

COUNCIL DECISION

of 24 June 1991

providing medium-term financial assistance for Bulgaria

(91/311/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission⁽¹⁾, submitted following consultation with the Monetary Committee,

Having regard to the opinion of the European Parliament⁽²⁾,

Whereas Bulgaria is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Whereas the said reforms are already under implementation and their financial support from the Community will strengthen mutual confidence and bring Bulgaria closer to the Community;

Whereas, following the changes in the international environment, the Bulgarian economy is in deep recession and facing external shocks which might sharply deteriorate its balance of payments and weaken its precarious reserve position; whereas a particularly heavy external debt burden makes the Bulgarian economy even more exposed to the said external shocks;

Whereas the Bulgarian authorities have requested financial assistance from the International Monetary Fund (IMF), the Group of 24 industrial countries and the Community; whereas, over and above the estimated financing which could be provided by the IMF and the World Bank, a financial gap of some ECU 580 million remains to be covered in 1991, in order to prevent a further erosion of Bulgaria's reserve position and avoid an additional degree of import compression, which could seriously jeopardize the achievement of the policy objectives underlying the Government's reform effort;

Whereas the success of the reform process in Bulgaria will depend crucially on the solution of the acute debt problem which faces the country; whereas the grant to Bulgaria of medium-term financial assistance should be conditional upon the adoption by the Paris Club of a rescheduling arrangement on Bulgaria's official debt and the adoption by Bulgaria's commercial bank creditors of a deferral arrangement on debt servicing payments;

Whereas the Commission, as coordinator of assistance from the Group of 24 industrial countries, has invited

them and other third countries to provide medium-term financial assistance to Bulgaria;

Whereas the grant by the Community of a medium-term loan to Bulgaria is an appropriate measure to support that country's balance of payments and strengthen its reserve position;

Whereas the question of the risks associated with guarantees from the general budget of the European Communities will be examined in the context of the renewal in 1992 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure;

Whereas the Community loan should be managed by the Commission;

Whereas the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall grant to Bulgaria a medium-term loan facility of a maximum amount of ECU 290 million in principal, with a maximum duration of seven years, with a view to ensuring a sustainable balance-of-payments situation and strengthening the reserve position.
2. To this end, the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Bulgaria in the form of a loan.
3. This loan will be managed by the Commission in full consultation with the Monetary Committee and in a manner consistent with any Agreement reached between the IMF and Bulgaria.

Article 2

1. The Commission is empowered to negotiate with the Bulgarian authorities, after consultation with the Monetary Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with any agreements as referred to in Article 1 (3) and with arrangements made by the Group of 24.

⁽¹⁾ OJ No C 96, 12. 4. 1991, p. 17.

⁽²⁾ OJ No C 158, 17. 6. 1991.

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the Group of 24 and the IMF, that the economic policy in Bulgaria is in accordance with the objectives of this loan and that its conditions are being fulfilled.

Article 3

1. The loan shall be made available to Bulgaria in two instalments. The first instalment shall be released as soon as :

- a 'Stand-by Arrangement' has been concluded between Bulgaria and the IMF ;
- a rescheduling agreement on official debt has been concluded between Bulgaria and its Paris Club creditors ;
- a deferral of the commercial debt servicing payments has been concluded between Bulgaria and its commercial bank creditors, and progress has been made with a view to concluding a long-term rescheduling agreement for this debt.

2. The second instalment shall be released after a period of at least two quarters, subject to Article 2 (2).

3. The funds shall be paid to the National Bank of Bulgaria.

Article 4

1. The borrowing and lending operations referred to in Article 1 shall be carried out using the same value date and must not involve the Community in the transformation of maturities, in any exchange or interest-rate risk, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Bulgaria so decides, to include in the loan conditions, and also to exercise, an early repayment clause.

3. At the request of Bulgaria, and where circumstances permit an improvement in the interest rate on the loans, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average duration of the borrowing concerned or increasing the amount, expressed at the current exchange rate, of capital outstanding at the date of the refinancing or restructuring.

4. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by Bulgaria.

5. The Monetary Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3 at least once a year.

Article 5

At least once a year the Commission shall address to the European Parliament and to the Council a report, which will include an evaluation, on the implementation of this Decision.

Done at Luxembourg, 24 June 1991.

For the Council

The President

J.-C. JUNCKER