

MINISTRY OF FINANCE

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**GOVERNMENT DEBT  
MANAGEMENT**

JUNE 2002



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## Abbreviations

|           |   |   |
|-----------|---|---|
| BGN       | – | <i>The Abbreviation of the Redenominated Bulgarian Lev</i>  |
| BIR       | – | <i>Base Interest Rate</i>   |
| BNB       | – | <i>Bulgarian National Bank</i>  |
| CB        | – | <i>Commercial Banks</i>   |
| CGB       | – | <i>Central Government Budget</i>  |
| CM        | – | <i>Council of Ministers</i>   |
| CMD       | – | <i>Council of Ministers Decree</i>  |
| CSB       | – | <i>Consolidated State Budget</i>  |
| EAPA      | – | <i>Economic Analyses and Projections Agency</i>   |
| EBRD      | – | <i>European Bank for Reconstruction and Development</i>   |
| GDP       | – | <i>Gross Domestic Product</i>   |
| GGs       | – | <i>Guarantee Government Securities</i>  |
| GS        | – | <i>Government Securities</i>  |
| IMF       | – | <i>International Monetary Fund</i>  |
| JBIC      | – | <i>Japan Bank for International Cooperation</i>   |
| LBNB      | – | <i>Law on the Bulgarian National Bank</i>   |
| LSPDACB   | – | <i>Law on State Protection of Deposits and Accounts with Commercial Banks in Respect Whereof the BNB Has Petitioned the Institution of Bankruptcy Proceedings</i> |
| MF        | – | <i>Ministry of Finance</i>  |
| SBL of RB | – | <i>State Budget Law of the Republic of Bulgaria</i>   |
| SDR       | – | <i>Special Drawing Rights</i>   |
| SFRD      | – | <i>State Fund for Reconstruction and Development</i>  |
| TFP       | – | <i>Transitional and Final Provisions</i>  |
| UBB       | – | <i>United Bulgarian Bank</i>  |
| ZUNK      | – | <i>Bulgarian Abbreviation of the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 (LSNC)</i>                                       |

## BUDGET DEFICIT FINANCING BY GOVERNMENT SECURITIES ISSUES

In June the Ministry of Finance issued through auctions organized by the BNB four government securities issues under Regulation No. 5, including two discount treasury bills issues (Nos. BG3010602004 and BG3010702002) and two tap treasury bonds issues (No. BG2030102110 and BG2040202215). The three-year and ten-year treasury bonds issues were opened again in June.

At the auctions primary dealers' bids totaled BGN 134,866.5 thousand: BGN 26,677 thousand for three-month government securities, BGN 21,700 thousand for twelve-month, BGN 44,151 thousand for three-year and BGN 42,338.5 thousand for ten-year government securities (Chart 1). Approved bids totaled BGN 82,000 thousand nominal value, including three-month of BGN 12,000 thousand, twelve-month of BGN 20,000 thousand, three-year of BGN 25,000 thousand and ten-year of BGN 25,000 thousand (Charts 2 and 3). Coverage coefficient of the issues approved for sale in June accounted for 1.64: 2.22 on three-month, 1.09 on twelve-month, 1.77 on three-year and 1.69 on ten-year (Chart 4). Government securities issued in June increased by BGN 15.98 million on a year earlier basis (Chart 2).

Chart 1

### Government Securities Issue in June

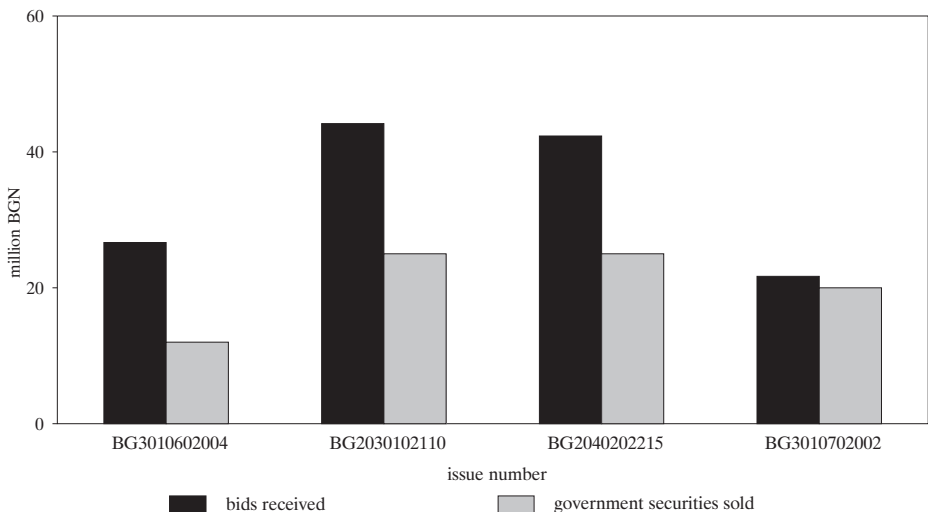


Chart 2

### Sales of Government Securities Issues

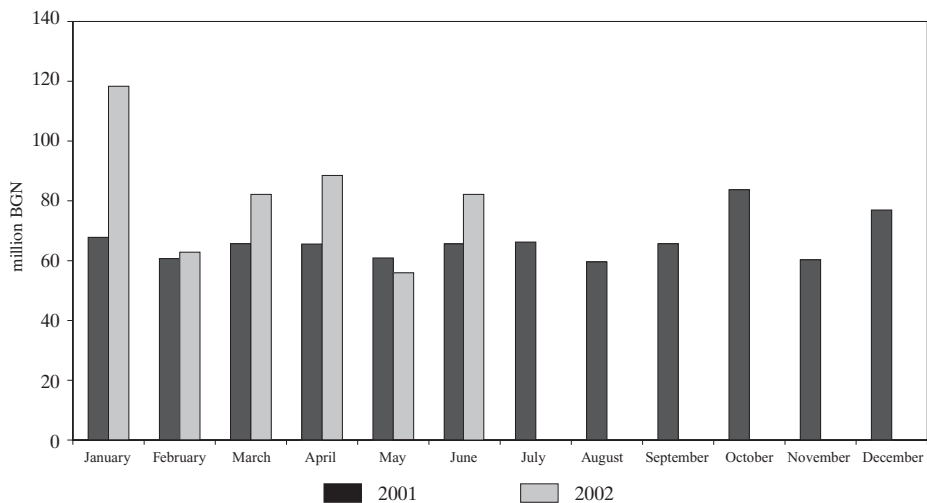
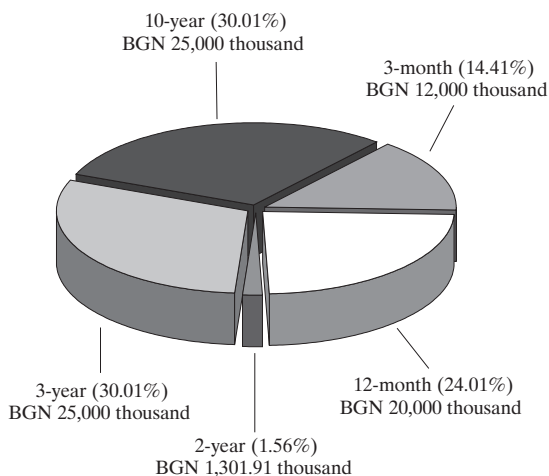


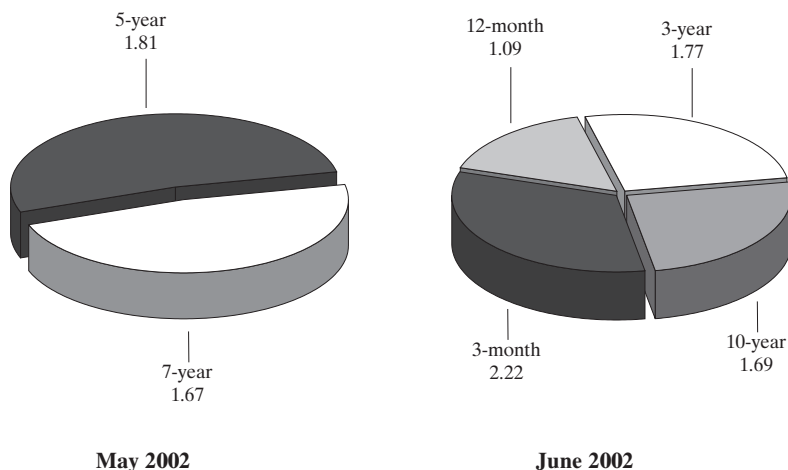
Chart 3

### Structure and Volume of Government Securities Issued for Budget Deficit Financing in June



**Note:** Including target issues of government securities.

### Coverage Coefficients of Issues Sold\*



\* Proportion between bids received and government securities sold.

The yield attained in the primary market reflected a gradual decrease in the yield of three-month government securities at the expense of twelve-month securities which had a positive yield trend. The average annual yield on twelve-month government securities increased from 4.97% to 5.19%, or by 0.22 percentage points. The yield on three-year government securities attained in June accounted for 5.88%, a slight decrease of 0.02 percentage points compared with the previous opening of the issue in March. The yield on ten-year treasury bonds reached 8.10% in June, an increase of 0.22 percentage points from its previous opening (Charts 5, 6 and 8).

One 2002 treasury bills issue (No. BG3010202003) matured in June.

In the review period two issues of two-year treasury notes earmarked for direct sale to individuals were put in circulation: issue No. 711 of 5 June 2002 and issue No. 712 of 19 June 2002. Issue No. 711 totaled BGN 635.2 thousand nominal value and issue No. 712 is still in circulation (Chart 11). Two 2000 issues, amounting to BGN 1,528 thousand, matured in June. During the period under review reverse repurchases accounted for BGN 247.1 thousand (Chart 12).

## Prices of Issues Sold per BGN 100 Nominal Value

### MAY 2002

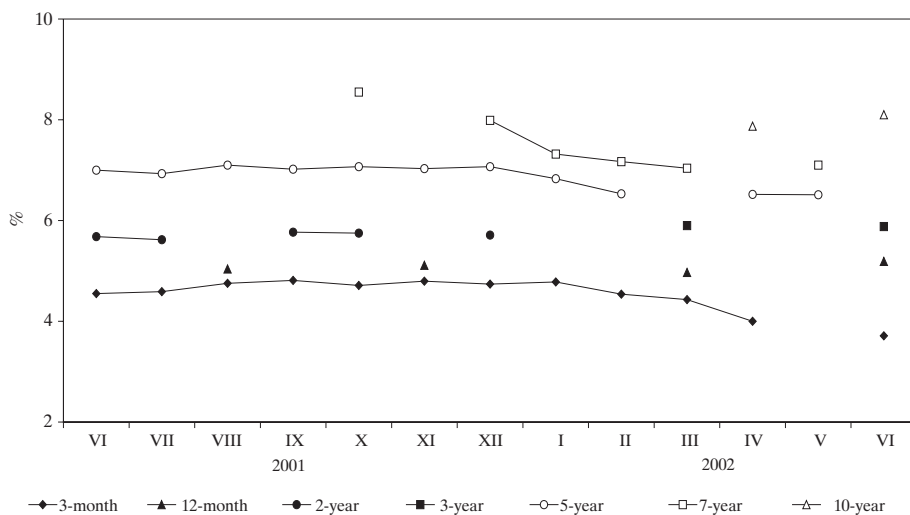
|                  | 5-year       | 7-year       |
|------------------|--------------|--------------|
|                  | BG2030002112 | BG2040102217 |
| Minimum          | 101.83       | 99.15        |
| Average-weighted | 102.07       | 99.44        |
| Maximum          | 102.58       | 100.27       |

### JUNE 2002

|                  | 3-month      | 12-month     | 3-year       | 10-year      |
|------------------|--------------|--------------|--------------|--------------|
|                  | BG3010602004 | BG3010702002 | BG2030102110 | BG2040202215 |
| Minimum          | 99.02        | 94.45        | 101.30       | 95.33        |
| Average-weighted | 99.06        | 95.00        | 101.68       | 95.92        |
| Maximum          | 99.12        | 95.20        | 102.57       | 97.29        |

Chart 5

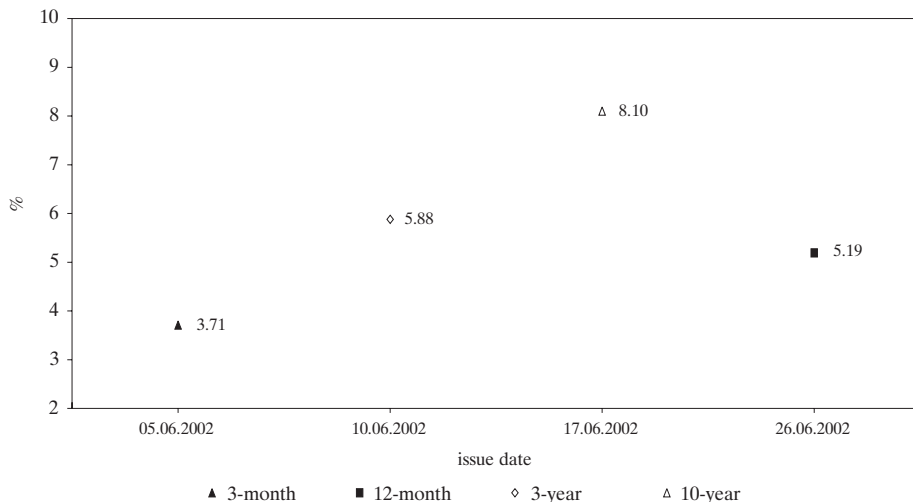
## Yield of Primary Market Government Securities



Note: The yield is on an effective annual basis.



### Dynamics of the Average Annual Yield of Primary Market Government Securities



**Note:** Three-year and ten year tap government securities issues; the above dates indicate the auction dates.

### Government Securities Bought in the Primary Market through Competitive and Noncompetitive Bids

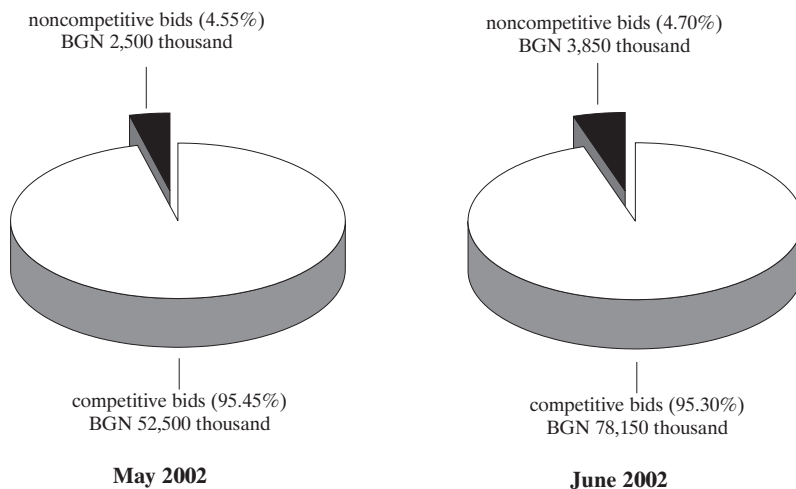
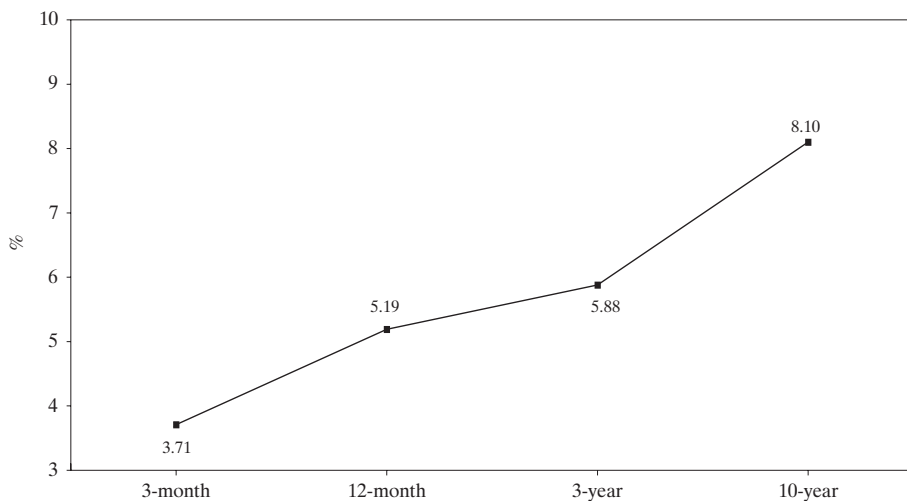


Chart 8

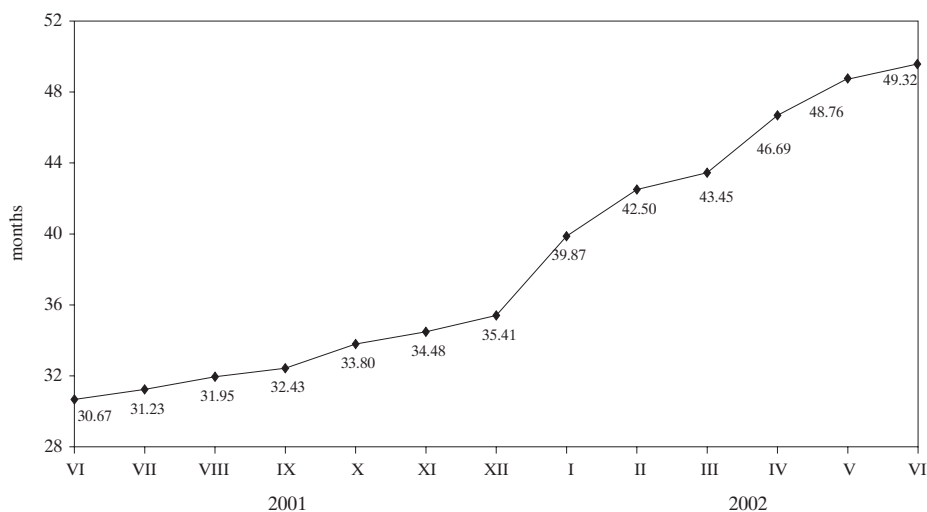
### Yield Curve of Primary Market Government Securities in June



**Note:** Average-weighted yield on an effective annual basis.

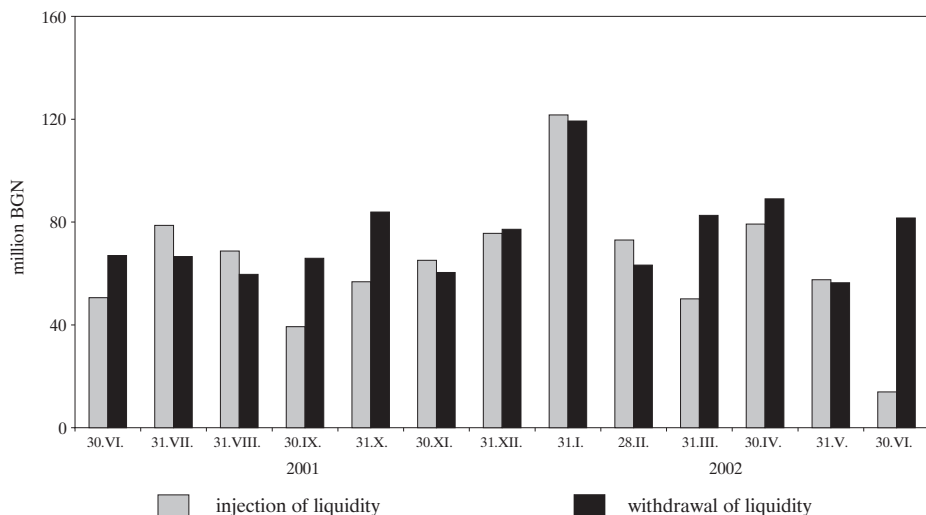
Chart 9

### Average Term of Outstanding Government Securities Issues by Month

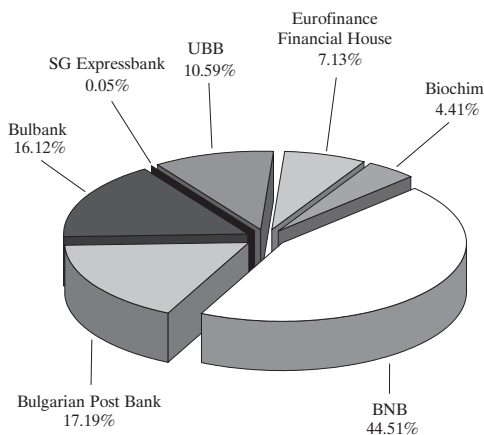


**Note:** The average term is calculated on the basis of the maturity structure of government securities issued for budget deficit financing.

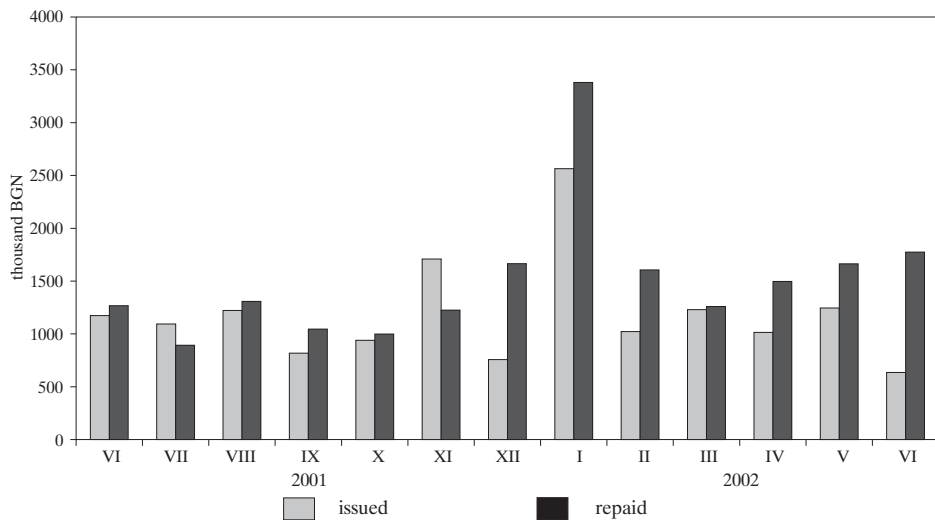
### Monthly Liquidity Regulation through Government Securities Issues and Maturities



### Primary Dealers' Direct Sales of Government Securities from Target Issues in June



### Issued and Repaid Government Securities from Target Issues



# Outstanding Government Securities

## Discount Treasury Bills

| <b>Issue No.</b>  | <b>BG3011701003</b> | <b>BG3012401009</b> | <b>BG3010302001</b> | <b>BG3010402009</b> | <b>BG3010502006</b> | <b>BG3010602004</b> | <b>BG3010702002</b> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Issue date  | 08.08.2001          | 14.11.2001          | 27.03.2002          | 03.04.2002          | 30.04.2002          | 05.06.2002          | 26.06.2002          |
| Maturity date   | 08.08.2002          | 14.11.2002          | 27.03.2003          | 03.07.2002          | 30.07.2002          | 05.09.2002          | 26.06.2003          |
| Nominal value of the offer<br>(thousand BGN)                  | 20 000.00           | 20 000.00           | 20 000.00           | 12 000.00           | 12 000.00           | 12 000.00           | 20 000.00           |
| Total nominal value of the<br>bids received (thousand<br>BGN) | 39 000.00           | 30 300.00           | 40 420.00           | 31 830.05           | 26 340.00           | 26 677.00           | 21 700.00           |
| Total nominal value of the<br>bids approved (thousand<br>BGN) | 20 000.00           | 20 000.00           | 20 000.00           | 12 000.00           | 12 000.00           | 12 000.00           | 20 000.00           |
| Average price of the bids<br>approved per BGN 100 (%)         | 95.14               | 95.07               | 95.20               | 98.98               | 99.02               | 99.06               | 95.00               |
| Average discount per<br>BGN 100 (%)                           | 4.86                | 4.93                | 4.80                | 1.02                | 0.98                | 0.94                | 5.00                |
| Average annual yield (%)                                      | 5.04                | 5.11                | 4.97                | 4.08                | 3.92                | 3.71                | 5.19                |
| Effective annual yield (%)                                    | 5.04                | 5.11                | 4.97                | 4.14                | 3.97                | 3.76                | 5.19                |
| Coverage coefficient  | 1.95                | 1.52                | 2.02                | 2.65                | 2.20                | 2.22                | 1.09                |

## Treasury Bonds

| Issue No.   | BG2030798115 | BG2030998111 | BG2031198117 | BG2030699115 | BG2030999119 | BG2030100114 <sup>1</sup> | BG2030500115 <sup>2</sup> | BG2030600113 <sup>2</sup> |
|---|--------------|--------------|--------------|--------------|--------------|---------------------------|---------------------------|---------------------------|
| Issue date  | 30.04.1998   | 28.05.1998   | 02.07.1998   | 31.03.1999   | 29.04.1999   | 09.02.2000                | 19.04.2000                | 05.07.2000                |
| Maturity date   | 24.04.2003   | 22.05.2003   | 26.06.2003   | 24.03.2004   | 22.04.2004   | 05.02.2003                | 16.04.2003                | 03.07.2002                |
| Nominal value of the offer<br>(thousand BGN)                  | 1 000.00     | 2 000.00     | 2000.00      | 2 000.00     | 3 000.00     | 50 000.00                 | 30 000.00                 | 50 000.00                 |
| Total nominal value of the<br>bids received (thousand<br>BGN) | 3 605.00     | 3 440.00     | 2070.00      | 2 795.00     | 1 190.00     | 192 244.60                | 120 312.85                | 135 755.00                |
| Total nominal value of the<br>bids approved (thousand<br>BGN) | 1 000.00     | 2 000.00     | 2000.00      | 2 000.00     | 1 190.00     | 50 000.00                 | 30 000.00                 | 50 000.00                 |
| Average price of the bids<br>approved per BGN 100 (%)         | 87.14        | 84.78        | 76.20        | 86.35        | 78.37        | 101.20                    | 100.61                    | 101.16                    |
| Average discount per<br>BGN 100 (%)                           | 12.86        | 15.22        | 23.80        | 13.65        | 21.63        |                           |                           |                           |
| Interest rate   | 8.00         | 8.00         | 7.00         | 9.00         | 9.00         | 9.00                      | 8.00                      | 7.00                      |
| Coverage coefficient  | 3.61         | 1.72         | 1.04         | 1.40         | 0.40         | 3.84                      | 4.01                      | 2.72                      |

(continued)

(continued)

| Issue No.   | BG2030700111 <sup>2</sup> | BG2030800110 <sup>2</sup> | BG2030900117 <sup>2</sup> | BG20310000115 <sup>2</sup> | BG2030001114 <sup>4</sup> | BG2030101112 <sup>2</sup> | BG2030201110 <sup>8</sup> | BG2030301118 <sup>8</sup> |
|---|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Issue date  | 19.07.2000                | 04.10.2000                | 11.10.2000                | 18.10.2000                 | 10.01.2001                | 24.01.2001                | 11.04.2001                | 25.04.2001                |
| Maturity date   | 16.07.2003                | 02.10.2002                | 05.10.2005                | 15.10.2003                 | 10.01.2003                | 24.01.2006                | 11.04.2003                | 25.04.2006                |
| Nominal value of the offer<br>(thousand BGN)                  | 30 000.00                 | 50 000.00                 | 40 000.00                 | 30 000.00                  | 50 000.00                 | 60 000.00                 | 50 000.00                 | 60 000.00                 |
| Total nominal value of the<br>bids received (thousand<br>BGN) | 131 450.00                | 126 512.50                | 113 365.10                | 110 383.00                 | 121 965.00                | 253 630.14                | 95 565.00                 | 165 396.00                |
| Total nominal value of the<br>bids approved (thousand<br>BGN) | 30 000.00                 | 50 000.00                 | 40 000.00                 | 30 000.00                  | 50 000.00                 | 60 000.00                 | 50 000.00                 | 60 000.00                 |
| Average price of the bids<br>approved per BGN 100 (%)         | 102.09                    | 101.88                    | 100.35                    | 102.15                     | 101.61                    | 105.02                    | 102.34                    | 104.91                    |
| Average discount per<br>BGN 100 (%)                           |                           |                           |                           |                            |                           |                           |                           |                           |
| Interest rate   | 8.00                      | 7.00                      | 9.00                      | 7.50                       | 6.50                      | 9.00                      | 6.50                      | 8.00                      |
| Coverage coefficient  | 4.38                      | 2.53                      | 2.83                      | 3.68                       | 2.44                      | 4.23                      | 1.91                      | 2.76                      |

(continued)

(continued)

| <b>Issue No.</b>  | <b>BG2030401116<sup>3</sup></b> | <b>BG2030501113<sup>2</sup></b> | <b>BG2030601111<sup>3</sup></b> | <b>BG2030701119<sup>2</sup></b> | <b>BG204000121F<sup>1</sup></b> | <b>BG2030002112<sup>1</sup></b> | <b>BG2040002219<sup>3</sup></b> | <b>BG2040102217<sup>1</sup></b> |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Issue date  | 11.07.2001                      | 25.07.2001                      | 10.10.2001                      | 24.10.2001                      | 31.10.2001                      | 09.01.2002                      | 16.01.2002                      | 20.02.2002                      |
| Maturity date   | 11.07.2003                      | 25.07.2006                      | 10.10.2003                      | 24.10.2006                      | 31.10.2008                      | 09.01.2007                      | 16.01.2009                      | 20.05.2009                      |
| Nominal value of the offer<br>(thousand BGN)                  | 50 000.00                       | 60 000.00                       | 50 000.00                       | 60 000.00                       | 30 000.00                       | 90 000.00                       | 60 000.00                       | 90 000.00                       |
| Total nominal value of the<br>bids received (thousand<br>BGN) | 87 163.00                       | 140 070.00                      | 77 900.00                       | 127 550.00                      | 108 287.00                      | 218 650.00                      | 205 626.00                      | 180 462.00                      |
| Total nominal value of the<br>bids approved (thousand<br>BGN) | 50 000.00                       | 60 000.00                       | 50 000.00                       | 60 000.00                       | 30 000.00                       | 90 000.00                       | 80 000.00*                      | 90 000.00                       |
| Average price of the bids<br>approved per BGN 100 (%)         | 101.24                          | 101.01                          | 101.18                          | 100.89                          | 96.72                           | 102.80                          | 101.17                          | 100.40                          |
| Average discount per<br>BGN 100 (%)                           |                                 |                                 |                                 |                                 | 3.28                            |                                 |                                 |                                 |
| Interest rate   | 6.00                            | 7.00                            | 6.00                            | 7.00                            | 7.50                            | 7.00                            | 7.50                            | 7.00                            |
| Coverage coefficient  | 1.74                            | 2.33                            | 1.56                            | 2.13                            | 3.61                            | 2.43                            | 3.43                            | 2.01                            |

(continued)





## Guaranty Government Securities

| Issue No.                | BG2040296225 | BG2040396223 | BG2040596228 | BG2044397227 | BG2047397224 | BG2047697227 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Issue date               | 05.06.1996   | 12.06.1996   | 27.06.1996   | 18.08.1997   | 22.10.1997   | 05.11.1997   |
| Maturity date            | 28.05.2003   | 04.06.2003   | 19.06.2003   | 09.08.2004   | 13.10.2004   | 27.10.2004   |
| Principal (thousand BGN) | 857.14       | 905.53.06    | 113.30       | 12 677.91    | 1398.31      | 6209.87      |
| Interest rate            | BIR          | BIR          | BIR          | BIR          | BIR          | BIR          |
| Interest payments        | semiannual   | semiannual   | semiannual   | semiannual   | semiannual   | semiannual   |
| Repayments               | equal annual | equal annual | equal annual | equal annual | equal annual | equal annual |
| Maturity (in years)      | 7            | 7            | 7            | 7            | 7            | 7            |

In compliance with Article 8 and Article 9, para. 1, item 1 of the Law on State Protection of Deposits and Accounts with Commercial Banks in Respect Whereof the BNB Has Petitioned the Institution of Bankruptcy Proceedings (State Gazette, issue 46 of 29 June 1996; amended, issue 90 of 24 October 1996, effective as of 24 October 1996), the Ministry of Finance issues lev guaranty government securities. These are issued under the following conditions:

- 7-year redemption term;
- interest – BIR for the respective period, payable semiannually;
- redemption schedule – equal annual installments.

The Law on Bank Deposit Guaranty (published in the State Gazette, issue 49 of 29 June of 1998) repeals the Law on State Protection of Deposits and Accounts with Commercial Banks in Respect Whereof the BNB Has Petitioned the Institution of Bankruptcy Proceedings. The repealed law is applicable to deposits and accounts with banks which had been declared insolvent before the enforcement of the Law on Bank Deposit Guaranty, as well as to the special fund for state protection of deposits and accounts and guaranty government securities service.

Principals of guaranty government securities are based on actual data as of 30 June 2002.

## Government Securities Issued to Settle Nonperforming Credits of State-owned Companies to Banks

|                         |                              |                              |                              |                              |                              |
|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Legal regulation        | CMD 244/91                   | CMD 186/93                   | Art. 4 ZUNK/93               | Art. 5 ZUNK/93               | CMD 3/94                     |
| <b>Issue No.</b>        | <b>BG 2000192224</b>         | <b>BG 2009993226</b>         | <b>BG 2009893228</b>         | <b>BG 2009794228</b>         | <b>BG 2009693222</b>         |
| Issue date              | 01.01.1992                   | 01.07.1993                   | 01.10.1993                   | 01.01.1994                   | 01.12.1993                   |
| Maturity date           | 01.01.2011                   | 01.07.2017                   | 01.10.2018                   | 01.01.2019                   | 01.12.2018                   |
| Maturity (years)        | 19                           | 24                           | 25                           | 25                           | 25                           |
| Grace period (years)    | 4                            | 4                            | 5                            | 5                            | 5                            |
| Redemption term (years) | 15                           | 20                           | 20                           | 20                           | 20                           |
| Repayments              | 15 equal annual installments | 20 equal annual installments | 20 equal annual installments | 20 equal annual installments | 20 equal annual installments |
| Principal (thousand)    | 2476.56 (BGN)                | 2034.93 (BGN)                | 7335.87 (BGN)                | 198 888.36 (USD)             | 785.48 (BGN)                 |
| Interest payments       | semiannual                   | semiannual                   | semiannual                   | semiannual                   | annual                       |
| Interest                | BIR+1                        | BIR                          | BIR                          | LIBOR*                       | BIR                          |

\* Six-month LIBOR of the US dollar for the preceding interest period; the amount of interest coupon is announced by the Minister of Finance three days after the beginning of each interest period. Principals are based on actual data as of 30 June 2002.

Pursuant to CM Decree No. 221 of 1995 holders of long-term government bonds issued under ZUNK, negotiated until 31 December 1990, CM Decrees No. 244 of 1991, No. 186 of 1993, No. 3 of 1994 may use them as legal tender in privatization transactions.

Pursuant to CM Decree No. 22 of 1995, long-term government bonds issued under ZUNK may be used to repay obligations of state-owned enterprises, firms and commercial companies to the government, transformed under Article 10 of ZUNK. In meeting these obligations, long-term government bonds are valued at their nominal for the bonds denominated in US dollars, and 80% for those denominated in leva.

## EUR-denominated Government Securities

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|                          |                              |
|--------------------------|------------------------------|
| <b>Issue No.</b>         | <b>BG2040099223</b>          |
| Issue date               | 01.07.1999                   |
| Maturity date            | 01.01.2019                   |
| Principal (thousand EUR) | 126 536.96                   |
| Interest rate            | EURIBOR*                     |
| Interest payments dates  | semiannual                   |
| Repayments               | 20 equal annual installments |

EUR-denominated government securities are issued pursuant to § 10 of the Transitional and Final Provisions of 1999 State Budget Law of the Republic of Bulgaria.

\* 6-month EURIBOR for the preceding interest period; the amount of interest coupon is announced by the Minister of Finance three days after the beginning of each interest period.

EUR-denominated issue BG 2040099223 has the same status as the USD-denominated issue BG 2009794228 (issued under Article 5 of ZUNK).

The principal of issue BG 2040099223 is based on actual data as of 30 June 2002.

## Pending Payments on Government Securities in August 2002

(thousand BGN)

|                      | Monday | Tuesday | Wednesday | Thursday | Friday |
|----------------------|--------|---------|-----------|----------|--------|
|                      |        |         |           | 1        | 2      |
| target issues        |        |         |           | 10.2     |        |
|                      | 5      | 6       | 7         | 8        | 9      |
| bills<br>bonds       |        |         | 2243.8    | 20 000.0 |        |
|                      | 12     | 13      | 14        | 15       | 16     |
| target issues<br>GGS | 4479.7 | 15.0    | 855.4     | 11.8     |        |
|                      | 19     | 20      | 21        | 22       | 23     |
| bonds                |        |         |           |          |        |
|                      | 26     | 27      | 28        | 29       | 30     |
| target issues        |        | 12.9    | 697.9     | 8.5      |        |

**Note:** When the payment day is not a business day, payment is effected on the following business day.

## Schedule of Government Securities Issues for August 2002

| Auction date         | Issue date | Maturity date | Issue term | Scheduled volume (BGN) | Total volume (BGN) |
|----------------------|------------|---------------|------------|------------------------|--------------------|
| 05.08.2002           | 07.08.2002 | 07.11.2002    | 3-month    | 12 000 000             |                    |
| 12.08.2002*          | 10.07.2002 | 10.07.2007    | 5-year     | 20 000 000             | 90 000 000         |
| 19.08.2002*          | 17.07.2002 | 17.07.2009    | 7-year     | 15 000 000             | 70 000 000         |
| <b>TOTAL, incl.:</b> |            |               |            | <b>47000 000</b>       |                    |
| bills                |            |               |            | 12 000 000             |                    |
| bonds                |            |               |            | 35000 000              |                    |

\* Tap issue.

The Ministry of Finance is entitled to make relevant adjustments in the schedule where necessary.

By end-June 2002 domestic debt totaled BGN 1,949,208.1 thousand and domestic government debt accounted for BGN 1,945,286.6 thousand. Domestic debt increased by BGN 41,320 thousand compared with the previous month. Share of the debt on government securities issued for structural reform dropped to 34.7% at the expense of increased government securities issued for budget deficit financing, 65.1%. Government guaranteed debt comprised 0.2% (Chart 13).

In May government securities issued for budget deficit financing indicated an increase of BGN 67,527.5 thousand, reaching BGN 1,268,484.7 thousand. Issued government securities totaled BGN 81,587.2 thousand, including BGN 1,301.9 thousand sold directly to physical persons. Newly issued bonds amounted to BGN 48,980.1 thousand. Securities repaid in June accounted for BGN 13,640.8 thousand, including short-term securities of BGN 11,865.7 thousand. As a result of operations effected, the share of twelve-month and three-year government securities in the maturity structure of government securities issued for budget deficit financing increased by 1.24 percentage points to 6% and 14.97% respectively. The share of ten-year government securities also rose: from 3.24% to 4.96%, or by 1.72 percentage points on the previous month. Government securities with other terms decreased, five-year securities decreasing most significantly (by 1.67 percentage points to 29.7% Chart 14). The average-weighted maturity of government securities issued for budget deficit financing reached four years and one month.

Government securities issued for structural reform decreased by BGN 25,622.3 thousand, reaching BGN 676,801.9 thousand. In June the Ministry of Finance announced a subscription for exchange of USD-denominated ZUNK bonds for government long-term bonds denominated in euro (issue No. 400 of 1999). Following the subscription, USD-denominated long-term bonds issued under ZUNK of USD 19,885.1 thousand were exchanged for EUR-denominated long-term bonds of EUR 21,093.6 thousand nominal value. USD-denominated ZUNK bonds of USD 35.1 thousand were used for repayment of obligations to the state under ZUNK.

Debt movements in June caused changes in debt forex structure (Chart 15). The share of government securities in euro increased to 12.7% at the expense of government securities denominated in US dollars which dropped by 3.9 percentage points to 20.1%. Lev-denominated government securities reached 67.2%. Debt maturity structure also changed. Short-term securities rose to 5.7%, medium-term securities slightly increased, reaching 46% and long-term dropped to 48.2% (Chart 16). Government securities with fixed interest coupons comprised

65.2% and government securities with floating interest coupons, 34.8% (Chart 17).

Since early-2002 repaid interest and discounts have totaled BGN 54,795 thousand. Interest and discounts on government securities for budget deficit financing of BGN 37,137.8 thousand, or 67.8% of the total repaid interest and discounts, were repaid in June (Chart 19). Expenditures on two-year notes occupied the largest share, 41.1%, followed by five-year, 31.6%.

## Domestic Debt

(thousand BGN/thousand EUR/thousand USD)

| Structure   | Amount<br>as of<br>31 Dec. 2001 | Change in 2002   |                  | Amount<br>as of<br>30 June 2002 |
|---|---------------------------------|------------------|------------------|---------------------------------|
|   |                                 | increase         | decrease         |                                 |
| <b>I. DEBT ON GOVERNMENT SECURITIES<br/>ISSUED FOR BUDGET DEFICIT<br/>FINANCING</b> |                                 |                  |                  |                                 |
| 1. Government securities issued in 1997   | 20 000.0                        |                  | 20 000.0         | -                               |
| 5-year  | 20 000.0                        |                  | 20 000.0         | -                               |
| 2. Government securities issued in 1998   | 4 090.9                         |                  | -                | 4 090.9                         |
| 5-year  | 4 090.9                         |                  | -                | 4 090.9                         |
| 3. Government securities issued in 1999   | 2 659.7                         |                  | -                | 2 659.7                         |
| 5-year  | 2 659.7                         |                  | -                | 2 659.7                         |
| 4. Government securities issued in 2000   | 432 328.0                       |                  | 144 012.7        | 288 315.3                       |
| 2-year  | 252 608.6                       |                  | 144 012.7        | 108 595.8                       |
| 3-year  | 139 929.7                       |                  | -                | 139 929.7                       |
| 5-year  | 39 789.7                        |                  | -                | 39 789.7                        |
| 5. Government securities issued in 2001   | 618 167.9                       |                  | 98 496.6         | 519 671.3                       |
| 5.1. Short-term   | 135 454.2                       |                  | 97 412.7         | 38 041.5                        |
| 3-month   | 59 298.5                        |                  | 59 298.5         | -                               |
| 12-month  | 76 155.7                        |                  | 38 114.2         | 38 041.5                        |
| 5.2. Medium-term  | 482 713.7                       |                  | 1 083.9          | 452 692.2                       |
| 2-year  | 213 819.2                       |                  | 1 083.9          | 212 735.3                       |
| 5-year  | 239 956.9                       |                  | -                | 239 956.9                       |
| 5.3. Long-term  | 28 937.6                        |                  | -                | 28 937.6                        |
| 7-year  | 28 937.6                        |                  | -                | 28 937.6                        |
| 6. Government securities issued in 2002   |                                 | 488 874.1        | 35 126.6         | 453 747.4                       |
| 6.1. Short-term   |                                 | 108 812.1        | 35 126.6         | 73 685.5                        |
| 3-month   |                                 | 70 773.6         | 35 126.6         | 35 647.0                        |
| 12-month  |                                 | 38 038.5         | -                | 38 038.5                        |
| 6.2. Medium-term  |                                 | 147 711.1        | -                | 147 711.1                       |
| 2-year  |                                 | 7 711.1          | -                | 7 711.1                         |
| 3-year  |                                 | 50 000.0         | -                | 50 000.0                        |
| 5-year  |                                 | 90 000.0         | -                | 90 000.0                        |
| 6.3. Long-term  |                                 | 232 350.9        | -                | 232 350.9                       |
| 7-year  |                                 | 169 457.9        | -                | 169 457.9                       |
| 10-year   |                                 | 62 893.0         | -                | 62 893.0                        |
| <b>TOTAL (I)</b>  | <b>1 077 246.6</b>              | <b>488 874.1</b> | <b>297 636.0</b> | <b>1 268 484.7</b>              |

### I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM

|   |           |  |          |           |
|---|-----------|--|----------|-----------|
| A1. Long-term government bonds issued pursuant to<br>CM Decree No. 244 of 1991                  | 2 751.7   |  | 275.2    | 2 476.6   |
| A2. Long-term government bonds issued<br>pursuant to CM Decree No. 234 of 1992                  | 2 034.9   |  | -        | 2 034.9   |
| A3. Long-term government bonds issued<br>pursuant to Articles 4 and 5 of ZUNK of 1993<br>in BGN | 7 335.9   |  | -        | 7 335.9   |
| denominated in USD  | 277 123.8 |  | 78 235.5 | 198 888.4 |

(continued)



(continued)

|   |                    |          |         |                    |
|---|--------------------|----------|---------|--------------------|
| lev equivalent  | 615 009.9          |          |         | 389 966.4          |
| denominated in EUR  | 60 606.3           | 69 297.7 | 3 367.0 | 126 537.0          |
| lev equivalent  | 118 535.6          |          |         | 247 484.8          |
| A4. Long-term government bonds issued pursuant to CM Decree No. 3 of 1994               | 785.5              |          | -       | 785.5              |
| A5. Government bonds issued pursuant to Article 2 of CM Decree No. 89 of 1995           | 1 553.4            |          | 1 553.4 | -                  |
| <b>TOTAL (A)</b>  | <b>748 006.8</b>   |          |         | <b>650 084.0</b>   |
| B1. Government securities in BGN issued pursuant to Articles 8 and 9 of LSPDACB of 1996 | 28 593.9           |          |         | 26 717.9           |
| Government securities issued in 1996  | 3 751.9            |          | 1 876.0 | 1 876.0            |
| Government securities issued in 1997  | 24 842.0           |          |         | 24 842.0           |
| <b>TOTAL (B)</b>  | <b>28 593.9</b>    |          |         | <b>26 717.9</b>    |
| <b>TOTAL (II)</b>   | <b>776 600.7</b>   |          |         | <b>676 801.9</b>   |
| <b>GOVERNMENT DEBT, TOTAL</b>   | <b>1 853 847.3</b> |          |         | <b>1 945 286.6</b> |
| <b>III. DOMESTIC GOVERNMENT GUARANTEES</b>  | <b>6 653.3</b>     |          |         | <b>3 921.5</b>     |
| <b>DOMESTIC DEBT, TOTAL</b>   | <b>1 860 500.6</b> |          |         | <b>1 949 208.1</b> |

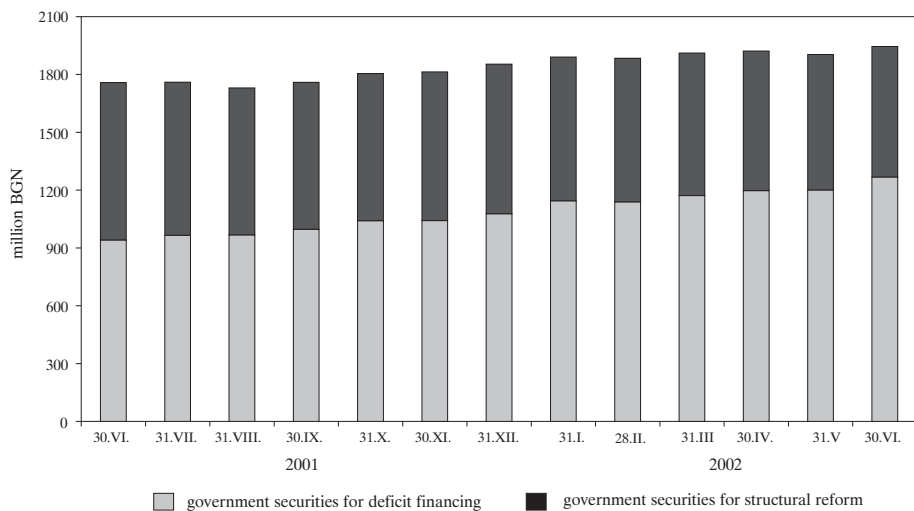
**Notes:**

Actual amount of the debt on government securities issued for budget deficit financing.

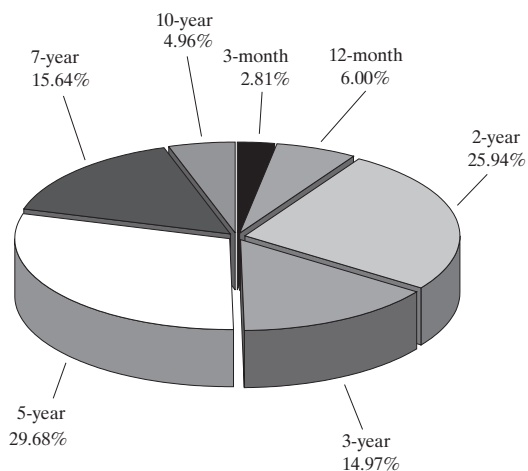
The lev equivalent of the debt denominated in foreign currency is calculated on the basis of the exchange rate of the relevant currency against the lev at the end of month:

on 28 December 2001: USD 1/BGN 2.21926, EUR 1/BGN 1.95583.  
on 30 June 2002: USD 1/BGN 1.96073, EUR 1/BGN 1.95583.

### Changes in Domestic Government Debt

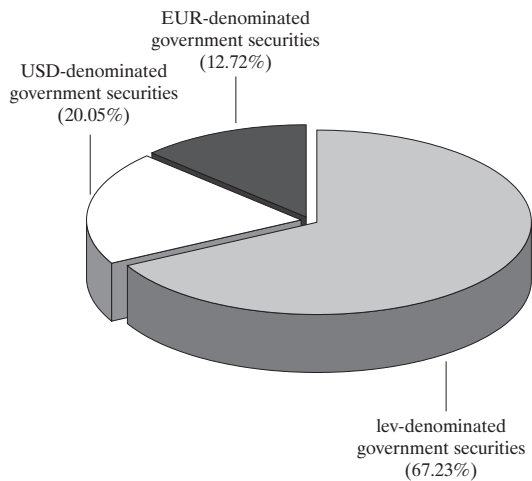


### Outstanding Government Securities Issued for Budget Deficit Financing as of 30 June

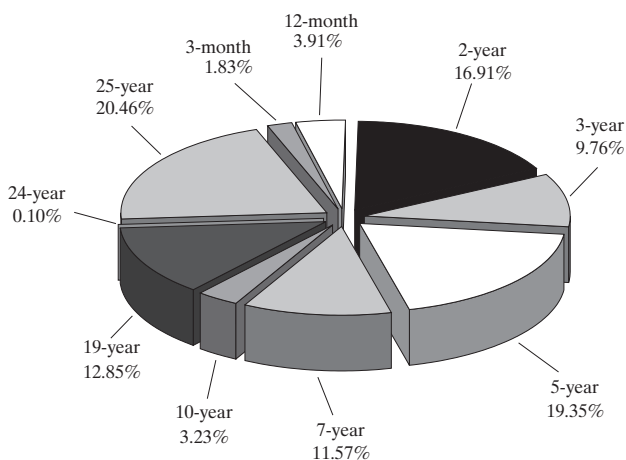


**Note:** The average-weighted maturity of government securities issued for budget deficit financing is four years and one month.

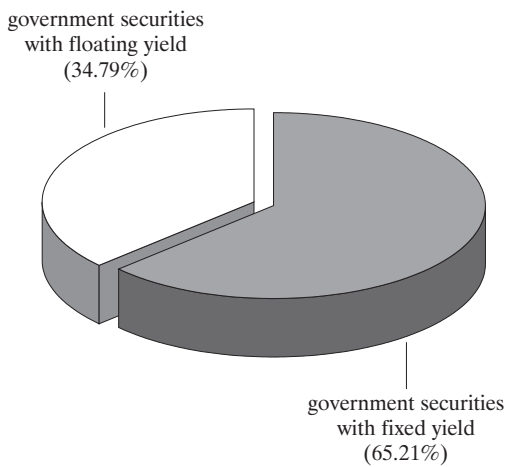
### Forex Composition of Outstanding Government Securities as of 30 June



### Maturity Structure of Outstanding Government Securities as of 30 June



### Shares of Outstanding Government Securities with Fixed and Floating Yield as of 30 June



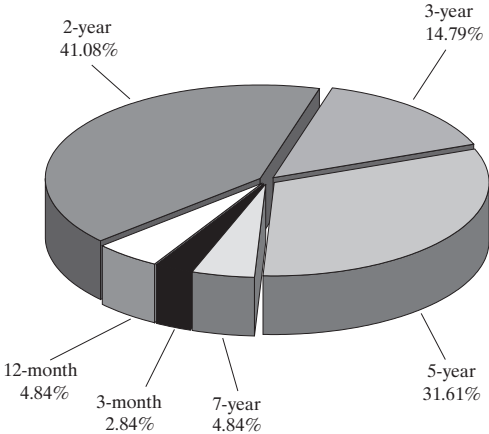
# Expenditure on Domestic Debt between 1 January and 30 June 2002

(thousand BGN)

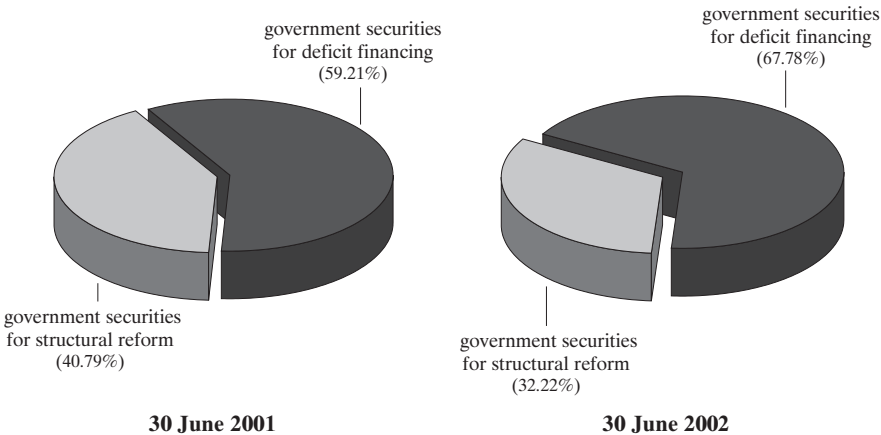
| Structure   | Amount of repaid interest (discount) |
|---|--------------------------------------|
| <b>I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR BUDGET DEFICIT FINANCING</b>                               |                                      |
| 1. Government securities issued in 1997   | 848.6                                |
| 5-year  | 848.6                                |
| 2. Government securities issued in 1998   | 189.5                                |
| 5-year  | 189.5                                |
| 3. Government securities issued in 1999   | 143.2                                |
| 5-year  | 143.2                                |
| 4. Government securities issued in 2000   | 16 848.6                             |
| 2-year  | 9 294.4                              |
| 3-year  | 5 759.2                              |
| 5-year  | 1 795.1                              |
| 5. Government securities issued in 2001   | 19 726.9                             |
| 5.1. Short-term   | 2 587.3                              |
| 3-month   | 701.5                                |
| 12-month  | 1 885.8                              |
| 5.2. Medium-term*   | 16 023.9                             |
| 2-year  | 6 696.8                              |
| 5-year  | 9 327.1                              |
| 5.3. Long-term  | 1 115.8                              |
| 7-year  | 1 115.8                              |
| 6. Government securities issued in 2002   | -618.9                               |
| 6.1. Short-term   | 403.4                                |
| 3-month   | 403.4                                |
| 6.2. Medium-term  | -1 432.5                             |
| 3-year  | -405.0                               |
| 5-year  | -1 027.5                             |
| 6.3. Long-term  | 410.2                                |
| 7-year  | 767.7                                |
| 10-year   | -357.5                               |
| <b>TOTAL (I)</b>  | <b>37 137.8</b>                      |
| <b>II. DEBT ON GOVERNMENT SECURITIES ISSUED AS A RESULT OF STRUCTURAL REFORM</b>                          |                                      |
| A. Debt on government securities issued to settle nonperforming credits of state-owned companies to banks |                                      |
| 1. Bonds issued pursuant to CM Decree No. 244 of 1991   | 77.7                                 |
| 2. Bonds issued pursuant to CM Decree No. 186 of 1992   | 47.3                                 |
| 3. Bonds issued pursuant to Articles 4 and 5 of ZUNK of 1993  | 16 841.6                             |
| lev bonds   | 165.6                                |
| USD-denominated (in BGN at the current exchange rate)   | 15 279.9                             |
| EUR-denominated (in BGN at the fixed exchange rate)   | 1 396.1                              |
| 4. Bonds issued pursuant to CM Decree No. 89 of 1995  | 34.6                                 |
| <b>Total (A)</b>  | <b>17 001.2</b>                      |
| B. Debt on government securities issued pursuant to Articles 8 and 9 of LSPDACB of 1996                   | 656.0                                |
| <b>Total (B)</b>  | <b>656.0</b>                         |
| <b>TOTAL (II)</b>   | <b>17 657.2</b>                      |
| <b>EXPENDITURE ON GOVERNMENT DEBT, TOTAL</b>  | <b>54 795.0</b>                      |
| <b>III. GOVERNMENT GUARANTEED DEBT</b>  |                                      |
| <b>EXPENDITURE, TOTAL</b>   | <b>54 795.0</b>                      |

\* Including interest revenues from tap medium-term government securities issues.

### Structure of Expenditure on Government Securities Issued for Budget Deficit Financing in June



### Structure of Expenditure on Domestic Debt



By the end of June foreign debt totaled EUR 8,644.2 million, a decrease of EUR 352 million from the previous month. Government debt accounted for EUR 8,116.5 million and government guaranteed debt amounted to EUR 527.8 million.

In June new foreign financing totaled USD 4.5 million, of which USD 0.8 million receipts on government credits and the remaining USD 3.7 million on government guaranteed loans. Payments on the debt totaled USD 33.9 million, of which USD 17.1 million principal repayments and USD 16.8 million interest. Repayments included mainly payments to the IMF (USD 10.1 million) and the World Bank (USD 2.7 million). Repayments on government guaranteed loans amounted to USD 3.4 million. Interest was repaid mainly to the World Bank (USD 10.9 million), European Union (USD 2.5 million) and government guaranteed credits.

Since early-2002 received loans have totaled USD 106.8 million, of which USD 31.1 million receipts from tranches on government guaranteed loans. Payments on the debt have amounted to USD 473.3 million, including USD 296.9 million principal payments. The largest amounts were repaid on IMF loans, Paris Club loans and government guaranteed loans.

Movements in USD/EUR rate impacted debt foreign currency composition. Debt denominated in euro increased by 1.1 percentage points and reached 28.9% at the expense of the debt in US dollars which fell to 55.5%. A slight change was reported in debt interest structure. Proportion between the debt with floating interest coupons and fixed interest coupons reached 72.6% and 27.4%. The average-weighted residual term to maturity of the foreign debt was 11 years and three months.

Share of the debt on Brady bonds decreased on the previous month due to USD/EUR exchange rate movements and reached 39.6%. Debt to the IMF comprised 11.8%. Obligations to the World Bank occupied 10.1%, the Paris Club 3.8%, and the European Union 4.5%. Government guaranteed credits indicated a slight decrease and reached 6.1%.

## Foreign Debt

(million USD/million EUR)

| Structure                                | as of 31.XII.<br>2001 | as of 31.III. | as of 30.IV. | as of 31.V. | as of 30.VI. |
|--|-----------------------|---------------|--------------|-------------|--------------|
|  | 2002                  |               |              |             |              |
| <b>Government debt</b>                   | 8 016.8               | 7 920.9       | 7 840.0      | 7 936.0     | 8 095.9      |
| I. Bonds                                 | 4 979.3               | 4 961.0       | 4 905.8      | 4 947.0     | 5 010.8      |
| 1. Brady bonds                           | 4 759.0               | 4 742.9       | 3 416.6      | 3 416.6     | 3 416.6      |
| 2. Other bonds                           | 220.3                 | 218.1         | 1 489.3      | 1 530.4     | 1 594.3      |
| II. Credits                              | 3 037.5               | 2 960.0       | 2 934.2      | 2 989.0     | 3 085.1      |
| 1. Paris Club                            | 382.0                 | 352.2         | 298.9        | 310.6       | 328.2        |
| 2. World Bank                            | 829.4                 | 813.9         | 838.7        | 854.0       | 873.3        |
| 2.1. World Bank                          | 708.8                 | 698.3         | 719.5        | 730.5       | 744.2        |
| 2.2. JBIC (JEXIM)                        | 120.6                 | 115.6         | 119.2        | 123.4       | 129.2        |
| 3. G – 24                                | 47.5                  | 47.3          | 48.0         | 48.9        | 50.2         |
| 4. European Union                        | 343.7                 | 340.2         | 351.3        | 366.1       | 389.0        |
| 5. IMF                                   | 1 042.9               | 1 021.0       | 999.7        | 997.8       | 1 018.2      |
| 6. Other                                 | 120.4                 | 119.2         | 123.0        | 128.2       | 136.3        |
| 7. Government investment loans           | 211.8                 | 207.3         | 214.3        | 219.7       | 224.3        |
| 7.1. World Bank                          | 49.4                  | 52.0          | 53.9         | 57.1        | 60.7         |
| 7.2. European Investment Bank            | 112.3                 | 112.6         | 117.7        | 118.5       | 119.9        |
| 7.3. EBRD                                | 30.7                  | 29.2          | 29.2         | 29.2        | 28.6         |
| 7.4. Other                               | 19.3                  | 13.5          | 13.6         | 14.8        | 15.1         |
| 8. Called government guarantees          | 59.8                  | 58.9          | 60.1         | 63.9        | 65.7         |
| 8.1. World Bank                          | 43.9                  | 43.3          | 45.0         | 48.7        | 50.4         |
| 8.2. European Investment Bank            | 3.2                   | 2.9           | 2.9          | 2.9         | 2.9          |
| 8.3. Other                               | 12.7                  | 12.7          | 12.2         | 12.2        | 12.3         |
| <b>Government guaranteed debt</b>        | 507.9                 | 502.1         | 504.7        | 508.7       | 526.4        |
| 1. World Bank                            | 147.8                 | 144.2         | 145.0        | 146.2       | 146.0        |
| 2. European Investment Bank              | 122.6                 | 115.2         | 115.0        | 118.9       | 124.8        |
| 3. EBRD                                  | 68.9                  | 66.7          | 65.9         | 67.0        | 67.0         |
| 4. Other                                 | 168.6                 | 176.0         | 178.8        | 176.7       | 188.7        |
| <b>FOREIGN DEBT, TOTAL (million USD)</b> | 8 524.7               | 8 423.0       | 8 344.7      | 8 444.7     | 8 622.3      |
| <b>FOREIGN DEBT, TOTAL (million EUR)</b> | 9 672.9               | 9 655.0       | 9 263.7      | 8 996.2     | 8 644.2      |

### Notes:

1. Debt recalculation in US dollars and euro is based on BNB central exchange rate of the relevant currencies against the Bulgarian lev valid for the last working day of the period.

2. Preliminary data for June 2002.



## New Foreign Financing and Foreign Debt Payments as of 30 June

| Structure                         | Received credits<br>(tranches) |              | Payments, incl. |              |             |              |
|-----------------------------------|--------------------------------|--------------|-----------------|--------------|-------------|--------------|
|                                   |                                |              | Installments    |              | Interest    |              |
|                                   | million USD                    | thousand BGN | million USD     | thousand BGN | million USD | thousand BGN |
| <b>Government debt</b>            | 75.7                           | 168 683.1    | 249.9           | 553 689.3    | 164.0       | 362 971.1    |
| I. Bonds                          | 0.0                            | 0.0          | 16.1            | 35 917.7     | 110.9       | 247 386.5    |
| 1. Brady bonds                    | 0.0                            | 0.0          | 16.1            | 35 917.7     | 110.9       | 247 386.5    |
| 2. Other bonds                    | 0.0                            | 0.0          | 0.0             | 0.0          | 0.0         | 0.0          |
| II. Credits                       | 75.7                           | 168 683.1    | 233.8           | 517 771.6    | 53.1        | 115 584.6    |
| 1. Paris Club                     | 0.0                            | 0.0          | 88.4            | 198 340.8    | 8.8         | 19 614.0     |
| 2. World Bank                     | 14.8                           | 32 280.2     | 13.3            | 29 353.5     | 16.3        | 34 568.4     |
| 2.1. World Bank                   | 14.8                           | 32 280.2     | 9.7             | 21 286.4     | 14.5        | 30 786.4     |
| 2.2. JBIC (JEXIM)                 | 0.0                            | 0.0          | 3.6             | 8 067.1      | 1.8         | 3 782.0      |
| 3. G - 24                         | 0.0                            | 0.0          | 0.0             | 0.0          | 0.8         | 1 699.4      |
| 4. European Union                 | 0.0                            | 0.0          | 0.0             | 0.0          | 6.5         | 14 055.6     |
| 5. IMF                            | 39.7                           | 89 826.9     | 122.7           | 269 293.4    | 14.0        | 30 646.9     |
| 6. Other                          | 0.0                            | 0.0          | 0.0             | 0.0          | 0.0         | 0.0          |
| 7. Government investment loans    | 16.3                           | 35 818.0     | 7.0             | 15 364.6     | 5.7         | 12 507.7     |
| 7.1. World Bank                   | 5.9                            | 12 844.2     | 0.8             | 1 778.9      | 1.1         | 2 279.8      |
| 7.2. European Investment Bank     | 8.8                            | 19 437.5     | 3.8             | 8 311.0      | 3.6         | 8 007.9      |
| 7.3. EBRD                         | 0.3                            | 751.4        | 2.4             | 5 274.6      | 0.9         | 1 916.4      |
| 7.4. Other                        | 1.3                            | 2 784.9      | 0.0             | 0.0          | 0.1         | 303.7        |
| 8. Called government guarantees   | 4.9                            | 10 758.0     | 2.4             | 5 419.4      | 1.1         | 2 492.5      |
| 8.1. World Bank                   | 4.9                            | 10 758.0     | 1.7             | 3 837.3      | 1.0         | 2 193.6      |
| 8.2. European Investment Bank     | 0.0                            | 0.0          | 0.2             | 495.6        | 0.1         | 244.0        |
| 8.3. Other                        | 0.0                            | 0.0          | 0.5             | 1 086.4      | 0.0         | 55.0         |
| <b>Government guaranteed debt</b> | 31.1                           | 68 096.7     | 47.0            | 102 995.1    | 12.4        | 27 026.8     |
| 1. World Bank                     | 0.0                            | 0.0          | 4.6             | 10 068.0     | 3.8         | 8 132.3      |
| 2. European Investment Bank       | 0.0                            | 0.0          | 9.6             | 21 223.4     | 3.4         | 7 583.1      |
| 3. EBRD                           | 0.0                            | 0.0          | 5.3             | 11 376.6     | 1.8         | 3 952.1      |
| 4. Other                          | 31.1                           | 68 096.7     | 27.5            | 60 327.0     | 3.4         | 7 359.2      |
| <b>TOTAL</b>                      | 106.8                          | 236 779.8    | 296.9           | 656 684.4    | 176.4       | 389 997.9    |

**Notes:**

1. Values in USD of the new foreign financing and payments effected is calculated on the basis of BNB central exchange rates of the lev against respective foreign currencies valid until 4.00 p.m. on the day of corresponding payment.
2. Values in BGN of the new foreign financing and payments effected is calculated on the basis of BNB central exchange rates of the lev against respective foreign currencies valid until 4.00 p.m. on the day of corresponding payment.
3. Preliminary data.

### Foreign Currency Composition of the Foreign Debt as of 30 June

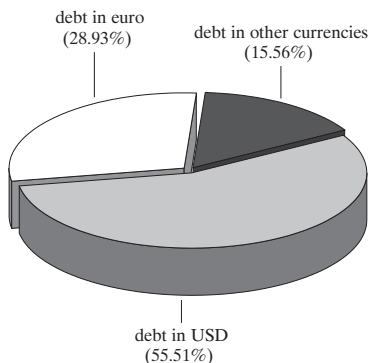


Chart 21

### Interest Structure of the Foreign Debt as of 30 June

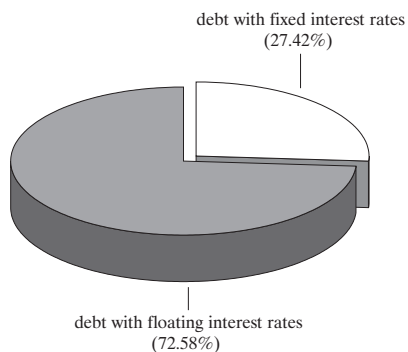
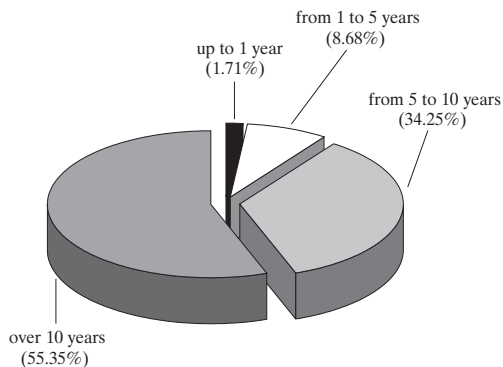


Chart 22

### Residual Term to Maturity of the Foreign Debt as of 30 June



**Note:** The average-weighted residual term to maturity of the foreign debt is 11 years and three months.

## Government and Government Guaranteed Debt

| Structure          | Amount as of 30 June 2002<br>(thousand BGN) | Government debt/GDP<br>(%) |
|--------------------|---|----------------------------|
| Domestic debt      | 1 949 208.1                                 | 6.3                        |
| Foreign debt       | 16 906 081.8                                | 54.9                       |
| <b>DEBT, TOTAL</b> | <b>18 855 289.9</b>                         | <b>61.3</b>                |

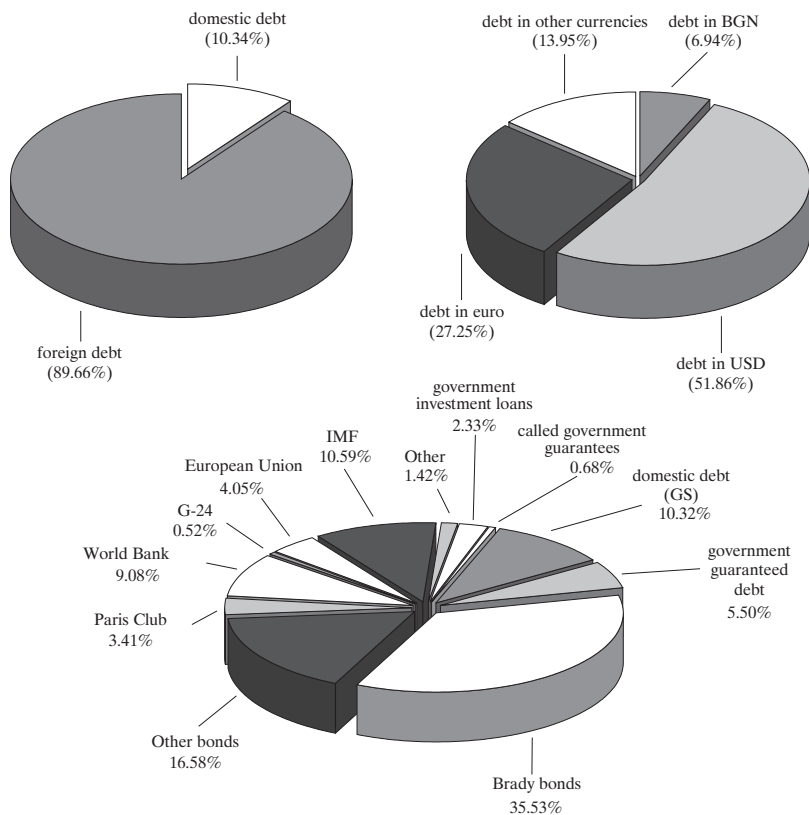
## Notes:

1. Revised GDP projection for 2002: BGN 30,783 million.

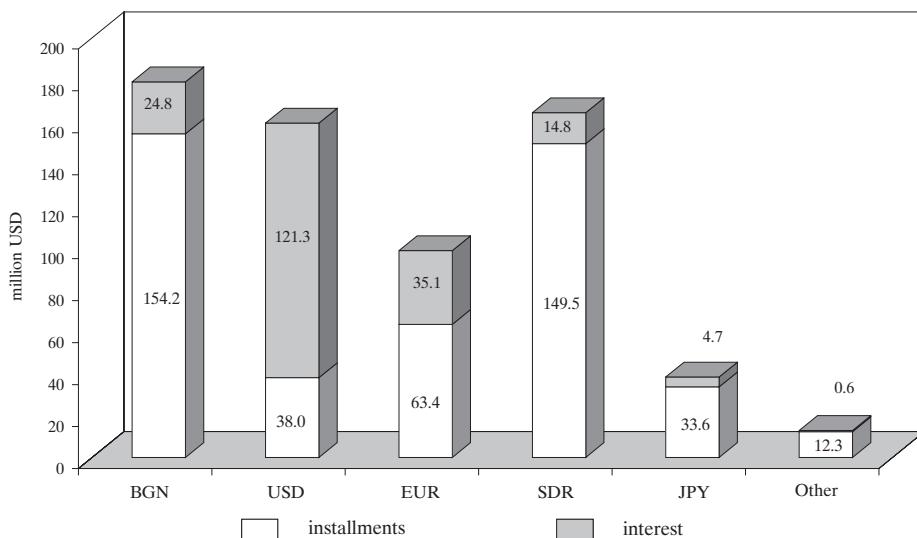
2. The lev equivalent of the foreign debt is calculated on the basis of the BGN/USD central exchange rate quoted by the BNB on 30 June 2002.

Chart 23

## Debt Structure as of 30 June



## Currency Structure of Government Debt Payments as of 30 June



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