Loan Agreement

(Development Policy Loan with a Deferred Drawdown Option)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 11, 2012
LOAN AGREEMENT

Agreement dated September 11, 2012, entered into between ROMANIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one billion Euro (€1,000,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

2.04. The Borrower shall pay to the Bank a stand-by fee on the Unwithdrawn Loan Balance at the rate of one-half of one percent (0.50%) per annum. The stand-by fee shall accrue from the Effective Date to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The stand-by fee shall be payable semi-annually in arrears on each Payment Date.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread;
provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are February 1 and August 1 in each year.

2.07. (a) Except as otherwise provided in paragraph (b) of this Section, the principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.

(b) The Borrower may at the time of requesting a Withdrawal also request repayment provisions different from those set out in Schedule 2 to this Agreement for such Withdrawal, provided that: (i) the average maturity of such Withdrawal does not exceed eighteen (18) years from the Withdrawal Date and the final maturity of such Withdrawal does not exceed thirty (30) years from the Withdrawal Date (or such other average maturity and/or final maturity as may be generally applicable to loans made by the Bank to the Borrower at the time of such Withdrawal request); and (ii) such repayment provisions have been agreed between the Borrower and the Bank prior to the Withdrawal Date of such Withdrawal.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

2.09. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following: a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.
5.02. The Effectiveness Deadline is the date one hundred and fifty (150) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is the Borrower’s Minister of Public Finance or whomever the minister delegates to.

6.02. The Borrower’s Address is:

Ministry of Public Finance
17 Apolodor Street
Bucharest
Romania

Telex: 11239
Facsimile: 4021 312 6792

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Bucharest, Romania, as of the day and year first above written.

ROMANIA

By

Authorized Representative

Name: Florin Georgescu
Title: Vice Prime Minister and Minister of Public Finance

INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Francois Rantrua
Title: Country Manager
Section I. Actions under the Program

Improve tax compliance, revenue collection and fiscal discipline, and reduce administrative costs

1. The Borrower’s Government has launched the modernization of tax administration by: (a) reducing the number of local tax offices for small taxpayers to no more than 221 (i.e., by at least 39 percent) on the basis of Government Decision No. 564/2011 and ANAF President Order No. 2180/2011 as amended; (b) expanding electronic tax filing by all legal entities to at least 80% on the basis of the Minister of Economy and Finance Order No. 858/2008 as amended, the ANAF President’s Order No. 2520/2010 and the Government’s Emergency Ordinance No. 117/2010 for the tax declarations available for e-filing; and (c) approving the ANAF restructuring plan for 2012-2015 to further reduce the number of local tax offices for small taxpayers to 47 and expand electronic tax filing for legal entities to 96 percent for tax declarations available for e-filing, pursuant to the Government’s Memorandum dated April 18, 2012.

2. The Borrower has enacted the 2012 Budget Law to strengthen fiscal discipline and demonstrate commitment to fiscal consolidation in line with the 2012-2014 Fiscal Strategy.

3. The Borrower’s Government has approved and submitted to the European Commission the Convergence Program for 2012-2015 which incorporates: (a) a medium-term fiscal framework consistent with the provisions of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the Fiscal Compact); and (b) a financing plan consistent with the above referenced fiscal framework.

Improve governance of energy State-owned enterprises and strengthen their fiscal sustainability

4. The Borrower’s Government has approved a memorandum No. DPES 172 dated March 8, 2012 to carry out Hidroelectrica’s electricity sales through competitive market processes and to publish information on all bilateral contracts for electricity sales.

5. The Borrower’s Government has approved and submitted to the Borrower’s parliament a new Electricity Law that transposes the EU Third Package of Energy Reforms and sets forth the operational and financial autonomy of the energy regulator ANRE.

**Improve fiscal sustainability of health sector**

7. The Borrower has approved under the Government’s Decision No. 359/2012 the exclusion of selected drugs compensated for indications outside the terms of their marketing approval or for which there is no scientific medical evidence supporting their indication, from the lists of compensated drugs and has issued a Minister of Health Order No. 423 dated April 26, 2012, and NHIH Order No. 118 dated April 27, 2012, setting forth the conditions under which drugs in the basic health package services can be reimbursed.

8. NHIH has implemented the 2012 National Hospital Master Bed Plan approved by the Borrower’s Government Decision No. 151/2011 and in accordance with the Minister of Health Order No. 1577/2011.

9. The Borrower’s Government has established the institutional framework for the implementation of the Health Technology Assessment (HTA) pursuant to the Borrower’s Government Decision No. 351/2012.

**Section II. Availability of Loan Proceeds**

A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. **Allocation of Loan Amounts.** The Loan is allocated in a single tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan (expressed in Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000,000</td>
</tr>
</tbody>
</table>

C. **Payment of Front-end Fee.** No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.
D. **Withdrawal of Loan Proceeds.** If, at any time prior to the receipt by the Bank of a request for withdrawal of an amount of the Loan, the Bank determines that a review of the Borrower's macroeconomic policy framework or of its progress in carrying out the Program is warranted, the Bank shall give notice to the Borrower to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Loan Balance unless and until the Bank has notified the Borrower of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of said Section 3.01, with: (1) the progress achieved by the Borrower in carrying out the Program; and (2) the adequacy of the Borrower's macroeconomic policy framework.

E. **Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

F. **Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

H. **Closing Date.** The Closing Date is December 31, 2015.
SCHEDULE 2

Amortization Schedule

1. The Borrower shall repay the principal amount of the Loan in full on February 1, 2024.
APPENDIX

Section I. Definitions

1. "ANAF" or "National Agency for Fiscal Administration" means the Borrower's national agency for fiscal administration, established as specialized body of the public central administration with legal personality, subordinated to the Ministry of Public Finance, and functioning according to the Government's Decision No. 109/2009 on the organization and functioning of the National Agency for Fiscal Administration as subsequently amended, or any successor thereto.

2. "ANAF President's Order No. 2520 /2010" means the ANAF President order No. 2520 dated September 27, 2010, regarding the electronic filling of the tax declarations for medium and large tax payers, as subsequently amended (published in the Borrower's Official Gazette No. 670 dated October 1, 2010).

3. "ANRE" or "National Energy Regulatory Authority" means the Borrower's national energy regulatory authority, established as autonomous public institution of national interest, with legal personality, under the direct coordination of the Borrower's Vice Prime Minister, and functioning according to the Government Decision No. 1428/2009 on the organization and functioning of the National Energy Regulatory Authority as subsequently amended, or any successor thereto.


Excluded Expenditure means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;
(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

8. “Electricity Law” means the Borrowers’ law regarding the electricity and the organization and functioning of the National Energy Regulatory Authority, approved by the Government on March 16, 2012, and submitted to the Parliament for approval.

9. “Fiscal Strategy” means the Borrower’s public policy document setting the fiscal budgetary objectives and priorities, revenues and expenditures targets of the general consolidated budget and of its component, as well as its projected balance for a three years period, in line with the Borrower’s Fiscal Responsibility Law No. 69/2010, as amended.

10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012 with the modifications set forth in Section II of this Appendix.


12. “Government Decision No. 359/2012” means the Government Decision No. 359 dated April 18, 2012, amending the Government Decision No. 720/2008 regarding the approval of the list containing the international common names of drugs for the insured persons, with or without personal contribution, based on medical prescription, under the health insurance system (Published in the Borrower’s Official Gazette No. 280 dated April 27, 2012).

Administration, (Published in the Borrower’s Official Gazette No. 407 dated June 9, 2011).


15. “Hidroelectrica” means the national hydro power generating joint-stock company established pursuant to Government Decision No. 627/2000 of the Borrower, dated July 13, 2000, on the reorganization of the National Company for Electricity.


17. “Minister of Health Order No. 1577/2011” means the Minister of Health Order No. 1577 dated November 18, 2011, regarding the approval of the distribution by county of the total number of beds, for 2012, from the public and private health units, for which the health insurance house can conclude contracts for hospital medical care service, published in the Borrower’s Official Gazette No. 832, November 24, 2011.

18. “Minister of Health No. 423 and NHIH President Order No. 118” means respectively the Minister of Health Order No. 423 dated April 26, 2012 and the NHIH President Order No. 118 dated April 27, 2012, amending the Minister of Public Health and NHIH President Order No. 1301/500/2008, for the approval of the therapeutic protocols for the prescription of drugs related to the international common names provided in the list containing the international common names of the drugs for the insured persons, with or without personal contribution, based on medical prescription under the health insurance system approved through the Government Decision no. 720/2008.


20. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated May 17, 2012, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and
requesting assistance from the Bank in support of the Program during its execution.

21. “NHIH” or “National Health Insurance House” means the Borrower’s national health insurance public entity established pursuant to Law no 95/2006 regarding the health sector reform, as amended.

22. “National Hospital Master Bed Plan” means the strategic document by which the Ministry of Health established the maximum number of beds for which the local NHIH can conclude contracts with public and private hospitals for hospital medical care services delivery, pursuant to the Government’s Decision No. 151/2011.

23. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

24. “Treaty on Stability, Coordination and Governance in the Economic and Monetary Union” means the treaty by which the Member States of the European Union agree to strengthen the economic pillar of the economic and monetary union by adopting a set of rules intended to foster budgetary discipline through a fiscal compact, to strengthen the coordination of their economic policies and to improve the governance of the euro area, thereby supporting the achievement of the European Union’s objectives for sustainable growth, employment, competitiveness and social cohesion, signed by the Borrower on March 2, 2012.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.
5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 5.06. Plans; Documents; Records

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records."

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six (6) months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure” means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(b) The term “Financial Statements” and its definition are deleted in their entirety.

(c) The term “Fixed Spread” is modified to read as follows:

“Fixed Spread” means, for each Withdrawal, the Bank’s fixed spread for the Loan Currency of the Withdrawal in effect at 12:01 a.m. Washington, D.C. time, on the Withdrawal Date, and expressed as a percentage per annum; provided, that: (a) for purposes of determining the Default Interest Rate, pursuant to Section 3.02 (e), that is applicable to an amount of the Withdrawn Loan Balance on which interest is payable at a
Fixed Rate, the "Fixed Spread" means the Bank's fixed spread in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement, for the Currency of denomination of such amount; (b) for purposes of a Conversion of the Variable Rate based on a Variable Spread to a Variable Rate based on the Fixed Spread, and for purposes of fixing the Variable Spread pursuant to Section 4.02, "Fixed Spread" means the Bank's fixed spread for the Loan Currency in effect at 12:01 a.m. Washington, D.C. time on the Conversion Date; and (c) upon a Currency Conversion of all or any amount of the Unwithdrawn Loan Balance, the Fixed Spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines.

(d) The definition of the term "Loan Payment" is modified to read as follows:

"Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, interest at the Default Interest Rate (if any), any stand-by fee, any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

(e) The term "Project" is modified to read "Program" and its definition is modified to read as follows (and all references to "Project" throughout these General Conditions are deemed to be references to "Program"): "Program' means the program referred to in the Loan Agreement in support of which the Loan is made."

(f) The term "Variable Spread" is modified to read as follows:

"Variable Spread" means, for each Withdrawal and each Interest Period: (1) the Bank's standard lending spread for Loans in effect at 12:01 a.m. Washington, D.C. time, on the Withdrawal Date; (2) minus (or plus) the weighted average margin, for the Interest Period, below (or above) the Reference Rate, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by it to fund loans that carry interest at a rate based on the Variable Spread; as reasonably determined by the Bank and expressed as a percentage per annum. In the case of a Loan denominated in more than one Currency, "Variable Spread" applies separately to each of such Currencies.
(g) A new term "Withdrawal" is added to read as follows:

"Withdrawal" means each amount of the Loan withdrawn by the Borrower from the Loan Account pursuant to Section 2.01.

(h) A new term "Withdrawal Date" is added to read as follows:

"Withdrawal Date" means, for each Withdrawal, the date on which the Bank pays the Withdrawal.