Kingdom of Jordan were adopted by the European Parliament and the Council on 15 January 2020 and 25 May 2020, respectively. The overall assistance of EUR 700 million (EUR 500 million under Decision (EU) 2020/33 and EUR 200 million under Decision (EU) 2020/701) was fully disbursed during the period 2020-2023.

- **Consistency with other EU policies**

The proposed MFA is consistent with the EU's commitment to support Jordan's economic and political situation. It is consistent with the principles governing the use of the instrument of MFA, including its exceptional character, political preconditions, complementarity, conditionality and financial discipline.

The EU and Jordan enjoy excellent relations and have been linked by an Association Agreement since 2002 (advanced status since 2010)[3]. In 2022, they signed the Partnership Priorities[4] which aim to strengthen cooperation even further and will guide the partnership until 2027. The Partnership Priorities are based on common values and dialogue, and promote reforms in areas such as good governance, the rule of law, human rights, social cohesion and equal opportunities for all, non-discrimination, environmental and climate protection, macroeconomic stability and the business environment.

The proposed MFA is in line with the objectives of the European Neighbourhood Policy (ENP). It contributes to support the European Union's objectives of economic stability and development in Jordan and, more broadly, resilience in the South European neighbourhood. The EU MFA would complement the grants mobilised under the NDICI and other EU programmes and instruments and, in particular, the conditions envisaged under the budget support packages being implemented by the EU under the current multiannual financial framework (MFF) 2021-2027. By supporting the adoption by the Jordanian authorities of an appropriate framework for macroeconomic policy and structural reforms, the EU's MFA would increase the added value and effectiveness of the EU's overall financial support measures, including through other instruments.

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[1] 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 (OJ L 14, 17.1.2020, p. 1, ELI: http://data.europa.eu/eli/dec/2020/33/oj).

[2] EU Decision (EU) 2020/701 of the European Parliament and of the Council of 25 May 2020 on providing macro- financial assistance to enlargement and neighbourhood partners in the context of the COVID- 19 pandemic (OJ L 165, 27.5.2020, p. 3, ELI: http://data.europa.eu/eli/dec/2020/701/oj).

[3] OJ L 129, 15.5.2002, p. 3–176. (http://data.europa.eu/eli/agree_internation/2002/357(1)/oj)

[4] EU-Jordan Partnership Priorities 2021-2027 available at: https://data.consilium.europa.eu/doc/document/ST-3304-2022-ADD-1/en/pdf.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this proposal is Article 212 of the Treaty on the Functioning of the European Union ('TFEU').

- **Subsidiarity (for non-exclusive competence)**

The subsidiarity principle is respected as the objectives of maintaining short-term macroeconomic stability in Jordan cannot be sufficiently achieved by the Member States alone and can be better achieved by the European Union. The main reasons are the budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectivenes of the assistance.

- **Proportionality**

The proposal complies with the proportionality principle: it confines itself to the minimum required in order to achieve the objectives of short-term macroeconomic stability and does not go beyond what is necessary for that purpose.

As identified by the Commission based on the estimates of the IMF in the context of the EFF, the amount of the proposed new MFA corresponds to 7.1% of the estimated residual financing gap for the period 2025-2027. This is consistent with standard practices on burden-sharing for MFA operations (for a country with an Association Agreement, the upper limit would be 60% according to the ECOFIN Council conclusions of 8 October 2002), taking into account the assistance pledged to Jordan by other bilateral and multilateral donors. When considering the overall EU support to Jordan via various instruments (including the proposed MFA, EU budget support and EIB loans, excluding bilateral Member States support), the total EU support would cover 16.0% of the estimated residual financing gap; the overall EU contribution including budget support and EIB loans to Jordan is expected to be higher than in the past.

- **Choice of instrument**

Project finance or technical assistance would not be suitable or sufficient to address the macroeconomic objectives. The key added value of the MFA compared to other EU instruments would be to alleviate the external financial constraints and to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and an appropriate framework for structural reforms. By helping put in place an appropriate overall policy framework, MFA can increase the effectiveness of the actions financed in Jordan under other, more narrowly-focused EU instruments.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The Commission's MFA proposal builds on lessons learnt from ex-post evaluations carried out on past operations in the EU's neighbourhood, including on the ex-post evaluation of the

MFA-II operation provided to Jordan in 2016-2019 that was governed by Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016[5].

This ex-post evaluation[6] concluded overall that the MFA-II programme met its objectives. Its design was relevant to Jordan's economic challenges, while it contributed substantially to the effective stabilisation of Jordan's external and fiscal financial position. The programme had considerable added value for the EU as it supported macroeconomic stability in a neighbouring partner country and mitigated the impact of the refugee crisis. It was designed and implemented in a way that was coherent with other EU policies and instruments.

- **Stakeholder consultations**

MFA is provided as an integral part of the international support for the economic stabilisation of Jordan. To prepare this proposal for MFA, the Commission consulted with the IMF, which has already put in place sizeable financing programmes. The Commission consulted the Alternate Economic and Financial Committee on 26 February 2024, where an endorsement for the draft proposal was provided. The Commission has also been in regular contact with the Jordanian authorities.

- **Collection and use of expertise**

In line with the requirements under Regulation (EU, Euratom) 2018/1046[7] ('Financial Regulation'), the Commission services will carry out, before the implementation of the MFA, an operational assessment of the financial and administrative circuits of Jordan in order to ascertain that the procedures in place for the management of programme assistance, including MFA, provide adequate guarantees.

- **Impact assessment**

The EU's MFA is an exceptional emergency instrument aimed at addressing severere balance-of-payments difficulties in non-EU countries. This MFA proposal is therefore exempted from the requirement to carry out an Impact Assessment in line with the Commission's Better Regulation Guidelines (SWD(2015) 111 final) as there is a political imperative to move ahead quickly in a situation requiring a rapid response.

More generally, the Commission's MFA proposals build on lessons learnt from ex-post evaluations carried out on past operations in the EU's neighbourhood. The new MFA, and the economic adjustment and reform programme attached to it, will help alleviate Jordan's short-term financing needs while supporting policy measures aimed at strengthening medium-term balance of payments and fiscal sustainability and raising sustainable growth, thus complementing the programme adopted by the IMF Executive Board. These policy conditions should address some of the fundamental weaknesses shown over the years by the Jordanian economy and economic governance system. Possible areas of conditionality could, in principle, include reforms to improve economic governance, including public finance

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[5] Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 352, 23.12.2016, p. 18, ELI: http://data.europa.eu/eli/dec/2016/2371/oj).

[6] Ex-post evaluation on: MFA Operations to the Southern Neighbourhood Countries of Tunisia and Jordan (2016-2019), September 2021, available at: https://commission.europa.eu/about-european-commission/departments-and-executive-agencies/economic-and-financial-affairs/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/joint-ex-post-evaluation-macro-financial-assistance-mfa-operations-tunisia-and_en

[7] OJ L 193, 30.7.2018, p. 1 (ELI: http://data.europa.eu/eli/reg/2018/1046/oj).

management and tax administration; social and labour market policy; and governance and fight against fraud, corruption and money-laundering.

- **Fundamental rights**

Countries that are covered by the European Neighbourhood Policy are eligible for MFA. A pre-condition for granting MFA is that the eligible country respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guarantees respect for human rights.

Jordan has continued its political reform efforts to strengthen parliamentary democracy and the rule of law. In 2021, Jordan launched a political modernisation process aspiring to foster political participation of women and youth, to overcome tribal allegiance and encourage the formation of nationwide programme-based political parties, introduced through amendments to the Elections and Political Parties Laws. In 2023, the government amended the Labour Code in line with international human rights standards.

While important political, security, economic and social challenges remain, and despite an increasingly challenging regional context, Jordan is making steps towards a more effective democratic political system based on the rule of law and respect for human rights. The EU remains fully committed in supporting Jordan in this challenging transition process. In this context, the political pre-condition for granting MFA is considered to be satisfied.

4. BUDGETARY IMPLICATIONS

The proposed MFA operation of up to EUR 500 million in loans for Jordan is planned to be disbursed in three instalments to be released in between 2024 and 2027. The loan will be provided under the External Action Guarantee with a provisioning at a rate of 9%, which will be programmed under the NDICI-GE, for a total amount of EUR 45 million (budget line 14 02 01 70 'NDICI – Provisioning of the Common Provisioning Fund'). The loans shall be granted in the form of amortising loans with a grace period and subsequent capital repayments in equal tranches over a longer period. Such loan structure will be beneficial for both the beneficiary, in that it facilitates repayments, and the budget, by spreading contingent liabilities over a long time-frame.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The European Union will make the MFA available to Jordan for a total amount of up to EUR 500 million, provided in the form of loans, which will contribute to covering Jordan's residual financing needs in the operation's availability period. The assistance is planned to be disbursed in three instalments, provided that the policy measures attached to each instalment have been fully implemented in a timely manner.

The assistance will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

Disbursements under the proposed MFA operation will be conditional on successful programme reviews under the IMF programme. In addition, the Commission and the Jordanian authorities will agree on a specific set of structural reform measures, to be set out in a Memorandum of Understanding. These reform measures should support the authorities' reform agenda and complement the programmes agreed with the IMF, the World Bank and other donors, as well as the policy programmes associated with the EU's budgetary support operations. They should be consistent with the main economic reform priorities agreed between the EU and Jordan in the Association Agreement, the Partnership Priorities and annexed Compact; Jordan's Modernisation Vision and other strategic documents.

2024/0086 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

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(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[8],

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). The Union and Jordan signed an Association Agreement on 24 November 1997, which entered into force on 1 May 2002[9]. 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 on further liberalisation of agricultural products 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 on Dispute Settlement Mechanisms for trade between the Union 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 EU-Jordan Partnership Priorities adopted for 2022-2027.

(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 Electoral Commission have been set up and a number of major laws, including the Electoral Act and the Political Parties Act as well as laws on decentralisation and municipalities, have been passed by the Jordanian Parliament. 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 Syria, and most recently in Israel/Gaza and the Red Sea. Since the start of the war in Syria, the Jordanian economy has been impacted by a large inflow of Syrian refugees, which has increased pressure on its fiscal position, public services and infrastructure. In addition to regional instability, the macroeconomic and fiscal challenges related to the COVID-19 pandemic in

[8] Position of the European Parliament of … and Decision of the Council of …

[9] OJ L 129, 15.5.2002, p. 3, ELI: http://data.europa.eu/eli/agree_internation/2002/357(1)/oj.

2020/2021, commodity price developments following Russia's invasion of Ukraine in 2022, high exposure to trade fluctuations and the increase of borrowing costs for emerging markets globally continued to weigh on the Jordanian economy. As a result, Jordan experienced an economic contraction in 2020, followed by a slow economic recovery, as unemployment increased significantly in 2020 and remained high, and new fiscal and external financing needs emerged.

(4) The war in Israel-Gaza that started in October 2023 implies very substantial downside risk to the economic outlook, in particular due to the increased level of uncertainty in the region and the possible impact on the important tourism sector and consumer sentiment. The ongoing Houthi attacks on cargo and energy vessels in the Red Sea hinder vessel traffic to Asia, impacting Jordan's exports, in particular the mineral and chemicals exports, and imports.In January 2024, the Jordanian authorities and the IMF agreed on a new economic adjustment programme supported by a four-year Extended Fund Facility (EFF) in the amount of USD 1.2 billion, which followed a USD 1.7 billion four-year EFF, including a loan under the Rapid Financing Instrument, from 2020-2023.

(5) In January 2020, the Union adopted a third programme of macro-financial assistance (MFA-III)[10] of EUR 500 million in the form of loans, in response to a request from Jordan in July 2019 and following the completion of a second MFA (of EUR 200 million) in 2019. MFA-II[11] came as a follow-up to MFA-I[12] (of EUR 180 million) implemented in 2015. MFA-III was topped up in a Union decision in May 2020 by EUR 200 million in response to the socio-economic fallout of the COVID-19 pandemic. The first instalment of MFA-III was released on 25 October 2020, the second instalment on 20 July 2021, the third instalment on 3 May 2023, following the implementation of the agreed policy measures. The assistance was fully disbursed during 2020-2023.

(6) MFA-III 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, committed to submit, if appropriate, a new proposal for extending and increasing MFA to Jordan, provided that the usual requirements for this type of assistance, including its exceptional character, political preconditions, complementarity, conditionality and financial discipline an updated assessment by the Commission of Jordan's external financing needs, are met.

(7) In this challenging context, the Union and the international community expressed again the commitment to supporting Jordan on several subsequent occasions, notably during annual Brussels Conferences on "Supporting the Future of Syria and the region" and the EU-Jordan Association Council in June 2022.

(8) Since the beginning of the Syrian crisis in 2011, the Union has made available approximately EUR 3.5 billion to Jordan under different instruments (including

[10] 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 (OJ L 14, 17.1.2020, p. 1, ELI: http://data.europa.eu/eli/dec/2020/33/oj).

[11] Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 352, 23.12.2016, p. 18, ELI: http://data.europa.eu/eli/dec/2016/2371/oj).

[12] Decision No 1351/2013/EU of the European Parliament and of the Council of 11 December 2013 on providing macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 341, 18.12.2013, p. 4, ELI: http://data.europa.eu/eli/dec/2013/1351/oj).

EUR 1 080 million under the three aforementioned MFA operations) 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 1.1 billion in project loans to Jordan since 2011.

(9) For the period 2021-2024, EU bilateral indicative allocation (grants) under the Neighbourhood Development and International Cooperation Instrument – Global Europe (NDICI-GE) to Jordan amounts to EUR 364 million and is complemented by EU support to help Jordan address the impact of the Syrian crisis (EUR 214 million from 2021 to 2023) as well as other regional and thematic programmes. During the period 2014-2020, the EU provided support to Jordan mainly through the European Neighbourhood Instrument with EUR 765 million. During the same period, Jordan also benefitted from additional EUR 126 million channelled via the Neighbourhood Investment Platform (NIP), which leveraged around EUR 580 million in investments.

(10) In October 2023, in view of the still difficult economic situation and outlook, Jordan requested additional macro-financial assistance from the Union.

(11) The IMF Board approved a new four-year Extended Fund Facility in January 2024. The first review mission is scheduled for April 2024, with a mission report expected to be published in June 2024.

(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 at addressing 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 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 its 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 Union's macro-financial assistance is expected to go hand-in-hand with the implementation of budget support operations under NDICI-GE established by Regulation (EU) 2021/947 of the European Parliament and of the Council[13].

[13] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and

(17) 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 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.

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

(19) 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, and to ensure the consistency of, Union external policy.

(20) 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.

(21) 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. Both the fulfilment of the pre-conditions and the achievement of those objectives should be regularly monitored by the Commission and the EEAS.

(22) 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, 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[14] and Council Regulation (Euratom, EC) No 2185/966[15], the

Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1), ELI: http://data.europa.eu/eli/reg/2021/947/o).

[14] 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, ELI: http://data.europa.eu/eli/reg/2013/883/oj).

Commission and the Court of Auditors to carry out audits and the European Public Prosecutor's Office to exercise its competences with regard to the provision of the Union's macro-financial assistance during and after its availability period.

(23) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council (as budgetary authority).

(24) The amounts of provisioning required for the Union's macro-financial assistance should be consistent with the budgetary appropriations provided for in the multiannual financial framework.

(25) 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 the relevant documents.

(26) 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[16].

(27) 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 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.

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15 Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1, ELI: http://data.europa.eu/eli/reg/2017/1939/oj).

16 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, ELI: http://data.europa.eu/eli/reg/2011/182/oj).

3. 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.

4. 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 International Monetary Fund (IMF) and Jordan, and with the key principles and objectives of economic reforms set out in the EU-Jordan Association Agreement.

5. 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.

6. 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).

7. 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 this pre-condition 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/EU[17].

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.

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[17] 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, ELI: http://data.europa.eu/eli/dec/2010/427/oj).

2. The conditions referred to in paragraph 1 shall aim, in particular, at enhancing 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 in accordance with Article 220 of the Financial Regulation, 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 three loan instalments. The size of each instalment shall be laid down in the Memorandum of Understanding referred to in Article 3.

2. The amounts of the Union's macro-financial assistance shall be provisioned, where required, in accordance with Regulation (EU) 2021/947.

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

The release of the second instalment shall not, in principle, take place earlier than three months after the release of the first instalment. The release of the third instalment shall not, in principle, take place earlier than three months after the release of the second 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 the 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 by the Central Bank of Jordan to the Jordanian Ministry of Finance as the final beneficiary.

Article 5

1. In order to finance the support under the macro-financial assistance 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 in accordance with Article 220 of Regulation (EU, Euratom) 2018/1046.

2. The Commission shall enter into a loan agreement with Jordan in respect of the amount referred to in Article 1. The detailed terms of the support under the MFA in the form of loans shall be laid down in a loan agreement in accordance with Article 220 of the Financial Regulation, to be concluded between the Commission and Jordan. The loan agreement shall lay down the availability period and the detailed terms of the support under the macro-financial assistance in the form of loans, including in relation to the internal control systems. The loans shall be granted at terms that allow Jordan to repay the loan over a long period, including a possible grace period. The maximum duration of the loans shall be 35 years.

3. 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 2018/1046 of the European Parliament and of the Council[18].

2. The Union's macro-financial assistance shall be implemented under direct management.

3. 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. The report shall:

   (a) examine the progress made in implementing the Union's macro-financial assistance to Jordan;

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18 Regulation (EU, Euratom) No 1046/2018 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.07.2018, p. 1).

(b) assess the economic situation and prospects of Jordan, as well as progress made in implementing the economic policy and financial conditions 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(6), 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 Brussels,

For the European Parliament *The President*	*For the Council* *The President*

LEGISLATIVE FINANCIAL STATEMENT

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

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

1.2. Policy area(s) concerned

Policy area:	Economic and Financial Affairs
Activity:	International economic and financial affairs

1.3. The proposal/initiative relates to:

X a new action

☐ a new action following a pilot project/preparatory action[19]

☐ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.4. Objective(s)

1.4.1. General objective(s)

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

“An Economy that works for people”

“A stronger Europe in the world”

1.4.2. Specific objective(s)

(a) Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including through regular economic dialogues with key partners and by providing macro-financial assistance.

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

[19] As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

(1) Contribute to covering the external financing needs of Jordan in the context of a significant deterioration of their external accounts brought by recent geopolitical developments.

(2) Alleviate the partner's budgetary financing needs.

(3) Support the fiscal consolidation effort and external stabilisation in the context of the IMF programme.

(4) Support structural reforms aimed at improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for sustainable growth.

1.4.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The authorities of Jordan will be required to report on a set of economic indicators to the Commission services on a regular basis and provide a comprehensive report on the compliance with the agreed policy conditions ahead of the disbursement of the instalments of the assistance.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in Jordan. The EU Delegation will also provide regular reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their insights from their ongoing activities in the respective partner.

An annual report to the Council and European Parliament is foreseen in the proposed legislative decision, including an assessment of the implementation of this operation. An independent ex-post evaluation of the assistance will be carried out within two years after the expiry of the implementation period.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The disbursement of the assistance will be conditional on the fulfilment of the political pre-conditions and a satisfactory track record in the implementation of the economic programme between Jordan and the IMF, which was approved by the Board on 10 January 2024. In addition, the Commission shall agree with the authorities of Jordan on specific policy conditions, listed in a Memorandum of Understanding.

The assistance is planned to be disbursed in three instalments. The disbursements are expected to take place between 2024 and 2027.

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

1.5.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention, which is additional to the value that would have been otherwise created by Member States alone.

The instrument of macro-financial assistance is a policy-based instrument directed to alleviate short- and medium-term external financial needs. In the context of the ongoing regional crisis, MFA will help to provide economic and fiscal policy space for the authorities to mount an effective economic response to the crisis by helping the partner country overcome the economic difficulties amplified by the recent geopolitical developments and in particular the war in the Middle East and the consequent Red Sea crisis, the proposed MFA will contribute to promoting macroeconomic and political stability in the partner country. MFA will complement the resources made available by international financial institutions, bilateral donors and other EU financial institutions. In doing so, it will contribute to the overall effectiveness of the financial support provided by the international community, as well as of other EU financial assistance, including budget support operations.

Furthermore, by providing long-term financing in highly concessional terms, usually lower than the rest of international or bilateral donors, the MFA programme is expected to help the government to execute its budget without fiscal deviations and to contribute to debt sustainability.

In addition to the financial impact of the MFA, the proposed programme will strengthen the government’s reform commitment. This result will be achieved, inter alia, through appropriate conditionality for the disbursement of the assistance.

1.5.3. Lessons learned from similar experiences in the past

Macro-financial assistance operations in partners are subject to ex-post evaluation. Evaluations conducted thus far (on completed MFA programmes), conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of the external sustainability, the macroeconomic stability and the achievement of structural reforms in the partner. In most cases, MFA operations had a positive effect on the balance of payments of the partner country and helped to relax their budgetary constraints. They also led to somewhat higher economic growth.

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

Compatibility with the Multiannual Financial Framework

In the 2021-2027 multiannual financial framework, the provisioining of MFA loans will be covered by the External Action Guarantee within Global Europe (Neighbourhood, Development and International Cooperation Instrument).

Possible synergies with other appropriate instruments

The EU is among the major donors to Jordan, supporting its economic, structural and institutional reforms as well as civil society. In this context, MFA complements other EU external actions or instruments used to support Jordan. The policy measures associated with MFA cover selected provisions related to the Association Agreement and the EU Jordan Partnership Priorities.

The key value added of the MFA in comparison to other EU instruments would be to help create a stable macroeconomic framework, including by promoting a sustainable balance-of-payments and budgetary situation, and an appropriate framework for advancing structural reforms. MFA does not provide regular financial support and is to be discontinued as soon as the country's external financial situation has been brought back onto a sustainable path.

MFA would also be complementary to interventions envisaged by the international community, in particular the adjustment and reform programmes supported by the IMF and the World Bank.

1.5.5. Assessment of the different available financing options, including scope for redeployment

By using loans, this MFA operation increases the effectiveness of the EU budget through the leverage effect and provides for the best cost-efficient option.

The Commission is empowered to borrow funds from capital markets on behalf of both the European Union and Euratom using the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates due to the top credit status.

1.6. Duration and financial impact of the proposal/initiative

X limited duration

– in effect from for 2.5 years from the entry into force of the Memorandum of Understanding, as stated in Article (1.4) of the Decision.

– Financial impact from 2024 to 2027 for commitment appropriations and from 2024 to 2027 for payment appropriations.

1.7. Method(s) of budget implementation planned[20]

X Direct management by the Commission

X by its departments, including by its staff in the Union delegations;

[20] Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

This assistance is of macroeconomic nature and its design is consistent with the IMF-supported programme. The monitoring of the action by the Commission services will take place on the basis of progress in the implementation of the IMF arrangement and the implementation of specific reform measures to be agreed with the authorities of the partners in a Memorandum of Understanding with a frequency that is consistent with the number of instalments (See also point 1.4.4).

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

MFA disbursements are dependent on successful reviews, and tied to the fulfilment of conditionality attached to each operation. The implementation of conditions is closely monitored by the Commission, in close coordination with the Union delegations.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

Risks identified

There are fiduciary, policy and political risks related to the proposed MFA operations.

There is a risk that the MFA could be used in a fraudulent way. As MFA is not designated to specific expenses (contrary to project financing, for example), this risk is related to factors such as the general quality of management systems in the partner's Central Bank and the Ministry of Finance, administrative procedures, control and oversight functions, the security of IT systems and the appropriateness of internal and external audit capabilities.

A second risk stems from the possibility that the partner will fail to service the financial liabilities towards the EU stemming from the proposed MFA loans (default or credit risk), which could be caused for example by a significant additional deterioration of the balance of payments and fiscal position of the partner.

Internal control systems

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and by the European Court of Auditors as foreseen by Article 129 of the Financial Regulation.

<u>Ex-ante:</u> Commission assessment of management and control system in the beneficiary country. For each beneficiary country, an ex-ante operational assessment of the financial circuits and control environment is carried out by the Commission, if

necessary, with technical support from consultants. An analysis of accounting procedures, segregation of duties and internal/external audit of the Central Bank and the Ministry of Finance are carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses be identified, they are translated into conditions, which have to be implemented before the disbursement of the assistance. Also, when needed, specific arrangements for payments (e.g. ring-fenced accounts) are put in place.

<u>During implementation:</u> Commission checks of periodic partner declarations. The payment is subject to (1) monitoring by DG ECFIN staff, in close coordination with the EU delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities, and (2) the normal control procedure provided for by the financial circuit (model 2) used in DG ECFIN, including the verification by the financial unit of the fulfilment of conditions attached to the disbursement of the assistance mentioned above. The disbursement relating to MFA operations may be subject to additional independent ex-post (documentary and/or on-the-spot) verifications by officials of the ex-post control team of the DG. Such verifications may also be initiated at the request of the responsible AOSD. Interruptions and suspensions of payments, financial corrections (implemented by Commission), and recoveries may be practised where needed (it has not occurred so far), and are explicitly foreseen in the financing agreements with the partners.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

The control systems in place, such as the ex-ante operational assessments or the ex-post assessments, ensured an effective error rate for the MFA payments of 0%. There are no known cases of fraud, corruption or illegal activity. MFA operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

To mitigate the risks of fraudulent use several measures have been and will be taken:

First, the Loan Agreement will comprise a set of provisions on inspection, fraud prevention, audits and recovery of funds in case of fraud or corruption. It is further envisaged that a number of specific policy conditions will be attached to the assistance, including in the area of public finance management, with a view to strengthening efficiency, transparency and accountability. Also, the assistance will be paid to a specific account of the central bank of the partner.

Finally, the assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and the European Court of Auditors as foreseen by Article 129 of the Financial Regulation.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[21]	from EFTA countries[22]	from candidate countries and potential candidates[23]	fromother third countries	other assigned revenue
	14.02.01.70 NDICI — Global Europe — Provisioning of the common provisioning fund [MFA loans – EAG]	Diff.	NO	NO	NO	NO

New budget lines requested – Not applicable

[21] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
[22] EFTA: European Free Trade Association.
[23] Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

☐ The proposal/initiative does not require the use of operational appropriations

X The proposal/initiative requires the use of operational appropriations, as explained below:

EUR million (to three decimal places)

Heading of multiannual financial framework	6	**Heading 6 - 'Neighbourhood and the World'**

DG: ECFIN			Year **2024**	Year **2025**	Year **2026**	Year **2027**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
○ Operational appropriations										
Budget line[24] 14.02.01.70 NDICI — Global Europe — Provisioning of the common provisioning fund [MFA loans – EAG]	Commitments	(1a)			40.25	4.75				45
	Payments	(2a)			40.25	4.75				45
Appropriations of an administrative nature financed from the envelope of specific programmes[25]										
Budget line 14.20.03.01	Commitments	(3)				0.15				0.15
	Payments	(4)				0.15				0.15
TOTAL appropriations	Commitments	=1a+1b +3			40.25	4.90				45.15

24 According to the official budget nomenclature.

25 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

for DG ECFIN	Payments	=2a+2b +3			40.25	4.90				45.15

○ TOTAL operational appropriations	Commitments	(4)			40.25	4.75				**45**
	Payments	(5)			40.25	4.75				**45**
○ TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)				0.15				**0.15**
TOTAL appropriations under HEADING 6 of the multiannual financial framework	Commitments	=4+ 6			40.25	4.90				**45.15**
	Payments	=5+ 6			40.25	4.90				**45.15**

<u>If more than one operational heading is affected by the proposal / initiative, repeat the section above:</u>

○ TOTAL operational appropriations (all operational headings)	Commitments	(4)								
	Payments	(5)								
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)								
TOTAL appropriations under HEADINGS 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6								
	Payments	=5+ 6								

Heading of multiannual financial framework	**7**	'Administrative expenditure'

This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex 5 to the Commission decision on the internal rules for the implementation of the Commission section of the general budget of the European Union), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
DG:ECFIN						
○ Human resources						
○ Other administrative expenditure						
TOTAL DG ECFIN	Appropriations					

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)					

EUR million (to three decimal places)

		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework	Commitments					
	Payments					

3.2.2. Estimated output funded with operational appropriations

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**

and outputs ⇩	Type[26]	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Total number	Total cost
- Output 1	Provisioning of the External Action Guarantee					1	40.25	1	4.75	1	45
- Output 2	Ex-post evaluation							1	0.15	1	0.15
Subtotal for specific objective No 1		1			-	-	-	-	1	0.15	2
TOTAL COST		1			-	-	-	-	1	0.15	2

26 Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

3.2.3. *Summary of estimated impact on administrative appropriations*

X The proposal/initiative does not require the use of appropriations of an administrative nature

☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
HEADING 7 of the multiannual financial framework					
Human resources					
Other administrative expenditure					
Subtotal HEADING 7 of the multiannual financial framework					
Outside HEADING 7[27] of the multiannual financial framework					
Human resources					
Other expenditure of an administrative nature					
Subtotal outside HEADING 7 of the multiannual financial framework					
TOTAL					

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

[27] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.1. Estimated requirements of human resources

X The proposal/initiative does not require the use of human resources.

☐ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

		Year **2024**	Year **2025**	Year **2026**	Year **2027**
20 01 02 01 (Headquarters and Commission's Representation Offices)					
20 01 02 03 (Delegations)					
01 01 01 01 (Indirect research)					
01 01 01 11 (Direct research)					
Other budget lines (specify)					
20 02 01 (AC, END, INT from the 'global envelope')					
20 02 03 (AC, AL, END, INT and JPD in the delegations)					
XX 01 xx **yy zz** [28]	- at Headquarters				
	- in Delegations				
01 01 01 02 (AC, END, INT - Indirect research)					
01 01 01 12 (AC, END, INT - Direct research)					
Other budget lines (specify)					
TOTAL					

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Director Dir. D: Supervise and manage the operation, liaise with Council and Parliament for the adoption of the Decision and the approval of the Memorandum of Understanding (MoU), negotiate the MoU with the authorities of Jordan, review reports, lead missions and assess progress with conditionality compliance. HoU/DHoU Dir. D: Assist the Director in managing the operation, liaising with Council and Parliament for the adoption of the Decision and the approval of the MoU, negotiating with the authorities of Jordan the MoU and Loan Facility Agreement (together with DG BUDGET), reviewing reports and assessing progress with conditionality compliance. DG BUDGET: Prepare the Loan Facility Agreement (LFA), negotiate it with the authorities of Jordan and have it approved by the responsible Commission services and signed by both parties. Follow up the entry into force of the LFA. Prepare the Commission decision(s) on the borrowing transaction(s), follow up the submission of the Request(s) for Funds, select the banks, prepare and execute the funding transaction(s) and disburse the funds to the country. Carry	

[28] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

	out the back-office activities to follow up the reimbursement of the loan(s). Prepare the corresponding reports on these activities.	
External staff	Desk economists, MFA Sector (Dir. D): Prepare the Decision and MoU, liaise with the authorities and the IFIs, conduct review missions, prepare Commission staff reports and Commission procedures related to the management of the assistance, liaise with external experts for the operational assessment and the ex-post evaluation.	

3.2.4. Compatibility with the current multiannual financial framework

The proposal/initiative:

☐ can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).

☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation.

☐ requires a revision of the MFF.

3.2.5. Third-party contributions

The proposal/initiative:

X does not provide for co-financing by third parties

☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year **N**[29]	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

29 Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

3.3. Estimated impact on revenue

X The proposal/initiative has no financial impact on revenue.

☐ The proposal/initiative has the following financial impact:

☐ on own resources

☐ on other revenue

please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

<table>
<tr><td rowspan="2">Budget revenue line:</td><td rowspan="2">Appropriations available for the current financial year</td><td colspan="7">Impact of the proposal/initiative[30]</td></tr>
<tr><td>Year
N</td><td>Year
N+1</td><td>Year
N+2</td><td>Year
N+3</td><td colspan="3">Enter as many years as necessary to show the duration of the impact (see point 1.6)</td></tr>
<tr><td>Article ………….</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[30] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.