

Public Disclosure Authorized

OFFICIAL *LN 8665-RO*
DOCUMENTS

LOAN NUMBER 8665-RO

Loan Agreement

(Second Fiscal Effectiveness and Growth Development Policy Loan)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 20, 2016

Public Disclosure Authorized

LOAN AGREEMENT

Agreement dated December 20, 2016, 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 or supported 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 five hundred million Euro (€500,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 days after the Effective Date.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 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, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and provided furthermore 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 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 April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.
- 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 5 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, namely that 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 eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Public Finance.
- 6.02. The Borrower's Address is:

Ministry of Public Finance
17 Apolodor Street
Bucharest
Romania

Telex:	Facsimile:
11239	40213126792

- 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

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Bucharest, Romania, as of the day and year first
above written.

ROMANIA

By



Authorized Representative

Name:

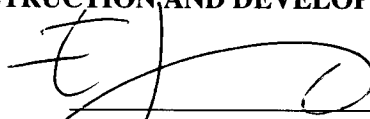
Anca Dana Dragu

Title:

Minister of Public Finance

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name:

Elisabetta Capannelli

Title:

Country Manager Romania

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken or supported by the Borrower under the Program include the following:

1. The Borrower, through MOPF, has: (i) amended Government Decision No. 1470/2007 to enable the use of buy-backs and exchanges of Borrower securities, as evidenced by Government Decision No. 275/2015; and (ii) implemented an electronic trading platform for public debt secondary market operations, as evidenced by the MOPF letter titled “Romania:DLI2-Update on the Debt Management conditionality”.
2. The Borrower, through MOH, has approved a centralized procurement plan for 2016, including antibiotics and oncology medicines, as evidenced by the MOH’s letter dated August 5, 2016.
3. The Borrower, through MOPF, has published the prioritization list of significant public sector investment projects for 2016 on the MOPF website, as evidenced by the MOPF’s letter dated June 22, 2016.
4. The Borrower has approved and submitted to its Parliament the bill of law on the minimum social inclusion program, as evidenced by the letter from the Borrower’s General Secretary dated April 6, 2016, and received by Parliament on April 11, 2016.
5. The Borrower’s Parliament has enacted Law No. 111/2016 approving the Borrower’s Government Emergency Ordinance No. 109/2011, on corporate governance of public enterprises, as published in the Official Gazette No. 415 on June 1, 2016.
6. The Borrower has privatized Electrica via an IPO, as evidenced by the Borrower’s Central Depository’s confirmation dated July 9, 2014.
7. ANRE has issued Order No. 107/2014, as amended through Order No. 97/2015, to liberalize the nonresidential gas market.
8. OPCOM has coupled the Romanian Day Ahead Market with electricity markets in Hungary, the Czech Republic, and Slovakia, as evidenced by OPCOM’s letter dated June 8, 2016.
9. The Borrower has approved: the National Climate Change and Low Carbon Green Growth Strategy for 2016-2020 and the National Action Plan on Climate Change for 2016-2020, as evidenced by the Borrower’s Government Decision No. 739/2016, published in the Official Gazette No. 831 and 831bis on October 20, 2016.
10. (i) The Borrower’s Parliament has enacted Law No. 150/2015, as published in the Official Gazette No. 459 on June 25, 2015; and (ii) the Borrower has adopted Government

Emergency Ordinance No. 35/2016, as published in the Official Gazette No. 489 on June 30, 2016, all amending the Borrower's law on cadaster and real estate registration.

11. The Borrower's Parliament has enacted amendments to the Borrower's capital markets law, through Law No. 268/2015 to modernize the regulatory landscape, and enhance governance and accountability of ASF, as published in the Official Gazette No. 857 on November 18, 2015.

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 withdrawal 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:

Allocations	Amount of the Loan Tranche Allocated (expressed in Euro)
(1) Single Withdrawal Tranche	500,000,000
TOTAL AMOUNT	500,000,000

- 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 Tranche Release Conditions.**
 1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with 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: (a) 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; and (b) provide the Bank with a written confirmation within thirty (30) days of each such deposit.
- 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.

G. Closing Date. The Closing Date is December 31, 2017.

SCHEDULE 2

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on October 15, 2036.

APPENDIX

Section I. Definitions

1. "ANRE" means the Borrower's National Energy Regulatory Authority created pursuant to the Borrower's Law No. 160/2012, approving the Borrower's Government Emergency Ordinance No. 33/2007 that amends the Borrower's Energy Law No. 13/2007 and the Borrower's Gas Law No 351/2004.
2. "ASF" means the Borrower's Financial Supervisory Authority created pursuant to the Borrower's Government's Emergency Ordinance No. 93/2012 on the establishment and functioning of the Financial Supervisory Authority, as approved with amendments through the Borrower's Law No. 113/2013, as amended to the date of this agreement.
3. "Electrica" means Societatea Energetica S.A., a company established through the Borrower's Government Decision No. 627/2000 on the reorganization of the National Company for Electricity, S.A., as amended to the date of this agreement, currently listed at Bucharest Stock Exchange and London Stock Exchange.
4. "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:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors

728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (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.
5. "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.
 6. "Government Decision No. 1470/2007" means the Borrower's Government Decision No. 1470 dated December 6, 2007 for approving the methodological norms for the implementation of the Borrower's Government Emergency Ordinance No. 64/2007 regarding public debt, as amended to the date of this agreement, published in the Official Gazette No. 870 on December 19, 2007.
 7. "Government Decision No. 275/2015" means the Borrower's Government Decision No. 275 dated April 22, 2015, amending the Methodological Norms of the Borrower's Government Emergency Ordinance No. 64/2007 on public debt approved through the Borrower's Government Decision No. 1470/2007, published in the Official Gazette No. 284 on April 27, 2015.
 8. "Government Emergency Ordinance No. 35/2016" means the Borrower's Government Emergency Ordinance No. 35 dated June 28, 2016 amending the Borrower's law on cadaster and real estate registration No. 7/1996, published in the Official Gazette No. 489 on June 30, 2016.

9. "IPO" means initial public offering.
10. "Law No. 150/2015" means the Borrower's law No. 150 dated June 18, 2015 amending the law on cadaster and real estate registration No. 7/1996, published in the Official Gazette No. 459 on June 25, 2015.
11. "Law No. 268/2015" means the Borrower's law No. 268 dated November 6, 2015 approving the Borrower's Government Emergency Ordinance No. 90/2014 amending the capital markets law No. 297/2014, published in the Official Gazette No. 857 on November 18, 2015.
12. "MOH" means the Borrower's Ministry of Health, or any successor thereto.
13. "MOPF" means the Borrower's Ministry of Public Finance, or any successor thereto.
14. "OPCOM" means the Borrower's Gas and Electricity Market Operator created pursuant to the Borrower's Government Decision No. 627/2000 on the reorganization of the National Company for Electricity, S.A., as amended to the date of this agreement.
15. "Order No. 107/2014" means ANRE's Order No. 107, dated October 22, 2014 on the establishment of measures regarding the supply of natural gas to nonresidential clients to liberalize the final regulated prices, published in the Official Gazette No. 780 on October 27, 2014, as amended through ANRE's Order No. 97/2015,.
16. "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 November 11, 2016 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.
17. "Romania Day Ahead Market" means a component of the wholesale electricity market that allows electricity trading with delivery the day after the trading day, and that has been operating in coupling mode with day-ahead markets from the Czech Republic, the Slovak Republic and Hungary.
18. "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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

3. 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.
4. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”
5. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the subsequent Sections in Article V are renumbered accordingly.
6. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 5 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
7. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 5 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.”
8. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 5 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 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.”
9. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.

10. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the remaining paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

11. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Eligible Expenditure”) is modified to read as follows:

“37. “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.”

12. Renumbered paragraph 44 (originally paragraph 43) of the Appendix (“Financial Statements”) is deleted in its entirety.

13. In paragraph 48 of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

14. In paragraph 67 of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“67. “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, the Commitment Charge, interest at the Default Interest Rate (if any), 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.”

15. In paragraph 72 of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

16. The defined term “Project” in paragraph 75 of the Appendix 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”):

“75. “Program” means the program referred to in the Loan Agreement in support of which the Loan is made.”