European Commission - Press release

EU-Jordan: Commission proposes further EUR 200 million in Macro-Financial Assistance

Brussels, 29 June 2016

Today, the Commission has proposed additional Macro-Financial Assistance (MFA) to Jordan of up to EUR 200 million in medium-term loans at favourable financing conditions.

Pierre Moscovici, European Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"Today we are taking further action to help Jordan preserve macro-economic stability and to support the reforms needed for more sustainable and inclusive growth. Jordan has been strongly affected by events in Syria since the crisis there began in 2011. Last week's attack on the Syria-Jordan border is just the most recent example of this. The country has also suffered from severe energy shocks and the weak international environment. The protracted Syrian refugee crisis has created significant financing needs, while the balance of payments and fiscal position remain vulnerable. The EU remains committed to supporting Jordan in these difficult times."*

This assistance is part of a wider effort by the EU and other international donors, agreed at the London conference "Supporting Syria and the region" in February 2016, to help Jordan and other countries in the region mitigate the economic and social impact stemming from the regional conflicts and the presence of a large number of Syrian refugees in the country.

The intensification of the regional conflicts in 2015 further worsened the economic situation as it affected key sectors such as tourism and trade as well as investment inflows. The EU MFA will help Jordan cover its external financing needs in 2016 and 2017, while supporting reform measures aimed at strengthening the balance of payments and budgetary position, improving the investment climate and fostering economic integration and regulatory convergence with the EU. The ultimate aim is to help Jordan lay the conditions for sustainable, inclusive and job-creating economic growth for the benefit of the Jordanians as well as the Syrian and other refugees living in Jordan. The EU is committed to sustain the country's reform efforts and formalise this through an ambitious partnership programme for the coming years.

The European Parliament and the Council need to approve the new MFA programme before disbursements could start later this year.

MFA is just one way through which the EU is helping Jordan to overcome its economic difficulties. It complements the increased financial resources provided by the EU to Jordan under the European Neighbourhood Instrument, the EU Trust Fund in response to the Syrian Crisis (e.g. Madad Fund),the Instrument contributing to Peace and Stability, the EU SPRING programme to support partnership, reforms and inclusive growth in the EU's southern neighbourhood, as well as humanitarian and other forms of assistance. All in all, since the beginning of the Syrian crisis in 2011, the EU has made available about EUR 1.13 billion to Jordan to help the country to preserve economic stability and address its related humanitarian, development and security needs. In addition, the European Investment Bank has made available EUR 264 million in loans to Jordan.

The partnership with Jordan also takes other forms than financial assistance. In the short term, the EU will deliver a compact for Jordan which is considered a priority country in the recently-established Migration Partnership Framework, intended to mobilise and focus EU action and resources in its external work.Trade is also a crucial part of the partnership. As part of the follow-up to the London Conference on the Syrian crisis of February 2016, the EU and Jordan are working actively to finalise an initiative for a targeted and time-limited relaxation of the rules of origin applicable in their bilateral trade. This initiative will boost trade and investment and create jobs to the benefit of the Jordanian host communities, as well as Syrian refugees in the country.

Background

Macro-Financial Assistance

Macro-Financial Assistance is an exceptional EU crisis response instrument available to the EU's neighbouring partner countries. It is complementary to assistance provided by the IMF. MFA loans are financed through EU borrowing on capital markets. The funds are then on-lent with similar financial terms to the beneficiary countries.

The MFA assistance is meant to complement a new comprehensive economic adjustment and reform programme currently being discussed between Jordan and the International Monetary Fund (IMF), as a follow up to the Stand-by Arrangement approved by the IMF in August 2012. It follows a first MFA programme of EUR 180 million approved by the EU for Jordan in December 2013, which was fully disbursed in 2015.

This first MFA package for Jordan of EUR 180 million was adopted by the European Parliament and the Council on 11 December 2013 (Decision 1351/2013/EU). The package supported Jordanian reform efforts in the following areas: public finance management; fiscal reforms to increase tax collection and to promote a more progressive tax system; reforms to strengthen the social safety net; energy sector reforms; and measures to improve the regulatory framework for trade and investment. The programme was fully disbursed in 2015, with a first tranche paid in February, and a second tranche in October.

The new assistance is to be disbursed in two instalments in 2016 and 2017.

For further information on EU Macro-Financial Assistance to non-EU countries please see this video.

More information on past MFA operations

More information on MFA for Jordan

More information on EU assistance to Jordan in the context of the refugees crisis

IP/16/2330

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