March 25, 2015

Mr. Attila György
Secretary of State
Ministry of Public Finance
Bucharest, Romania

romanian: Loan No. 8056-RO
Social Assistance System Modernization Project
Second Amendment to the Loan Agreement

Dear Mr. György:

We refer to the Loan Agreement between Romania (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) for the above-referenced Project (the “Loan Agreement”), dated July 8, 2011, as amended. We also refer to your letter dated October 9, 2014, requesting certain amendments to the Loan Agreement.

Accordingly, we hereby propose the following amendments to the Loan Agreement:

1. The Project Description in Schedule 1 is revised to read as follows:

“The Project consists of the following Parts:

Part 1: Provision of financing through reimbursement of Payments for the Eligible Expenditure Program (EEP) already incurred out of the Borrower’s budgetary allocations in support of implementation of the Borrower’s reform program aimed at improving the social assistance system.

Part 2: Provision of financing to: (a) support the upgrading of the MIS for the NASB and the acquisition of hardware and software for the NAPD; (b) prepare the draft legal framework enabling the consolidation of three major means-tested benefits; (c) develop the institutional capacity of MoLFSP and the NASB to prevent and combat error and fraud in the social assistance system; (d) carry out public information campaigns and (e) support the PMU’s activities related to this part of the Project including implementation oversight and financial management.”

2. The “Institutional Arrangements” in Section I.A of Schedule 2 of the Loan Agreement are modified to read as follows:
A. Institutional Arrangements

1. The Borrower, through MoLFPS, shall: (a) take all necessary measures to effectively implement the Social Reform Assistance Strategy and Action Plan; and (b) carry out the Project in accordance with the provisions of the POM and shall not amend, waive or abrogate any provisions of the POM without the Bank’s prior approval.

2. The Borrower shall ensure that appropriate budget allocations are made available yearly for the Project implementation purposes, throughout the Project duration.

3. Throughout Project implementation, the Borrower shall ensure that MoLFSP, is maintained with an organizational and management structure, staffing and resources which shall be adequate and acceptable to the Bank to effectively implement the Project.

I. For Part 1 of the Project:

1. The Borrower, through MoLFSP, shall ensure coordination of Part 1 of the Project’s implementation and shall be responsible for: (a) monitoring the achievement of the DLIs; (b) compiling and delivering the documentary evidence of achievement of respective DLIs to the Bank; and (c) coordinating with the MoPF in preparing and submitting to the Bank withdrawal applications under the Project.

2. The Borrower, through MoPF, MoLFSP and NASB, shall ensure the Part 1 Project’s financial management implementation. The MoPF, MoLFSP and NASB will continue to execute the budget payments related to the EEP through the existing channels and procedures, while the county branches of NASB, i.e. the CASB, shall regularly report on the receipt of payments and utilization of budget funds. In this respect, the MoLFSP and NASB shall ensure that the EEP reporting is regular, timely and is in compliance with statutory reporting requirements.

3. The Borrower, through MoLFSP, shall take all necessary measures to strengthen the institutional capacity for strategic planning, performance monitoring and performance management of the Directorate for Social Policy (DSP), the Directorate for Social Services (DSS), the Social Inspection and NASB, the NAPD and the National Institute for Medical Expertise and Work Capacity Recovery, under terms satisfactory to the Bank.

II. For Part 2 of the Project:

1. For purposes of the implementation of Part 2 of the Project, the Borrower, through MoLFPS, shall operate and maintain throughout Project implementation, the Project Management Unit (PMU) with a composition, structure, functions and terms of reference (including financial management and procurement) acceptable to the Bank.

2. For the purposes of the implementation of Part 2 of the Project, the Borrower shall by not later than May 30, 2015 update the POM under terms satisfactory to the Bank, to include provisions related to Part 2 of the Project.

3. Paragraph 3 of Section II.B “Financial Management” of Schedule 2 of the Loan Agreement is revised as follows:
“B. Financial Management, Financial Reports and Audits

“3 (a). For the purposes of the implementation of Part 1 of the Project, the Borrower, through MoLSPF and NASB, shall have the Program Financial Statements relating to the EEP audited by the Court of Accounts in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Program Financial Statements shall cover the period of one fiscal year of the Borrower, and shall be carried out in accordance with the terms of reference acceptable to the Bank. The audited Program Financial Statements for each such period shall be furnished to the Bank not later than twelve (12) months after the end of such period.”

“3 (b). For the purposes of the implementation of Part 2 of the Project, the Borrower, through MoLSPF, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.”

4. A new Section III (Procurement) is added in Schedule 2 for Part 2 of the Project to read as set forth in Attachment 1 to this Amendment Letter.

5. The former Section III of Schedule 2 is renumbered as Section IV.

6. Section IV A. of Schedule 2 is amended to read as follows:

“A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to: (a) reimburse Eligible Expenditures for Part 1 of the Project; and (b) finance Eligible Expenditures for Part 2 of the Project, all as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be: (a) paid by the Borrower and reimbursed out of the proceeds of the Loan for Part 1 of the Project; and (b) financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed: (a) through reimbursement for Eligible Expenditures for Category 1; and (b) for Eligible Expenditures for Category 2.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Payments under the EEP</td>
<td>487,000,000</td>
<td>Amount up to withdrawal ceiling set forth in the table in paragraph B.2(a) of this Section</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants' services' including audit, Training and Incremental Operating Costs under Part 2 of the Project</td>
<td>13,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>500,000,000“</td>
<td></td>
</tr>
</tbody>
</table>

7. Paragraph 2 under the renumbered Section IV.B of Schedule 2 is revised to read as follows:

   “2. Notwithstanding the provisions of Part A of this Section and without limitation to the provision set forth in paragraph 1 above, withdrawals under Category (1) above may be made by the Borrower as follows:

   (a) Withdrawals shall be made in one (1) to twenty (20) tranches and in amounts not exceeding the total of the ceilings per each respective DLI provided in the table below, subject to submission to the Bank of evidences satisfactory to the Bank and as defined in the POM that the following DLIs have been achieved:”

8. The table of Disbursement Linked Indicators in Part B.2 (a) of the renumbered Section IV of the Schedule 2 is modified as provided for in Attachment 2 to this Amendment Letter.

9. The Closing Date in Part B.3 of the renumbered Section IV of Schedule 2 to the Loan Agreement is modified to read as follows:

   “3. The Closing Date shall be December 31, 2017.”

10. The Appendix to the Loan Agreement is amended to read as set-forth in Attachment 3 to this Amendment Letter.

   All other provisions of the Loan Agreement except as amended through this Amendment Letter shall remain in full force and effect.
Please confirm your agreement with the foregoing, on behalf of Romania, by signing, dating and returning to us the enclosed copy of this letter. This Amendment Letter will become effective upon: (a) receipt by the Bank of the countersigned copy of the letter; and (b) provision of satisfactory evidence by the Borrower that the mandate of the PMU has been expanded to include the implementation of Part 2 of the Social Assistance System Modernization Project.

Sincerely,

Mamta Murthi
Regional Director
Central Europe and the Baltic Countries
Europe and Central Asia Region

AGREED:
ROMANIA

By
Authorized Representative

Title Attila Gyorgy, Secretary of State
Date 9 APR. 2015

Attachment:

cc: Her Excellency Rovana Plumb, Minister of Labor, Family, Social Protection and Elderly
Mr. Codrin Scutaru, Secretary of State, Ministry of Labor, Family, Social Protection and Elderly
Ms. Boni Cucu, Director General, Ministry of Public Finance
Ms. Lacramioara Corches, Director, Ministry of Labor, Family, Social Protection and Elderly
Ms. Carmen Ghita, Head of Office, Ministry of Public Finance
Mr. Constantin Olteanu, PMU Director, Ministry of Labor, Family, Social Protection and Elderly
Section III. Procurement

A. General

1. Goods, Works and Non-consulting services. All goods, works and non-consulting services required for Part 2 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Consultants’ Services. All consultants’ services required for Part 2 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting services. The following methods of procurement, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
**Table of Disbursement Linked Indicators**

<table>
<thead>
<tr>
<th>Disbursement-linked indicator (DLI)</th>
<th>Withdrawal ceiling (expressed in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Adopted Action Plan for the Social Assistance Strategy is disseminated by the MoLFSP</td>
<td>25,000,000</td>
</tr>
<tr>
<td>2) Three monthly monitoring reports of the 4 programs under EEP (Family Allowance, Child Raising Benefits, GMI and State Child Allowance) are produced by NASB</td>
<td>25,000,000</td>
</tr>
<tr>
<td>3) Three monthly performance management reports for Low-income Households Programs are produced by NASB and used at the management level in the MoLFSP and NASB</td>
<td>25,000,000</td>
</tr>
<tr>
<td>4) At least 90% of the Family Allowance beneficiaries are paid, through NASB, for two consecutive months according to harmonized means-testing procedures and lower eligibility threshold</td>
<td>25,000,000</td>
</tr>
<tr>
<td>5) At least 90% of Child Raising Benefits beneficiaries entering the program since January 1(^{st}), 2011 are paid, through NASB, for two consecutive months, using a lower replacement income of 75%</td>
<td>25,000,000</td>
</tr>
<tr>
<td>6) At least 90% of beneficiaries of the new consolidated program for Low-income Households Programs are paid through NASB for two consecutive months</td>
<td>25,000,000</td>
</tr>
<tr>
<td>7) Share of social assistance funds going to the first poorest quintile increased to 45% from 37.7% at baseline (in 2009), as measured by the Household Budget Survey</td>
<td>25,000,000</td>
</tr>
<tr>
<td>8) Enacted harmonized means testing procedures for the GMI, Family Allowance, and Heating Benefits are disseminated</td>
<td>25,000,000</td>
</tr>
<tr>
<td>9) Enacted harmonized disability medical assessment criteria are disseminated</td>
<td>12,000,000</td>
</tr>
<tr>
<td>10) At least 90% of individuals who are certified for disability benefits according to the new harmonized disability system are paid through NASB</td>
<td>25,000,000</td>
</tr>
<tr>
<td>11) At least 90% of the new applications for Low-income Households and Family Policy Programs in the preceding two months comply with one-application and one-point of service operational guidelines</td>
<td>25,000,000</td>
</tr>
<tr>
<td>12) Administrative costs and client participation costs for means-tested programs are reduced by 15% from baseline value</td>
<td>25,000,000</td>
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<tr>
<td>13) At least one thematic inspection campaign is carried out for each of the following programs: GMI, Disability Benefits, Family Allowance, Heating Benefits, and Child Raising Benefits</td>
<td>25,000,000</td>
</tr>
<tr>
<td>14) Remedial action plan is adopted by NASB to address the recommendations of: (i) an independent evaluation of the completeness and accuracy of the SAFIR information; and (ii) a feasibility study of SAFIR data crosscheck with other databases</td>
<td>25,000,000</td>
</tr>
<tr>
<td>15) At least 90% of GMI beneficiaries are paid through NASB for two consecutive months</td>
<td>25,000,000</td>
</tr>
<tr>
<td>16) A central registry with a national database of disabled persons is in place</td>
<td>25,000,000</td>
</tr>
<tr>
<td>17) Sanctions policy provisions, investigative powers and the referrals system for the Social Inspection are revised and in place</td>
<td>25,000,000</td>
</tr>
<tr>
<td>18) NASB to undertake data matching, covering at least a period of 3 months, between SAFIR records relating to CRB, GMI, FA and SCA programs, and relevant identity and income information derived from databases managed by National Public Pension House, National Employment Agency, ANAF and Registrul National de Evidenta a Populatiei, and lists of detected irregularities per program are sent to Social Inspection for verification and proposing remedial actions (output)</td>
<td>50,000,000</td>
</tr>
<tr>
<td>19) Risk-based investigation to detect error and fraud is used by the Social Inspection for Low-income Households Programs, Child Raising and Disability Benefits</td>
<td>25,000,000</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. "ANAF" means the Borrower’s National Agency for Tax Administration, or any successor thereto.


3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

4. “CASBs” means the Borrower’s County Agencies for Social Benefits, or any successors thereto.

5. “Child Raising Benefits” means the benefits program as established through the Government Emergency Ordinance No. 148/2005 as amended.

6. “Complementary Budget for Disabled Adults” means the benefits program as established through Law No. 448/2006 as amended.


8. “Disability Benefits” means the benefits program as established through Law No. 448/2006 as amended.

9. “DLIs” means the Disbursement-linked Indicators as set forth in Section IV.B.2.(a) of Schedule 2 to this Agreement, as such indicators refer to specific output and outcome indicators measuring improved performance of the Borrower’s Social Assistance System.

10. “DSP” means the Borrower’s Directorate for Social Policy within the MoLFSP, or any successor thereto.

11. “DSS” means the Borrower’s Directorate for Social Services within the MoLFSP, or any successor thereto.


13. “EEP” means Eligible Expenditure Program, a portion of the Borrower’s budgetary allocation for financing benefits under four Social Assistance Programs, including: (i) State Child Allowance Program; (ii) Child Raising Benefits Program; (iii) Family Allowance Program; and (iv) Guaranteed Minimum Income Program.

15. “Family Policy Programs” means collectively the State Child Allowance program (hereinafter defined), Child Raising Benefits program (hereinafter defined) or any successors thereto.


17. “GMI” means the Guaranteed Minimum Income as established through Law No. 416/2001 as amended.


19. “IMF” means International Monetary Fund.

20. “Incremental Operating Costs” means the incremental operating costs/expenditures incurred by the PMU on the account of Project implementation comprising: communications (including postage and internet); salaries for PMU staff (non-civil servants); contractual and temporary support staff, translation and interpretation; procurement related advertising costs; vehicles; fuel; operating, maintenance and insurance costs for vehicles; rental of office accommodation; minor refurbishment and rehabilitation of offices including office and IT equipment and furniture; office supplies; maintenance and insurance for office equipment; project related travel and per-diem allowances including accommodation and local transportation; and banking charges.

21. “Indemnity for Disabled Adults” means the benefits program as established through Law No. 448/2006 as amended.

22. “Legislation regulating Social Assistance Programs” means the Borrower’s relevant legislation regulating the social assistance benefits programs on: (i) State Child Allowance; (ii) Child Raising Benefits; (iii) Family Allowance; and (iv) Guaranteed Minimum Income, as hereinafter defined.

23. “Low-income Households Program” means collectively the Family Allowance program (hereinafter defined), GMI (hereinafter defined), Heating Benefits program (hereinafter defined) or any successor thereto.


26. “MoPF” means the Borrower’s Ministry of Public Finance or any successor thereto.

28. NAPD means the Borrower’s National Authority for Persons with Disabilities established through the Government’s Emergency Ordinance no 86/2014.

29. “National Employment Agency” means the Borrower’s agency established under the coordination of MoLPFS (hereinafter defined).

30. “National Institute for Medical Expertise and Work Capacity Recovery” means the institute established under the subordination of the Borrower’s National House of Public Pensions.


32. “Payments under the EEP” means monthly payments, out of the Borrower’s budgetary allocations, conducted by NASB/CASB to eligible beneficiaries under one of the four Social Assistance Programs referred to in paragraph 40 hereinafore, made in accordance with the eligibility criteria, terms and provisions set forth in the respective Borrower’s laws and regulations applicable to the respective Social Assistance Program.

33. “Program Financial Statements” means the annual financial statements for the Social Assistance Programs (hereinafter defined) prepared by the Borrower, through the MoLFSP and NASB, in accordance with the applicable Romanian regulations.

34. “Project Management Unit” or “PMU” means the existing PMU for community services to prevent separation of children from their families and training for the staff, and improved policy-making and institutional framework for persons with disability projects unit referred to in Section I A.II.1 for Part 2 of Schedule 2 of this Agreement.


36. “Procurement Plan” means the Borrower’s procurement plan for the Project, referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

37. “POM” means Project Operational Manual approved by MoLFSP’s Order (Number 714 dated April 27, 2012) and referred to in Section I.A.1 of Schedule 2 of this Agreement, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Borrower, and to be updated for purposes of Part 2 of the Project, to set forth rules, methods, guidelines, standard documents and procedures for the carrying out of Part 2, including, inter alia, the following: (a) the detailed description of Part 2 of the Project activities and the institutional arrangements in respect thereof; (b) the administrative, financial, accounting, auditing, procurement and disbursement procedures for the implementation of the said Part; (c) the plan for the training activities for Part 2 of the Project; and (d) the updated plan for the monitoring, evaluation and supervision of the Project, including the performance indicators.
38. "Registrul National de Evidenta a Populatiei" means the national registry for the population administered by the Borrower’s Ministry of Administration and Interior.


40. "Social Assistance Programs" means the Borrower’s four (4) social assistance programs eligible for reimbursing under the project, including: (i) State Child Allowance Program; (ii) Child Raising Benefits Program; (iii) Family Allowance Program; and (iv) Guaranteed Minimum Income Program.


42. "State Child Allowance" means the benefits program as established through Law No. 61/1993 as amended.

43. "Stand-by Arrangement between Romania and IMF" means the Agreement between Romania and IMF as ratified through the Borrower’s Emergency Ordinance No. 99/2009 as amended.

44. "Training" means expenditures (other than those for consultants’ services) incurred by the MoLFSP in connection with the carrying out of training activities and workshops under the Project, including transport and accommodation costs and per diem for trainees, trainers and workshop attendees, trainer fees, rental of facilities and equipment, training materials and related supplies.