



Republika e Kosovës
Republika Kosovo - Republic of Kosovo
Kuvendi - Skupština - Assembly

Law No. 05/L -153

**ON RATIFICATION OF THE AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF KOSOVO AND THE
GOVERNMENT OF HUNGARY FOR THE ESTABLISHMENT OF
FRAMEWORK PROGRAM FOR FINANCIAL COOPERATION**

Assembly of Republic of Kosovo,

Based on Articles 18 and 65 (1) of the Constitution of the Republic of Kosovo,

Approves:

**LAW ON RATIFICATION OF THE AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF KOSOVO AND THE
GOVERNMENT OF HUNGARY FOR THE ESTABLISHMENT OF
FRAMEWORK PROGRAM FOR FINANCIAL COOPERATION**

Article 1
Purpose

This law aims to ratify the Agreement between the Government of the Republic of Kosovo and the Republic of Hungary for the establishment of the framework program for financial cooperation.

Article 2
Ratification of the Agreement

There is ratified the Agreement between the Government of the Republic of Kosovo and the Republic of Hungary for the establishment of framework program for financial cooperation, signed on 14.12.2016 in Pristina.

Article 3
Documents attached

In the Annex of this Law there is attached to the Agreement between the Government of the Republic of Kosovo and the Republic of Hungary for the establishment of a framework program for financial cooperation.

Article 4
Entry into force

This Law shall enter into force fifteen (15) days after publication in the Official Gazette of the Republic of Kosovo.

Law No.05/L - 153
10 March 2017

President of the Assembly of the Republic of Kosovo

Kadri VESELI

AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF KOSOVO
AND
THE GOVERNMENT OF HUNGARY
ABOUT THE ESTABLISHMENT OF A FRAMEWORK PROGRAMME FOR
FINANCIAL CO-OPERATION

The Government of the Republic of Kosovo and the Government of Hungary (further on: Contracting Parties) agree about the mutually advantageous extension of the economic relationship and promotion of the development co-operation as follows:

Article 1

Definitions

For the purpose of this Agreement:

a) tied aid credit: export credit tied to procurement of goods and/or services originating from Hungary and supported officially through interest rate support and insurance with a concessionality level not less than the relevant proportion set forth in the provision of the OECD Arrangement for „minimum concessionality level”;

b) mixed credits: associated financing packages of concessionary credits mixed with grants. The overall concessionality level of a package set forth in the OECD rules is calculated on the basis of the interest subsidy and the grant part, the latter may include but not exceed the amount of the risk premium;

c) concessionality level: the difference between the nominal value of the tied aid credit and the discounted present value of the future debt service payable by the borrower, expressed as a percentage of the nominal value of the tied aid credit;

d) nominal value of the tied aid: the total value of the project financed in the frame of the tied aid credit along with the risk premium for the credit repayment excluding interests;

e) grant element: the part of the tied aid credit's nominal capital value, non-repayable by the borrower;

f) *OECD Arrangement*: OECD Arrangement on Officially Supported Export Credits effective on the day of contracting;

g) *starting point of credit*: to be determined according to the list of definitions set out in the *m)* point of Annex XIV. of the OECD Arrangement;

h) *DDR*: Differential Discount Rate used for calculating the concessionality level of tied aid in a given currency, set forth in the provision of the OECD Arrangement for „calculation of Concessionality level of tied aid”;

i) *ODA*: Official Development Assistance.

Article 2

Establishment of the framework programme for financial co-operation

The Government of Hungary, in accordance with its international development co-operation policy, offers a non-refundable official support through interest rate support and grant element, to tied aid credits (further on: tied aid credit line) disbursed by the Hungarian Export-Import Bank Pte. Ltd. (further on: Eximbank) with the framework conditions set out in the present Agreement, available for financing high priority development sectors of the Republic of Kosovo, nominated in Appendix I.

The Government of the Republic of Kosovo accepts the tied aid credit line and, acting in accordance with its own legal system and international obligations, supports the realisation of the present framework programme of tied aid credit by accepting payment obligations of the credit spent and its additional charges (if any). For the avoidance of any doubt, in case under the individual credit agreements the Ministry of Finance of the Republic of Kosovo – as the authorised organisation of its Government - shall act as the borrower, the undertaking of the Ministry of Finance shall be deemed to be sovereign under this Agreement.

Contracting Parties express their willingness with respect to the participants of the credit transactions belonging to the present tied aid credit line and will confirm by declarations that pursuant to the provisions of the action statement of the OECD on „Bribery and officially supported export credits” they did not participate in any bribery in relation to the transactions and they are not aware of any corruption.

Article 3

Amount of the tied aid credit line and its financial conditions

The total value of the projects financed under the tied aid credit line shall not exceed sixty two (62) million EUR. The firm commitments arise on the basis of the individual credit agreements concluded between the Ministry of Finance of the Republic of Kosovo and Eximbank as stipulated in Article 7 of this Agreement.

The concessionality level of credits payable under the tied aid credit line shall reach at least 35 per cent in accordance with the provision of the OECD Arrangement for „minimum concessionality level”.

Tenor of the credits disbursed under the tied aid credit line shall not exceed eighteen and a half (18.5) years, which includes one and a half (1.5) years grace period and seventeen (17) years repayment period. The first repayment is due 24 months from the completion of each project. The interest rate is zero (0.00) % per annum.

Insurance Premium, for every individual credit agreement deriving from this Framework Agreement, will be covered by the Hungarian Government.

The disbursement period of credits disbursed under the tied aid credit line will be stipulated in the individual credit agreement depending on the particular projects. Unless otherwise mutually agreed in each individual contract, the disbursement period for the individual credits shall not exceed three (3) years.

Relating to the credits disbursed under the tied aid credit line, risk premia stipulated in the individual credit agreements will be calculated in line with the OECD Arrangement, and will be officially supported and counted in as a grant part of the associated financing package.

Article 4

Utilisation of the tied aid credit line

The tied aid credit line can be utilised for the realisation of projects in the areas not objected by signers of the OECD Arrangement during the procedure in conformity with the acceptance rules of the OECD Arrangement and the consultation procedure, respectively.

Contracting Parties agree that the Government of the Republic of Kosovo will apply the tied aid credit line for sectors specified in the Appendix I forming an integral part of this Agreement.

The selected projects will be realised by Hungarian exporters which companies shall be registered in Hungary. The financed exports realised under the tied aid credit line may include the foreign content in cases if at least 50 per cent of the export realised by companies registered in Hungary qualifies as of Hungarian origin performed on the territory of the Republic of Kosovo.

The Government of the Republic of Kosovo or the organisation appointed by it chooses companies registered in Hungary (further on: exporter) for realisation of the projects in sectors specified in the Appendix, in conformity with its legislation, acting in accordance with generally accepted principles and good procurement practices, and gives the Ministry of Foreign Affairs and Trade information about its decisions. Moreover, the following procurement types for projects to be financed under this Agreement may be:

a. Limited Bidding (limited to eligible companies/exporters as per this Framework Agreement)

b. Direct Contracting

Article 5

Acceptance procedure

The Ministry of Finance of the Republic of Kosova shall submit project proposals for financing to be approved by the Hungarian Ministry of Foreign Affairs and Trade. Proposed Projects must fall within sectors listed in the Annex of this Agreement.

The Contracting Parties, after the approval of the project proposal to be financed under the credit line as per this Agreement, will follow the procedure below:

a) The exporter and the buyer/importer elaborate the export contract on the realisation of the project.

b) The Ministry of Finance of the Republic of Kosovo approves the export contract concluded and gives a written notice about this to the Ministry of Foreign Affairs and Trade and the Hungarian Eximbank.

c) Eximbank confirms in writing the start of the negotiation about the individual credit agreement based on the export contract approved by the Ministry of Finance of the Republic of Kosovo.

Article 6

Disbursement of the tied aid credit

Detailed disbursement conditions of the tied aid credit provided to finance projects under sectors accepted by the Contracting Parties with this Framework Agreement is to be stipulated in the individual credit agreement subject to negotiation between the borrower authorised by the Government of the Republic of Kosovo in accordance with the provisions laid down in Article 7 on the one part and Eximbank as the lender on the other.

Eximbank, for the account of its own resources, lends tied aid credit, up to the amount of credit line agreed in this Agreement, in the form of mixed credit to the borrower authorised by the Government of the Republic of Kosovo for the realisation of projects in accepted sectors. The measure of the financing is 100 per cent of the value of the project and the amount of the grant element.

Commercial and political risks of the tied aid credit will be insured by the Hungarian Export Credit Insurance Pte. Ltd. (further on: MEHIB).

Article 7

General preconditions of the individual credit agreements

According to the relevant international obligations, individual tied aid credit financing a particular project shall be notified to, and accepted by the OECD and the EU. After successful execution of this procedure, written notice is sent to the buyer, the exporter, and the Contracting Parties, respectively.

The borrower under the individual credit agreements shall be the Ministry of Finance of the Republic of Kosovo, as the authorised representative of the Government of the Republic of Kosovo. In the individual credit agreements the Ministry of Finance of the Republic of Kosovo shall undertake the repayment of the credit, the payment of interests and additional charges (if any), based on the present tied aid credit line in the case of the sectors specified in the Appendix I.

The Republic of Kosovo shall set aside the amount of its payment obligation in the actual year in its state budget.

Eximbank and MEHIB shall conclude a credit insurance contract complying with the conditions fixed by the Hungarian law in force.

Article 8

Taxes, fees

The Contracting Parties are obliged to pay the taxes, fees and other public charges arising on the basis of the execution of this Agreement in their own country. These costs cannot be paid from the individual tied aid credits and they cannot be separated. Costs arising during the individual credit agreement shall be paid by the parties of the credit agreement in their own country and they cannot be charged on the individual tied aid credit.

During the reimbursement of the loan and the payment of the interest (if any) the amounts to be paid cannot be decreased by the tax levied by the Republic of Kosovo or other amounts arising as a result of other payment obligations.

Article 9

Dispute Settlement

The Contracting Parties shall settle any dispute in connection with this Agreement in the course of direct negotiations.

Article 10

Governing Law and Arbitration

The individual credit agreement shall be governed by the laws of Hungary. All disputes arising from or in connection with the individual credit agreement shall be settled first by amicable negotiations in good faith. In case the said disputes are not settled within 60 (sixty) calendar days, the said disputes shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce

(ICC), Paris, by 3 (three) arbitrators. The arbitration shall be conducted in English language. Place of arbitration shall be Paris, France.

Article 11

Closing Provisions

a) This Agreement shall be valid for four years from the date of its coming into force and shall be automatically renewed for a period of one (01) year, unless one Party informs the other of its decision to terminate it, by means of a written notification at least three (03) months before expiry.

b) Provisions of this Agreement, even after their expiry, shall be applicable for projects which were financed on the basis of the individual credit agreement concluded according to this Agreement.

c) This agreement shall enter into force on the thirtieth (30th) day after receiving the last written notification through diplomatic channels by which Parties have confirmed that their respective legal procedures required for the entry into force of this Agreement have been completed.

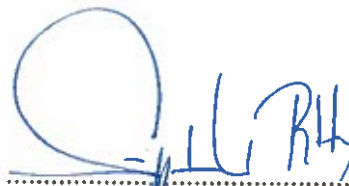
d) This Agreement may be cancelled in writing through diplomatic channels without explanation by either Contracting Party. In this case the Agreement shall abate on the 30th (thirtieth) day of the other Contracting Party's receipt of the notification about cancellation. Should this Agreement be cancelled by either party, the individually signed contracts will remain in force until completion and will not be effected by such cancellation.

e) The Contracting Parties may amend or supplement this Agreement at their common will and agreement. After completion of internal procedures for amendments and supplements, these amendments and supplements shall come into force according to point c) of this Article.

Signed in Pristina on the 14th day of December in 2016, in English language, in three originals.



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on behalf of the
Government
of the Republic of Kosovo



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on behalf of the
Government
of Hungary

ANNEX

***ON LIST OF AREAS PROPOSED FOR REALISATION ON THE BASIS OF
THE AGREEMENT ON A FRAMEWORK PROGRAM FOR FINANCIAL
CO-OPERATION BETWEEN HUNGARY AND THE REPUBLIC OF KOSOVO***

- **Water and wastewater**
- **Infrastructure**