

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 billions 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 billions 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/	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
a. Distrigaz Nord and Distrigaz Sud (aggregate)								85.0	...	95.6		87.0	87.0	96.7		90.0	90.0	98.2
- Distrigaz Nord (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/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a. One-year or less maturity	300	300	240	300	300	7	400	400	400	119	450	450	450	144	600	600	600	171
b. More than one- and up to three-year maturity	165	165	11	10	10	0	15	15	15	0	20	20	20	4	20	20	20	11
<i>Of which: off-budget</i>																		
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
<i>Of which: off-budget</i>	165	165	156	50	50	17	75	75	75	17	100	300	300	41	100	300	300	299
(In billions 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
<i>Of which: BCR Exposure</i>	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, end-March 2003 and end-September 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.

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

	End-March 2003			End-June 2003			End-Sept. 2003		End-Dec. 2003		
	Prog.	Adj.	Act.	Prog.	Adj.	Act.	Prog.	Rev. prog.	Prog.	Rev. prog.	
1. Ceilings on the Average Net Domestic Assets of the National Bank of Romania	-85.7	-97.0	-89.2	-106.8	-102.6	-79.4	-114.0	-78.2	-106.7	-74.0	
2. Floors on Net Foreign Assets of the National Bank of Romania	5,522	5,460	5,270	6,075	5,544	4,919	6,410	5,709	6,310	5,797	
3. Ceilings on the Deficit of the General Government	10,600	10,600	6,508	22,352	22,352	16,623	31,309	31,309	49,520	48,920	
4. Ceilings on Aggregate Wage Bills of Monitored State-owned Enterprises 2/	12.84	12.72	12.38	26.50	25.75	25.22	39.82	39.82	53.15	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	94.0	101.0	95.0	95.0	97.5	95.0	95.0	96.0	96.0	
- Distrigaz Nord (indicative target)	94.0	94.0	101.2	95.0	95.0	96.6	95.0	95.0	96.0	96.0	
- Distrigaz Sud (indicative target)	94.0	94.0	101.0	95.0	95.0	98.2	95.0	95.0	96.0	96.0	
b. Termoelectrica, including transferred units (aggregate of electricity and heating)	91.0	91.0	88.2	91.0	91.0	88.5	93.5	90.0	95.0	91.0	
- Aggregate of Termoelectrica and transferred units in electricity (indicative target)	94.0	94.0	92.5	94.0	94.0	92.9	96.0	94.0	97.0	95.0	
- Termoelectrica district heating (indicative target)	84.0	84.0	73.2	84.0	84.0	76.0	89.0	78.0	92.0	80.0	
- Heating in the transferred units (indicative target)	84.0	84.0	82.3	84.0	84.0	81.4	89.0	83.0	92.0	85.0	
c. Electrica	94.0	94.0	94.1	95.0	95.0	95.7	96.0	96.0	97.0	96.0	
7. Ceilings on Assumption of Enterprise Debt to Banks and Issuance of Domestic Guarantees Extended by Government	1,410	1,410	1,033	1,510	1,510	1,028	1,610	1,610	1,710	1,710	
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	
b. More than one- and up to three-year maturity	300	300	2	400	400	7	450	450	600	600	
<i>Of which: off-budget</i>	10	10	0	15	15	0	20	20	20	20	
c. More than one-year maturity	805	805	549	2,094	2,094	1,018	2,645	2,645	3,400	3,400	
<i>Of which: off-budget</i>	360	360	334	500	500	340	600	600	650	650	
9. Indicative Targets for Ceilings on Average Reserve Money	96.2	82.9	85.4	103.4	89.1	90.1	115.0	110.6	124.9	123.6	
10. Indicative Targets for Ceilings on Broad Money	385.7	385.7	370.4	415.5	415.5	397.9	448.0	413.0	506.2	471.6	
11. Indicative Targets on Banking Sector Exposure to State-owned Enterprises	49.7	49.7	49.0	51.5	51.5	52.6	53.2	53.3	59.8	60.1	
	<i>Of which: BCR Exposure</i>	22.4	22.4	21.0	23.3	23.3	23.2	23.9	24.1	27.3	27.4

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, end-March 2003 and end-September 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**

<b>Measures</b>	<b>Status</b>
<b>Prior Actions:</b>	
• Implementation of 19,300 layoffs in the five railway companies and their subsidiaries between August 1 and September 15, 2003 as described in para. 14.	The government delivered 16,520 layoffs.
• A government decision by September 15 to rectify the budgets of five railway companies (and respective ministerial decisions for their subsidiaries) as well as of two agricultural companies, with a view to cancel Christmas bonuses, as described in para. 14.	Done.
• Implementation of 4,000 layoffs in two agricultural companies between August 1 and September 15, 2003 as described in para. 14.	Done.
• Downward revision by September 15 in the wage bills in a number of industrial companies, as specified in the TMU, by lei 375 billion in line with para. 14.	Done
• By September 15, decisions by all ministers managing monitored SOEs (as specified in the TMU) to block 4 percent of the Q3 and Q4 wage bill in these SOEs, as well as to impose a complete hiring freeze, as specified in para.15.	Done with delay.
• Increase in energy prices as of September 1, 2003 as described in para. 16: <ul style="list-style-type: none"> <li>○ Increase in the end-user price for gas to US\$110/tcm for non-residential consumers and to US\$120/tcm for residential consumers;</li> <li>○ Increase in Termoelectrica's electricity tariff by 15 percent;</li> <li>○ Increase in electricity distribution tariffs by 16 percent;</li> <li>○ Increase in all end-user electricity tariffs by 17.5 percent;</li> <li>○ Increase in Termoelectrica's heating tariff 14 percent.</li> </ul>	Done <sup>1</sup> .
• Increase in the price of hard coal to the equivalent of US\$11/Gcal as of September 1, 2003, as specified in para. 18.	Done with delay.
• Issuance of the privatization tender for Petrom by September 1, 2003 in line with para. 19.	Done.
• Formal decision of the Managing Board of APAPS to start the liquidation of ARO and Roman by September 25, 2003, unless privatization contracts are signed, as discussed in para. 21.	Done based on preliminary information, to be verified.
• Initialing the contract with the EBRD and the IFC on selling a share package of 25 percent plus two shares in BCR by September 15, in line with para. 22.	Done.
• Publication by end-August 2003 of the report of the National Control Authority on arrears in the health system, as specified in para. 12.	Done.
• Publication of a report by September 15, 2003 on government actions to prosecute individuals involved in financial wrongdoings, including FNI and Banca Romana de Scont, as described in para. 25.	Done.

<sup>1</sup> At the exchange rate as of August 6.

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

<b>Structural Performance Criteria:</b>	
• Adjust end-user electricity prices on July 1, 2003 to keep them constant in US\$ terms at the level of July 1, 2002.	Observed.
• 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.	Observed.
• Implementation of 18,000 layoffs in a group of 22 companies by June 30, 2003.	Observed.
• Adjust Termoelectrica's producer price for electricity to the equivalent of a minimum of US\$39/Mwh as of July 1, 2003.	Observed.
• Increase the unified end-user price for natural gas to the equivalent of US\$93/tcm as of July 1, 2003.	Observed.
• Adjust the National Reference Price for heating to the equivalent of US\$20/Gcal as of July 1, 2003.	Observed.
• 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.	Waiver requested. Converted to a prior action, and met.
<b>Structural Benchmarks:</b>	
• The government will refrain from introducing tax holidays or any other new distortionary tax incentives or postponing the discontinuation of expiring ones.	Continuous. Complied, except for cancellation of arrears of selected firms and privatization-related tax exemptions.
• All transferred heating units should not receive fuel at Termoelectrica's expense.	Continuous. Observed.
• 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. Mostly observed.
• The Agency for Privatization will privatize six large companies in Q2 of 2003.	Contracts for 7 large companies signed. The share transfer for 3 has awaited arrears cancellation, approved by the cabinet on September 25.
• Immediate initiation of liquidation procedures for three companies (Polirom, Siderca, Sidermet).	Met, except for Polirom, which was privatized on September 26.
• 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.	Mostly met, except for Verachim, for which shareholders approved liquidation on September 26.
• Launching of the tenders for expressions of interest in the privatization of Petrom, in consultation with the World Bank, by June 30, 2003.	Met with a delay on August 26.

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
November 1, 2001	3.6
December 1, 2001	3.6
January 1, 2002	3.6
February 1, 2002	3.6
March 1, 2002	3.6
April 1, 2002	14.0
July 1, 2002	1.5
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	2/ 3/
September 1, 2003	Percent increase in the tariff in lei 17.5
Electricity Producer Price for Termoelectrica	Adjust price to the equivalent of U.S. dollars
April 1, 2002	39.00
July 1, 2002	39.00
October 1, 2002	39.00
January 1, 2003	39.00
April 1, 2003	39.00
July 1, 2003	39.00
September 1, 2003	Percent increase in the tariff in lei 15.0
Electricity distribution tariff	Percent increase in the tariff in lei 16.0
September 1, 2003	Percent increase in the tariff in lei 16.0
Heat Producer Price for Termoelectrica	Adjust price to the equivalent of U.S. dollars
October 1, 2001	15.00
January 1, 2002	15.00
April 1, 2002	15.00
July 1, 2002	20.00
July 1, 2003	20.00
September 1, 2003	Percent increase in the tariff in lei 14.0
National Reference Price for Heating	Adjust price to the equivalent of U.S. dollars
January 1, 2002	15.40
April 1, 2002	15.40
July 1, 2002	20.00
July 1, 2003	20.00
Unified End-user Natural Gas Price	Adjust price to the equivalent of U.S. dollars
October 1, 2001	82.5
January 1, 2002	82.5
April 1, 2002	82.5
July 1, 2002	82.5
October 1, 2002	82.5
March 1, 2003	90.0
July 1, 2003	93.0
End-User Natural Gas Price for Non-residential Consumers	
September 1, 2003	110.0
End-User Natural Gas Price for Residential Consumers	
September 1, 2003	120.0

1/ Indicative target.

2/ Structural performance criterion.

3/ Implemented.

4/ Not observed.

5/ Prior action.