Legenda
cu rosu apare ceea ce este in plus in Scrisoarea de Intentie Oficiala fata de Blog
cu verde apare ceea ce este in Scrisoarea de pe Blog si nu se regaseste in cea oficiala
cu albastru apare ceea ce a fost mutat din Scrisoarea de pe Blog in cea oficiala
cu portocaliu apare ceea ce a fost mutat din Scrisoarea de pe Blog in cea oficiala, devenind punct separat(pct 11)

Scrisoare de Intentie publicata pe blog AN	Scrisoare de Intentie Oficiala
Bucharest, June [X], 2011 Mr. Dominique Strauss-Kahn Managing Director International Monetary Fund Washington, DC, 20431 U.S.A. Dear Mr. Strauss-Kahn 1. The new economic program supported by the International Monetary Fund (IMF), the European Union (EU), and the World Bank (WB) is on track to boost potential growth and maintain fiscal and financial stability. The economy has stabilized and growth is now resuming. We continue to expect growth of $1^{1/2}$ percent in 2011, rising to $3^{1/2}$- 4 percent in 2012, fueled by continued strong exports and a gradual recovery in domestic demand. Inflation is higher than expected, due to increased food and energy prices. These factors, plus further needed increases in administered prices, will keep inflation above 5 percent for the remainder of the year, making the achievement of the NBR's end-2011 inflation target improbable. The current account deficit has shrunk considerably to 4.1 percent of GDP in 2010, and is expected to remain below 5 percent of GDP in 2011-12. Continued firm policy implementation is required to safeguard against risks, as the recovery remains vulnerable to adverse developments in international financial markets, via rising risk premia and lower capital inflows, and to downside risks to euro area recovery.	Bucharest, June 9, 2011 Mr. John Lipsky The Acting Managing Director International Monetary Fund Washington, DC, 20431 U.S.A. Dear Mr. Lipsky: 1. The new economic program supported by the International Monetary Fund (IMF), the European Union (EU), and the World Bank (WB) is on track to boost potential growth and maintain fiscal and financial stability. The economy has stabilized and growth is now resuming. We continue to expect growth of 1½ percent in 2011, rising to 3¾–4 percent in 2012, fueled by continued strong exports and a gradual recovery in domestic demand. Inflation is higher than expected, due to increased food and energy prices. These factors, plus further needed increases in administered prices, will keep inflation above 5 percent for the remainder of the year, making the achievement of the NBR's end-2011 inflation target improbable. The current account deficit has shrunk considerably to 4.1 percent of GDP in 2010, and is expected to remain below 5 percent of GDP in 2011–12. Continued firm policy implementation is required to safeguard against risks, as the recovery remains vulnerable to adverse developments in international financial markets, via rising risk premia and more volatile capital inflows, and to downside risks to euro area recovery.
2. Our performance on the quantitative targets	2. Our performance on the quantitative

and the structural reform agenda for the first review has been strong (Tables 1 and 2). • *Quantitative performance criteria and indicative targets.* All end-March 2011 quantitative performance criteria and indicative targets were observed. The floor on general government balance is met with a significant margin of 0.2 percent of GDP. In addition, inflation remained within the inner band of the inflation consultation mechanism throughout the period. • *Structural benchmarks.* We have made progress in the stocktaking of arrears and expect to meet the benchmark by the time of the Board meeting, with some delay from the original target (prior action). Preparation of strategic action plans for key state-owned enterprises (SOEs) is advancing and also expected to be completed before the Board meeting (prior action).	targets and the structural reform agenda for the first review has been strong (Tables 1 and 2). *Quantitative performance criteria and indicative targets.* All end-March 2011 quantitative performance criteria and indicative targets were observed. The floor on general government balance is met with a significant margin of 0.2 percent of GDP. In addition, inflation remained within the inner band of the inflation consultation mechanism throughout the period. *Structural benchmarks*. Preparation of strategic action plans for key state-owned enterprises (SOEs) has been completed. We have also completed the stocktaking of arrears for the general government and state-owned enterprises, but we are awaiting final audited accounts in SOEs to fully fulfill the structural benchmark and expect to meet it by the time of the Board meeting (prior action).
3.In view of our strong performance under the macroeconomic program supported by the Stand-By Arrangement (SBA), the Government of Romania and the National Bank of Romania (NBR) request completion of the first review under the SBA. We intend to continue to treat the arrangement as precautionary.	3. In view of our strong performance under the macroeconomic program supported by the Stand-By Arrangement (SBA), the Government of Romania and the National Bank of Romania (NBR) request completion of the first review under the SBA. We intend to continue to treat the arrangement as precautionary.
4.We believe that the policies set forth in the letter of March 10, 2011 and in this Letter are adequate to achieve the objectives of our economic program, but we stand ready to take additional measures as appropriate to ensure achievement of its objectives. As is standard under all IMF arrangements, we will consult with the IMF before modifying measures contained in this Letter or adopting new measures that would deviate from the goals of the program, and will provide the IMF and the European Commission (EC) with the necessary information for program monitoring.	4. We believe that the policies set forth in the letter of March 10, 2011 and in this Letter are adequate to achieve the objectives of our economic program, but we stand ready to take additional measures as appropriate to ensure achievement of its objectives. As is standard under all IMF arrangements, we will consult with the IMF before modifying measures contained in this Letter or adopting new measures that would deviate from the goals of the program, and will provide the IMF and the European Commission (EC) with the necessary information for program monitoring.
Fiscal Policy 5. For 2011, we remain committed to the cash fiscal deficit target of 4.4 percent of GDP (or within 5 percent in ESA terms) and are on track	**Fiscal Policy** 5. For 2011, we remain committed to the cash fiscal deficit target of 4.4 percent of GDP (or within 5 percent in ESA terms) and are on

to meet it. Revenues (net of EU funds) were slightly above expectations in the first quarter, while both current and capital expenditures were below the program, allowing us to meet the deficit target with a substantial margin. For the remainder of the year, we will continue implementing policies outlined in the previous LOI of March 10, 2011. On the expenditure side, we will continue efforts to improve and prioritize capital spending in order to increase the absorption of EU funds fl[10), if needed using the additional resources allocated to investment in the first half of the year.[1] We will maintain tight control on current spending, including by continuing to rationalize public employment (which has declined by another 15,000 to 1.25 million in the first quarter of 2011). By end-July, we will improve the legislation to provide heating allowances to target the most vulnerable members of society, while generating significant savings for the budget. We will temporarily increase distribution of dividends from profitable state-owned enterprises (SOEs) in 2011 and 2012, which will allow us to pay for unregistered bills uncovered in the stocktaking exercise. We will also continue our improvements in tax administration to improve the yield from existing taxes fl[9). We will improve the reporting system for the state-owned enterprises (SOEs) that are to be added to the ESA definition of the general government[2] and with the technical assistance of Eurostat, enhance our ability to measure the fiscal deficit on an accrual basis. Once this system is fully functional, we will request that the performance criterion on general government overall balance be amended to include the operating balance of these entities.	track to meet it. Revenues (net of EU funds) were slightly above expectations in the first quarter, while both current and capital expenditures were below the program, allowing us to meet the deficit target with a comfortable margin. For the remainder of the year, we will continue implementing policies outlined in the previous LOI of March 10, 2011. On the expenditure side, we will continue efforts to improve and prioritize capital spending in order to increase the absorption of EU funds (10), if needed using the additional resources allocated to investment in the first half of the year.1 We will maintain tight control on current spending, including by continuing to rationalize public employment (which has declined by another 15,000 to 1.25 million in the first quarter of 2011). By end-August, we will improve the legislation to provide heating allowances to target the vulnerable members of society, while generating significant savings for the budget. We have temporarily increased distribution of dividends from 2010 and 2011 profits of state-owned enterprises (SOEs), which will allow us to pay for unregistered bills uncovered in the stocktaking exercise. Should the economic recovery create sufficient fiscal space, we will consider a gradual reduction in social contributions. We will also continue our improvements in tax administration to improve the yield from existing taxes (9). We will improve the reporting system for the state-owned enterprises (SOEs) that are to be added to the ESA definition of the general government[2] and with the technical assistance of Eurostat, enhance our ability to measure the fiscal deficit on an accrual basis. Once this system is fully functional, we will request that the performance criterion on general government overall balance be amended to include the operating balance of these entities.
6. For 2012, we remain committed to bringing the deficit down to within 3 percent of GDP (in both cash and ESA terms). This will require continued expenditure restraint, including on the wage bill and subsidies, and may require	6. For 2012, we remain committed to bringing the deficit down to within 3 percent of GDP (in both cash and ESA terms). This will require continued expenditure restraint, including on the wage bill and subsidies, and

additional measures to cover the inclusion of the aforementioned SOEs into the general government. Health reforms, pension reform, and effective implementation of means testing for social programs will continue to generate savings. We will strictly limit further *ad hoc* changes to the tax system to ensure predictability and stability. We are finalizing the medium-term Fiscal Strategy for 2012-14 and will use this process to improve 2012 budget planning, commit to the specified expenditure ceilings, and solidify our commitment to the Maastricht targets. We will continue to support the recently established independent Fiscal Council, by providing it with adequate information and funding.	may require additional measures to compensate for the inclusion of the aforementioned SOEs into the general government. Health reforms, pension reform, and effective implementation of means testing for social programs will continue to generate savings. We will strictly limit further *ad hoc* changes to the tax system to ensure predictability and stability. We are finalizing the medium-term Fiscal Strategy for 2012–14 and will use this process to improve 2012 budget planning, commit to the specified expenditure ceilings, and solidify our commitment to the Maastricht targets. We will continue to support the recently established independent Fiscal Council, by providing it with adequate information and funding.
7. General government arrears and unpaid bills have been declining since the beginning of the year. Arrears now stand below 0.1 percent of GDP (mostly in the local governments). We have conducted a stocktaking of arrears and unpaid bills as of end-December 2010 for the entire general government and SOEs.[3] This exercise has revealed about [0.1] percent of GDP in unregistered bills in the health sector and no unregistered bills at the central government level. At the local level, there are unregistered bills related to VAT payments (about 0.1 percent of GDP) within the government that do not require cash settlements. We will examine the received bills for their validity, and no payments will be authorized for any previous bills not registered in this exercise. [Sentence about the evolution of SOE arrears— Michael?] The first phase in the integration of the accounting reporting system with the Treasury payment system was completed in March. The next phase, the design of the system, including the commitment control and reporting module for all levels of government, will be completed by end-September 2011 (structural benchmark). We have developed an action plan to deal with arrears, with the following key elements: - After verifying the validity of bills in the ***health** sector,* we will repay them in full by end-2011. The continuation of health	7. Arrears and unpaid bills of the general government (excluding SOEs) have been declining since the beginning of the year. Arrears now stand below 0.2 percent of GDP (almost entirely in the local governments). We have conducted a stocktaking of arrears and unpaid bills as of end-December 2010 for the entire general government and SOEs. This exercise has revealed about 0.1 percent of GDP in unregistered bills in the health sector and no unregistered bills at the central government level. At the local level, there are unregistered bills related to VAT payments (about 0.1 percent of GDP) within the government that do not require cash settlements. We will examine the received bills for their validity,4 and no payments will be authorized for any previous bills not registered in this exercise. In SOEs, arrears have continued to rise in the first quarter of 2011, climbing by nearly 0.1 percent of GDP. We have developed an action plan to deal with arrears, with the following key elements: - After verifying the validity of bills in the ***health sector***, we will repay arrears in full by end-2011. The continuation of health reforms (¶12) is paramount to precluding the accumulation of any new arrears. - At the ***local level***, the new amendments to the local government public finance law will bar accumulation of arrears, and we

reforms is paramount to precluding the accumulation of any new arrears. At the *local level,* the new amendments to the local government public finance law will bar accumulation of arrears, and we will vigorously enforce the new law. [We will also allow local administrations to increase the size of their tax escrow accounts, so as to set aside a larger share of resources to service debts on a timely basis.] - Over the next two years the ***period for paying bills submitted*** to the central government and social security system will be gradually reduced. A forthcoming EU directive in this area will be transposed into Romanian law on a timely basis. - For ***SOEs,*** arrears will be dealt with by five different mechanisms: (i) nonviable firms will be moved into bankruptcy, allowing the legal procedures to handle creditor claims; (ii) firms with sufficient positive cash flow will be required to pay down arrears on an agreed schedule; (iii) the government will develop arrangements to cancel or forgive arrears to the state itself, (iv) in appropriate cases (and with the clearance of EU competition authorities), the government will explore capital increases and/or financial support to provide resources to pay arrears; and (iv) the government will design and launch mechanisms to facilitate restructuring and securitizing SOE arrears (structural benchmark for [end-July]). We will consult with IMF and with EU competition authorities in the design of these schemes, and firms' participation in them will be strictly conditioned on their successful execution of agreed action plans to assure that arrears do not reaccumulate.	will vigorously enforce the new law. - Over the next two years the ***period for paying bills submitted*** to the central government and social security system will be gradually reduced. The EU directive 7 in this area will be transposed into Romanian law on a timely basis. - For ***SOEs***, arrears will be dealt with by six different mechanisms: (i) nonviable firms will be moved into bankruptcy, allowing the legal procedures to handle creditor claims; (ii) firms with sufficient positive cash flow will be required to pay down arrears on an agreed schedule; (iii) the government will develop arrangements to cancel or forgive arrears to the state itself, (iv) in appropriate cases (and with the clearance of EU competition authorities), the government will explore capital increases and/or financial support to provide resources to pay arrears; and (v) the government will design and launch mechanisms to facilitate restructuring and securitizing SOE arrears; and (vi) where possible, debt-equity swaps or privatization proceeds could be used to cancel arrears. These mechanisms will be developed by mid-July (structural benchmark) and we will consult with IMF and EU staff and EU competition authorities in the design of these schemes. Firms' participation in them will be strictly conditioned on their successful execution of agreed action plans to assure that arrears do not re-accumulate. The first phase in the integration of the ***accounting reporting system*** with the Treasury payment system was completed in March. The next phase, the design of the system, including the commitment control and reporting module for all levels of government, will be completed by end-September 2011.
8. We have improved our financing strategy and will continue to focus on extending the maturity of our domestic debt, building the yield curve, and consolidating the financial buffers. We are finalizing documentation to launch a "euro	8. We have improved our financing strategy and will continue to focus on extending the maturity of our domestic debt, building the yield curve, and consolidating the financial buffers. We are finalizing documentation to

medium-term notes" program that will maintain our presence in the external markets under more flexible issuance procedures and we expect to issue the first bond under this program by mid-year. We are firmly committed to raising financial buffers to around four months of financing needs during 2011 and maintaining them there. As mentioned in the previous LOI, to enhance our capabilities, in 2011 we will conduct a formal review of our debt management strategy with the assistance of IMF, EC, and WB experts. We will also improve treasury information technology (IT) systems and strengthen senior staffing.	launch a "euro medium-term notes" program that will maintain our presence in the external markets under more flexible issuance procedures and we expect to issue the first bond under this program by mid-year. To protect government finances against unforeseen external shocks, we are firmly committed to continuing raising financial buffers to around four months of financing needs during 2011–12 and maintaining them there. As mentioned in the previous LOI, to enhance our capabilities, in 2011 we will conduct a formal review of our debt management strategy with the assistance of IMF, EC, and WB experts. We will also improve treasury information technology (IT) systems and strengthen senior staffing.
9. Improving tax administration and fighting tax evasion are crucial elements of our strategy to increase revenue. We are making progress on implementing the recently approved ordinance relating to high net wealth individuals, and the government decision on indirect audit methods, however additional efforts are needed. An organizational strategy and implementation plan for incorporating indirect audit methods into our compliance functions will be done by June 2011. We will pass the ordinance on ANAF restructuring (prior action) that will allow us to staff the Individual Analysis Office by July and we will close at least 150 regional offices [by end-September]. We will also develop and implement a compliance risk strategy in accordance with best practices by August 2011. With help from the IMF and EC, we will introduce simplified taxation for smaller taxpayers in key economic sectors under the threshold, while requesting a shift in the VAT mandatory threshold from the EU Council of Ministers to €50,000 (structural benchmark, [end-December] 2011). We are planning expansion of e-filing and further simplification of tax forms and the number of payments required with a view to providing a one-stop shop for tax payments. We will continue our efforts to introduce IT systems and consolidate the IT department in ANAF to improve tax administration. We will also provide a central point for screening and referral	9. Improving tax administration and fighting tax evasion are crucial elements of our strategy to increase revenue. We are making progress on implementing the recently approved ordinance relating to high net wealth individuals, and the government decision on indirect audit methods; however, additional efforts are needed. An organizational strategy and implementation plan for incorporating indirect audit methods into our compliance functions will be done by end-June 2011. We will pass the government decision on ANAF restructuring (prior action) that will allow us to staff the Tax Verification Directorate by July and we will close approximately 150 regional offices by end-September. We will also develop and implement a compliance risk strategy in accordance with best practices by September 2011. With help from the IMF and EC, we will introduce simplified taxation for smaller taxpayers in key economic sectors under the threshold, while requesting a shift in the VAT mandatory threshold from the EU Council of Ministers to €50,000 (structural benchmark, end-December 2011). We are planning expansion of e-filing and further simplification of tax forms and the number of payments required with a view to providing a one-stop shop for tax payments. We will continue our efforts to introduce IT systems and consolidate the IT department in ANAF

of potential cases of tax fraud and strengthen guidelines for identification of tax fraud. Having incorporated the *stimulente* into the base wage, we have prepared the government ordinance to eliminate the legal basis of all *stimulente* funds effective January 1, 2012 and will pass it by end-June (structural benchmark). To encourage tax collection efforts, performance bonuses may be granted to tax collectors within the 30 percent bonus limit (as defined in the implementing legislation) for sustained improvements in revenues.	to improve tax administration. We will also improve the activity of the central point for screening and referral of potential cases of tax fraud and will continue to strengthen guidelines for identification of tax fraud. Having incorporated the *stimulente* into the base wage, we have prepared the government ordinance to eliminate the legal basis of all *stimulente* funds effective January 1, 2012 and will pass it by end-August (structural benchmark). To encourage tax collection efforts, performance bonuses may be granted to tax collectors within the 30 percent bonus limit (as defined in the implementing legislation) for sustained improvements in revenues.
10. The accelerated absorption of EU funds remains a focal objective of the government. We are focusing on strengthening the administrative capacity of units managing the funds; modernizing and consolidating the legislative and regulatory framework for public investment and other fields relevant for EU fund absorption; and prioritizing investment to assure sufficient financing for key projects. The government has moved the EU structural funds coordination unit from the MOPF to the Prime Minister's office and will strengthen its authority and staffing. We are also conducting a comprehensive review of the existing investment portfolio to prioritize and evaluate the existing stock of projects to focus on those where funding can be fully secured within a medium-term horizon (e.g., 3-5 years), to discontinue low priority and non-performing projects that cannot be fully financed within this horizon, and to produce a database by June and a final report and an action plan by end-September 2011 (structural benchmark). In particular, we are committed to completing all preaccession projects by the agreed dates so as to avoid having to return funds to the EU. We will create facilities for reallocating the capital budget during the year to those ministries with the best EU funds absorption performance and a track record of efficient project implementation. [We will also complete modifications of public procurement legislation by [end-June] to assure that it is fully consistent	10. The accelerated absorption of EU funds remains a focal objective of the government. We are focusing on strengthening the administrative capacity of units managing the funds; modernizing and consolidating the legislative and regulatory framework for public investment and other fields relevant for EU fund absorption. The government has moved the EU structural funds coordination unit from the MOPF to the Prime Minister's office and will strengthen its authority and staffing. In particular, we are committed to completing all preaccession projects by the agreed dates so as to avoid having to return funds to the EU. We will create facilities for reallocating the budget resources during the year to those ministries with the best EU funds absorption performance and a track record of efficient project implementation. We will improve the efficiency of public procurement process by developing standard bidding documents in key subsectors by end-September to reduce the grounds for contesting public tenders. We will also revise the PPP law by end-July to ensure that it conforms to EU procurement directives.

with EU law and develop standard bidding documents in key subsectors to reduce the grounds for contesting public tenders.]	
	11. We are focusing on prioritizing investment to assure sufficient financing for key projects. We are conducting a comprehensive review of the existing investment portfolio to prioritize and evaluate the existing stock of projects to focus on those where funding can be fully secured within a medium-term horizon (e.g., 3–5 years), to discontinue low priority and non-performing projects that cannot be fully financed within this horizon, and to produce a database by June and a final report and an action plan by end-September 2011 (structural benchmark).
11. We are continuing efforts to restructure the health sector to ensure the quality functioning of the system within budgetary allocations, but additional action is needed to avoid a continued mismatch between healthcare service obligations and available resources. Arrears have been nearly eliminated, but additional unpaid bills of some RON 500 million were uncovered in the stocktaking exercise, and on current trends it appears that a shortfall [of some RON 1.2 billion (0.2 percent of GDP)] will exist by end-2011 compared to the budget allocation. Significant savings [of roughly 0.4 percent of GDP] may be expected when the current restructuring measures are completed, but additional budgetary allocations will likely be needed until the reforms are fully implemented. Moreover, in the medium-term, the challenge of population aging will have to be factored into spending projections.	12. We are continuing efforts to restructure the health sector to ensure the quality functioning of the system within budgetary allocations, but additional action is needed to avoid a continued mismatch between healthcare service obligations and available resources. Arrears have been nearly eliminated, but additional unpaid bills of some RON 500 million were uncovered in the stocktaking exercise, and on current trends it appears that a shortfall would exist compared to the budget allocation and we will address it in the mid-year supplementary budget. Significant savings may be expected when the current restructuring measures are completed, but additional budgetary allocations will likely be needed until the reforms are fully implemented. Moreover, in the medium-term, the challenge of population aging will have to be factored into spending projections.
12. Health reform measures are underway in the following areas: *Revenue enhancements.* To improve income, the threshold for social contribution payments of pensioners was lowered in 2011. Work has finalized on the revised clawback tax for pharmaceuticals and the tax is expected to go into effect shortly (upon publication in the national register). Legislation to introduce	13. Health reform measures are underway in the following areas: * ***Revenue enhancements.*** To improve income, the threshold for social contribution payments of pensioners was lowered in 2011. Work has finalized on the mechanism to apply the clawback tax for pharmaceuticals and the tax went into effect at end- April. Legislation to introduce modest copayments

modest copayments for medical services has been approved by the Senate and is under consideration in Chamber of Deputies. Approval is expected in the coming months, with the copayments expected to go into effect in [2012]. *Global spending measures.* Progress continues on implementing new IT systems. The auditing of patient registries has been completed. As of 2012, new health cards for all participants will help control fraud and abuse in the system and better monitor spending commitments. We are reforming, with assistance from the WB, the package of benefits insured by the government to exclude coverage of costly nonessential health services. This new benefits package would be implemented next year. *Hospital expenditures.* Restructuring of the hospital system is underway. As of April, 67 hospitals have been eliminated from the system, with incentives for them to be converted into nursing homes. A three year plan to reduce the number of financed hospital beds to the EU per capita average by 2013, while also adapting acute beds accordingly. As of July, the number of beds will fall from 135,200 to 129,500. Legislation has been approved to eliminate mandatory contracting with hospitals and to introduce competitive contracting. Over time, this should allow for a further rationalization of the number of hospitals. For 2011, hospital budget allocations have been reduced by 10 percent to encourage fewer inpatient treatments. Financing mechanisms will be adjusted in the future, to compensate more fairly hospitals providing more costly treatment, while reducing financing for others and reclassifying them. *Pharmaceutical expenditures.* Significant savings are already anticipated through reference prices and the greater use of generic drugs on schedules A, B, CI, and C3. For the C2 schedule, we will revise the list of compensated and free drugs approved by government decision 720/08, with a view toward modifying the list of these drugs and wherever possible moving to generics. For 2012, pharmaceutical costs of the most expensive drugs will be further controlled by applying strict drug use protocols and a new	for medical services has been approved by the Senate and is under consideration in Chamber of Deputies. Approval is expected in the coming months, with the copayments expected to go into effect in 2012. • ***Global spending measures.*** Progress continues on implementing new IT systems. The auditing of patient registries is underway and will be completed by end-2011. As of 2012, new health cards for all participants will help control fraud and abuse in the system and better monitor spending commitments. We are reforming, with assistance from the WB, the package of benefits insured by the government to exclude coverage of costly nonessential health services. This new benefits package would be implemented next year. • ***Hospital expenditures.*** Restructuring of the hospital system is underway. As of April, 67 hospitals have been eliminated from the system, with incentives for them to be converted into nursing homes. A three year plan is being implemented to reduce the number of financed hospital beds to the EU per capita average by 2013, while also adapting acute beds accordingly. As of July, the number of beds will fall from 135,200 to 129,500. Legislation has been approved to eliminate mandatory contracting with hospitals and to introduce competitive contracting. Over time, this should allow for a further rationalization of the number of hospitals. For 2011, in meeting the objective of 10 percent fewer inpatient admissions we will achieve a corresponding cut in the budgets of hospitals. Reclassification of hospitals is underway, based on which financing mechanisms will be adjusted in the future, to compensate more fairly hospitals providing more complex treatment, while reducing financing for others. • ***Pharmaceutical expenditures.*** Significant savings are already anticipated through reference prices and the greater use of generic drugs on schedules A, B, C1, and C3. For the C2 schedule, we will develop procedures and mechanisms that will lead to a reduction in the spending on these drugs, including settlement prices, and wherever possible, a

electronic prescription module for the National Health Information System, following strict procedures. *Physician expenditures.* The compensation formula for doctors has been adjusted to better balance per capita compensation will fees for services. We have also begun producing indicative caps for quarterly services contracted with hospitals and physicians—as well as prescriptions issued—and will develop financial incentives for physicians who remain within the ceilings. *[Other measures to be considered.* To address the remaining budget gap, we will explore copayment mechanisms for prescription drugs, mandatory spending ceilings for physicians, ...] We will resist pressures to move supervision of the Health House to parliament.	revision of the list of compensated and free drugs and moving to generics. For 2012, pharmaceutical costs of the most expensive drugs will be further controlled by applying strict drug use protocols and a new electronic prescription module for the National Health Information System, following strict procedures. 7 ***Physician expenditures.*** We have reduced the share of per-capita reimbursement of primary care physicians from 70 to 50 percent. We have also begun producing indicative caps for quarterly services contracted with hospitals and physicians—as well as prescriptions issued—and will develop financial incentives for physicians who remain within the ceilings.
13. Improving the efficiency of social protection will remain a priority, especially in the area of social inspection. A new Social Assistance Code has been drafted, which will consolidate the existing 54 categories of social benefits into 9 and redirect the focus of social assistance from cash transfer to social services. Our efforts in social inspection have yielded significant results, as the number of beneficiaries of heating allowances has declined by half in 2011. The overall measures on social benefit reforms will result in fiscal savings of around 0.8 percent of GDP in 2010-2013.	14. Improving the efficiency of social protection will remain a priority, especially in the area of social inspection. A new Social Assistance Code has been drafted, which will consolidate the existing 54 categories of social benefits into 9. Our efforts in social inspection have yielded significant results, as the number of beneficiaries of heating allowances has declined by half in 2011. The overall measures on social benefit reforms will result in fiscal savings of around 0.8 percent of GDP in 2010-13.
Financial Sector 14. Banking sector aggregates continue to be affected by the economic downturn experienced in the past two years. Non-performing loans continued to rise through end-March, reaching 12.7 percent of total loans (compared to 11.9 percent in December 2011). Lending to the private sector declined, as did deposits. However, the banking sector returned to profitability during the first quarter and remains well capitalized, with an average solvency ratio of 14.7 percent. All banks retained a ratio above 11 percent. In a meeting of the European Bank Coordination Initiative held on 16 March, the parent banks of the nine largest foreign-owned banks operating in Romania affirmed their long-term capital and exposure	**Financial Sector** 15. Banking sector aggregates continue to be affected by the economic downturn experienced in the past two years. Non-performing loans continued to rise through end- March, reaching 12.7 percent of total loans (compared to 11.9 percent in December 2010). Lending to the private sector declined, as did deposits. However, the banking sector returned to profitability during the first quarter and remains well capitalized, with an average solvency ratio of 14.7 percent. All banks retained a ratio above 11 percent. In a meeting of the European Bank Coordination Initiative held on March 16, the parent banks of the nine largest foreign-owned banks operating in Romania affirmed their long-

commitments to the country, but without quantitative targets. At the end of March 2011, the aggregate exposure of these banks stood at 97 percent of the level when the Initiative commenced. We will preserve good governance at banks, including state owned banks, and safeguard their operational independence by ensuring that all directors and managers are deemed by the NBR to be suitably experienced and 'fit and proper' for their responsibilities.	term capital and exposure commitments to the country, but without quantitative targets. At the end of March 2011, the aggregate exposure of these banks stood at 97 percent of the level when the Initiative commenced. We will preserve good governance at banks, including state owned banks, and safeguard their operational independence by ensuring that all directors and managers are deemed by the NBR to be suitably experienced and 'fit and proper' for their responsibilities.
15. We continue to review the DGF, banking and winding-up legislation and will make any changes necessary to ensure their mutual consistency. Parliamentary ratification of earlier amendments to the winding-up legislation remains to be completed. Further legislative amendments to enable the Deposit Guarantee Fund (DGF) to finance bank restructuring, including purchase and assumption transactions, have been delayed by ongoing legal discussions with the European Commission and the Fund. Accordingly we now anticipate completing this structural benchmark by end-November 2011 [modified benchmark]. [We have finished the testing stage for expanding the range of collateral eligible for banks' use of NBR facilities to include IFI issued bonds and euro bonds; implementation is expected by end-May.]	16. We continue to review the DGF, banking and winding-up legislation and will make any changes necessary to ensure their mutual consistency. Parliamentary ratification of earlier amendments to the winding-up legislation remains to be completed. The passage of amendments to the Deposit Guarantee Fund (DGF) law to allow for the use of the resources administered by the DGF (including through guarantees) to facilitate restructuring measures authorized by the National Bank of Romania regarding the transfer of deposits, including purchase and assumptions, if such use would be less costly than the direct payment of deposit guarantees, has been delayed by ongoing discussions on bank resolution issues with staff of the European Commission and the Fund. Accordingly we now anticipate completing this structural benchmark by end-November 2011 (modified benchmark). We have finished the testing stage for expanding the range of collateral eligible for NBR lending operations to include leu-denominated IFI issued bonds and euro-denominated sovereign bonds; implementation is expected by end-May
16. We remain committed to the introduction of IFRS accounting standards in the banking system beginning in 2012. To achieve this, by end-June the NBR will release for consultation draft proposals for prudential filters that would preserve prudent bank solvency, provisions, and reserves. The authorities will ensure that the prudential treatment of debt-for-equity swaps does not result in a weakening of banks' financial positions[5] and impose requirements	17. We remain committed to the introduction of IFRS accounting standards in the banking system beginning in 2012. To achieve this, by end-June the NBR will release for consultation draft proposals for prudential filters that would preserve prudent bank solvency, provisions, and reserves. The authorities will ensure, by the end of 2011, that the prudential treatment of debt-for-equity swaps does not result in a weakening

for banks to have in place methodologies for valuing the equity at the lowest value applicable according to the accounting treatment. The NBR will also consult the industry on regulatory proposals to ensure that foreign currency credit to households is appropriately priced in order to reflect the risk represented by lending in foreign currency to unhedged borrowers.	of banks' financial positions and impose requirements for banks to have in place methodologies for valuing the equity at the lowest value applicable according to the accounting treatment. The NBR will also consult the industry on regulatory proposals to ensure that foreign currency credit to households is appropriately priced in order to reflect the risk represented by lending in foreign currency to unhedged borrowers. We will continue to consult with the IMF and EC staff before introducing or amending other aspects of the regulatory framework and make efforts to avoid adopting legislative initiatives, such as the current draft of the personal insolvency law or proposals for the debt collecting law, which could undermine debtor discipline.
Monetary and Exchange Rate Policy 17. The NBR's 2011 inflation target is now unlikely to be met due to the unexpected surge in food and energy prices, as well as the envisaged adjustment of administered prices in the remainder of the year.[6] The inflation consultation band with the Fund is also likely to be triggered later in the year. We now expect inflation to peak at $8^{1/2}$ percent in mid-year, before gradually declining to around [5%] percent by the end of 2011. While increases in core inflation (net of the VAT increase) remain limited so far, continued high headline inflation presents risks of rising inflationary expectations and consequent second round second round effects. To forestall such pressures, we will shift our monetary policy stance to a tightening bias and take action as needed to ensure 2012 inflation target is met. In particular, we will continue to improve our liquidity management so as to bring money market rates closer to the policy rate. The leu appreciation (about 4 percent against the euro) in recent months has helped moderate inflationary pressures without as yet causing significant competitiveness effects.	**Monetary and Exchange Rate Policy** 18. The NBR's 2011 inflation target is now unlikely to be met due to the unexpected surge in international food and energy prices, as well as the envisaged adjustment of administered prices in the remainder of the year. The inflation consultation band with the Fund is also likely to be triggered later in the year. We now expect inflation to peak at 8½ percent in mid-year, before gradually declining to slightly above 5 percent by the end of 20116. While increases in core inflation (net of the VAT increase) remain limited so far, continued high headline inflation presents risks of rising inflationary expectations and consequent second round effects. To forestall such pressures, we will shift our monetary policy stance to a tightening bias and take action as needed to ensure 2012 inflation target is met. In particular, we will continue to improve our liquidity management so as to bring money market rates closer to the policy rate. At the same time, the NBR would remain alert to the potential risks of the return of significant capital inflows as the economy recovers. The leu appreciation (about 4 percent against the euro) in recent months has helped moderate inflationary pressures without as yet causing significant competitiveness effects.

Structural reforms *Stale-Owned Enterprises* 18. We remain committed to deep-rooted reform of state-owned enterprises, especially in critical growth generating sectors such as energy and transport. The indicative targets on the operating balance and arrears of 18 key enterprises were met in the first quarter, and action plans have been prepared for each of them. Work is advancing on action plans for the remaining state firms, but additional efforts will be needed to meet the end-July structural benchmark. There have been some delays in compiling arrears data from these SOEs as well, but we expect to complete it in the by the time of the IMF executive Board meeting (prior action). As agreed, we have amended ordinance 79/2008 to require that *regii autonome* and enterprises subordinated to local governments submit quarterly key financial and operational indicators to the MOPF.	**Structural reforms** *State-Owned Enterprises* 19. We remain committed to deep-rooted reform of state-owned enterprises, especially in critical growth generating sectors such as energy and transport. The indicative targets on the operating balance and arrears of 18 key enterprises were met in the first quarter, and action plans have been prepared for each of them. Work is advancing on action plans for the remaining state firms, but additional efforts will be needed to meet the mid-July structural benchmark. We have compiled arrears data from the 154 central government SOEs as agreed. We have amended ordinance 79/2008 to require that *regii autonome* and enterprises subordinated to local governments submit quarterly key financial and operational indicators to the MOPF, and we will provide similar financial information for other central government state-owned enterprises as defined in the TMU.
19. To improve the governance of SOEs, we will develop and approve legislation to improve governance in these firms by end-September 2011 (structural benchmark). This legislation will require all SOEs to have regular independent external audits, to report and publish financial data quarterly, to respect minority shareholder rights, and to move financial control of SOEs from line ministries to the MOPF. It will include an application code for all SOEs to ensure that OECD principles on management are applied. For the largest [X] firms (as specified in the TMU) slated to remain under majority state control, the legislation will specify that all key management positions (including the CEO and CFO) will be filled only after an open international search process conducted by internationally recognized human resources firms. These managers will also be given sufficient autonomy to operate the firms free from undue political influence. Board members of these firms will also be vetted by outside experts to assure that they are fully qualified to exercise their functions. This management search will begin by [end-June] and private management teams will be selected by end-November. [To	20. To improve the governance of SOEs, we will develop and approve governance legislation by end-August 2011 (structural benchmark). This legislation will require all SOEs to have regular independent external audits, to report and publish financial data quarterly, to reinforce minority shareholder rights, and to move financial control of SOEs from line ministries to the MOPF. It will include an application code for all SOEs to ensure that OECD principles on corporate governance are applied. We will prohibit contract extensions for existing managers lasting beyond January 1, 2012. For the largest firms (to be determined by end-July) slated to remain under majority state control, the legislation will specify that all key management positions (including the CEO and CFO) will be filled only after an open international search process conducted by internationally recognized human resources firms. These managers will also be given sufficient autonomy to operate the firms free from undue interference. Board members of these firms will be selected by the shareholders and vetted by independent experts to assure that they are fully qualified

make this effective, this may require changing Emergency Ordinance 3/2011, limiting remuneration]	to exercise their functions. Existing managers and board members could submit their applications and their professional qualifications would be considered. This management search will begin by end-August and private management teams will be selected by end-December to take office as soon as legally possible thereafter. In cases where significant minority stakes are to be sold, this timetable could be adjusted to allow for participation of the new minority shareholders. To make this effective, this may require changing Emergency Ordinance 3/2011, limiting remuneration.
20. We have begun stepped-up efforts to improve transport infrastructure and the operations of transport SOEs. Significant additional infrastructure projects using EU structural funds have been approved and project execution is beginning. Following the action plans for key firms, we have refined our plans in this area. Measures will include the following: ***Roads (CNADNR)*** CNADNR will boost its revenues in 2011 while eliminating or renegotiating non-performing contracts. Standard costs for building and maintaining roads will be approved by end-June, and will be required on all new contracts. Personnel will be reduced by 622 positions by end-June (compared with end 2010). The Ministry of Transport will pay RON 737 million in CNADNR arrears due to investment projects by end-June. ***Railways*** We have begun to extend the policy of standard costs in the railway system, particularly for railway infrastructure procurement and for repairing rolling stock. We are developing multi-annual plans for public procurement and investments in CFR Calatori and CFR Marfa, in line with transport and necessities programs and in connection with market evolution. In CFR Infrastructura, CFR Calatori and CFR Marfa we will continue to use fully depreciated assets. Restructured personnel will be provided with reintegration and training services.	21. We have begun stepped-up efforts to improve transport infrastructure and the operations of transport SOEs. Significant additional infrastructure projects using EU structural funds have been approved and project execution is beginning. Following the action plans for key firms, we have refined our plans in this area. Measures will include the following: ***Roads (CNADNR)*** - CNADNR will boost its revenues in 2011 while eliminating or renegotiating non-performing contracts. We will also increase revenues by creating the single road control authority for freight transport which will step up enforcement of weight and licensing requirements. - Remaining standard costs for building and maintaining roads will be approved by end-September, and will be required on all new contracts. - Personnel will be reduced by 622 positions by mid-July (compared with end 2010). - We will pay CNADNR arrears (currently RON 737 million) due to investment projects by end-August. ***Railways*** - We have begun to extend the policy of standard costs in the railway system, particularly for railway infrastructure procurement and for repairing rolling stock. We are developing multi-annual plans for public procurement and investments in CFR Calatori and CFR Marfa, in line with transport needs and in connection with

Cargo- Restructuring is underway and is expected to reduce staffing by some 3,000 workers this year. A 20 percent stake in CFR Marfa will be offered by IPO or to a strategic investor by end-2011 with a view toward a full privatization when market conditions permit. We will appoint a legal advisor for the partial privatization by end-June, and appoint an investment bank for the IPO by end-September. We will hire a private management team in CFR Marfa by end-November (as specified in If 18). Subsidiaries will be integrated into the mother company by end-September. *Passenger*- Three (or four) subsidiaries will be integrated into CFR Calatori by end-September. By end-June 2011,1000 kms. of lines will be taken out of service and passenger service contracts will be modified on an additional 5,000 kms. of lines. Better cost recovery will be implemented by allowing for tariff adjustments by end-August. The MOPF will pay all arrears to CFR Calatori by mid-June, allowing for the company to use the money to reduce its own arrears. *Infrastructure*- Service reductions will also significantly improve the financial outlook for CFR Infrastructura. We will close 1000 kilometers of railway lines by end-August and will develop plans for competitive tendering of public service obligations and infrastructure maintenance on lines for another 20 percent of the system or close them. All subsidiaries except Telecomunicaţii and Electrificiare will be integrated into the mother company by end-September. The Tipografia subsidiary will be liquidated, and the Palati subsidiary will be folded into the Ministry of Transport. *Metropolitan transit* • We will pass legislation by end-August to establish a new metropolitan transit authority that will oversee Metrorex together with the above ground public transport system in Bucharest (RATB). The law will also allow for tariff adjustments (beyond inflation-indexing) in line with the strategic plan of covering current expenditures through revenues and capital expenditures through subsidies. The law will also modify the basis for subsidies to link them to passenger usage, in line with EU regulation. Metrorex will diminish maintenance	market evolution. In CFR Infrastructura, CFR Calatori and CFR Marfa we will continue to use fully depreciated assets. Restructured personnel will be provided with reintegration and training services. Arrears in the railway SOEs will be dealt with through different mechanisms, as specified in paragraph *Cargo*— Restructuring is underway and is expected to reduce staffing by some 3,000 workers this year. A 20 percent stake in CFR Marfa will be offered by IPO or to a strategic investor by end-2011 with a view toward a full privatization when market conditions permit. We will appoint a legal advisor for the partial privatization by mid-July, and appoint an investment bank for the IPO by end-September. We will hire a private management team in CFR Marfa by end-January (as specified in 20). Subsidiaries will be integrated into the mother company by end-September, as agreed in the TMU. *Passenger*—Three (of four) subsidiaries will be integrated into CFR Calatori by end-September. Operating losses will reduced by 25 percent by end 2011 through territorial restructuring, reducing staffing by 1000 employees, closure of non-viable routes, reducing the number of trains where revenues are low, using standard costs for procurement procedures and reducing public service obligations by some 5 percent. Better cost recovery will be implemented by allowing for tariff adjustments by end-August. *Infrastructure*—Service reductions will also significantly improve the financial outlook for CFR Infrastructura. While avoiding unnecessary negative impact on freight transport, we will conclude the closure of 1000 kilometers of railway lines by end-August and will develop plans for competitive tendering of public service obligations and infrastructure maintenance on lines for another 20 percent of the system or close them. All subsidiaries except those specified in the TMU will be integrated into the mother company by end-September. Insolvency procedures will continue in the Tipografia subsidiary, while the Telecomunicatii and GEI Palat subsidiaries will be folded into the Ministry of Transport.

costs by 30 percent by end 2011. *Air transport* We will appoint a legal advisor for privatization of 20 percent of TAROM via the stock exchange or to strategic a strategic investor by end-June. We will appoint an investment bank to manage the IPO by end-September and conclude partial privatization by end-December. We will hire a private management team in TAROM by end-November (as specified in f 18). [Sell an additional 20 percent stake in the international airports in Bucharest and Timişoara by end-2011 on the stock exchange] The appointment of legal advisors for privatization of CFR Marfa, TAROM, [and the Bucharest and Timişoara airports] will be a structural benchmark for end-June.	***Metropolitan transit*** We will pass legislation by end-August to establish a new metropolitan transit authority that will oversee Metrorex together with the above ground public transport system in Bucharest (RATB). Another law will allow for tariff adjustments (beyond inflation-indexing) in line with the strategic plan of covering current expenditures through revenues and capital expenditures through subsidies. Metrorex will diminish maintenance costs by at least 30 percent by end 2011. ***Air transport*** We will appoint a legal advisor by end-September to assist with the privatization of maximum 20 percent of TAROM via the stock exchange or to a strategic investor by mid-July. We will appoint an investment bank to manage the IPO by end-September and conclude partial privatization by end-December. We will hire a private management team in TAROM by end-January (as specified in 20). The appointment of legal advisors for privatization of CFR Marfa and TAROM will be a structural benchmark for mid-July.
21. Securing efficient energy provision is crucial for sustainable growth. The energy sector suffers from underinvestment due to the effects of the economic downturn, the dominance of undercapitalized state-owned firms with room for efficiency improvements, and the fact that adjustments have not been fully applied in regulated prices and tariffs (due to concerns about effects on consumers). To address pricing and regulatory deficiencies, we will: (i) take the necessary steps by end-July to restore the energy regulator's (ANRE) operational and financial autonomy in accordance with EU legislation (third energy package); (ii) As agreed in the last LOI, a calendar has been established for adjustments to reach the full Unitary Gas Cost (CUG) price formula by end-2011 for non-residential consumers and implementation will begin by end-June; (iii) present a roadmap for phasing out regulated prices in electricity and gas by end-September 2011; (iv) define the vulnerable	22. Securing efficient energy provision is crucial for sustainable growth. The energy sector suffers from underinvestment due to the effects of the economic downturn, the dominance of undercapitalized state-owned firms with room for efficiency improvements, and the fact that adjustments have not been fully applied in regulated prices and tariffs (due to concerns about effects on consumers). To address pricing and regulatory deficiencies, we will: (i) take the necessary steps, based on a timetable as specified in the attached TMU, to restore the energy regulator's (ANRE) operational and financial autonomy in accordance with EU legislation (third energy package); (ii) As a prior action, a government ordinance will be approved to separate CUG prices between households and non-residential customers and allow ANRE full autonomy to adjust the CUG price for non-residential customers. Adjustments to the full CUG price will be made in 2 steps: one in

consumers by end-2011 according to EU legislation and develop mechanisms to protect them (in conjunction with the Ministries of Finance and Labor); (v) complete removal, according to EU directives, of regulated prices for non-households in electricity and gas before end 2013 and complete the process by end-2015; and (vi) assure [via application code] that new bilateral contracts signed by state-owned gas and electricity generators be made transparently and non-discriminately through OPCOM, and that prices in existing contracts will be adjusted to prevailing market rates as quickly as legally permissible. If EU infringement procedures require faster action, we will step-up our adjustment calendar to comply.	June/July and one in Q4; (iii) present a roadmap for phasing out regulated prices in electricity and gas by end- September 2011; (iv) define the vulnerable consumers by end-2011 according to EU legislation and develop mechanisms to protect them (in conjunction with the Ministries of Finance and Labor); (v) complete removal, according to EU directives, of regulated prices for non-households in electricity and gas before end 2013 and complete the process by end- 2015; and (vi) assure that new bilateral contracts signed by state-owned gas and electricity generators be made transparently and non-discriminately through OPCOM (electricity) and other competitive procedures (gas), and that prices in existing contracts will be adjusted to prevailing market rates as quickly as legally permissible. If EU infringement procedures require faster action, we will comply with their requirements.
22. Much needed capital and managerial know-how will be brought to the energy sector through minority private investors (via IPOs or sales of stakes to strategic partners) in the following firms, with government approval: (i) Petrom (sale of a 10 percent stake is already underway); (ii) Transelectrica (15 percent stake); (iii) Transgaz (15 percent stake); (iv) Romgaz (15 percent stake); [(v) Nuclearelectrica (10 percent stake) and (vi) Hidroelectrica (10 percent stake)]. In each case, we will appoint a legal advisor for privatization by end-June (structural benchmark), appoint an investment bank for privatization by end-September, and conclude the tenders by end-2011. Our strategy to form two national champion energy companies has been blocked by court rulings and, as agreed in the last LOI, we are developing an alternative strategy which will include sales of minority or strategic stakes in individual firms originally slated to be included in the national champions, including the energy complexes in Craiova, Turceni, and Roveni, and full privatization of distribution companies Transilvania Nord, Transilvania Sud, and Muţenia, and Electrica Serv. The tax administration, ANAF, will use continued enforcement procedures on the tax arrears of	23. Much needed capital and managerial know-how will be brought to the energy sector through minority private investors (via IPOs or sales of stakes to strategic partners) in the following firms, with government approval: (i) Petrom (sale of a 10 percent stake is already underway); (ii) Transelectrica (15 percent stake and a capital increase); (iii) Transgaz (15 percent stake); (iv) Romgaz (15 percent stake); In each case, we will appoint a legal advisor for privatization by mid-July (structural benchmark), appoint an investment bank for privatization by end-September, and conclude the tenders by end-2011. In order to generate sizable additional investment in the energy strategy, we will also begin the process of offering minority stakes in Hidroelectrica and Nuclearelectrica (including both sale of an existing stake and a capital increase) with a view toward completing the process by end- March and end-June, 2012, respectively. Our strategy to form two national champion energy companies has been blocked by court rulings and, as agreed in the last LOI, we are developing an alternative strategy. To bring investment into the sector, we will move ahead with privatization of the energy

the CNH, which will ultimately lead to the privatization of viable assets, and applying insolvency procedures by [end-September (structural benchmark)] on the nonviable remainder. Remaining coal assets will be liquidated in line with EU stated rules. In Termoelectrica, viable assets will be privatized and the remaining operations closed by [end-September (structural benchmark)]. The viable assets will be prepared for full privatization by [March 2012]. Finally, we will work on a comprehensive solution for the problems in the district heating companies by end-July.	complexes and Electrica Serv, in full compliance with EU competition regulations. In CNH, we will form separate legal entities splitting viable and non-viable coal mines by end-December after consultation with EU DG Competition. The viable assets will later be privatized and nonviable assets will be liquidated in line with EU rules. In Termoelectrica, we will also form separate legal entities for viable and nonviable assets by end-January after consultation with DG Competition. The viable assets will be prepared for privatization by March 2012. Finally, we will work on a comprehensive solution for the problems in the district heating companies by end-July.
23. Among other key SOEs, we have completed assessments for Oltchim and Posta Romana. In Oltchim, we intend to privatize the remaining public stake by end-2011. To achieve this, we will develop a solution for the firm's heavy debts in the coming months. We will also appoint legal advisor for privatization or remaining public par to strategic investor by end June, an investment bank for privatization by end-September, with compietion of the tender by end-2011. If the privatization is unsuccessful by the end of 2011, the firm will be placed in liquidation. For Posta Romana, we will complete implementation of our already approved restructuring plan.	24. Among other key SOEs, we have completed assessments for Oltchim and Posta Romana. In Oltchim, we intend to privatize the remaining public stake by end-2011. To achieve this, we will develop a solution for the firm's heavy debts in the coming months. We will also appoint legal advisor for privatization of the remaining public participation to a strategic investor by end June, an investment bank for privatization by end-September, with completion of the tender by end-2011. For Posta Romana, we will complete implementation of our already approved restructuring plan which envisages elimination of losses by 2012 at the latest.
Labor Markets 24. We have made substantial reforms in the labor legislation. The new Labor Code, which has entered into force on April 30th, aims to improve labor market flexibility by promoting fix-term and temporary employment, extending probation periods, and increasing the flexibility of working hours. The Social Dialogue Code, which modifies collective bargaining and other labor relations, is pending appeal in the Constitutional Court. Key elements of the social dialogue reform include raising the representativity thresholds for both trade unions and employers' associations, abolishing the collective bargaining at national level, and elimination of the automatic *erga-omnes* extension at sectoral level. We are	*Labor Markets* 25. We have made substantial reforms in the labor legislation. The new Labor Code, which has entered into force on April 30th, aims to improve labor market flexibility by promoting fixed-term and temporary employment, extending probation periods, and increasing the flexibility of working hours. The Social Dialogue Code, which modifies collective bargaining and other labor relations, has recently been cleared by the Constitutional Court and will soon be promulgated. Key elements of the social dialogue reform include raising the representativity thresholds for both trade unions and employers' associations, abolishing the collective bargaining at

committed to ensuring that the new legislation observes EU directives and core ILO EU conventions.	national level, and elimination of the automatic *erga-omnes* extension at sectoral level. We are committed to ensuring that the new legislation observes EU directives and core ILO and EU conventions.
	26. Measures to reform the judiciary are underway, with a view to make it more effective, unifying the jurisprudence, and fighting against corruption, which will provide for a transparent business environment and boost the economic performance. One of the top ranking objectives of the Government related to the reform of the judiciary is the successful implementation of the new fundamental legal codes for Romania: the civil code, the criminal code, the civil procedure code and the criminal procedure code. The measures to be taken to implement these codes will be decided upon after the finalization of the impact studies currently in progress. We will also undertake reforms in the agricultural sector—including by speeding up the surveying and registration of agricultural land—to improve food security and increase export prospects.
Program modifications and monitoring 25. The program will continue to be monitored through regular reviews, prior actions, quantitative performance criteria and indicative targets, and structural benchmarks. The quantitative targets for end-June and end-September 2011 and continuous performance criteria are set out in Table 1; and the structural benchmarks are set out in Table 2. The understandings between the Romanian authorities and IMF staff regarding the quantitative performance criteria and the structural measures described in this letter are further specified in the attached Technical Memorandum of Understanding.	**Program modifications and monitoring** 27. The program will continue to be monitored through regular reviews, prior actions, quantitative performance criteria and indicative targets, and structural benchmarks. The quantitative targets for end-September 2011 and continuous performance criteria are set out in Table 1, and in the TMU, where an adjustor to the end-June performance criterion on general government balance has been added; and prior actions and structural benchmarks are set out in Table 2. The understandings between the Romanian authorities and IMF staff regarding the quantitative performance criteria and the structural measures described in this letter are further specified in the attached Technical Memorandum of Understanding.