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COMMISSION IMPLEMENTING DECISION

of 2.8.2013

on the Annual Action Programme 2013 in favour of the Kingdom of Jordan to be financed from the general budget of the European Union

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Regulation (EC) n°1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI)[1], and in particular Article 12 thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002[2] (hereinafter referred to as 'the Financial Regulation'), and in particular Article 84(2) thereof,

Whereas:

(1) The Commission has adopted the Country Strategy Paper for Jordan[3] and the Multiannual National Indicative Programme (NIP) for the period 2011-2013[4], point 2.3.2 of which provides for the following priority: Sustainability of the growth process, Supporting Jordan's reform in the areas of democracy, human rights, media and justice.

(2) The objectives pursued by the Annual Action Programme are to support poverty reduction, a more inclusive and sustainable growth and the implementation of the Action Plan.

(3) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union[5] (hereinafter referred to as 'the Rules of Application').

(4) The Commission may entrust budget-implementation tasks under indirect centralised management (indirect management with a Member State agency) to the entities identified in this Decision, subject to the conclusion of a delegation agreement. The responsible authorising officer has accordingly ensured that these entities comply with the conditions of Article 56(1) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the

[1] OJ L 310, 9.11.2006, p. 1-14.
[2] OJ L 298, 26.10.2012, p. 1.
[3] C(2007)672 of 27.02.2007.
[4] C(2010)1144 of 02.03.2010.
[5] OJ L 362, 31.12.2012, p. 1.

European Communities[6] (hereinafter referred to as 'the Financial Regulation 1605/2002') and of Article 35 of its Implementing Rules[7].

(5) The Commission may entrust budget-implementation tasks under decentralised management (indirect management with the partner country) to the beneficiary third country identified in this Decision, subject to the conclusion of a financing agreement. The degree of decentralisation foreseen complies with the conditions of Article 53c and 56 of the Financial Regulation 1605/2002.

(6) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of the Financial Regulation and Article 111(4) of the Rules of Application.

(7) The Commission is required to define the term “non-substantial change” in the sense of Article 94 (4) of the Rules of Application to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').

(8) The measures provided for in this Decision are in accordance with the opinion of the ENPI Committee set up under Article 26 of Regulation (EC) No 1638/2006,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Annual Action Programme 2013 in favour of the Kingdom of Jordan, constituted by the actions identified in the second paragraph, is approved.

The actions, the description of which is set out in the attached Annexes 1 to 2, respectively, shall be:

– Promoting financial inclusion through improved governance and outreach of Microfinance in Jordan;

– Support to the implementation of the Action Plan programme IV (SAPP IV).

Article 2

Financial contribution

The maximum contribution of the European Union authorised by this Decision for the implementation of this programme is set at EUR 47 million to be financed from budget line 19 08 01 01 of the general budget of the European Union for 2013.

Article 3

Implementation modalities

[6] OJ L 248, 16.9.2002, p. 1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

[7] Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. OJ L 357, 31.12.2002, p.1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

Section 4 of the attached Annexes shall set out the elements required by Article 94(2) of the Rules of Application.

The budget-implementation tasks under indirect centralised and decentralised management shall be entrusted to the entities identified in the attached Annexes, subject to the conclusion of the relevant agreements.

This maximum contribution shall also cover any possible interests due for late payment.

Article 4

Non-substantial changes

Increases or cumulated changes to the allocations to the specific actions not exceeding 20% of the contribution referred to in the first paragraph of Article 2 shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions. The use of contingencies shall be taken into account in the ceiling referred to in this Article.

The relevant authorising officer may adopt these non–substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 2.8.2013

For the Commission
Cecilia MALMSTRÖM
Member of the Commission

ANNEXES

Annex 1: action fiche "Promoting financial inclusion through improved governance and outreach of Microfinance in Jordan"

Annex 2: action fiche "Support to the implementation of the Action Plan programme IV (SAPP IV)"

ANNEX 1

to the Commission implementing Decision on the Annual Action Programme for 2013 in favour of the Kingdom of Jordan to be financed from the general budget of the European Union

Action Fiche

Promoting financial inclusion through improved governance and outreach of Microfinance in Jordan

1. IDENTIFICATION

Title/Number	**Promoting financial inclusion through improved governance and outreach of Microfinance in Jordan** CRIS number: ENPI/2013/024-481		
Total cost	Total estimated cost: EUR 35,225,000 *Total amount of EU budget contribution EUR 35,000,000 of which:* EUR 29,000,000 for budget support EUR 6,000,000 for complementary support *Total amount of joint co-financing:* GiZ for an indicative amount of EUR 225,000		
Budget support			
Aid method / Method of implementation	Direct centralised management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	51010 – General Budget Support	Sector	43040 – Rural development
Complementary support			
Aid method / Method of implementation	Direct centralised management - procurement of services Indirect centralised management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH		
DAC-code	43040	Sector	Rural development

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The overall objective of this Sector Reform Contract (SRC) is to assist the Government of Jordan in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving economic governance. In line with the National Microfinance Policy Framework adopted in June 2012, its specific objectives are to contribute to strengthen the regulation of the microfinance sector in Jordan and consolidate its governance system; consolidate its financial infrastructure and improve outreach of microfinance institutions in underserved areas. The proposed contract is in line with a strategic decision to support Jordan through budget support (amounting to some 60% of the annual planned new commitments under the AAP 2013), of particular relevance in the context of strong added pressure over national resources due to the Syrian refugee crisis.

2.2. Country context

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

In the past decades, Jordan made substantial progress in terms of human development. This is based on consistent levels of spending on human development like education, health, pensions, social safety nets (more than 25% of the GDP). Its Human Development Index value for 2011 is 0.698 positioning the country at 95 out of 187 countries and territories and above the average of other countries in the lower middle-income group. Between 1980 and 2011, Jordan's HDI increased by 29 per cent.

In terms of poverty reduction, the related Millennium Development Goal is considered achieved, even exceeded. However, income inequality and the widening poverty gap remain a concern (GINI increased between 2008 and 2010). The absolute poverty rate in the Kingdom stood at 14.2% in 2002 dropped to 13% in 2006, and rose to 13.3% in 2008. In 2010, it was 14.4% but due to a change in the calculation methodology, it cannot be compared with previous years. With population growth, the total number of households falling under the absolute poverty line has actually increased. Moreover, while incidence of poverty is higher in rural areas (16.8%) compared to urban areas (13.9%), there are in fact vastly greater numbers of poor in urban areas (80%) compared to rural areas (20%).

Jordan is pressed with popular demands for social equity and increased standards of life. The combination of global economic slowdown and regional unrest led to diminished growth, to which the Government responded by expanded spending, raising public debt levels (77 % of GDP at the end of 2012). As a result, Jordan is faced with financial challenges that include a mounting debt, high fiscal and external deficits, strained public finances due to the increased import energy bill, declining external receipts and expected foreign aid, and a widening trade deficit. These domestic pressures are further exacerbated by the presence of increasing numbers of Syrian refugees in Jordan, prompting Government's calls for assistance from its international partners in meeting immediate needs as well as looking into the longer term impact of the crisis for the country.

Besides, significant regional disparities persist: the benefits of growth have been concentrated mainly in the capital and a few large cities. Jordan's economic participation rates among the lowest globally, with only 35-40 % of the population above the age of 15 economically active and one of the lowest employment-to-population ratios. Merely 14% of women participate in the labour force, in comparison to 65% of men.

Recent economic growth has failed to generate sufficient quality jobs for young Jordanians, which in turn has been the cause of further 'brain-drain'. Young people between 15-24 years of age constitute 22% of the total population and 50% of the unemployed, most of them high school and university students. Each year sees more than 60,000 new entrants to the labour market. Given the lack of potential for economic stimulation through public spending, Government is looking at the private sector to take the lead in stimulating growth and creating more jobs, particularly in regions outside the capital where unemployment is critical, fuelling social unrest.

The private sector is constituted mostly of micro, small and medium enterprises (MSMEs), with 99% of enterprises having less than 50 employees. They are concentrated in a few geographic centres (notably Amman) and on a limited number of economic activities. The sector struggles to unleash its potential due to lack of access to credit and to a business environment that is not conducive to start-ups and expansion. Key reforms in this sector should aim at fostering an enabling environment for business and investment, creating the conditions for growth. The Government is fully aware of these urgent challenges: the promotion of employment and entrepreneurship are at the core of recent strategic policies, as evidenced by the on-going development of a future National MSMEs strategy and most particularly by the National Microfinance Policy Framework 2012-2016[1] which the present sector reform contract proposes to support.

2.2.2. Fundamental values

As underlined in the ENP Progress report of March 2013, Jordan addressed in 2012 a number of the key recommendations contained in the last year's ENP progress report, notably the establishment of the electoral commission, the Constitutional Court, the adoption of a political parties' law and an electoral law. Most of the other key recommendations made previously remain valid. In line with the commitments agreed in the 2010 ENP Action Plan for an advanced status, Jordan should pursue the reform process, in particular to:

– build an inclusive, participatory, and open political system where all Jordanians feel represented. Review the electoral law framework ensuring the universality of voter participation and equality of votes;

– strengthen the independence and impartiality of the judiciary and its administrative capacity, including completely ceasing to use military courts to judge civilians;

– enhance the fight against corruption which undermines the country’s political, economic and social development, also through the adoption of the new draft National Anti-Corruption Strategy and related Action Plan;

1 In line with the broader National Employment Strategy 2011-2020 and the updated National Poverty Reduction Strategy 2013-2020.

- take concrete steps to eradicate violence against women and to promote women's integration in politics, economic life, education and employment;
- withdraw its reservations on Article 15(4) of the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), in line with the recommendation of the UN Committee on the Elimination of Discrimination against Women;
- proceed towards a de jure abolition of the death penalty;
- move forward with the ratification of the Optional Protocol to the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;
- ensure freedom of the press and prevent any kind of interference in mainstream or online news portals. Discontinue the practice of referring civilians to the State Security Court for free speech offences.

2.3. Eligibility for budget support

2.3.1. Public policy

On the basis of the following assessment, the Delegation concludes that the National Microfinance Policy Framework adopted by the Government in June 2012 is considered sufficiently relevant and credible for budget support programme objectives to be largely achieved. Therefore the policy can be supported by the EU with the proposed budget support programme.

a) Brief description of the sector

Microfinance refers to the provision of formal services to poor and low-income people, as well as others who are excluded from the financial system. Microfinance embraces not only a range of credit products (for business purposes, consumption smoothing, to fund social obligations, etc.) but also savings, money transfers and insurance. In Jordan, the majority of microfinance activity is microcredit. Credit products are provided both to individual and groups, targeting both men and women. They include group solidarity loans, individual and seasonal loans to the poor and unemployed for financing existing projects and education loans.

Jordan is today, in terms of outreach, the third largest microfinance market in the Arab region, following Egypt and Morocco who both have much larger populations. At year-end 2011, the Jordanian microfinance market consisted of 225,580 active borrowers and a gross loan portfolio of about USD 238.3 million; the sector has grown, at increasing pace, by an average of 30% per year since 2006. The largest MFIs are registered as non-profit companies; they represent 54% of the market in value and 69% in clients. MFIs include four registered non-profit companies; three registered for-profit companies, one commercial bank (less than 1% of the market share) and one UN agency. There is no legal requirement to obtain a governmental license or other permission to lend in Jordan.

Most of these MFIs show strong, sustainable, operational and financial performance; they follow best international practices and have developed long and healthy relationships with donor agencies. These positive results are mainly attributed to the fact that MFIs were encouraged to concentrate their activities in urban and peri-urban areas, with approximately 60% of all microfinance activity taking place in the Amman area. In such areas MFI portfolios are less exposed to non repayment risks (PAR) because clients have better opportunities to diversify their income. This is a first explanation of the absence of MFIs in other, more rural areas. Operations in rural areas would moreover be more costly, in the absence of a functioning banking system.

Against this background, in order to offer such services to populations not served by these MFIs (in particular poor, low-income and unemployed individuals living in rural areas), the Government mandated the Development and Employment Fund (DEF) to enter the microfinance market in 2003. DEF is a public non-bank financial institution established in 1992 to provide small loans (between JOD 15,000 and JOD 50,000) for creating small and medium enterprises. It enjoys administrative and financial autonomy and, as a governmental organisation, its budget is included in the budget law. DEF microfinance activity was actively supported by the Government, KfW and the European Union[2]. Between 2004 and 2011, DEF gross loan portfolio increased from JOD 27.6 million to JOD 54.7 million. It is today the largest provider of microfinance with 32% of the market in value.

The side effect of this decision – relevant as it was at the time – was to remove any incentive for MFIs to expand their outreach in rural areas. Indeed, DEF offers subsidised microloans (with interest rates as low as 5% per year flat), while MFIs have to work on a cost-recovery basis (with interest rates ranging 20-25% as commonly observed internationally). Besides, DEF's operations largely resemble a social redistribution system, rather than effective microcredit. Repayment rates are very low because repayment is not routinely enforced and because many borrowers never had the capacity to repay in the first place – the loan, putting them into debt, possibly even increasing poverty[3]. As a result, DEF’s largest percentage of its non-performing loans are to its microfinance clients (more than 90% of its loans under JOD 7,500), against 1.3% for MFIs in 2009. Microfinance institutions (MFIs) regularly raise the issue of DEF intervention in retail lending, with a continuous request that, for the market to develop into sustainability, DEF should withdraw from it.

The key challenges for the sector are thus twofold and underpin the National Microfinance Policy:

– the absence of a sufficiently robust regulatory framework for a sector in considerable expansion and in need of supervision:

– the need to encourage MFIs to develop services in rural areas – which is the only sustainable approach to ensure microfinance is accessible to these populations and a tool for inclusive growth.

[2] DEF was initially established with start-up capital from the government (JOD 14.125 million), the KfW (JOD 7.0 million) and the EU (JOD 2.015 million). From 2005 through 2011, MoPIC has provided DEF’s with additional grant capital, amounting to JOD 12 millions. As of 31 December 2011, its paid-in capital was JOD 35.14 million. More recently, it signed soft loans with the Islamic Development Bank, [Kingdom of Saudi Arabia (USD 10 million)] and the Arab Fund for Economic and Social Development, [Kuwait (USD 30 million)].

[3] Making microfinance working better in the Middle East and North Africa, World Bank Institute, 2001.

b) Brief description of the main features of the public policy

The Government of Jordan approved its National Microfinance Policy Framework (NMPF) in February 2012 through the Cabinet decision number (967), with a vision to "provide all Jordanians access to a range of high quality financial services that have the potential to enhance their economic well-being and improve the quality of their lives".

Its main goal is to "increase household income and economic security, build assets and reduce vulnerability, create demand for other goods and services (especially nutrition, education and healthcare) and stimulate local economies" through "the provision of a range of financial services to economically active poor and low-income people".

The Policy has been "developed according to internationally accepted principles for promoting innovative financial inclusion for poor and low income people in line with the G20 Principles for Innovative Financial Inclusion adopted in September 2009" (NMPF, Foreword).

The policy formulation process has been steered by the Ministry of Planning and International Cooperation (MoPIC), in its capacity as chair of the National Microfinance Steering Committee, which gathers key public institutions and the major industry stakeholders. Likewise, donors have regularly been associated to this broad-based consultation, which represents an important milestone in promoting a truly inclusive financial system in Jordan.

Its specific objectives (NMPF, Chapter 4) are to:

– increase access to a range of inclusive financial services to all poor and low-income people;

– support innovation in new product development and alternative delivery channels;

– ensure the efficient and responsible growth of the industry as part of the formal financial sector.

– The NMPF builds on the achievements and gaps of the National Microfinance Strategy adopted in 2005. Six years onwards, while some tangible results had been achieved some challenges remain to be addressed:

– Lack of supervisory consistency, which led to various forms of MFIs, each with separate bodies based on their specific legal forms;

– Unmet demand; with an outreach of 200,000 clients, the current penetration rate is estimated at 53%, equivalent to a financial gap of USD 167 million (2009 figures);

– Continued Government's involvement in retail lending via the Development and Employment Fund (DEF).

To achieve the NMPF general and specific objectives, its Action Plan regrouped them into the following objectives or Priorities (NMPF, Chapter 5):

Priority A: Developing a Unified Regulatory Framework: within which the Central Bank of Jordan would have an oversight function for the industry and Jordan Microfinance Network (Tanmeyah) would play the role of a self-regulatory body;

Priority B: Promoting Supportive Infrastructure; in particular through promoting financial literacy and building the capacity of the National Association to also provide services that will help microfinance institutions to improve their institutional performance and promote a self-sustaining and responsible industry;

Priority C: Spurring Market Expansion and Innovation through promoting new product development and explore innovative delivery channels;

Priority D: Ensuring Sustainable Funding particular through transforming the Development and Employment Fund into an apex institution that would use its capital to leverage financing with local commercial banks and on-lend to microfinance institutions.

c) Policy relevance

The NMPF addresses two critical challenges facing today the microfinance sector in Jordan in a comprehensive and pertinent approach to include the various concerned stakeholders.

Unregulated growth

After more than 40 years of successful development, and increasing recognition as a development tool, microfinance has been hard hit by a series of crises, that has led many critics to severely question the so-called “microfinance promise,” namely the win–win rhetoric of “poverty alleviation with profit.” In the region, the example of Morocco in 2008 demonstrated that regulation and supervision of microfinance is critically important to prevent the collapse of the microfinance industry and to reduce the risk of plunging poor households into over-indebtedness.

Between 2006 and 2012, the total gross loan portfolio in Jordan (including DEF) grew from USD 12 million to 238.3 million. Roughly 25% of the population currently benefit from microfinance services. Although the Government approved its Credit Information Law in 2010, no licensed credit bureaus have been established to collect information on personal credit.

To mitigate risks MFIs, members of the Jordan Microfinance Network (Tanmeyah), have been informally sharing client credit information since 2008. It is estimated that cross over-indebtedness decreased from 30-40% to 13% in 2009. MFIs portfolio quality is good, with non-performing loans (NPLs) over 30 days representing only 1.3%, which is better than the regional average of 2.8%. However, the present system does not guarantee an accurate assessment of the rate of over-indebtedness.

Against this background, the Central Bank of Jordan (CBJ) was long reluctant at the prospect of regulating and supervising the microfinance sector on account of its weak macroeconomic incidence; however, this position is changing, notably in light of the social impact linked to the risk of collapse of the microfinance sector. The National Policy fully acknowledges the CBJ role as the most suitable for regulating and supervising the sector. A high technical committee was recently established to review the legal implication of its intervention in the sector.

Contribution to sustainable rural development

As noted by the World Bank, enhancing access to finance for micro-enterprises in Jordan, could be one of the more effective tools for poverty eradication, consumption smoothening and improving the standard of living. Most MFIs concentrate their activities in urban and semi-urban areas, with approximately 60% of all microfinance activity taking place in the Amman area, suggesting a good match between the provision of microfinance services and poverty. However, access to microfinance is virtually inexistent in certain parts of the country, and rural microfinance, adapted to rural activities, does not yet exist.

As far DEF is concerned, the provision of microfinance since the early 2000's must be viewed in the light of Jordan's social protection system: Governments in the region used microfinance as a form of social welfare. With 2.8% of its GDP, Jordan's spending on social assistance is the highest in the Middle East and North Africa region in 2009. As acknowledged by the National Poverty reduction Strategy (2013) questions remain as to the effectiveness and sustainability of this social protection system, especially in the light of the current growing fiscal deficit.

The NMPF, as other recent economic and social related policies, reflects the paradigm shift that is required in terms of how the Government should address poverty reduction, especially in rural areas. The extension of outreach to underserved, non-served potential microfinance clients, is in line with EU approach to sustainable development, reducing poverty and improving food security, through its provision of financial and non-financial services to that target market.

d) Policy credibility

Track record in policy implementation

The NMPF recognises that despite achieving some of its goals, some key principles remain to be fully materialised. In particular, while DEF management stated its policy this commitment remains to be verified. Nonetheless, prospects for the implementation of the NMPF are good. First, contrary to previous strategy, the policy formulation process was inclusive and did reflect the views and considerations of all key stakeholders, including the Central Bank. Second, the existence of an action plan is an important element to monitor progress and give a sense of direction. Third, national expertise, especially amongst MFIs, is high.

Policy financing

There is no medium-term expenditure framework for the National Policy for Microfinance Framework (NMPF). According to the NMFP (2009 estimates), the financing gap for microfinance is estimated at JOD 117 million to answer demand. In addition, the key element of the policy concerns the withdrawal of the DEF from retail lending operations - to be gradually replaced by MFIs, which should lead to an additional financing need of approximately JOD 32 million (the current DEF portfolio amounts to JOD 54 million of which 13 million should be written off), incentives excluded.

Institutional capacity and ownership

The first strategic objective of the NMPF foresees that the Central Bank of Jordan and the Jordan Microfinance Network (Tanmeyah) will play new roles in the development of a unified regulatory framework for the microfinance industry. The fourth strategic objective of the NMPF envisions the transformation of the Development and Employment Fund (DEF) into an apex institution. DEF should consequently start its transition from a direct lender, to a wholesale provider of funding to MFIs, during 2013. This will require substantial technical assistance.

The quality of the NMPF is based to the strong involvement of the key stakeholders in its elaboration; its implementation relies heavily of the existence of a strong coordinating body, in this case the Ministry of Planning and International Cooperation (MOPIC). As emphasised in the NMPF "MoPIC will play a critical role in the successful implementation of the Action Plan through its oversight function and general advocacy and coordination role".

2.3.2. Macroeconomic policy

Jordan experienced sustained growth averaging 6.5% for almost a decade between 2000 and 2009 propelled by a growing global economy and in particular by flourishing Gulf Cooperation Council economies. However, following the global financial crisis Jordan's growth dipped from 5.5% in 2009 to 2.6% in 2011. Growth has been on a slow progressive recovery since: GDP growth is estimated at 2.8% in 2012. However, attaining pre-2009 crisis levels will take a long time as the GDP growth rate is expected to reach 'only' 4.45% in 2017. This growth rate, although favourable, is much below the demographic growth rate and is insufficient to reduce unemployment according to estimates of the International Monetary Fund (IMF).

A stability-oriented macroeconomic policy is under implementation, however earlier this year there was high concern regarding the rising level of debt and the rising level of the budget deficit. The main cause of this is the continued disruption of natural gas supply from Egypt leading Jordan to import increasing amounts of crude oil for energy generation. The domestic prices of fuel and electricity were raised in June 2012 - a bold step by the Government amongst the continuing Arab Spring manifestations - but this will only cover part of the additional costs. At the same time, the share of domestic revenues in GDP decreased from 29.9 % in 1990-1995 to 26.6 % in 2005-2010. As a result, domestic revenues have failed to cover recurrent public expenditure since 1997. According to the World Bank, this decrease in domestic revenues is mainly the result of government policy choices, in particular the 2009-2010 tax reform that reduced tax rates and increased exemption thresholds. Domestic revenues amounted to JOD 4.72 billion during 2012 compared with JOD 4.19 billion in 2011. Both the IMF and the 2013 draft General Budget aim for domestic revenues to rise to reach around JOD 5.3 billion in 2013.

The Government of Jordan concluded a 2 billion USD 3-year programme with the IMF in August 2012 to provide part of the necessary liquidity to cover the immediate additional energy costs, and including reform targets aiming to bring the national electricity company back to cost recovery, as well as other cost containment measures. The cost of hosting Syrian refugees is also weighing heavily on the budget this year. There is risk that debt and the deficit could rise beyond the forecast levels. However, the substantial amounts of liquidity expected to be received by the IMF and the GCC countries this year should off-set a major impact on macroeconomic stability. Moreover, so far into 2012 the government has demonstrated it is controlling government expenses to mitigate their impact on public finance stability and macroeconomic stability.

The IMF Stand by Arrangement (SBA) of USD 2 billion signed in August 2012 and the proposed EU Macro Financial Assistance of EUR 180 million are both linked to conditions pertaining to more efficient public spending and social equalization. EU support for the period 2014-2017 will take into consideration Jordan's Economic and Fiscal Reform Plan which is bound to the IMF Stand-By-Arrangement and sets plan for adjustment until 2017 and structural reforms aiming to bring fiscal and energy policies to a sustainable path and to maintain macro-economic stability.

Based on the above and the review mission of the International Monetary Fund of February-March 2013 covering the 1st assessment of Stand By-Arrangement, it is concluded that the authorities pursue a credible and relevant stability oriented macroeconomic policy aiming at restoring fiscal and external stability in the medium term and moving towards sustainability in the long term.

2.3.3. Public financial management (PFM)

The 2012 PFM annual monitoring report completed in August 2012 reviewed progress in PFM reform implementation. It concludes that the Government of Jordan made sound progress in the implementation of its PFM reform programme and that the PFM system in Jordan is sufficiently well-functioning to ensure the proper utilisation of donor funds, including budget support. The 2012 PFM annual monitoring report confirms the positive trend, including efforts to expand the use of the GFMIS (Government Financial Management Information System) further, improve the budget preparation, improve Audit Bureau reports, improve debt management, modernise internal controls and audit, and apply new information technology systems to improve the collection of tax arrears. An updated public finance management reform strategy for years 2014-2016 is under preparation, including the continued modernisation of internal control and both internal and external audits.

2.3.4. Budget transparency and oversight of the budget

The General Budget is published and accessible to the general public on the General Budget Department's website since 2009, in draft and final form once approved by Parliament, in Arabic and English. Efforts to improve the information presented in the General Budget include the new and more detailed classification of the Chart of Accounts into the General Budget preparation since 2008. For 2010, the new Chart of Accounts classification was applied to capital expenditure, which was therefore expressed in terms of the programmes and activities to be funded; in 2011 this was applied also to current expenditure, and for the first time the final accounts were published, which inform on the actual budget expenditure. Moreover, in response to popular requests for greater transparency and accountability, the General Budget Department developed two documents aimed at making the General Budget more accessible to the general public: the General Budget Brief which summarises the 2011 budget in a user-friendly manner; and the Citizen's guide which explains the main features of the General Budget Law and its content and it is written in a language suitable for wide public access.

2.4. Lessons learnt

Past co-operation through this modality has shown the need for specific training and capacity-building to run such programmes, and for close co-operation between the responsible line Ministry and the Ministry of Finance (Budget Department). Complementary actions, such as with civil society, to expand the scope of interlocutors with whom to dialogue on policy performance, will promote a better general understanding of these policies and of the reasons for EU support. It is moreover in line with EU's policy to acknowledge civil society as full partners in development. Technical assistance has demonstrated benefits in complement to the budget support expected results and activities, where it is sought by beneficiaries.

Besides, lessons learnt from EU cooperation in the area of microfinance have been incorporated in the design of the action. In particular, it was demonstrated that institutional capacity was often a bottleneck for the development of a socially-responsible microfinance sector. In that respect, capacity building actions should focus on the (i) macro level to promote a favourable regulatory and policy environment for building inclusive financial systems (e.g. support to Central Bank, Ministry of Finance, etc.); (ii) meso level to build strong support infrastructure for MFIs; (iii) the micro level to strengthen financial institutions (e.g. capacity building to diversify products and services, to expand outreach to rural areas / marginalised groups, etc.); (iv) client level: facilitate access to financial services, client empowerment (including financial literacy).

2.5. Complementary actions

Policy dialogue, in particular pertaining to a review of the current debt law, which does not allow government entities to write off non performing loans, should take place in particular as part of the Commission’s current negotiations with Jordan over Macro-Financial Assistance.

2.6. Risk management framework

2.6.1. Global risks

As per the Risk Management Framework updated in 2013, overall average risk levels are estimated as moderate, although substantial risks do exist, with an average inherent risk of 1.96 and an average residual risk of 1.82, , i.e. legal framework does not guarantee full protection of human rights, non-discrimination and fundamental freedoms; lacking consensus on elections law; independence of judiciary; vulnerability to exogenous shocks; increased poverty and social exclusion; corruption. Some of these risks are external ones to which EU influence can only be limited (e.g. impact of international oil or food prices), some are internal ones to Jordan which could be influenced through consistent political and policy dialogue, well targeted assistance and using efficiently all the tools EU has at its disposal, in particular the broad range of on-going programmes.

2.6.2. Risks pertaining to the operation

– Regional instability affects domestic capacity or will to implement reform.

– Weakness of implementing institutions / stakeholders to fulfil their new roles affects overall policy implementation.

Main mitigating measures to prevent these risks will include continuous policy dialogue (through the Steering committee, and other channels) and targeted technical assistance, as well as continued close coordination with other donors involved in this sector.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

The general objective of this Sector Reform Contract (SRC) is to assist the Government of Jordan in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving economic governance.

In line with the Jordan National Microfinance Policy Framework (NMPF), the specific objectives of this SRC are to contribute to strengthen the regulation of the microfinance sector in Jordan and consolidate its governance system; consolidate its financial infrastructure and improve outreach of microfinance institutions (MFIs) in rural areas.

3.2. Expected results

3.2.1. Specific objective 1: Regulation of the microfinance sector is strengthened

Expected Result 1: The Central Bank of Jordan uses a risk-oriented regulatory approach for MFIs and ensures that these latter comply with the regulation.

Expected Result 2: The Central Bank of Jordan includes consumer protection standards in regulation as a requirement for legally registered MFIs.

Expected Result 3: The Jordan Microfinance Network (Tanmeyah) plays an effective role in regulating the sector, in particular through sharing key financial information, strengthening and standardising social performance monitoring, applying internationally accepted accounting standards and introducing performance evaluations.

The unrestricted operating environment in Jordan has allowed for the organic growth of the sector, where a few specialised microfinance institutions (MFIs) serve the market in a professional and profitable manner. However the recent microcredit crisis observed in some countries demonstrated that a robust supervisory and regulatory structure is needed to ensure sustainable and responsible growth, as well as to facilitate the entrance of private-sector capital to expand their scale of operations. Any new regulatory and supervisory framework for microfinance will have to balance the need for financial stability, resilience, and integrity and consumer protection with the need to preserve financial inclusion, innovation and healthy competition.

The development of specific microfinance legislation, whether in the form of a specialised law or regulations, establishing the Central Bank of Jordan’s authority and mandate to oversee all MFIs operating in the market will help to rationalise activities in the sector. As underlined in the National Policy, the Central Bank has agreed at the highest level to play this oversight role for the industry, but needs the requisite legal authority in place to support subsequent supervision and to ensure the resources necessary to build up the Bank's capacity to perform this function adequately. A recent review indicates that no change to the existing organic law of the Central Bank is required.

As emphasised in the NMPF, given the non-prudential nature of the regulations proposed and the relative size of the microfinance industry vis-à-vis the formal financial sector in terms of total assets, the Jordan Microfinance Network (Tanmeyah) is well placed to play the role of a self-regulatory body for the industry. Tanmeyah was established as an independent, non-profit organisation in 2007 and is registered at the Ministry of Industry and Trade. All Jordanian's MFI are members of Tanmeyah and the body is a member of the National Microfinance Steering Committee. A number of countries have adopted this model as a means to avoid overregulation by the central banking authority, while still ensuring the latter's involvement at an oversight level. The new microfinance regulation is expected to require that all MFIs become members of the association and adhere to the regulations of this body.

3.2.2. *Specific objective 2: Governance of the microfinance sector is consolidated*

Expected Result 1: The Microfinance Steering Committee (MFSC) continues promoting policies that foster its development, in accordance with the National Policy.

Expected Result 2: The Ministry of Planning and International Cooperation, as MFSC chair, assesses execution of revised Action Plan via its Monitoring Framework.

The National Microfinance Policy Framework (NMPF) was developed under the direction of the Ministry of Planning and International Cooperation (MoPIC) in its capacity as chair of the National Microfinance Steering Committee which gathers 20 organisations representing key public institutions (including the Central Bank of Jordan) and the major industry stakeholders (including the Jordan Microfinance Network 'Tanmeyah'). The NFMP assigns to MoPIC oversight, advocacy and coordination responsibilities.

Terms of reference have been agreed for administering the work of the Steering Committee during the formulation of the NMPF. As far as internal governance is concerned, members of the NMSC agreed to seek to achieve consensus on key decisions where possible; yet when consensus is not possible, decisions are made according to a simple majority vote of all eligible members. Besides, the Steering Committee monitors progress made on the implementation of the Action Plan and is responsible for ensuring ongoing information exchange and dialogue around microfinance sector development issues.

3.2.3. *Specific Objective 3: Financial infrastructure is consolidated*

Expected Result 1: The Jordan Microfinance Network (Tanmeyah) develops and endorses a Code of Ethics for its members introducing the Client Protection Principles for microfinance

Expected Result 2: The Jordan Microfinance Network (Tanmeyah) continues to focus on the quality of data provided (diversification and standardisation) and continue to represent its members, notably in the framework of the creation of the national credit bureau.

Expected Result 3: The Jordan Microfinance Network (Tanmeyah) develops revenue-based services for its members.

It is important to ensure that consumers acquire the needed skills, knowledge and understanding to manage their borrowing and investment strategies. Tanmeyah has a key role to play in financial education, helping to build the capacity among poor and low-income clients to ensure that they benefit from access to microfinance through the effective use of these services. At the same time, continuing exchange of structured information should greatly reduce Tanmeyah' members cross-lending, thereby decreasing the risk to over-indebt microfinance clients.

In addition to acting as the self-regulatory body for the industry, Tanmeyah is expected to play a vital role in developing a more inclusive financial sector in Jordan by providing MFIs with services that will help them improve their institutional performance and promote a self-sustaining and responsible industry. And while MFIs in the sector are supportive of this fledgling institution, resources need to be dedicated to help build its capacity to help push the boundaries of the industry along the latest developments in the field.

As underlined in the NMPF, the Client Protection Principles for microfinance and the accompanying Smart Campaign are part of a collaborative initiative endorsed and led by a broad coalition of microfinance institutions, networks, funders, and practitioners. The purpose of the Campaign and the Principles, is to ensure that providers of financial services to low-income populations take concrete steps to protect their clients from potentially harmful financial products and ensure that they are treated fairly. The Client Protection Principles describe the minimum protection microfinance clients should expect from providers. While the Principles are universal, meaningful and effective implementation will require careful attention to the diversity within the provider community and conditions in different markets and country contexts.

3.2.4. Specific Objective 4: Outreach of MFIs in underserved areas increased

Expected Result 1: The Development and Employment Fund reviews its strategic objectives and plan for becoming an effective apex facility for MFIs operating in the market

Expected Result 2: The Development and Employment Fund exits from retail lending

Expected Result 3: The Government of Jordan, in particular through the Development and Employment Fund, provides necessary incentives to MFIs to expand their services in rural areas

Expected Result 4: Innovative channels are developed to support outreach

While most MFIs maintain good access to local currency loans from commercial banks, the newer entrants to the field are finding it more difficult to source debt or equity without an established track record. Furthermore, as the more mature MFIs grow and expand their product offerings, particularly into housing and SME financing, they may find the current supply insufficient to meet their growing financing needs.

The policy aims to transform the Development and Employment Fund (DEF) as an apex institution for the maximum benefit of the industry. DEF has the ability to attract subsidised funds that can be used to either help new entrants into the market who cannot secure commercial financing but show good potential, or to support new and existing MFIs. In particular, DEF shall support MFIs to expand their activity in underserved, notably rural areas, through providing the relevant incentives.

DEF will continue to transition from a direct lender to a wholesale provider of funding to MFIs in the sector. It will work to develop its capacity to act as an apex institution, channelling funding aimed at meeting specific development objectives to financial providers, either directly or through guarantees with local banks. However, MFIs development in rural areas will not materialise without minimum and sustained public intervention and support. As stated in the Chapter VII of the NMPF, the Development and Employment Fund "will use its available resources to create incentives for MFIs to work in underserved areas, passing on any subsidies it receives from local and international funders to MFIs to help offset the cost of expansion into these new markets". DEF appropriations for financing outreach should be built up in year 2 and 3 of the SRC.

3.3. Rationale for the amounts allocated for budget support

The total amount allocated to supporting local development under the NIP is EUR 35,000,000. It is proposed to mobilise this amount in full to support the implementation of the National Microfinance Framework Policy (NMPF) through the present Sector Reform Contract. This amount is based on an assessment of the financing needs of Jordan, the potential impact of the NMPF on poverty reduction in rural areas and more broadly the relevance of budget support provision in the present context of strained public finances, particularly acute due to the Syrian refugee crisis. The proposed intervention also contributes to mitigating the risks posed by an unregulated microfinance sector.

Latest estimates from the International Monetary Fund[4] point to a sizeable balance of payment need and a financing gap through 2015, owing in large part to the liquidity needs to finance more expensive energy imports. Under the assumption that budgetary grants will come in as projected (3–4 % of GDP), the Fund estimates that to maintain reserves at about four months of imports, Jordan's additional external financing needs would reach USD 0.8 billion in 2012, USD 1.1 billion in 2013, USD 1.1 billion in 2014, and USD 0.9 billion in 2015. Donors are expected to cover most of the gap. These figures do not take into account the full extent of the impact on national resources of Syrian refugee inflows.

The present budget support will contribute to preserving overall development and social expenditures thus allowing Jordan to pursue its commitments under the IMF stability programme. It will complement the overall effort on the international community, including the 2013 EU Macro Financial Assistance package.

[4] Jordan: Request for a Stand-By Arrangement—Staff Report; Staff Supplement; Request for Modification of Performance Criteria, Country Report No. 12/343, International Monetary Fund, December 2012.

3.4. Main activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

3.4.1. Budget Support

The Delegation will engage in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support. High-level policy dialogue will take place at least three times a year and involve, on one hand, the EU Delegation and like-minded donors and, on the other hand, Jordanian stakeholders, under the coordination of MoPIC. This will be an opportunity to take stock of progress made in the implementation of the National Microfinance Policy Framework and discuss adjustments when relevant. Between these meetings, regular technical dialogue will take place to follow on issues agreed during policy dialogue meetings.

Macroeconomic aspects, in particular related to domestic revenue mobilisation, will be addressed to the Jordan' authorities in the frame of the macroeconomic policy dialogue conducted by the Commission, in particular within the framework of its Macro-Financial Assistance.

3.4.2. Complementary support

Building on the lessons learnt from the implementation of the previous strategy, the National Microfinance Policy Framework (NMPF) unambiguously recognises, in particular within its Chapter VII, the need to strengthen stakeholders' capacities so they fulfil their new roles and responsibilities, more particularly for key public institutions and the Jordan Microfinance Network (Tanmeyah).

<u>Technical assistance</u>

Technical assistance will be provided to:

– The Central Bank of Jordan (CBJ) to develop its internal capacities in the area of microfinance regulation and supervision, which is a new role for this institution. Since early 2012, the CBJ is supported by the German Technical Cooperation (GiZ) through its regional programme "Strengthening the microfinance sector in the Middle East and North Africa" whose purpose is to strengthen the legal and regulatory framework conditions of the microfinance sector in Jordan, Egypt and Palestine;

– The Development and Employment Fund (DEF) to continue to phase out of direct lending to become strictly a wholesaler of public and private funds to MFIs and to develop appropriate incentives for MFIs to develop their services in underserved areas. This will in particular involve the establishment of a fully-fledged apex unit;

– The Ministry of Planning and International Cooperation (MoPIC) to facilitate policy dialogue with internal and external stakeholders, provide the oversight required for monitoring the implementation of the National Policy, lead the implementation of key studies and assessments identified in the NMPF (in particular a 3-year longitudinal study, the repeat of the 2007 impact assessment, social performance indicators study, administrative cost study, loan guarantee product feasibility study, innovative delivery channels study) and of a consumer protection campaigns;

– The Jordan Microfinance Network (Tanmeyah) to fulfil its role as a self-regulatory body for the microfinance industry but also to develop new services for its members that will help them to improve their institutional performance and promote a self-sustaining and responsible industry (NMPF, Chapter VI).

Building on its on-going support to the Central Bank of Jordan, a Delegation Agreement will be signed with GiZ to support relevant public sector institutions (CBJ, MoPIC and DEF). Technical assistance will be provided through a service contract to support Tanmeyah in (i) reviewing its strategic plan with a view to fulfilling its obligations under the National Policy and developing a 3-year operating plan 2015-2016; (ii) developing its capacity to improve quality of data in its self-reported database; as well as develop services to its members, in particular income-generating services.

3.5. Donor co-ordination

MOPIC has set-up a donor working group which it regularly consulted during the formulation of the National Policy. It continues to do so since adoption of the policy. Key donors include the Islamic Development Bank and the Arab Fund for Economic and Social Development Fund, which granted soft loans to the Development and Employment Fund (DEF). Policy dialogue should take place with these two donors to that dialogue with DEF is harmonised.

Support to MFIs is also being provided via the banking system (credit lines): until recently by the French and Spanish Cooperation agencies (AFD and AECID), more recently by the World Bank and the KFW; USAID is also considering a credit line.

3.6. Stakeholders

There are two levels of stakeholders. The first category includes Government institutions in relation to related to their role in the policy's implementation, while the second category includes the MFIs and their representation. All stakeholders were consulted during the formulation of this SRC, both through joint meetings and face-to-face interviews.

Government Institutions

– The Central Bank of Jordan who will take on the role of regulator and supervisor;

– The Ministry of Planning and International Cooperation, assuming its coordination role of the implementation of the NMPF as well as its oversight of the implementation of this SRC;

– The Development and Employment Fund as it would assume its policy responsibilities vis-à-vis the microfinance sector, becoming its lender of low cost wholesale loans

Although it is not mentioned by the NMPF, the Jordan Loan Guarantee Corporation could become a key stakeholder, as it envisages providing a risk coverage product to the MFIs.

MFIs and their representation

– The Jordan Microfinance Network (Tanmeyah), as it would advocate and participate in policy dialogue with the Government, as well as contribute to reinforcing the (self) regulatory environment;

– MFIs, related to their outreach to the underserved/non-served poor in rural areas.

3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

An unregulated microfinance sector could lead to its collapse as witnessed in Morocco in 2008. This will inevitably create social tensions as low-income people will have no access to microcredit products. It should be recalled that around 25% of the population currently benefit from microfinance services.

Moreover, as observed in other countries, expansion of microcredit in underserved rural areas is a costly endeavour for MFIs and only through public support and investment in new technologies can this be realised.

Finally, while the NMPF is extremely relevant to respond to the challenges of the sector, its implementation is closely related to the provision of sufficient technical assistance to support the key stakeholders to fulfil their respective roles as envisaged in the strategy, i.e. the Central Bank of Jordan, the Ministry of Planning and International Cooperation, the Development and Employment Fund as well as Tanmeyah.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 60 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

(a) The general conditions for disbursement of all tranches are as follows:

– Satisfactory progress in the implementation of the National Microfinance Policy and continued credibility and relevance thereof;

– Implementation of a credible stability-oriented macroeconomic policy;

– Satisfactory progress in the implementation of the Public Finance Management Reform;

– Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

In order to assess the progress made, the overall policy dialogue should be substantiated with the minutes/ reports related to relevant meetings held with the respective stakeholders. The continued credibility and relevance thereof in particular may be measured through the following indicators:

SRC Objectives	Tranche	Indicators
Regulation of the microfinance sector is strengthened	2013, annually	<u>Non-financial indicator</u> The Central Bank of Jordan (CBJ) has set-up an internal structure to ensure a responsible business conduct of MFIs.
	2013, annually	<u>Non-financial indicator</u> The CBJ employs staff / has other required capacities necessary for microfinance sector regulation / supervision
	2014	<u>Non-financial indicator</u> The CBJ uses a risk-oriented regulatory approach for microfinance institutions, ensuring that MFIs comply with the regulation: the CBJ prepares first microfinance sector regulation / supervision guide
	2014, annually	<u>Non-financial indicator</u> The CBJ uses a risk-oriented regulatory approach for microfinance institutions, ensuring that MFIs comply with the regulation: the CBJ conducts its first supervision of the 5 largest MFIs
	2014, annually	<u>Financial</u> Loan portfolio at risk (PAR), loans past due over 30 days, stated as percentage of all loans; Loan write-offs, stated as percentage of all loans; Net loan profits, stated in currency amounts and stated as percentage of all loans
Governance of the microfinance sector is consolidated	2013	The National Policy revised Action Plan and its Monitoring Framework for the period 2013-2016 is adopted by the Government of Jordan, after consultation with the Microfinance Steering Committee
	2013, annually	The existing National Microfinance Steering Committee (MFSC) continued to be chaired by MoPIC. The organisation of sector coordination meetings, at least three times a year.
	2017	The finalisation of the Government of Jordan's

		Microfinance Policy Framework will be consolidated after consultation with all key stakeholders (currently members of MFSC) and the new version will replace the existing one.
Outreach of MFIs in underserved areas increased	2013	<u>Non-financial indicator</u> Proposed revision of the organisational chart of the Development and Employment Fund (DEF) has been endorsed, including setting-up of an apex unit.
	2014	<u>Non-financial indicator</u> DEF has developed a 3-year business plan, executing (i) its exit as a retail lender; (ii) commencement, continuance of it s Apex Unit; (iii) pro-active management, collection of Non Performing Loans (NPLs).
	2014	<u>Non-financial and financial indicator</u> DEF has completed it exit plan, Apex plan and NPLs plan.
	2015	<u>Financial indicator</u> DEF Non Profit Loans are completely written-off. DEF appropriations for financing outreach have increased

(b) Brief outline of specific conditions including the broad areas for the indicators that may be used for variable tranches.

NMPF Priority	Tranche	Indicator
Outreach of MFIs in underserved areas increased	2016	<u>Non-financial indicator</u> DEF makes at least 2 MFIs loans in underserved areas.
	2015, annually	<u>Non-financial indicator</u> DEF continue to market Apex unit loans.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions) based on fiscal year of the partner country.

Country fiscal year	**2013**	**2014**				**2015**				**2016**				**2017**			**Total**
Type of tranche	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Base tranche	**6**			**6**				**5**									**17**
Variable tranche												**6**				**6**	**12**

Total	**6**	**6**	**5**	**6**	**6**	**29**

(Base tranches would be disbursed in particular against satisfactory implementation of the Policy, including relevant activities and quality policy dialogue).

4.4. Details on complementary support

4.4.1. Procurement (direct centralised management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to the Jordan Microfinance Network, Tanmeyah	Services	1	2013, Q4

4.4.2. Indirect centralised management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

A part of this action with the objective of reinforcing the institutional and organisation capacities of key public institutions will be implemented in indirect centralised management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in accordance with Article 54(2)(c) of Financial Regulation 1605/2002. This implementation is justified because the expertise of this Member State agency in the area of microfinance is recognised and it is already providing technical assistance to the Central Bank of Jordan in the area of microfinance regulation and supervision.

The agency will support the development of organisational and institutional capacities at the Central Bank of Jordan, the Development and Employment Fund and the Ministry of Planning and International Cooperation (MoPIC) and contract the relevant key studies and assessments identified in the National Policy as well as consumer protection campaigns. Ancillary technical assistance will be provided in the form of policy advice to the Government of Jordan.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the agency.

4.5. Scope of geographical eligibility for procurement

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21.7 of the basic act on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR thousands	Third party contribution (indicative, where known)
3.4.1. Budget support: Sector Reform Contract	**29,000**	**N.A.**
4.4. Complementary support	**6,000**	**0,225**
4.4.1. Procurement (direct centralised)	1,000	N.A.
4.4.2. Indirect centralised management with GiZ	4,400	0,225
4.8 Evaluation and audit	0,500	N.A.
4.9 Communication and visibility	0,100	N.A.
Total	**35,000**	**0,225**

4.7. Performance monitoring

As foreseen in the National Policy, the Ministry of Planning and International Cooperation (MoPIC) is entrusted with monitoring the implementation of the National Policy Action Plan. Support has been provided during the formulation phase to develop a monitoring framework, including recommendations for process, output and outcome indicators as well as relevant baselines. The approval of such a framework by the National Microfinance Steering Committee is one of the indicators set for disbursing the first base tranche.

With GiZ support, capacities of MoPIC will be developed in this area. In particular, it shall commission a 4-year longitudinal study (ambi-directional cohort study) to assess the impact of microfinance in the Kingdom, especially on poverty reduction.

Reviews of the implementation of the Action Plan shall take place on a 6-monthly basis, with the first one planned in 2013. MoPIC will continue to be responsible for documenting policy dialogue taking place within the framework of the National Microfinance Steering Committee and the donors working group.

The programme will be subject to the Commission's Results Oriented Monitoring (ROM).

4.8. Evaluation and audit

The SRC will be subject to 6-monthly and/or annual reviews to assess compliance with general and specific conditions before the disbursement of any instalment and to a final external evaluation, managed by the EU Delegation to Jordan at the end of the programme.

Use may be made of the Commission's specific framework contracts for these purposes, or another appropriate means of procurement.

4.9. Communication and visibility

Communication activities pertaining to the implementation of the National Policy and visibility of the EU's support will be financed in accordance with the EU Visibility Guidelines for External Actions.

Use may be made of the Commission's specific framework contracts for these purposes, or another appropriate means of procurement.

ANNEX 2

to the Commission implementing Decision on the Annual Action Programme for 2013 in favour of the Kingdom of Jordan to be financed from the general budget of the European Union

Action Fiche

Support for the implementation of the Action Plan programme IV (SAPP IV)

1. IDENTIFICATION

Title/Number	**Support for the implementation of the Action Plan programme IV (SAPP IV)** CRIS number: ENPI/2013/024775		
Total cost	Total estimated cost: EUR 12 million Total amount of EU budget contribution.		
Aid method / Method of implementation	Project Approach Partially decentralised management with the Hashemite Kingdom of Jordan		
DAC-code	430	Sector	Multi-sector/Crosscutting

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The overall objective of the programme is to support the Jordanian administration in the implementation of the EU-Jordan Action Plan; mainly through capacity building of relevant institutions.

2.2. Context

Profound changes both in the neighbourhood countries in the South and in the international context have in recent years led to several new policy initiatives and created a demand for change at all levels in the region. New EU communications have been issued, including "Increasing the impact of EU Development Policy: an Agenda for Change", "A new response to a changing Neighbourhood" and "A partnership for democracy and shared prosperity with the southern Mediterranean", leading to a number of initiatives.

The **"Partnership for Democracy and Shared Prosperity"** covers three key areas. Firstly democratic transformation and institution-building, with a particular focus on fundamental freedoms, constitutional reforms, reform of the judiciary and the fight against corruption. Secondly, a stronger partnership with the people, with specific emphasis on support to civil society and on enhanced opportunities for exchanges and people-to-people contacts with a particular focus on the young. Thirdly, sustainable and inclusive growth and economic development especially support to

Small and Medium Enterprises (SMEs), vocational and educational training improving health and education systems and development of the poorer regions.

The partnership also offered the establishment of a Deep and Comprehensive Free Trade Area, building on the current Association Agreements and on the European Neighbourhood Policy Action Plans. It should form part of a broader comprehensive package in support of democratic and economic reforms.

The **"Agenda for Change"** seeks to equip the EU with **high-impact development policy and practice** for the coming decade and give it a leading role in setting a comprehensive international development agenda up to and beyond 2015 and to support the change needed in partner countries to bring about **faster progress towards poverty reduction and the Millenium Development Goals (MDGs).**

A **"New response to a changing Neighbourhood"** is a recognition that a new approach is needed to strengthen the partnership between the EU and the countries and societies of the neighbourhood.

Against the backdrop of regional developments and to encourage national efforts towards deeper democracy and political, economic and social stabilisation, the first EU-Jordan Task Force was convened in February 2012. It commended Jordan's proactive stance on reform and expressed "a strong signal of support for Jordan during its historic journey towards enhancing democratic rights, social justice and economic opportunity" and a commitment to assist in a challenging economic context, so that "growth and development support the political reform agenda"[1].

The overall goal of the European Neighbourhood Instrument (ENI)- the successor of the ENPI- will be to;

- Support partners engaged in building democracy
- Support sustainable and inclusive economic development
- Promote security and conflict prevention and
- Strengthening of the two regional dimension

The EU is enhancing relations with the countries that are part of the European Neighbourhood Policy (ENP), among them Jordan, to be based on a long term approach promoting reform, sustainable development and trade. The privileged relationship with neighbours will build on mutual commitment to common values principally within the fields of the rule of law, good governance, the respect for human rights, the promotion of good neighbourly relations, and the principles of market economy and sustainable development. Commitments will also be sought to certain essential aspects of the EU's external action, including, in particular, the fight against terrorism and the proliferation of weapons of mass destruction, as well as abidance by international law and efforts to achieve conflict resolution. The ENP goes beyond existing relationships to offer a deeper political relationship and economic integration. The level of ambition of the relationship will depend on the extent to which these values are effectively shared.

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1 Task Force conclusions to be found at:
http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/128114.pdf
http://eeas.europa.eu/delegations/jordan/press_corner/all_news/index_en.htm.

The central element of the ENP will continue to be the bilateral ENP Action Plans agreed between the EU and each partner. The initial EU-Jordan ENP Action Plan (AP) was adopted in 2005. Jordan was granted "advanced status" partnership in 2010 and a new ENP Action Plan was adopted in 2010.

2.2.1. *Country context*

2.2.1.1. Economic and social situation and poverty analysis

The key challenges for Jordan in the medium term are in the economic field: Jordan's economy is one of the smallest in the Middle East, with limited natural resources and a strong dependence upon external aid, tourism, expatriate worker remittances, and the services sector. It faces critical challenges linked to prevalence of poverty (with 13% of the population living below the official poverty level), slowing economic growth and private sector development, persisting corruption, and a high level of unemployment (13% in the past years), affecting youth in particular. High fiscal and current account deficit notably due to imported energy bill, subsidies policy, trade deficit are amongst the most pressing issues to address. A 36-month IMF standby arrangement (SBA) was signed in August 2012 providing for necessary liquidity and fiscal consolidation and recognising that sustainable and inclusive growth cannot happen without improvement in the local business climate. Moreover, even if bold steps on removing fuel subsidies were taken in 2012, the wide ranging reform still required in the prevailing subsidy system at large must take into account the present, potentially explosive, social context. It must be linked to strong policies to generate jobs.

Jordan is undergoing a process of reform in the political, social and economic areas, answering popular calls for change expressed through widespread demonstrations since early 2011, with claims for a more democratic and free society and for a fairer system, that respects human rights, the rule of law, reducing inequalities and combating corruption. The Jordanian Constitution was amended in September 2011 to include provisions reinforcing democratic institutions and separation of powers. They provide a constitutional basis for further reform steps, requiring additional measures for actual, sustainable implementation.

These developments meet the ambitions for closer political, social and economic integration underpinning the Advanced Status partnership between Jordan and the EU under the 2010 new ENP Action Plan[2]. The latest ENP report[3] assessed that despite the difficult context, Jordan made an important qualitative leap in its political reform process through the adoption of far-reaching constitutional amendments. The latter address a number of priorities agreed in the framework of the Action Plan, in particular the establishment of an independent electoral commission, greater accountability of the government, the empowerment of political parties through the revision of legislation and the prohibition of torture. In some cases, the amendments go beyond Jordan's ENP Action Plan commitments, notably the establishment of the Constitutional Court, the granting of constitutional status to the Judicial Council, a

[2] New EU-Jordan European Neighbourhood Policy Action Plan, adopted on 26 October 2010, underpinning the 'advanced status relations'.

[3] Last ENP Progress Report on Jordan dates 20 March 2013 (covers 2012): http://ec.europa.eu/world/enp/documents_en.htm#3.

limitation of the government’s ability to enact provisional (temporary) laws and new, more restrictive, rules on the dissolution of the Parliament.

Economic situation: Jordan’s economy is small but relatively open, with limited natural resources but a strong educated human capital base, at the same time potential in the large young population (69% of population below 30) and a challenge for employment creation. Service oriented economy with good industrial base, limited agricultural sector and further need for economic diversification. High dependency on remittances, tourism receipts, foreign direct investments (FDI) and foreign grants for the foreign reserves. Gross Domestic Product (GDP) grew at an average annual rate of 6.65% between 2005 and 2011. Over the same period Government expanded spending and public debt reached up to 70.7 % of GDP at the end of 2011. At the end of 2012 the government of Jordan bears the consequences of expanded spending coupled with exogenous chocks. It is faced with a number of economic challenges: high fiscal deficit and current account deficit and strained public finances due to the increased import energy bill and declining external receipts; dearth of expected foreign aid; mounting of total debt; substantive drop in foreign currency reserves though from a relatively high level; widening trade deficit; slow growth in the economy and limited job creation for Jordanians; and finally the increasing cost of the influx of Syrian refugees. At the same time increasing Government borrowing from the local market is crowding out private sector. The National Reform Plan has been established to bring fiscal and energy policies to a sustainable path and to maintain macro-economic stability. The Government aims to rectify fiscal imbalances by putting in place sound expenditure and fiscal management tools. The plan will tackle expenditure and tax reforms, the electricity sector and the ailing NEPCO in addition to a number of structural reforms aimed at propelling economic growth, improving the business climate and boosting trade and economic integration. Further emphasis will be put on educational reforms and training programmes aimed to address skills mismatches. The International Monetary Fund (IMF) Stand by Arrangement (SBA) of USD 2 billion signed in August 2012 provides liquidity in the adjustment. It supports socially acceptable fiscal consolidation and the aim to correct fiscal and external imbalances while strengthening growth prospects over the period 2013-2017. It recognizes that without improvements in Jordan’s business climate, the economy cannot deliver sustainable and inclusive growth

Constraints and perspectives: external aspects may continue to constrain the economy if tensions in the region continue and energy, in particular oil prices remain high. Jordan imports 97% of energy needs and 86% of all food. This reliance on imports has rendered Jordan vulnerable to rising energy costs and commodity price fluctuations. Post-electoral period may create new dynamics but firmness of a new Government towards the National Reform Programme would be essential. As regards energy, Egypt is the main gas supplier and would the recently (Dec 2012) resumed delivery flow uninterrupted at the level of Jordanian demand this would ease the perspectives, improve Government finances and reduce deficit and the need to borrow. The diversification of energy sources remains an issue and a mid-term energy strategy is expected to address this. Government policies to achieve more inclusive growth should remove economic distortions. Under the National Reform Programme Jordan is committed to this through improving conditions for investment and private sector led growth by cutting red tape, streamlining legislation and strengthening enforcement, level playing field and equal opportunities to start a business, access credit, purchase land etc.

2.2.1.2. National development policy

Jordan's development strategy is based on the National Agenda 2007-2017 and Executive Development Plan and is on track to achieve most of its Millennium Development Goals (MDGs)[4]. This public policy remains the framework for further progress in poverty reduction, sustainable growth, social inclusion and democratic governance, although the economic and in particular energy crisis is affecting Government's capacity to plan and prioritise over the longer term. Jordan relies on its international partners to achieve its development goals in particular EU, US, World Bank (WB) and the Gulf countries as well as new players such as the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB).

2.2.2. Sector context: policies and challenges

The key priorities for the Action Plan 2010, include

- democracy and rule of law
- human rights and fundamental freedoms
- independence and impartiality of judiciary
- freedom of the press
- Protection of women and children
- Security policy and non-proliferation
- Deepening of trade and economic relations
- Upgrading of legislation and procedures related to trade
- Environmental governance and Water
- Science and Technology

This programme aims to continue to enhance the capacity of all the relevant institutions linked to the above priorities and to complement other areas of intervention.

2.3. Lessons learnt

The new Multi-Annual Single Support Framework (SSF), under the ENI, will focus on a smaller number of priority sectors for EU's co-operation with Jordan. This streamlining is one of the key outcomes of the lessons learnt for the EU's long standing support of the development agenda in Jordan.

The two first SAAP (Support to the Association Agreement Programme) have been evaluated and the overall conclusions were that the programme is well designed and feasible, but that additional efforts need to be made to address the issue of donor co-ordination and visibility of the action. The subsequent programmes have taken the key recommendations on board and the objective adjusted to aim at the support to the Action Plan rather than the Association Agreement per se.

SAPP I (Support to the Action Plan Programme) is currently being implemented and all the money successfully allocated. The contracting for SAPP II is currently ongoing and the identifications for SAPP III are on their way. Under the SAAP/SAPP, the EU has so far supported the Government of Jordan with five

[4] Jordan 2010 2nd national development report.

successive programmes with the value of EUR 78 million to build and strengthen the institutional capacities of the Jordanian Administration. The Support has been provided in a number of areas, particularly through technical assistance and twinning operations, complemented with the delivery of laboratory and IT equipment.

These programmes have continued to be designed as demand-driven with a linkage to the assistance programmes and the deliberations and conclusions of the EU-Jordan Association Agreement Committee and ten thematic sub-committees, which meet annually to review progress and priorities. This linkage offers a practical way to continuously keep the Programme well oriented towards its overall objective. The Programme Administration Office (PAO) at the Ministry of Planning and International Co-operation (MoPIC) is the entity managing SAAP and SAPP Programmes, and twinning has become the main tool for implementation of capacity building projects.

To date, fifteen twinning projects have been concluded with EU Member States in the fields of Trade, Customs, Veterinary Measures, Standards and Conformity Assessment, Public Auditing, Food Inspection Services, Penitentiary Reform, Anti-Terrorism, Energy, and Environment. Twining partners included the United Kingdom, Germany, Sweden, France, Spain Slovenia, Northern Ireland, Austria, Denmark, Italy, Poland and Greece.

2.4. Complementary actions

The SAPP is a programme which is tailored to be complementary to the actions carried out under the overall development agenda in Jordan.

The sectoral working groups and committees set up to prepare for this revised national development plan conducted a comprehensive review of the national economy in light of the new conditions and challenges facing Jordan, in particular the Arab Spring. Consequently, a set of challenges facing the Kingdom in the next phase has been identified at the micro and macro levels, especially those associated with the Arab Spring and the global financial crisis, most importantly:

- Economic recession and expected decrease in economic growth rates.
- Control of public budget deficit and adaptation to the changes witnessed by the world economy and their reflections on the Jordanian economy, as well as the need to control indebtedness within the limits set forth in the Public Debt Law.
- Lowering current account deficit to acceptable levels, and maintaining the stability of general prices levels.
- Maintaining the growth rates of national exports, which requires exerting more efforts to retain traditional markets of national exports and opening new markets where Jordanian exports have a competitive advantage.
- Ensuring the flow of investments and capitals into Jordan and overcoming the obstacles to investment promotion.
- Reducing poverty and any developmental disparity between governorates and districts.
- Addressing structural imbalances in the labour market and high unemployment rate.
- Achieving water, food and energy supply security.

The continuous dialogue between EU and Jordanian authorities ensures consistency between SAPP and the national reform programme.

The SAPP programme is complemented by the two additional capacity building instruments available to Jordan, SIGMA (Support for Improvement in Governance and Management) and TAIEX (technical and information exchange programme).

2.5. Donor co-ordination

The proposed project is fully in line with the Paris Declaration, since the "on demand" mobilisation of assistance allows the EU to fully align the project to Jordanian national priorities, the implementation through Jordanian public structures respects the aid effectiveness principle.

Donor co-ordination is set under the auspices of MoPIC; closer harmonisation of donors' approaches is being sought, with a view to streamlining policy dialogue and making it more effective in addressing policy implementation challenges. Policy dialogue in these areas is smooth.

In addition, EU Member States will continue to be involved in the EU dialogue with Jordan on the ENP in the different subcommittees.

3. DETAILED DESCRIPTION

3.1. Objectives

The overall objective of the programme is to support the Jordanian administration in the implementation of the EU-Jordan Action Plan.

Four specific objectives have been identified:

- To improve the capacity of the relevant Government of Jordan institutions to meet the commitments undertaken in the context of the EU-Jordan Association Agreement and the ENP Action Plan;
- To enhance the efficiency of the entities involved in the implementation of the Action Plan and the ENP;
- To foster harmonisation of the domestic legislative and regulatory framework with EU and/or international frameworks and to facilitate subsequent enforcement;
- To facilitate future EU-Jordan negotiations.

3.2. Expected results and main activities

The definition of priorities in the course of project implementation will pursue a double objective:

- to ensure continuity with initiatives undertaken in the context of previous programmes,
- to support Jordanian authorities to respond to the needs jointly identified by the EU and the Jordanian authorities in the different sub-committees.

The Programme will aim at achieving the following results:

- Improved institutional capacities of the Jordanian Government in terms of strategic planning, policy and legislative planning, policy proposal preparation, drafting legislation, implementation, monitoring and evaluation;

- improved efficiency and effectiveness of legislative work in the Government and Parliament;
- Improved legislative and legal framework, in approximation with the EU;
- Improved regulatory framework;
- Enhanced negotiation skills of the Jordanian administration;
- Creation of a bulk of relevant experience and competence in the Jordanian administration dealing with EU affairs;
- Increased awareness of the EU policy, of the EU-Jordan Association Agreement and Action plan in the Jordanian administration and among the Jordanian population.

No specific areas of activities have been identified at this stage. The conclusion of the subcommittees to be held in the last quarter of 2013 and in 2014, will identify new areas of support and prioritise the requests for funding currently received by the MoPIC.

However, support to trade facilitation under the umbrella of the DCFTA will be included once the negotiations are closer to an agreement.

The order of priorities in the intervention logic and identification of new priorities to be addressed during the life time of the project will be defined jointly with the Jordanian authorities. During the identification, special attention will be paid to cross-cutting issues.

3.3. Risks and assumptions

The assumptions and risks identified in the previous SAPP programmes remain valid.

Assumptions:

- The EU-Jordan political dialogue continues and technical subcommittees are held regularly.
- Jordan authorities remain committed to the reform agenda and to the implementation of the commitments undertaken in the Action Plan.
- The MoPIC dedicates sufficient resources to the implementation of the programme, in identifying priorities and suitable means of implementation.
- Line ministries and institutions accept to channel the request for assistance, as per the priorities identified in the technical subcommittees, through the MoPIC
- There is the will and sufficient resources in line ministries and institutions to address issues related to the implementation of the Action Plan.

Risks:

- Security concerns hamper Jordan's reform efforts
- A lack of, or a too weakly co-ordinated approach by the wide variety of stakeholders which prevents the reform process from being coherent and comprehensive
- There is a lack of agreement amongst the stakeholders regarding the priorities and methodologies to be used in the implementation of the action.

3.4. Cross-cutting issues

Crosscutting issues will be analysed in detail in the identification phase of the specific projects.

It can be anticipated that, in line with previous SAPP and SAAP objectives, good governance will be an issue systematically addressed in the design of the specific projects.

Particular attention to environmental sustainability was given in the implementation of SAAP I and SAAP II, where specific projects to strengthen the institutional capacities of the Ministry of Environment and to develop and enforce environmental legislation based on EU and international legislative standards were developed. Follow-up assistance can be considered as an individual project and/or a crosscutting issue in the identification phase of specific projects, where relevant.

Gender analysis will be elaborated in the project design. In a country like Jordan, where, on the one hand, a number of educated and skilled women participate in the political, social and economic life of the country, and, on the other, many women are still subject to the traditional patriarchal power relations, the gender perspective will assume particular interest and relevance.

3.5. Stakeholders

The project targets all the entities of the public sector responsible for the implementation of the Association Agreement and of the European Neighbourhood Policy Action Plan.

Project final beneficiaries are selected by the Jordanian authorities and the Commission taking into account the priority actions identified under the EU-Jordan Action Plan.

Ministries and institutions identified as beneficiaries under previous programmes include:

Jordan Institution for Standards and Metrology (JISM), the Royal Scientific Society (RSS), the Ministry of Agriculture (MoA), the Jordan Food and Drug Administration (JFDA), the Ministry of Industry and Trade (MoIT), the Customs Department (CD), the Jordan Securities Commission (JSC), the Ministry of Environment (MoEnv), the Ministry of Justice (MoJ), the National Energy Research Centre (NERC), the Public Security Directorate (PSD), Department of Statistics, the Ministry of Public Sector Development (MoPSD) and the National Institute for Training (NIT), the Ministry of Labour (MoL), the Ministry of Municipal Affairs (MoMA) and Jordan Enterprise (JE). Telecommunication Regulatory Commission (TRC), Department of Land and Survey (DLS), the Gendarmerie, Civil Aviation Regulatory Commission (CARC), Ministry of Social Development (MoSD), Department of Statistics (DoS), Audit Bureau (AB), National Electric Power Company (NEPCO), and Ministry of Tourism and Antiquities (MoTA).

Most of these institutions have already proved their commitment to reform and complying with EU standards, as well as their capacity to absorb a technical assistance or twinning project. All the participating institutions have actively cooperated with EU experts and have implemented most of the recommendations received.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

4.3.1. Partially decentralised management with the partner country

This action with the objective of "supporting the Jordanian administration in the implementation of the EU-Jordan Action Plan." will be implemented in partially decentralised management with the Hashemite Kingdom of Jordan in accordance with Article 53c and 56 of Financial Regulation 1605/2002 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures (with the exception of audit and evaluation). The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > EUR 50,000 and may apply ex post for procurement contracts ≤ EUR 50,000. The Commission will control ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for operating costs and contracts up to the ceilings indicated in the table below.

Works	Supplies	Services	Grants
< 300,000 EUR	< 300,000 EUR	< 300,000 EUR	≤ 100,000 EUR

The financial contribution covers, for an amount of EUR 500,000, the ordinary operating costs deriving from the programme estimates.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the beneficiary partner country.

In accordance with Article 262(3) of the Rules of Application, the partner third country shall apply for procurement rules of Chapter 3 of Title IV of Part Two of the Financial Regulation. These rules as well as rules on grant procedures in accordance with Article 193 of the Financial Regulation will be laid down in the financing agreement concluded with the partner country.

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act; on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

The budget of the project is broken down as follows:

Module	**Amount in EUR thousands**
4.3.1. Decentralised management with Jordan	11,500
4.7. Audit and Evaluations	300
Contingencies ([5])	200
Total	**12,000**

4.6. Performance monitoring

Monitoring of the specific projects will be carried out by PAO staff, the focal points and the EU Delegation. Possible indicators for SAPP IV could be the rate of disbursement of the operational fund and the percentage of projects achieving their indicated results. Specific performance indicators for each specific project to be financed under SAPP will be developed in the formulation phase of the individual project.

4.7. Evaluation and audit

On a needs basis the Commission will procure services for audits and evaluations, either through one of its dedicated framework contracts or another suitable means of procurement.

5 The EU Delegation's approval must be sought prior to the use of the contingency fund.

4.8. Communication and visibility

Appropriate communication and information activities will be planned and implemented by the Programme Administration Office and the beneficiaries of each specific project under the programme, in line with Commission guidelines for the visibility of external operations:

http://ec.europa.eu/europeaid/work/visibility/index_en.htm.

These activities will target both Jordanian public institutions and the Jordanian public at large, with the aim of promoting a wider understanding of the relationship between Jordan and the EU in the context of the European Neighbourhood Policy.