Folder Title:	President Wolfensohn - Briefing Book for President's Meetings and Events - Mr Victor Ciorbea - Prime Minister - Romania - June 19, 1997
Folder ID:	30487995
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Meeting: Mr. Victor Ciorbea
Prime Minister, Romania

Thursday, June 19, 1997
2:45 - 3:15 p.m.
MC 11-127 Conference Room

Archive Management for the President's Office

Document Log

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A. CLASSIFICATION

- [x] Meeting Material
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- [ ] Social Events
- [ ] Other

B. SUBJECT: MEETING: MR. VICTOR CIORBEA, PRIME MINISTER OF ROMANIA (B) (N) (PHOTO-OP) VENUE: MC 11-127 (CONF. ROOM) CONTACT: MARJOLEIN (FOR MR. STEK) @ 82052 IN ATTENDANCE: JDW, STEK (ED), IONESCU (ALT. ED), KOCH-WESER (on mission), LINN, LYSY, O'BRIEN, KASSUM [or K. ZAMANI] (IFC), HANY DELEGATION ATTENDEES: MR. VICTOR CIORBEA, PRIME MINISTER OF ROMANIA MR. MIRCEA GEOANA, ROMANIA'S AMBASSADOR TO THE UNITED STATES MR. EUGEN SERBANESCU, PRIME MINISTER'S SPOKESMAN MR. DAN PREISZ, STATE COUNSELOR (POLITICAL AFFAIRS) OR MR. LIVIU MANAILA, STATE COUNSELOR (INTERNATIONAL ECONOMIC & FINANCIAL AFFAIRS) MR. IONUT COSTCA, STATE SECRETARY (DEPUTY MINISTER), MINISTRY OF FINANCE MR. VALENTIN IONESCU, DIRECTOR, NATIONAL AGENCY FOR PRIVATIZATION MR. DANIEL DAIANU, CHIEF ECONOMIST, NATIONAL BANK OF ROMANIA MR. NICOLAE STAN, COUNSELOR, EMBASSY OF ROMANIA ANCA HASIC, TRANSLATOR PRESS: (HANDLED BY CYNTHIA CASE) GABRIELLA ILIESCU -- PRO TV CEZAR CONSTANTINESCU -- official TV of the Government (B) BY LINN // DUE MONDAY, JUNE 16 (M) BY LINN // DUE THURSDAY, JUNE 26 EXC: HA // LFG (6/12) Brief Includes cover note prepared by Frank Lysy and tabs: - Bio - Basic Facts & Figures - Correspondence - IFC Note * Attachment 1 * Attachment 2 - Memo to JDW from Joseph Solan, dated June 18, 1997, "Romania - Rom Telecom" - Minutes of Meeting with Prime Minister Ciorbea	**DATE:** 06/19/97

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THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: June 25, 1997

TO: Files

FROM: Thomas O'Brien, Economist, EC1CO

EXTENSION: 8-5590

SUBJECT: **Romania: Minutes of Meeting of Prime Minister Ciorbea with President Wolfensohn**

Minutes of the above are attached.

cleared by & cc: Mr. Linn (ECAVP)

cc: Messrs.: Wolfensohn, Assaad (EXC); Koch-Weser (MDOMD); Selowsky, Blanchi (ECAVP); Lay (EC1DR); Ettori (EC1RO); Zamani (CEMD1); Stek, Ms. Ionescu (EDS19)

Files

MINUTES OF MEETING BETWEEN
MR. WOLFENSOHN AND MR. CIORBEA, PRIME MINISTER OF ROMANIA

Meeting Time and Place: 3.00 to 3.40pm, Thursday June 19, 1997, in MC 11-127

Participants:

Government of Romania:

Mr. Victor Ciorbea, Prime Minister
Mr. Mircea Ionut Costea, Secretary of State, Ministry of Finance
Mr. Valentin Ionescu, Chairman, National Agency for Privatization
Mr. Mircea Dan Geoana, Ambassador of Romania to the U.S.
Mr. Daniel Dianu, Chief Economist, National Bank of Romania
Mr. Nicolae Stan, Counsellor, Romanian Embassy in the U.S.
Ms. Mioara Ionescu, Alternate Executive Director, EDS19

World Bank:

Mr. James Wolfensohn
Mr. Hany Assaad, Assistant to Mr. Wolfensohn
Mr. Johannes Linn, ECAVP
Mr. Frank Lysy, Lead Economist, EC1
Mr. Thomas O'Brien, Economist, Country Economist for Romania, EC1
Mr. Khosrow Zamani, Acting Director, Europe Department, IFC

1. *Mr. Wolfensohn* warmly welcomed PM Ciorbea and his delegation, expressing his pleasure at having the chance to reciprocate for the excellent hospitality which the Romanians had extended to him during his recent successful country visit. *Mr. Ciorbea* thanked Mr. Wolfensohn, saying that he was grateful for the assistance received to date from the World Bank and looked forward to deepening the cooperation further in the future.

2. *Mr. Ciorbea* explained that his visit to the United States had largely concentrated on the issue of Romania's desired accession to NATO. The Romanian delegation, whilst being aware of the US administration's position on the issue, namely to restrict "first wave" entry to three applicants which would not include Romania, had been explaining its case to US and international officials. *Mr. Wolfensohn* thanked Mr. Ciorbea for keeping him informed on these developments. He reiterated that the key to continuing the productive relationship with the World Bank lay in the realm of economics, and that securing sound and equitable economic growth would not only benefit the population at large but would also enhance Romania's international standing over the longer term.

3. *Mr. Wolfensohn* reported that a very successful Board meeting had been held on June 3, which approved the new Country Assistance Strategy for Romania and associated loan operations totaling US$550 million equivalent. He inquired as to the progress being made with the proposed Reform Monitoring Group (RMG), and on the resolution of Banca Agricola's difficulties. *Mr. Ciorbea* expressed his satisfaction with the outcome of the Board meeting, and reiterated that the

reform program was indeed owned and driven by Romania. He reported that the RMG was now operational, consisting essentially of a group of State Secretaries who kept the program under review, including monitoring of compliance with conditionalities under World Bank and IMF agreements. The RMG liaises with the World Bank and will look to do so further in the future.

4. *Mr. Cirobea* reported that it is proving difficult to meet all the reform milestones at a quick pace, simply because the agenda is so large and implementation capacity is modest. He indicated that there may be some issues in the coming months upon which he will wish the IMF and World Bank to be flexible. The restructuring of the mining sector, for example, is proving to be a particularly sensitive and difficult topic. He inquired whether the Bank could help in this area, perhaps through regional development assistance and a Social Development Fund (SDF) project. Both *Mr. Wolfensohn* and *Mr. Linn* indicated that in principle the Bank would be happy to help in whatever way it can, and colleagues in the Region would pursue this in future discussions with our counterparts. It is critical for the Government to ensure that a strong social safety net is in place, and indeed this objective is being supported by the Bank's Social Protection Adjustment Loan. The Bank is already preparing an SDF project. It also has experience in coal sector restructuring in Russia and the Ukraine which it could utilize in Romania, but it is important at the outset to look at the work of other involved partners such as the EU.

5. In conclusion, *Mr. Wolfensohn* thanked Mr. Ciorbea for his visit and looked forward to seeing him again in the not too distant future. He expressed his confidence in the reform efforts being undertaken by Mr. Ciorbea's team, and in the Bank's ability to make its new Country Assistance Strategy work successfully in this context. *Mr. Ciorbea* looked forward to a continuation of Romania's fruitful relationship with the Bank.

Thomas O'Brien, ext 85590, EC1CO
June 22, 1997

Record Removal Notice

The World Bank Group Archives & Records Management

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Meeting Material - Mr Victor Ciorbea - Prime Minister - Romania - June 19, 1997	**Barcode No.** 30487995

Document Date June 18, 1997	**Document Type** Memorandum	

Correspondents / Participants
To: Mr. James Wolfensohn, EXC
From: Mr. Joseph Solan, CTTD2

Subject / Title
Romania - Rom Telecom

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Additional Comments

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Diego Hernández	June 18, 2025

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June 16, 1997

BRIEF FOR MEETING OF MR. WOLFENSOHN WITH MR. VICTOR CIORBEA, PRIME MINISTER OF ROMANIA

Meeting Time and Place: 2:45 to 3:15, Thursday, June 19, in MC 11-127.

Participants:

Government of Romania - Still to be finalized, but expected to include:

Mr. Victor Ciorbea, Prime Minister of Romania
Mr. Liviu Manaila, Counsellor to the Prime Minister
Mr. Mircea Ionut Costea, Secretary of State, Ministry of Finance
Mr. Valentin Ionescu, Chairman, National Agency for Privatization
Mr. Mircea Dan Geoana, Ambassador of Romania to the US
Mr. Pieter Stek, Executive Director, World Bank, EDS19
Ms. Mioara Ionescu, ED's Assistant, EDS19

World Bank:

Mr. Johannes Linn, ECAVP
Mr. Frank Lysy, Lead Economist, EC1
Mr. Thomas O'Brien, Country Economist for Romania, EC1

Background for Meeting

The planning for Mr. Ciorbea's visit to Washington began before the announcement last Thursday by the Clinton Administration on NATO expansion. The planned visit had a strong national security focus. That Mr. Ciorbea decided to follow through with the visit, despite the NATO disappointment, will allow him to take the "high road" on this issue. He will likely stress that they will continue to move forward despite the NATO disappointment, and hope to be considered for membership in the next round.

The meeting will provide an opportunity for follow up on developments since your visit to Bucharest on May 12. Mr. Ciorbea is also expected to meet with Mr. Camdessus, as well as with Secretary Rubin.

Key Issues for Discussion

1. **Status of World Bank Support**: You may wish to open the discussion by noting that since your meetings in Bucharest, there have been several significant milestones reached on the Bank's program of support to Romania:

(a) On June 3 the Board of the Bank approved the initial package of loans in support of the new program: the ASAL for $350 million, the Social Protection Loan for $50 million, as well as a Roads II Loan for $150 million. The discussion at the Board was very positive and supportive of the Government.

(b) At this meeting, the Board also reviewed the CAS for Romania, with its $1.4 billion of further lending for the next three fiscal years. This would bring total lending over the four years FY97-00 to $2.0 billion.

(c) On a no-objection basis, the Board approved the release of the second tranche of $80 million under the FESAL.

(d) Reflecting our positive assessment of the commitment of the Romanian authorities, ECA Regional Management has approved a very sharp (25%) increase in the Bank's administrative budget for this program for FY98.

(e) A tentative date of September 11 has been set for a Consultative Group Meeting on Romania. The meeting is at the request of the Government, to help ensure adequate external financial support continues in 1998 and later.

2. **Status of Plans for the Reform Monitoring Group**:

(a) During your visit to Bucharest, you suggested, and the Government accepted, the idea of establishing a Reform Monitoring Group within the Government, to ensure implementation of the reform program is followed up on a systematic basis.

(b) Since then, while there have been discussions on how such a Group would work and on who should constitute the Group, the Group itself has not yet become operational.

(c) You may wish to ask the Prime Minister where the plans now stand.

3. **Restructuring of Banca Agricola**:

(a) As you may recall from your visit, the Bank has had major concerns regarding the health of Banca Agricola, and that we held up distributing our FESAL second tranche release recommendation to the Board until agreement was reached on a plan of action. This agreement was reflected in a letter sent to us by the Minister of Finance on May 21.

(b) A key part of this plan for Banca Agricola was that the new management for the bank, along with an external Oversight Committee, would be appointed prior to any recapitalization of the institution.

(c) We are concerned, however, that the Government may now intend to recapitalize the bank (perhaps by an amount as large as 1.3% of GDP), before the management issues are resolved. While the Government has approached some individuals to take over as President of Banca Agricola, final decisions have not yet been made.

(d) You may wish to note our continued concern that the management issue should be resolved prior to any significant inflow of public funds to the institution.

Brief prepared by: Frank Lysy, x38723

Bio

VICTOR CIORBEA
Prime Minister

Born October 26, 1954, Ponor, Alba County, Romania.
Married with two children.

Education:

Law Faculty of Cluj, 1979.
Specialized in civil and commercial law and labor legislation, Bucharest Law Faculty.
PhD degree, management courses, University of Cleveland, U.S.A.

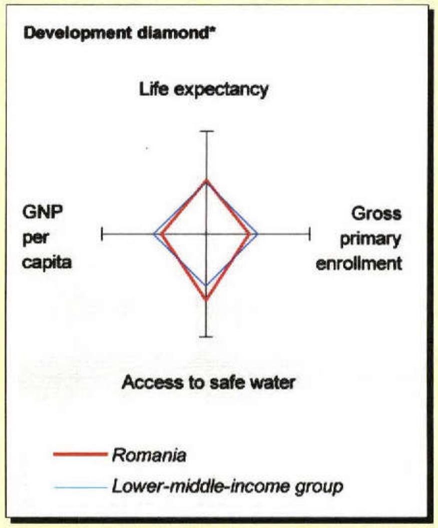
Professional Experience and Affiliations:

Judge, Court of District 5 of Bucharest, 1979-84
Attorney, Civil Cause Department, General Prosecutor's Office, 1984-87.
Associate professor, then lecturer, Law Faculty of Bucharest, 1984-90.
Leader, CNSLR trade union's confederation, 1990.
Leader, Democratic Confederation of Trade Unions, 1993-94.
Member, National Council and the Executive Committee of CDR, 1995.
Member, National Leadership of CDR; Member of the Congress of Local and Regional Powers of the Council of Europe; and Member, National Peasants Christian Democratic Party (PNTCD), 1996.
Former mayor of Bucharest.

Basic Facts & Figures

Romania at a glance

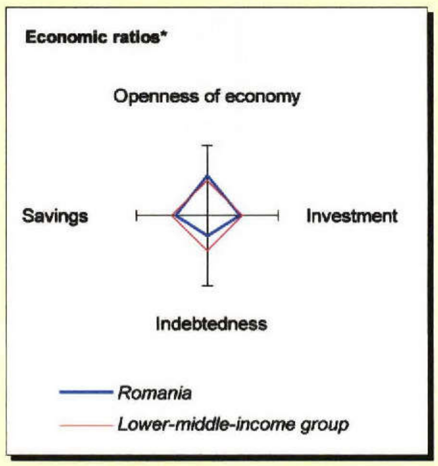
POVERTY and SOCIAL	Romania	Europe & Central Asia	Lower-middle-income
Population mid-1995 *(millions)*	22.7	488	1,154
GNP per capita 1995 *(US$)*	1,450	2,240	1,700
GNP 1995 *(billions US$)*	32.9	1,093	1,961
Average annual growth, 1990-95			
Population *(%)*	-0.4	0.4	1.4
Labor force *(%)*	0.1	0.6	1.8
Most recent estimate *(latest year available since 1989)*			
Poverty: headcount index *(% of population)*	..	..	..
Urban population *(% of total population)*	55	66	56
Life expectancy at birth *(years)*	70	68	67
Infant mortality *(per 1,000 live births)*	23	23	36
Child malnutrition *(% of children under 5)*	..	..	..
Access to safe water *(% of population)*	100	..	78
Illiteracy *(% of population age 15+)*	..	..	..
Gross primary enrollment *(% of school-age population)*	86	97	104
Male	87	97	105
Female	86	97	101



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

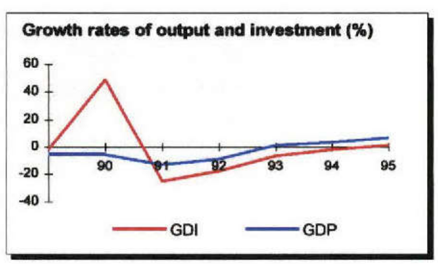
	1975	1985	1994	1995
GDP *(billions US$)*	21.9	47.1	30.1	35.5
Gross domestic investment/GDP	40.4	33.0	26.9	25.7
Exports of goods and non-factor services/GDP	..	22.9	24.9	27.6
Gross domestic savings/GDP	..	37.2	24.9	21.2
Gross national savings/GDP	..	..	25.2	23.6
Current account balance/GDP	..	2.9	-1.7	-4.0
Interest payments/GDP	0.0	1.1	0.4	0.5
Total debt/GDP	..	14.9	18.3	18.7
Total debt service/exports	0.0	18.7	8.5	12
Present value of debt/GDP	..	..	16.8	..
Present value of debt/exports	..	..	69.0	..

	1975-84	1985-95	1994	1995	1996-04
(average annual growth)					
GDP	5.1	-4.1	3.9	6.9	3.4
GNP per capita	4.2	-4.0	4.1	6.1	4.7
Exports of goods and nfs	..	-1.9	19.0	11.8	5.4

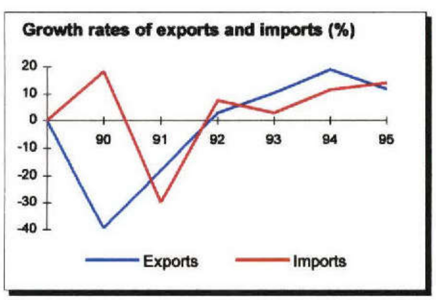


STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	..	..	20.1	20.4
Industry	..	..	38.4	39.3
Manufacturing	..	..	..	..
Services	..	..	41.6	40.3
Private consumption	..	58.9	61.8	66.5
General government consumption	..	3.9	13.3	12.3
Imports of goods and non-factor services	..	18.7	26.9	32.1



	1975-84	1985-95	1994	1995
(average annual growth)				
Agriculture	..	2.4	3.1	4.8
Industry	..	-6.5	5.2	9.4
Manufacturing	..	..	..	..
Services	..	-6.1	3.1	..
Private consumption	..	-0.7	5.2	17.0
General government consumption	..	5.4	0.9	-2.4
Gross domestic investment	..	-3.5	-2.0	1.5
Imports of goods and non-factor services	..	1.1	11.6	14.1
Gross national product	4.9	-4.1	4.0	5.9

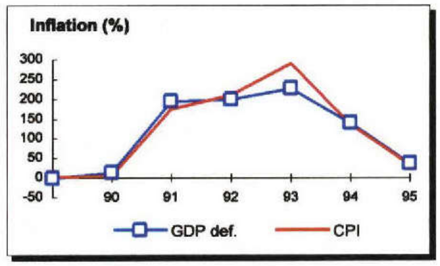


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

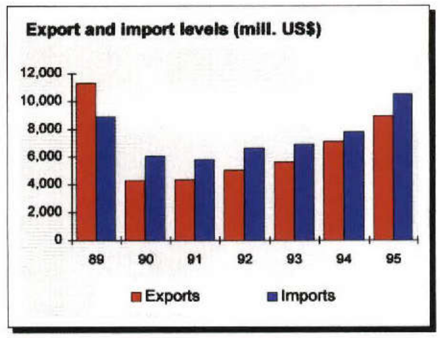
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	..	..	137.0	32.0
Implicit GDP deflator	..	0.4	139.0	35.7
Government finance				
(% of GDP)				
Current revenue	..	48.9	31.9	32.0
Current budget balance	..	29.7	3.8	2.7
Overall surplus/deficit	..	12.1	-1.9	-2.6


Inflation (%)

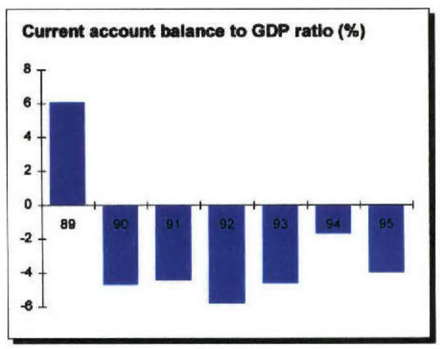
TRADE

	1975	1985	1994	1995
(millions US$)				
Total exports (fob)	..	10,174	6,067	7,492
Chemical products	..	0	487	707
Common metals	..	0	1,065	1,392
Manufactures	..	6,949	3,952	3,158
Total imports (cif)	..	8,402	6,550	8,750
Food	..	160	392	535
Fuel and energy	..	4,753	1,907	2,386
Capital goods	..	1,861	933	1,240
Export price index *(1987=100)*	..	..	..	..
Import price index *(1987=100)*	..	..	..	..
Terms of trade *(1987=100)*	..	..	..	..


Export and import levels (mill. US$)

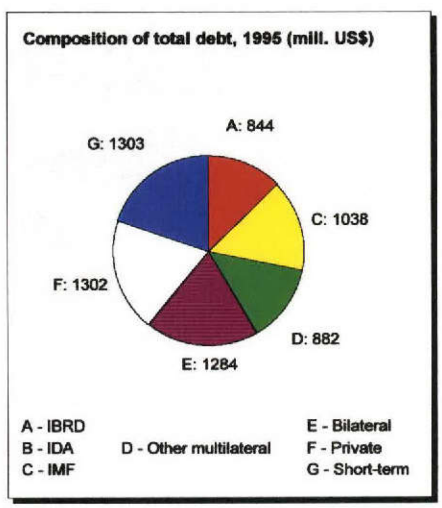
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US$)				
Exports of goods and non-factor services	5,812	10,920	7,097	8,943
Imports of goods and non-factor services	5,858	8,926	7,777	10,506
Resource balance	-46	1,994	-680	-1,563
Net factor income	-89	-613	-131	-234
Net current transfers	..	..	295	369
Current account balance, before official transfers	-135	1,381	-516	-1,428
Financing items (net)	103	-1,698	968	1,362
Changes in net reserves	32	317	-452	66
Memo:				
Reserves including gold *(mill. US$)*	..	..	..	..
Conversion rate *(local/US$)*	..	..	1,655.1	2,033.3


Current account balance to GDP ratio (%)

EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US$)				
Total debt outstanding and disbursed	211	7,008	5,512	6,653
IBRD	19	1,633	695	844
IDA	0	0	0	0
Total debt service	1	2,064	619	1,082
IBRD	0	274	32	53
IDA	0	0	0	0
Composition of net resource flows				
Official grants	0	0	93	100
Official creditors	31	-61	642	689
Private creditors	0	-645	92	64
Foreign direct investment	0	0	340	550
Portfolio equity	0	0	76	52
World Bank program				
Commitments	160	0	226	340
Disbursements	19	49	263	129
Principal repayments	0	146	0	0
Net flows	19	-97	263	129
Interest payments	0	127	32	53
Net transfers	19	-225	230	76


Composition of total debt, 1995 (mill. US$)

Romania - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1994	1995	1996	1997[1/]
Portfolio Performance				
Number of Projects under implementation	8	9	11	12
Average implementation period (years)[a]	1.4	2.2	2.4	3.0
Percent of problem projects rated U or HU[b] (for past years, rated 3 or 4)				
Development Objectives[c]	12.5	11.1	18.1	17.0
Implementation Progress (or overall status for past years)[d]	12.5	0.0	27.2	25.0
Cancelled during FY in US$m	0.0	0.0	0.0	0.0
Disbursement ratio (%)[e]	16.4	19.5	17.2	18.0
Disbursement lag (%)[f]	32.2	18.9	32.7	39.3
Memorandum item: % completed projects rated unsatisfactory by OED	0.0	0.0	00.0	0.0
Portfolio Management				
Supervision resources (total US$ thousands)	793.6	1,225.6	1,338.4	920.0
Average Supervision (US$ thousands/project)	99.2	136.1	121.6	70.8
Supervision resources by location (in %)				
Percent headquarters	0.0	0.0	64.6	58.0
Percent resident mission	0.0	0.0	35.3	41.9
Supervison resources by rating category (US$ thousands/project)				
Projects rated HS or S	90.5	136.1	91.3	81.7
Projects rated U or HU	159.5	0.0	202.6	61.6
Memorandum item: date of last/next CPPR	Dec. 1995/mid - 1997			

a. Average age of projects in the Bank's contry portfolio.

b. Rating scale: "HS" denotes "Highly Satisfactory", "S" denotes "Satisfactory", "U" denotes "Unsatisfactory", and "HU" denotes "Highly Unsatisfactory".

c. Extent to which the project will meet its development objective (see OD 13.05, Annex D2, *Preparation of Implementation Summary [Form 590]).*

d. Assessment of overall performance of the project based on the ratings given to individual aspects of project implementation (e.g., management, availability of funds, compliance with legal covenants) and to development objectives (see OD 13.05, Annex D2, *Preparation of Implementation Summary [Form 590]).* The overall status is not given a better rating than that given to project development ogjectives.

e. Ratio of disbursements during the year to the undisbursed balance o the Bank's portfolio at the beginning of the year: investment projects only.

f. For all projects comprising the Bank's country portfolio, the percentage difference between actual cumulative disbursements and the cumulative disbursement estimates as given in the "Original SAR/PR Forecast" or, if the loan amounts have been modified, in the "Revised Forecast." The country portfolio disbursement lag is effectively the weighted average of disbursement lags for projects comprising the Bank's country portfolio, where the weights used are the respective project shares in the total cumulative disbursement estimates.

g. Supervision resources data, by location, is only available starting in fiscal year 1996.

Note:

Disbursement data is updated at the end of the first week of the month.

Supervision resources include Salaries, Benefits, and Travel but excludes FAO staff and PCR task costs.

1/ Data through mid-March 1997.

Romania - Bank Group Fact Sheet
IBRD/IDA Lending Program

	Past			*Current*		*Planned*[a]		
Category	**1994**	**1995**	**1996**	**1997**		**1998**	**1999**	**2000**
Commitments (US$m)	400.6	55.4	510.0	625.0		550.0	450.0	400.0
Sector (%)[b]								
Agriculture	0.0	0.0	0.0	56.0		28.2	33.3	0.0
Education	12.5	0.0	0.0	8.0		9.1	0.0	0.0
Electric Pwr & Engy.	0.0	0.0	21.6	0.0		0.0	11.1	0.0
Environment	0.0	0.0	0.0	0.0		0.0	11.1	0.0
Finance	0.0	0.0	0.0	0.0		0.0	22.2	0.0
Industry	43.7	0.0	0.0	0.0		0.0	0.0	25.0
Multisector	0.0	0.0	54.9	0.0		54.5	0.0	0.0
Oil & Gas	43.8	0.0	0.0	0.0		0.0	0.0	0.0
Popultn, Hlth & Nutn	0.0	0.0	0.0	0.0		0.0	22.2	0.0
Social Sector	0.0	100.0	0.0	8.0		3.6	0.0	25.0
Telecommunications	0.0	0.0	0.0	0.0		4.5	0.0	0.0
Transportation	0.0	0.0	23.5	24.0		0.0	0.0	0.0
Water Supply & Santn	0.0	0.0	0.0	4.0		0.0	0.0	25.0
Local Government	0.0	0.0	0.0	0.0		0.0	0.0	25.0
TOTAL	100.0	100.0	100.0	100.0		100.0	100.0	100.0
Lending instrument (%)								
Adjustment loans[c]	0.0	0.0	54.9	64.0		54.5	0.0	0.0
Specific investment loans and others	100.0	100.0	45.1	36.0		45.5	100.0	100.0
TOTAL	100.0	100.0	100.0	100.0		100.0	100.0	100.0
Disbursements (US$m)								
Adjustment loans[c]	97.0	79.6	100.0	330.0	d/	400.0	150.0	0.0
Specific investment loans and others	70.5	148.2	114.7	142.3	d/	155.7	216.1	287.2
Repayments (US$m)	0.0	0.0	0.0	14.3		48.5	77.4	89.7
Interest (US$m)	27.8	41.1	58.7	55.0		80.5	93.1	95.1

[a] Ranges that reflect the base-case (i.e., most likely) Scenario. for IDA countries, planned commitments are not presented by FY but as a three-year-total range; the figures are shown in brackets. A footnote indicates if the pattern of IDA lending has unusual characteristics (e.g., a high degree of frontloading, backloading, or lumpiness). For blend countries, planned IBRD and IDA commitments are presented for each year as a combined total.

[b] for future lending, rounded to the nearest 0 or 5%. To convey the thrust of country strategy more clearly, staff may aggregate sectors.

[c] Structural adjustment loans, sector adjustment loans, and debt service reduction loans.

[d] Of which actual disbursement for investment operations thru April 14, 1997 is $90.1 million; $330 million for adjustment operations is expected to be disbursed after the June 1997 Board date comprising: $80 million - FESAL second tranche; $50 million - Social Protection; and $200 million - first tranche of ASAL.

Romania - IFC and MIGA Program, FY94-97

Category	Past 1994	1995	1996	1997
IFC approvals (US$m)	5.45	2.00	2.00	17.00
Sector (%)				
	0.00	0.00	0.00	0.00
Financial Services	100.00	100.00	100.00	0.00
Food & Agro-Business	0.00	0.00	0.00	100.00
TOTAL	100.00	100.00	100.00	100.00
Investment instrument (%)				
Loans	92.00	0.00	0.00	71.00
Equity	8.00	100.00	100.00	29.00
Quasi-Equity[a]	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
MIGA guarantees (US$m)	0.00	0.00	0.00	0.00
MIGA commitments (US$m)	0.00	0.00	0.00	0.00

Status of Bank Group Operations in Romania
IBRD Loans and IDA Credits in the Operations Portfolio
(as of April 30, 1997)

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US$ Millions			Undisbursed	Difference Between expected and actual disbursements[a]	Last ARPP Supervision Rating[b]	
					IBRD	IDA	Cancellations			Development Objectives	Implementation Progress
Number of Closed Loans/credits: 35											
Active Loans											
RO-PE-8772	L34860	1992	ROMANIA	PRIVATE FARMER & ENT	100.00	0.00	0.00	1.82	-2.18	S	S
RO-PE-8759	L34090	1992	ROMANIA	HEALTH SERVICES REHA	150.00	0.00	0.00	56.00	56.00	S	S
RO-PE-8771	L35930	1993	ROMANIA	TRANSPORT	120.00	0.00	0.00	10.18	-14.82	HS	HS
RO-PE-8774	L37350	1994	ROMANIA	INDUSTRIAL DEV.	175.00	0.00	0.00	140.87	107.37	U	U
RO-PE-8784	L37240	1994	ROMANIA	EDUCATION	50.00	0.00	0.00	46.95	3.15	S	S
RO-PE-8777	L37230	1994	ROMANIA	PETROLEUM SECTOR REH	175.60	0.00	0.00	150.77	101.17	S	U
RO-PE-8776	L38490	1995	ROMANIA	EMPLOY. & SOC. PROTECT.	55.40	0.00	0.00	54.73	22.63	S	S
RO-PE-36013	L39760	1996	SNCFR	RAILWAY	120.00	0.00	0.00	120.00	15.00	S	S
RO-PE-8773	L39752	1996	ROMANIA	FESAL	20.00	0.00	0.00	17.67	0.00	S	S
RO-PE-8773	L39751	1996	ROMANIA	FESAL	90.00	0.00	0.00	80.46	0.00	S	S
RO-PE-8773	L39750	1996	ROMANIA	FESAL	170.00	0.00	0.00	70.00	9.26	S	S
RO-PE-8794	L39360	1996	RENEL	POWER SECTOR REHAB.	110.00	0.00	0.00	108.26	49.26	U	U
RO-PE-8793	L40960	1997	ROMANIA	HIGHER EDUCATION	50.00	0.00	0.00	50.00	7.20	S	S
RO-PE-8778	L40790	1997	ROMANIA	BUCHAREST WATER SUPP	25.00	0.00	0.00	24.97	1.97	S	S
Total					1,411.00	0.00	0.00	932.68	356.01		

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	466.45	2,761.39	3,227.84
of which has been repaid:	0.00	2,191.00	2,191.00
Total now held by IBRD and IDA:	1,411.00	571.22	1,982.22
mount sold:	0.00	19.78	19.78
Of which repaid:	0.00	19.78	19.78
Total Undisbursed:	932.68	.83	933.51

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
b. Rating of 1-4: see OD 13.05. Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:
Disbursement data is updated at the end of the first week of the month.

Romania
STATEMENTOF IFC's
Committed and Disbursed Portfolio
As of 31 March 1997
In Millions US Dollars

		Committed				Disbursed			
		------------IFC------------				------------IFC------------			
FY Approval	**Company**	**Loan**	**Equity**	**Quasi**	**Partic**	**Loan**	**Equity**	**Quasi**	**Partic**
1992	Alcatel	0.00	0.00	.69	0.00	0.00	0.00	.69	0.00
1994	Romlease	5.00	.45	0.00	0.00	3.00	.45	0.00	0.00
1996	Danube Fund	0.00	2.00	0.00	0.00	0.00	.40	0.00	0.00

Pending Commitments					
1997	* EFES BREWERY	12.00	5.00	0.00	8.00

Correspondence

Linn -①
cc: CKW
JDW

The Ambassador of Romania

Washington, D.C.

June 3-rd, 1997

The Honorable James D. Wolfensohn
President of the World Bank Group
1818 H Street, NW
Washington, DC 20433

Dear Mr. Wolfensohn,

It is a great pleasure for me to let You know that the Honorable Victor Ciorbea, Prime Minister of Romania will pay an official working visit to Washington, DC during June 18-21, 1997. It is expected that Prime Minister Ciorbea will be accompanied by officials and experts from key Government institutions and agencies.

With Prime Minister's visit soon after the June 3-rd approval by the World Bank's Board of the IBRD' financial support package for Romania and at the conclusion of his Government short-term(6 months) programme, it is my assessment that Mr. Ciorbea presence here would be very important, and probably the latest opportunity we have, for advancing the Romanian agenda on an early NATO accession.

As You know, Romania's accession to NATO is intensely debated by politicians, military officials, think-tanks and by mass-media with a considerable degree of support, but what really concerns me is the perception or excuse of some important decision makers that Romania could not easely cover the cost of its NATO integration(estimated at $ 3 billion over 10 years run) because it has not reached yet the phase of sustainable development. That is why my staff is collecting data in order to draw out a short study on how the Romanian economy will look like by the end of 1999, when the first Eastern European invited countries will effectively join NATO.

I shall very much appreciate if You could find it possible to meet Prime Minister Ciorbea during his presence in Washington, DC. I would also appreciate any public exppression of support for Romania You may consider appropriate following the meeting(statement, press-release), with an emphasis on how the implementation of the World Bank-sponsored Government programme will influence the future development of the economy.

Thanking You, once again, for your precious support and encouragement, please accept, Mr. President, the assurances of my highest consideration.

Sincerely,

Mircea Geoana

Mircea Geoana

The World Bank Group
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AUTHORITY

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Internet: klay@worldbank.org

Kenneth G. Lay
Director
Southeastern Europe Department

May 23, 1997

His Excellency Victor Ciorbea
Prime Minister
Republic of Romania
Bucharest

Dear Mr. Prime Minister,

I returned to Washington yesterday with a renewed sense of commitment to the work we are doing together, a commitment I know is shared by colleagues throughout the World Bank Group, starting with Jim Wolfensohn. His visit earlier this week was obviously a tremendous success, and I wanted to take this opportunity to thank you and the rest of the Government for the warmth of your welcome and the convincing sense of coherent and disciplined policy that you brought to the discussions.

I also thought it would be worthwhile to recapitulate my understanding of where we will be going from here. The following is not intended to cover all the areas in which we are working together; rather, I have sought to focus on the major cluster of issues that you and we prioritized during the cours of the Mr. Wolfensohn's visit.

* **Focus on management and implementation of reform.** As Mr. Wolfensohn noted repeatedly during his stay in Bucharest, the real issue now is not financing, which your policies have ensured will be relatively plentiful. Rather, the challenge now is to improve the management of the program and accelerate its implementation. You and he agreed on a disciplined approach to this problem, in which you would meet monthly with the teams working in each of the key areas to review the progress achieved during the preceding month and the plan for the following month, working against a rolling 12-month program. I will ask Mr. Ettori to following up on these arrangements so that we can incorporate them in the design of our support packages in the key areas.

* **Public information.** I am operating on the assumption that we should be gearing up to provide major support in the public information effort along the lines we discussed in our meeting yesterday, and I will be asking my colleagues in Washington to prepare to arrive in Bucharest in time for a kickoff meeting next week with the team you designate to carry out this exercise. Obviously, the efforts in agriculture, small business and the social sectors I mentioned

earlier in this letter will provide a good part of the substance for the public information exercise, since they will give you the concrete action plans to speak about with the public in a weekly "fireside chat." I've discussed this approach with Mr. Wolfensohn, and both of us believe that it carries the potential to reinforce significantly the momentum you have already established in the reform program. Mr. Ettori or his colleagues will follow up to make the arrangements for the public information team to begin working. As with the working groups that developed the reform program in January-February, we are pleased to provide secretariat services for the effort, in conjunction with our colleagues at the European Union.

* **Agriculture and rural development.** Over the next several weeks our experts (led by Messrs. Dhanji and Tesliuc, with support from our new Washington-based agriculture network) will work with the Ministry of Agriculture to review its strategy for relaunching the agricultural economy in Romania, with a view to determining where World Bank Group help can be most useful. Obviously, there is an urgent near-term agenda: operationalizing the voucher scheme for the fall campaign and providing additional agricultural credit through other means. But we also need to focus on the medium-term program. Here, the Bank Group already has important activities already underway in grain marketing, cadastre and other support services and infrastructure. We need to review these to ensure that they are structured in ways appropriate for the the new economic reality in Romania, restructure them if necessary and accelerate their completion. We will also begin work on how to design and adjust the concepts and instruments of rural development to the needs and circumstances of Romania.

Meanwhile, it is increasingly clear that major international grain companies will play a key role in bringing modern agricultural technology to Romania, upgrading agricultural infrastructure (particularly storage and port facilities) providing inputs and credit and buying production; we will be urging the Ministry of Agriculture to work closely with these firms to ensure that the evolving new arrangements in Romania agriculture will make the country an attractive operating and investment environment for them.

* **Small and medium enterprise.** Here, there are three sets of issues: First, the legal and regulatory environment has to be made as friendly as possible for small entrepreneurs. Second, there needs to be access to training and advice for individuals seeking to establish or grow businesses. Finally, there has to be credit available on commercially-feasible terms. My understanding is that there are inititatives in each of these areas; indeed, as you know, we have been working with the Government and private business a project to develop a battery of financial instruments for SMEs, including additional venture capital funds for equity investment and complementary credit facilities. However, there is a major need to review and coordinate these activities and incorporate them in a coherent medium-term strategy that can be simply and convincingly explained to the public as evidence that the Government is moving aggressively on this front. I have asked my colleagues to convene a brainstorming session in Bucharest with the key participants in this process (e.g., Government, World Bank Group, EU, EBRD, USAid, NGOs, private enterprise funds during the second or third week of July to begin developing this strategy.

* **Social sectors.** As you know, we have been engaged with your Government across the full spectrum of social sector issues, including education, health, and the social safety net. However, with respect to poverty in Romania, I have the strong impression that as with small business, much needs to be done to rationalize the many individual initiatives now underway in central and local government, among NGOs, and as part of the programs of major international players such as the UN agencies, the EU and the World Bank Group. I had understood from President Constantinescu during my January visit that the Presidency was establishing a poverty commission to look into these issues, using as a point of departure the Poverty Assessment the World Bank completed last year. This effort does not appear to have progressed very far since then (due no doubt to the temendous number of things that the Presidency and the Government have had to cope with over the past several months). I have asked my colleagues to work with the appropriate people in the Presidency and the Government to develop an action program for the next three months that would help get the most out of the substantial domestic and international resources that can be brought to bear on the issue.

In the meantime, however, there is a near-term issue that needs urgent attention. As you know, the effect on orphaned and abondoned Romanian children of the present policy of institutionalization, particularly during the critical ages of 0-2 years, has become a subject of major - and negative - international attention. This is happening at precisely the wrong moment, since Romania is actively seeking membership in NATO and a favorable review for accession to the European Union. While many of us may feel that the international media has been unfair in singling out Romania in this respect, and may have exaggerated the extent of the problem, it has become an important issue in the public in the West. The causes and solutions are complex, and a solution won't be found in the near future. We fully support the initiatives taken by the Government to address this, developing and operationalizing a strategy that demonstrates commitment to radical change in the child protections system. A priority for this strategy is to implement as quickly as possible those measures that will result in a reduction of the number of children aged 0-2 entering the system. I have, accordingly, asked my colleagues in the Resident Mission to convene a brainstorming session that would involve all the different parties that have been involved in this issue in the Government, civil society in Romania and in the international community to discuss how to go about doing this as quickly as possible. I would hope that you could lend your support and personal endorsement to making this issue an immediate priority, and as a start toward attacking the root of the problem. Today I will be meeting with Mrs. Wolfensohn to review her observations from the visit earlier this week and discuss various options for accelerating work in these areas.

* **Regional development.** You have told us that regional development, particularly in areas hardest-hit by the essential industrial restructuring that you are now undertaking, is one of your top priorities. There is a great deal of expertise in this field both inside the Bank Group and among partners such as the EU. As a first step in responding to your request, my colleagues will be inventorying the work done so far, assess where the Bank Group can most productively focus its technical and advisory resources and, potentially, provide financial

support. We will report back to you after we have had an opportunity to carry out this important preliminary assessment over the next several weeks.

* **Increasing World Bank Group administrative resources for Romania.** I also wanted to let you know that I have started the process of assessing the amount that will be needed to meet Mr. Wolfensohn's commitment to you and President Constantinescu to augment the administrative resources the World Bank Group brings to bear in Romanian. Some of this, of course, will be delivered via the significantly increased role that our private-sector affiliate, the International Finance Corporation (IFC) will be playing in Romania. There will shortly be an IFC representative working on the World Bank Group team in Romania, and the IFC is increasing the resources it dedicates in Washington, as well. Meanwhile, Messrs. Ettori, Dhanji and I, with our other colleagues in the Resident Mission, have developed plans for expansion of our capacity in Bucharest and Washington. We will be incorporating these in our budget for our FY1998 (which begins on July 1, 1997) now being prepared for the World Bank's Eastern Europe and Central Asia Region. Over the next seeveral weeks I will be discussing these budget requirements with Mr. Johannes Linn, regional vice president.

The foregoing is obviously not an exhaustive discussion of our partnership in Romania. We have major work underway in power, petroleum, environment, transport, municipal services, etc. and, of course, there remains much to be done in the ASAL and FESAL programs. But I think it does cover the key areas that Mr. Wolfensohn highlighted during his visit.

In closing, Mr. Prime Minister, let me thank you once again for your hospitality earlier this week. My colleagues and I feel privileged to be associated with the historic project on which you have embarked with your countrymen, and we look forward to continuing our joint efforts over the coming weeks and months.

With best personal regards,

Kenneth G. Lay
Director
Southeastern Europe Department

IFC Note

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IFC Brief for Mr. Wolfensohn
Romania

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