

Restrictions on the credit growth

In a press release, the IMF announced expectations of increased bank lending in the first quarter in 2005, which will drop sharply once the central bank measures, aiming to restrict lending expansion come into force. The imposed regulations provide for decreases in the deadline for unpaid debts. A new method for calculation of the minimum obligatory reserves is expected to result in a withdrawal of liquidity from the bank system. A certain percentage of the bank assets will have to be kept in liquidity instruments including an increase in minimum reserve requirements to 4 percent. Regulatory policy ensuring control on leasing companies will come into force, as their services are form of an credit. The aim is to achieve sustainable credit growth of 30 % a year rather than to cut lending.

The growth of credit to the private sector was running at 50%, well above the targeted range of 20-30% and the IMF defined this volume as a problem. It threatens the macroeconomic stability of the country, as it leads to an increase in the current account deficit.

Bulgaria's macroeconomic framework is centered on the Currency Board Arrangement. Its policy is expected to result in real GDP growth of 5.24 percent on average in 2004-2006. The IMF programme relies on strict public sector income policy, tight banking supervision and liquidity management and restructuring and privatization. The legislative and statutory amendments aim to harmonize Bulgaria's framework with the EU laws and the bank capital framework known as Basel II

it allows complexity in measuring and managing the risk while meeting the capital requirements. The objective restrictions and the implementation of Basel II are mainly related to the necessary capital under the requirements. Even so there are some concerns that the current Bulgarian capital requirements are higher than those stipulated in Basel II. The Bulgarian economy is based on a fixed exchange rate regime, the main risk towards EU entry remains the potential loss of competitiveness in a later stage caused by the convergence process. Thus the persistent account deficit implies the possibility of revision of the Currency Board Arrangement as a tool for providing a stable macroeconomic environment.

What are the regulations for import and export of currencies by foreigners?

In most general case, resident of or non-resident persons shall furnish the custom authorities with a custom declaration in accordance with a template approved by the Ministry of Finance, in case when the exported / imported sum exceeds 5,000 BGN (Leva) or any other foreign exchange cash, traveler's checks, the total amount of which exceeds the above sum. The foreigners may import unlimited amount of leva and / or foreign exchange cash, provided that this is being filled and filed with the regarding customs authorities. The type of currency and the sum of money they import is being appointed in case such event arises. According to the rules governing the export

of a currency, everything up to 5,000 BGN is not exposed to declaring. For amounts which equivalent is between 5,001 – 20,000 BGN there is a necessity of stipulating the origin of their acquiring, as well as their total sum. Free export over 20,000 BGN is allowed in case the amount of the exported sum does not exceed the amount of the imported and declared funds, after an obligatory declaration before the custom authorities is being submitted.

What are the forms of investment applicable for foreigners?

Foreigners are entitled to execute economic activity in Bulgaria under the same condition applicable for the Bulgarian investors. The general fields are consequently as follows:

1. Shares or stakes in commercial companies. A foreigner can participate /own a company incorporated in the country. The rules of avoiding the double taxation are accordingly stipulated in the Bulgarian Act of Foreign Investments.
2. Ownership title over buildings and limited ownership title over property.
3. Ownership title and limited ownership title over movable property when considered long-term tangible asset. Once Bulgarian ID card is acquired a foreigners are allowed to purchase movable property as a physical persons.
4. Own title over enterprise.



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Address: 18 Maria Louisa Blvd.

9000, Varna, Bulgaria

Tel. : +359 52/605155

Tel. : +359 52/699971

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