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TRADE DIRECTORATE
TRADE COMMITTEE

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Working Party on Export Credits and Credit Guarantees

NOTIFICATION OF CHANGES IN THE EXPORT CREDIT SYSTEMS

Note from Hungary

20 April 2004

IEA Conference Centre, 9 rue de la Fédération, Paris 15e

This document reports changes notified by Hungary to its export credit system.

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NOTIFICATION OF CHANGES IN THE EXPORT CREDIT SYSTEMS

NOTE FROM HUNGARY

Within the framework of the development co-operation policy of Hungary the Government established the legislative, administrative and financial conditions for tied aid financing.

1. The new Government Decree 232/2003.(XII.16.) in force since the 1st of January 2004 enables the Hungarian Export Import Banks Ltd. (hereafter "Eximbank") to provide tied aid credits and the Hungarian Export Credit Insurance Ltd. (hereafter "MEHIB") to cover the related export credit risks. The Government Decision on soft loan program assisting Southeast-European countries, notified under TD/ECG/N(2002)5 had been simultaneously repealed.
2. The decree in Article 8 stipulates that the provisions of the Arrangement need to be observed when granting tied aid credits.
 - Beneficiary countries are designated by the Inter-ministerial Committee for International Development Co-operation from among countries that are eligible for tied aid.
 - The concessionality level of the individual tied aid credit is calculated and tested according to the Arrangement.
 - Tied aid financing is available for projects, which fulfil the eligibility criteria of the Arrangement and suit the priorities of the recipient country's development programs.
 - Notification is compulsory according to the relevant provisions of the Arrangement and the EC.
3. Inter-governmental frame agreements have to be concluded with the recipient countries on tied aid financing.
4. For international competitive bidding for projects up to a value of EUR 20 million, it is up to the competence of the Minister for Foreign Affairs to give the preliminary offer for tied aid financing. In other cases and for final commitments, the approval of the Government is necessary.
5. Hungary provides concessionary credits in the form of mixed credit. The Hungarian mixed credit is funded from two resources: Eximbank raises funds for the loan from the capital market to finance projects. The Hungarian Central Budget sets aside the appropriation on a yearly basis to finance interest support and the grant part of the mixed credit which is administered by the Ministry of Foreign Affairs.
6. Decisions and positions for tied aid financing are prepared by a working group of the representatives from the relevant ministries and institutions (Ministry of Foreign Affairs, Ministry of Finance, Ministry of Industry and Transport, Prime Minister's Office, Ministry of Environment and Water Management, Eximbank and MEHIB); this working group supervises the implementation of the tied aid program as well.