

**ORDINANCE ON THE REQUIREMENTS TO BE MET BY
THE INVESTMENT PROJECTS FINANCED BY
GOVERNMENT LOANS AND THE PROJECTS APPLYING
FOR FINANCING BY SOVEREIGN GUARANTEE, AND ON
THE PROCEDURE OF THEIR CONSIDERATION**

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Chapter one.

**REQUIREMENTS TO BE MET BY THE INVESTMENT
PROJECTS FINANCED BY GOVERNMENT LOANS AND THE
PROCEDURE OF THEIR CONSIDERATION**

Art. 1. The investment projects, the financing of which requires conclusion of agreements for foreign and domestic government loans during the next year, shall be considered and approved by the Council of Ministers within the framework of the budget procedure for the respective year.

Art. 2. The ministries shall present, annually by March 31, to the Ministry of Finance their proposals for the investment projects under art. 1.

Art. 3. The Council of Ministers shall consider the requests for financing by government loans of projects meeting the following requirements:

1. the project shall support the development of the public sector and the economy of the country;

2. the request shall be accompanied by a full description of the project - name of the project, objectives, feasibility study of the project, expected deadlines for the realisation of the project, social and economic analysis of the expected results from the implementation of the project, as well as analysis of the impact on the environment;

3. to have attached a detailed description of all financial parameters of the project - all sources of financing of the project and amount of the respective financial resource, amount of the requested loan, deadlines and manner of utilisation of the loan, interest terms, repayment schedule, amount of the expenses for consulting and administrative managerial services, sources of repayment of the loan, impact of the foreign financing and the expenses related to the servicing of the loan on the budget of the respective ministry;

4. to have attached a scheme of exercising internal departmental control in the respective ministry regarding the fulfilment of the project.

Art. 4. (1) The Minister of Finance shall work out a list of the filed proposals under art. 2 and an analysis of the degree to which the following criteria have been met:

1. relieved terms of financing or present value of the loan under its nominal amount;
2. minimal administrative managerial expense and other related expenses in utilising the loan;
3. degree of readiness to realise the project and utilisation of the resources of the loan;
4. possibility of revenues formation in the process of project implementation, which will be used as potential sources of servicing the loan or of facilitating its servicing; this criterion shall not apply to projects of social nature.

(2) The projects included in the list under para 1 shall be presented for coordination with the Council of Structural Policy at the Council of Ministers before their presentation for consideration and approval by the Council of Ministers.

Art. 5. The approval of the projects shall be carried out by observing the limit under art. 10 of the Law on Government Debt and upon assessment of their impact on the budget expenses and the budget deficit.

Art. 6. All projects approved by the Council of Ministers, to be financed by government loans, shall be included in the draft budgets of the respective ministries according to the macro-economic frame for the respective year.

Chapter two.

REQUIREMENTS TO BE MET BY THE PROJECTS APPLYING FOR FINANCING BY SOVEREIGN GUARANTEE AND PROCEDURE OF THEIR CONSIDERATION

Art. 7. Projects, for which the issuance of a sovereign guarantee shall be proposed on their financing, shall be considered and approved by the Council of Ministers.

Art. 8. All requests for providing sovereign guarantee on loans to be concluded during the next year shall be presented by the line ministry to the Ministry of Finance by March 31, accompanied by the following documents:

1. full description of the project - name of the project, objectives of the proposed project, characteristics of the performed activity, feasibility study of the project, degree of readiness for the realisation of the project, amount of the necessary

investments and technical description of the expected results, macro-economic effect and impact on the environment;

2. financial analysis - capital structure of the loan applicant, analysis of the financial status before the realisation of the project and prognosis of the financial status after the realisation of the project, expected cash flows during and after the realisation of the project and sources for repayment of the requested loan;

3. financial parameters of the requested loan - amount of the loan, deadlines and manner of utilisation of the loan, interest terms, repayment schedule, fees and other administrative managerial expenses;

4. securities or guarantee schemes which can be used in favour of the guarantor.

Art. 9. (1) The Minister of Finance shall draw up a list of the filed proposals under art. 8 and an analysis of the degree to which the following criteria have been met:

1. importance of the project for the development of the economy of the country;

2. comparable advantages of the terms of crediting as compared to the market orientation;

3. share of the concomitant expenses as compared to the direct investment expenses;

4. expected branch and macro-economic effects of the realisation of the project;

5. degree of the risks undertaken and measures for their restriction;

6. degree of security of servicing the loan;

7. goodwill of the loan applicant, lack of delays of servicing existing loans and other liabilities, acceptable values of the indices of profitability, effectiveness, liquidity, degree of indebtedness and solvency (financial autonomy).

(2) The projects included in the list under para 1 shall be presented to the Council of Structural Policy at the Council of Ministers before their presentation for consideration and approval by the Council of Ministers.

Art. 10. The Council of Ministers shall include in the draft law of the state budget of the Republic of Bulgaria for the next year the approved projects under art. 1 and 7.

Concluding provision

Sole paragraph. The Ordinance is adopted pursuant to art. 5, para 3 and art. 22 of the Law on Government debt.