



CFR NETWORK STATEMENT - 2022

ANNEX 24.a **STRATEGY FOR RAILWAY INFRASTRUCTURE DEVELOPMENT**
(SYNTHETIC PRESENTATION)

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COMPANIA NATIONALA DE CAI FERATE CFR SA

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1. LEGAL CONTEXT

The Strategy for Railway Infrastructure Development was elaborated in accordance with the requirements of Law no. 202/2016¹, which transposes into national legislation the Directive 2012/34 / EU². Article 8 para. (1) of this law provides the following:

„(1) The Romanian State, through the Ministry of Transport, ensures the development of the national railway infrastructure based on a sustainable financing of the railway system, taking into account the needs of the internal transport market and the general needs of the European Union, including the need to cooperate with the neighbouring third countries. To this end, the Ministry of Transport, in consultation with the infrastructure manager, shall develop the indicative infrastructure development strategy in order to meet future mobility needs, in terms of infrastructure maintenance, renewal and development. That strategy shall cover a period of at least five years and shall be renewable. After consulting the interested parties, this strategy shall be approved by a Government decision, published by the Ministry of Transport and transmitted to the European Commission.”

In view of the above requirements, the main objective of the Strategy for Railway Infrastructure Development is to substantiate the financing needs of the railway infrastructure in the next five years, based on a medium and long term strategic vision, taking into account the needs of the internal transport market and the general needs of the European Union. From this perspective, it should be mentioned that the strategy covers all relevant areas of railway infrastructure development, namely: the maintenance (maintenance and repairs), the operation, the renewal and the modernization. The comprehensive character of the Strategy for Railway Infrastructure Development offers the guarantee of the efficient use of public funds substantiated as necessary, in order to increase the economic efficiency of the national transport system by rehabilitating the railway transport, with consequences for supporting the growth of the national economy.

In accordance with the provisions of paragraphs (2), (3) and (4) of art. 8 of Law no. 202/2016, the Strategy for Railway Infrastructure Development must be a reference document of the company's activity contract³, mainly in the sense that:

- the contract establishes the mutual obligations of the parties regarding the implementation of the Strategy for Railway Infrastructure Development;
- the contract provides for the multi-annual financing plan for the railway infrastructure, determined on the basis of the financing needs substantiated within the strategy.

The Strategy for Railway Infrastructure Development is correlated with the General Transport Master Plan of Romania (GTMP)⁴, in the sense that it includes the priority projects regarding the modernization of the infrastructure related to the TEN-T network and the European railway corridors, which are the object of the partnership with the European Commission. Moreover, the financial needs for the period 2021-2025, identified in the Strategy for Railway Infrastructure Development, are correlated with the financial projections of the GTMP related to this period.

2. CURRENT SITUATION

The strategy is based on a comprehensive analysis of the current situation of the railway transport, as an effect of the evolution in the last 30 years. The analyzes highlight the very limited competitiveness of the rail transport in relation to the other modes of transport, but especially in relation to the road transport. This leads to a deeply

¹ Law no. 202/2016 on the integration of the Romanian railway system in the single European railway space, published in the Official Gazette no. 900 of November 9, 2016, as subsequently amended and supplemented

² Directive 2012/34 / EU of the European Parliament and of the Council of November 21, 2012 on the establishment of the single European railway area, published in the Official Journal of the European Union series L, no. 343 of December 14, 2012

³ Contract that is concluded between the Ministry of Transport and the infrastructure manager, for a period of at least 5 years, according to the provisions of art. 30 of Law no. 202/2016

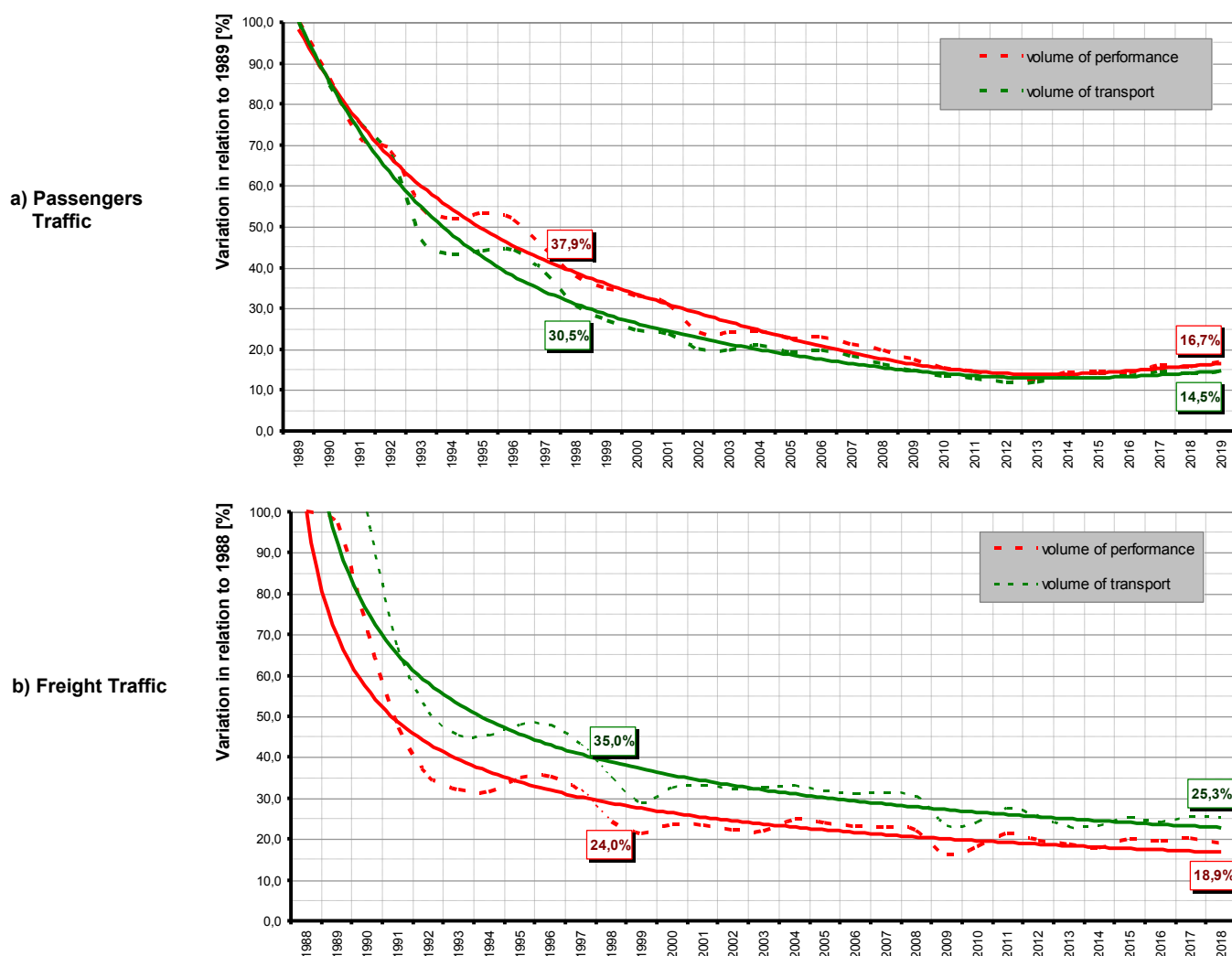
⁴ Approved by GD no. 666/2016

unbalanced structure of the national transport system, which is reflected in the market shares of the transport modes (the modal shares). Thus, the modal share of rail transport on the land transport market is:

- 4.2% in the field of passenger transport on interurban relations (this modal share takes into account also the individual transport by motorized means), respectively of 21.1% in the field of public passenger transport on interurban relations;
- 21.9% in the field of commercial freight transport on interurban relations.

This modal imbalance of the national transport system is reflected primarily in the excessive overload of the road network, whose transport capacity has already reached the critical levels on most important transport relations (with consequences for increasing the frequency of roadblocks, limiting the travel speeds and the exponential increase in the number of accidents with serious consequences).

The analysis of the evolution over time of the railway passenger and freight transport reveals a major decline in the last 30 years, both in terms of transport volume (measured in the number of passengers transported, respectively in the tons transported) and in terms of the volume of services (measured in passenger-km and tonne-km, respectively). For both indicators there were very high contractions, of over 80%, both in passenger traffic and in freight traffic.



The analyzes performed indicate two categories of causes of this situation, respectively:

- Significant distortion of the competitive environment, especially between the land transport modes, which creates a competitive disadvantage for the rail transport compared to the road transport. It is

mainly about asymmetric and extensive outsourcing of the transport costs (e.g. the transport infrastructure costs, the transport safety costs) and the transport costs (e.g. the environmental costs, the accident costs). This allows road operators to offer much more attractive prices than the prices of the railway operators, although the total unit costs (including external costs) are significantly higher in the case of road transport.

- The low level of performance and quality of the railway transport services, caused to a significant extent by the low level of performance of the railway infrastructure and, implicitly, of the services and facilities offered by the railway infrastructure manager.

In terms of the infrastructure, the analyzes show that public funding for the railway infrastructure has been well below needs. The situation of public funds allocated in the last 5 years for the maintenance, repair, renewal and modernization of the railway infrastructure is presented in the following table.

Year	Public funds [thousand lei]			
	Maintenance	Repairs	Renewal (RK)	Investments *
2014	693 045	4 329	13 973	1 505 330
2015	756 237	65 599	18 990	1 388 208
2016	1 022 222	92 974	48 474	1 243 268
2017	888 392	35 109	37 937	2 224 984
2018	893 686	17 219	36 342	1 146 595
Total	4 253 581	215 230	155 717	7 508 385
Annual average	850 716	43 046	31 143	1 501 677
Needs per year	1 408 553	230 000	1 401 665	
Coverage of needs	60.40%	18.72%	2.22%	

It should be noted that these allocations have been very low in relation to the financing needs for the maintenance, repair and renewal of railway infrastructure. Thus:

- in terms of the infrastructure maintenance, the allocated public funds covered only **60.4%** of the financing needs;
- in terms of the infrastructure repair, the allocated public funds covered less than **20%** of the financing needs;
- in terms of the infrastructure renewal, the allocated public funds covered less than **2.5%** of the financing needs.

The direct consequence of inadequate financing of the maintenance, repair and renewal of the railway infrastructure is its progressive degradation and the occurrence of more and more frequent failures that require speed restrictions for the trains to ensure the minimum safety conditions. This has generated the further limitation of the competitiveness of the rail transport in relation to other modes of transport, materialized by the massive migration of the customers to the road transport.

The less visible, but more dangerous effect of underfunding the railway infrastructure, coupled with the distortion of the competitive environment in the transport market, is that a vulnerability of the national economy is maintained by artificially promoting a more expensive mode of transport, which generates global costs, including substantially higher budget costs. The calculations made based on the results of an international study⁵ show that the transfer to the railway of each amount of 10% of the road traffic developed in Romania would generate, at national level, annual savings of over 2 billion Euros. Given that the railway infrastructure has a transport capacity that could allow at least 30% of the current road traffic to be taken over, it results that **the underfunding of the railway infrastructure generates annual losses of over 6 billion Euros in the national economy.**

⁵ External Costs of Transport in Europe, study conducted in 2011 by EC Delft, INTRAS and Franhofer ISI

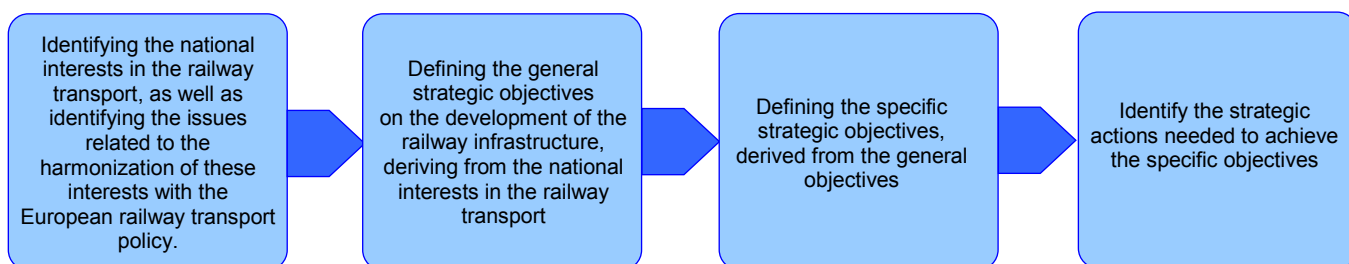
In addition, the artificial and excessive promotion of road transport also contributes to maintaining a high level of dependence on petroleum products, which creates a significant vulnerability from the perspective of energy security. In Romania, the level of dependence on oil in the transport sector is higher than 97% (year 2011)⁶, even exceeding the European average.

Last but not least, the limitation of the competitiveness of the railway transport by insufficient financing of the railway infrastructure generates the overload of the road network, whose transport capacity is already at a critical level in relation to the demands on many transport relations.

3. STRATEGIC OBJECTIVES

The logic of the strategy regarding the development of the Romanian railway infrastructure is an iterative logic, with arborescent development, which includes the following stages:

⁶ Calculations performed on the basis of INS data (Statistical Yearbook 2012, Sustainable Development Indicators in Romania (IDDR))



The corroboration of the results of the studies and analyzes on the domestic and international transport market, on the macroeconomic effects of transport, on the operation of the Romanian railway system and on the current situation of the railway transport led to the identification of the following relevant conclusions regarding the substantiation of the Strategy for Railway Infrastructure Development:

1. The modal balancing of the national transport system, through the priority promotion of the railway transport, is a matter of national interest, mainly because:
 - leads to a massive reduction of the costs borne by the national economy in terms of transport, with consequences for strengthening the competitiveness of the national economy;
 - leads to the decongestion of the road network, which is already overloaded, and creates the premises for reducing its capacity deficit in relation to the transport demands, with consequences for more efficiently meeting the needs of people and goods on the Romanian territory, both in domestic and international traffic;
 - ensures the support of the increase of the people and goods mobility, especially in the internal traffic, with consequences regarding the support of the sustainable growth of the national economy and the consolidation of its balanced development;
 - represents a harmonized approach with the European Union's transport policy.
2. The integration of the Romanian railway system in the single European transport area and, in particular, in the Single European Railway Area, is both a matter of national interest and an approach aimed at ensuring the harmonization of the national interests with the European policy in the field of the railway transport.

The analyzes emphasized that the recovery of the railway transport, with consequences for balancing and streamlining the national transport system, is possible only if its competitiveness is significantly increased, so that the Romanian railway system can become a significant player in the land transport market, able to regain lost customers and attract new customers.

Also, the analysis of the current situation of the railway transport highlighted the existence of a great potential to increase the railway transport in the internal transport market. In the case of passenger transport, the theoretical growth space concerns both interurban public transport, currently performed by buses and coaches, as well as the possibility of attracting routes that are currently performed by individual means of transport. In the case of freight transport, the most significant growth space is given by the market of small shipments that are currently transported almost exclusively by road. The railway can once again become a significant player in this market, provided that the intermodal transport and the transport in isolated wagons are rehabilitated.

The analysis of the current situation of the railway transport highlighted that the railway infrastructure played an important role in limiting the competitiveness of the railway transport. However, the reciprocity is true, in the sense that the railway infrastructure has a decisive role in the rehabilitation of the railway transport.

The analyzes presented also highlighted that the internal transport market must be the main target of the rehabilitation of the railway transport, as over 90% of the total volume of the railway transport services targets the internal transport. Moreover, the success of the rehabilitation of the railway transport in the internal market is likely to strengthen the international transport flows, implicitly it is likely to contribute to the success of the European Union's policy to achieve the Single European Railway Area. As a result,

the general strategic objectives regarding the development of the railway infrastructure are:

A: Increasing the competitiveness of the railway transport in the internal market

B: Integration into the Single European Railway Area

These general objectives represent the strategic pillars of the railway transport sector. The two strategic objectives are complementary, without being disjointed. Increasing the competitiveness of the railway transport is a precondition for the integration into the European railway area, which is strategically designed at a high level of competitiveness. On the other hand, the integration into the Single European Railway Area also involves measures to strengthen the competitiveness of the railway transport in the internal market.

The general strategic objectives are associated with specific strategic objectives, the achievement of which conditions the achievement of the general objectives assumed.

GENERAL OBJECTIVES

SPECIFIC OBJECTIVES

A	Increasing the competitiveness of the railway transport in the internal market	
	A.1	Increasing the traffic speed on the railway infrastructure
	A.2	Increasing the commercial speeds achieved, by reducing the gap compared to the speed allowed by the railway infrastructure. Increasing the punctuality of trains
	A.3	Increasing the economic efficiency of the railway infrastructure management activities
	A.4	Maintaining the high level of train traffic safety
	A.5	Increasing the energy efficiency and reducing the pollution levels
	A.6	Improving the connectivity of the railway network
	A.7	Increasing the competitiveness of the railway passenger transport
	A.8	Increasing the competitiveness of the railway freight transport
B	Integration into the Single European Railway Area	
	B.1	Rehabilitation and modernization of the infrastructure of the international railway corridors
	B.2	Rehabilitation and modernization of the TEN-T network infrastructure
	B.3	Integration into the European high-speed railway network

4. DIRECTIONS OF PRIORITY ACTION AND EXPECTED RESULTS

Following the development logics mentioned above, for each specific strategic objective, the necessary strategic actions are identified in order to achieve the assumed objectives. As a result, the Strategy for Railway Infrastructure Development is structured in general objectives, specific objectives and strategic actions related to the specific objectives, according to the synoptic table below.

GENERAL OBJECTIVES	SPECIFIC OBJECTIVES	STRATEGIC ACTIONS
A	Increasing the competitiveness of the railway transport in the internal market	
	A.1	Increasing the traffic speed on the railway infrastructure
	A.1.1	Renewal of the railway infrastructure
	A.1.2	Current repairs of the infrastructure elements
	A.1.3	Current maintenance of the railway infrastructure
	A.1.4	Increasing the projected speed of the railway infrastructure
	A.2	Increasing the commercial speeds achieved, by reducing the gap compared to the speed allowed by the railway infrastructure. Increasing the punctuality of trains
	A.2.1	Increasing the efficiency of the operational management of the train traffic
	A.2.2	Increasing the efficiency of tactical management of the train traffic
	A.2.3	Increasing the efficiency of train traffic planning on the strategic time horizon
	A.2.4	Strategic planning of the railway infrastructure and services
	A.2.5	Increasing the efficiency of the safety procedures for the communication with the moving trains
	A.3	Increasing the economic efficiency of the railway infrastructure management activities
	A.3.1	Increasing the degree of mechanization of the infrastructure maintenance activities
	A.3.2	Increasing the level of centralization of the railway signalling installations
	A.3.3	Concentration of the decision centres on the railway traffic management
	A.3.4	Increasing the efficiency of the financial resources use meant for the management of the railway infrastructure
	A.3.5	Optimizing the degree of division of the railway network and the distribution of the sectioning points
	A.3.6	Optimizing the business model in the field of railway infrastructure maintenance
	A.4	Maintaining a high level of train safety
	A.4.1	Maintaining a high level of safety of the railway signalling systems
	A.4.2	Increasing the level of road traffic protection at the level crossings
	A.5	Increasing the energy efficiency and reducing the pollution levels
	A.5.1	Increasing the degree of electrification of the railway network
	A.5.2	Increasing the efficiency of electricity distribution management
	A.6	Improving the connectivity of the railway network
	A.6.1	Construction of new lines
	A.6.2	Interconnection with other modes of transport
	A.7	Increasing the competitiveness of the railway passenger transport
	A.7.1	Promoting highly attractive services for passenger transport
	A.7.2	Logistically supporting the scheduled passenger transport services
	A.7.3	Integration of railway passenger transport into intermodal flows intended to increase mobility
	A.7.4	Increasing the accessibility of the railway passenger transport
	A.7.5	Increasing the level of quality and efficiency of the railway passenger transport services
	A.8	Increasing the competitiveness of the railway freight transport
	A.8.1	Promotion of containerized railway-car intermodal transport
	A.8.2	Promoting semi-trailer transport and RO-LA transport
	A.8.3	Promotion of the railway freight transport in isolated wagons
	A.8.4	Increasing the level of quality and efficiency of the railway freight transport services
B	Integration into the Single European Railway Area	
	B.1	Rehabilitation and modernization of the infrastructure of the international railway corridors
	B.1.1	Rehabilitation and modernization of the infrastructure of the Rhine-Danube corridor
	B.1.2	Rehabilitation and modernization of the infrastructure of the Orient / East-Med corridor
	B.2	Rehabilitation and modernization of the TEN-T network infrastructure
	B.2.1	Rehabilitation and modernization of the Core TEN-T network infrastructure
	B.2.2	Rehabilitation and modernization of the Comprehensive TEN-T network infrastructure
	B.3	Integration into the European high-speed railway network
	B.3.1	East - West high speed axis
	B.3.2	North - South high speed axis

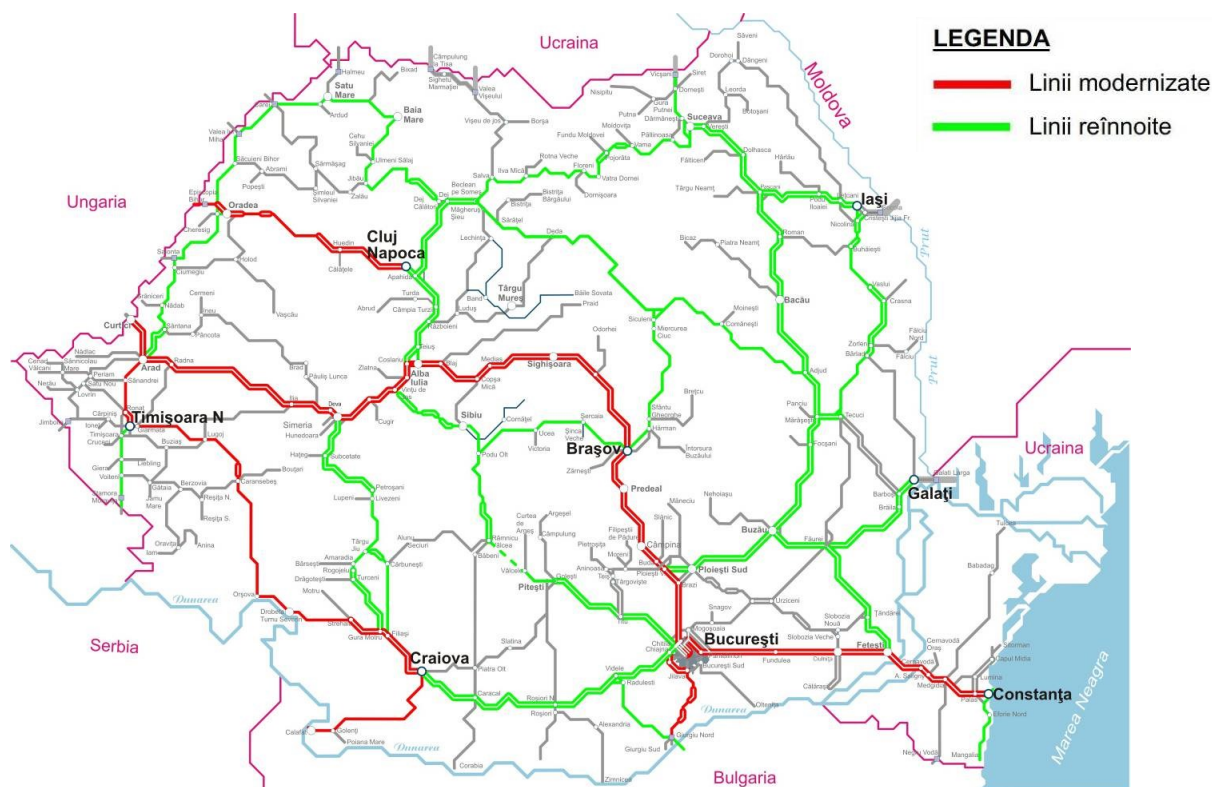
The main strategic priority (see paragraph 9.1.1 of the strategy) is to implement a *program for the recovery of arrears on the renewal of railway infrastructure*, which aims to restore the infrastructure to the originally designed performance parameters. This program is meant to last over 15 years and is summarized in the following table.

Year	Renewal length [km]	Estimated renewal costs					
		Renewal of current and direct lines (refurbishment)		Renewal of critical infrastructure elements		TOTAL	
		Million Euro	Million RON	Million Euro	Million RON	Million Euro	Million RON
i	70	40.9	188.3	33.0	151.8	73.9	340.1
ii	150	87.7	403.6	45.0	207.0	132.7	610.6
iii	250	146.2	672.6	60.0	276.0	206.2	948.6
iv	375	219.3	1 008.9	75.0	345.0	294.3	1 353.9
v	550	321.7	1 479.8	90.0	414.0	411.7	1 893.8
vi	600	350.9	1 614.3	100.0	460.0	450.9	2 074.3
vii	600	350.9	1 614.3	100.0	460.0	450.9	2 074.3
viii	600	350.9	1 614.3	100.0	460.0	450.9	2 074.3
ix	650	380.2	1 748.8	100.0	460.0	480.2	2 208.8
x	700	409.4	1 883.3	100.0	460.0	509.4	2 343.3
xi	700	409.4	1 883.3	100.0	460.0	509.4	2 343.3
xii	700	409.4	1 883.3	100.0	460.0	509.4	2 343.3
xiii	750	438.7	2 017.9	100.0	460.0	538.7	2 477.9
xiv	750	438.7	2 017.9	100.0	460.0	538.7	2 477.9
xv	800	467.9	2 152.4	100.0	460.0	567.9	2 612.4
TOTAL	8 245	4 822.4	22 182.9	1 303.0	5 993.8	6 125.4	28 176.7
AVERAGE	549.7	321.5	1 478.9	86.9	399.6	408.4	1 878.4

In conjunction with the program for the rehabilitation and modernization of the railway infrastructure related to the European corridors and the TEN-T network, this program aims - over a 10-year horizon - the complete the rehabilitation of all main railways, as well as the main inter-bus links (according to the figure below).

As a result of the implementation of this program, *an average increase of at least 24% of the maximum speeds allowed on the main railway lines is expected*. It is also expected that the actual commercial speeds of the trains on the railway lines shall increase by at least the same percentage rate.

The strategy also highlights the need to prioritize the implementation of an accelerated recovery program on repairs, in order to eliminate the existing speed restrictions (see Annex 5 of the strategy), as well as the need for ongoing and permanent maintenance to prevent widening the gap between the projected speed and the maximum speed allowed by the railway infrastructure (see Annex 6 of the strategy).



Complementary to this approach, the strategy recommends the modernization of the railway traffic management, which would further generate a space for increasing the commercial speeds of over 20% compared to the current situation (see paragraph 9.1.2 of the strategy and the related annexes).

5. FINANCING NEEDS

The financing needs of the railway infrastructure in the period 2021-2025, by categories of expenditures, substantiated by the development strategy of the Romanian railway infrastructure, are summarized in the following table.

Expenditure category	Necessary costs						
	UM	Year I	Year II	Year III	Year IV	Year V	TOTAL
Maintenance and repairs	mil. Euro	366.67	366.67	364.67	361.67	358.67	1 818.33
	mil. RON	1 760.00	1 760.00	1 750.40	1 736.00	1 721.60	8 728.00
Routine maintenance (strategic action A.1.3)	mil. Euro	316.67	316.67	316.67	316.67	316.67	1 583.33
	mil. RON	1 520.00	1 520.00	1 520.00	1 520.00	1 520.00	7 600.00
Current repairs (strategic action A.1.2)	mil. Euro	50.00	50.00	48.00	45.00	42.00	235.00
	mil. RON	240.00	240.00	230.40	216.00	201.60	1 128.00
Renewal of the railway network <i>(measures A.1.1.1 and A.1.1.2)</i>	mil. Euro	73.94	132.73	206.22	294.33	411.69	1 118.91
	mil. RON	354.92	637.12	989.86	1 412.79	1 976.10	5 370.79
Investment projects	mil. Euro	1 111.58	1 990.62	2 777.78	2 270.75	2 499.93	10 650.66
	mil. RON	5 335.60	9 554.98	13 333.33	10 899.61	11 999.66	51 123.18
Projects eligible for funding from the European grants	mil. Euro	1 086.58	1 958.21	2 705.03	2 193.78	2 408.86	10 352.46
	mil. RON	4 998.28	9 007.75	12 443.15	10 091.39	11 080.75	47 621.32
Projects financed from the national funds	mil. Euro	25.00	32.41	72.74	76.97	91.07	298.20
	mil. RON	337.32	547.23	890.17	808.22	918.92	3 501.86
TOTAL	mil. Euro	1 552.19	2 490.02	3 348.66	2 926.75	3 270.28	13 587.91
	mil. lei	7 450.52	11 952.10	16 073.59	14 048.41	15 697.36	65 221.97

The Strategy for Railway Infrastructure Development is complementary to the General Transport Master Plan of Romania, in the sense that it develops and details the general strategic recommendations of the GTMP regarding the consolidation of the railway transport position in the internal transport market.

Considering that the General Transport Master Plan was approved by the Government Decision no. 666/2016, which gives it the status of a reference document on the state policy in the field of transport, as well as in terms of correlation with the financial projections of the GTMP, it results that the condition of financial sustainability of the Strategy for Railway Infrastructure Development is met.

6. NECESSARY MEASURES TO ENSURE THE FEASIBILITY OF THE STRATEGY FOR RAILWAY INFRASTRUCTURE DEVELOPMENT

Beyond the financial sustainability and compliance with the national and European transport policy, the feasibility of the Strategy for Railway Infrastructure Development is conditioned also by the cumulative meeting of the conditions that exceed the scope of the railway infrastructure manager and, in some cases, even of the railway system as a whole.

It is necessary to reconsider the role of the railway transport within the national transport system, aiming at capitalizing its inherent economic benefits in order to increase the economic efficiency of the national transport system and to reduce the costs of the national economy generated by the transport field (see paragraph 11.1 of the strategy).

Balancing the competitive chances of the transport modes on the internal land transport market is a precondition for the rehabilitation of the railway transport and, implicitly, for ensuring the feasibility of the Strategy for Railway Infrastructure Development. This involves eliminating the existing distortions in this market in terms of the competitive environment, in order to provide the necessary framework for the modal balancing of the national transport system (see paragraph 11.2 of the strategy).

It is necessary to implement some homogenous rules on the financing of the transport infrastructures, in accordance with the recommendations of the General Transport Master Plan, in order to ensure the stability and predictability of the financing of these infrastructures. In particular, the homogenous rules on the financing of the transport infrastructure must ensure that national and European legislation on the financing of the railway infrastructure needs is applied (see paragraph 11.3 of the strategy).

It is imperative to strengthen the system of the public passenger transport services, in order to ensure the necessary framework to create a viable and attractive alternative to the individual road transport, with consequences for reducing the overload of the road infrastructure and, consequently, streamlining the traffic on the national road network. Otherwise, any effort to rehabilitate the railway infrastructure could be compromised by maintaining, in the field of railway passenger transport, a supply of services that is insufficient from the quantitative point of view and unattractive for the customers in terms of the level of performance and quality of services. (see paragraph 11.4 of the strategy).

During the transition period regarding the internalization of the external transport costs in order to ensure a balanced and equitable competitive environment between the modes of transport, the need to transfer to the railways of the freight flows currently transported by road leads to the need for urgent implementation of promotion measures for the intermodal transport and the railway freight transport in isolated wagons, in order to balance the intermodal competition in the market for small freight shipments (see paragraph 11.5 of the strategy).

The implementation of the Strategy for Railway Infrastructure Development, as an obligation assumed by the performance and the activity contract of the railway infrastructure manager, imposes the need to ensure a multi-annual railway infrastructure financing plan, established so as to ensure a predictable coverage of the financing needs within the strategy. It is also necessary to implement the legal mechanisms for multiannual financing of the actions that take place over time periods that exceed the horizon of a calendar year (see paragraph 11.6 of the strategy).

7. NEXT STEPS

In order to ensure the necessary conditions for the successful implementation of the Strategy for Railway Infrastructure Development, the following must be achieved in the next period:

- Approval of the Strategy for Railway Infrastructure Development by Government decision.
- Negotiation with the Ministry of Public Finance of the multi-annual financing plan for the railway infrastructure for the period 2021-2025, which shall ensure the coverage of the financing needs established by the above-mentioned strategy.
- Concluding the activity and performance contract of CFR SA for the period 2021-2025⁷. This contract establishes the mutual obligations regarding the implementation of the Strategy for the development of the railway infrastructure, based on the multiannual financing plan mentioned above. The model of this contract, which ensures the compliance with the provisions of Law no. 202/2016, was approved by OMT no. 1314/2017.
- Implementation of a multi-annual financing mechanism for repair activities based on the commitment credits, which would allow contracting the execution of the complex works which last more than one year.

Regarding the multiannual financing plan for the railway infrastructure, provided in art. 8 para. (4) of Law no. 202/2016, it must also ensure the compliance with the provisions of the legislation in force in the field of public finances⁸ that established the budgetary principle of annuality. The solution consists in defining budgetary programs to cover all categories of public funds allocated to the railway infrastructure manager. In this sense, it should be mentioned that CFR SA intensively collaborated with the Ministry of Transports, Infrastructure and Communications for the elaboration of the Institutional Strategic Plan (ISP) of the ministry⁹. Within this collaboration, the correlation of ISP with the Strategy for Railway Infrastructure Development was taken into account. For this purpose, three budgetary programs have been defined for the financing of CFR SA, which cover all categories of public funds identified as necessary through the Strategy for Railway Infrastructure Development. These programs are structured by expenditure categories (see also item 5, above), as follows:

- a) Budgetary program meant to finance the railway infrastructure renewal activities
- b) Budgetary program meant to finance the maintenance activities (maintenance and repairs) of the railway infrastructure
- c) Budgetary program meant to finance the investments regarding the modernization of the railway infrastructure, including the investments necessary for the efficiency of the company's activity.

The implementation of this solution defined within the ISP is likely to ensure both the implementation of the multi-annual financing plan for the railway infrastructure and the implementation of a multi-annual financing mechanism for the repair activities, based on the commitment appropriations.

⁷ In accordance with the provisions of Law no. 202/2016, the new activity and performance contract of CFR SA for the period 2019-2023 must replace the current activity contract for the period 2016-2020, approved by GD no. 232/2016

⁸ With reference mainly to Law no. 500/2002 on public finances, with subsequent amendments and completions

⁹ The elaboration of institutional strategic plans at the level of the ministries is an action coordinated by the General Secretariat of the Government and is carried out on the basis of a contract with the World Bank, as a consultant. The action is financed from the European non-reimbursable funds within the Operational Program Administrative Capacity (OPAC).

The Institutional Strategic Plan is an instrument that is to ensure a functional link between the existing strategies at the level of the ministries and the policy of the Ministry of Public Finance for the allocation of budgetary funds. The aim of this action is to migrate, as soon as possible, from the current objective-oriented budget allocation policy to a program-oriented (budgetary) budget allocation policy defined in correlation with the existing strategies at the ministry level. This approach is part of the commitment assumed by the Romanian Government in relation to the main international financing institutions (European Union, World Bank, International Monetary Fund) regarding the implementation of the structural reforms.