

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(90) 57 final

Brussels, 1 February 1990

Amended proposal for a

COUNCIL DECISION

providing medium-term financial assistance for HUNGARY

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(presented by the Commission pursuant to Article 149(3)  
of the EEC-Treaty)

Com 578

AMENDED PROPOSAL  
presented by the Commission  
pursuant to Article 149 (3) of  
the EEC Treaty

DRAFT COUNCIL DECISION  
PROVIDING MEDIUM-TERM FINANCIAL ASSISTANCE FOR HUNGARY

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The proposal as it  
last stood

Amended text

Visas

Having regard to the proposal from the Commission, and the opinion of the European Parliament

Having regard to the proposal from the Commission, submitted following consultations with the Monetary Committee

Having regard to the opinion of the European Parliament

3rd recital

...whereas the conditions and terms of the loan should emphasise necessary structural adjustment as well as being consistent with the terms and conditions put forward by the IMF;

...whereas the conditions and terms of the loan should emphasise necessary structural adjustment, with due regard for social stability, as well as being consistent with the terms and conditions put forward by the IMF;

Article 2

... The Commission is empowered to negotiate and monitor implementation over time of a structural adjustment programme with the Hungarian authorities so as to facilitate the evolution of Hungary's economy towards a market oriented system in a stable macroeconomic environment.

... The Commission is empowered to negotiate and monitor implementation over time of a structural adjustment programme with the Hungarian authorities so as to facilitate the evolution of Hungary's economy towards a market oriented system in a stable macroeconomic and social environment.

Article 4

The Commission shall verify at regular intervals that the economic policy in Hungary accords with the adjustment programme.

The Commission shall verify at regular intervals in collaboration with the Monetary Committee that the economic policy in Hungary accords with the adjustment programme. The Commission, after the Monetary Committee has delivered an opinion, shall decide on the release of the instalment.

Article 7

The Community provides for appropriate budgetary cover to guarantee its payments related to the borrowing operations under Article 1.

The Community provides for appropriate budgetary cover to guarantee its payments related to the borrowing operations under Article 1 up to a limit to be determined by the budgetary authority.

- (a) provisions guaranteeing the type, provenance and origin of the products in question and providing for the document to be used for that purpose;
- (b) provisions relating to the recognition of the document provided for in (a).

## Article 3

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

**Amended proposal for a Council Decision providing medium-term financial assistance for Hungary (\*)**

COM(90) 57 final

(Submitted by the Commission on 2 February 1990 pursuant to Article 149 (3) of the EEC Treaty)

(90/C 51/08)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission, submitted following consultation with the Monetary Committee,

Having regard to the opinion of the European Parliament,

Having regard to the Action Plan adopted by the Commission on 25 September 1989,

Having regard to the conclusions of the 3 October General Affairs Council, reiterated in the agreements of the special meeting of the European Council on 18 November,

Whereas the people of Hungary have close historic relationships with the people of the Community, and whereas that country is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Whereas these reforms will strengthen mutual confidence and bring Hungary closer to the Community;

Whereas the granting of the medium term loan is an appropriate measure to facilitate the adjustment of the Hungarian economy in order to reap the full benefits of an economy based on market principles; whereas the conditions and terms of the loan should emphasize

necessary structural adjustment, with due regard for social stability, as well as being consistent with the terms and conditions put forward by the IMF; whereas an agreement with the IMF on a stabilization programme is necessary and should be concluded quickly; whereas assurances should be sought that Hungary has negotiated satisfactory terms with its private creditors to ensure their continued participation;

Whereas the economic reforms will contribute to mutually beneficial economic and commercial relationships between Hungary and the Community; and whereas these relations will promote throughout the Community a harmonious development of economic activities;

Whereas examination by the Commission, in collaboration with the Monetary Committee, has shown a marked deterioration of the economic situation of Hungary;

Whereas the Hungarian Government has applied for a medium-term loan to the Community;

Whereas the Community should take the appropriate measures to cover itself against losses due to any failure on Hungary's part to fulfil the payments to the loan;

Whereas the authority required to set up this loan is not embodied in the Treaty,

HAS ADOPTED THIS DECISION:

## Article 1

The Commission is empowered to conclude, on behalf of the Community, a borrowing programme of a maximum of ECU one thousand million with a duration of up to five years and to subscribe and execute all appropriate documents in that connection for the purpose indicated in Article 2.

(\*) OJ No C 20, 27. 1. 1990, p. 9 (COM(89) 627 final).

*Article 2*

The Commission is authorized to lend the proceeds to Hungary in order to overcome structural adjustment problems. The Commission is empowered to negotiate and monitor implementation over time of a structural adjustment programme with the Hungarian authorities so as to facilitate the evolution of Hungary's economy towards a market oriented system in a stable macro-economic and social environment.

*Article 3*

The loan shall be made available to the National Bank of Hungary in instalments released in the light of the examination by the Commission of the evolution of the economic situation and of the results obtained in the execution of the adjustment programme.

*Article 4*

The Commission shall verify at regular intervals in collaboration with the Monetary Committee, that the economic policy in Hungary accords with the adjustment programme. The Commission, after the Monetary Committee has delivered an opinion, shall decide on the release of the instalments.

*Article 5*

1. The borrowing and lending operations referred to in Articles 1 and 2 shall be carried out using the same value date and must not involve the Community in the

transformation of maturities, in any exchange or interest-rate risk, or in any other commercial risk.

The Commission shall take the necessary steps, if Hungary so decides, to include in the loan conditions, and also to exercise, an early repayment clause.

2. At the request of Hungary and where circumstances permit an improvement in the interest rate on the loans, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions.

3. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by Hungary.

*Article 6*

The Commission shall address a report at least once a year to the Council and to the European Parliament on implementation of this Decision.

*Article 7*

The Community provides for appropriate budgetary cover to guarantee its payments related to the borrowing operations under Article 1 up to a limit to be determined by the budgetary authority.

In the event of the guarantee having to be invoked, the necessary financial means shall be provided by an amending or supplementary budget.

