



Draft decree sets government guarantee limits for projects

Government guarantee for an investment project must not exceed 70 percent of its total investment, according to a draft decree recently unveiled by the Ministry of Finance for public opinion.



Under the draft, which is designed to replace Decree No. 15 dated February 16, 2011, guarantee levels would be decided based on project types.

Specifically, the guarantee level of up to 70 percent would be given to urgent projects and projects with investment policy approved by the National Assembly. Key projects with investment policy approved by the Prime Minister would be entitled to the maximum guarantee level of 60 percent. Other projects would be eligible for the guarantee level of 50 percent at most.

The draft also set conditions for a project to be offered government guarantee.

Accordingly, the project-implementing enterprise must have a debt-to-equity ratio not exceeding 3 at the time the project is appraised for obtaining government guarantee. The enterprise's loans and issued bonds must be within the government guarantee limit approved by the Prime Minister. In addition, the enterprise must make a feasible financial plan for the project, ensuring the debt service coverage ratio of at least 0.9 on average for the first five years, for projects covering outlet contracts, or the minimum ratio of 1, for other projects.

If wishing to borrow government-guaranteed loans, the enterprise's equity must account for at least 20 percent of the project's total investment. The enterprise would also be required to make sure that its equity is sufficient to implement project items which must be invested with the project owner's equity as prescribed by law, and that, at the time of project finalization, such equity equals the equity registered upon submission of the dossier of request for government guarantee.

Enterprises that fail to satisfy the conditions on equity ratio would be considered by the Prime Minister to receive government guarantee only for projects of special significance to national socio-economic development with investment policy decided by the National Assembly, or for urgent projects approved by the Prime Minister with the total investment of over VND 10 trillion. However, in all cases, enterprises' equity must equal at least 15 percent of the total investment of their projects.

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