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EXECUTIVE SUMMARY OF THE EVALUATION

of the

**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**

{SWD(2018) 388 final}

In December 2013 the European Parliament and the Council approved the First Macro-Financial Assistance (MFA-I) operation of EUR 180 million to Jordan. The operation concluded in October 2015 and aimed to support Jordan address its balance of payments problem as well as implement economic and structural reforms to stabilise its economy and enhance the sustainability of its external position.

The ex-post evaluation of MFA-I assessed relevance and efficiency (whether the MFA design corresponded to the pursued objectives), effectiveness (degree of objectives' completion), coherence (whether MFA measures were coherent with previous assessments made and in line with the relevant EU policies) and EU value added (rationale for an intervention at EU level) of the programme. In addition, the evaluation explored the social impact of the MFA operations and their effect on Jordan's public debt sustainability. A contractor was engaged to assist the conduct of the evaluation and prepare an evaluation report.

The evaluation finds the design of MFA-I was **relevant** to Jordan's economic challenges and in line with EU priorities. It helped Jordan address immediate external and fiscal financing needs and helped improve structural weaknesses in order to sustain economic stability. By implementing a series of reforms in the areas of public finance management, tax policy, investment climate, labour markets, social safety net and energy efficiency the programme supported the orderly reduction of external imbalances, strengthened debt sustainability and increased Jordan's growth potential while mitigating social impacts.

The evaluation finds that MFA-I was **effective** in achieving its objectives. The programme contributed to the stabilization of Jordan's external and fiscal financial position as well as to enhancing structural reforms to sustain economic stabilisation in the future. On completion of the programme, the current account and fiscal deficits were significantly narrowed while foreign reserves were replenished. However, the escalation of conflicts in 2016 in Syria and Iraq, the continuation of the refugee crisis and the declining external inflows continued to affect the Jordanian economy and constrained its growth potential. Thus, in 2016, the country sought new IMF and MFA programmes as well as to other creditors to cover its emerging external financing needs.

The MFA-I operation was implemented **efficiently** and in close coordination with the Jordanian authorities, the IMF and the World Bank (with which some conditions were mutually shared). This enabled the EU to draw on the expertise of partner institutions.

The MFA-I operation provided **added-value** for the EU by supporting macroeconomic stability and structural adjustments in a neighbouring country as well as by enhancing economic cooperation with the EU. MFA-I enabled Jordan to deal in an orderly way with pressing economic and social issues such as the refugee flows. In this way, the EU expressed solidarity with and confidence in Jordan. In addition, MFA-I enhanced the geo-political importance of Jordan to the EU.

The MFA-I operation was **coherent** with other EU policies or instruments. There was close coordination within the Commission and others services ensuring that MFA-I conditions were consistent or complementary with other EU policies, in particular with Budget Support operations.

Due to its longer maturity and lower interest rates, MFA-I contributed to **improving Jordan's public debt sustainability** and establishing confidence in the economy. MFA acted as catalyst for additional bilateral donors support, raised investor confidence and promoted economic reforms.

The MFA-I programme had a **positive social impact**. It helped to preserve macro-economic stability and support Jordan's currency and its peg with the US Dollar, thus protecting the standard of living of Jordanian citizens. Moreover, it strengthened the social safety net and protected the most vulnerable from the impact of the abolition of energy subsidies.

Overall, the MFA-I programme met its objectives. Its design was **relevant** with Jordan's economic challenges while it contributed substantially to the **effective** stabilization 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 **coherent** way to other EU policies or instruments. The programme also had a positive **social impact** while it made an impactful contribution with regard to **public debt sustainability** by offering extremely favourable financing conditions.