

II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 19 October 1992

providing further medium-term financial assistance for Bulgaria

(92/511/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 of 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 under implementation with the financial support from the Community and whereas the reform process needs to be strengthened and broadened;

Whereas the financial support of the reforms from the Community will strengthen mutual confidence and bring Bulgaria closer to the Community;

Whereas, Bulgaria and the Community have entered into negotiations for the conclusion of a European Agreement establishing a relationship of association;

Whereas, by Decision 91/311/EEC⁽³⁾, the Council decided to grant Bulgaria medium term financial assistance of a maximum amount of ECU 290 million, with a

view to ensuring a sustainable balance of payments situation in that country;

Whereas, however, despite the government of Bulgaria's courageous implementation of adjustment measures and structural reforms, the stabilization phase of the Bulgarian economy is still under way and whereas additional official support is required in order to support the balance of payments and consolidate the reserve position;

Whereas the Bulgarian authorities have requested financial assistance from the International Monetary Fund (IMF), the Group of 24 industrial countries (G-24) and the Community, and whereas, over and above the estimated financing which could be provided by the IMF and the World Bank and the carryover of financial assistance provided by G-24 for 1991, a residual financial gap of some US \$ 240 million remains to be covered in 1992, in order to reconstitute 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 the country is facing and whereas the Community's financial assistance should be conditional upon decisive progress being made towards setting up a comprehensive medium-term debt restructuring arrangement between Bulgaria and its commercial bank creditors;

Whereas the Commission as coordinator of assistance from the G-24 countries has invited them 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 the balance of payments and to strengthen that country's reserve position;

⁽¹⁾ OJ No C 164, 1. 7. 1992, p. 32.

⁽²⁾ Opinion delivered on 18 September 1992 (not yet published in the Official Journal).

⁽³⁾ OJ No L 174, 3. 7. 1991, p. 36.

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 110 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 close 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 the agreements referred to in Article 1 (3) and with arrangements made by G-24.

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with G-24 and the IMF, that the economic policy in Bulgaria is in accordance with the objectives of this loan and that the conditions of the latter 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 :

— the Bulgarian authorities have taken the necessary steps to allow the release of the amounts committed by non-Community G-24 countries in the context of the 1991 balance-of-payments support package ;

— an agreement in principle has been reached between Bulgaria and its commercial bank creditors on a set of guidelines regarding a future debt restructuring package for that country.

2. Subject to a satisfactory outcome in the verification of the fulfilment of the economic policy conditions referred to in Article 2 (2), the second instalment shall be released when decisive progress has been made towards a comprehensive medium-term debt restructuring agreement between Bulgaria and its commercial bank creditors. Such payment may not take place before the second quarter of 1993.

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 a reduction 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, 19 October 1992.

For the Council

The President

J. COPE