

Table 1. Romania: Quantitative Performance Criteria and Indicative Targets for 2001-03 1/

	End-Dec. 2001			End-March 2002			End-June 2002				End-Sept. 2002				End-Dec. 2002			
	Prog.	Adj.	Act.	Prog.	Adj.	Act.	Prog.	Rev. prog.	Adj.	Act.	Prog.	Rev. prog.	Adj.	Act.	Prog.	Rev. prog.	Adj.	Act.
(In trillions of lei)																		
1. Ceilings on the Average Net Domestic Assets of the National Bank of Romania	-48.1	-44.0	-49.7	-56.2	-51.0	-61.3	-61.4	-85.6	-84.8	-89.7	-67.0	-79.8	-77.0	-94.2	-73.3	-80.6	-91.2	-104.1
(In millions of U.S. Dollars)																		
2. Floors on Net Foreign Assets of the National Bank of Romania	3,527	3,396	3,725	3,601	3,444	3,923	3,816	4,534	4,391	4,588	3,924	4,702	4,497	4,965	4,094	4,838	4,800	5,257
(In trillions of lei)																		
3. Ceilings on the Deficit of the General Government	38,754	38,754	38,615	9,940	9,797	6,803	19,872	20,772	20,673	17,862	31,104	32,704	32,704	24,109	43,200	43,200	43,200	39,827
4. Ceilings on Aggregate Wage Bills of Monitored State-owned Enterprises 2/ 6/	40.7	40.7	41.6	9.4	9.4	11.1	21.28	23.60	22.68	23.13	34.88	36.04	33.99	35.16	49.48	49.20	45.25	46.43
5. Indicative Targets for Ceilings on Arrears of Monitored State-owned Enterprises to the Consolidated General Government	52.5	40.2	49.2	51.7	39.4	52.8	...	...	...	...	...	...	...	...	...	...	...	...
(In percent)																		
6. Floors on Cumulative Aggregate Collection Rates of: 3/																		
a. Distrigaz Nord and Distrigaz Sud (aggregate)	95.0	95.0	80.9	97.5	97.5	93.3	97.5	83.0	...	95.4	97.5	87.0	87.0	97.1	97.5	90.0	90.0	98.8
- Distrigaz Nord (indicative target)						...		85.0	...	95.6		87.0	87.0	96.7		90.0	90.0	98.2
- Distrigaz Sud (indicative target)						...		83.0	...	95.2		87.0	87.0	97.4		90.0	90.0	99.2
b. Termoelectrica, including transferred units (aggregate of electricity and heating)	95.0	95.0	83.4	97.5	97.5	84.6	97.5	85.0	...	85.2	97.5	87.5	87.5	89.8	97.5	90.0	90.0	90.7
- Aggregate of Termoelectrica and transferred units in electricity (indicative target)						...		87.5	...	87.6		90.0	90.0	94.3		92.5	92.5	94.4
- Termoelectrica district heating (indicative target)						...		82.0	...	76.2		84.0	84.0	76.1		86.0	86.0	74.2
- Heating in the transferred units (indicative target)	...	...	...	...		...	...	82.0	...	80.0	...	84.0	84.0	80.8	...	86.0	86.0	87.5
c. Electrica (indicative target)			92.9			92.2		92.5	...	90.5		92.5	92.5	93.2		92.5	92.5	93.7
(In billions of lei)																		
7. Ceilings on Assumption of Enterprise Debt to Banks and Issuance of Domestic Guarantees Extended by Government	469	469	469	1,110	1,110	469	1,110	1,110	1,110	469	1,110	1,110	1,110	1,106	1,110	1,110	1,110	1,101
(In millions of U.S. Dollars)																		
8. Ceilings on Contracting or Guaranteeing of External Debt 4/																		
a. One-year or less maturity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b. More than one- and up to three-year maturity	300	300	240	300	300	7	400	400	400	119	450	450	450	144	600	600	600	171
Of which: off-budget	165	165	11	10	10	0	15	15	15	0	20	20	20	4	20	20	20	11
c. More than one-year maturity	2,800	2,800	2,356	1,000	1,000	206	1,200	1,200	1,200	1,294	1,800	2,000	2,000	1,452	3,400	3,600	3,600	2,915
Of which: off-budget	165	165	156	50	50	17	75	75	75	17	100	300	300	41	100	300	300	299
(In trillions of lei)																		
9. Indicative Targets for Ceilings on Average Reserve Money	63.1	63.0	66.0	62.2	62.1	67.4	69.4	75.0	71.0	70.9	73.3	80.4	76.1	77.2	79.4	89.2	77.2	79.7
10. Indicative Targets for Ceilings on Broad Money	252.2	252.2	271.9	258.9	258.9	277.0	280.0	294.0	294.0	303.9	293.5	311.1	311.1	322.7	323.7	350.3	350.3	378.7
11. Indicative Targets on Banking Sector Exposure to State-owned Enterprises 5/	29.1	29.1	33.4	30.7	30.7	38.6	32.5	36.2	36.2	37.2	34.6	38.1	38.1	38.3	36.3	43.4	43.4	49.4
Of which: BCR Exposure	14.5	14.5	16.9	15.3	15.3	18.8	16.2	17.2	17.2	17.7	17.2	18.2	18.2	17.3	18.0	20.4	20.4	19.8

1/ The performance criteria and indicative targets envisaged under the program are defined in the Technical Memorandum of Understanding (TMU).

The figures in bold for end-December 2001, end-March 2002, end-September 2002 (revised program), end-December 2002 (revised program) and end-June 2003 are performance criteria, unless indicated otherwise, while end-June 2002 and end-March 2003 figures are indicative targets.

2/ Adjusted to reflect the decrease in the pool of monitored companies, owing to privatization and mergers, from 86 to 82 in 2002 and to 76 in 2003.

3/ The definition of the collection rates was changed for June 2002 and afterwards, as defined in the TMU. The June 2003 target for Electrica becomes a performance criterion.

4/ Nonaccumulation of external payments arrears of the government will be a performance criterion monitored on a continuous basis.

5/ The higher-than-targeted end-December 2002 outcome reflects bank guarantees for investment in a Bucharest hospital and in the communication sector, as well as a higher share of domestic versus foreign borrowing by the energy sector.

6/ After it became clear that the target for December 2002 would be missed, the staff and the authorities agreed on a new target of lei 50.3 trillion (adjusted target of lei 46.35 trillion), which was to be met as a prior action.

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	End-March 2003 Prog.	End-June 2003 Prog.	End-Sept. 2003	End-Dec. 2003
1. Ceilings on the Average Net Domestic Assets of the National Bank of Romania	-85.7	-106.8	-114.0	-106.7
2. Floors on Net Foreign Assets of the National Bank of Romania	5,522	6,075	6,410	6,310
3. Ceilings on the Deficit of the General Government	10.600	22.352	31.309	49.520
4. Ceilings on Aggregate Wage Bills of Monitored State-owned Enterprises 2/	12.84	26.50	39.82	53.15
5. Indicative Targets for Ceilings on Arrears of Monitored State-owned Enterprises to the Consolidated General Government	...	...	...	...
6. Floors on Cumulative Aggregate Collection Rates of: 3/				
a. Distrigaz Nord and Distrigaz Sud (aggregate)	94.0	95.0	95.0	96.0
- Distrigaz Nord (indicative target)	94.0	95.0	95.0	96.0
- Distrigaz Sud (indicative target)	94.0	95.0	95.0	96.0
b. Termoelectrica, including transferred units (aggregate of electricity and heating)	91.0	91.0	93.5	95.0
- Aggregate of Termoelectrica and transferred units in electricity (indicative target)	94.0	94.0	96.0	97.0
- Termoelectrica district heating (indicative target)	84.0	84.0	89.0	92.0
- Heating in the transferred units (indicative target)	84.0	84.0	89.0	92.0
c. Electrica	94.0	95.0	96.0	97.0
7. Ceilings on Assumption of Enterprise Debt to Banks and Issuance of Domestic Guarantees Extended by Government	1,410	1,510	1,610	1,710
8. Ceilings on Contracting or Guaranteeing of External Debt 4/				
a. One-year or less maturity	0	0	0	0
b. More than one- and up to three-year maturity	300	400	450	600
<i>Of which:</i> off-budget	10	15	20	20
c. More than one-year maturity	805	2,094	2,645	3,400
<i>Of which:</i> off-budget	360	500	600	650
9. Indicative Targets for Ceilings on Average Reserve Money	96.2	103.4	115.0	124.9
10. Indicative Targets for Ceilings on Broad Money	385.7	415.5	448.0	506.2
11. Indicative Targets on Banking Sector Exposure to State-owned Enterprises	49.7	51.5	53.2	59.8
<i>Of which:</i> BCR Exposure	22.4	23.3	23.9	27.3

1/ The performance criteria and indicative targets envisaged under the program are defined in the Technical Memorandum of Understanding (TMU).

The figures in bold for end-December 2001, end-March 2002, end-September 2002 (revised program), end-December 2002 (revised program) and end-June 2003 are performance criteria, unless indicated otherwise, while end-June 2002 and end-March 2003 figures are indicative targets.

2/ Adjusted to reflect the decrease in the pool of monitored companies, owing to privatization and mergers, from 86 to 82 in 2002 and to 76 in 2003.

3/ The definition of the collection rates was changed for June 2002 and afterwards, as defined in the TMU. The June 2003 target for Electrica becomes a performance criterion.

4/ Nonaccumulation of external payments arrears of the government will be a performance criterion monitored on a continuous basis.

Table 2. Prior Actions, Structural Performance Criteria and Benchmarks

Measures	Status
Prior Actions:	
• Establishment of a tax administration department within the Ministry of Public Finance and appointment of the responsible Secretary of State, as described in paragraph 13.	Done.
• Approval of an Emergency Ordinance by November 20, 2002, specifying the intermediate steps for establishing a common agency for collection, audit, and enforcement of social security contributions under the Ministry of Finance on January 1, 2004, as described in paragraph 13.	Done.
• Approval of an Emergency Ordinance canceling Articles 1–7, and Articles 15, 16 (b), 18, and 20 of Law 130/1999, thereby eliminating the legal basis for “civil contracts”, as specified in paragraph 10.	
• Actual compliance with the revised target for the annual 2002 wage bill in the 82 monitored state-owned companies as discussed in paragraph 5.	Revised target exceeded by a small amount.
• Signing of the contract with the privatization advisor for Petrom by November 1, 2002, as specified in paragraph 21.	Done with delay on December 13.
• Announcement by November 10, 2002, of privatization tenders to acquire a majority share of at least 51 percent of two electricity distribution companies, in line with paragraph 21.	Done with delay on January 8.
• Privatization of four companies with more than 1,000 employees in Q4 of 2002.	Done.
• Approval of the restructuring plan of the parent company of Siderurgica by February 20, 2003.	Done with delay on March 31.
• Request by April 15, 2003 technical assistance from the World Bank and the Fund on the issues of medium-term adjustment in gas prices and the concomitant reform in the tax regime in the gas sector.	
• Increase the unified end-user price for natural gas to the equivalent of US\$90/tcm as of March 1, 2003, as specified in paragraph 17.	Done.
• Permission of the Privatization Commission by April 3, 2003 for a start of due diligence of BCR by EBRD/IFC, providing complete access to all required data, BCR staff and BCR auditors, in line with paragraph 26.	Done on April 8 instead of April 3.
• Amendment by March 15, 2003 of Emergency Ordinance 208/2002 on the cancellation of arrears and exemption from tax and utility bill payments in line with paragraph 19.	Done.
• Disconnection by March 25, 2003, of the largest industrial nonpayers to the three utilities Distrigaz Nord, Distrigaz Sud, and Electrica as described in paragraph 18 and Table 4.	Done with delay on April 2.
• Implementation of 6,000 layoffs in 22 companies by April 5, 2003, including 1,750 layoffs in Siderurgica.	
Structural Performance Criteria:	
• Approval in December 2002 of the annual 2003 budgets of the monitored state-owned companies limiting the growth in their aggregate gross wage bill to 14 percent in nominal	Observed.

Table 2 (continued). Prior Actions, Structural Performance Criteria and Benchmarks

Measures	Status
terms over 2002 adjusted for any outsourcing.	
<ul style="list-style-type: none"> Adjust end-user electricity prices on October 1, 2002, January 1, 2003, April 1, 2003 and July 1, 2003 to keep them constant in US\$ terms at the level of July 1, 2002, as discussed in paragraph 17. 	Observed on October 1, 2002, January 1, 2003 and April 1, 2003.
<ul style="list-style-type: none"> Parliamentary approval by end-May 2003 of legislation amending the laws on the pension, unemployment, and health insurance funds (in particular law 19/2000, law 76/2002, and Emergency Ordinance 150/2002) to harmonize procedures for collection, enforcement and auditing. 	
<ul style="list-style-type: none"> Implementation of 18,000 layoffs (cumulative) in the group of 22 companies by June 30, 2003, in line with paragraph 24 and Section IV of the TMU. 	
<ul style="list-style-type: none"> Adjust Termoelectrica's producer price for electricity to the equivalent of a minimum of US\$39/Mwh as of October 1, 2002 and July 1, 2003, as provided for in paragraph 17. 	Observed on October 1, 2002.
<ul style="list-style-type: none"> Increase the unified end-user price for natural gas to the equivalent of US\$93/tcm as of July 1, 2003, in line with paragraph 17. 	
<ul style="list-style-type: none"> Adjust the National Reference Price for heating to the equivalent of US\$20/Gcal as of July 1, 2003, as discussed in paragraph 17. 	
<ul style="list-style-type: none"> Completion of the privatization of BCR by end-February 2003. 	Not met. Waiver requested
<ul style="list-style-type: none"> Sign the contract for the sale of 25 percent plus two shares of the BCR capital to the EBRD and the IFC by July 31, 2003, in line with paragraph 26. 	
Structural Benchmarks:	
<ul style="list-style-type: none"> The government will refrain from introducing tax holidays or any other new distortionary tax incentives or postponing the discontinuation of expiring ones. 	Continuous. The recent decision to cancel tax arrears of selected companies implies nonobservance.
<ul style="list-style-type: none"> All transferred heating units should not receive fuel at Termoelectrica's expense. 	Continuous.
<ul style="list-style-type: none"> The largest industrial nonpayers to the three utilities will stay disconnected until full payments for all bills from December 2002 onwards have been received by the utilities. 	Continuous.
<ul style="list-style-type: none"> In addition to the sale of four companies with more than 1,000 employees envisaged as a prior action, four more such companies will be privatized by end-December 2002, another set of six by March 31, 2003 and six more by June 30, 2003. 	Partially met in Q4'2002 and Q1'2003.
<ul style="list-style-type: none"> Initiations of liquidation procedures for seven perennial loss-makers (Verachim, Oltplast, Corapet, Rulmentul Slatina, Chimcomplex, Tepro and Carom) on July 1, 2003, unless they are privatized by June 30. 	
<ul style="list-style-type: none"> Launching of the tenders for expressions of interest in the privatization of Petrom, in consultation with the World Bank, by June 30, 2003. 	

Table 3. The Authorities' Plan to Adjust Prices of Electricity, Heating and Natural Gas

Energy Price	Adjustment	
End-user Electricity Price	Increase: (in percent)	
October 1, 2001	3.6	1/ 3/
November 1, 2001	3.6	2/ 3/
December 1, 2001	3.6	2/ 3/
January 1, 2002	3.6	2/ 3/
February 1, 2002	3.6	2/ 3/
March 1, 2002	3.6	2/ 4/
April 1, 2002	14.0	1/ 3/
July 1, 2002	1.5	1/ 3/
End-user electricity prices will be adjusted on October 1, 2002, January 1, 2003, April 1, 2003 and July 1, 2003 to keep them constant in U.S. dollar terms at the level as of July 1, 2002.		
October 1, 2002		2/ 3/
January 1, 2003		2/ 3/
April 1, 2003		2/ 3/
July 1, 2003		6/
Electricity Producer Price for Termoelectrica	Adjust price to the equivalent of U.S. dollars	
April 1, 2002	39.00	1/ 3/
July 1, 2002	39.00	1/ 3/
October 1, 2002	39.00	2/ 3/
January 1, 2003	39.00	1/ 3/
April 1, 2003	39.00	1/ 3/
July 1, 2003	39.00	6/
Heat Producer Price for Termoelectrica	Adjust price to the equivalent of U.S. dollars	
October 1, 2001	15.00	1/ 3/
January 1, 2002	15.00	2/ 3/
April 1, 2002	15.00	1/ 3/
July 1, 2002	20.00	1/ 3/
July 1, 2003	20.00	1/
National Reference Price for Heating	Adjust price to the equivalent of U.S. dollars	
January 1, 2002	15.40	2/ 3/
April 1, 2002	15.40	1/ 3/
July 1, 2002	20.00	1/ 3/
July 1, 2003	20.00	6/
Unified End-user Natural Gas Price	Adjust price to the equivalent of U.S. dollars	
October 1, 2001	82.50	1/ 3/
January 1, 2002	82.50	1/ 3/
April 1, 2002	82.50	1/ 3/
July 1, 2002	82.50	1/ 3/
October 1, 2002	82.50	2/ 3/
March 1, 2003	90.00	5/ 3/
July 1, 2003	93.00	6/

1/ Indicative target.

2/ Structural performance criterion.

3/ Implemented.

4/ Not observed.

5/ Prior action.

6/ New structural performance criterion.

Table 4. Billings, Payments and Disconnection Status of Selected Customers
of Natural Gas and Electricity Utilities

	Billings	Payments	Status / Measures
	<u>Dec 2002 - Jan 2003</u>	<u>As of March 25, 2003</u>	
	(In billions of lei)		
Natural Gas			
C.U.G.	5.0	5.0	Paid on time.
SC Fortus Iasi	6.5	5.8	Minimum supply during March 25-31. Payment completed on March 31.
Siderurgica	25.1	18.3	Payment completed on March 31.
Letea Bacau	20.3	20.3	Paid on time.
SC Industria Sarnei	38.3	38.3	Paid on time.
Upsom	42.5	42.5	Paid on time.
	Billings	Payments	Status / Measures
	<u>Dec 2002 - Jan 2003</u>	<u>As of March 25, 2003</u>	
	(In billions of lei)		
Electricity			
Gavazzi Steel	1.1	0.0	Minimum supply since before March 25.
Minvest Balan	13.2	3.9	Minimum supply as of March 25.
Moldomin	23.4	23.4	Paid on time.
Siderurgica	85.1	70.5	Payment completed on April 2.
Minvest Rosia Poien	28.7	15.4	Minimum supply as of March 25.
Faur	15.7	15.7	Paid on time.
Roman	24.0	11.9	Completed payment on April 2.
Turnu	56.1	56.1	Paid on time.
Republica	10.6	0.0	Disconnected as of March 25.
Tepro	6.9	6.9	Paid on time.
C.U.G.	15.8	15.8	Paid on time.
Chimcomplex	68.1	68.1	Paid on time.