

**Bansko Municipal Privatization Investment Fund:
Rules for Organization and Activities,
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CHARTER OF OPERATION AND ORGANIZATION OF THE BANSKO MUNICIPAL PRIVATIZATION FUND COMMENTARY

I. LEGAL STATUS

The municipal privatization Fund is being established pursuant to the provisions of Article 6, par. 2 (3) of the Law on Privatization and Transformation of State and Municipally Owned Property. According to this section, "the remainder (from the total revenues from the privatization of municipal enterprises, entering a separate account to the respective municipal budget, as set forth in Article 6, par. 2 of the same law) amounting to 88 percent shall be set aside in a special Fund under the discretionary authority of the municipal council, and the funds shall be used in order of priority to cover uncollected debts incurred by municipal enterprises, including payment against loans extended for pending construction projects, as well as for investment purposes. These funds shall not be used to cover daily operational expenses."

The status of the privatization Fund should be determined by the fact that the Law allows for considerable latitude in the manner the municipalities collect and spend revenues accumulated in it.

There are two possible approaches in defining a strategy for the development of the Fund. They will predetermine the Fund's legal status, its structure of governance, etc.

1. If the Fund's major purpose is the accumulation and spending of revenues collected from privatization, as a revenues-expenditure balance, with the spent funds not being renewed, then the Fund will only exist until the municipal privatization process is completed. The Fund will therefore not be renewable. If this option is chosen, then the Fund's status and management are fairly simple and do not require complex regulatory provisions. The management bodies identified in the annual privatization program will allocate revenues to the respective municipal investment projects and the entities making loans to municipally-owned enterprises.

Among the advantages under this option for the development of the Fund are the revenue spending possibilities, clearly unlimited with respect to the anticipated economic effect. Short-term management objectives thus become the primary goal. The Fund's management is not burdened with the complexities of a consistent financial policy, and the funds are used as deemed most appropriate.

The disadvantages come from the fact that the revenues are spent inadvertently thus preventing the municipality from accumulating sustainable and more substantial revenues to fund larger investment projects which the municipality sees as particularly important. Revenues from municipal privatization are scarce as it is, and they cannot cover the entire

duration of any project they could be allocated to. The total revenues accumulated the Fund for 1993 through 1994 are estimated at 30 million levs, that is, they could hardly affect the municipal investment program and the development of local infrastructure.

2. If the Fund is renewable it will continue to collect revenues and spend funds after the completion of the privatization process.

Through the privatization process, the municipality will withdraw from immediate economic activity. However, privatization revenues could serve as a foundation for local self-government. Through the privatization investment Fund, the municipality can avail itself of the possibility to create a fund to stimulate local economic development, primarily infrastructure. As is known, this is a matter of general practice in most countries of the European Union.

The primary objectives of this renewable privatization Fund could be:

- to improve municipal infrastructure thereby assisting economic development and helping solve social problems;
- to provide incentives for economic activity in the municipality;
- to assist in the restructuring of the economy in the area;
- to utilize the advantages of the municipality with respect to its neighboring municipalities;
- to provide special assistance to less developed regions in the area of Bansko which require additional efforts from the municipal authorities;
- to assist in the implementation of environmental initiatives;
- to assist small businesses and entrepreneurs in the municipality, through a number of loan incentives and tax breaks.

The Fund could thus be incorporated either as a separate property of the municipality, which is the option followed in the attached Charter, or as a stock corporation. The latter implies that the Fund will be a separate legal entity, not attached to the municipality. The Fund will then be independent and it will be more difficult to make it serve the purposes of the municipality exclusively.

Another significant drawback of having the Fund incorporated as a stock corporation is that the Fund will be very vulnerable to credit-making institutions: it will be liable for uncollected debts incurred by municipal enterprises and thus can end up being used exclusively to cover these liabilities without being used for investment purposes, as stipulated in the law.

The Fund will undergo three stages of development if it is incorporated as a separate municipal property. During the first stage, the Fund will accumulate revenues from municipal privatization deals and will invest a portion of those in a manner ensuring returns, while another portion will be used to cover uncollected debts incurred by municipal enterprises or fund pending construction projects. Returns could be ensured through purchase of debt of economically promising municipal enterprises, through participation in profit-making businesses, including businesses not owned by the municipality, and through the creation of an investment portfolio of securities purchased with moneys of the Fund. Thus the Fund will have revenues coming from sources other than municipal privatization, while at the same

time, through the acquired property, the value of invested funds will not decrease with inflation.

The amount of these additional revenues will increase with time, while the amount of privatization revenues will gradually decrease. During the first stage, the Fund's moneys will be used primarily for the purposes set forth in the law, as the majority will be accumulated from privatization deals. The provision of the law stating that the funds are to be used "in order of priority" for the purposes indicated does not preclude the use of funds for other legitimate purposes, except for daily operational expenses. The Fund's overhead charges should be covered by the municipal budget, rather than at the expense of its own financial viability.

At the same time, with the increase of Fund revenues from other sources, there will be a wider range of investment opportunities and objectives. A wider and more diverse municipal investment policy will have economic and social repercussions, a new instrument will be created as a component of the foundation of local self-government. It should be noted that the Fund's investment policy should not overlap with the municipality's investment policy. A relative independence of the Fund's investment programs is required by the objectives of the renewable privatization Fund.

The second stage in the development of the Fund will be the period when the amount of privatization revenues will become smaller than the amount of revenues from other sources, such as what will by then be former investments and share participation. During this stage the Fund will accumulate a substantial amount of its own funds, and have opportunities for independent project financing. It is expected that during this stage the Fund's management will gain substantial experience and an understanding of the expediency and effectiveness of certain ventures.

The third stage entails the disappearance (or reduction to negligible amounts) of revenues accumulated from privatization deals. The Fund will operate as a typical investment fund, drawing upon resources coming from share participation and other sources. The Fund will at this stage be free to use a portion of these in profit-making ventures to further generate revenues, and another portion will be used to fund projects in accordance with the policy priorities set by the municipality. This is the stage when the Fund becomes a truly renewable, financially viable entity. Instead of inadvertently spending the resources from privatization deals, the Fund will have secured property as a constant source of revenues. These can now be used to support the municipal investment program, for social and other local government purposes. The Fund's organization and its rules of operation can change at this point, as a result from the shift in revenue origin.

The Fund's major tasks will be related to the management of its share participation in multiple ventures, and to the restructuring of its investment portfolio. The objectives and the sphere of activity of the Fund could be broadened.

The advantages of having the Fund incorporated as a separate property are primarily in the opportunity to meet the need for resources to restructure municipal enterprises, on the one hand, while on the other, making investments and accumulating profit-making municipal property as a sustainable source of revenues to cover long-term projects and support the municipality's economic and social policies. Other advantages are the reduced risk of unthoughtful decisions and improper use of funds, as well as the control mechanisms and the

public monitoring over the decisions taken and the results from their implementation, which is typical of standard investment funds - those incorporated as stock corporations.

Therefore, the fact that the Fund is presently being incorporated as a separate municipal property does not preclude the possibility of it being transformed into a standard commercial financial institution.

The only shortcoming that renewability entails is the rather complex decision-making procedure.

Following the above arguments, we believe that the best format for the proposed investment Fund is to incorporate it as a set municipal asset, without being a legal entity. Along with all else, this format presents technical and management advantages, in that the local authorities will conduct the daily operational management of the fund without having to commit significant additional resources and undergo substantial administrative complications.

II. FUND ASSETS.

The Fund will compile its portfolio primarily from revenues from the privatization of municipal enterprises. Insofar as it will perform almost all operations a standard fund carries out, then its assets will constitute revenues from investment projects conducted jointly with other business entities, investment funds from international financial and other institutions, voluntary contributions, etc.

Another very important source of revenues could be participation in similar European and regional development funds.

Sample structure of the investment portfolio.

1. Short-term instruments.

- state treasury bonds;
- "bad loans" treasury bonds;
- state secured repurchase agreements;
- municipal bonds;
- convertible bonds with share participation option;
- joint funding contracts;
- collaterals;
- policies;
- discounted bonds guaranteed by the state, municipality;
- discounted securities (negotiable certificates of deposit and bankers' acceptances);

2. Mid-term instruments

- Loans extended to members of the Fund or Fund beneficiaries

3. Long-term instruments

- common stocks issued by state, private and municipal enterprises;
- share participation in enterprises which are members of the Fund;

- insurance policies;
- patents, licenses, and other intellectual property items;
- real estate.

III. FUND LIABILITIES.

The Fund's investment strategy is determined by three major restrictions: the provisions of the Law on Privatization and Transformation of State and Municipally Owned Property, its funds, and the municipality's investment policy.

The municipality is to choose one of two strategies: the strategy of smaller risks and moderate but certain revenues, or the strategy of fairly high risks. This is the key to the entire investment policy of the Fund. It will arrange the Fund's instruments, and eventually its objectives, in a definite order of priority. It is therefore appropriate for the Fund to formulate its strategy on a yearly basis. In defining the Fund's policy, regard should be made to the experience of the 10 odd investment funds already in existence in this country.

All of them, including those funded by the government, have developed strategies prioritizing mid-term instruments. However, they have in practice been conducting a policy of smaller risk using short-term instruments, thus being hardly distinguishable from the banking institutions. Surely under these circumstances the Fund can attract a number of promising long-term projects and be fairly successful in the competition for "viable projects".

The Fund will be used to finance primarily economically difficult initiatives, such as projects where the returns are expected to be slower, large and long-term investment projects, and, most of all, high-risk projects. The above could potentially cause financial imbalance and should be offset by a number of flexible projects bringing quick returns, thereby contributing to the Fund's renewability.

A substantial reserve fund is necessary to act as a cushion to high-risk ventures. The Fund's permanent reserve should not fall below 10 percent of its annual revenues.

Since the Fund will primarily fund high-risk projects, a principle of shared responsibility should be followed where other funds or outside loan-making institutions are involved in joint initiatives.

Unlike European regional investment funds, whose major objective is providing support for small and medium-size businesses, the municipal Fund should set as its key priority all large infrastructure-building projects, and also provide incentives to a set number of smaller and medium-size businesses each year. The social benefits from this strategy will exceed by far any immediate economic effect. A good public relations strategy would enable the Fund to garner strong support from the public and the business community.

As it is, the Fund's primary task is to identify and fund investment projects. In addition to its economic and financial objectives, the Fund sets out to support entrepreneurship and encourage private sector development.

IV. STRUCTURE OF GOVERNANCE AND ORGANIZATION.

The governance of the Fund will be determined by its legal status and it is clear from the text of the Article 6, par.2 (3) of the Law on Privatization and Transformation of State and Municipally Owned Property precludes the possibility that the Fund's initiatives be supported directly by the revenues it will accumulate. As the Fund is a form of set asset without being a separate legal entity, all its expenses will be budgeted by the municipality on an annual basis.

Section 3 deals with the Fund's governance bodies. The municipality's deputy mayor is in practice charged with the daily management of the Fund, with the municipal council having a say in larger projects. This structure of governance is predetermined by the status of the Fund as a separate municipal property. A number of considerations apply in this respect.

Division of powers in the Fund's management between the deputy mayor and the municipal council is in compliance with the principle of mutual control and coordination of interests. Quite surely, this division could at times cause delays in the decision-making process. The adequacy of this division will be best tested in the course of the Fund's operation. Only persons with signatures verified at the Municipal Council is vested to manage the Fund, to assign contracts, to contact prospective investors, as well as to authorize the local administration to manage the Fund. This reason therefore, the deputy mayor is entrusted with the functions herein.

The program is considered key to the operation of the Fund. Its adoption allows for ongoing flexibility in the decision-making process. In addition, publicizing the program could encourage support for the municipality's privatization policies, and contribute to the efforts to attract promising, revenue-generating projects. A program made available to the public will lend transparency to the process of revenue and expenditure allocation carried out in a manner so as to ensure that the principle of renewability is followed. If the program guarantees the Fund's renewability throughout the year, then it obviously is well thought-out and merits the support of the municipal council.

An important provision in the program is that the investment projects to be undertaken during the respective year need not be indicated by name, the argument being that preliminary information would affect negatively the manner of operation of the selected companies. Announcing the Fund's intentions to provide financial support could lead to decrease in motivation among targeted municipal enterprises, and reluctance to improve their financial condition. Moreover, it could lead to intentional increase of debts. It is therefore suggested that the program indicate investment allocations and eligibility criteria, and not specific lists of slated companies.

Key to a well-functioning Fund is the procedure for filing, registration and review of investment proposals, as well as the manner of submission of proposals to the municipal council. The requirements are rather stringent and bureaucratically cumbersome, aimed at avoiding any possible violations by the local administration. It is of utmost importance to follow strictly the investment policy.

A wide range of officials is authorized to submit proposals. A restriction is imposed with respect to the manager. She may not submit proposals naming specific projects and companies. This requirement follows from the responsibilities of the manager who is charged both with deciding on the formal acceptability of the application papers and with assessing the overall feasibility and relevance of the projects. It would evidently constitute a conflict of interest to both submit proposals and review them. On the other hand, however, the manager

may propose operational investment in securities and expenses related to ventures of the Fund other than specific companies and projects, since the possibility of bias is eliminated in this case.

In addition to the range of persons authorized to submit proposals, the terms and procedures for submission and registration, there are certain standard requirements as to proposal contents and format. This allows for a higher degree of comparability of projects in assessing competing proposals.

It is imperative that the Fund earns a credible reputation among investors and the public.

V. CONCLUSION

The establishment of a municipal privatization fund in Bansko is among the first efforts to create a vehicle for rational and future-oriented use of the revenues from municipal privatization in this country. Lack of experience and precedents in the management of separate municipal property of the type set forth in the attached Charter quite naturally requires that as the Fund develops and its assets increase, the scope of further activity will broaden, as will the sources of revenue. If the Fund proves to be successful, it could be transformed into an independent legal entity, thus opening up further opportunities for a broader investment activity.

MUNICIPAL PRIVATIZATION INVESTMENT FUND RULES FOR ORGANIZATION AND ACTIVITIES

I. GENERAL PROVISIONS

Art. 1. These Rules settle the organization and the activities of the Municipal privatization fund of the Municipality of Bansko, hereinafter referred as "the Fund".

Art. 2. (1) The Fund shall be separated property of the Municipality of Bansko including the part of the income defined in Art. 6, parag. 2, item 1 of the Transformation and Privatization of State and Municipal Enterprises Act (TPSMEA), received at the special account of the Municipal Council from privatization of municipal enterprises, opened according to Art. 6, parag. 2 of the mentioned Act.

(2) All the acquittals of the debts of the municipal enterprises for credits used, shall also be included in the Fund, if the Municipality has paid these credits off to the prior creditor by sums of the fund.

(3) All the liquidation quotas and dividends received for the participation in enterprises and from securities, as well as from the sale of securities, shall also be included in the Fund, if the Municipality has acquired them by sums of the fund.

Art.3. All the expenses regarding the management and the usage of external services related to the fund's activities shall be for the account of the Municipal budget.

II. GOALS OF THE FUND

Art.4. The goals of the fund are as follows:

1. Providing funds for the acquittal of bad debts of the municipal enterprises and the acquittal of the credits for uncompleted municipal building sites.
2. Financial guarantee of the municipal investment policy.
3. Maintenance of compensating and investment reserve of the Fund for covering exceptional needs of the municipality, pointed as priority in Art.6, parag. 2 of TPSMEA.

III. MANAGEMENT BODIES OF THE FUND

Art.5 (1) The management bodies of the Fund are:

1. The Municipality Council
2. The Manager of the Fund.

(2) The operative and technical work related to the fund's functioning shall be executed by a secretary and two specialists. The secretary and the specialists of the Fund shall be officials of the municipality.

(3) Regarding any separate surveys, researches and experts opinions necessary for the functioning of the Fund, the Manager may involve additionally consultants and experts working under contracts for services with the municipality.

Art.6 (1) The competence of the Municipal Council as a management body shall be:

1. To amend and supplement the Rules for the organization and activities of the Fund.
2. To accept the annual programme, size and percentage of the compensating and investments reserves of the Fund and its budget.
3. To accept the annual report for the activities and the condition of the Fund.
4. To approve the proposals for the transactions involving financial means of the Fund exceeding 1 min. leva.
5. To appoint and dismiss the Manager of the Fund and define his/her remuneration as a certain percent of the vice-mayor's salary.

6. To control permanently the activities of the Manager and the compliance with the Rules for the activities of the Fund.

Art. 7(1) The competence of the Manager of the Fund shall be:

1. To assign the developing and the current actualization of Annual Prognosis Analysis (APA) for the income of the Fund on the basis of the Annual Municipal Programme for Privatization (AMPP) and the expected income from the other resources envisaged in parag. 2 and parag. 3 of Art. 2 thereto.

2. To assign the developing and the current actualization of APA for the credit debts of the municipal enterprises and the dynamics of the volume of their bad debts (totally and according to the different branches and enterprises of the capital's economy).

3. To assign the developing and the current actualization of APA for the necessary financial means of the Fund for certain objects of the municipal investment programme, for acquittal of credits for uncompleted building sites and for current investing.

4. To prepare the draft of the Annual Fund's Programme, size and the percentage of its reserves and budget.

5. To prepare the annual report for the activities and the condition of the Fund.

6. To prepare the quarterly reports for the activities and the condition of the Fund.

7. To prepare the necessary documents and draft decisions of the respective management bodies of the Fund for the approval of the transactions for investment and for acquittal of credits for uncompleted building sites and bad debts of municipal enterprises with means of the Fund.

8. To make proposals for the use of the compensating and investment reserves of the Fund.

9. To conduct the negotiations and to conclude the contracts for the redemption of bad debts of the municipal enterprises.

10. To organize the registration and the consideration of the proposals for investments, acquittal of credits for uncompleted building sites and of bad debts of municipal enterprises with means of the Fund, and the execution of the decisions of the respective management bodies of the Fund regarding these proposals.

11. To sign all the payment documents for settling accounts and the transfer of financial means belonging to the Fund.

12. To control the Fund's book-keeping.

13. To acquire and deliver information to the municipal administration regarding the accomplishment of the general financial and economic policy of the municipality of Banskó and the achievement of the Fund's goals.

(2) Apart from the rights and obligations defined in parag.1 thereto, the Manager of the Fund shall be obliged to take any and all other measures and acts to achieve the goals of the Fund and improve its condition.

(3) Proposals to the Manager of the Fund may be made by the officials defined in parag.2 of Art.7, and also by the management bodies of the municipal enterprises.

IV. RULES FOR THE ACTIVITIES OF THE FUND

Main Preconditions

Art.8 (1) The goals of Fund are to be achieved on the basis of the following preconditions:

1. APA specified in items 1, 2 and 3 of Art. 7, parag.1;
2. The conclusions, assessments and the recommendations to the activities report of the Fund for the last year;
3. Expert opinions, prognosis and proposals.

(2) On the basis of the materials defined in parag.1 thereto, the Manager of the Fund shall prepare the draft for the annual programme of the Fund, proposals for the size and the percentage of the compensating and investment reserves and the budget of the Fund, and shall require approval according to the procedure of these Rules.

Annual Programme, Reserves and Budget of the Fund

Art.9 The annual programme of the Fund shall include the following sections:

1. General part consisting of:
 - a) Summary of the fulfillment of the Fund's programme for the last year and the tasks and participation of the Fund that shall be in effect for the present year.
 - b) Total volume of the expected income to the Fund during the year and for each quarter.
 - c) Characteristics of the income resources and reasoning the expected changes and the development of the Fund's portfolio.
 - d) Allocated volume of the funds annually and quarterly for each of sections 2, 3 and 4 and their percentage of the total Fund's income.
2. Participation of the Fund in the financing of certain objects of municipal investment programme and for the acquittal of credits for uncompleted municipal building. The section shall include for each object:
 - a) Name, general characteristics and importance of the object;
 - b) Precise aim and reasons for the necessity of Fund's participation in the financing;

c) Expected volume of investments from the Fund;

d) Mode and terms of payment;

e) Information for the offeror.

3. Current investments from the Fund. (Portfolio of the Fund) The section shall include:

a) Branch, territorial, economic and social characteristics of the enterprises and objects, that shall receive current investments up to the amount defined in this section.

b) Characteristics and parameters of the financial instruments for investing in securities.

c) The priority order that shall be applied to the current investing in relation to the characteristics defined in subsections "a" and "b".

4. Acquittal of bad debts of municipal companies. The section shall include:

a) Branch, territorial, economic and social characteristics the municipal enterprises should expediently comply with, in order their bad debts to be acquitted by the means of the Fund.

b) The priority order that shall be applied to the acquittal of the bad debts in relation to the characteristics defined in subsection "a".

c) The compulsory criteria for the credits that shall be acquitted through direct repayment to the creditor with funds allocated in this section.

d) The compulsory criteria for the debts that shall be redeemed by the Municipality with funds allocated in this section.

e) Proportion of the funds for the acquittal of bad debts under the two regimes in this section.

Art. 10 (1) The Manager shall prepare a proposal for the formation of the following reserves within the Fund:

a) Compensating reserve;

b) Investment reserve;

(2) The reserves of the fund shall be approved as a certain percent of the expected income during the year.

(3) The funds allocated at Compensating reserve shall be used for urgent unexpected needs for acquittal of municipal enterprises' debts as a result of force major circumstances.

(4) The funds allocated in the Investment reserve shall be disbursed for urgent unexpected needs in order to remedy the damages of the equipment belonging to municipal enterprises as a result of natural calamities, fires, floods and great accidents.

Art. 11 The Manager shall organize the preparation of the draft-budget of the Fund, which income and expenditure part shall comply respectively with APA for the income and the planned payments with means of the Fund under investment transactions, for acquittal of credits for uncompleted building, as well as for redemption and direct acquittal of bad debts.

Art. 12. (1) The Manager shall prepare the draft for the Annual programme of the Fund and shall present it for approval by the Municipal Council for up to one month after the delivery of the materials defined in Art. 8, parag.1.

(2) In case that the materials defined in Art.9, parag.1 or any of them are not ready till the end of February during a certain year, the Manager shall prepare "Preliminary programme schedule" (PPS) for the activities of the Fund, which has to be approved under the procedure for the approval of the Annual programme of the Fund not later than the end of March.

(3) PPS shall be prepared on the basis of the percentage of the expenditures under different chapters of the Fund's programme for the previous year, the materials under art. 8, parag.1 accepted within the term defined in the above parag. and expert opinions. In PPS no compensating or investment reserves shall be included.

(4) On the grounds of the PPS the Fund shall function until its annual programme, reserves and budget are accepted.

Acceptance, Registration and Consideration of Offers for Disbursement of the Financial Means of the Fund

Art. 13 (1) Proposals for disbursement and investment of Fund's means may be made by:

1. The officials specified in Art. 6, parag.2 in relation to all goals, objects and activities included in the Fund's annual programme.

2. The management bodies of the municipal enterprises in relation to the needs of investment and for acquittal of bad debts of the enterprises.

(2) The Manager of the Fund shall not be entitled to make offers for the disbursement in investment of funds regarding certain municipal objects and enterprises.

(3) The proposals for currently investing and for the acquittal of bad debts of municipal enterprises shall be made not later than the 30 November of the present year as for the aims and formation of the annual programme. Additional proposals after this date shall be accepted currently.

(4) The proposals under the section of the Fund's annual programme, defined in Art. 9, parag.2 shall be made at latest up to the end of the previous year.

(5) All the offers for disbursement and investment shall be in writing. Depending on the aim of the expense or the investment the proposals shall include:

1. For the enrollment in the Fund's annual programme for the coming year of certain objects from the municipal investment programme and for the acquittal of credits for uncompleted municipal building - the requirements specified in art. 9, item 2.

2. For current investment and optimization of the Fund's portfolio:

a) Characteristic of the object or the issuer with respect to the importance, reliability of the enterprise and its management.

b) The kind of the financial instruments (securities).

c) The kind of the guarantee.

d) The profitability and the perspectives for the price of the securities.

e) The condition for the reverse buy off or the transfer of the securities to third parties.

3. For the acquittal of bad debts of municipal enterprises:

a) Individual information for the municipal enterprise.

b) Assessment of the social and the economic importance of the enterprise's activities for the municipality.

c) Financial Analysis of the enterprise (including the debt to each creditor) and the reasons for the impossibility to pay them off.

e) Information for the creditor, the kind and the amount of the debt, that is proposed to be acquitted by the Fund.

f) The mode of the acquittal of the debt - through redemption by the municipality or direct pay off to the creditor. In cases that the redemption of the enterprise's debt by the municipality is proposed, the analysis under item "c" shall also include a programme for the financial stabilization of the enterprise with plan for the acquittal of the debt.

(6) All the proposals made under the provisions of this article shall include the name and the position of the offeror.

Art. 14 (1) All the proposals made in compliance with the procedure pursuant to the previous article shall be registered in a Register for the proposals for investments and expenditures (RPIE) according to their entrance.

(2) Proposals made by companies or persons other than the defined in Art. 12 shall not be registered in the RPIE. These proposals shall be registered in a Register of the external offers (REO).

(3) The secretary of the Fund shall weekly report to the Manager all the registered proposals and prepared letters according to parag.4.

(4) In a week after the registration the Manager shall send letters to the offerors for the elimination of any omissions in the proposals, registered in the RPIE and letters to the offerors of the proposals registered in the REO for the order and the officials their requests and offers should be made through.

(5) The proposals for the sale of securities bought with the means of the Fund shall be made by the Manager.

Art. 15 (1) In a period of two weeks after the registration the Manager of the Fund shall prepare a reference for the proposals registered in RPIE, which are in compliance with the requirement of Art. 12 and it shall include:

1. Evaluation whether the proposals comply with the requirements of the annual programme of the Fund regarding the general characteristics and the compulsory criteria for current investments and acquittal of bad debts.

2. Evaluation whether it is expediently these proposals to be approved for arrangement during the present year.

3. Evaluation for the expediency of including the proposals under Art. 9, item 2 in the Fund's annual programme for the next year.

4. A proposal for the parameters of the transaction and payment in case of positive evaluation under items 2 and 3.

(2) When the Manager by himself or by the support of the specialists from the municipal administration is not able to give a certain evaluation under parag.1, items 2 or 3, or a proposal under parag.1, item 4, he/she may engage external experts or obtain consultancy under a contract for services.

Art. 16 (1) Every last week of each quarter the Municipal council shall summon a session for the consideration of the materials under Art. 15, delivered by the Manager.

(2) The Municipal council shall approve or refuse the proposal. references of the Manager, evaluations and proposals for transactions and payments, that are within the range of competence of the Municipal council.

(3) A protocol shall be kept at the sessions of the Municipal council. At the end of each session an extract of the protocol with the decisions shall be prepared. This extract shall be signed by the chairman of the Municipal council and the Manager of the Fund. In case of dissenting opinion of the Manager for certain decisions he/she shall be obliged to state his/her arguments in writing not later than the end of the next working day, which shall be an integral part of the protocol.

(4) In one month after the registration of the proposals at the RPIE the Manager of the Fund shall notify the offerors for the decisions of the respective bodies of the Fund (without the specified parameters of the transactions), or the reasons for the delay of the decision.

Realization of the Transactions and the Payments

Art. 17 (1) On the grounds of the approving decisions of the respective bodies, in compliance with these Rules, the Manager shall assign the secretary to prepare the necessary documentation, notifications to the offerors and the parties to the transaction, payment documents and takes the required actions to put the transaction and the payments into effect.

(2) When the nature of the transaction requires the conduct of negotiations with the respective parties, the Manager shall invite them by a notification in accordance with Art. 16, parag.4.

Art. 18 (1) All proposals registered in the RPIE that has been approved in compliance with these Rules, shall be classified by the secretary according to the priority order, defined in the Fund's annual programme, depending on their characteristics and compulsory criteria for each section. The Realization of the transactions and the payments shall be in accordance with order of the classification.

(2) When the approved proposals possess equal characteristics for priority, they shall be classified according top the order of their registration in the RPIE.

Art. 19 (1) The payments shall be made in accordance with the turn of the classification of the approved proposals and the Fund's income allocated to the account of the respective section of its annual programme.

(2) The engagements and the participation of the Fund in transactions-transitions from the previous year shall be completed prior to all transactions of the present year.

Art. 20 (1) At depletion of the funds allocated at the account of a certain section, if there is a decision of the Municipal council, it may be credited by the spare available funds allocated in the other accounts only in case that the delay of payment because of the temporary lack of funds at the account would lead to essential disadvantages for the municipality or to considerable raise of the cost of the Fund's participation.

(2) If it is necessary to amend the ratios of the funds allocated in the accounts of the respective sections of the Fund's annual programme, its Manager shall deliver the Municipal council a proposal for its amendment.

(3) In case the total sum of the approved proposals for the Fund's participation in certain objects of the municipal investment programme and for the acquittal of credits for uncompleted building sites, exceeds the allocated amounts to this section of the Fund's annual programme, they shall be completed according to the registration of the respective proposals at the RPIE. The approved proposals that have not been completed shall be included in the Fund's programme for the next year unless the respective management bodies decide something different.

Accountancy and Control on the Activities of the Fund

Art. 21 (1) The bank accounts of the Fund shall be separate from the other accounts of the municipality. It shall serve only the financial operations related to the activities of the Fund.

(2) Separate accounts shall be kept for each different section of the Fund's annual programme and its reserves. The income from the resources defined in Art. 2 shall be distributed to the

respective accounts, depending on the percentage of the funds to the total income planned for the sections of the annual programme.

(3) The accountancy of the Fund shall be kept by the officials of the "Accountancy" Department of the municipality that have been appointed by a duly mayor's order.

(4) The Chief accountant of the municipality shall organize and control the accountancy of the Fund.

Art. 22 All the payment documents regarding the disbursement of Fund's financial means shall be signed by the Manager of the Fund and the Chief accountant of the municipality.

Art. 23 (1) The Municipal council shall control the activities of the Fund through:

1. Quarterly reports for the activities of the Fund presented by the Manager. It shall include:

a) List of all approved proposals and the condition of the transactions and payments under them.

b) The volume of the Fund's income totally and separately for each resource and their distribution to the accounts of the sections of the annual programme and the reserves of the Fund.

c) The amounts available at the accounts of the program's sections.

d) The expenses for the technical assistance and external services for the activities of the Fund.

e) Monthly balance sheet of the Fund.

f) Other important circumstances and information related to the Fund's activities.

2. The annual report for the activities of the Fund, presented for the approval by the Municipal Council. It shall include:

a) Summarized data for the transactions of the different sections of the annual programme (including the purchases of securities), and for the transactions related to sums from the reserves of the Fund.

b) Analysis of the fulfillment of the Fund's annual programme on the income and expenditures, totally and separately for each section.

c) Analysis of the expenses for administration, technical assistance and external services for the activities of the Fund.

d) Analysis of the annual balance sheet of the Fund.

e) Analysis of any other important information and circumstances related to the Fund's activities.

Books and Archive of the Fund

Art. 24 (1) The secretary of the Fund shall keep the following books:

1. Register of the proposals for investments and expenditures.
2. Register of the external offers.
3. Protocol book for the decisions of the management bodies of the Fund.
4. Recording book for the securities bought with sums of the Fund, which shall specify: the issuer, lot, number, nominal value and the purchase value and other essential data for the qualities of the securities.
5. Diary for the incoming and outgoing correspondence of the Fund.

(2) The secretary of the Fund shall organize and maintain its archive.

(3) In the archive of the Fund shall be kept copies of all contracts concluded in relation to the activities of the Fund and further copies of the payment documents for the spent amounts from the Fund. There shall be also kept all quarterly and annual balance sheets, annual programs of the Fund and all the analysis, reports and expert opinions related to them.

(4) A separate file for each concluded transaction with the means of the Fund shall be kept in the archive, containing all the documents related to it - from the proposal to the completion of the Fund's participation.

(5) The books of the Fund shall be filled and kept according to the general rules for the stringed through and numbered documentation, and the archive of the Fund shall be organized and kept according to the rules for the official archives.

V. ADDITIONAL PROVISIONS

§1. A vice-mayor shall be appointed as a Manager of the Fund. He/She shall be direct superior of the secretary and the specialists of the Fund.

§2. (1) The appointed vice-mayor shall be entitled to additional remuneration up to the amount of 70 % of his/her salary for his/her activities as a manager of the Fund.

(2) All the officials of the municipal administration regularly engaged in the activities of the Fund shall be entitled to additional remuneration up to the amount of 60% of the sum, received by the vice-mayor, who is a manager, as an additional remuneration according to parag.1.

(3) The proposals for additional remuneration of the officials under parag.2 shall be presented to the Mayor of the municipality of Bansko by the Manager of the Fund.

(4) The orders for the amounts of the additional remuneration of the Manager of the Fund and the other officials estimated according to parag.1 and 2 shall be issued by the Mayor of the municipality.

§3. (1) During leaves or at the absence because of official reasons for longer than a week, the Manager of the Fund shall be represented by the secretary of the Fund who shall not be entitled to conduct negotiations and sign payment documents.

(2) At the absence of the Manager for a period longer than 2 months the mayor of the municipality shall propose to elect a temporary Manager.

§4. When electing a Manager of the Fund the Municipal council shall also take decision for the mandate of the manager to conduct negotiations and to conclude contracts within the frames of the terms and prices, approved by the higher-standing management bodies, for each separate transaction with any financial means of the Fund.

§5. In case that bad debts of a certain municipal enterprise have once been acquitted with means of the Fund and for the same enterprise there is again an approving decision for the acquittal of bad debt the Manager of the Fund shall be obliged to make a proposal for the termination of the contracts with the management bodies of the enterprise and realization of their liability.

§6. All circumstances and information related to the conditions, prices and payments under the transactions of the Fund, further to the partners and their proposals for the participation of the Fund shall be official and trade secret. The officials of the Fund, the involved officials from the municipal administration and external experts shall sign a declaration for non-disclosure of this official and trade secret.

VI. TRANSITIONAL AND CONCLUDING PROVISIONS

§7. These Rules are issued pursuant to Decision No

from Protocol N/..... 1994 of the Municipal council of Bansko in relation

to Art. 6, parag.2, item 3 of TPSMEA.

§8. All questions related to the activities of the Municipal privatization investment fund, that are not regulated by these Rules, shall be settled according to the general rules for the activities of the municipal bodies and administration.

§9. For 1994 the Manager of the Fund shall prepare the annual programme pursuant to Art. 12, parag.2 within one month after the adoption of these Rules by the Municipal council.