

The Balance of Payments Programme for Romania

First Review - Spring 2012

The 2011-2013 Balance of Payments (BoP) assistance is a follow up precautionary programme to the 2009-2011 BoP programme. It was requested by the Romanian authorities in February 2011 to support the re-launch of the economic growth with a focus on structural reforms.

This report assesses compliance with the terms and conditions of the BoP Programme and summarises the findings of the joint EC/IMF mission. Updated programme documents are appended to it.

The joint EC/IMF mission concluded that the programme remains on track. After two years of deep recession, growth resumed in 2011 also helped by a bumper harvest. Following a cumulative contraction of more than 8% in 2009-10, GDP increased by 2.5% in 2011. The general government deficit was 4.1% of GDP, below the cash deficit ceiling of 4.4% of GDP set for 2011. The deficit would also have respected the 5% of GDP accrual (ESA) deficit ceiling set for 2011, had it not been for court rulings that forced the government to take additional (one-off) spending commitments that brought the ESA deficit up to 5.2% of GDP. Budget execution for the first four months shows that Romania remains on track to reach a deficit of below 3% of GDP in ESA terms in 2012.

Progress in the energy area, which had been slow, gathered momentum. Following the agreement on electricity price liberalisation reached during the previous mission, agreement was reached on a roadmap for gas price deregulation during this review. In the transport area, the authorities agreed on a multiannual contract with the railways infrastructure company, but this contract does not yet fully satisfy EU requirements. The remaining actions required to comply with programme conditionality in this area were clarified to the authorities. The new government committed to continue the reform of the healthcare system.

With absorption of EU funds having reached EUR 3.3 bn, the end-2011 programme target of EUR 2.1 bn was met, but significant efforts will still be needed to reach the programme's end-2012 cumulative absorption target of EUR 8 bn.