

P H A R E

INDICATIVE FINANCIAL AND AID COMMITMENTS AND  
NEAR COMMITMENTS IN FAVOUR OF  
POLAND AND HUNGARY  
(over one to three years)

updated 10th January 1990

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TABLE 1

## POLAND

1. Funds allocated to the original priorities of the G-24

	Amount actually committed or envisaged in local currency (millions) unless otherwise stated	ECU equivalent (millions)	Particulars G : Grant L : Loan FC : Firm commitment PC : Possible commitment
<u>A. Food supplies</u>			All G-FC except Japan
Australia	5	3.5	
Austria	40	2.8	
Canada	12	9.2	Bulk of food supply to be carried by Polish vessels
EC	125	125	A new tranche is being prepared
Finland	33	7	FC
Iceland		0.3	
Italy		80	(Estimated value)
Luxemburg	20	0.5	FC - G
Japan	\$ 25	22.5	G
Norway	50	6.6	G-FC
Switzerland	5	2.8	partly purchase of Hungarian wheat
Turkey	\$ 1	0.92	FC priority to Polish carriers for delivery
USA	8 125	7.37 112.6	FY 89 FY 90
		<u>381.1</u>	

B. Technical assistance to Agriculture

Austria	10	0.7	Both countries. Cooperation on a regional basis (FC).
Germany	5	2.5	G-FC ; aid to the Polish Church to promote the private agricultural sector (2 in FY 89 and 3 in FY 90).
Netherlands	1.5	0.65	G-FC ; cooperation actions.
Switzerland	30	16.8	PC-G including food processing and distribution.
United Kingdom	15	20.5	FC - Technical assistance

Note : EC will be allocating part of its 300 MECU contribution to the 25 September action plan as well as its food counterpart fund to this end.

A number of countries could be committing resources in this area (Austria, Belgium, Canada, Iceland, Denmark, Ireland, Norway and Spain).

Italy : agriculture mission to determine allocation of resources.

C. Vocational training (Training and retraining, Management training)

Austria	30	2.1	Both countries. Management and vocational training.
	210	14.7	Cultural, agricultural and scientific cooperation (three year programme).
Canada	10	7.7	Both countries
Finland	2	0.4	Both countries
France	90	14.4	D-FC ; research, training and co-operation programme in the food industry.



Germany	3.2	1.6	Special training programme in the fields of management, economics, science and law (scholarships included).
Italy	2.000	1.33	Both countries.
Japan	(as yet unspecified)		Both countries (covering vocational training and environment).
Netherlands	1.5	0.65	
New Zealand	0.25	0.13	agricultural education programme.
Norway	10	1.23	GFC
Spain		1.0	Both countries.
Switzerland	30	16.8	PC-G. Both countries (includes cultural cooperation).
Turkey	0.6	0.54	Both countries : additional contribution by Turkish Banks association.
United Kingdom	50	71	"know-how fund" (G-FC)
USA	31	28	Cultural/scientific exchanges. Both countries
	24	21.6	Support for democratic institutions. Both countries

Note : Besides these countries, almost all the 24 are involved in this field, with grants in unspecified amounts, either with firm commitments (Austria, Canada, France, Japan, Luxemburg, Netherlands, Portugal, Sweden and Turkey) or with possible commitments (Australia, Belgium, Denmark, Finland, Greece, Italy, New Zealand).

D. Investments, joint ventures, industrial development credits

Denmark	300	37.5	Both countries : three year funding for investment - grants for projects (F-C). Investment guarantee arrangement.
	1000	125	
Finland			Investment guarantee scheme.
France	900	144	Investment guarantee scheme.
Germany	3	1.5	Bank credits for craftwork production (L-FC).
Italy	50.000	33.25	Both countries: public corporation to finance joint ventures and to extend support to small businesses. (L-FC) Concessionary terms (1.75%, 20 years loans, with a 5 year grace period).
	100.000	66.5	
Norway	150	19.8	Export credit guarantee for investment and export of capital goods (FC).
Turkey	\$ 1	0.92	Grant local currency.
USA	240	216.2	"Enterprise fund" to help promote the private sector (G-FC).
	6	5.4	Both countries. Trade development Telephone system modernisation.
Switzerland	155	86.6	PC-G/L.

Note : Italy is considering (PC) entering this field with as yet unspecified commitments ; France and the UK are committed (FC) for unspecified amounts. Germany will extend government guarantees for investment in Poland in accordance with existing procedures.  
 Canada will also use \$ 10M Economic Development Fund mentioned under Vocational Training to encourage investment and joint ventures, and has in place a small promotional programme for joint ventures.  
 Japan is considering overseas investment credits of the EXIM Bank and resumption of cover for overseas investment insurance (subject to IMF agreement and clearance of arrears of EXIM Bank and guaranteed commercial credits).

#### E. Environment

Finland	90	18.4	Over three years, for the environment.
Japan			(see under Vocational training).
New Zealand	0.1	0.053	
Norway	10	1.3	G-FC
Sweden	300	42.5	Three year programme
Switzerland	30	16.8	PC-G. Both countries
USA	15	13.8	G-FC. for Krakow (sulphur dioxid emissions, water quality and supply, air quality).
Nordic countries	SDR 36	42.8	Both countries. Finance corporation for the purpose of Nordic participation ...

Note : Germany, France, Japan, Netherlands are also involved with firm commitments but for unspecified amounts (in the form of export credit guarantees in the case of Germany).  
 Belgium and Denmark are examining possible commitments.  
 Italy and Spain : in contact with both countries and in the process of studying steps to take.  
 Austria : work programme based on bilateral cooperation agreements under negotiation.

F. Energy

USA	30	27	Both countries
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G. Others

Belgium	130	3	Both countries: Bilateral projects.
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Germany	2.2	1.1	FC for supporting measures in the social -political field.
	10	5	FC : promotion of social & economic development (1990); Both countries.
	45	22.5	PC : further commitments for promoting social & economic development (1991-1993) Both countries.

	30	15	FC : reduction of postal fees for parcels sent to Poland.
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Ireland	0.65	0.84	General Economic Aid (details to be decided); Both countries.
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Italy	10.000	7	Medical aid (G-FC).
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Japan	(as yet unspecified)		Formulation and implementation of projects in Poland to be supported by the World Bank and financed as grant by Japan Special Fund established with World Bank.
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Luxemburg	20	0.5	Unspecified projects.
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Netherlands	10	4.4	Medical supplies.
	15	6.5	General Credit for Cooperation; both countries.

New Zealand	0.5	0.26	Technical assistance development fund; both countries.
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USA	5.5	4.9	Science and technology exchanges.
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	4	3.6	Medical supplies, hospital equipment and medical training.
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2. RECENT DEVELOPMENTS OUTSIDE THE SCOPE OF THE ORIGINAL EXERCISE

A. Export Credit Guarantee Ceilings

Austria	1.000 750	69	City of Vienna. Federal Government short term credit scheme (P/C).
Belgium	3.000	69.2	PC
Canada	20	15.4	PC Revolving Fund which would be available for additional commitments as reimbursed
Finland			Open without ceiling.
France	3.000	480	
Germany	2.500	1.250	FC
Italy	\$ 400	363.6	
Japan	\$ 350	322	FC - over two years.
Luxemburg			Supplementary ceilings under examination.
New Zealand	100	53	Both countries.
Norway	150	19.8	Guarantee scheme for capital goods and investments (FC).
Spain	\$ 50	44	FC. On a case by case basis. Amount could be increased.
Turkey	\$ 100	90	FC.
USA	200	180	Both countries

B. Project financing (2)

EIB		1.000	Over three years for both countries: principle approved by Council of Ministers; EC budget guarantee.
IBRD (*)	(300)	(276)	Two projects are ready; they should be followed by another \$300M project loan and then perhaps by a \$500M SAL; total commitments could reach \$1bn by the end of 1990 (PC).
Austria	5.000	345	East-West fund to promote investment in Eastern Europe.
Japan	(as yet unspecified)		Considering untied loans of EXIM Bank (including co-financing with international development financing institutions - subject to IMF agreement and clearance areas due to EXIM Bank).
Spain	(as yet unspecified)		Case by case commitment.
United Kingdom	15	21	Agricultural projects.

(\*) for information only.

C. EEC Action plan

EEC	300	300	G-FC (both countries) for various fields
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D. Contributions to the Polish Stabilisation Fund (PSF)

As the PSF will be managed in dollars at the New York Federal Reserve Bank, the figures given under this heading are all in American currency (000.000)

G-7

Germany	\$ 250	L-FC - credit line in DM (not deposited at the NYFRB).
United States	200	G-FC.
Japan	150	L-FC (yen loan)
United Kingdom	100	G-FC (in sterling)
France	100	L-FC (in French francs)
Italy	100	L-FC (in lira)
Canada	25	G-FC
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<u>TOTAL</u>	\$ 925 M	

Other countries

Switzerland	30	L-FC
Austria	20	G-FC (in schillings)
Spain	14	L-FC (order of magnitude)
Finland	5.1	FC (in Finnish marks)
Portugal	2.5	L-FC (order of magnitude)
Turkey	0.75	
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<u>TOTAL</u>	\$ 71.35 M	

Two other countries have expressed an interest in contributing to this Fund, Norway and Luxemburg : the possible figures have not been specified.

E. Balance of payments support

IMF (*)	700	644	PC-L (for the time-being, a request by Poland)
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F. Debt reduction (other than in the Paris Club framework)

Germany	760	380	Cancellation of arrears on a DM lbn loan of 1975
	570	285	Conversion of future payments on DM lbn loan of 1975 into local currency to be used for German-Polish projects (PC-G).

(\*) for information only.



## HUNGARY

1. FUNDS ALLOCATED TO THE ORIGINAL PRIORITIES OF THE G-24

	Amount actually committed or envisaged in local currency (millions)	ECU equivalent (millions)	Particulars L : Loan G : Grant FC : Firm commitment PC : Possible commitment
<u>A. Vocational training (training, retraining, management training)</u>			
Austria			See under Poland
Canada			See under Poland
Finland			Managment training Energy saving, telecommunications, food processing See under Poland.
Germany	3.2	1.6	Special training programme in the fields of management, economics, science and law (scholarships included).
Japan			See under Poland
Netherlands	3	1.3	For all fields.
New Zealand			See under Poland
Spain			See under Poland
Turkey			See under Poland
United Kingdom	25	35.6	G-PC("know-how fund")
Switzerland			See under Poland
USA			See under Poland

Note : Other countries are already involved in this field with firm commitments for unspecified amounts (Norway, Japan, Germany, France, Netherlands); and yet another group is studying the possibility of entering into commitments (Australia, Greece, New Zealand, Belgium, Denmark).

B. Investment (joint ventures)

Denmark			See under Poland
Italy			See under Poland
Switzerland	5	2.8	PC-G investment promotion activity
USA	1	0.92	PC (would cover a three year period)
(see also under Poland)	25	23	G-PC (enterprise fund to promote the private sector)

Note : Belgium, Denmark, France and the Netherlands are also involved in this field with firm commitments for unspecified amounts. Germany extends government guarantees for investment in Hungary (DM 43m so far). Canada is looking into the possibility of entering into commitments.

Japan considering overseas investment credits of EXIM Bank following discussions between IMF and Hungary.

C. Environment

Japan			See under Poland.
New Zealand			See under Poland.
Nordic countries			See under Poland.
Switzerland			See under Poland.
USA	5	4.6	G-PC creation of a Regional Environmental Centre in Budapest
	20	18.4	

Note : Finland, Austria, Germany, the Netherlands and Spain are also involved in this field with firm commitments for unspecified amounts. Denmark is looking into the possibility of entering into commitments. Austria has a working programme on the basis of bilateral agreements.

D. Energy

USA

See under Poland

E. Others

Belgium

See under Poland

Canada

11.7

Credit to the Hungarian National bank for the purchase of Canadian goods (FC-L)

Germany

See under Poland

Ireland

See under Poland.

Japan

(unspecified as yet)

Formulation and implementation of projects in Hungary to be supported by the World Bank and will be financed as grant by Japan Special Fund established with the World Bank by Japanese contributions.

Netherlands

See under "Others" Poland.

New Zealand

See under Poland.

Turkey

0.25

0.23

(G) Medium term facility.

2. RECENT DEVELOPMENTS OUTSIDE THE SCOPE OF THE ORIGINAL EXERCISEA. Export credit guarantees

Belgium	3.000	69,7	PC
Finland			Open without ceiling.
Germany	840	420	Current exposure: no restrictions on further cover.
Japan	\$ 400	357	FC - over two years.
Spain			Open without ceiling.
Turkey	\$ 100	90	FC

USA			See under Poland
Switzerland			Open without ceiling.
<u>B. Project financing</u>			
Austria			See under Poland.
EIB			L-FC (as much as 1bn ECUs could be extended as EIB loans to both Hungary and Poland, with a Community budget guarantee). PC reconstruction projects.
Finland	400	85	
Japan			Considering untied loans of EXIM Bank including co-financing with the international financing institutions in response to Hungarian request following discussions between IMF and Hungary.
Turkey			See under Poland
<u>C. Economic Development Financing</u>			
EEC (*)	1.000	1.000	PC - Proposal for a loan up to max. 1bn ECUs for structural adjustments
Germany	1.000	500	FC: untied loan in 1987, guaranteed by the federal government.
	500	250	FC: increase of 1987 federal government -guaranteed loan.
	500	250	FC: bank loans, partially guaranteed by Länder-governments of Bavaria, Baden-Württemberg.

(\*) Commission proposal to Council of Ministers.

D. EEC Action Plan

See under Poland

OTHER FINANCING INDICATED BY DONORS

Sweden	700	96	For Eastern Europe over a three year period
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Note : Total Japanese aid to Poland and Hungary over the next two years should amount to close to two thousand million dollars. Part of this will be extended in the form of untied credits (\$ 500 M for each country); technology worth about \$ 25 M should be transferred to both countries over the next few years.

