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HUNGARIAN TIED AID **PROGRAM**

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**KEY TO MUTUAL SUCCESS**

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# WITH HELPFUL CO-OPERATION THE MISSION IS POSSIBLE



## FOREWORD



### Dear Reader,

Hungary's Tied Aid Program is an embodiment of our conviction that development partnerships can be pursued for the mutual benefit of all parties involved, as tied aid credit programs provide opportunities for both the beneficiaries and Hungary. This type of co-operation presents multiple possibilities: it contributes to the extension of bilateral economic relations, enables Hungarian contractors to gain international references, has a boosting effect on the domestic economy and delivers tangible results in the beneficiary country.

Tied aid credit projects are a unique combination of development aid and export promotion. The concessional loans come with a significant grant element and enable the implementation of vital but financially non-viable social infrastructure projects through the involvement of Hungarian expertise.

The Hungarian Tied Aid Program focuses on the sectors in which Hungary has amassed world-standard knowledge and competence, such as water management, healthcare, agricultural modernisation or the development of IT services. Successfully implemented projects lead to further, market-based engagements in the recipient country. Furthermore, such instances of co-operation strengthen Hungary's position as a committed member of the international donor community.

Hungary's Tied Aid Program has so far been a great success story, as evidenced by both the improving economic records of and the growing demand from eligible countries. The number of projects has nearly doubled in the period between 2014-2020 as compared to the preceding ten years of the Program. By the end of 2020, the value of tied aid credit programs offered based on intergovernmental agreements in force has exceeded USD 1.2 billion. Nonetheless, results go far beyond mere abstract figures. Tied aid agreements are highlights of our bilateral relations with the partner countries and their broader regions.

I am proud to be able to present to the Readers this publication that provides a comprehensive overview of the Hungarian tied aid credit portfolio, offering a genuine insight into the Program's socially and economically valuable development partnerships.

**PÉTER SZIJJÁRTÓ**

*Minister of Foreign Affairs and Trade of Hungary*





## TIED AID

Tied aid credits are key instruments of Hungary's international development policy, and the only internationally recognised form of state export support. The new **Tied Aid Credit Strategy of Hungary**, adopted by the Government in June 2020, tailored the official concept of the tied aid credit co-operation to the growing demand of partner countries in recent years. The concept merges the official guidelines of the Organisation of Economic Co-operation and Development (OECD) for tied aid with Hungary's **foreign policy priorities**, in line with the **strategies of Opening to the East and South**, as well as the **National Export Strategy 2030**.

**Definition:** *Tied aid credits are official or officially supported loans, credits or associated financing packages where procurement of the goods or services involved is limited to the donor country or to a group of countries, which does not include substantially all developing countries. (OECD)*

Tied aid cooperation is an important tool for the development of **bilateral political relations** and the **international promotion of Hungarian expertise**. Based on the prominent Hungarian export competencies, the most promising sectors are agriculture, healthcare, infrastructure development, IT and water management. The **social infrastructure development** projects implemented under tied aid credit programs indirectly contribute to the economic development of the beneficiary countries.

**Project eligibility:** *Tied aid credit can be provided for financially non-viable projects that are not expected to generate sufficient cash flow to cover the project's operating costs and service the capital employed under standard export credit terms. Their general characteristics include projects whose principal output is a public good, capital-intensive projects with high per unit production costs and slow capacity uptake, and/or where the beneficiary group (normally household consumers) is deemed unable to afford the output at the appropriate market-determined price. (OECD)*

In the Hungarian governmental structure, the Ministry of Foreign Affairs and Trade is the manager of Hungary's tied aid portfolio in close co-operation with the Hungarian Export-Import Bank Plc. (EXIM) and the Hungarian Export Credit Insurance Plc. (MEHIB), which are the lender and insurer institutions.

WHERE THERE IS NEED,  
**HELP IS NEAR**



The Hungarian Tied Aid Program commenced in 2004 and 6 co-operation agreements were signed in the first decade. Since 2014, Hungary has launched 10 tied aid credit co-operations with mainly Southeast Asian and African countries, and has offered over 410 billion HUF (1,3 billion USD) worth of tied aid credits to 11 developing countries under 16 framework agreements already signed. By the end of 2020, 14 investments have been successfully completed and additional fruitful projects are constantly in making. Further possible tied aid credit co-operations are being negotiated. In all completed projects, the Hungarian proportion exceeded 51%, which is a minimum requirement in the Hungarian Tied Aid Program.

**Country eligibility:** Countries whose per capita GNI, according to the World Bank data, is under the upper limit for lower middle income countries. (OECD)

- **Closed projects:**  
Bosnia and Herzegovina, Indonesia, Laos, Montenegro, Sri Lanka, Vietnam
- **Projects in progress:**  
Cabo Verde, Kenya, Kosovo, Laos, Mongolia, Sri Lanka, Ukraine, Vietnam





# REHABILITATION OF LABUGAMA AND KALATUWAWA WATER TREATMENT PLANTS



**Project value: 47,3 M USD**

**Status: Completed**

Labugama and Kalatuwawa water treatment plants supply water to about 2 million people in Sri Lanka. Before the rehabilitation, they fell below expectations regarding both the quality of treated water and treatment capacity. Through the modernisation of technology, the main goal of the rehabilitation was to **improve the security of supply and the quality of treated water**, thus ensuring to meet the potable water quality requirements, as well as to increase the quantity of water treated by the plants. Thanks to the expertise of the Hungarian contractors – Budapest Waterworks Ltd. and Betonútépítő Ltd. – the technological buildings of the plants and other facilities, such as water intake facilities, have been rehabilitated, in line with the technology solution selected jointly with the project client.

## The project in brief

Water supply to 2 million people. ✓

Labugama capacity upgrade from the existing 45.000 m3/day to 60.000 m3/day. ✓

Kalatuwawa capacity upgrade from the existing 70.000 m3/day to 90.000 m3/day. ✓





# IBU KOTA KECAMATAN WATER SUPPLY PROGRAM AND WATER TREATMENT PLANTS



**Project value: 36,4 M USD**

**Status: Completed**

In the frame of a tied aid credit co-operation, Budapest Waterworks and its Indonesian partner have designed and constructed **36 automated, energy efficient and low environmental impact water treatment plants** in water scarce areas in Indonesia between 2016 and 2019.

The 36 water treatment plants can be found on the islands of Sumatra, Java, Sulawesi and Flores, and are all located at rural subdistrict centres (Ibu Kota Kecamatan – IKK), in areas where the general population had no adequate access to **safe drinking water**, or the capacities of existing plants were lagging behind demand. The client of the IKK Water Supply Program was the Government of Indonesia through its Ministry of Public Works and Housing, while the operation of the newly constructed plants are the responsibility of local water supply companies.

### The project in brief

- Providing access to drinking water for 500 000 people. ✓
- Construction of 36 new water treatment plants on 4 islands. ✓
- Parallel construction of 36 plants in 4 overlapping work packages. ✓
- Low environmental impact and high energy efficiency through solar power systems. ✓





# POPULATION REGISTER PROJECT



**Project value:** 14,7 M USD

**Status:** Completed

With a population of 2 million, Hai Phong is the biggest port city in Northern Vietnam, and the third most populous in the country. The consortium led by the Pont Systems Ltd. undertook to **modernise the city's population register system**, and to deliver a technically and technologically up-to-date, competitive solution.

This project means **a register for personal data and addresses**, which **could** later **become the foundation for a complete office system of records** replacing the current paper-based filing. The main goal was to develop an electronic system that can track and manage the changes of personal data and addresses, approval processes or even central queries. In addition to developing electronic processes, it also involved the **digitisation of population data**.

In the future, this database could be the basis for managing all official personal documents (passports, IDs, driving licences) and may be integrated into the national population register of Vietnam.

## The project in brief

Creation of 2 data centres (Hanoi and Hai Phong) and more than 750 work stations at 224 police headquarters. ✓

Software development: design and implementation of a population registration software. ✓

Data collection and digitisation: collecting and recording the population data of Hai Phong with 200 data recorders (a special software developed for the purpose). ✓

Know-how transfer: training of users in Hungary and Vietnam, and operation of the system for 3 years. ✓





# CAN THO CITY ONCOLOGY HOSPITAL



**Project value: 63 M USD**

**Status: In progress**

The newly built **oncology hospital in Can Tho** – the fourth-largest city in Vietnam, and the largest city in the Mekong Delta – is expected to become **the regional cancer prevention and control centre**, to solve the burden of cancer-related diseases in Can Tho and the surrounding areas, and to reduce the pressure on Ho Chi Minh City. The hospital will contribute to the implementation of cancer prevention and control according to the national target program of „Prevention and control of non-communicable diseases”, the local partner of the project thus being the Can Tho City’s People’s Committee.

VMD Hospital Technology Plc., with proven background and experience in its field, has the lead of the project consortium for the construction investment. VMD’s leadership participation can ensure a smooth transition within the project between design, construction, as well as the supply and installation of medical equipment. The quality of the overall works will result in a **modern hospital, aiming to improve the health and life quality** of the Can Tho people in particular, and the whole Mekong Delta.

## The project in brief

- Regional oncology centre with 500 bed capacity and 10 operation rooms. ✓
- Adoption of the latest technology in the medical field. ✓
- Providing of training for the human resources in cancer treatment. ✓





# COMPLEX AGRICULTURAL MODERNISATION VALUE CHAIN SYSTEM (first program)



**Project value: 73,6 M USD**

**Status: In progress**

Since 2009, Hungary supports the **development of the food and agriculture sector in Laos** in the frame of tied aid credit programs. Thanks to this ongoing co-operation, the Laotian agriculture went through extensive modernisation. The implementation partners are the Ministry of Agriculture and Forestry of Laos (Department of Livestock and Fisheries) and the Hungarian contractors Vitafort Ltd. & Vitafort Agro Asia Ltd.

The first program focused on the development of infrastructure needed for the **production and supply of high quality and safe food**. The three main components of the program were the development of feed mills for the production of pig and fish feed, establishment of a slaughterhouse and meat processing plant, and the modernisation of fish farms for fingerling production.



LAOS



# COMPLEX AGRICULTURAL MODERNISATION VALUE CHAIN SYSTEM (second and third programs)



The second tied aid loan program continued the previous project and aimed to establish a complex **food chain safety system** in Laos, which includes the following major components:

- ▶ Development of the legal, institutional and IT background of the food chain safety system.
- ▶ Establishment and upgrade of laboratories (central reference labs, provincial labs, border inspection points).
- ▶ Development of integrated model farms along the pig and fish value chain (production of raw materials for animal feeds; manufacturing of feed; pig and fish production; meat and fish processing; marketing).

Agriculture remained part of the Hungarian-Laotian development co-operation for the ongoing third tied aid credit program, acknowledging the progress made in the past decade. New activities complement, strengthen and expand previous achievements ensuring a **continuous and coherent Hungarian support** to the development of safe food supply in the Lao PDR.

Value chain approach continues to define the strategy of the Hungarian support for the agriculture under the current project “Establishment of the Food Chain Safety System in the Lao PDR”. The activities are knowledge based through science and technology support, while being controlled and monitored by the food chain safety system. Vitafort Ltd. and Vitafort Agro Asia Ltd. remained to be the Hungarian contractors for the second and third projects.

Public Private Partnership (PPP) and Public Farmer Partnership (PFP) are essential to provide knowledge transfer and technology to the private sector and to contribute to the development of rural livelihood and food security.

## The project in brief

- Continuous support, long-term partnerships, gradual extension of the agricultural portfolio. ✓
- Complete reconstruction of the Nongteng Vaccine Production Centre. ✓
- Traditional and modern solutions – model farm system with 14 components, 11 veterinary inspection check points, 5 central and 4 provincial laboratories. ✓
- Complex food chain safety system under the principle “From Field To Table”. ✓



LAOS





# POPULATION MANAGEMENT PROJECT



**Project value: 25 M USD**

**Status: In progress**

In Laos, the Ministry of Public Security is responsible for managing **national identity cards**. Within the realms of a countrywide modernisation project, the Ministry's goal is to **replace the hardware, software and public administration process of identity cards** for its 7 million nationals. Thanks to the project started in 2018, the Hungarian Pont Systems Ltd. and its partner are delivering the solution for the Laotian Government. The population registry system in Vietnam (see page 12) served as reference, based on which the company was selected for the current project.

### The project in brief

- Consulting and survey services: legal framework, public administration processes. ✓
- Planning and system design on a nationwide scale. ✓
- Data centre solution: renovation and delivery of a complete data centre infrastructure. ✓
- Hardware (ID card personalisation/printing machine and terminal hardware) and software implementation (Family Book Management, ID Card Management and Firearm Registry module, Mobile application solution). ✓
- Knowledge transfer: on-site and overseas training courses. ✓
- Operation, support and maintenance services. ✓





# VIENTIANE CAPITAL WATER TREATMENT PROJECT



**Project value: 100 M USD**

**Status: In progress**

Vientiane's drinking water demand cannot be covered from the existing capacities of the supplier. Supply problems are frequent, and the network pressure is low in many areas of the city. **Increasing the drinking water treatment capacities** is therefore indispensable. The Hungarian Water Lao Consortium – led by the Laoprojekt Plc. and its Laotian partner, Vientiane Capital – signed the commercial contract in 2017 for the design and implementation of the water treatment and sanitation project, both in the capital city of Vientiane.

The **Water Treatment Development Project (WTP)** includes the capacity **expansion of the Dongbang Water Treatment Plant**, as well as bank protection works on the section affected by the site boundary of the water treatment plant to protect against erosion effects caused by the Nam Ngum watercourse.

The **Wastewater Treatment Project (WWTP)** part includes the construction of a **wastewater treatment plant** and the related **sewer network**, as well as the cleaning of underground canals and solving drainage problems in the most densely populated and most developed downtown area of Vientiane.

## The project in brief

- Water treatment development with capacity expansion of the Dongbang Water Treatment Plant. ✓
- Wastewater treatment plant and sewer network construction in the centre part of the city. ✓
- Complex solution for the water management of Vientiane. ✓
- Development of public services, environmental and human health conditions. ✓





# BIOCOMBINAT EXTENSION – DESIGN & BUILD OF A PRODUCTION FACILITY FOR ANIMAL VACCINE



**Project value: 57 M USD**

**Status: In progress**

Mongolia is highly dependent on its livestock that contributes 16% to national GDP by providing meat and milk for domestic consumption and furs and skins for export earnings, 30% of the population relies on nomadic livestock rearing. Yet, over the decades, this industry has been challenged by a lack of forage due to the country's long, deep winters, and by occasional appearance of Foot-and-Mouth Disease (FMD). In 2009–2010, during a particularly severe winter aggravated by FMD outbreaks, **Mongolia lost 9.7 million animals, 22% of its total livestock**. In order to avoid similar scenarios in the future, Mongolia decided to develop its own production facility for FMD and PPR (Peste des Petits Ruminants) vaccines.

Within the framework of the Hungarian-Mongolian tied aid loan program, which is duly in line with the Mongolian development strategy, in 2019 Mega-Logistic Ltd. won the tender to build a **vaccine production facility as the extension of the existing Biocombinat complex in Ulaanbaatar** ordered by the Ministry of Agriculture, Food and Light Industry.

## The project in brief

- Vaccine manufacturing centre that meets the highest European standards. ✓
- Upgrading of the infrastructure supply of the Biocombinat, renovation and extension of the facility. ✓
- Development of a BSL-3 level R&D laboratory. ✓
- Training program for the facility's operating and management professionals. ✓







# HIGHLIGHTS

Tied aid co-operation: **EXPORT PROMOTION AND DEVELOPMENT AID**

**11 PARTNER** countries

**16 FRAMEWORK** agreements

Over **1,2 BILLION USD CREDIT LINE**

Grant element: **INTEREST RATE SUBSIDY AND CREDIT INSURANCE** (counts as Official Development Assistance, ODA)

Geographical priorities: **WESTERN BALKANS, SOUTHEAST ASIA AND AFRICA**

## DIRECT AND INDIRECT ECONOMIC RESULTS

Sectoral priorities:

- ▶ **AGRICULTURE**
- ▶ **HEALTHCARE**
- ▶ **INFRASTRUCTURE DEVELOPMENT**
- ▶ **INFORMATION TECHNOLOGY**
- ▶ **WATER MANAGEMENT**



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