# Procedure file

## Basic information

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Further macro-financial assistance to Jordan

**Subject**

- 6.20.07 Macro-financial assistance to third countries
- 6.40.05.04 Relations with the countries of the Mashreq

**Geographical area**

- Jordan

## Key players

### European Parliament

- **Committee responsible**
  - INTA, International Trade

- **Rapporteur**
  - ID: REGIMENTI Luisa
  - Appointed: 23/09/2019

- **Committee for opinion**
  - AFET, Foreign Affairs
  - BUDD, Budgets

- **Rapporteur for opinion**
  - The committee decided not to give an opinion.

### Council of the European Union

- **Council configuration**
  - Environment

### European Commission

- **Commission DG**
  - Economic and Financial Affairs

- **Commissioner**
  - MOSCOVICI Pierre

## Key events

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**Final act**

[Decision 2020/33](OJ L 014 17.01.2020, p. 0001) - Summary

2019/0192(COD) - 06/09/2019 Legislative proposal
**PURPOSE:** to provide further macro-financial assistance (MFA) of EUR 500 million to Jordan.

**PROPOSED ACT:** Decision of the European Parliament and the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** EU-Jordan relations are part of the European Neighbourhood Policy (ENP). Jordan signed an Association Agreement with the Union on 24 November 1997, which entered into force on 1 May 2002. In 2010, an Advanced Status partnership was agreed between the EU and Jordan.

The Jordanian economy has been particularly affected by the conflict that has been raging in Syria since 2011. This regional unrest has caused a considerable deterioration in external revenues and strained public finances. They have affected tourism and foreign direct investment. Regardless of these conflicts, the supply of natural gas from Egypt has been disrupted for several years. In addition, the Jordanian economy has faced a massive influx of Syrian refugees, which has increased pressure on public finances, public services and infrastructure.

Since the beginning of the Syrian crisis in 2011, the Union has made available more than EUR 2.1 billion to Jordan under different instruments (including EUR 380 million under the two aforementioned MFA programmes) to help the country preserve macroeconomic 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 486 million in project loans to Jordan.

A recent evaluation of the implementation of MFA operations concluded that the first MFA programme was adapted to Jordan's economic challenges and in line with EU priorities. The evaluation also found that the programme had been implemented efficiently and in close coordination with the Jordanian authorities, had contributed to preserving macroeconomic stability and had had a positive social impact.

In July 2019, given its still difficult economic situation and prospects, Jordan requested further macro-financial assistance from the Union. In this context, the Commission considers that the continued support of the International Monetary Fund (IMF) and Jordan's international partners, of which the EU remains essential.

**CONTENT:** the European Commission proposes to provide Jordan with additional macro-financial assistance (MFA) of up to EUR 500 million in three instalments in the form of medium and long-term loans. The EU MFA is an exceptional emergency aid instrument designed to respond to serious balance of payments difficulties in third countries.

The objective of the proposed MFA is to help Jordan cover part of its additional external financing needs in 2020-2021, reducing the economy's short-term balance-of-payment and fiscal vulnerabilities as well as contributing to the debt sustainability.

In addition, EU assistance would encourage Jordan to step up its reform efforts through a Memorandum of Understanding, to be agreed with the Jordanian authorities and shall include a package of measures to promote economic adjustment and the implementation of structural reforms.

MFA funds shall be made available in the form of low-interest and long-term loans. Disbursements under the proposed programme shall be strictly conditional on the implementation of specific conditions, to be agreed between the EU and Jordan and set out in a Memorandum of Understanding.

These conditions should be in line not only with the priorities of the EU-Jordan Partnership, as confirmed at the Brussels III Conference on the Future of Syria and the Region, held from 12 to 14 March 2019, and at the EU-Jordan Association Council on 17 July 2019, but also with the adjustment programmes agreed with the IMF and the World Bank.

2019/0192(COD) - 06/09/2019 Document attached to the procedure

This Commission staff working document (ex-ante evaluation statement) accompanies the proposal for a Decision of the European Parliament and of the Council providing further Macro-Financial Assistance (MFA) to the Hashemite Kingdom of Jordan.

The EU and Jordan enjoy excellent relations and have been linked by an Association Agreement since 2002 (advanced status since 2010). The EU is Jordans first trading partner, accounting for 17.1% (in value terms) of Jordans total trade in 2018. Jordanian goods exports to the EU amounted to EUR 300 million in 2018 while goods imports from the EU amounted to EUR 3.6 billion (in value terms).

The EU is also an important source of assistance to the reform process in Jordan. The EU has already disbursed to Jordan EUR 380 million in the context of two MFA programmes implemented over the period 2015-2019.

The Commission assessed Jordans macro-economic and political situation with a view to submitting to the European Parliament and the Council a proposal to provide MFA of EUR 500 million to Jordan in the form of loans.

While major political, security, economic and social challenges remain, Jordan has made progress towards a more effective democratic political system based on the rule of law and respect for human rights. The EU is fully committed to supporting Jordan in this challenging transition process.

Overall, the Commission considers that the existence of an external financing gap in Jordan, combined with the countrys cooperation with the IMF under a disbursing programme, warrants an MFA operation from an economic point of view, and that the political pre-conditions for the proposed MFA operation are satisfied.

2019/0192(COD) - 06/12/2019 Committee report tabled for plenary, 1st reading/single reading

The Committee on International Trade adopted the report by Luisa REGIMENTI (ID, IT) on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to the Hashemite Kingdom of Jordan.

The committee recommended that the European Parliament adopt its position at first reading, taking over the Commission proposal.
As a reminder, on 11 July 2019, Jordan submitted a formal request for EUR 500 million of EU macro-financial assistance (MFA), as envisaged during the EU-Jordan Association Council held on 26 June 2019.

Following this request, the Commission presented to Parliament and the Council a proposal to grant the requested MFA in the form of loans in three instalments.

The proposed MFA would be the third MFA allocated to Jordan. It would follow the MFA - I for an amount of EUR 180 million in loans, adopted by Parliament and Council in December 2013 and completed in October 2015; and the MFA - II for an amount of EUR 200 million in loans, adopted in December 2016 and completed in July 2019.

The third MFA programme is part of a wider effort by the EU and other international donors, agreed at the London Initiative conference, which took place in February 2019, to reconfirm the intentions to support Jordans efforts to preserve internal stability and enhance growth prospects.

The Memorandum of Understanding stated that the aid granted, which is greater than the two previous aid programmes, must be effectively aimed at encouraging the development of entrepreneurship investments and projects in Jordan, and must be regularly monitored as to the effective use of the funds.

The explanatory memorandum accompanying the report recalled that the large influx of Syrian refugees into Jordan has increased pressure on the countrys budgetary situation, public services and infrastructure and that Jordan's stability is therefore essential to prevent the implosion of the Middle East situation linked to the dramatic refugee crisis. It also stressed Jordan's enduring commitment to the fight against Islamic terrorism and the fact that Jordan can now be considered one of the most democratic states in the Middle East.

Lastly, thanks to the progress in mutual market opening, the existence of a financially stable foreign partner is also a guarantee for EU companies for which, thanks to the agreements concluded in recent years, there might be better opportunities for trade, entrepreneurship and investment in Jordan.

2019/0192(COD) - 17/12/2019 Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 654 votes to 28, with 11 abstentions, a resolution on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to the Hashemite Kingdom of Jordan.

The European Parliament adopted its position at first reading in accordance with the ordinary legislative procedure, taking over the Commission proposal.

Under the proposed decision, the EU shall make available to Jordan macro-financial assistance (MFA) of up to EUR 500 million with a view to facilitating the stabilisation of its economy and the implementation of a major reform programme. This assistance shall contribute to covering Jordan's balance of payments needs identified in the International Monetary Fund programme. The assistance shall be disbursed to Jordan in the form of loans with an average maturity of up to 15 years.

The proposed assistance would be the third macro-financial assistance programme to Jordan. The first one (MFA-I) for an amount of EUR 180 million in loans was adopted by the co-legislators in December 2013 and was completed in October 2015; the second one (MFA-II) for an amount of EUR 200 million, also in loans, was adopted in December 2016 and was completed in July 2019.

A pre-condition for granting the Unions 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 Unions 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.

It will be subject to economic policy conditions to be laid down in a Memorandum of Understanding.

The Unions macro-financial assistance should support the Unions external policy towards Jordan. Commission services and the European External Action Service (EEAS) should work closely together throughout the macro-financial assistance operation in order to coordinate Union external policy and to ensure the consistency thereof.

2019/0192(COD) - 17/01/2020 Final act

PURPOSE: to provide further macro-financial assistance (MFA) of EUR 500 million to Jordan.


CONTENT: the Decision provides Jordan with macro-financial assistance of up to EUR 500 million in the form of loans with a view to facilitating the stabilisation of its economy and the implementation of a major reform programme. This assistance shall contribute to covering Jordan's balance of payments needs identified in the International Monetary Fund programme.

The Jordanian economy is largely affected by the ongoing conflicts in the region, particularly in neighbouring Iraq and Syria. These regional disturbances have led to a considerable deterioration in external revenues and have put public finances under strain. In addition, the Jordanian economy has been faced with a massive influx of Syrian refugees, which has increased pressure on public finances, public services and infrastructure.

Since the beginning of the Syrian crisis in 2011, the Union has made available more than EUR 2 100 million to Jordan under different instruments, including EUR 380 million under the two macro-financial assistance programmes, to help the country preserve economic stability, sustain political and economic reform and address Jordans humanitarian, development and security needs. In addition, the European Investment Bank has allocated approximately EUR 486 million in project loans to Jordan.

Conditions to benefit from assistance
A pre-condition for granting the Unions 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.

Commission services and the European External Action Service (EEAS) should work closely together throughout the macro-financial assistance operation in order to coordinate Union external policy and to ensure the consistency thereof.

Memorandum of Understanding

The specific objectives of the Unions 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. It shall be subject to economic policy conditions to be laid down in a Memorandum of Understanding which shall include a timeframe for the fulfilment of those conditions.

MFA shall be made available for a period of two and a half years, starting the day after the entry into force of the Memorandum of Understanding.

When developing policy measures, due account shall be taken of progress in the reciprocal opening of markets, the development of fair and rules-based trade, as well as other priorities in the framework of the Union’s external policy.

Control and monitoring

The MFA shall be managed by the Commission. In order for the European Parliament and the Council to be able to monitor the implementation of the Decision, the Commission shall inform them on a regular basis of developments concerning this assistance and provide them with the relevant documents.

By 30 June each year at the latest, the Commission shall report to the European Parliament and the Council on the implementation of the Decision during the previous year. It shall also submit an ex-post evaluation report assessing the results and efficiency of the EU MFA already granted.