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

The Government of the Socialist Republic of Vietnam and the Government of the Republic 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 35 per cent;
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 k) point of Annex XI. of the OECD Arrangement;
h) *DDR:* Differential Discount Rate used for calculating the concessionality level of tied aid, determined by the OECD;
i) *ODA:* Official Development Assistance;
j) *MOF:* The Ministry of Finance of Vietnam, representing the Sovereign;

Article 2
Establishment of the framework programme for financial co-operation

The Government of the Republic 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 Ltd. (further on: Eximbank) with the framework conditions set out in the present Agreement, available for financing included in the development aims of high importance of the Socialist Republic of Vietnam.

The Government of the Socialist Republic of Vietnam 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.

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 project financed under the tied aid credit line is maximum 35 Million EUR. The firm commitment arises on the basis of the individual credit agreement concluded between MOF and Eximbank as stipulated in Article 7 of this Agreement.

The concessionality level of credit payable under the tied aid credit line shall be not less than 35% in conformity with the OECD Arrangement.

Tenor of the credit disbursed under the tied aid credit line shall not exceed 15,5 (fifteen and a half) years, which includes maximum 3 years grace period starting from the starting point of credit as defined in the OECD Arrangement, and maximum 12,5 (twelve and a half) years repayment period of the credit, 0 percent interest rate.

The disbursement period of credit disbursed under the tied aid credit line will be stipulated in the individual credit agreement depending on the particular project. The disbursement period for the individual credits shall not exceed 3,5 (three and a half) years.

Relating to the credit disbursed under the tied aid credit line, a risk premium stipulated in the individual credit agreement will be calculated in line with the OECD Arrangement and will be officially supported and counted in as a grant part of the mixed credit.

Article 4
Utilisation of the tied aid credit line

The tied aid credit line can be utilised for the realisation of projects 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 Socialist Republic of Vietnam will apply the tied aid credit line for priority areas specified in the Appendix forming an integral part of this Agreement.

The selected project shall be realised by Hungarian exports through companies registered in Hungary. The financing 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 Socialist Republic of Vietnam.

The Government of the Socialist Republic of Vietnam or the organisation appointed by it for realisation of the project under priority areas specified in the Appendix, in conformity with its legislation, acting in accordance with generally accepted principles and good procurement practices and Vietnamese procurement procedures, gives the Ministry of National Development and Economy of Hungary information about its decisions.

Article 5
Acceptance procedure

The Contracting Parties, for acceptance of the projects financed under the credit line as per this Agreement, will follow the procedure below:

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

b) The Relevant Party of Vietnam approves the export contract concluded in conformity with the Vietnam Law on Procurement and the Decree 131/2006/ND-CP on 9th November 2006 of the Vietnamese Government on management and utilization of ODA and gives, through diplomatic channels, a written notice about this to the Hungarian Party.

c) In case the Hungarian Party agrees, it will, through diplomatic channels, confirm in writing the export contract approved by the Party of Vietnam.

Article 6
Disbursement of the tied aid credit

Detailed conditions of the tied aid credit provided to finance the project accepted by the Contracting Parties is to be stipulated in the individual credit agreement between MOF 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, up to the amount of credit line agreed in this Agreement, concessional credit to MOF for the realisation of the accepted project. The measure of the financing is 100 per cent of the value of the accepted 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 Ltd. (further on: MEHIB).

Eximbank and MEHIB, in accordance with the international obligations, notify beforehand their intention to lend tied aid credit related to the particular project. After successful execution of the procedure of approval Eximbank gives notes to the importer/buyer and the exporter, and the Contracting Parties, respectively.

Article 7
Conditions of the individual credit agreement

The Government of the Socialist Republic of Vietnam based on the signed individual credit agreement shall secure the repayment obligation as agreed by the Contracting Parties and 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 the amounts to be paid cannot be decreased by the tax levied by the Socialist Republic of Vietnam or other amounts arising as a result of other payment obligations.

Regarding any taxes relevant for this Agreement and the individual credit agreement the Agreement on Avoiding Double Taxation between the Socialist Republic of Vietnam and the Republic of Hungary should be respected.

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 the Republic of Hungary and international arbitration with the English language shall be applied.

Article 11
Closing Provisions

a) This Agreement shall be valid for a period of two (02) years from the date of its coming into force and shall be automatically renewed for 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 those projects accepted and financed on the basis of the individual credit agreement concluded according to this Agreement.

c) The Contracting Parties shall notify each other in writing through diplomatic channels that they have fulfilled the internal legal prescriptions necessary for the coming into force of this Agreement. The present Agreement shall come into force on the day of receipt of such a note later on.

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 60th (sixtieth) day of the other Contracting Party's receipt of the notification about cancellation.

e) The Contracting Parties may amend or supplement this Agreement at their common will and agreement through the way of exchange of diplomatic notes. These amendments and supplements shall come into force according to point c) of this Article.

Signed in Hanoi on 16 of May in 2008 in English language, in two originals.

Cao Viet Sinh
For the Government of the
Socialist Republic of Vietnam

Vice-Minister
Ministry of Planning and Investment

Vizi Laszlo
For the Government of the
Republic of Hungary

Ambassador
Extraordinary and Plenipotentiary

APPENDIX ON

LIST OF PRIORITY AREAS FOR REALISATION UNDER THE AGREEMENT BETWEEN THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM AND THE GOVERNMENT OF THE REPUBLIC OF HUNGARY ON THE ESTABLISHMENT OF A FRAMEWORK PROGRAMME FOR FINANCIAL CO-OPERATION

1.) Public water supply/sewage treatment
2.) Public administration (population registration)