



# Romania

## Investor Presentation

June 2024



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## Overview



# Snapshot of Romania's Economy



## Overview

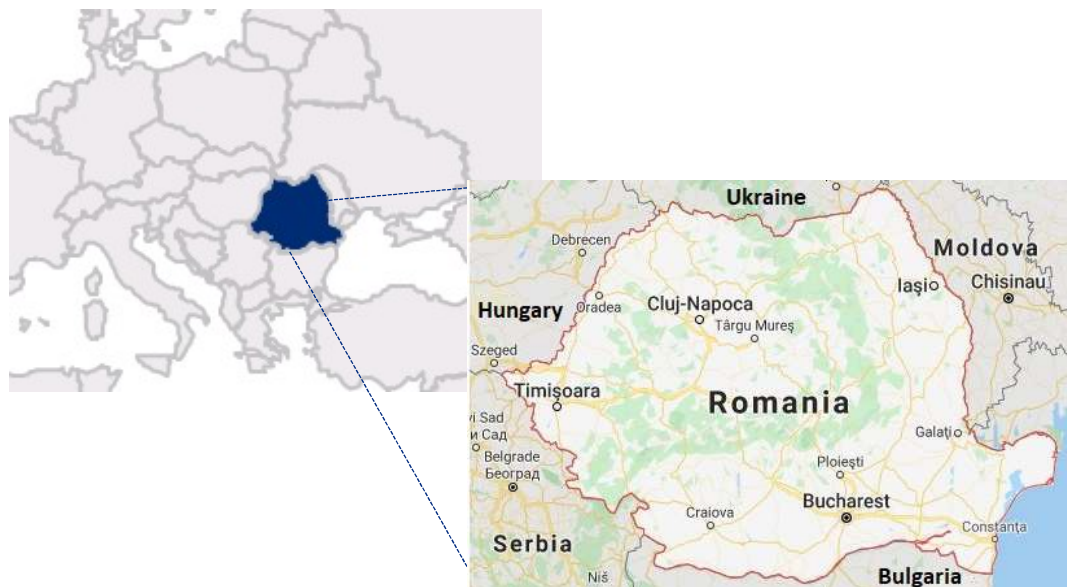
## Long Years of Uninterrupted GDP Growth

## Sustainable Fiscal Policy

## Prudent Public Debt Management

## EU Funding

Area	238,391 sq. km
Population (2023)	19.05 <sup>(1)</sup> mn
Average RON/EUR rate (2023)	4.9465
GDP (2023 current prices)	RON 1,605.6 <sup>(2)</sup> bn
GDP (2023 current prices)	EUR 324.6 <sup>(2)</sup> bn
GDP per Capita (2022)	EUR 17,067 <sup>(2)</sup>
GDP Growth (2023, y-o-y)	2.1% <sup>(2)</sup>
Average Inflation (2023)	10.4%
Annual Inflation Rate (May 2024)	5.12%
Unemployment <sup>3</sup> (May 2024)	3.09%
Public Debt / GDP <sup>4</sup> (March 2024)	51.6%



## Current Credit Ratings

**S&P Global**

**BBB- / Stable**

*since May 16, 2014;  
rating affirmed on  
April 12, 2024*

**FitchRatings**

**BBB- / Stable**

*since July 4, 2011;  
rating affirmed on  
March 1, 2024*

**MOODY'S**

**Baa3 / Stable**

*since October 6, 2006;  
rating affirmed on  
November 3, 2023*



**BBB/ Stable**

*since March 18, 2016  
rating affirmed on April  
15, 2024*

Source: National Institute of Statistics ("NIS"), Eurostat, National Bank of Romania, Map data ©2020 Google, GeoBasis-DE/BKG (©2009).

(1) Provisional data; (2) Provisional data according to Press Release No. 86 from 9 April 2024, National Institute of Statistics ("NIS"); (3) Registered unemployment rate; (4) According to EU methodology

# Key Features of Romania's Credit Profile



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

Prudent Public Debt Management

EU Funding

## Strong Macroeconomic Framework

- After joining the EU, real convergence expressed in GDP per capita in PPS significantly improved from 39% in 2006 to 78.0 %<sup>(1)</sup> in 2023 of EU average.
- In 2023 the GDP registered an increase of 2.1% compared to the previous year <sup>(2)</sup>. The gross fixed capital formation, with an outstanding performance of 14.4% has represented the main pillar of the economic growth.

## Well Capitalized and Liquid Banking Sector

- NPL ratio <sup>(3)</sup><sup>(4)</sup> showed a sustained downward trend (3.8% at the end of 2020, 3.4% at the end of 2021, 2.7% at the end of 2022, 2.4% at the end of 2023 and 2.5% in May 2024).
- No public money used to support local banks and their recapitalisation.
- Very well capitalized banking sector (total capital adequacy ratio of 23.4% at the end of 2022, 22.5% at the end of 2023 and 22.91% in March 2024).
- Relatively stable exchange rate.

## Sustainable Public Debt

- 51.6% government debt/GDP according to EU methodology at end March 2024. 48.8% debt/GDP at end of 2023<sup>(5)</sup>.
- Sustainable debt management policy.

(1) Source: Eurostat; (2) Provisional estimates data according to Press Release no. 86 from 9 April 2024 National Institute of Statistics („NIS“); (3) Under the EBA Methodology; (4) National Bank of Romania, “Aggregate Indicators for Credit Institutions”; (5) Data updated according to the Fiscal Notification from April 2024.



**Long Years of Uninterrupted  
GDP Growth**



# Romania's Economy: Macroeconomic Indicators



## Overview

## Long Years of Uninterrupted GDP Growth

## Sustainable Fiscal Policy

## Prudent Public Debt Management

## EU Funding

	2019	2020	2021	2022	2023	2024
<b>Macroeconomic Indicators</b>						<b>Forecast</b>
Real GDP (% y-o-y)	3.9	(3.7)	5.7	4.1	2.1	3.4 <sup>b</sup>
Inflation rate (% , e.o.p.)	4.0	2.1	8.2	16.4	6.6 <sup>e</sup>	4.6 <sup>b</sup>
Inflation rate (% , annual average)	3.8	2.6	5.1	13.8	10.4 <sup>e</sup>	5.6 <sup>b</sup>
Budget balance (% GDP, cash)	(4.6)	(9.6)	(6.7)	(5.8)	(5.7)	(5.0)
Budget balance (% GDP, ESA 2010)	(4.3)	(9.2)	(7.1)	(6.2)	(6.6)	(5.0)
Government debt (% GDP, EU methodology)	35.1 <sup>a</sup>	46.7 <sup>a</sup>	48.5 <sup>a</sup>	47.5	48.8	49.4 <sup>c</sup>
Exports of goods (% , y-o-y)	1.9	(9.9)	20.2	23.1	1.3 <sup>f</sup>	4.2 <sup>b</sup>
Current account balance (% GDP)	(4.9)	(4.9)	(7.2)	(9.2) <sup>d</sup>	(7.0) <sup>d</sup>	(7.0) <sup>b</sup>
<b>Interest And Exchange Rates</b>						
NBR policy rate (% , e.o.p.)	2.50	1.50	1.75	6.75	7.00	6.75
Credit facility rate	3.50	2.00	2.50	7.75	8.00	7.75
Deposit facility rate	1.50	1.00	1.00	5.75	6.00	5.75
Average exchange rate (RON/EUR)	4.75	4.84	4.92	4.93	4.95	5.00 <sup>b</sup>
<b>Labor Market Indicators</b>						
ILO unemployment rate (%)	4.9 <sup>d</sup>	6.1 <sup>d</sup>	5.6	5.6	5.6	5.5 <sup>b</sup>

Source: NIS (2019-2021 there are final data; semi-final data for 2022 according to Press Release No. 332/21 December 2023; provisional data for 2023 according to Press Release No. 86/9 April 2024) and NCSP Spring Forecast, April 2024)

Notes: Budget balance (% of GDP cash and ESA2010) for the 2019-2020 period is estimated at the moment of the 2019 Budget adoption. 2020 estimates are part of budget planning for 2020 and the medium-term. Revised 2013 – 2019 data in the context of common European benchmark revision 2019; (a) Data updated according to Fiscal Notification from April 2024; (b) NCSP Spring Forecast, April 2024; (c) Debt estimates according to the Fiscal-Budgetary Strategy 2024-2026 – Ministry of Finance; (d) Revised data (e) NIS Press Release No. 10 from 12 January 2024; (f) NIS Press Release no.31 from 9 February 2024



# Growth Supported by Domestic Demand and Capital Formation



Overview

Long Years of Uninterrupted GDP Growth

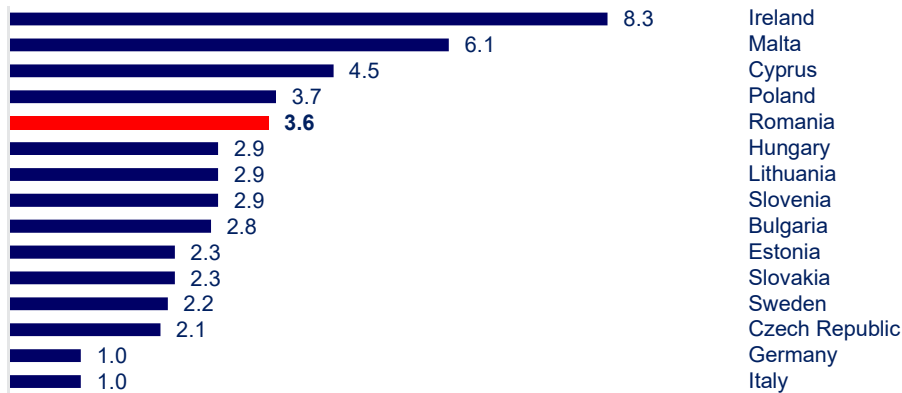
Sustainable Fiscal Policy

Prudent Public Debt Management

EU Funding

## Romania is One of the Fastest Growing Economies in the EU

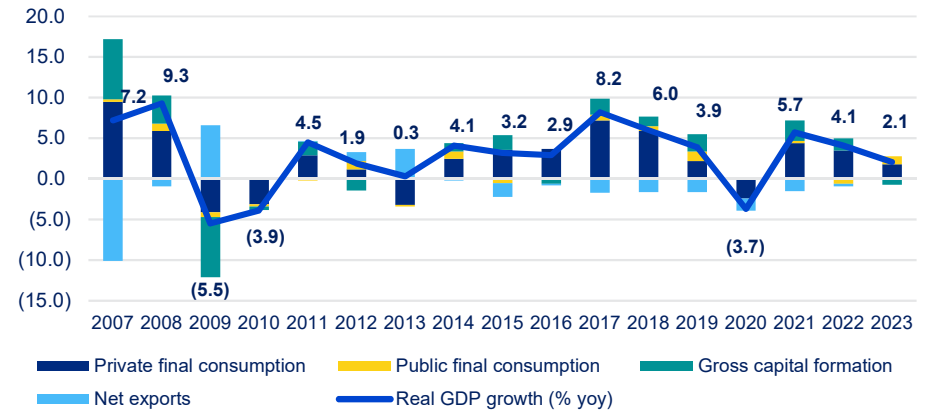
% GDP Growth, Average 2015–2023



Source: Eurostat

## GDP Growth is Underpinned by Domestic Demand

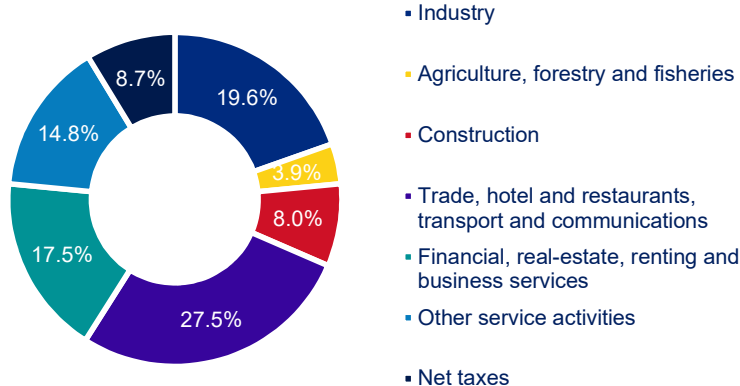
GDP Components, %



Source: NIS

## The Romanian Economy is Diversified

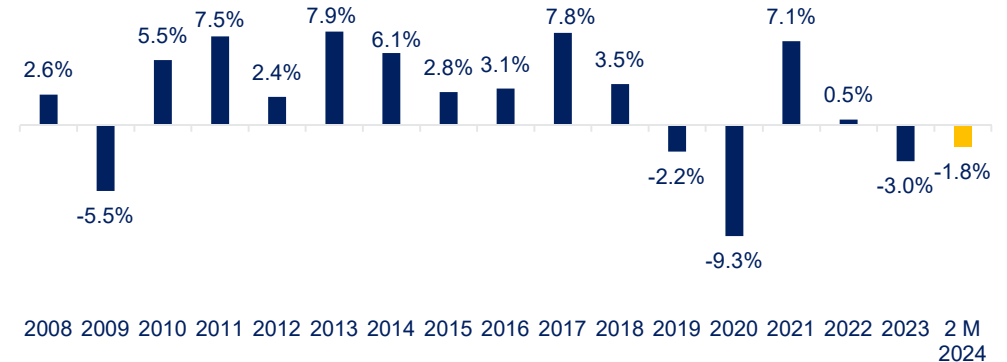
Structure of Gross Domestic Product by Sectors in 2023, %



Source: NIS

## Industry, in the negative territory

Real Change in Industrial Production, y-o-y, (base year 2021)



Source: NIS

# Labour Market Conditions Supportive of Long-Term Growth



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

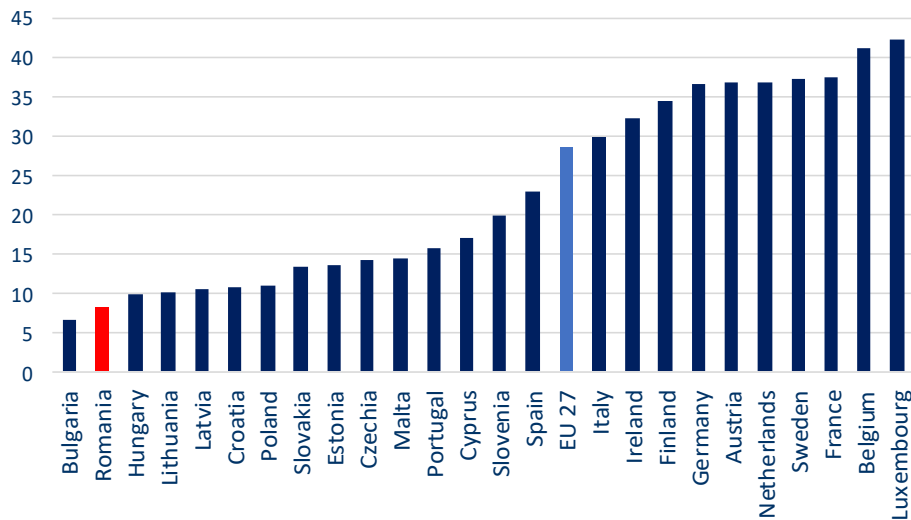
Prudent Public Debt Management

EU Funding

- Highly educated workforce as evidenced by the United Nations' Human Development Indicators 2020: skilled employees constitute 81.7% of the Romanian labour force and 70.7% of the population are internet users. The country ranked **#49 / #189**, according to the current Human Development Index.
- Romanian labour costs per hour remain among the most competitive in the EU.
- Romania's unemployment rate (ILO methodology) is nevertheless below the EU27 average and remains one of the lowest among the member states to date, respectively 5.3% in March 2024.

## Labour Costs in Romania are Sustained at one of the Lowest Levels in the EU

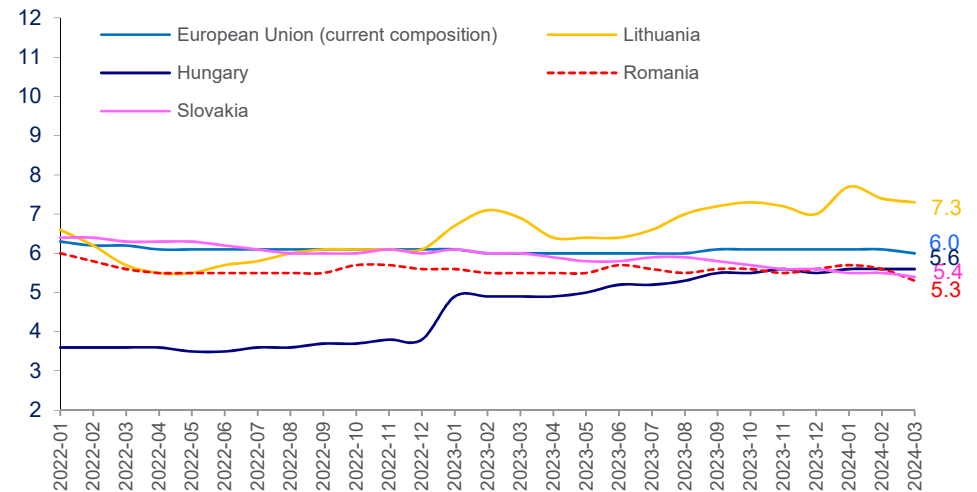
Annual data as of 2020, EUR



Source: Eurostat. Data according to ESA 2010 methodology

## Unemployment Rate Below the EU Average

Unemployment rate (monthly, seasonally adjusted), %



Source: Eurostat, ILO Methodology



## Sustainable Fiscal Policy





## 2023 Budget Execution – Deficit of 5.68% of GDP

- Revenues to the general consolidated budget, in the amount of RON 521.45 billion, increased by 13.3% in nominal terms compared to last year.
  - Increases in the collection of: personal income tax (+19.9%), social security contributions (+13.4%), corporate income tax (+9.2%), excises (+5.5%) and non-tax revenues (+7.5%), YoY compared to last year.
  - Revenues from VAT amounted to RON 104.33 billion at the end of 2023 (10.9% more than the level recorded in 2022).
  - Reimbursements from the EU: RON 67.71 billion, up by 39.8% compared to the level registered in the previous year.
- The expenditures of the general consolidated budget, in the amount of RON 611.35 billion, increased in nominal terms by 13% YoY compared to last year.
  - Personnel expenditure increased by 12.8%, compared to last year.
  - Goods and services expenditure increased by 6.5%, while the expenditure for social assistance increased by 9.6%.
  - Interest expenditure amounted to RON 30.62 billion, up by 5.2% compared to 2022.
  - Subsidy expenditure amounted to RON 18.01 billion.
  - Expenditure on projects financed from non-reimbursable external funds (including subsidies from the European Union related to agriculture) amounted to RON 78.41 billion.
  - Investment expenditure amounted to RON 100.66 billion in 2023, up by 38.8% compared to the previous year.

✓ The execution of the general consolidated budget for 2023 amounted to a budget deficit of RON 89.9 billion, 5.7 per cent. of GDP, compared to a budget deficit of RON 80.8 billion, or 5.8 per cent. of GDP, in 2022.

# 2024 Budget: Overview and Key Assumptions



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

Prudent Public Debt Management

EU Funding

## The new measures that impact the budget spending in 2024 reflect the continuation of a prudent and sound budget policy

- **Revenues** estimated at 33.8% of GDP;
- Minimum profit tax of 1% on turnover for companies registering in the previous year a turnover of over EUR 50 million;
- Additional tax for credit institutions (2% of turnover for the period January 1, 2024 – 31 December 2025 and 1% of turnover starting with January 1, 2026);
- Additional tax for companies in the oil and natural gas sectors, which registered a turnover of over EUR 50 million in the previous year (0.5% of total adjusted income);
- Establishment of two tax rates on the income of micro-enterprises (1% for micro-enterprises with revenues not exceeding EUR 60,000 and 3% for micro-enterprises that achieve revenues over EUR 60,000 or carry out certain economic activities);
- The revision of provisions regarding granting tax facilities for employees in the IT, construction, agriculture and food industry sectors;
- Hiking certain VAT rates and increasing excises for tobacco and alcohol products;
- The gross minimum wage is maintained at RON 3,300 in 2024.
- **Expenditures** estimated at 38.8% of GDP;
- Streamlining structures at the level of unit / directorate / general directorate in public sector;
- Increasing wages for employees in the education sector by 20% in two installments;
- Reducing the weight of public management positions in the total public positions at the level of main authorizing officers from 12% to 8%, abolition of vacant positions in the public sector;
- The amount of bonuses, allowances and compensations are maintained at the level of December 2023 (e.g.: food allowance, merit allowance, etc.);
- Compensation of overtime for public sector employees only with appropriate free time;
- Starting with January 1, 2024, social security pensions will increase by 13.8%, while from September 1, 2024 pensions will be recalculated according to the new pension law;
- Adjustment in goods and services as well as subsidies outlays as compared to 2023;
- Public investment budgeted at 6.9% of GDP, mostly financed by EU programs.

## Macroeconomic Assumptions for the 2024 Budget

GDP (RON bn)	1,733.8
<b>Real Growth Rate (%)</b>	<b>3.4</b>
Inflation / end of year (%)	4.6
Inflation / annual average (%)	6.0
Average number of employees ('000s)	5,342
No. of unemployed persons registered as at the end of year ('000s)	215
- Rate of registered unemployment (%)	2.7
Gross average salary (RON / month)	7,567
Goods exports – growth rate (%)	5.6
Goods imports – growth rate (%)	6.6



## May 2024 Budget Execution – Deficit of 3.4% of GDP

- Revenues to the general consolidated budget, in the amount of RON 225.38 billion, increased by 14.1% in nominal terms compared to the same period of last year.
  - Increases in the collection of: wage and personal income tax (+19.7%), social security contributions (+20.7%), corporate income tax (37.9%), excises (+3.8%) and non-tax revenues (+17.5%), YoY compared to same period of last year.
  - Revenues from VAT amounted to RON 47.89 billion at the end of April 2024 (18.1% more than the level recorded in the same period of 2023).
  - Reimbursements from the EU: RON 16.56 billion, down by 4.2% compared to the level registered in the same period of the previous year.
- The expenditures of the general consolidated budget, in the amount of RON 285.48 billion, increased in nominal terms by 21.8% YoY compared to the same period of last year.
  - Personnel expenditure increased by 20.9%, compared to the same period of the previous year.
  - Goods and services expenditure increased by 25.7%, while the expenditure for social assistance increased by 12.0%.
  - Interest expenditure amounted to RON 15.99 billion, up by RON 1.58 billion than the same period of 2023.
  - Subsidy expenditure amounted to RON 8.13 billion.
  - Expenditure on projects financed from non-reimbursable external funds (including subsidies from the European Union related to agriculture) amounted to RON 20.79 billion.
  - Investment expenditure amounted to RON 37.8 billion at the end of May 2024, up by more than 48% compared to the same period of last year.



# Prudent Public Debt Management



# Public Debt is on a Sustainable Path



Overview

Long Years of Uninterrupted GDP Growth

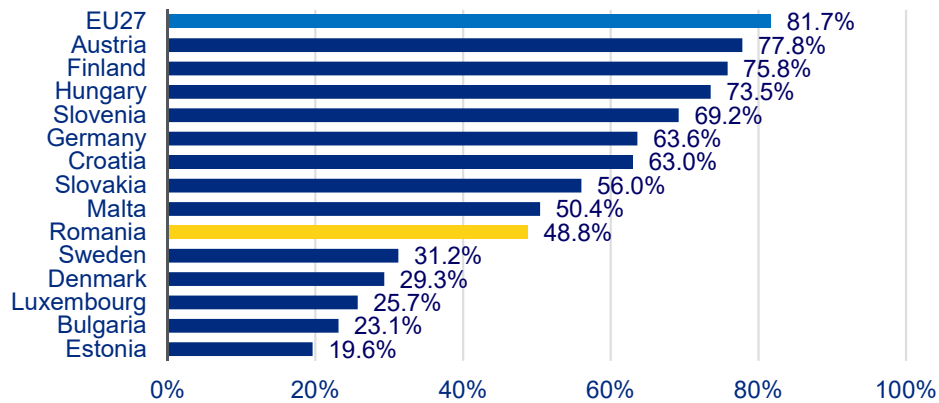
Sustainable Fiscal Policy

**Prudent Public Debt Management**

EU Funding

## Romania has one of the lowest Debt / GDP Ratios in the EU

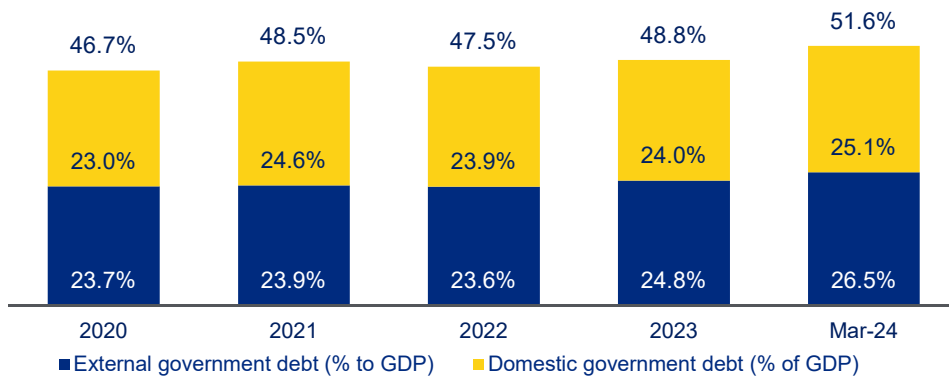
General Government Debt / GDP, 2023



Source: Eurostat – Euro Indicators 22 April 2024

## Debt / GDP Ratio is Stable...

General Government Debt / GDP ESA 2010<sup>2</sup>, April 2024



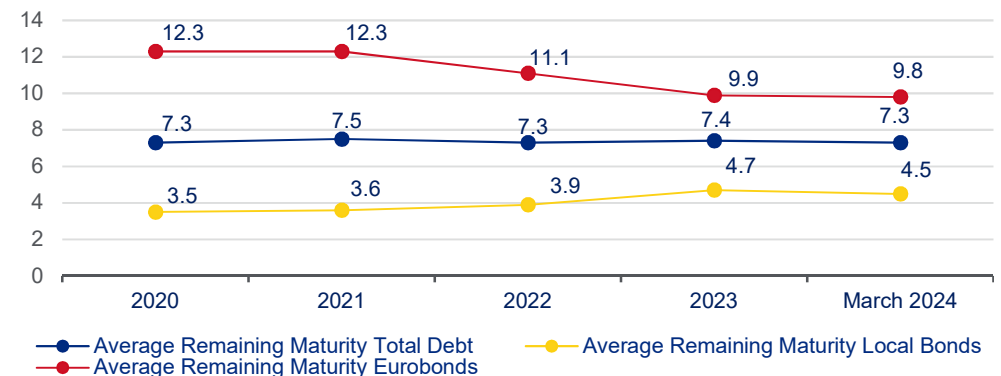
Source: Ministry of Finance – (EU Methodology).

(% of GDP)	2020	2021	2022	2023 P	2024 F
<b>Gross Financing Needs, Out of which<sup>1</sup>:</b>	14.1%	11.1%	10.7%	12.7%	10.3%
– Budgetary Deficit	9.6%	6.7%	5.8%	5.7%	4.9%
– Refinancing of Public Debt <sup>1</sup>	4.5%	4.4%	4.9%	7.0%	5.4%

(P) Provisional. (F) Forecasted.

## ...with a Prudent Maturity Profile

Average Remaining Maturity in years



Source: Ministry of Finance.

(1) Ministry of Finance (own calculation); (2) Ministry of Finance - according to EU methodology, the debt to GDP ratio was calculated taking into consideration the sum of GDP for the last four quarters. Preliminary data as of March 2024.



# Stable Government Borrowing Profile



Overview

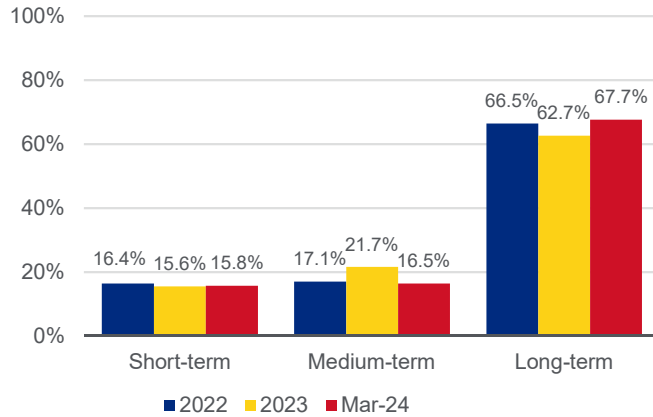
Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

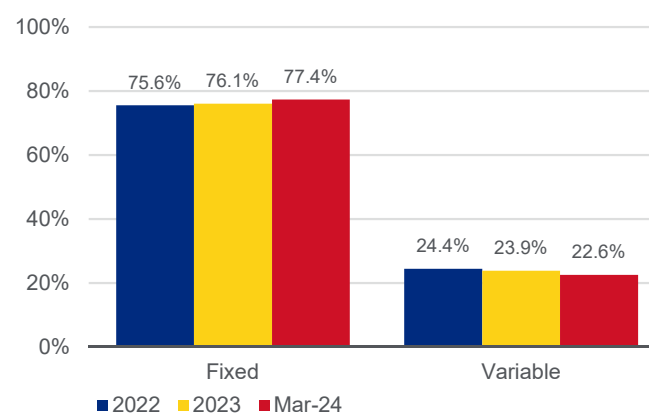
**Prudent Public Debt Management**

EU Funding

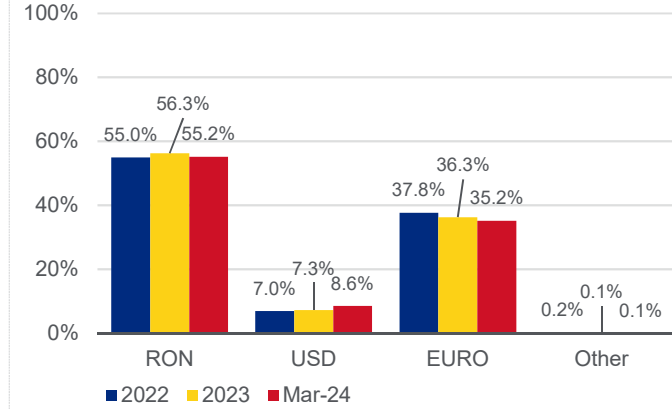
## Increasingly Long Tenor Borrowings...



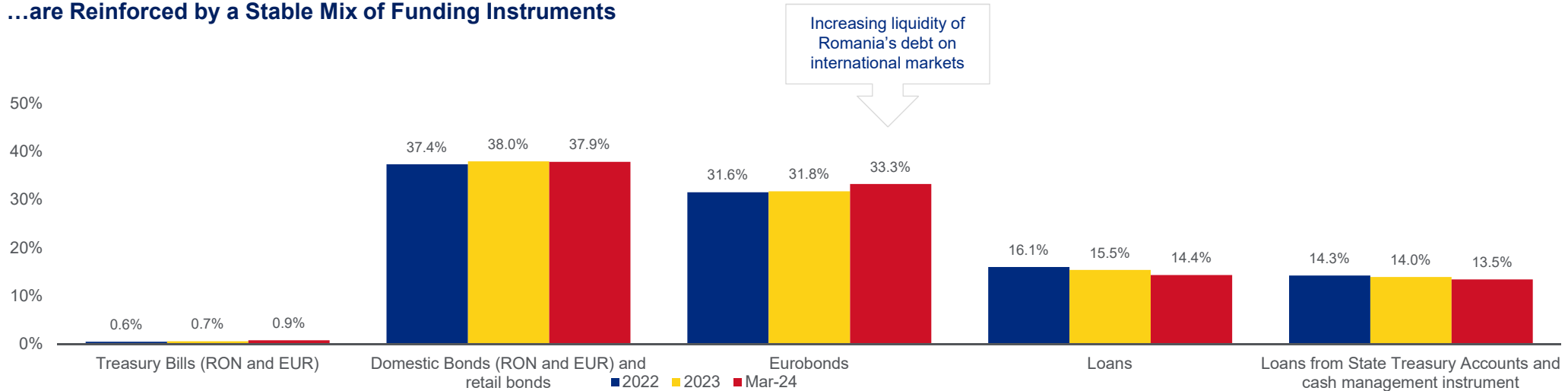
## ...Mostly Paying Fixed Interest...



## ...Primarily in RON and EUR...



## ...are Reinforced by a Stable Mix of Funding Instruments



Source: Ministry of Finance. Historical compilation of the Public Debt Bulletin, at the end of March 2024.

Note: Based on national legislation.

# Investment Grade Ratings Underpin Strong Market Performance



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

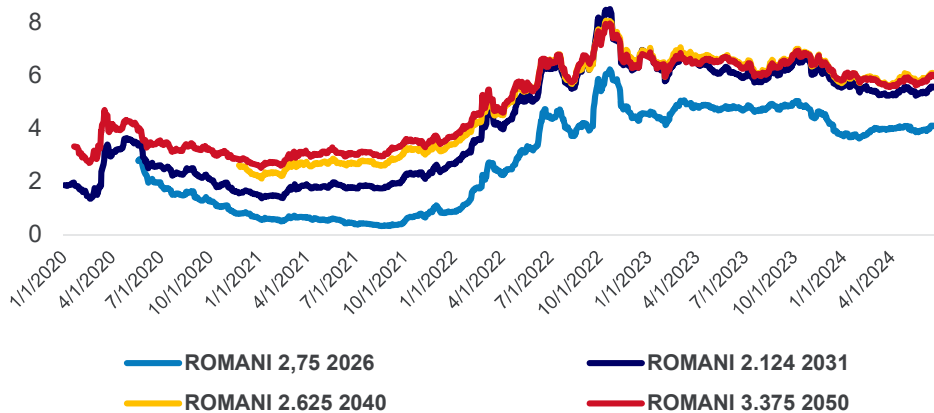
**Prudent Public Debt Management**

EU Funding

- Since the start of 2024 RON yields registered an increase of 25 to 60bps for the long section and a decrease of 6-7bps for the mid segment, with an average of 24bps up for all maturities, with much greater emphasis on the long term section of the curve.
- In the same period EUR yields had an upward evolution with 5bps to 35bps for the medium (4 and 5 years) and long end (20 years plus), and a downward evolution for the rest of the curve with 5bps to 10bps, with an average evolution of the Euro yield curve of 3bps and up to 45-50bps down over the yield curve of the benchmark German bonds with the same maturities (10 and 15 years). The USD yields of government bonds have increased with 10 to 35bps.

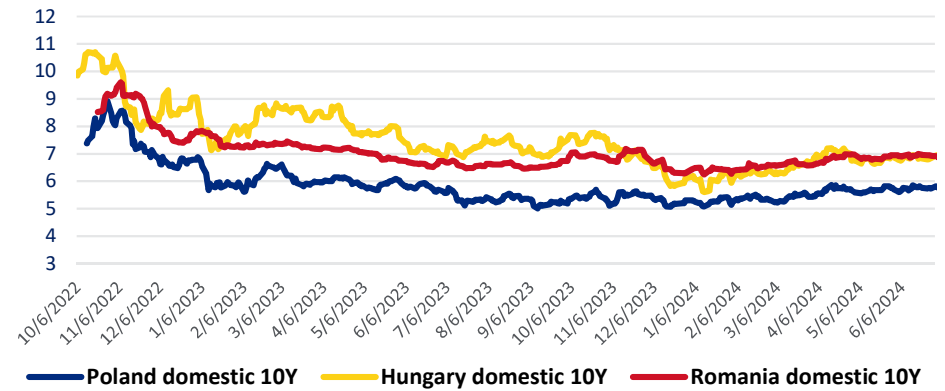
## ...and on its foreign debt

Bid Yields of Romanian Eurobonds EUR, %

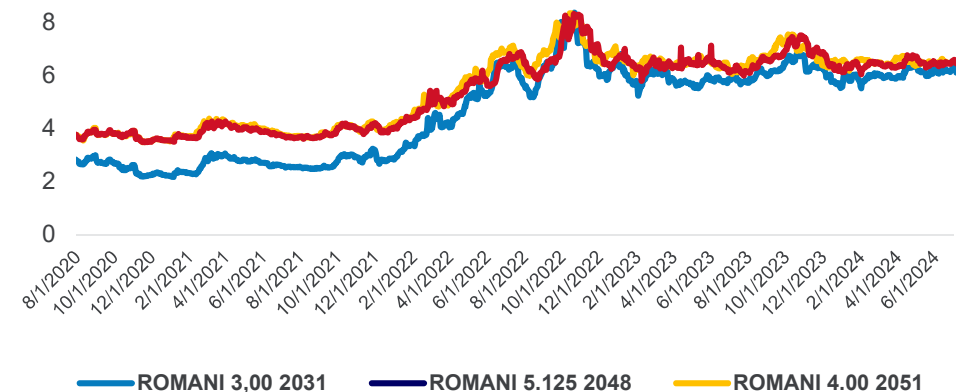


## Yields have been relatively stable, on Romania's domestic debt...

Domestic Yields PL, HU, RO – Approx. 10Y Tenor (%)



Bid Yields of Romanian Eurobonds USD, %



Source: Market data.

# Fine-tuned instruments and diversified investor base



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

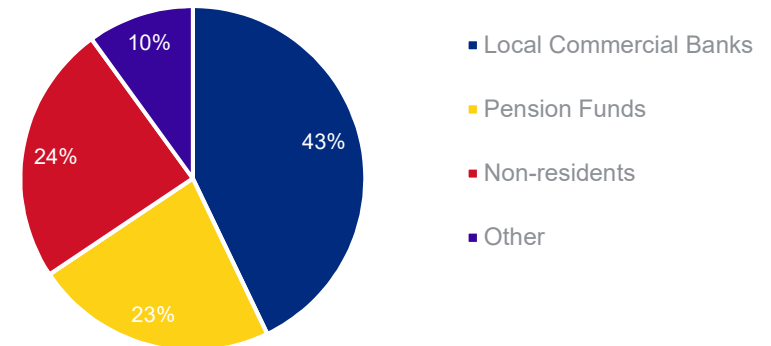
Prudent Public Debt Management

EU Funding

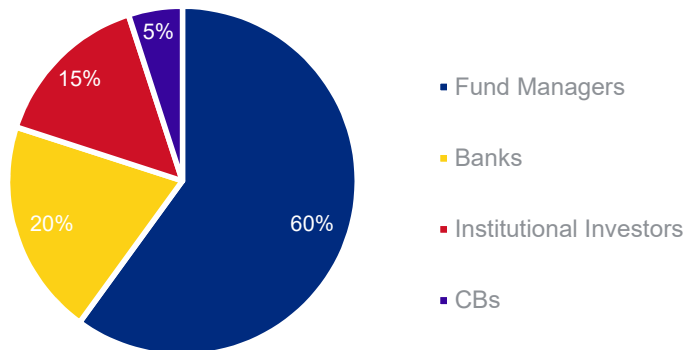
## Domestic Capital Markets Instruments

- Interbank market:
  - ✓ government securities with maturities between 6 months and 15 years,
  - ✓ liquid benchmarks to an equivalent of about EUR 2.5-3 bn.
  
- Retail market:
  - ✓ two programs for bond issuance with 1 to 5 years maturity via treasury offices, postal units and banks (via the Bucharest Stock Exchange in EUR and local currency).

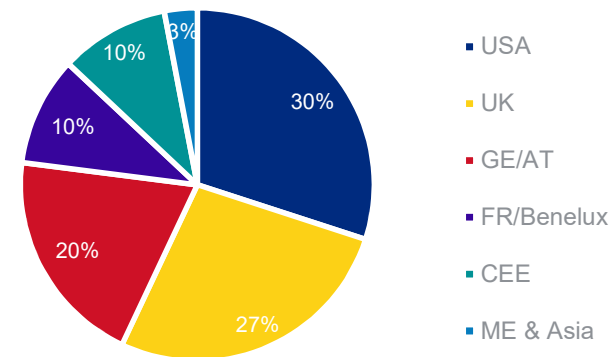
## Holders of domestic market government securities<sup>(1)</sup>



## Average Eurobonds Distribution by Investor Type<sup>(2)</sup>



## Average Eurobonds Distribution by Geography<sup>(2)</sup>



Note: statistics for longer tenors, 10Y+

(1) Source: Ministry of Finance. Public Debt Bulletin, end of March 2024.

(2) Source: Ministry of Finance (own calculation).

# Prudent Debt Management Policy



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

**Prudent Public Debt Management**

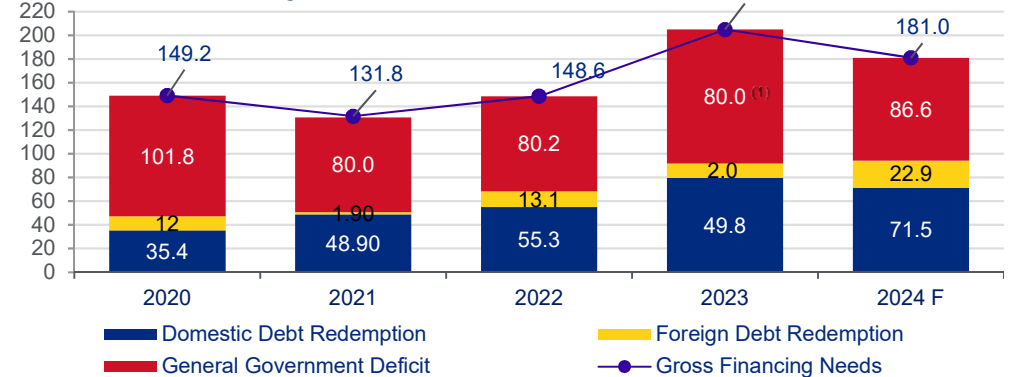
EU Funding

## Robust Market Access

- Funding sources:
  - **Domestic market** via RON and EUR government securities issued on the interbank market and retail government securities;
  - **External market** (Eurobonds, Institutional Loans from IFIs and government agencies, RRF, PPs).
- Hard currency buffer policy up to four months of gross financing needs.
- 2023 government financing needs were revised from RON 160 billion to RON 205 billion, including a pre-funding of some 2024 financing needs.
- 2024 government financing needs estimated at RON 181 billion.

## Financing Needs

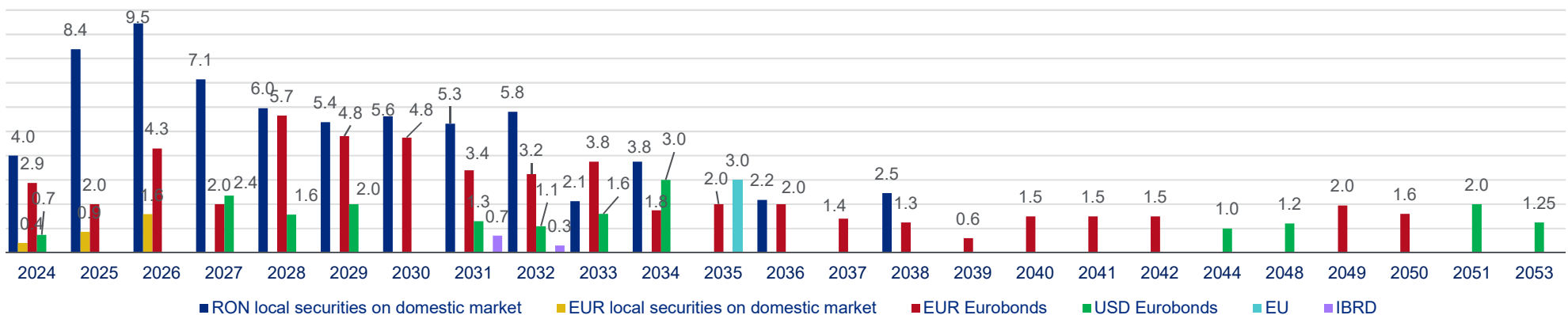
Government Financing Needs, RON bn



Source: Ministry of Finance (own calculation)

## Government Debt Maturity Structure is Well Distributed across a Long Horizon

Redemption Profile of Government Securities and External Loan Facilities, EUR bn



(1) The figure includes the financing of the general government deficit for 2023 and prefinancing of the financing needs for 2024

Source: Ministry of Finance. Data as of June 30, 2024.

# Prudent Debt Management Policy (Cont'd)



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

**Prudent Public Debt Management**

EU Funding

## Sovereign Debt Risk Management Targets

	Parameters <sup>1</sup>	Levels as of March 31, 2024	Levels as of December 31, 2023	Indicative Targeted Min / Max Ranges (2023–2025) <sup>2</sup>
Currency Risk	■ Share of domestic currency debt, % of total	48.3	49.2	45 (Min) – 60
	■ Share of EUR debt out of total foreign-currency denominated debt, %	80.8	83.0	75 (Min) – 90
Refinancing Risk	■ Debt maturing in one year, % of total	11.0	11.0	10 – 20 (Max)
	■ Local currency debt maturing in one year, % of total	18.0	15.0	15 – 25 (Max)
	■ ATM <sup>3</sup> for total debt, years	7.3	7.4	6.5 (Min) – 8.0
	■ ATM <sup>3</sup> for local currency debt, years	4.9	5.1	4.0 (Min) – 6.0
Interest Rate Risk	■ Debt re-fixing in one year, % of total	12.0	11.0	10 – 20 (Max)
	■ Local currency debt re-fixing in one year, % of total	16.0	13.0	15 – 25 (Max)
	■ ATR <sup>4</sup> for total debt, years	7.2	7.3	6.5 (Min) – 8.0
	■ ATR <sup>4</sup> for local currency debt, years	4.9	5.1	4.0 (Min) – 6.0

## Objectives of the Debt Management Strategy

- Covering the funding needs of the central government, while minimizing medium- and long-term debt costs.
- Limiting risks for the government public debt portfolio.
- Developing the domestic market for government securities.

## Strategic Guidelines During 2023–2025

- Financing mainly in local currency, with the objective of ensuring net financing (covering the budget deficit) mainly from domestic sources from 2024 onwards.
- Pursuing a smooth redemption profile
- Maintaining a foreign currency buffer
- FX funding mostly in EUR and USD
- Maintaining the exposure to interest rate risk under control
- Using IFIs and EU funding in order to benefit from the favorable terms and conditions attached to those instruments.

(1) According to national legislation excluding temporary financing; (2) Risk indicators calculated according to national legislation, excluding loans from availabilities of the State treasury account (temporary financing); (3) ATM – average time to maturity; (4) ATR – average time to re-fixing.

Source: Ministry of Finance: Historic compilation of the Public Debt Bulletin and Government Public Debt Management Strategy.



- In 2024, the gross financing requirements are RON 181 billion, from RON 203 billion in 2023 driven by a lower budget deficit target. As of June 30, 2024 approximately 75% of the 2024 financing needs were covered.
- The gross financing needs will cover the budget deficit of 5% of GDP (RON 86.6 billion) and the refinancing of the public debt (RON 94.4 billion).
  - Domestic market volume of around RON 116-121 billion, with a maturity structure of approx. 15%/85% (short term vs medium and long term).
  - Domestic market issuance conducted via interbank government bond auctions and retail bond issuances.
  - International markets volume of around EUR 12-13 billion, out of which around EUR 8.5-9.5 billion via Eurobonds and private placements, EUR 2 billion are disbursements from the European Commission within the Facility of Recovery and Resilience and EUR 1.5 billion drawings from loans contracted from IFIs.
- Maintaining a constant presence in EUR and USD markets via Eurobond transactions and private placements.
- Launching the first green bond in benchmark size, based on Romania's Sovereign Green Bond Framework adopted by the Government.
- Planning the inaugural Samurai bond transaction with a green offering, to be launched in 2024 for investor base diversification.



## Legal Framework and Governance

- The Framework for the Issuance of Bonds Intended to Finance the Protection of the Environment and Combat Climate Change was launched in December 2023.
- The Interministerial Committee in charge with approving the list of eligible projects/expenditures intended to protect the environment and combat climate change, with approving the Green Bond Framework and approval of the annual allocation and post-issuance impact reports prepared by the Ministry of Finance.
- The World Bank provided TA for the establishment of the green bond program.

## Green Bond Framework

- The processes put in place for the Framework follow international best practices and were evaluated by S&P Global Ratings (S&P).
- S&P’s Second Party Opinion (SPO) confirms the alignment of the Framework with (ICMA)’s Green Bond Principles.
- The Framework was assessed as **"medium green"** based on S&P’s evaluation of eligible projects, estimated allocations to these projects and expected impact on the protection of the environment and the fight against climate change.
- On 15 February, 2024 Romania issued its inaugural green bond on the international markets, a 12-year tranche of EUR 2 billion. The issue was extremely successful and attracted around EUR 9 billion in orders from more than 250 investors. The new issue concession was negative (-15 bps), implying a greenium of 10 bps. Around 45% of the investors were socially responsible investors (SRI) / with green-ESG mandates or known to use socially responsible investment principles/green investment principles.



**EU Funding**





# EU Funds Absorption has Accelerated in the Past Years



Overview | Long Years of Uninterrupted GDP Growth | Sustainable Fiscal Policy | Prudent Public Debt Management | **EU Funding**

Operational Program	Development Objective	Allocation 2007–2013	Absorption Rate (Amount Requested to EC) (%)										
			Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023	June 2024
		EUR bn	%	%	%	%	%	%	%	%	%	%	%
<b>RO Program<sup>(1)</sup></b>	Economic, social, balanced and sustainable regional development	3.71	57	64	85	93	100	100	100	100	100	100	100
<b>SOP<sup>(2)</sup> Environment</b>	Protect and improve the environment and living standards	3.98	42	62	79	84	94	94	94	94	94	94	94
<b>SOP Transport</b>	Modernization and development of European priority transport axes within Romania and the national transport infrastructure as a whole	3.76	57	62	77	81	92	92	92	92	92	92	92
<b>SOP Increase of Economic Competitiveness</b>	Fostering growth towards a knowledge-based economy	2.54	57	76	105 <sup>3</sup>	100	100	100	100	100	100	100	100
<b>SOP Human Resources Development</b>	Open, knowledge-based society through provision of conditions facilitating human resources development	3.20	47	55	73	91	91	91	91	91	91	91	91
<b>OP Administrative Capacity Development</b>	Help increase the responsiveness of Romania's public administration and judicial system	0.21	72	89	99	100	100	100	100	100	100	100	100
<b>OP Technical Assistance</b>	Strengthening the capacity of beneficiaries to prepare and implement EU financed projects	0.17	55	81	113 <sup>3</sup>	100	100	100	100	100	100	100	100
<b>Total</b>		<b>17.57<sup>4</sup></b>	<b>52</b>	<b>63</b>	<b>83</b>	<b>89</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>

Note: The final absorption rate can be calculated after the acceptance by the EC of the final documents for closure, that were submitted by the Member States up to March 31, 2017. The OP Technical Assistance is the only programme officially closed.

(1) Abbreviations: Regional Operational; (2) Abbreviations: Sectoral Operational Program; (3) Includes amount requested through top-up mechanism; (4) The 2007–2013 allocation was modified due to the amounts decommitted.

Source: Ministry of Investments and European Projects

# EU Funds Absorption under the 2014–2020 Programming Period



Overview | Long Years of Uninterrupted GDP Growth | Sustainable Fiscal Policy | Prudent Public Debt Management | **EU Funding**

Operational Program	Funds Allocated, EUR bn	Absorption Rate (Amount Requested to EC) (%)									
		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023	June 2024**
OP Technical Assistance	0.33	0	0	23.28	37.29	56.90	59.92	67.37	75.40	84.66	98.00
OP Competitiveness	2.38	0	0	6.48	17.01	25.38	23.31	25.82	54.02	77.94	80.31
OP Human Capital (including Youth Employment Initiative: EUR 0.15bn)	4.60	0	0	0.09	14.87	25.28	43.00	52.75	60.41	84.50	95.90
OP Administrative Capacity	0.56	0	0	4.15	12.95	23.23	33.56	47.07	63.04	88.70	101.58
OP Large Infrastructure	9.34	0	0	10.13	17.77	25.24	38.85	52.85	70.57	96.40	99.87
OP Regional	6.86	0	0	0.41	12.78	22.86	34.86	49.83	65.14	85.28	95.77
OP for SME's Initiative*	0.10	0	0	93.09	-	-	-	-	-	-	-
OP's for European Territorial Cooperation	0.48	0	0.54	1.76	9.56	21.19	33.27	54.84	67.42	81.85	90.97
OP Aid for the Most Deprived	0.49	0	0.97	17.37	17.35	30.27	48.24	54.21	54.21	82.48	82.48
<b>Total</b>	<b>25.04</b>	<b>0</b>	<b>0.02</b>	<b>5.62</b>	<b>15.65</b>	<b>24.87</b>	<b>37.48</b>	<b>49.51</b>	<b>65.16</b>	<b>88.53</b>	<b>95.66</b>

- As of June 2024, the total amounts received from the European Commission, pre-financing and reimbursements related to the operational programs financed by the Cohesion Policy, are at approx. EUR 23.4 bn, which means 97.2% of the EU allocation for these programs (about EUR 24.1 bn).

**As of June 2024, Romania ranked 4<sup>th</sup> among the 27 Member States, in absolute values of EU funds received. The contracting rate of 155% creates a prerequisite for an increase in the absorption rate in the upcoming period.**

*Note: The allocations for 2014–2020 OP's were modified according to the last versions of the approved operational programmes. Consequently, some percentages have been diminished.*

• *\*The OP for SME's Initiative was included in the OP Regional by EC approval from 16.10.2018.*

• *\*\*Includes the amounts declared as overbooking in accordance with EC regulations.*

Source: Ministry of Investments and European Projects

# MFF 2021 – 2027 & Next Generation EU



Overview | Long Years of Uninterrupted GDP Growth | Sustainable Fiscal Policy | Prudent Public Debt Management | **EU Funding**

- The **EU Multiannual Financial Framework 2021-2027 (“MFF”)**, along with the recovery instrument **Next Generation EU (“NGEU”)** are expected to play a central role in Romania’s economic recovery.

MFF 2021-2027 <sup>(1)</sup>		Next Generation EU (NGEU) <sup>(1)</sup>	
Cohesion Policy*	EUR 29.2 bn	<b>Recovery and Resilience Facility (RRF)</b>	EUR 28.5 bn: (EUR 13.6 bn in form of grants, EUR 14.9 bn in form of loans)
Common Agricultural Policy	EUR 20.7 bn	REACT-EU 2021/2022	EUR 1.5 bn (EUR 1.3 bn / 0.2 bn)
		REPowerEU	EUR 1.4 bn
Just Transition Fund (EU Green Deal)	EUR 0.9 bn*	Just Transition Fund	EUR 1.2 bn (p)
		European Agricultural Fund for Rural Development	EUR 0.7 bn
<b>Total MFF</b>	<b>EUR 49.9 bn</b>	<b>Total NGEU</b>	<b>EUR 32.6 bn</b>
<b>Total allocated EU Funds</b>		<b>~ EUR 83.2 bn (p)**</b>	

- The **NGEU amount** represents 4%<sup>(2)</sup> of the total value of this fund, Romania receiving the **5<sup>th</sup> highest allocation of all EU member states**, taking into account the analysis made at the moment of launching the Next Generation EU through the **Recovery and Resilience Facility (RRF)**
  - In 2021 Romania received a pre-financing amount of 13% from the Recovery and Resilience Facility / RRF of EUR 1.851.159.668, from the grant RRP allocation and on January 13th, 2022 Romania received a pre-financing of EUR 1.942.479.890, from the loan RRP’s allocation.
  - Romania aims to access the full RRF allocation of 28.5 billion euro both on grants and loans.
  - Romania has received, so far, amounts from two payments requests, as follows:
    - ✓ Payment request no 1: On October 27, 2022, the European Commission, following the positive assessment, transferred to the National Bank accounts EUR 2.56 billion EUR (grant component approx. 1.77 billion EUR and the loan component – 0.78 billion EUR).
    - ✓ Payment request no 2: On 29th September, the European Commission, following the positive assessment, transferred to the National Bank accounts EUR 2.76 billion EUR (grant component approx. 1.87 billion EUR and the loan component – 0.89 billion EUR).
  - Throughout 2023, Romania concentrated its efforts to revise the NRRP and introduce the new RePower EU chapter. On December 15, 2023 Romania submitted the third payment request
  - The payment requests are approved based on a satisfactory assessment on the fulfilment of milestones and targets for each reform and investment included in the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Romania.
  - Through the NGEU, Romania intends to **address investment needs in the private sector** by providing grants and support programs. The decision aims to ensure working capital measures, by financing:
    - investment needs; economic growth measures; companies digitalization schemes and measures to support employment growth.
- \* Cohesion Policy funds are fair balanced through the Partnership Agreement (PA) in 8 regional programmes and 8 sectorial/national programmes: Sustainable Development, Transport, Health, Education and Employment, Inclusion and Social Dignity, Just Transition, Smart Growth, Digitalization and Financial Instruments and Technical Assistance.
- The PA was approved on 25 of July 2022 and all the 16 programmes were also approved in 2022. After the approval of the programmes, the European Commission started to pay the prefinancing, according to the provisions of the regulations applicable to the 2021-2027 programming period. As of December 2023, the total amounts received from EC, representing prefinancing for the programmes financed by the Cohesion Policy, are of approx. EUR 753 million which represents approx. 2.4% of the EU allocation of the programmes.

(1) Current prices; (2) According to current prices the total NGEU envelope amounts to EUR 808 billion; \*included in the Cohesion Policy amount; \*\*(p) Provisional data Source: Ministry of Investments and European Projects, Ministry of Finance

# Key measures of Romania's National Recovery and Resilience Plan



Overview

Long Years of Uninterrupted GDP Growth

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44.1% of the NRRP total allocation for reforms and investments supports climate objectives

- Urban mobility: infrastructure for a green and more secure urban transport.
- Clean energy production: phasing-out of coal and lignite power production, deployment of renewables as well as related production processes, and hydrogen (**EUR 1.2 billion**).
- Energy efficiency of buildings: energy-efficient renovation and seismic renovation of buildings to reduce CO2 emissions by at least 0.15 million tons in private buildings and 0.075 million tons in public buildings (**EUR 2.9 billion**).

21.8% of the NRRP total allocation for reforms and investments supports digital objectives

- Digitalisation of public administration: digitalising public administration in key areas such as justice, employment and social protection, environment, civil service management and skills development, public procurement, cybersecurity, tax and customs, while building a secure government cloud infrastructure and supporting eID deployment (**EUR 1.4 billion**).
- Digitalisation of health: developing an integrated e-Health system, connecting over 25,000 healthcare providers and telemedicine systems (**EUR 442 million**).
- Digitalisation of education: improving digital pedagogical skills, educational content and equipment and resources, including in universities (**EUR 1.16 billion**).

Measures to reinforce Romania's economic and social resilience

- Social and territorial cohesion: modernising the Romanian social benefits system by implementing the minimum inclusion income reform, a reform of the pension system, measures to improve the employment and digitising social protection digital systems.
- Fiscal sustainability: Reinforced budgetary framework, better expenditure control and review of taxation, pension system reform, state guarantees for SMEs.

# Next Generation EU – Recovery and Resilience Facility



## Overview

## Long Years of Uninterrupted GDP Growth

## Sustainable Fiscal Policy

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## EU Funding

- The first payment request was disbursed by the EC on 27 October 2022 (EUR 2.56 billion from which the grant component amounted to EUR 1.772.317.380 and the loan component amounted to EUR 789.672.460).
- The second payment request was partially disbursed by the EC on September 29, 2023 (EUR 2.76 billion from which the grant component amounted to approx. EUR 1.87 billion and the loan component amounted to approx. EUR 0.89 billion). 51 milestones and targets were included in this payment request.
- The EC has sent two Observation Letters requesting further clarifications on how certain milestones and targets are met. Following the centralization of the information received from the Reform/Investment Coordinators, MIEP in its capacity as national coordinator sent to EC the reply to the Observation Letters among with all the relevant supporting documents to the justifications provided.
- On 21 September 2023, Romania received from the EC the decision regarding the authorization of the payment of the second instalment of non-refundable financial assistance component and refundable financial assistance component. Following its assessment, the Commission considered that 49 out of 51 milestones and relevant targets related to payment request no. 2 were satisfactorily fulfilled. Based on the justification provided in the payment request and the observations submitted by Romania, the EC considered that milestone 129 and milestone 133 have not been satisfactorily fulfilled. Pursuant to Article 24(6) of Regulation (EU) 2021/241, the payment of the second instalment of refundable financial assistance has been partially suspended with the amount of EUR 53.364.833. Following the partially positive assessment of Romania's payment request, in accordance with Article 24 paragraph (5) of Regulation (EU) 2021/241, the payment of the financial contribution related to the second instalment for the non-refundable financial assistance component was authorized in the amount of EUR 2.147.491.242 and for refundable financial assistance component was authorized the amount of EUR 1.026.833.397. After deducting the pre-financing, the amount related to Payment Request no. 2 is EUR 2.761.662.436 (EUR1.868.317.381 related to the non-refundable financial assistance component and EUR 893.345.055 related to the refundable financial assistance component).
- If the two milestones will be satisfactorily fulfilled within a period of 6 months from the submitted of the Letter of partial suspension, the EC will proceed to initiate the procedure regarding the payment of the amounts related to the two, according to Art. 24 paragraph (8) of the Regulation (EU) no. 241/2021 241 of the European Parliament and of the Council of February 12, 2021 establishing the Recovery and Resilience Mechanism, with subsequent amendments and additions.
- In the context of the current geopolitical crisis caused by the war in Ukraine, as well as following the negative revision of EUR 2.11 billion of the non-reimbursable financial support for Romania, the possibility of adjusting the National Recovery and Resilience Plan (NRRP) has emerged. On 27 February 2023, Regulation (EU) 2023/435 was published amending Regulation (EU) 2021/241 as regards the chapters on EU-PRSPs in the Recovery and Resilience Plans and amending Regulations (EU) Nos. At the same time, the European Commission presented the Communication entitled Guidance on Recovery and Resilience Plan in the context of REPowerEU (C2023/876 - Guidance on Recovery and Resilience Plan in the context of REPowerEU).The adjustment of the NRRP in line with the provisions of Regulation (EU) 2021/241 establishing the Recovery and Resilience Mechanism, as amended and supplemented, was a complex process completed with the formal approval of the proposal for the adjustment of the NRRP and the inclusion of the new chapter REPowerEU in December 2023, and the issuance of the Council Implementing Decision amending the Implementing Decision of 3 November 2021 approving the assessment of Romania's Recovery and Resilience Plan.
- In this context, payment request No 3, conditional on the completion of the adjustment of the plan, was sent to the European Commission on December 15, 2023, and contains 74 milestones and targets and currently it is in the assessment process at the EC level. EC has sent two observation letters to Romania, and MIEP, in its capacity as national coordinator, has sent the requested details together with justifying documents.



**Thank you!**

