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COMMISSION STAFF WORKING DOCUMENT

ex-ante evaluation statement

Accompanying the document

**Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

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

{COM(2025) 456 final}

Ex ante evaluation statement

EU macro-financial assistance to the Hashemite Kingdom of Jordan

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1. PROBLEM ANALYSIS AND NEEDS ASSESSMENT

1.1 Introduction

Jordan's economy grew by an estimated 2.5% in 2024, reflecting only modest resilience in a context of rising global and regional risks. Growth remains subdued compared to peers and insufficient to address persistent structural vulnerabilities, while the economic outlook is clouded by significant downside risks. The unemployment rate stood at 21.4%, with even higher rates among youth, and female labour participation remains among the lowest globally. Fiscal pressures grew, with the general government deficit widening to 5.6% of GDP, though the government met its combined primary balance (excluding grants and including utilities) target through capital spending cuts and revenue enhancing measures.¹ Public debt rose slightly to 90.4% of GDP (excluding SSC holdings).² Inflation stayed below 2%, helped by lower import prices and continued monetary tightening. The current account deficit widened to close to 6% of GDP due to weaker exports and lower tourism revenues. Jordan's dependence on energy and food imports and a limited export base continue to weigh on external balances. Despite reserves of around USD 21 billion, the economy remains vulnerable to external shocks, underscoring the need for sustained international support.

Over the past years, Jordan has managed to maintain overall macroeconomic stability thanks to a generally sound policy mix and substantial support from international partners. In mid-2022 the government launched the Economic Modernisation Vision (EMV) in an effort aimed at revitalising the economy. The EMV built on earlier reforms like the 2018 London Initiative's Reform Matrix, and identifies eight key sectors, including manufacturing, agriculture, ICT, mining, and healthcare, as drivers of growth. It also includes plans for public administration reform (merging ministries, reallocating powers) and political modernisation to enhance citizen engagement and the role of political parties, with reform efforts already ongoing. Reforms aimed at economic growth and more efficient public administration are expected to improve public finances through higher revenues and better financial management, which would help reducing public debt as a share of GDP. The first executive programme (2023–2025) of the Vision concludes this year, laying the groundwork for follow-up phases in 2026–2029 and 2030–2033. This strategy, together with the structural reform agendas linked to previous IMF programmes and EU Macro-Financial Assistance

¹ The combined primary deficit reached 4.9% of GDP in 2024, and includes the fiscal impact of loss-making energy and water utilities (1.9% of GDP). The financial performance of utilities is monitored under the IMF programme, which includes targeted reform measures. Additional structural reforms in these sectors will also be supported through the IMF's Resilience and Sustainability Facility (RSF).

² Debt including SSC's holdings reached 114.7% of GDP.

(MFA) operations, aims to boost investment, enhance competitiveness, and support sustainable growth.

These reforms have taken place against the backdrop of successive external shocks, including the prolonged conflict in Syria and the resulting refugee crisis, which, despite recent positive steps toward Syria's reintegration and reconstruction, has not yet created conditions conducive to a large-scale return of Syrian refugees from Jordan. Over the past years, Jordan has also faced a new wave of compounding external pressures, including the COVID-19 pandemic, Russia's unprovoked war of aggression against Ukraine, growing instability along the Syrian border, the conflict in Israel/Gaza, and linked Red Sea disruptions affecting vital trade corridors, as well as the recent escalating violence between Israel and Iran. Despite mounting regional challenges, Jordan has remained committed to preserving macroeconomic stability and advancing structural reforms. The post-election government reshuffle in September 2024 reinforced policy continuity and progress under the USD 1.2 billion IMF Extended Fund Facility (2024-2027), which has completed three positive reviews to date (the last one concluded on April 2025). Jordan also sustained close cooperation with key international partners. Although US budget support remains uncertain, the government successfully mobilised critical external financing from the EU, the World Bank, and GCC partners, helping to ease near-term funding pressures and reaffirm support for the reform agenda. On 25 June 2025, the IMF also approved approximately USD 700 million under the Resilience and Sustainability Facility (RSF) to support reforms addressing climate-related and pandemic preparedness risks.

In light of the multiple external shocks and Jordan's vital role in supporting stability in the region, the country received substantial support in various forms from its international partners in the past decade. This includes four consecutive IMF programmes since 2012, four MFA operations by the EU since 2014, significant US assistance, and targeted support for hosting Syrian refugees. The first three MFA programmes (MFA I: EUR 180 million; MFA II: EUR 200 million; MFA III: EUR 500 million + EUR 200 million top-up in response to COVID-19) provided a total of EUR 1.08 billion in loans between 2014 and 2023. Following a request by the Jordanian authorities on 8 October 2023, the EU adopted a new MFA IV operation in 2025, amounting to EUR 500 million, with disbursements planned over 2025–2027. The MFA IV will be disbursed upon fulfilment of agreed policy conditions in the Memorandum of Understanding (MoU), covering measures in public finance management and tax administration, governance and anti-corruption, social and labour market policies, energy and business environment.

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 V operation of EUR 500 million. The request highlighted the deteriorating economic and political environment, noting that regional turmoil intensified throughout 2024, compounding an already uncertain and unstable global context. Further, these developments have weighed on foreign direct investment, exports, and domestic consumption, further weakening Jordan's economic and fiscal outlook and increasing the risk of larger external financing needs. Escalating tensions between Israel and Iran

in mid-June triggered renewed regional violence, prompting flight suspensions in Jordan. This latest shock risks undermining Jordan's fragile economic recovery, undermine investor and tourist confidence, and add to an already uncertain outlook.

The present note provides the context and rationale for a forthcoming Commission proposal on a follow-up MFA operation. Following an in-depth assessment of the political and economic situation in Jordan, the Commission is preparing to submit to the European Parliament and the Council a proposal to provide MFA of up to EUR 500 million to Jordan. The proposed legal basis will be Article 212 of the Treaty on the Functioning of the EU.

1.2 Jordan's macroeconomic situation

The Middle East faces growing instability from the war in Gaza, a fragile Lebanon ceasefire, the fall of Syria's regime, and the recent Israel-Iran conflict. These tensions heighten pressure on Jordan's security and economy, with rising volatility and increasing downside risks, **Economic growth decreased to 2.5% y-o-y (year on year) in 2024 (from 2.9% in 2023), due to the increased uncertainty resulting from the instability in the region, including the war in Israel-Gaza, and the moderation of global growth.** Key sectors such as tourism and trade continued to perform relatively well, despite disruptions linked to the war, and exceeding initial expectations, supported by an increase in regional tourist arrivals that partially offset the decline in visitors from the West. Despite this, tourism revenues fell by 2.3% in 2024, and the number of visitors declined by 3.9%. The sectors that contributed most to economic growth were manufacturing, agriculture, transport and communications, as well as financial services. Jordan started 2025 with sustained economic growth, broadly in line with the 2.5% recorded in 2024, driven by continued recovery in tourism, manufacturing and agriculture. However, the second quarter is expected to have been affected by the escalation of tensions between Israel and Iran, which prompted the temporary closure of Jordanian airspace. These disruption, led to suspension of flights and disrupted cargo traffic, and caused broader uncertainty, thus likely weighting on investor and consumer confidence.

The unemployment rate remains high, despite a small decrease to 21.4% in 2024 (from 22.0% in 2023). The unemployment rate among men stood at 18.3% and at 33.3% among women. Youth unemployment remains an important challenge and continues into young adulthood, as the unemployment rate for the age brackets of 15-19 years and 20-24 years was 54.7% and 46.4%, respectively. At only 34.3%, labour force participation remains an important challenge, where men's and women's labour force participation are both low or very low at 53.6% and 14.8%, respectively, which compares to 72% and 18% in the MENA region, respectively.

Inflation pressures are contained, in line with recent monetary policy decisions. Inflation fell to 1.6% in 2024 on average y-o-y (from 2.1% in 2023) though it picked up at the beginning of 2025 (2.2% in Jan-Feb 2025, y-o-y) in line with the central bank's monetary easing. Most recently, main drivers of inflation were prices for rents, meat and poultry, and tobacco and cigarettes. Price decreases were recorded in particular for clothing, dairy products and oils, the latter two had

contributed to driving inflation in previous years. Since September 2024, the Central Bank of Jordan (CBJ) cut its interest rate in 3 steps by 100 basis points to 6.5%, marking the end of the monetary tightening phase that began 2.5 years earlier. Between March 2022 and July 2023, the main rate was raised in 10 steps from 2.5% to 7.5%. The CBJ decisions were necessary given the JOD's peg to the USD, to be in line with the US Federal Reserve's monetary tightening/easing and avoid pressures on capital flows, and indeed contributed to the moderation of inflationary pressures.

The banking system remains liquid and well capitalised. The capital adequacy ratio stood at 18% in 2024 (from 17.9% in 2023), well above the required 12%. The non-performing loans (NPL) ratio slightly increased to 5.6% in 2024 (from 5.1% in 2023), while the coverage ratio for NPL stood at 74.8% in 2024. Banks' profitability remained stable with an estimated return on assets of 1.2%.

Public finances show vulnerabilities, though the IMF's overall public debt sustainability assessment is supportive. The general government deficit reached 5.6% of GDP in 2024, which is higher than in the previous year (from 5.1% of GDP in 2023). The primary deficit (excluding interest payments on public debt) stood at 0.1% of GDP (0.4% of GDP in 2023). Current expenditures accounted for 89.9 % of public expenditures. Besides interest payments (20% of current expenditure) main components of expenditure were military expenditure (29.6%), compensation of civil sector employees (19.3%) and pensions (16.3%). Public debt amounted to 90.2% of GDP (excluding the debt held by the Social Security Investment Fund, SSIF) in 2024, slightly higher than the 89.2% of GDP in 2023. Including the SSIF debt, public debt stood at 116.8% of GDP in 2024, which compares to 113.8% in 2023. Jordan's public debt is assessed as sustainable with a high probability by the IMF (Article IV, June 2025). Indeed, while the high level of public debt renders Jordan vulnerable to a tightening in financial conditions, the large share of concessional debt provides an important cushion. Moreover, Jordan has significant buffers: foreign exchange reserves correspond to 7.7 months of imports; and assets of the Social Security Investment Fund reached 40 percent of GDP. The risk of sovereign stress is assessed as moderate by the IMF.

Jordan's external situation remains fragile, but foreign exchange reserves are adequate. The current account deficit (including grants) widened to 5.9% of GDP in 2024 (from 3.6% in 2023), as the services surplus decreased, while the goods deficit and the primary income deficit widened. Main domestic goods export items were chemicals and minerals (30% of goods exports) mainly destined for India and Arab countries, as well as clothes (20%) largely destined for the US. The largest goods import groups were transport equipment & spare parts (10% of goods imports) mainly from China, the US and South Korea; petroleum products (6%) mainly from Saudi Arabia and India; and textiles (5%) from Asia. The current account deficit continued to be mitigated by strong secondary income flows: remittances reached 6.8% of GDP in 2024, while programme financing (World Bank, IMF and other bilateral/multilateral support) reached 4.2% of GDP.

Foreign direct investment decreased to 3.3% of GDP in 2024. The CBJ's gross foreign reserves remained strong and above 100% of the IMF's reserve adequacy metric.

The outlook over the next few years is uncertain. Looking ahead, a modest uptick in growth for 2025 and in the following years was expected by the IMF in June 2025, but this forecast predates the Israel-Iran conflict. The regional wars pose an important downside risk to the outlook, in particular due to the increased level of uncertainty in the region and the possible future impact on the important tourism sector, further fuelled by the recent missile strikes between Israel and Iran. External and fiscal deficits are expected to remain high, reflecting the underlying structural challenges to sustainably improve fiscal revenue and the trade deficit. Given the large public debt burden, the fiscal consolidation course needs to continue, in addition to ongoing economic modernisation efforts to improve the business environment, to foster private sector growth, including by attracting foreign direct investment.

Table 1: Jordan – Selected macroeconomic indicators, 2020-2024

	2020	2021	2022	2023	2024	2025	latest dates
Nominal GDP, USD billion	43.8	46.4	48.7	50.9	53.4		
Nominal GDP per capita, USD	4 004.3	4 158.6	4 317.0	4 498.0	4 670.2		
Real GDP, % change	-1.1	3.7	2.6	2.7	2.5		
Consumer price inflation, %, end of period	-0.2	2.4	4.4	1.6	1.8	2.2	Jan-Feb
Consumer price inflation, %, average	0.3	1.3	4.2	2.1	1.6		
Key monetary policy rate, %, end of period	2.5	2.5	6.5	7.5	6.5	6.5	June
Unemployment rate, LFS, %	22.7	24.1	22.9	22.0	21.4		
General government balance, % of GDP	-7.0	-5.3	-5.8	-5.1	5.6		
Public expenditure, % of GDP	29.7	30.0	31.6	30.4	30.5		
Gross public debt (excl. debt held by SSC*), % of GDP	87.5	90.8	88.8	89.2	90.4		
Gross public debt (incl. debt held by SSC*), % of GDP	106.5	108.8	111.4	113.8	116.8		
Current account balance, % of GDP	-5.7	-8.0	-8.1	-4.9	-5.9		
International reserves, USD billion	15.6	18.0	17.5	18.4	20.1		
International reserves, months of imports	10.1	9.2	7.0	8.2	8.0		
Gross external debt, % of GDP	82.1	84.6	83.3	84.2	85.8		est.
Net foreign direct investment, % of GDP	1.7	1.4	3.6	3.0	3.3		est.

*SSC: Social Security Corporation, LFS: Labour Force Survey

Sources: Central Bank of Jordan, Jordan Department of Statistics, Ministry of Finance

1.3. IMF and other donor support

Jordan is implementing the EFF arrangement with the IMF, that was approved in January 2024 and amounts to USD 1.2 billion for the period 2024–2027. This programme replaced the previous four-year EFF, which had been set to expire in March 2024, but was ended early as most funds had already been disbursed. A new arrangement was deemed necessary to sustain reform momentum and address heightened regional and economic uncertainties. As of July 2025, Jordan's performance under the current EFF has been strong, with all quantitative performance criteria and structural benchmarks met across the first three programme reviews (July and December 2024,

and April 2025), triggering disbursements totalling USD 391 million out of the approved USD 1.2 billion.

The ongoing EFF supports continued fiscal consolidation to place public debt on a downward trajectory, while safeguarding monetary and financial stability and accelerating structural reforms to foster growth and job creation. The main elements of the new EFF build on the previous arrangement and include:

- Placing public debt on a downward trajectory, with a target of reducing debt to below 80% of GDP by 2028. This will be achieved through continued fiscal consolidation by broadening the tax base, improving spending efficiency, and strengthening social protection.
- Advancing structural reforms to improve the business climate, boost private sector growth and competition, and foster job creation, particularly for youth and women.
- Reforming the utilities sector, including actions to ensure the financial viability of the electricity sector and enhance service delivery.

As part of its successive reviews, the IMF concluded that Jordan's public debt was assessed as sustainable with high probability. Public debt peaked at 90.4% of GDP in 2024, and is expected to start declining in 2025 and to fall just below 80 percent by 2028. Jordan's high public debt renders it vulnerable to a tightening in financial conditions, but the large share of concessional debt provides an important cushion. Moreover, Jordan has significant buffers: foreign exchange reserves at 7.7 months of imports; and assets of the Social Security Investment Fund reached 40 percent of GDP. The risk of sovereign stress is assessed as moderate by the IMF.

In addition to the EFF programme, on 25 June 2025, the IMF also made available around USD 700 million in loans to Jordan under the RSF to support policy reforms that reduce macro-critical balance of payments risks associated with climate change and pandemic preparedness.

The World Bank has also a large active portfolio in Jordan. In April 2024, it launched a new Country Partnership Framework (CPF) for 2024–2029, focused on three key pillars: i) creating more and better private sector jobs, especially for youth and women; 2) strengthening human capital outcomes; and 3) building resilience and sustainability. In alignment with the CPF, the World Bank approved in April this year, a USD 1.1 billion in new financing for Jordan, encompassing four projects aimed at promoting inclusive growth, supporting startups and small and medium-sized enterprises, expanding social assistance, and advancing sustainable energy initiatives. Additionally, in July 2024, the World Bank approved USD 700 million for two programs designed to enhance Jordan's education, health, and social assistance sectors. The World Bank also administers the Jordan Inclusive Growth and Economic Opportunities Multi-donor Trust Fund (USD 72.8 million) which includes contributions from the UK's Foreign, the Commonwealth and Development Office, Canada, Germany, Norway, and the Netherlands.

The EU remains a vital development partner for Jordan. Through the Neighbourhood, Development and International Cooperation Instrument Global Europe (NDICI) 2021-2024, Jordan received over EUR 360 million in bilateral EU funding, supporting democratic reform, the green transition, private sector development, education, and social protection. In 2021, under the Economic and Investment Plan (EIP), the EU launched 23 flagship projects in Jordan, committing approximately EUR 439 million (via grants, blending and guarantees) and leveraging around EUR 4.8 billion in total investment. High-impact projects include the Aqaba Amman desalination and conveyance plant (EU grant EUR 97 million, EIB loan EUR 300 million), the Al Ghabawi wastewater treatment plant (EU grant EUR 30.7 million, EBRD loan EUR 41.3 million), and a EUR 68 million programme for green economy initiatives (solar irrigation, EV chargers, marine conservation). These efforts are now framed under the EU–Jordan Strategic and Comprehensive Partnership (SCP), which underpins a partnership worth EUR 3 billion (2025-2027), including macro-financial assistance, and provides a more structured and long-term framework for political, economic, and financial cooperation.

1.4. External financing needs

According to the IMF's latest estimates (third EFF Review, June 2025), the external financing needs will remain considerable at USD 3.1 billion in the period 2025-2027, partly reflecting the structural challenges to sustainably improve the fiscal performance and current account deficit, as well as the aim to further strengthen reserve buffers amid significant downside risks. The remaining EFF funds (USD 783 million of USD 1.2 billion) would cover 25% of these external financing needs over 2025-2027. Factoring in the IMF programme and other official budget support, the remaining external financing gap stands at USD 1.4 billion for the years 2025-2027 according to the IMF's methodology. In net terms, IMF disbursements and the World Bank arrangements together represent USD 2 794 million of external financing for the years 2024-2027.

A considerable share of the country's external financing needs relates to the accumulation of international reserves (USD 5 billion over the years 2024-2027) programmed to reach just above 100% of the reserve adequacy metric of the IMF. While good progress has been obtained in this area with international reserves increasing from USD 18 billion in 2021 to USD 20.1 billion in 2024, in terms of months of imports, reserves declined from 9.2 months of imports (2021) to 8 months of imports (2024). Given the increased uncertainty and challenging external environment, further strengthening reserves is important to rebuild buffers for possible external shocks and maintaining external stability.

According to the methodology agreed in the Economic and Financial Committee, and taking into account the IMF and World Bank net disbursements, **Jordan's residual external financing gap amounts to USD 3.9 billion in 2025-2027**. This gap is larger than the one estimated by the IMF, as bilateral and multilateral support loans are subtracted in the calculation and are added to the financing side below the line (lower part of Table 2). The proposed MFA operation of a further

EUR 500 million (USD 5753) would cover 14.6% of the estimated residual external financing gap.

⁴ Such an engagement would be in line with the principles of fair burden-sharing among donors and value added of the EU's MFA enshrined in the Joint Declaration of 2013 of the Parliament and the Council on Macro-Financial Assistance⁵ also when adding it to the currently ongoing MFA operation. The proposed amount appears adequate in the light of available information about Jordan's macro-fiscal outlook and the resulting external financing needs.⁶

Table 2: Jordan's external financing gap and potential financing sources

(USD million)	2025	2026	2027	Total 2025-2027
1. Current account balance	-3,092	-3,477	-3,392	-9,961
2. Capital and financial account balance	1,473	1,908	2,767	6,148
3. Overall balance (1+2)	-1,619	-1,569	-625	-3,813
4. Reserves ("-" indicates increase)	-730	-1,285	-1,740	-3,755
5. Overall External Financing Gap (3+4)	-2,349	-2,854	-2,365	-7,568
6. Exceptional Financing by IMF and WB	1,240	1,306	1,085	3,631
Net IMF Disbursements	159	292	381	832
Disbursements of World Bank budget support	1,081	1,014	704	2,799
7. Residual Financing Gap (5+6)	-1,109	-1,549	-1,281	-3,938
Financing of the gap				
EU MFA-V (EUR 500 million, converted to USD*)	0	230	345	575
Bilateral and multilateral loans (incl. MFA IV)	1,108	992	479	2,579
Total identified sources	1,108	1,222	824	3,154
<i>Other unidentified financing sources</i>	<i>-1</i>	<i>-327</i>	<i>-457</i>	<i>-784</i>

* All amounts were converted on the basis of the exchange rate of 1 EUR = 1.15 USD, 18.06.2025.

Sources: Latest IMF staff estimates and projections (June 2025) and commission staff calculations.

³ Converted to USD using the exchange rate of 1 EUR = 1.15 USD, 18.06.2025.

⁴ When expressed in terms of the IMF remaining external financing gap of USD 1.9 billion, the MFA proposal of EUR 350 million (USD 385 million) would cover 20.1%. This strongly contrasts with the 5% calculated according to the other external financing gap methodology, as in the case of Jordan, the traditionally and structurally large engagement from key partners in the form of grants (e.g. US) implies a particularly large correction of the residual financing gap relative to the residual financing gap under the IMF methodology.

⁵ Joint Declaration by the European Parliament and the Council adopted together with the Decision providing further macro-financial assistance to Georgia (Decision No 778/2013/EU of 12 August 2013). Available at: <https://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013D0778&from=EN>.

⁶ A large part of the outstanding amount is expected to be covered by donors (including EU Member States) in line with their long-standing engagement, although the IMF cautiously indicated the contribution of several important donors as "zero" for the years 2025-2027 in the absence of detailed information at this stage.

1.5. Structural reform challenges

Reform achievements in 2019-2024

Jordan's reform agenda in recent years has been guided by three main strategic documents: the Government's Economic Priorities Program (GEPP) 2021–2023, the Five-Year Reform Matrix 2018–2022 (extended to 2024), and the Government's Indicative Executive Program (GIEP) (2021-2024). These earlier strategies served as transitional frameworks, with many of their priorities feeding or complementing the Economic Modernisation Vision (EMV) pillars. The GEPP aimed to address key bottlenecks in the labour market and private sector through 53 measurable targets, many of which were drawn from the Matrix and the GIEP. The Reform Matrix focused on deep structural reforms to promote inclusive and sustainable growth, create jobs, and ensure fiscal stability. Its reform pillars covered areas such as revenue mobilization and debt management, public sector efficiency, private sector development, labour markets, social protection, infrastructure, utilities, and tourism. The GIEP complemented this framework by expanding the government's vision to include political reforms, anti-corruption measures, and priorities related to the green and digital transitions. A mid-term review of the Reform Matrix in 2020 showed that 46% of the reforms had been implemented. Notable delays were observed in the transport and utilities sectors, while it was considered that more substantial progress was achieved in areas such as macroeconomic stability, business environment reforms, and public financial management.

Jordan further advanced key reforms in 2024 and early 2025. Key achievements included the continued rollout of electricity tariff adjustments for businesses and households and the adoption of a roadmap for improving cost-efficiency and reducing National Electric Power Company (NEPCO)'s financial losses. The government also made substantial progress in public sector modernisation, particularly in civil service recruitment and promotion, and advanced digitalisation efforts, notably the full rollout of e-invoicing for sales transactions. In the area of business environment reforms, Jordan streamlined procedures for business licensing and customs clearance, including mandatory use of the digital licensing hub platform to facilitate predictable import and export processing.

Main government reform priorities ahead

Jordan's EMV (Economic Modernisation Vision), launched in mid-2022, outlines an ambitious ten-year plan to generate one million jobs, improve living standards, and foster stronger, more inclusive growth. The EMV was developed through a broad consultative process involving public institutions, the private sector, civil society, and international partners. It represents a shift toward a longer-term, strategic approach to economic development, contrasting with the previous short- and medium-term plans, aiming to address persistent structural challenges and tap into Jordan's competitive potential. The strategy is centred on eight main drivers, spanning both productive sectors such as manufacturing, ICT, healthcare, agriculture, and tourism, and cross-cutting

priorities including human capital, business environment reform, sustainable resources, green and digital transitions, and urban development.

For 2025, Jordan's reform agenda, includes enhancing private sector competitiveness, improving governance, and bolstering social resilience. Key initiatives include streamlining business regulations and enforcing the competition legislation. Labor market reforms are also prioritized to increase flexibility and promote higher participation rates among youth and women. In the energy sector, efforts are directed towards increasing the share of renewables and enhancing grid stability to ensure sustainable energy provision.

In the context of the EMV, the government also envisages to modernise the public administration. The authorities have started implementing their Public Sector Modernisation Roadmap to enhancing public sector services, where proposals have included the merge of a number of ministries and public institutions and the reallocation of competences. Both the EMV and Public Sector Modernisation are widely supported by the different ministries as an important push to advance the economic development of the country.

2. OBJECTIVES AND RELATED INDICATORS OF THE MACRO-FINANCIAL ASSISTANCE

2.1. Objectives

The objectives of the proposed MFA operation are to:

- i) contribute to covering the external financing needs of Jordan in the context of a sizeable external financing gap;
- ii) support the fiscal consolidation effort and external stabilisation expected under the IMF programme; and
- iii) support and shield structural reform efforts that aim to improve overall macroeconomic management, strengthen economic governance and transparency, and improve the conditions for sustainable growth.

2.2 Monitoring indicators

The Commission will assess whether the objectives of the assistance have been achieved, including as part of the *ex post* evaluation (see below), on the basis of the following indicators:

- i) progress with macroeconomic and financial stabilisation, notably by assessing the degree of adherence to the IMF-supported programme; and
- ii) progress with the implementation of structural reforms, notably the specific policy measures to be identified as conditions for disbursement of the assistance, which will be included in a Memorandum of Understanding to be negotiated between the Commission and the Jordanian authorities.

3. DELIVERY MECHANISMS AND RISK ASSESSMENT

3.1 Delivery mechanisms

The MFA operation under consideration is expected to cover part of the residual external financing gap and would amount to a maximum of EUR 500 million in loans, available for a period of up to 2.5 years. Given the proposed size of the operation, the Commission is considering releasing the assistance in three instalments.

As the proposed amount represents a significant share of the residual financing, it is important to ensure the MFA's value added, notably by providing the EU with sufficient leverage to promote reforms. To this end, policy conditions will be attached to the MFA's disbursements, with each instalment being subject to good progress with the IMF programme and the specific measures agreed with the EU in the Memorandum of Understanding as well as the fulfilment of the political precondition (see below).

The Commission proposes to provide the proposed MFA in the form of loans. As usual, these loans will carry very favourable conditions in terms of maturity (up to 35 years) and grace period (10 years) and an interest rate corresponding to the EU's triple A rating (the rate at which the EU borrows the funds in the international capital markets, in line with the EU unified funding approach).

3.2 Risk assessment

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

There is a risk that the MFA, which is not dedicated to specific expenses (contrary to project financing, for example), could be used in a fraudulent way. In general terms, this risk is related to factors such as the quality of management systems in the 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.

To mitigate the risks of fraudulent use, several measures 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. Also, the assistance will be paid to a dedicated account of the CBJ.

Moreover, in line with the requirements of the Financial Regulation, the Commission has carried out an Operational Assessment of the financial and administrative circuits of Jordan in 2024 (ahead of the MFA IV) to confirm that the procedures in place for managing programme assistance, including MFA, provide adequate guarantees. The operational assessment notes clear progress in public finance management systems and other financial circuits since 2020, when the last exercise was undertaken. The report concludes that the status of Jordan's financial circuits and procedures is deemed favourable for an MFA operation. As the operational assessment was conducted less than a year ago and its findings remain valid, the Commission considers that a new assessment is not required for the proposed MFA V operation.

The Commission is also using budget support assistance to help the Jordanian authorities improve their governance, rule of law, accountability and effective administration. These efforts are strongly supported by other donors.

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.

A second risk stems from the possibility that Jordan might fail to service the financial liabilities towards the EU stemming from the proposed MFA loans (default or credit risk). This could be caused by a significant additional deterioration of the balance of payments and the fiscal position of the country or/and by unforeseen events. This risk is mitigated, however, by the fact that the EU's MFA would be part of an international package of official assistance led by the IMF that is supporting an adjustment and reform programme to restore fiscal and balance-of-payments sustainability by implementing a series of policy measures, included those to be agreed in the MoU between the EU and the Jordanian authorities. In particular, the IMF programme provides reassurance in terms of public debt sustainability of the country. Moreover, the risks for the EU budget are, in the first instance, covered by the EU's External Action Guarantee.

Furthermore, there are risks stemming from a possible weakening of the European and global economic environment and longlasting regional instability, which would have a significant effect on Jordan's fiscal and balance of payments situation.

Having made a thorough assessment of the risks, the Commission considers that there are sufficient grounds and guarantees to proceed with the proposed MFA to Jordan.

The Commission will maintain close contacts with the Jordanian authorities during the implementation of the MFA in order to quickly address any concerns that may arise.

4. ADDED VALUE OF EU INVOLVEMENT

The EU's financial support to Jordan reflects the country's strategic importance to the EU in the context of the European Neighbourhood Policy. The MFA instrument is a policy-based crisis instrument to alleviate short- and medium-term external financial needs. As part of the overall EU package of assistance, it would help support the EU's objectives of economic stability and economic development in Jordan. By supporting the authorities' efforts to set a more stable macroeconomic framework and improve economic governance, the proposed assistance would help improve the effectiveness of other EU financial assistance to the country, including budget support operations.

The EU's MFA would also complement the standard EU aid packages provided under the Neighbourhood, Development and International Cooperation Instrument (NDICI). 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 involvement through other financial instruments. The proposed MFA would substantially increase the EU's leverage on policymaking in Jordan, helping to steer the country towards a reform trajectory that should restore macroeconomic stability, address governance problems and boost potential growth in the longer run.

5. CHARACTERISTICS OF MACRO-FINANCIAL ASSISTANCE

5.1 Exceptional character and limited time frame

The MFA operation would aim to support the restoration of a sustainable external finance situation for Jordan. It would run in parallel to the IMF's EFF arrangement (2024-2027), which has

completed three positive reviews to date. The proposed MFA would only be implemented if the IMF programme remains on track. Against this background and given the expected time of approval of the MFA, the assistance is expected to be implemented in 2026-2028. The disbursements are expected to take place in three installments, with an availability period of 2.5 years. All disbursements are conditional on the IMF programme remaining on track and on a number of policy measures agreed with the EU and listed in the Memorandum of Understanding underpinning the proposed MFA operation. While in the short term, the country faces substantial balance-of-payments financing needs, the macroeconomic and structural adjustment programme agreed with the IMF and supported by the proposed MFA (and MFA IV, 2025-2027) is expected to gradually strengthen the country's balance of payments and fiscal positions.

5.2 Political preconditions and EU-Jordan relations

Countries that are covered by the European Neighbourhood Policy are eligible for MFA. A precondition 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.

Political pre-condition: Jordan fulfils the political preconditions for receiving MFA. It 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 young people, 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 major political, security, economic and social challenges remain, despite a very 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 preconditions for Macro-financial assistance are considered to be satisfied.⁷

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

5.3 Complementarity

The proposed MFA would complement the assistance provided by other multilateral and bilateral donors in the context of the ongoing IMF programme, ensuring reasonable burden-sharing. The EU's MFA would also complement EU support provided under the NDICI. By supporting the

⁷ A more detailed assessment of Jordan's compliance with the political precondition, provided by the European External Action Service (EEAS), is reproduced in the Annex to this staff working document.

adoption by the Jordanian authorities of an appropriate framework for fiscal and macroeconomic policy and structural reforms, the EU's MFA would increase the added value and effectiveness of the EU's involvement through other financial instruments. The proposed MFA would increase substantially the EU's leverage on policymaking in Jordan, helping steer the country towards a sustained reform trajectory to restore macroeconomic stability, address governance problems and boost potential growth in the longer run and in a sustainable manner.

5.4 Conditionality

Disbursements under the proposed MFA operation will be conditional on continued successful programme reviews under the IMF programme. In addition, the Commission and the Jordanian authorities should 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 reform programmes financed by the EU's under NDICI. They should be consistent with the main economic reform priorities agreed between the EU and Jordan in the Association Agreement, the PPs, Jordan's Economic Modernisation Vision and other strategic documents.

The Commission will seek a broad consensus with the Jordanian authorities, to ensure their ownership and foster smooth implementation of the agreed conditionality. 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 management and measures to strengthen domestic revenue mobilization, social and labour market policies, and governance and fight against corruption, business environment and utilities.

5.5 Financial discipline

The proposed MFA operation for Jordan of up to EUR 500 million in loans is planned to be disbursed in three instalments to be released from 2026, until the programme expires in 2028. The required provisioning at a rate of 9% of the External Action Guarantee will be programmed under the NDICI, for a total amount of EUR 45 million (budget line 14 02 01 70 'NDICI – Provisioning of the Common Provisioning Fund').

6. EVALUATION AND COST-EFFECTIVENESS

This assistance is of exceptional and macroeconomic nature and will be evaluated in line with the standard Commission procedures.

6.1 Evaluation

Ex post evaluations of MFA operations are envisaged in the multi-annual evaluation programme of the Commission's Directorate-General for Economic and Financial Affairs. An *ex post* evaluation of the proposed MFA to Jordan will be launched within a period of 2 years after the availability period has expired. A provision for the *ex post* evaluation is included in the proposed

Decision for the assistance, and will also be included in the Memorandum of Understanding. Budget appropriations from the MFA grant budget line will be used for this evaluation.

6.2 Achieving cost-effectiveness

The proposed assistance would entail a high degree of cost-effectiveness for several reasons.

- i) Since the assistance would be leveraged by the assistance provided by the international financial institutions, with which, as noted, it would be closely coordinated, its ultimate impact could be very significant compared to its cost. Moreover, in negotiating specific policy conditions, the Commission will be able to draw on the expertise of these institutions, including the IMF and the World Bank, and to influence their conditionality as well in ways that will take into account the EU's views.
- ii) Providing coordinated macroeconomic support to Jordan on behalf of the EU countries, the MFA would be more cost-efficient than the provision of a similar total amount of financial support by EU Member States individually.
- iii) A substantial part of the proposed assistance would be provided in the form of loans, the budgetary impact of which is more limited.
- iv) Finally, the Commission will aim to achieve synergies with other EU policies and instruments used to support the implementation by the beneficiary of the relevant measures.

EUROPEAN EXTERNAL ACTION SERVICE



Assessment of democracy, Human rights, the rule of law and political reforms in Jordan

Jordan is a strategically important partner of the EU in the Middle East, a voice of moderation and peace in a very challenging regional context. Jordan also plays a very positive role in ensuring the Southern co-ownership of the Union for the Mediterranean (UfM), which it co-chairs with the EU since 2012. In the context of the 2002 Association Agreement and the revised Partnership Priorities for 2021-2027, the EU and Jordan have committed to deepen their dialogue and collaboration through a new Strategic and Comprehensive Partnership (SCP). The joint declaration signed in January 2025 aims to reinforce cooperation across policy areas, and to “better tackle common challenges and advance shared values of peace, democracy and human rights” .

Amid regional tensions, through intense political and diplomatic action, Jordan has been advocating peace and the respect for international law in the region. In parallel, despite many political, security, economic and social challenges, Jordan is keen to project stability by continuing its own modernisation agenda.

Under the leadership of King Abdullah II, Jordan is making steps towards a more inclusive democratic political system with enhanced participation particularly of women and youth.

Jordan’s engagement on democracy and human rights is regular and profound both with the EU and in multilateral fora. The Association Council on 15 July 2024 in Brussels discussed openly relevant issues, and regular meetings of thematic joint subcommittees take place alternatively in Brussels and Amman. .

During its fourth Universal Periodic Review in January 2024, Jordan supported 204 recommendations out of 279, an acceptance rate of 73%. The peer review highlighted many achievements and commended Jordan for being a global leader in refugee support, hosting millions of refugees from the region.

Jordan is implementing its political modernisation agenda, aimed at establishing a party-based political system and a more representative electoral process. Jordan’s commitment to democratic processes is evidenced by the holding of elections despite regional instability and security concerns. The parliamentary elections on 10 September 2024 concluded the first stage of this process that was launched in 2021 by King Abdullah II.

In support of these efforts, the EU deployed an Election Observation Mission that delivered an overall positive assessment , including a set of recommendations. The EU remains fully committed to supporting Jordan in this endeavour through both political dialogue and cooperation.

The Constitution of Jordan enshrines the respect of fundamental rights and freedoms, good governance and the rule of law. However, there is scope for improvement regarding their implementation.

The space for civil society in Jordan has faced several limitations in recent years, notably through legal and administrative restrictions, as well as enhanced monitoring of activities of civil society organisations. The EU in statement has expressed concern after the adoption of the amended Cybercrime law in August 2023 .

The new laws on Political Parties and on Elections to the House of Representatives promote women's participation in politics. The Labour Law was amended in 2023 to better protect women against sexual harassment and sexual assaults at the workplace and to provide childcare services at office premises. In practice, however, everyday life for women can be challenging in Jordan. Legal discrimination persists under the Personal Status Law, and women are unable to pass their citizenship to their children. Social and cultural norms hinder women's participation in the labour market, with female labour force participation at just 14%. Gender-based and domestic violence is experienced by 27% of Jordanian women according to the World Bank. Jordan's first ever Law on the Rights of the Child was adopted in 2022 covering a broad range of rights.

Jordan is a regional leader on the rights of persons with disabilities, illustrated by its co-hosting of the Global Disability Summit with Germany in 2025. Jordan has gained three places in the World Economic Forum Global Gender Gap Index 2024, ranking 123rd out of 146 countries, improving its overall score.

In sum, while major political, security, economic and social challenges remain, despite a very 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 preconditions for Macro-financial assistance are considered to be satisfied.