

Crisis loan procedure for nationally important projects at KredEx

How loan applications were processed and who received the loan and under what conditions

Background

What did we analyze?

1. The loan for nationally important projects was one of the economic measures established with the supplementary budget of the 2020 state budget, which was implemented through the KredEx Foundation to mitigate the negative impacts of Coronavirus. The budget of the measure was 265 million euros according to the financing agreement signed with the Ministry of Economic Affairs and Communications, and the measure was intended for projects with significant social impact and the cost starting from 10 million euros. In 2021, this measure will not be continued.
2. The National Audit Office has also previously analyzed the strategic management of crisis measures organized through KredEx, including the loan measure for nationally important projects, and highlighted the related risks in the work organization of KredEx.¹ (e.g. frequent changes in terms and conditions, conflicting explanations of internal procedures, time pressure in the processing).
3. This audit is largely driven by the risks described in the previous report. The aim was to analyze the work organization of KredEx in more detail based on the procedure of specific loan applications, to compare the procedural practice in different projects and to assess whether the work organization was sufficient to ensure equal treatment of applicants and transparency of decisions. The requirement of transparency and equal treatment of the procedure arises from the General Regulation of the Government on the COVID measures² the terms of which KredEx agreed to comply with in the financing agreement.
4. The NAO proceeded from the premise that transparency is ensured by clear justification of choices and decisions, and equal treatment of applicants is ensured by uniform practice of collecting and assessing information. Equal treatment of persons and clarification of decisions in the same circumstances is a pervasive principle of administrative procedure. By granting loans from public funds, KredEx performed a public task and the loan application procedure was subject to the Administrative Procedure Act.

Summary of key findings

What did we conclude?

5. In the opinion of the National Audit Office, the procedure of loan applications and the collection of information necessary for loan decisions in KredEx's internal procedures were sufficiently detailed and standardized to create preconditions for equal treatment of loan applicants in conjunction with the loan measure terms and conditions for nationally important projects.

¹COVID-19 aid extraordinary measures for enterprises offered by KredEx National Audit Office, 25.11.2020.

² The Government Regulation No. 31 of 28 April 2020 "General terms and conditions of support measures for alleviating the impact of the crisis related to the spread of the coronavirus causing the COVID-19 disease and the emergency situation arising therefrom", Clause 5 (1)1.

For your information

The terms and conditions of the loan measure for nationally important projects were established for the first time by the decision of the Management Board of KredEx on 28.04.2020 and have been amended on 15.06.2020, 14.07.2020 and 23.12.2020.

The internal procedures for loan applications were also largely followed, and although the terms of the loan measure were changed several times during 2020, the processing of applications submitted under the same conditions was broadly the same. The problem was the irregular practice of proving the non-receipt of loans from banks and the processing of loan applications that did not have required annexes.

6. At the same time, the work organization of KredEx cannot be considered sufficient to ensure the transparency of the procedure. Loan applicants were notified of a negative loan decision via an e-mail which did not, however, set out the considerations, the legal basis or all the facts which led to the refusal. Such an e-mail does not meet the content requirements of an administrative deed.

Limitation to the scope of assessment

7. The National Audit Office wants to emphasize that in the course of the audit it analyzed the procedure of loan applications and related information at the level of KredEx. The NAO did not assess what could have influenced decisions outside KredEx.