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**GOVERNMENT DEBT
MANAGEMENT**

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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>

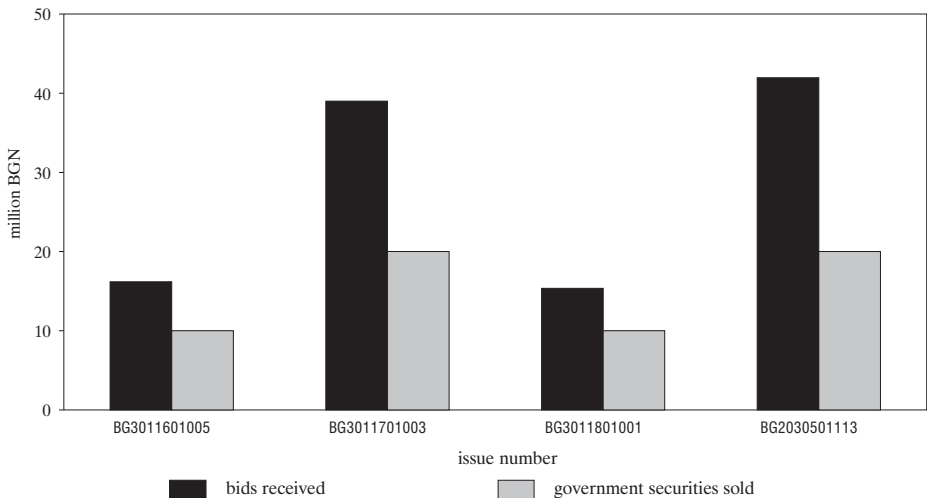
BUDGET DEFICIT FINANCING BY GOVERNMENT SECURITIES ISSUES

According to the issuing schedule for 2001, four auctions for sale of government securities were held in August. They included three discount treasury bills issues (Nos. BG3011601005, BG3011701003 and BG3011801001) and one treasury bonds issue (No. BG2030501113).

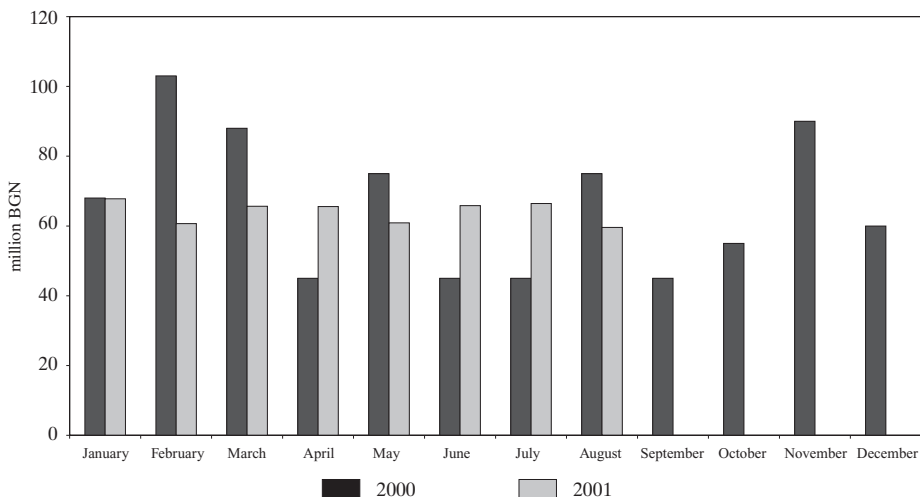
At the auctions primary dealers' bids totaled BGN 112,480.1 thousand: BGN 31,530.1 thousand for three-month government securities, BGN 39,000 thousand for twelve-month and BGN 41,950 thousand for five-year government securities (Chart 1). Approved bids totaled BGN 60,000 thousand, including three-month of BGN 20,000 thousand, twelve-month of BGN 20,000 thousand and five-year of BGN 20,000 thousand (Chart 3). Coverage coefficient of the issues approved for sale in August accounted for 1.87: 1.58 on three-month, 1.95 on twelve-month and 2.10 on five-year (Chart 4). Coverage coefficient dropped significantly compared with the previous month; demand for all types of government securities decreased. Demand for five-year bonds remained high and demand for three-month bills was the lowest.

Chart 1

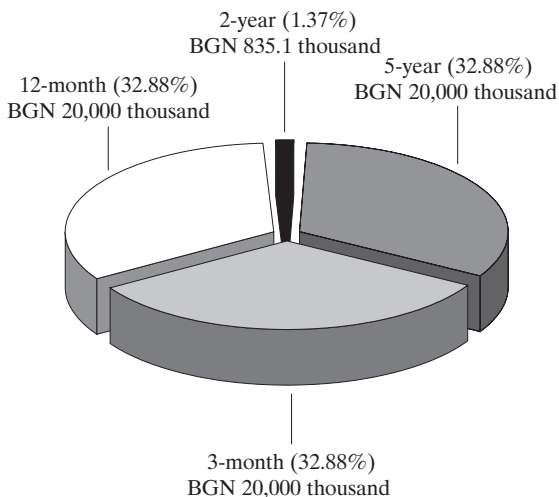
Government Securities Issue in August



Sales of Government Securities Issues

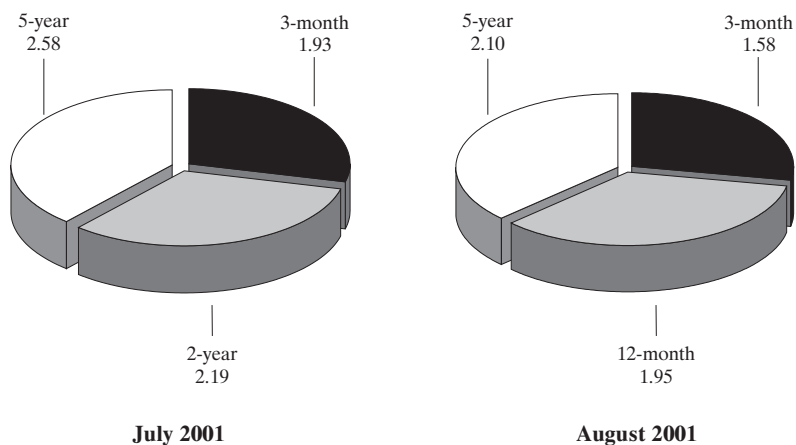


Structure and Volume of Government Securities Issued for Budget Deficit Financing in August



Note: Including target issues of government securities.

Coverage Coefficients of Issues Sold*



* Proportion between bids received and government securities sold.

Government securities issued in August decreased by BGN 15.4 million on a year earlier basis (Chart 2). Two-year and five-year government securities increased most in 2001 in contrast to three-year securities.

Government securities yield increased in August, a result of decreased demand. In particular, the yield of three-month treasury bills rose by 20 percentage points, reaching 4.75% and the yield of twelve-month securities indicated an increase of 16 percentage points to 5.04%. The yield of five-year securities rose by 17 percentage points, reaching 7.10% (Charts 5 and 8).

Two 2001 three-month issues of treasury bills, one 2000 treasury bills issue and three 1998 and 1999 treasury bonds issues matured in August.

In the review period two issues of government securities were directly sold to individuals (Chart 11). Issue No. 915 of 1 August totaled BGN 369.9 thousand nominal value, and issue No. 915 of 15 August accounted for BGN 465.2 thousand nominal value. Three 1999 issues of target government bonds, amounting to BGN 595.8 thousand, were repaid in August. During the period under review reverse repurchases accounted for BGN 381 thousand (Chart 12).

Prices of Issues Sold per BGN 100 Nominal Value

JULY

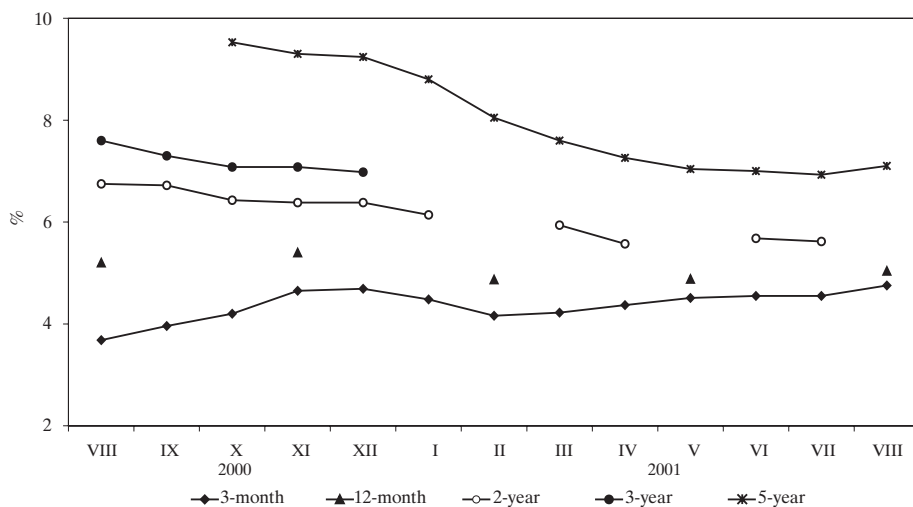
	3-month		2-year	5-year
	BG3011401000	BG3011501007	BG2030401116	BG2030501113
Minimum	98.86	98.80	100.66	100.38
Average-weighted	98.87	98.85	100.85	100.79
Maximum	98.90	98.88	101.31	102.20

AUGUST

	3-month		12-month	5-year
	BG3011601005	BG3011801001	BG3011701003	BG2030501113
Minimum	98.79	98.79	94.97	99.24
Average-weighted	98.84	98.80	95.14	100.10
Maximum	98.88	98.84	95.32	100.82

Chart 5

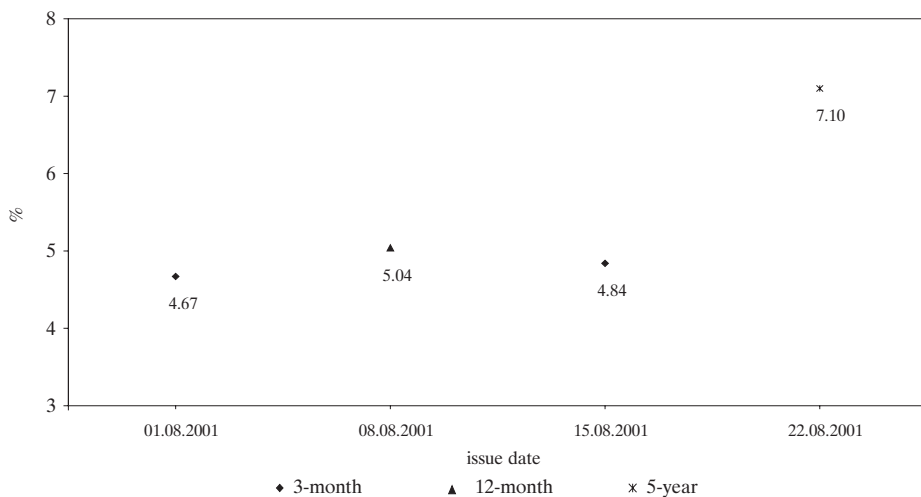
Yield of Primary Market Government Securities



Note: The yield is on an annual effective basis.

Chart 6

Dynamics of the Effective Annual Yield of Primary Market Government Securities



Note: Five-year tap government securities issue; the above date indicate the auction date.

Chart 7

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

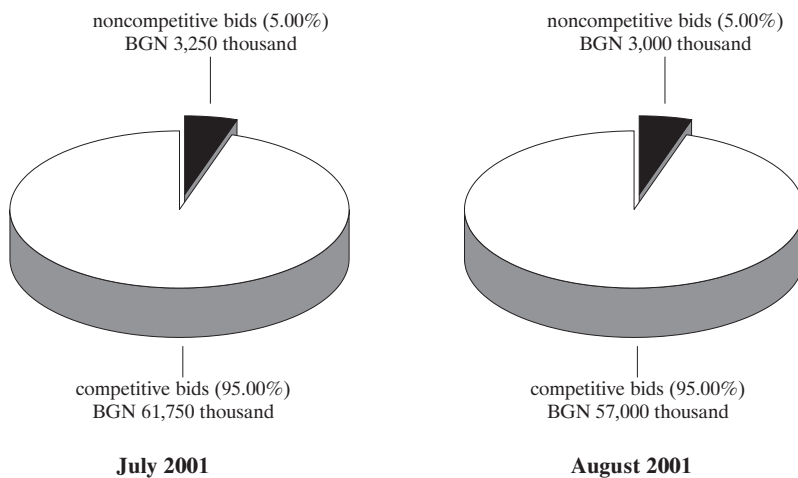
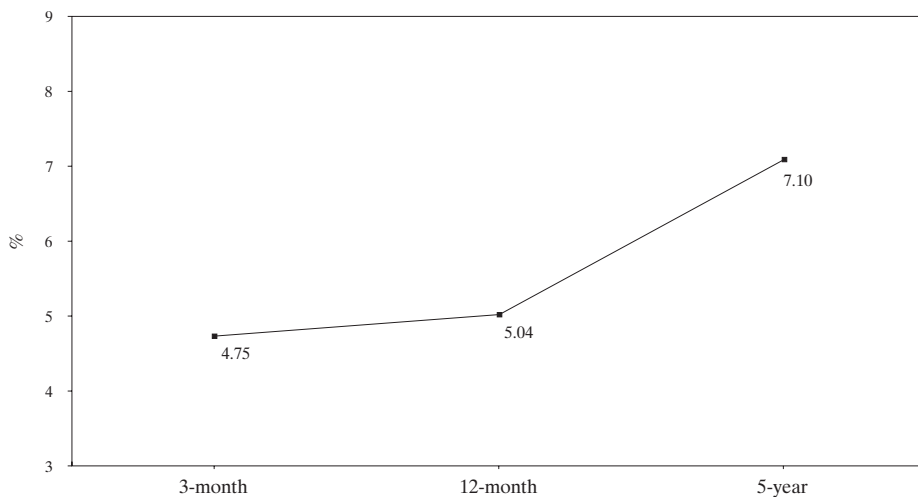


Chart 8

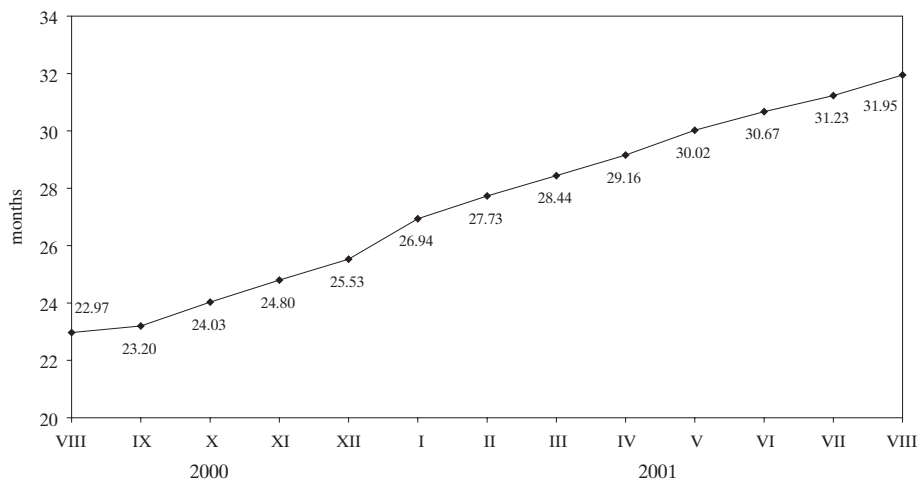
Yield Curve of Primary Market Government Securities in August



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

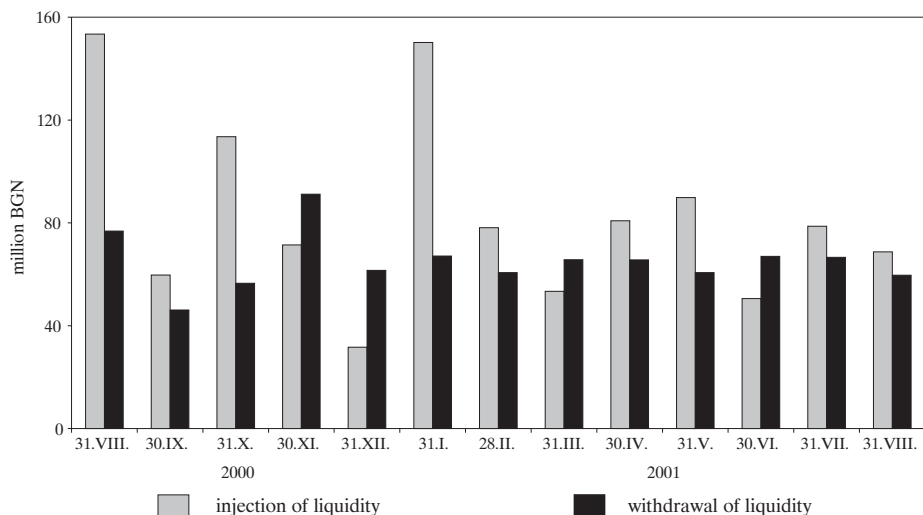
Chart 9

Average Term of Outstanding Government Securities Issues by Month

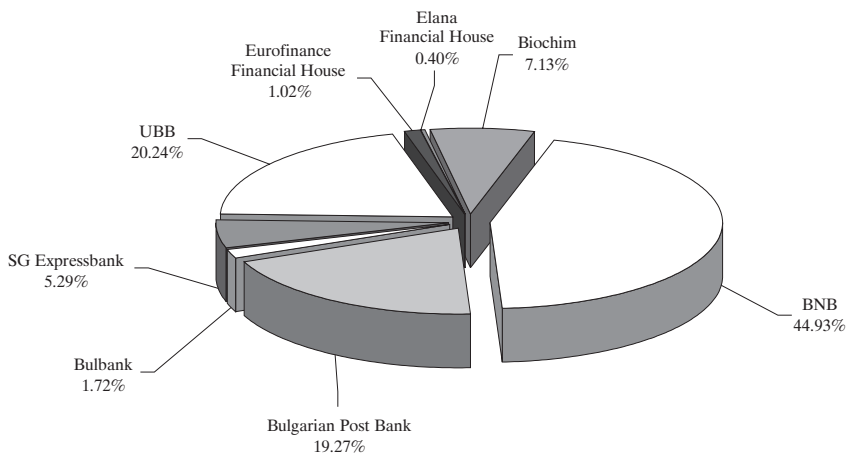


Note: The average term is calculated on the basis of the maturity structure of government securities issued for budget deficit financing.

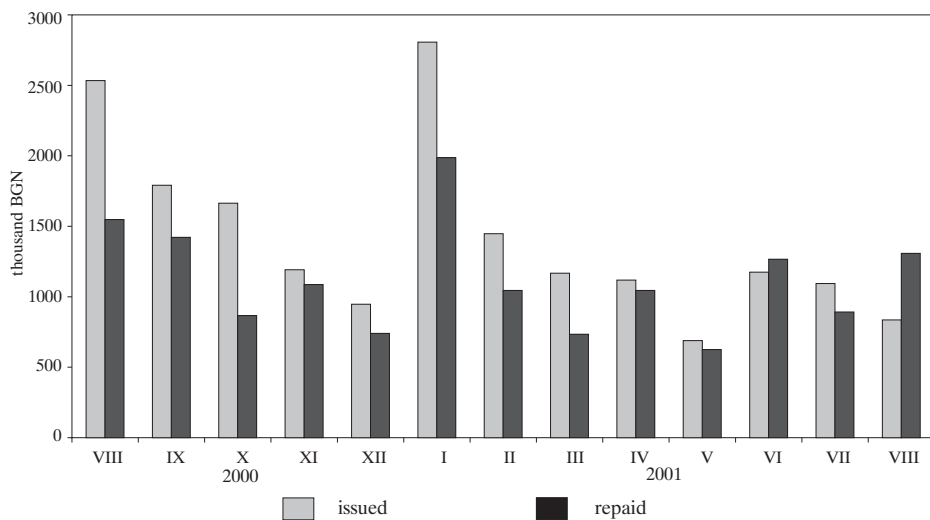
Monthly Liquidity Regulation through Government Securities Issues and Maturities



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



Issued and Repaid Government Securities from Target Issues



Pending Payments on Government Securities in October 2001

(thousand BGN)

	Monday	Tuesday	Wednesday	Thursday	Friday
			1	2	3
bills target issues			447.2	10000.0	
	6	7	8	9	10
bonds			12642.7		
	13	14	15	16	17
bills bonds target issues GGS (levs)	4593.2	19.9	977.3 363.0	10000.0	
	20	21	22	23	24
bonds			8211.1		
	27	28	29	30	31
bills bonds target issues			20000.0 414.4	1032.4	

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

Schedule of Government Securities Issues for October 2001

Auction date	Issue date	Maturity date	Issue term	Scheduled volume (BGN)	Total volume (BGN)
01.10.2001	03.10.2001	03.01.2002	3-month	10 000 000	
08.10.2001*	10.10.2001	10.10.2003	2-year	25 000 000	50 000 000
15.10.2001	17.10.2001	17.01.2002	3-month	10 000 000	
22.10.2001*	24.10.2001	24.10.2006	5-year	20 000 000	60 000 000
TOTAL, incl.:				65 000 000	
bills				20 000 000	
bonds				45 000 000	

* Tap issue.

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

By end-August 2001 domestic debt totaled BGN 1,737,910.8 thousand¹ and domestic government debt accounted for BGN 1,730,081.5 thousand. Domestic debt decreased by BGN 30,859 thousand compared with the previous month. Debt on government securities issued for budget deficit financing rose to 55.7% and government securities issued for structural reform dropped to 54.6%. Government guaranteed debt remained unchanged, 0.5% (Chart 13).

In August government securities issued for budget deficit financing indicated an increase of BGN 2,014.4 thousand, reaching BGN 967,532.2 thousand. Issued government securities totaled BGN 59,603.6 thousand, including BGN 835.1 thousand sold directly to physical persons. Newly issued bonds amounted to BGN 20,812.2 thousand and bills BGN 38,791.4 thousand. Securities repaid in August accounted for BGN 42,123.9 thousand, including short-term securities of BGN 38,790.4 thousand. The share of five-year securities increased by over 2 percentage points to 23.4% in the maturity structure of government securities issued for budget deficit financing at the expense of decreased two-year and three-year securities (Chart 14). Therefore, the average-weighted maturity of government securities issued for budget deficit financing increased, reaching two years and eight months.

Government securities issued for structural reform decreased by BGN 32,139.9 thousand, reaching BGN 762,549.4 thousand. Debt reduction was due mainly to the appreciation of the euro against the US dollar and use of the bonds, totaling USD 14.7 thousand and BGN 231 thousand, for repayment of obligations to the government under ZUNK.

Foreign currency denomination of domestic debt changed following mainly exchange rate fluctuations (Chart 15). The share of USD-denominated government securities dropped by one percentage point to 34.4%. The share of lev-denominated government securities rose by 0.9 percentage points and that of EUR-denominated government securities by 0.1 percentage points. Exchange rate fluctuations caused movements in the maturity structure. The decrease in lev equivalent of USD-denominated ZUNK bonds resulted in a decrease in long-term securities by 1.1 percentage points to 44.1%, medium-term securities increased and reached 48.1%, short-term occupied almost the same share from July: 7.8% (Chart 16). The share of government securities with fixed interest coupons rose by over one percentage point, reaching 54.8% (Chart 17).

¹ Debt to the BNB was excluded from domestic debt structure.

In August repaid interest and discounts totaled BGN 7,270.4 thousand. Since early 2001 expenditures on domestic debt have totaled BGN 105,492.9 thousand. Interest and discounts of BGN 55,263.1 thousand, or 52.4% of the total repaid interest and discounts, were repaid (Chart 19). Expenditures on two-year and three-year bonds occupied the largest share: 61.8% and 17.4% respectively.

Domestic Debt

(thousand BGN/thousand EUR/thousand USD)

Structure	Amount as of 31 Dec. 2000	Change in 2001		Amount as of 31 August 2001
		increase	decrease	
I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR BUDGET DEFICIT FINANCING				
1. Government securities issued in 1996	845.8		845.8	-
5-year	845.8		845.8	-
2. Government securities issued in 1997	20 000.0			20 000.0
5-year	20 000.0			20 000.0
3. Government securities issued in 1998	7 468.5		1 774.5	5 694.0
3-year	3 377.6		1 774.5	1 603.1
5-year	4 090.9			4 090.9
4. Government securities issued in 1999	304 542.3		226 029.2	78 513.1
2-year	301 882.6		226 029.2	75 853.4
5-year	2 659.7			2 659.7
5. Government securities issued in 2000	613 212.9		161 262.2	451 950.7
5.1. Short-term	178 275.5		159 297.9	18 977.6
3-month	64 286.4		64 286.4	-
12-month	113 989.1		95 011.5	18 977.6
5.2. Medium-term	434 937.4		1 964.3	432 973.1
2-year	255 217.9		1 964.3	253 253.7
3-year	139 929.7			139 929.7
5-year	39 789.7			39 789.7
6. Government securities issued in 2001		510 691.5	99 317.2	411 374.3
6.1. Short-term		215 383.4	98 932.3	116 451.1
3-month		158 241.6	98 932.3	59 309.3
12-month		57 141.8		57 141.8
6.2. Medium-term		295 308.2	385.0	294 923.2
2-year		135 331.0	385.0	134 946.1
5-year		159 977.1		159 977.1
TOTAL (I)	946 069.5	510 691.5	489 228.8	967 532.2

I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM

A1. Long-term government bonds issued pursuant to CM Decree No. 244 of 1991	3 026.9		275.2	2 751.7
A2. Long-term government bonds issued pursuant to CM Decree No. 234 of 1992	2 174.0		139.1	2 034.9
A3. Long-term government bonds issued pursuant to Articles 4 and 5 of ZUNK of 1993				
in BGN	7 799.4		24.0	7 775.4
denominated in USD	331 260.7		52 720.4	278 540.4
lev equivalent	696 280.3			594 864.7
denominated in EUR	24 412.6	37 478.5	1 284.9	60 606.3
lev equivalent	47 746.9			118 535.6
A4. Long-term government bonds issued pursuant to CM Decree No. 3 of 1994	831.7			831.7

(continued)

(continued)

A5. Government bonds issued pursuant to Article 2 of CM Decree No. 89 of 1995	4 660.1	1 553.4	3 106.8
TOTAL (A)	762 519.3		729 900.8
B1. Government securities in BGN issued pursuant to Articles 8 and 9 of LSPDACB of 1996	38 750.5		32 648.6
Government securities issued in 1996	5 627.9	1 876.0	3 751.9
Government securities issued in 1997	33 122.6	4 226.0	28 896.6
B2. Government securities in USD issued pursuant to Articles 8 and 9 of LSPDACB of 1996	4 705.7	4 705.7	-
lev equivalent	9 891.0	7 823.2	-
TOTAL (B)	48 641.5		32 648.6
TOTAL (II)	811 160.8		762 549.4
GOVERNMENT DEBT, TOTAL	1 757 230.3		1 730 081.5
III. DOMESTIC GOVERNMENT GUARANTEES	9 984.1		7 829.3
DOMESTIC DEBT, TOTAL	1 767 214.4		1 737 910.8

Notes:

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

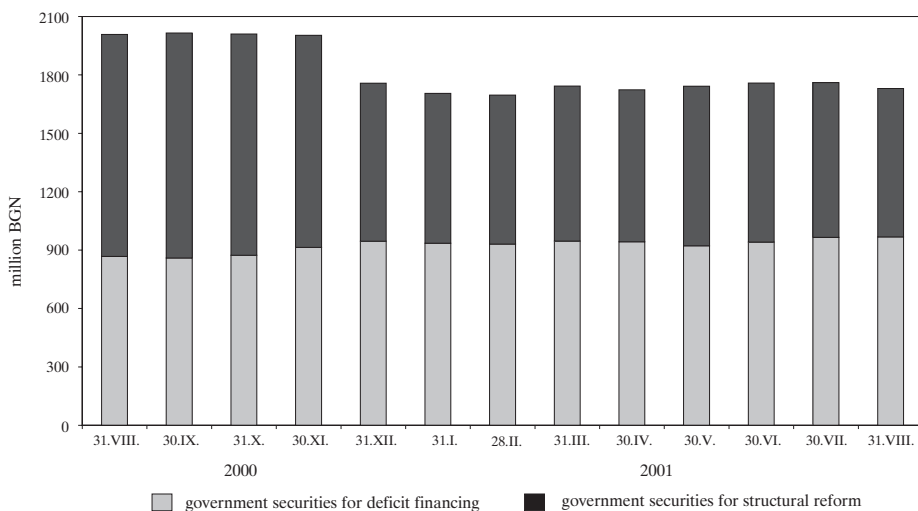
The lev equivalent of the debt denominated in foreign currency is calculated on the basis of the exchange rate of the relevant currency against the lev at the end of month:

on 31 December 2000: USD 1/BGN 2.10191, EUR 1/BGN 1.95583.

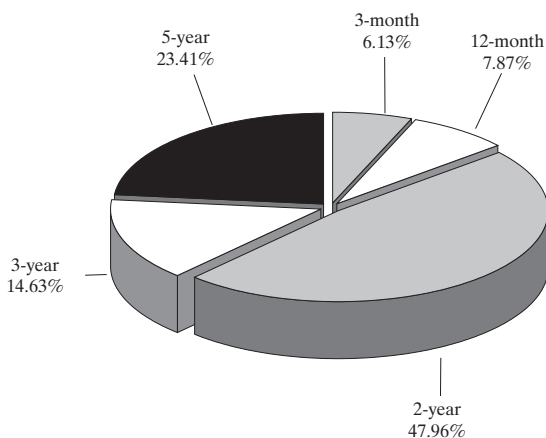
on 31 August 2001: USD 1/BGN 2.13565, EUR 1/BGN 1.95583.

Debt to the BNB is excluded from domestic debt structure.

Changes in Domestic Government Debt

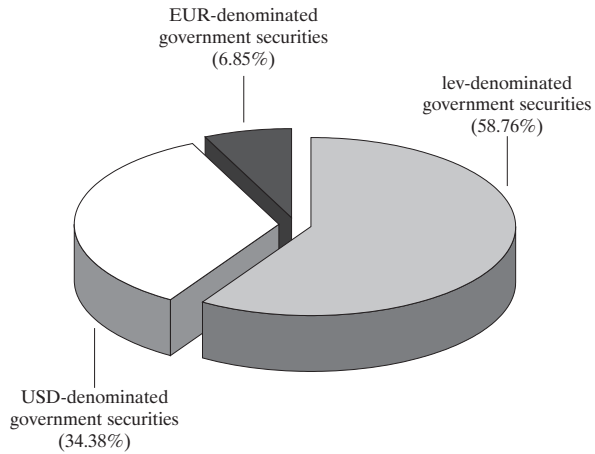


Outstanding Government Securities Issued for Budget Deficit Financing as of 31 August

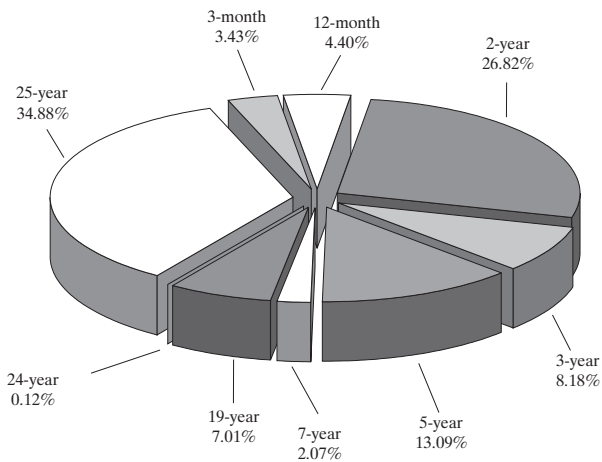


Note: The average-weighted maturity of government securities issued for budget deficit financing is two years and eight months.

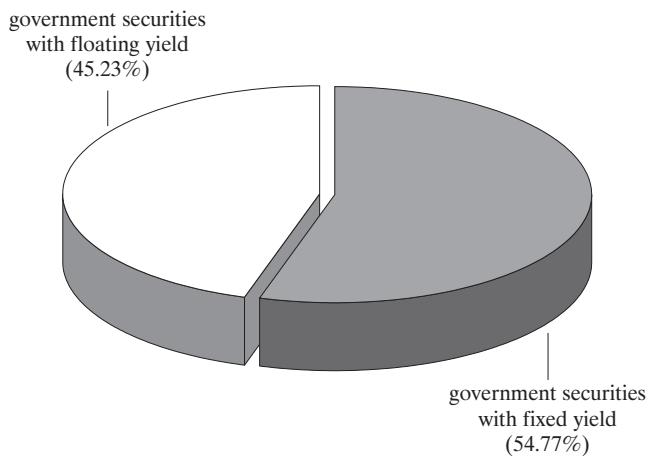
Forex Composition of Outstanding Government Securities as of 31 August



Maturity Structure of Outstanding Government Securities as of 31 August



Shares of Outstanding Government Securities with Fixed and Floating Yield as of 31 August



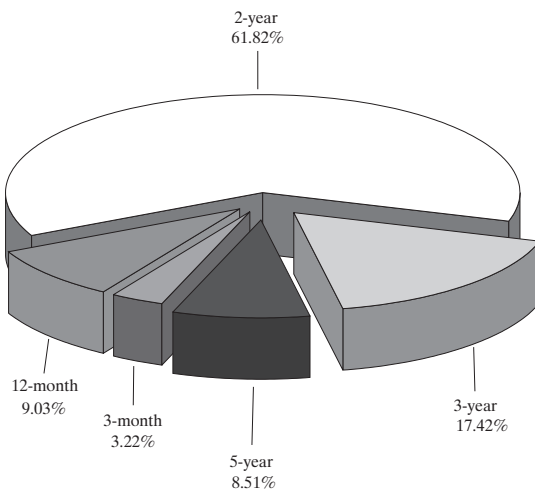
Expenditure on Domestic Debt between 1 January and 31 August 2001

(thousand BGN)

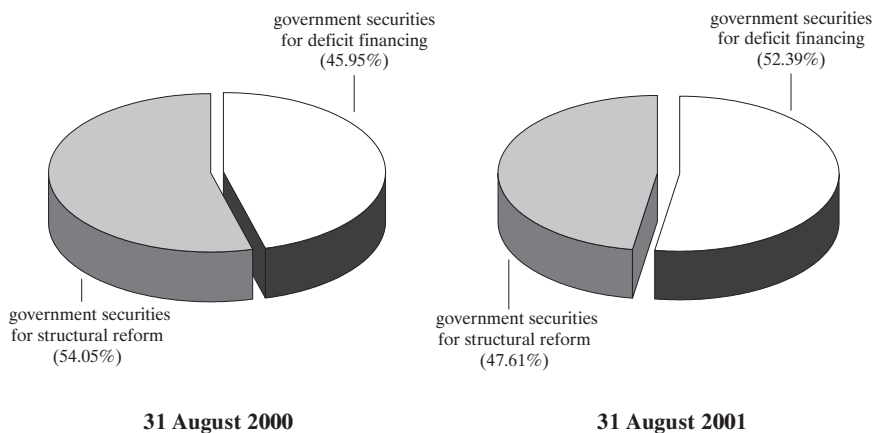
Structure	Amount of repaid interest (discount)
I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR BUDGET DEFICIT FINANCING	
1. Government securities issued in 1996	50.4
5-year	50.4
2. Government securities issued in 1997	833.2
5-year	833.2
3. Government securities issued in 1998	614.3
3-year	424.9
5-year	189.5
4. Government securities issued in 1999	19 744.7
2-year	19 601.5
5-year	143.2
5. Government securities issued in 2000	30 080.6
5.1. Short-term	5 702.1
3-month	713.6
12-month	4 988.5
5.2. Medium-term	24 378.5
2-year	13 383.7
3-year	9 199.7
5-year	1 795.1
6. Government securities issued in 2001	3 939.9
6.1. Short-term	1 067.7
3-month	1 067.7
6.2. Medium-term*	2 872.2
2-year	1 178.4
5-year	1 693.8
TOTAL (I)	55 263.1
II. DEBT ON GOVERNMENT SECURITIES ISSUED AS A RESULT OF STRUCTURAL REFORM	
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	149.9
2. Bonds issued pursuant to CM Decree No. 186 of 1992	90.6
3. Bonds issued pursuant to Articles 4 and 5 of ZUNK of 1993	48 251.8
lev bonds	143.0
USD-denominated (in BGN at the current exchange rate)	45 998.2
EUR-denominated (in BGN at the fixed exchange rate)	2 110.6
4. Bonds issued pursuant to CM Decree No. 3 of 1994	0.0
5. Bonds issued pursuant to CM Decree No. 89 of 1995	100.6
Total (A)	48 592.9
B. Debt on government securities issued pursuant to Articles 8 and 9 of LSPDACB of 1996	
lev	1 198.8
foreign currency (in BGN at the current exchange rate)	438.1
Total (B)	1 636.9
TOTAL (II)	50 229.8
EXPENDITURE ON GOVERNMENT DEBT, TOTAL	105 492.9
III. GOVERNMENT GUARANTEED DEBT	0.0
EXPENDITURE, TOTAL	105 492.9

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

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



Structure of Expenditure on Domestic Debt



By the end of August foreign debt totaled USD 8,723.1 million, an increase of USD 42 million from the previous month. Since early 2001 foreign debt has decreased by USD 247.3 million. Government debt accounted for USD 8,221.4 million and government guaranteed debt amounted to USD 501.7 million.

In August new foreign financing (utilization of government investment loans extended by the World Bank) amounted to USD 3 million. Payments on the debt totaled USD 89.8 million, of which USD 62.4 million principal repayments and USD 27.4 million interest. Repayments included payments to the IMF (USD 19.9 million), Paris Club (USD 17.6 million), World Bank (USD 10.5 million), on government guaranteed loans (USD 13.2 million), etc. Interest was repaid mainly on the debt to the IMF and World Bank.

Since early 2001 received loans have totaled USD 236 million, including USD 63.9 million receipts from tranches on government guaranteed loans. Payments on the debt accounted for USD 859.7 million, of which interest in the amount of USD 431.3 million. Repayments on Brady bonds, IMF and Paris Club loans occupied the largest share. Net foreign financing by the end of August was negative: USD -192.4 million. Government guaranteed credits totaled USD 15.5 million.

USD/EUR exchange rate movements slightly impacted foreign currency composition of the debt. The share of the debt in US dollars slightly dropped to 66.8% at the expense of increased debt in other foreign currencies. The interest structure remained almost unchanged with fixed interest coupons occupying 26.6%. The average residual term was 12 years and five months. Short-term debt and debt of five up to ten years increased in August.

No significant changes occurred in debt structure compared with the previous month. Brady bonds decreased to 56.9%, a result of the euro appreciation. Despite repayments effected in August debt to the Paris Club stayed at 5.5%. Debt to the IMF and the World Bank remained unchanged: 13.2% and 9.2%. The share of government investment loans comprised 2.3% and government guaranteed loans 5.8%.

Foreign Debt

(million USD)

Structure	2000 as of 31.XII.	2001			
		as of 31.III.	as of 30.VI.	as of 31.VII.	as of 31.VIII.
I. Government debt	8 522.9	8 242.9	8 186.3	8 178.4	8 221.4
1. London Club	4 976.1	4 976.1	4 976.1	4 960.0	4 960.0
2. Paris Club	600.4	478.7	464.5	474.2	477.3
3. World Bank	827.8	792.6	794.2	800.0	803.0
3.1. World Bank	682.2	662.9	663.4	669.8	669.9
3.2. JBIC (JEXIM)	145.6	129.6	130.8	130.2	133.1
4. G-24	56.5	40.4	27.1	27.6	28.4
5. European Union	428.0	406.3	390.1	402.7	421.3
6. IMF	1 218.4	1 186.7	1 168.4	1 142.3	1 149.0
7. Other	127.1	120.6	115.8	119.6	125.1
8. Government investment loans	233.5	183.7	191.4	192.6	198.2
8.1. World Bank	42.8	46.8	39.3	41.2	45.8
8.2. European Investment Bank	150.2	98.6	102.5	103.3	103.9
8.3. EBRD	26.2	24.3	31.0	29.2	29.2
8.4. Other	14.4	14.0	18.6	18.9	19.3
9. Called government guarantees	55.1	57.7	58.7	59.4	59.2
9.1. World Bank	35.5	39.2	41.1	42.1	41.7
9.2. European Investment Bank	3.6	3.4	3.4	3.2	3.2
9.3. Other	16.0	15.2	14.2	14.2	14.3
II. Government guaranteed debt	447.4	483.5	501.2	502.7	501.7
1. World Bank	157.3	153.7	151.7	152.5	150.6
2. European Investment Bank	68.3	115.4	112.7	114.9	119.0
3. EBRD	87.5	83.9	72.9	71.9	73.2
4. Other	134.3	130.5	163.9	163.4	158.9
FOREIGN DEBT, TOTAL	8 970.4	8 726.3	8 687.5	8 681.1	8 723.1

Notes:

1. Debt recalculation in US dollars 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 August 2001.
3. Following the changed legal framework in April, from 1 January 2001 loans of *Government investment loans* and *Government guaranteed debt* groups were reclassified.

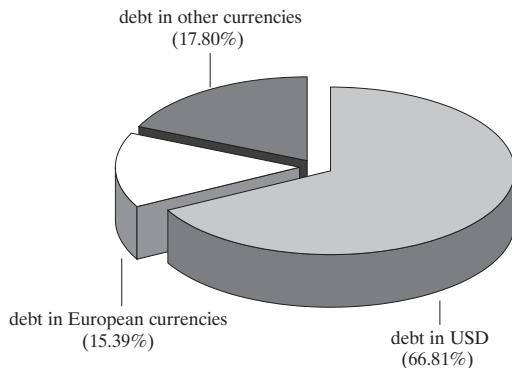
New Foreign Financing and Foreign Debt Payments as of 31 August

Structure	Received credits (tranches)		Payments, incl.			
			Installments		Interest	
	million USD	thousand BGN	million USD	thousand BGN	million USD	thousand BGN
I. Government debt	172.1	385 515.9	380.1	831 756.7	413.4	900 269.1
1. London Club	0.0	0.0	16.1	35 913.7	294.2	638 428.8
2. Paris Club	0.0	0.0	109.3	239 667.1	23.8	52 378.9
3. World Bank	1.0	2 276.5	23.1	50 081.8	25.9	57 904.7
3.1. World Bank	1.0	2 276.5	15.2	32 962.6	22.9	51 389.2
3.2. JBIC (JEXIM)	0.0	0.0	7.9	17 119.2	3.0	6 515.5
4. G-24	0.0	0.0	26.5	58 208.1	1.5	3 324.1
5. European Union	0.0	0.0	0.0	0.0	13.3	29 419.4
6. IMF	131.7	297 574.2	188.3	411 268.0	41.9	90 531.7
7. Other	0.0	0.0	0.0	0.0	1.5	3 336.3
8. Government investment loans	29.5	64 355.4	11.4	24 941.6	9.1	19 879.0
8.1. World Bank	13.3	28 905.0	0.0	0.0	0.9	1 995.7
8.2. European Investment Bank	13.4	29 173.3	7.6	16 509.3	6.0	13 011.2
8.3. EBRD	0.3	583.8	3.9	8 432.4	1.9	4 240.3
8.4. Other	2.5	5 693.3	0.0	0.0	0.3	631.8
9. Called government guarantees	9.9	21 309.8	5.4	11 676.3	2.3	5 066.3
9.1. World Bank	9.9	21 309.8	3.4	7 305.0	2.0	4 407.7
9.2. European Investment Bank	0.0	0.0	0.5	987.4	0.2	537.3
9.3. Other	0.0	0.0	1.5	3 384.0	0.1	121.4
II. Government guaranteed debt	63.9	140 621.9	48.4	105 159.6	17.9	39 016.3
1. World Bank	3.4	7 051.2	8.8	19 073.9	5.5	12 144.9
2. European Investment Bank	10.0	21 514.1	9.8	21 421.5	4.4	9 586.3
3. EBRD	0.1	148.9	7.1	15 630.9	4.2	9 249.1
4. Other	50.4	111 907.6	22.6	49 033.3	3.7	8 036.0
FOREIGN DEBT, TOTAL	236.0	526 137.8	428.4	936 916.3	431.3	939 285.4

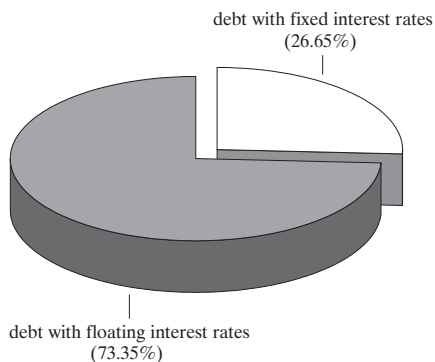
Notes:

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.

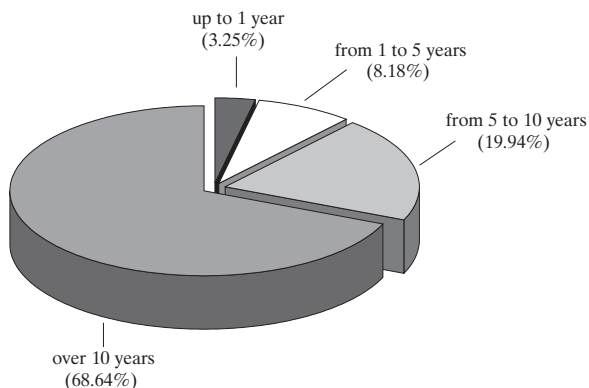
Foreign Currency Composition of the Foreign Debt as of 31 August



Interest Structure of the Foreign Debt as of 31 August



Residual Term to Maturity of the Foreign Debt as of 31 August



Note: The average-weighted residual term to maturity of the foreign debt is 12 years and five months.

Government and Government Guaranteed Debt

Structure	Amount as of 31 August 2001 (thousand BGN)	Government debt/GDP (%)
Domestic debt	1 737 910.8	6.2
Foreign debt	18 629 458.4	66.0
DEBT, TOTAL	20 367 369.2	72.2

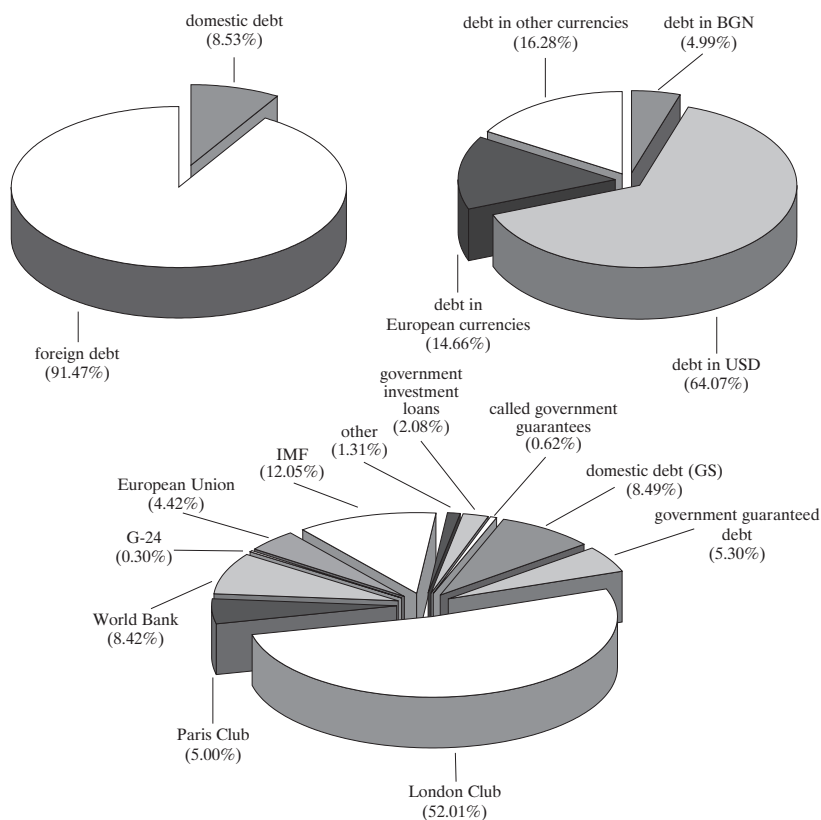
Notes:

1. Revised GDP projection for 2001: BGN 28,209.1 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 31 August 2001.

Chart 23

Debt Structure as of 31 August



Currency Structure of Government Debt Payments as of 31 August

