

Table 1. Romania: Quantitative Performance Criteria and Indicative Targets for 2004 1/

| | End-March 2004 | | End-June 2004 | | End-September 2004 | | End-December 2004 | | | |
|--|----------------|----------|---------------|------|--------------------|------|-------------------|----------|------|------|
| | Act. | Prog. | Adj. | Act. | Prog. | Adj. | Act. | Prog. | Adj. | Act. |
| 1. Ceilings on the Average Net Domestic Assets of the National Bank of Romania 2/ | -122,235 | -146,830 | | | -171,896 | | | -162,996 | | |
| 2. Floors on Net Foreign Assets of the National Bank of Romania 2/ | 7,304 | 7,922 | | | 8,786 | | | 8,533 | | |
| 3. Indicative Targets for Ceilings on Broad Money | 481,460 | 503,615 | | | 535,999 | | | 586,105 | | |
| 4. Indicative Targets on Banking Sector Exposure to State-owned Enterprises | 49,260 | 50,569 | | | 52,491 | | | 55,998 | | |
| <i>Of which:</i> BCR Exposure | 17,377 | 17,851 | | | 18,737 | | | 20,355 | | |
| 5. Ceilings on Aggregate Wage Bills of Monitored State-owned Enterprises (cumulative) | 13,581 | 28,378 | | | 42,621 | | | 57,698 | | |
| 6. Ceilings on the Deficit of the General Government (cumulative) 4/ | 9,917 | 24,727 | | | 28,735 | | | 47,106 | | |
| 7. Ceilings on Arrears of Private Enterprises to the General Government 5/ | 54,866 | 54,318 | | | 53,367 | | | 52,033 | | |
| 8. Indicative Targets for Ceilings on Arrears of Monitored State-owned Enterprises to the General Government 6/ | 42,262 | 41,206 | | | 40,176 | | | 39,171 | | |
| 9. Indicative Targets on Total Public Sector Financing (cumulative) | 3,852 | 23,139 | | | 37,704 | | | 68,416 | | |
| 10. Floors on Cumulative Aggregate Collection Rates of: | | | | | | | | | | |
| a. Distrigaz Nord and Distrigaz Sud (aggregate) | 96.0 | 96.0 | | | 96.0 | | | 96.0 | | |
| - Distrigaz Nord (indicative target) | 96.0 | 96.0 | | | 96.0 | | | 96.0 | | |
| - Distrigaz Sud (indicative target) | 96.0 | 96.0 | | | 96.0 | | | 96.0 | | |
| b. Termoelectrica, including transferred units (aggregate of electricity and heating) | 88.0 | 89.0 | | | 90.5 | | | 92.0 | | |
| - Aggregate of Termoelectrica and externalized units in electricity (indicative target) | 90.0 | 91.5 | | | 93.0 | | | 94.5 | | |
| - Termoelectrica district heating (indicative target) | 82.0 | 83.0 | | | 84.0 | | | 85.0 | | |
| - Heating in the externalized units (indicative target) | 82.0 | 83.0 | | | 84.0 | | | 85.0 | | |
| c. Electrica | 96.0 | 96.0 | | | 96.0 | | | 96.0 | | |
| 11. Ceilings on Assumption of Enterprise Debt to Banks and Issuance of Domestic Guarantees Extended by Government (cumulative) | 746 | 746 | | | 1600 | | | 1600 | | |
| 12. Ceilings on Contracting or Guaranteeing of External Debt (cumulative) 3/ | | | | | | | | | | |
| a. One-year or less maturity | 0 | 0 | | | 0 | | | 0 | | |
| b. More than one- and up to three-year maturity | 1 | 20 | | | 300 | | | 600 | | |
| <i>Of which:</i> off-budget | 1 | 20 | | | 300 | | | 400 | | |
| c. More than one-year maturity | 157 | 1,375 | | | 3,400 | | | 4,550 | | |
| <i>Of which:</i> off-budget | 1 | 775 | | | 1,100 | | | 1,553 | | |

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

The figures for end-June, end-September and end-December are performance criteria, unless indicated otherwise. End-March figures are for information only.

2/ At cross exchange rates as of December 31, 2003 (as specified in the TMU, Section II), and a mandatory reserve requirement of 18 percent.

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

4/ The general government is defined in the TMU.

5/ The methodology for measuring private sector arrears is defined in the TMU.

6/ The methodology for measuring SOE arrears is defined in the TMU.

Table 2. Romania: Prior Actions, Structural Performance Criteria and Benchmarks

| Measures | Status |
|--|---------------|
| <ul style="list-style-type: none"> • Adjustment of end-user electricity prices, effective July 1, 2004 to bring them to cost-recovery levels (including return on capital for distribution companies) Adjustment of Termoelectrica's electricity and heating prices, effective July 1, 2004 to keep them at cost-recovery levels. The relevant decisions of the regulator(s) will be shared with Fund staff (para. 24). | |
| <ul style="list-style-type: none"> • Adopting a new NBR law as specified in paragraph 37, by June 30. | |
| <ul style="list-style-type: none"> • Approval of an Emergency Ordinance by June 10, 2004 terminating all subsidies and delivery of fuel by state-owned companies to 15 inefficient heating plants, as specified in para. 25. | Done |
| <ul style="list-style-type: none"> • For each of 15 inefficient heating plants, by June 30, initiation of bankruptcy procedures by the state or a state-owned fuel supplier, or a decision by the local administration in charge on closure of the plant, as appropriate (para. 25). | |
| <ul style="list-style-type: none"> • Parliamentary approval of a package of laws on the powers of the Superior Council of the Magistracy, the status of magistrates, and judicial organization by June 30 (para. 41). | |
| <ul style="list-style-type: none"> • Approval of legislation strengthening the existing procedures on declaration of assets by June 30 as specified in paragraph 42. | Done |
| <ul style="list-style-type: none"> • Invitation of binding bids for the two gas distributors DGN and DGS as specified in paragraph 28. | Done |

Structural Performance Criteria:

Continuous:

- The minimum wage will not exceed lei 2.8 million during 2004 (para. 21).

By July 20:

- Approval of supplementary state budget in line with the revised deficit target (para. 12).
- Government Decision to increase the National Reference Price for heating by 12 percent, effective August 1, 2004 (para. 25).
- Approval of legislation to eliminate the extraordinary appeal procedure of the Attorney General for all cases (para. 41).

By September 30:

- Increase in the end-user gas prices by 5 percent, effective October 1 (para. 23).
- Implementation of 4,000 layoffs in the mining sector (para. 33).
- Repayment of the amount of health system arrears accumulated in 2002 as identified in the protocols agreed with the suppliers (para. 17).

Table 2. Romania: Prior Actions, Structural Performance Criteria and Benchmarks

| Measures | Status |
|---|--------|
| By December 31: | |
| <ul style="list-style-type: none"> <li data-bbox="180 352 1247 415">• Increase in end-user gas prices as per the new pricing mechanism, effective January 1, 2005 (para 23). <li data-bbox="180 436 1247 604">• Adjustment of end-user electricity prices, effective January 1, 2005 to maintain them to cost-recovery levels (including return on capital for distribution companies) Adjustment of Termoelectrica's electricity and heating prices, effective January 1, 2005, to keep them at cost-recovery levels. The relevant decisions of the regulator(s) will be shared with Fund staff (para. 24). <li data-bbox="180 625 1247 688">• Subordination of the customs administration and the Financial Guard to the Minister of Public Finance effective January 1, 2005 (para. 15). | |
| Structural Benchmarks: | |
| Continuous: | |
| <ul style="list-style-type: none"> <li data-bbox="180 842 1247 968">• The largest industrial nonpayers to the four utilities will stay disconnected or on minimum supply until full payments for all bills from December 2002 onwards have been received by the utilities. The bills for companies on minimum supply will be paid by the government (para. 26). <li data-bbox="180 989 1247 1087">• The government will refrain from introducing tax holidays or any other new distortionary tax incentives or postponing the discontinuation of expiring ones (para. 14). <li data-bbox="180 1108 1247 1207">• The regulatory agency in the electricity sector will produce biannual reports on the needed adjustments in electricity and heating prices and share them with Fund staff (para. 24). <li data-bbox="180 1228 1247 1297">• Should any parts of Roman not pay energy bills or taxes, the utility companies or the Ministry of Finance will immediately start foreclosure proceedings (para 30). | |
| By May 31, 2004: | |
| <ul style="list-style-type: none"> <li data-bbox="180 1398 1182 1461">• Appointment of liquidators by AVAS for 15 non-payers to the utilities (including Republica, CUG and Turnu), as per paragraph 29. | |
| By June 30, 2004: | |
| <ul style="list-style-type: none"> <li data-bbox="180 1535 959 1560">• AVAS will privatize or liquidate 6 large companies (para. 29). | |
| By September 30, 2004: | |
| <ul style="list-style-type: none"> <li data-bbox="180 1654 1052 1680">• AVAS will privatize or liquidate another 6 large companies (para. 29). | |