



## Financial assistance to Hungary

Information on Hungary's balance of payments (BoP) programme and post-programme surveillance.

### Post-programme surveillance

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The balance of payments programme for Hungary expired on 3 November 2010, and it was then subject to post-programme surveillance (PPS). PPS ended in January 2015, as Hungary had repaid more than 70% of its EU loan.

During post-programme surveillance (PPS), 6 review missions were carried out to Hungary, with the participation of European Central Bank (ECB) observers on the following dates:

- 4-8 April 2011
- 9-21 November 2011
- 16-28 January 2013
- 4-10 December 2013
- 24-27 June 2014
- 25-28 November 2014

The first 3 missions were conducted jointly with International Monetary Fund (IMF) post-programme monitoring missions (which was closed in August 2013).

### Basic facts about the programme

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In the first half of October 2008, the Hungarian authorities applied to the EU, the IMF and the World Bank for financial assistance because Hungary was experiencing:

- serious market turbulences
- difficulties in refinancing government and external debt

In October 2008 it was agreed between the IMF, European Commission staff and the Hungarian authorities that Hungary would receive an overall amount of €20 billion in multilateral financial assistance. The contributions were as follows:

- €6.5 billion from the European Community under a balance of payments assistance facility approved by the Council on 4 November 2008
- SDR10.5 billion (around €12.5 billion) from the IMF under an [IMF stand-by arrangement approved on 6 November 2008](#);
- €1 billion from the World Bank

The balance of payments assistance was designed in 4 phases with each release of funds tied to achievement of policy conditions on

- fiscal consolidation
- fiscal governance
- financial sector regulation and supervision
- other structural reforms.

A total of €5.5 billion in EU financial assistance was released, instead of the €6.5 billion initially scheduled:

- €2 billion released in December 2008 upon agreement on the memorandum of understanding (MOU)
- €2 billion released in March 2009
- €1.5 billion, released in July 2009

Overall, Hungary received €14.2 billion of balance of payment assistance composed of €8.7 billion from the IMF and €5.5 billion from the European Union. No financial assistance was drawn from the World Bank.

The interest rate on the amounts paid out by the European Commission is 3.25% for the first 2 installments and 3.625% for the third one, with repayments started in 2011.

The entire sum of €5.5 billion was repaid by Hungary according to the agreed schedule (specifically, the repayments took place in December 2011, November 2014 and April 2016).

## **Request for a second BoP assistance programme**

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On 21 November 2011, Hungary requested a second (precautionary) financial assistance from the EU and the IMF because of deteriorating financing conditions. The ECOFIN Council of 30 November agreed in principle to the request. Problems with the respect for independent institutions (notably the central bank) delayed the start of negotiations.

Eventually, negotiations were limited to 1 official round from 17 to 25 July 2012 because Hungary was able to finance itself through the international market and did not request further assistance. For example, it raised US\$3.25 billion in 2013 and was able to redeem before schedule all reimbursements of the 2008-2010 stand-by arrangement (the fund equivalent of an EU BoP programme) to the IMF.

## Key events

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### 2014

- [2 December: Commission staff concludes the sixth Post-Programme Surveillance mission to Hungary - HU](#)
- [1 July: Commission staff concludes the fifth Post-Programme Surveillance mission to Hungary](#)

### 2013

- [11 December: Commission staff conclude fourth Post-Programme Surveillance mission to Hungary](#)
- [16 - 28 January: Commission's mission to Hungary encourages continued progress in fiscal consolidation while paying more attention to raising growth potential](#)

### 2012

- [17 - 25 July: Mission to Hungary starts the negotiations on financial assistance](#)
- [25 April: Commission decides to enter into negotiations on precautionary financial assistance with Hungary](#)

### 2011

- [21 November: Statement of the European Commission on the request by Hungary of possible financial assistance](#)
- [8 April: Commission's mission to Hungary welcomes commitment to structural reform and calls for further details on deficit cuts](#)

### 2010

- November: European Commission BoP assistance agreement expiration
- [July: European Commission and IMF meet with the banking community active in Hungary. Commission postpones conclusion of fifth review on the EU's balance of payments assistance to Hungary](#)
- [7-9 June: Commission visit to Hungary for informal discussions](#)
- [15 February: European Commission concluded its fourth review of the EU medium-term financial assistance to Hungary](#)
- 15 January: Signature of the Third Supplemental MoU

### 2009

- [16 November: Commission concludes third review of the EU balance of payments assistance for Hungary](#)

- [6 July: Disbursement of the third instalment \(€1.5 billion\)](#)
- 10 June: Signature of the Second Supplemental MoU
- [26 March: Disbursement of the second instalment \(€2.0 billion\)](#).
- 11 March: Signature of the Supplemental MoU

## 2008

- 9 December: Disbursement of the first instalment (€2.0 billion)
- [19 November: EU provides €6.5 billion Community financial assistance to Hungary](#). Loan agreement and Memorandum of Understanding (MoU) between EC and Hungary signed
- [4 November: The Council approves the grant of a loan to Hungary to support its medium term balance of payments](#) (98.30 KB - PDF)
- [30 October: Commission proposes financial assistance to Hungary and an increase in overall BoP loans ceiling](#)

## Key documents

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### **EU Balance of Payments Assistance to Hungary: Sixth review under Post-Programme Surveillance - 19 February 2015**

**English** (1.4 MB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin\\_hu\\_efc\\_note\\_6th\\_pps\\_mission\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin_hu_efc_note_6th_pps_mission_en_0.pdf)



### **EU Balance of Payments Assistance to Hungary: Fifth review under Post-Programme Surveillance - 30 September 2014**

**English** (527.9 KB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin\\_hu\\_efc\\_note\\_5th\\_pps\\_mission\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin_hu_efc_note_5th_pps_mission_en_0.pdf)

**EU Balance of Payments Assistance to Hungary: Fourth review under Post-Programme Surveillance - 18 February 2014****English** (492.2 KB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin\\_hu\\_efc\\_note\\_4th\\_pps\\_mission\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin_hu_efc_note_4th_pps_mission_en_0.pdf)

**EU Balance of Payments Assistance to Hungary: Third review under Post-Programme Surveillance - 8 April 2013****English** (960.4 KB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin\\_hu\\_efc\\_note\\_3rd\\_pps\\_mission\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/ecfin_hu_efc_note_3rd_pps_mission_en_0.pdf)

**Third supplementary Memorandum of Understanding - January 2010****English** (836.8 KB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/mou\\_hu\\_20100121\\_en.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/mou_hu_20100121_en.pdf)

**Second supplementary Memorandum of Understanding - June 2019****English** (2.1 MB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/publication15388\\_en.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/publication15388_en.pdf)

**First supplementary Memorandum of Understanding - March 2009****English** (300.6 KB - PDF)

**Url link** - [https://ec.europa.eu/info/sites/default/files/economy-finance/publication14467\\_en.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/publication14467_en.pdf)

**Memorandum of Understanding - December 2008****English** (374.3 KB - PDF)Url link - [https://ec.europa.eu/info/sites/default/files/economy-finance/publication13495\\_en.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/publication13495_en.pdf)

- [2009/102/EC - Council Decision of 4 November 2008 providing Community medium-term financial assistance for Hungary.](#)
- [COM\(2008\) 716 final. 30 October 2008 - Commission Recommendation for a Council Decision granting mutual assistance for Hungary. Proposal for a Council Decision providing EU medium-term financial assistance for Hungary.](#) (51.80 KB - PDF)