



## **No more governmental guarantee for groups with financial difficulties**

**The Prime Minister has recently nodded the Finance Ministry's proposal to stop granting the governmental guarantee to groups or corporations that have financial difficulties, owe debts to the Accumulative Fund or are having their foreign loans on-lent by the Government or government-guaranteed loans settled.**

Under the proposal, the required debt-to-equity ratio would be maintained when the grant of the governmental guarantee is considered, mainly for domestic loans for urgent projects of which some of foreign loans are guaranteed by the Government; and governmental guarantee for individual projects borrowing domestic loans will be gradually reduced.



The proposal aims to restrict the application of special mechanisms when the grant of governmental guarantee is considered for projects, especially the approval of a project's equity-to-total investment ratio of under 20 percent.

In particular, any governmental guarantee exceeding USD 500 million per project will not be granted in the 2016-2020 period to one project owner implementing many projects in a planning year.

The Prime Minister has assigned the Finance Ministry to revise or formulate decrees to replace Government Decree No. 15/2011/ND-CP dated February 16, 2011, on the grant and management of governmental guarantee, and Decree No. 01/2011/ND-CP dated January 5, 2011, on the issuance of government bonds, government-guaranteed bonds and municipal bonds, to meet practical requirements.

The Finance Ministry will guide and review three-year (medium-term) investment programs and annually adjusted plans registered by investors that wish to borrow government-guaranteed loans in order to elaborate and report guarantee limits to the Prime Minister.

The Prime Minister assigns ministries and agencies to direct and adopt policies to prioritize or encourage the implementation of construction **investment projects**, particularly those in infrastructure development in the PPP and BOT forms, in order to attract non-state investment and reduce the pressure of government-guaranteed capital mobilization.

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