

GOVERNMENT OF ROMANIA



FISCAL AND BUDGETARY STRATEGY FOR 2015-2017

DECEMBER
2014

Abbreviations and Acronyms

EA	Euro Area
EFA	Environment Fund Administration
EMU	Economic and Monetary Union
EPP	Euro Plus Pact
EU	European Union
FBRL	Fiscal & Budgetary Responsibility Law
FBS	Fiscal & Budgetary Strategy
GEO	Government Emergency Ordinance
GDP	Gross Domestic Product
IMF	International Monetary Fund
LPFL	Local Public Finance Law
MEF	Ministry of European Funds
MoT	Ministry of Transport
MTO	Medium-Term Budgetary Objective
MRDPA	Ministry of Regional Development and Public Administration
NHIH	National Health Insurance House
NPA	National Penitentiary Administration
NPPRMA	National Public Procurement Regulatory and Monitoring Authority
NRDP	National Rural Development Plan
NIS	National Statistics Institute
SME	Small and Middle-Sized Enterprises
SOE	State-Owned Enterprise
SOP	Sectoral Operational Program
SMURD	Romanian Emergency Rescue Service (Mobile Emergency Assistance, Reanimation and Extrication Services)
VAT	Value-Added Tax
WB	World Bank

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International Economic Framework

Slow recovery and very low inflation

The European Commission autumn forecast envisages a slow economic growth both in EU and the Eurozone, for the rest of the year.

For the whole year 2014, the real GDP growth will be, according to estimates, 1.3% in the EU and 0.8% in the Eurozone.

The growth is to speed up slightly in the course of 2015, to reach 1.5%, and 1.1%, respectively, due to the improved foreign and domestic demand.

In 2016, the economic activity is expected to speed up to 2.0%, and 1.7%, respectively, due to a consolidation of the financial sector, as well as to recent structural reforms which have started to bring results.

The economic upturn in 2015 will be slow. This reflects the gradual reduction of the crisis effects, with a still high unemployment rate, an important debt level and a low rate of capacity use.

In 2016, the consolidation of the domestic and foreign demand and the continuation of a flexible monetary policy, in addition to low financing costs, should help strengthen the demand more.

In 2015 and 2016, all EU States are expected to show a positive growth. In the course of the same period, the late effect of already implemented reforms should be seen to a higher extent.

Slow return to moderate economic growth

The EU recovery seems modest compared to the other, more-advanced, economies and past experiences of post-crisis recovery, while usually these have been slow and fragile too. For the forecast period, the domestic demand should increasingly take advantage of a flexible monetary policy, the progress made in cutting the private debt and the budgetary orientation which is in general neutral.

Private investment should, in their turn, pick up slowly, by taking advantage of the improved demand outlook and the effects of catching up, while initially the important unused capacities could be a hassle.

The private consumption should grow moderately in 2015 and 2016, supported by a drop in the basic products prices and the increase of available income, as the labor market will gradually improve.

Public consumption would marginally help the economic growth. Against the background of a moderate increase of the trade in the world, net exports are expected to contribute only to a low extent to the GDP growth, over the upcoming years.

Slightly improved labor market conditions

The pace of job creation was moderate, and the unemployment rates dropped slightly from fairly high rates. Taking into account that the growth is likely to gradually speed up, increasingly consistent improvements on the labor market are expected towards the end of time span covered by this forecast. In 2016, the unemployment rate is to decline to 9.5 % in EU and 10.8 % in the Eurozone.

The inflation continued trending down in 2014, in the EU Member States, as a consequence of the basic product price decrease and a significant economic slowdown.

Inflation is expected to remain very low in 2014. As the economic activity intensifies and the wages increase, the inflation will probably go up, a process which is supported by the recent Euro depreciation too.

In EU, the inflation is estimated at 0.6% in 2014, 1.0% in 2015 and 1.6% in 2016. In the Eurozone, the HCPI inflation (harmonized consumer price index) is estimated at 0.5% this year and 0.8% in 2015, and is expected to go up to 1.5 % in 2016.

Fiscal Policies

The process of cutting general public deficits is expected to continue. The deficit-to-GDP ratio should decrease even more this year, in the EU and the Eurozone, while at a slower pace than in 2013, and should reach 3.0% and 2.6%, respectively.

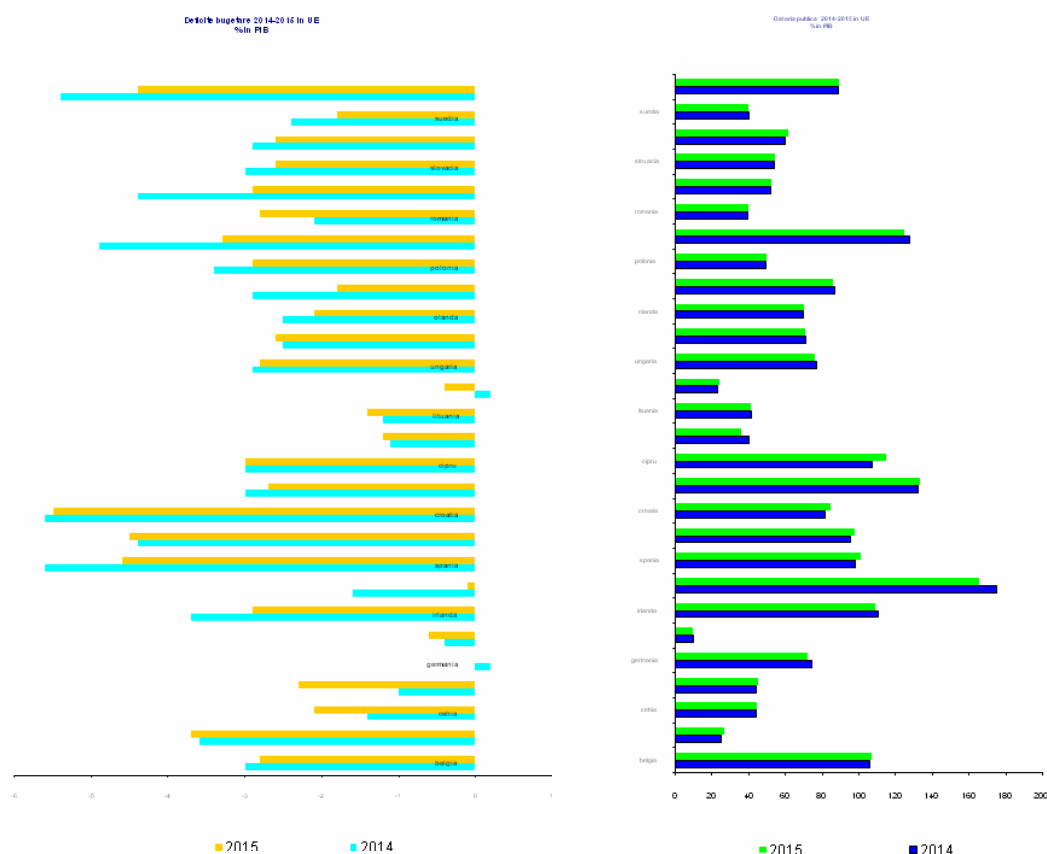
It is expected that the public deficits will continue to trend down in the next couple of years, as a result of the consolidation of the economic activity.

The budget policy orientation is expected to be almost neutral in 2014 and 2015.

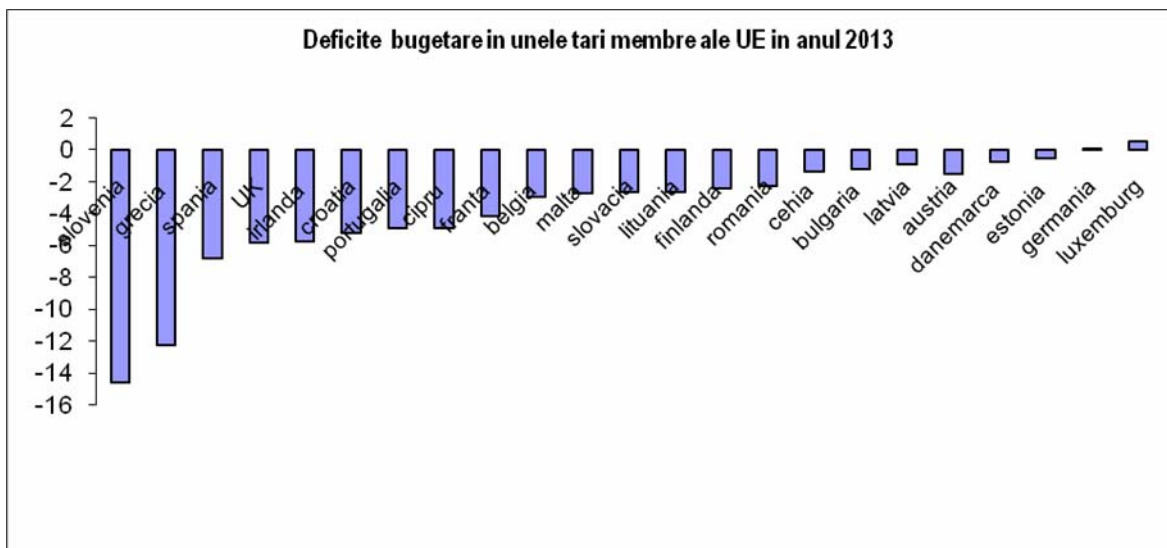
Next year, the debt-to-GDP ratio in both EU and the Eurozone is expected to reach a peak of 88.3% and 94.8% (according to the definition contained in the [European System of Accounts 2010](#)).

The risks to economic outlook persist

The risks related to the growth perspective continue to prevail, against a background of geopolitical tensions, instability of financial markets and the likelihood that structural reforms remain incomplete. The risks threatening the inflation perspectives preserve their balanced level.



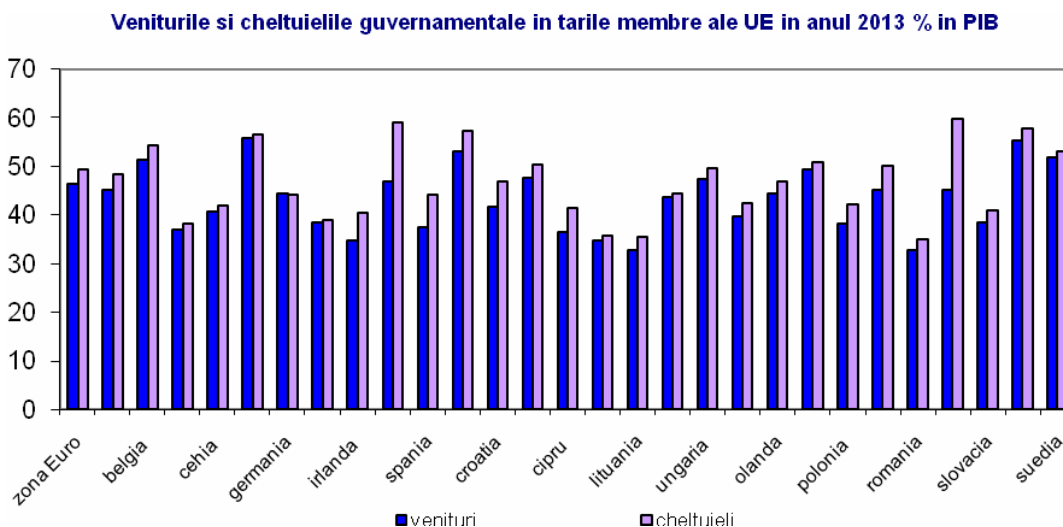
Source: The 2014 EC Autumn Forecast



Source: Eurostat – the second Fiscal Notification, October 21, 2014

In accordance with the Fiscal Notification of October 2014, Luxembourg and Germany had a budget surplus, and the smallest budget deficits were seen in Estonia, Denmark, Latvia, Bulgaria, the Czech Republic, and Sweden. 10 EU Member States had, in 2013, a deficit above 3% of GDP, namely Slovenia, Greece, Spain, UK, Croatia, Cyprus, Portugal, France and Poland. Romania's budget deficit was 2.2 % of GDP in 2013.

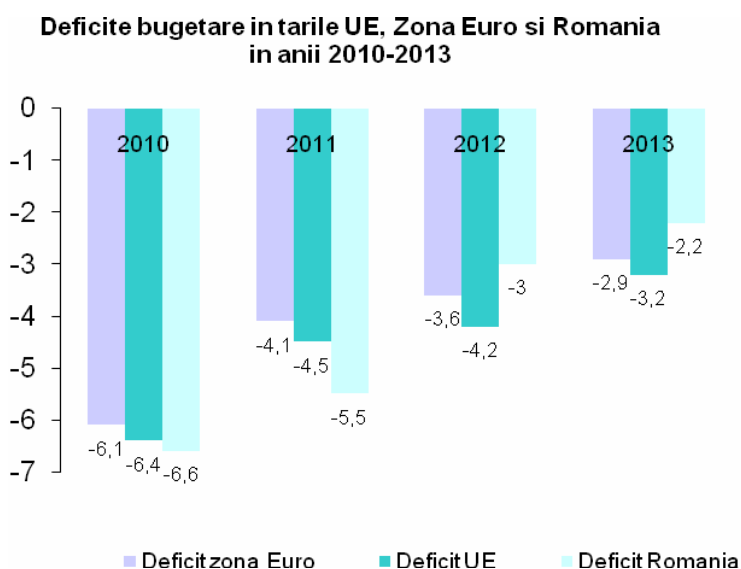
In 2013, the countries with the highest (above 100% of GDP) combined share of government revenues and expenditures to GDP are: Finland, Denmark, France, Belgium, Sweden, Greece, Slovenia and Austria. Eight Member States have a lower combined share of revenues and expenditures to GDP: Lithuania, Romania, Latvia, Slovakia, Bulgaria, Estonia, Ireland, and Poland.



Domestic Economic Framework – the main achievements in 2013-2014

The overall domestic framework is characterized by economic relaunch, higher investor confidence, budget discipline and a cut of waste, with progress made in the process of striking a fair balance between the sustainable fiscal consolidation and the economic relaunch, providing credibility and predictability to the Government's economic policy and financing at reasonable costs the budget deficit and the foreign deficit, which are the premises for healthy public finance. In the course of 2013-2014, Romania's budget policy continued to be defined by a prudential management of public expenditures and a significantly improved debt management. About the achievement of the goals set for the fiscal and budgetary policy in 2013-2014:

The budget deficit calculated according to the European methodology went down by 3.3 percentage points in 2011-2013, namely from 5.5% in 2011 to 3% of GDP in 2012 and 2.2% of GDP in 2013, with a relatively modest economic growth compared to the growth rates before the crisis. As of 2013, Romania got out from under the EU excessive deficit procedure.



Source: Eurostat – Fiscal Notification, October 2014

The charts above show the ESA budget deficits in 2012 and 2013 for Romania are lower compared to Eurozone and EU.

Domestic Economic Framework – main achievements in 2013-2014

Continue Fiscal Consolidation

- ✓ Cut ESA budget deficit from 5.5% in 2011 to 2.2% in 2013 and further to 2.0 % in 2014;
- ✓ Romania's release from under the excessive deficit procedure, in 2013;
- ✓ ESA budget deficits in 2012 and 2013 lower compared to Eurozone and EU;
- ✓ Cut structural deficit from 3.8% in 2011 to 1.7% in 2013;
- ✓ Cut the arrears of active central government's SOEs by approx. RON 6 Billion, in 2013 compared to 2012

Encourage Economic Growth

- ✓ Encourage the business environment by introducing the state-aid schemes;
- ✓ Allocate substantial EU funds (around EUR 34.6 Billion) to the 2007-2013 multi-annual financial framework (MFF) – a key resource to the medium and long term development of the economy.

Reform Public Investments

- ✓ Approve and publish the prioritized public investment list (among the significant investments, over RON 100 Million). This list makes it easier to channel the budget allocations to the main budget users, targeting the investments which bring the most economic and social benefits, namely the investments with a multiplying effect for the economy. The purpose is to increase transparency and efficiency in the decision-making process which allocates the investment expenditures, as well as a more careful monitoring of how these public investment projects are implemented, including by introducing the requirement to report, on a monthly basis, on the outcome indicators in physical/value units.
- ✓ The prioritization of public investments is based on the Government Emergency Ordinance 88/2013, and the Government Decision 225/2014 passed on March 26 to issue the methodological norms for the public investment prioritization.

Fiscal and budgetary policy measures with an impact on the provisions of social protection for the low-income citizens and on encouraging business environment;

- ✓ Increase of the minimum wage from RON 800/month to RON 850/month starting January 1, 2014 and to RON 900/month starting July 1, 2014;
- ✓ Pension indexation by 3.75%;
- ✓ Increase of the minimum guaranteed income by 4.5%;
- ✓ Apply the unitary pay law in the sense of increasing the wages for the categories of young employees with lower income;
- ✓ Introduce the tax on constructions, other than buildings;
- ✓ Exempt from corporate income tax the profits which are re-invested in technological equipment, machinery and installations;
- ✓ Promote the measure consisting of reducing by five percentage points the social security share payable by the employers.

Proper Public Debt Management

The Government borrowed cheaper in 2014, but the yield drop has become moderate. The government security yields dropped in the first two months of the fourth quarter, and continued to trend down as in the first half of the year, this evolution being influenced by the reduced inflation, the improved risk perception associated with Romania and the lower key-interest. Hence, in the month of November, the yields for 6-month government securities remained around 2%, and for the medium term bonds (5 years), and long term bonds (10 years), the yields were around 2.7% and 3.7%, respectively.

1 The objectives of the fiscal and budgetary policy in 2015-2017

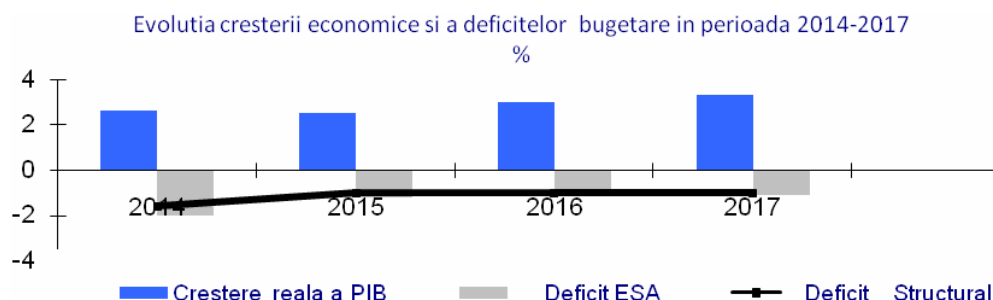
In the short run, the priorities of the Romanian Government remain related to the economic relaunch, job creation and the sustainability of public finance.

In the process of improving the economic governance at European level, the Treaty on Stability, Coordination and Governance within the Economic and Monetary Union (the Fiscal Treaty), is the reference legislation applied as of January 2013 which sets clear rules requiring the contracting parties to observe/provide the convergence with the country-specific medium term budgetary objective (MTO) as defined in the Stability and Growth Pact, with a structural deficit floor (cyclical effects and one-off measures are not taken into account) of 0.5% of GDP; (1.0% of GDP for the Member States which have a debt share significantly below 60% of GDP). The constraints included in this treaty impose having budget deficits as low as possible, which reduces the room for maneuver for the budget expenditures

For the year 2015, the main specific objectives of the budget policy are:

1. Continue fiscal consolidation by continuing the adjustment of the ESA deficit, from 2.2 % of GDP in 2013 to a deficit target estimated at 1.2% of GDP in 2015, plus an adjustor of 0.25 percentage points in GDP for the co-financing of projects supported by European Funds, for the purpose of reaching the medium term objective (MTO) in 2015.

The trajectory will continue in 2016-2018 to adjust remain under the MTO.



2. Encourage the economic growth by:

Having regard to the economic growth potential development, the Romanian economic in 2015-2017 is expected to return to a more rapid growth, with the possibility for the gross domestic product to increase, in average, by 2.9% annually.

- The domestic demand will be the driver of growth, with an annual estimated average of 3.4%.
- The gross fixed capital formation will speed up, due to an improvement in the priority infrastructure project financing, at an annual average pace of 5.1%.
- The expenditures with the population final consumption will increase, in average, by 3.0%, with the increase in the disposable income and improved confidence in the economic climate, and the expenditures with the government consumption, which includes the individual consumption and the aggregate consumption of the government, will show average rates of 1.9%, which will help reducing these expenditures' share to the gross domestic product and improve the efficiency of budget expenditures.
- Funding for various state-aid schemes;
- The public investment increase, in 2015, as it will be necessary to provide national co-financing for two European financial frameworks: 2007-2013 and 2014-2020¹.

¹ 2014-2017 Convergence Program.

- The measure aimed at cutting by 5 percentage points the share of social security contributions paid by the employers; the measure is introduced in the Law nr. 123/2014 which amended the Fiscal Code Law nr.571/2003 and will be aimed at [creating a friendly business environment, increasing the number of jobs and encouraging private investments](#).
- [The strategic contribution of the European Structural and Investment Funds \(ESIF\) in 2014-2020](#), with the purpose of having a smart development, based on economic growth and social inclusion;
- [Measures to ensure a better participation to the labor market](#) the purpose of which is to reach, by 2020, an employment rate of 70% for the population aged 20 to 64, consistently with the priorities stated in the 2020 Europe Strategy. The average number of employees, according to the civilian labor force balance, will increase in average by 1.6% annually, and the year-end unemployment rate will drop to 4.7% at the end of 2017.

3. The public investment reform, through a substantial increase of funds allocated to co-financing the European projects and the prioritization of significant public investments

Under the circumstances of their higher importance, including as a driver for relaunching the economy, it is worth saying that as of 2013 Romania implemented a number of public investment management reforms, focused on the following principles: the prioritization of public investments, the limitation of funds provided by the state budget, orientation to the projects which are funded, first of all, by European Programs.

The legal framework in the investment sector, consisting in the *GEO 88/2013 on passing various fiscal and budgetary measures to meet the commitments made to international institutions, and the Government Decisions nr.225/2014 on approving the methodological norms regarding the public investment prioritization*, **foresees a better prioritization of the significant public investment projects, as well as the introduction of a new set of prioritization criteria** which, if applied, would result in a more balanced and efficient way of using the budget funds allocated to significant investment projects.

4. Measures undertaken by the Government to stimulate the consumption at the same time with providing social protection to low-income categories of population as in the 2015 budget

- the minimum wage will increase: on January 1, 2015 to 975 lei; and on July 1, 2015 to 1050 lei. In May 2012, the minimum wage in the economy was 700 lei. Hence, it can be seen that the Government's measure regarding the increase of the minimum wage by 50% was actually achieved;
- all pensions escalated by 5%;
- increase social benefits to pensioners from 350 lei to 400 lei;
- increase benefits to the disabled by 16%;
- increase the family allowance to families with an income below 530 lei per family by 42 lei per child;
- increase the placement allowance to 600 lei;
- increase the food allowance for disabled adults and the elderly in the social care homes from 8 to 16 lei per day;
- gradually reimburse debts recovered from pensioners and persons who receive child raising allowances;
- increase wages in the health and social assistance sectors by 100 lei, starting January 2015, with the exception of the staff which in 2015 have their basic wages increased by more than 100 lei, as a consequence of the increase of the minimum guaranteed wage;
- increase wages of teachers and support staff in the education sector by 5% starting March 1, 2015 and by another 5% starting September 1, 2015.

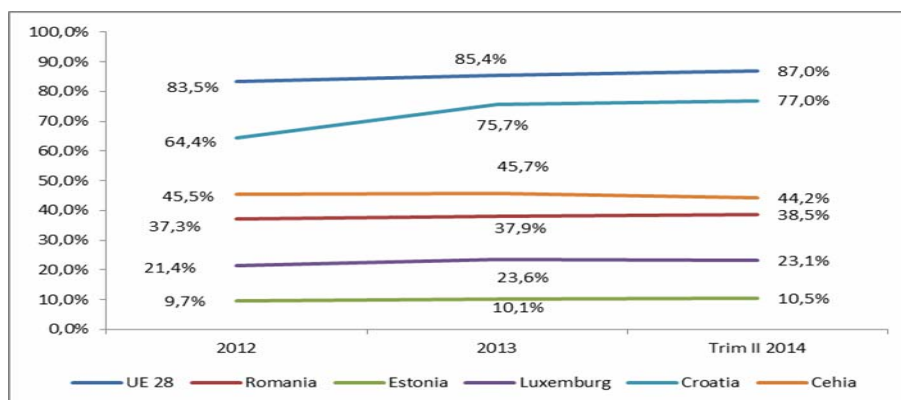
5. Develop and diversify debt management instruments

The government debt according to EU methodology was, at end-2013, 37.9% of GDP, clearly below the 60% ceiling set in the Maastricht Treaty. In the government debt at end-2013, the domestic debt was 17.2% of GDP and the foreign debt was 20.7% of GDP, as a result of a funding process in 2011-2013 focused on important foreign funding. In addition, at the end of October 2014, the government debt accounted for 40.4 % of GDP, of

which the domestic debt was 19.4% of GDP, and the foreign debt 21.0% of GDP.

Among the EU Member States, at the end of Q2 2014², Romania was in the group of countries with the lowest indebtedness level, after Estonia (10.5%) and Luxembourg (23.1%). Also, at the end of Q2 2014, the EU Member States with the highest indebtedness level were: Italy (133.8%), Portugal (129.4%) and Ireland (116.7%).

Chart 1: Comparisons at EU level (% government debt to GDP)



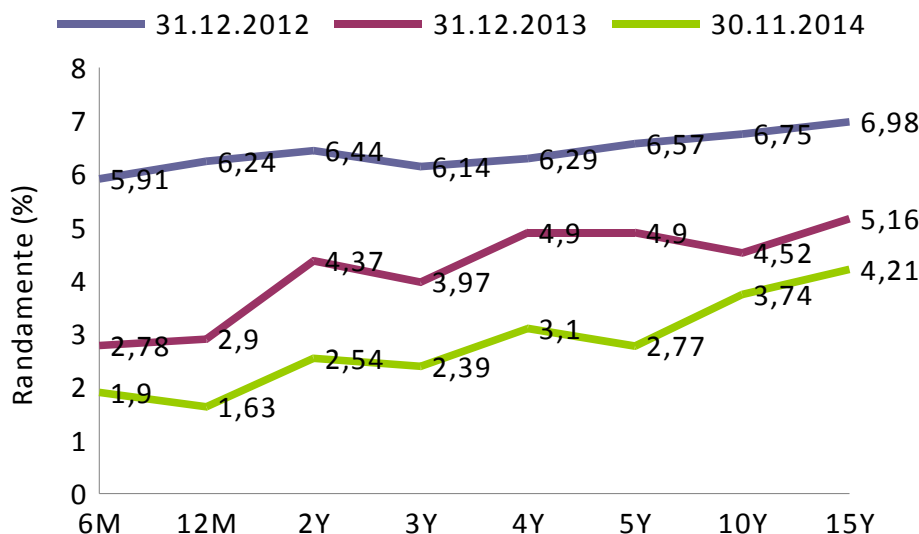
Source: Eurostat

In accordance with the 2014-2016 debt management strategy, the budget deficit in 2014 will be covered, in a balanced manner, from domestic and foreign sources, and in the following years MoPF plans to increase the share of domestic funds in funding the budget deficit, to take into account the aim of developing the domestic market of government securities and reduce exposure to the currency risk, while in 2014, due to the MoPF policy aimed at extending the debt maturity and consolidating the State Treasury foreign currency buffer, the budget deficit was covered mainly from foreign sources, completed from domestic sources. Under these circumstances, the annual amount of government securities to be issued in the following years on the domestic market to finance the budget deficit and refinance the debt is estimated at maximum 50 Billion lei, which is less by 5 Billion lei compared to the total amount issued in 2013.

The strategy focused on domestic sources takes into account mainly government securities denominated in lei, namely T-Bills, including by issuing shorter treasury bills (3 months initially), in addition to the 6-month and 12-month T-Bills and the benchmark bonds issued on a medium and long term depending on the existing demand on the market and taking into account the objective of building the RON yield curve.

² Source: Eurostat newsrelease euroindicators 160/2014- 23 October 2014 – SEC 2010

Chart 2: Yields of government securities on the primary market



Source: MFP

As for the medium term foreign funding, it will be provided mainly by Eurobonds issued on the foreign capital markets under the EMTN Programme (the frame programme of medium term government securities) which will be completed by loans from official creditors (international financing institutions and government agencies).

The sources needed to refinance debt will be come from the markets on which the debt was issued, as well as from the State Treasury foreign currency buffer. In order to improve debt management and avoid seasonal risks in securing the sources for financing the budget deficit and refinancing the government public debt, consideration is being given to preserve the State Treasury foreign currency buffer in amount equivalent to around 4 months of financing and refinancing needs.

6. Improve budget procedures by implementing multi-annual project and program budgeting

This objective will focus on defining in a careful and thorough manner the policies and priorities to be funded from the budget, improve budget performance by having the outcome/output indicators defined, improve the medium term expenditure framework, improve the predictability and efficiency in public spending. Currently, the methodology is being developed for boosting efficiency of project and program budgeting.

SUBSTANTIATION OF OBJECTIVES MACROECONOMIC INDICATORS

1. Continue fiscal consolidation by continuing to adjust the ESA deficit from 2.2% of GDP in 2013 to a deficit target estimated at 1.2% of GDP in 2015, plus a 0.25 pp adjustor for co-financing the projects funded with European funds, as a move to reach the medium term objective (MTO) in 2015, namely a structural deficit of 1% of GDP. Over the time span 2016-2018 the trajectory of adjusting and observing the MTO will be continued.

Given the progress made with the fiscal consolidation and the economic governance, **the fiscal consolidation will continue in the following years, while at a slower pace than in 2009-2012**, considering an adjustment of the fiscal effort to the room, through individual strategies on both the revenues and the expenditure sides, favoring growth. **Romania will focus its budgetary effort on improving the quality of budget appropriations, stimulating investments in education, research and innovation, infrastructure, and energy sectors.**

MACROECONOMIC INDICATORS OF THE BUDGET CONSTRUCTION

MAIN MACROECONOMIC INDICATORS – SUMMARY

	An 2015
GDP - Million RON	709.681*
Economic growth %	2.5
Annual average inflation %	2.2
Average RON/EUR rate	4.42
Revenues to GCB - Million RON	226.360
Total revenues share to GDP	31.9
BGC expenditures - Million RON	239.364
Share of total expenditures to GDP	33.7
Deficit - Million RON	13.004
Deficit-to-GDP ratio	1.8
Unemployed (total number)	465.000
Net income from wages per month	1.758

* ESA 2010

Budget deficits in 2012-2017

Budget deficits	2012	2013	2014*)	2015**)	2016*)	2017*)
	- % of GDP -					
ESA Deficit	-3.0	-2.2	-2.0	-1.2	-1.1	-1.1
Structural Deficit	-2.5	-1.7	-1.6	-1.0	-1.0	-1.0

*) estimates

**) plus 0.25 pp as adjustor to cofinance the projects supported from European funds.

- ✓ In 2015-2018, the ESA budget deficits will remain below 2% of GDP, with the structural deficit expected to be 1% of GDP and remain at this level in the upcoming time period.
- ✓ At the same time, the medium term budget planning follows the new budget deficit rule set in the *Treaty for Stability, Coordination and Governance within the Economic and Monetary Union*, and plans to reach the medium term budget objective (1% of GDP in structural terms) in 2015.

Economic growth in 2015 is estimated at 2.5%.

Contribution of components to real GDP growth		
	- % -	
	2014	2015
GROSS DOMESTIC PRODUCT	2.6	2.5
Domestic demand	1.6	3.0
Final consumption	2.7	2.0
- Private consumption expenditures, of which:	2.1	1.8
-- expenditures with the final household consumption	2.1	1.7
- Government consumption expenditures*, of which:	0.6	0.2
-- Actual aggregate consumption of the public sector	0.6	0.1
Gross Capital Formation	-1.1	1.0
- Gross Fixed Capital Formation	-1.2	0.9
- Stock adjustment	0.0	0.0
Net Exports	1.0	-0.4
Exports of goods and services	4.0	2.5
Imports of goods and services	3.0	2.9

*) Government consumption includes the individual consumption and the aggregate consumption of the general government

Note: Any inconsistencies in totals are a result of roundups.

Contribution of branches to real GDP growth		
	- % -	
	2014	2015
Industry	1.2	1.1
Agriculture, forestry, fishery	0.0	0.1
Constructions	-0.1	0.3
Total services	1.1	0.7
Net taxes per product	0.4	0.3
GROSS DOMESTIC PRODUCT	2.6	2.5

Note: Any inconsistencies in totals are a result of roundups.

2. Stimulate economic growth by:

Measures aimed at encouraging growth:

- ✓ Boost public investments; the national cofinancing in 2015 will be needed to support two European Financial Frameworks: 2007-2013 and 2014-2020³.
- ✓ Introduce the measure of cutting the employer's share of social security contributions by 5 percentage points, in the Law nr.123/2014 amending the Fiscal Code Law 571/2003; this measure is aimed at

³ 2014-2017 Convergence Program

creating a friendly business environment, increasing the number of jobs and encouraging private investments.

- ✓ *State-aid schemes for 2015 and the period after 2016* will help creating new jobs, making investments which use new technology, obtaining innovative products, services and technologies which will have a positive effect on the economic growth and providing macroeconomic stability.

State-aid schemes managed by the Ministry of Public Finance	2015	2016 - 2018
Government Decision 1680/2008 on introducing a state-aid scheme for securing sustainable economic development.	Payments are made.	Payments are made.
Government Decision 753/2008 introducing a state-aid scheme for regional development through investments.	Payments are made.	Payments are made.
Government Decision 797/2012 introducing a state-aid scheme for supporting investments which promote regional development by using new technology and creating new jobs.	Payments are made.	Payments are made.
Government Decision 332/2014 introducing a state-aid scheme for supporting investments which promote regional development by creating new jobs.	Funding agreements are issued Payments are made	Funding agreements are issued Payments are made
Government Decision 807/2014 introducing a state-aid scheme having as purpose to encourage the investments with a major impact on the economy.	Funding agreements are issued Payments are made	Funding agreements are issued Payments are made

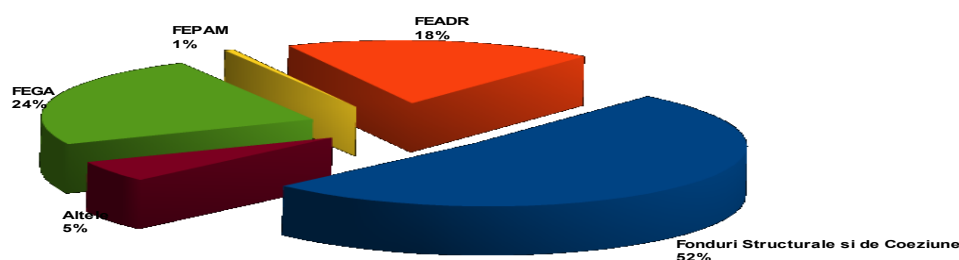
- ✓ *Measures aimed at providing a higher participation rate on the labor market* to reach, until 2020, an occupation rate of 70% among the population aged 20 to 64, in line with the priorities set in the Europe 2020 Strategy. **The average number of employees**, according to the civilian labor force balance, shall be increased, in average, by **1.6% annually**, with the **unemployment rate registered** at the end of the year to go down to 4.7% at end-2017.
- ✓ Over the time span 2015-2017, the expenditures with the household final consumption will raise, in average, by 3.0%, with the disposable income increasing along with the confidence in the economic climate, and the expenditures with the government consumption, which include the individual and aggregate consumption of the government, will increase in average by 1.9%, which will result in a lower share of these expenditures in the gross domestic product and an improved efficiency of budget expenditures.
- ✓ *Strategic contribution of European Structural and Investment Funds (ESIF) in 2014-2020*, aimed at reaching an intelligent development, based on economic growth and social inclusion;
- ✓ *Improve the absorption rate of structural and cohesion funds*;

Amounts allocated to Romania in the financial framework 2014-2020 are close to **43 Billion Euros**.

Total funds allocated to Romania in the MFF 2014-2020

Million Euros	
Instrument	Amount
Structural and Cohesion Funds	22,887
European Agricultural Fund for Rural Development	8,016
European Fishery and Maritime Affairs Fund	231
European Fund for Guarantees in Agriculture	11,819
Other	549
Total	43,502

Composition of allocations to Romania in the multi-annual financial framework 2014-2020



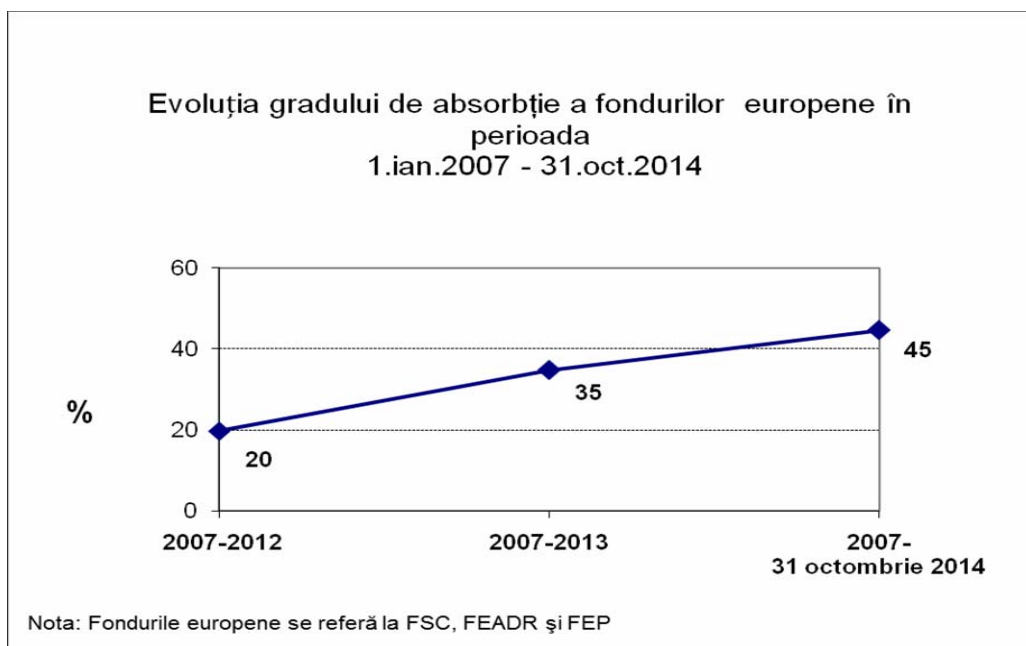
The Partnership Agreements shows how the ESIF investments are concentrated, to promote competitiveness, convergence and cooperation, as a move to reach an intelligent development, based on economic growth and social inclusion.

In order to achieve economic growth, Romania may have a modern and competitive economy by approaching the following five challenges in development:

- Competitiveness and local development
- Population and social aspects
- Infrastructure
- Resources
- Administration and governance

In 2014-2020, Romania's investments will use ESIF resources under all 11 thematic objectives of the Europe 2020 Strategy.

Investments from ESIF in 2014-2020 will be one of the most important instruments in reducing the growth disparities among the regions in Romania, as well as between our country and other Member States.



3. Public investment reform through substantial increase of allocations to European projects co-financing and prioritization of significant public investments

Investment expenditures in 2013-2017

	2013	2014	2015	2016	2017
			proposals	estimates	estimates
Total GCB expenditures (Million lei)	216 168	233 540	239 364	251 955	260 538
- % of GDP	33.8	34.6	33.7	33.7	33.0
GCB investment expenditures (Million lei)	31 614	36 145	44 789	47 643	48 042
% of total expenditures	14.6	15.5	18.7	18.9	18.4
- % in GDP	4.9	5.4	6.3	6.4	6.1

Note: Investment expenditures include expenditures of programs funded with non-refundable post-accession foreign funds (post-accession NEF), capital expenditures and expenditures of programs funded from loan proceeds.

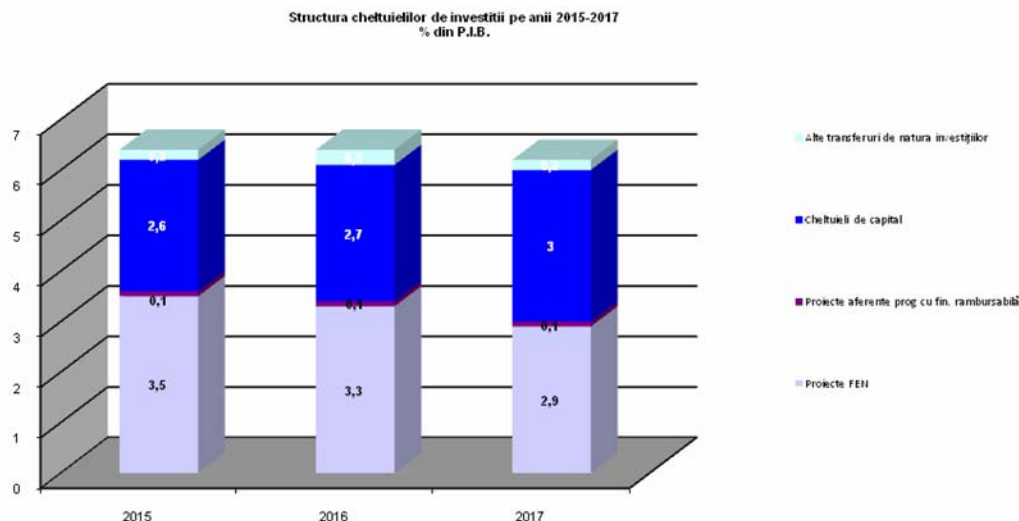
In line with the general and specific objectives set in articles 37 and 38 of GEO 88/2013, in drawing up the list which prioritized the significant public investment projects, consideration was given to [the prioritization principles and criteria for public investment projects](#), namely the scores assigned by the main budget managers, as well as to [economic performance indicators of public investment projects and the commitments made by Romania](#), in its capacity as borrower, or in other capacity, within various loan agreements, or other agreements, concluded with international financial institutions.

The prioritization process of public investments will be consolidated in order to take the full advantage of the economic growth potential.

One of the commitments that Romania made to the International Monetary Fund and the European Commission consists of a re-orientation of public investment expenditures with the purpose to switch gradually from investments which are fully funded from national sources to investments co-funded by EU funds. It is

reminding that, in addition to the above, this indicative prioritization doesn't mean that those projects will necessarily be excluded from being funded under the annual budget laws, in line with the legal provisions in force.

In 2015, the expenditures aimed for investments amount to 44.8 Billion lei, which is by 8.7 Billion more than in 2014, accounting for approx. 6.3% of GDP and a share in total budget expenditures of 18.7%, by 3.2 pp higher than in 2014.



4. Measures undertaken by the Government to stimulate the consumption at the same time with providing social protection to low-income categories of population as in the 2015 budget

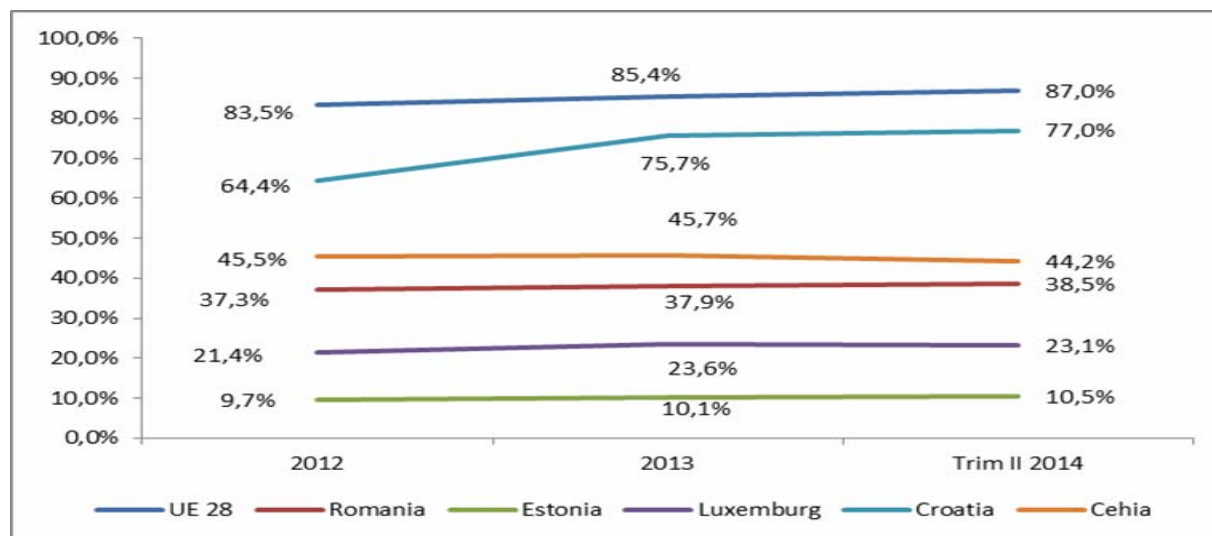
- the minimum wage will increase: on January 1, 2015 to 975 lei; and on July 1, 2015 to 1050 lei. In May 2012, the minimum wage in the economy was 700 lei. Hence, it can be seen that the Government's measure regarding the increase of the minimum wage by 50% was actually achieved;
- all pensions escalated by 5%;
- increase social benefits to pensioners from 350 lei to 400 lei;
- increase benefits to the disabled by 16%;
- increase the family allowance to families with an income below 530 lei per family by 42 lei per child;
- increase the placement allowance to 600 lei;
- increase the food allowance for disabled adults and the elderly in the social care homes from 8 to 16 lei per day;
- gradually reimburse debts recovered from pensioners and persons who receive child raising allowances;
- increase wages in the health and social assistance sectors by 100 lei, starting January 2015, with the exception of the staff which in 2015 have their basic wages increased by more than 100 lei, as a consequence of the increase of the minimum guaranteed wage;
- increase wages of teachers and support staff in the education sector by 5% starting March 1, 2015 and by another 5% starting September 1, 2015.

5. Develop and diversify debt management instruments

The government debt according to EU methodology was, at end-2013, 37.9% of GDP, clearly below the 60% ceiling set in the Maastricht Treaty. In the government debt at end-2013, the domestic debt was 17.2% of GDP and the foreign debt was 20.7% of GDP, as a result of a funding process in 2011-2013 focused on important foreign funding. In addition, at the end of October 2014, the government debt accounted for 40.4 % of GDP, of which the domestic debt was 19.4% of GDP, and the foreign debt 21.0% of GDP.

Among the EU Member States, at the end of Q2 2014⁴, Romania was in the group of countries with the lowest indebtedness level, after Estonia (10.5%) and Luxembourg (23.1%). Also, at the end of Q2 2014, the EU Member States with the highest indebtedness level were: Italy (133.8%), Portugal (129.4%) and Ireland (116.7%).

Chart 1: Comparisons at EU level (% government debt to GDP)



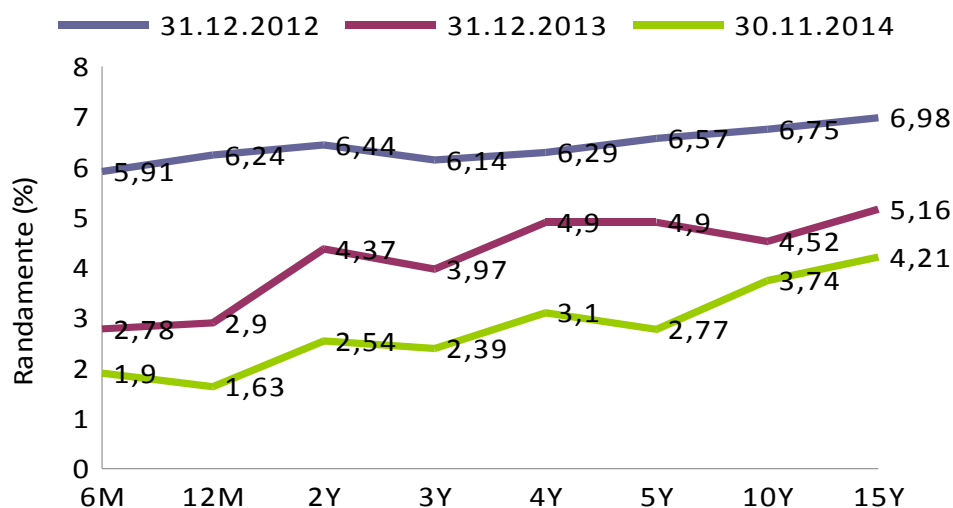
Source: Eurostat

In accordance with the 2014-2016 debt management strategy, the budget deficit in 2014 will be covered, in a balanced manner, from domestic and foreign sources, and in the following years MoPF plans to increase the share of domestic funds in funding the budget deficit, to take into account the aim of developing the domestic market of government securities and reduce exposure to the currency risk, while in 2014, due to the MoPF policy aimed at extending the debt maturity and consolidating the State Treasury foreign currency buffer, the budget deficit was covered mainly from foreign sources, completed from domestic sources. Under these circumstances, the annual amount of government securities to be issued in the following years on the domestic market to finance the budget deficit and refinance the debt is estimated at maximum 50 Billion lei, which is less by 5 Billion lei compared to the total amount issued in 2013.

The strategy focused on domestic sources takes into account mainly government securities denominated in lei, namely T-Bills, including by issuing shorter treasury bills (3 months initially), in addition to the 6-month and 12-month T-Bills and the benchmark bonds issued on a medium and long term depending on the existing demand on the market and taking into account the objective of building the RON yield curve.

⁴ Source: Eurostat newsrelease euroindicators 160/2014- 23 October 2014 – SEC 2010

Chart 2: Yields of government securities on the primary market



Source: MFP

As for the medium term foreign funding, it will be provided mainly by Eurobonds issued on the foreign capital markets under the EMTN Programme (the frame programme of medium term government securities) which will be completed by loans from official creditors (international financing institutions and government agencies).

The sources needed to refinance debt will be come from the markets on which the debt was issued, as well as from the State Treasury foreign currency buffer. In order to improve debt management and avoid seasonal risks in securing the sources for financing the budget deficit and refinancing the government public debt, consideration is being given to preserve the State Treasury foreign currency buffer in amount equivalent to around 4 months of financing and refinancing needs.

6. Improve budget procedures by implementing multi-annual project and program budgeting

This objective will focus on defining in a careful and thorough manner the policies and priorities to be funded from the budget, improve budget performance by having the outcome/output indicators defined, improve the medium term expenditure framework, improve the predictability and efficiency in public spending. Currently, the methodology is being developed for boosting efficiency of project and program budgeting.

2. Medium Term Budget Objective

2.1. Legal and regulatory framework

The stability of public finance plays a privileged part in the functioning of the Economic and Monetary Union since financial discipline is a requirement for reaching a stable level of prices in the medium run and sustainable economic growth. The fiscal policy, through the automatic stabilizers and discretionary fiscal measures, has an important role in attenuating the economic fluctuations generated by the asymmetric shocks which may negatively impact the EMU Member States.

The sovereign debt crisis in the Eurozone encouraged the coordination of fiscal policies, underlining the need for the national fiscal governance to be consistent with the fiscal governance at European Union level. For this purpose, the European Union introduced a few fiscal policy regulations:

- ✓ The Stability and Growth Pact;

- ✓ The European Semester;
- ✓ The Six-Pack of measures on economic governance;
- ✓ The Treaty on Stability, Coordination and Governance within the Economic and Monetary Union, including the Fiscal Pact;

Hence, the economic governance structure of the European Union is based on three main elements:

(a) The European Semester for the coordination of macroeconomic policies, aimed at a synchronized development of EU economies, without important macroeconomic differences, with budget deficits below 3%;

The first *European Semester* was introduced in the first half of 2011, as a common instrument for the coordination of economic and fiscal policies of the EU Member States, which monitors the budgetary discipline, the macroeconomic stability and the growth-promoting policies, including the Strategy 2020, and the states which do not follow the recommendations are to be fined. The European Semester includes a clear calendar, based on which the Member States receive advice from the European Union and a consolidated financial supervision is provided, in accordance with the Stability and Growth Pact.

In the Stability and Convergence programs, the Member States will present their medium term budget strategies. At the same time, the Member States will develop national reform programs, which will set the action to be taken to consolidate the MS policies in sectors such as employment and social inclusion. All these programs will be launched simultaneously, in the month of April. In June and July, the Board of Economy and Finance Ministers (ECOFIN) and the European Council develop country-specific orientation and recommendations on the budgetary and economic policies, based on which the Member States complete their budgets for the next year.

b) The Stability and Growth Pact (SGP), is a legal framework based on rules for the coordination of national fiscal policies within the European Union, which has been set up as a move to consolidate public finance. The medium term objective (MTO) is the “cornerstone” of the SGP preventative component, consistent with the provisions in the EC Regulation 1466/97: “Each Member State should have differentiated medium term objectives for their budget position. The country-specific medium term budgetary objectives may diverge from the requirement of a close to balance or in surplus position, while providing a safety margin with respect to the 3% of GDP government deficit ratio. Hence, certain budget flexibility is provided, taking into account the need for public investments in the Member States.

In order to remove the discrepancies and weaknesses which showed up during the recent financial crisis, a second change was introduced in the SGP in 2011, the Six-Pack measures on economic governance.

Art.6 par (3) a) of the EU Regulation nr.1175/2011 amending the EC Council Regulation nr. 1466/97 on the consolidated supervision of budgetary positions and the supervision and coordination of economic policies reads as follows:

a) if a Member State fails to reach the medium term budgetary objective, when the structural balance change is assessed, the divergence is considered as important when it is at least 0.5% of GDP in one year and at least 0.25% of GDP in average per year, over two years in a row;

c) the Treaty on Stability, Coordination and Governance in the EMU (Fiscal Treaty), which is applied since January 2013, come to top up the GSP, and includes clear rules that require the parties to observe/ensure the convergence with the country-specific medium term budgetary objective (MTO), as defined by GSP, setting the structural deficit lower limit (cyclical effects and one-off measures are not taken into account) to 0.5% of GDP; (1.0% of GDP in the case of Member States with a debt rate significantly below 60% of GDP). The correction mechanisms should ensure that action is taken automatically in the case of a deviation from MTO or the adjustment path to achieve the MTO, stating escape clauses extraordinary situations. The way these rules are followed should be monitored by independent institutions.

On the national plan, having regard to the Treaty on stability, coordination and governance within EMU signed on March 2, 2012, the structural deficit rule, the situation in which there is a divergence from this rule and the

automatic correction mechanism in case of a divergence *were introduced in the national legislation through the revised Fiscal and Budgetary Responsibility Law 69/2010*. The amendment was passed by means of an amending law, Law 377/2013 published in the Official Journal of Romania nr. 826/23.12.2013. The new fiscal rules introduced by Law 377/2013 are applied since January 1, 2014.

The identification of the fundamental fiscal position is based on the definition and calculation of the cyclically or structurally adjusted budget balance.

In essence, the cyclically adjusted budget balance is the level of the budget balance which is reached when the economy is at its potential level. Hence, it can be used to determine how much of the changes occurred in the fiscal and budgetary position (taxes, transfers, expenditures) is due to economic circumstances and how much comes from the discretionary fiscal and budgetary decisions. In practice, the actual budget position is decomposed in two categories of factors – temporary and permanent factors. The cyclically adjusted budget balance can be formulated as follows:

$$\text{Actual budget deficit} = \text{Cyclical budget deficit (automatic stabilizers)} + \text{cyclically adjusted budget deficit (discretionary policies)}$$

The fiscal policy objectives may be better defined in terms of cyclically adjusted budget balance, ensuring the long term public finance sustainability and at the same time allowing the automatic stabilizers to reduce the economic fluctuations.

In essence, the automatic stabilizers reflect the fact that the budget revenues and, to a lower extent, the automatic stabilizers, the expenditures are affected by the position in the framework of the economic cycle and help attenuating the cyclical fluctuations.

For example, in case of an expansion, the budget revenue from VAT, excise duties, social security contributions, personal income tax, corporate income tax, and other will be higher, reducing the disposable income of the population and economic agents and thus helping temperate the economic growth and have the GDP back to its potential level.

In case of a recession, the collected revenue declines, and the expenditures with unemployment benefits will increase, with a positive impact on the companies' and population income, thus favoring the economic upturn and the return of the GDP to its potential level.

The effectiveness of automatic stabilizers depends on the size of the government sector, as well as on the elasticity of budget revenues and expenditures in case of cyclical variations of the economy. The larger the government sector, and the bigger the change of budget revenues and expenditures in answer to cyclical fluctuations of the economy, the stronger the attenuation effect of the fluctuations resulting from the action of automatic stabilizers.

The global economic crisis showed that, when shocks on the demand side are significant, the monetary policy is not able to provide a sufficiently strong answer when if the transmission mechanism is constrained by the financial market circumstances.

The expansionist discretionary fiscal policy may be used in this case, if there is a proper fiscal room, but there are a few advantages too: it takes a relatively long time to implement, it is influenced including by political reasons, and it is not automatically reversed when the position within the economic cycle changes.

These disadvantages are not found in the automatic stabilizers, but their efficiency depends on the institutional and budgetary and fiscal choices. For example, the dedicated literature shows the efficiency of automatic stabilizers may be improved especially by increasing the share of the government sector or by increased progressive taxation.

2.2 The situation in Romania

In Romania, in the times of rapid economic growth before the financial crisis, there was a positive fiscal impulse, which helped overheating the economy and deepening the accumulated imbalances in the economy. In Romania, the pro-cyclical fiscal and budgetary policy during the pre-crisis period of economic growth, wore

out the fiscal room that would have been needed to stimulate the economy in the recession that followed, and the need to cut the budget deficit during the crisis years (first of all due to funding constraints) led inevitably to the persistence of a pro-cyclical budgetary and fiscal policy. Hence, the automatic, beneficial and stabilizing action of the cyclical deficit (automatic stabilizers) was cancelled by the pro-cyclical discretionary policy.

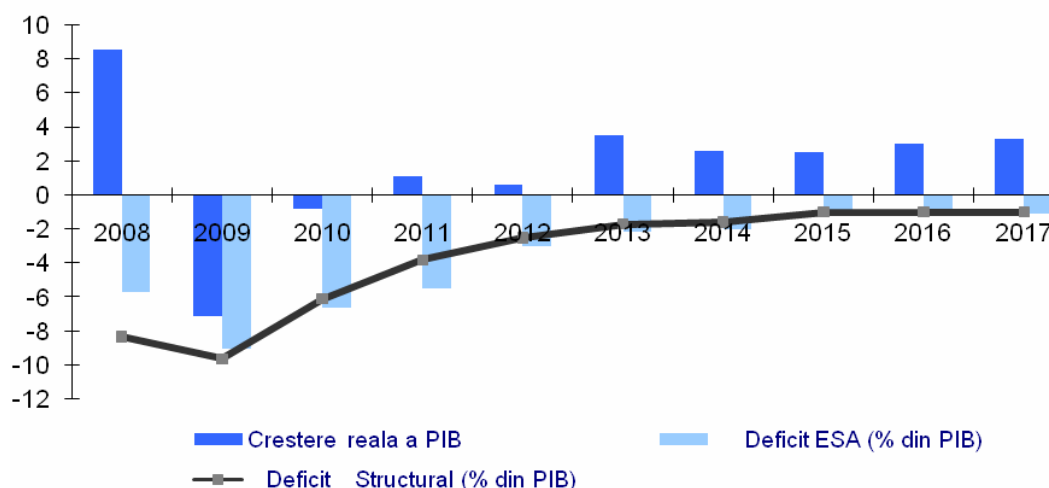
The economic growth and the budget deficits in 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015*)	2016	2017
Real GDP growth	8.5	-7.1	-0.8	1.1	0.6	3.5	2.6	2.5	3.0	3.3
ESA Deficit	-5.7	-9.0	-6.6	-5.5	-3.0	-2.2	-2.0	-1.2	-1.1	-1.1
Structural Deficit	-8.3	-9.6	-6.1	-3.8	-2.5	-1.7	-1.6	-1	-1	-1

Source MoPF, Eurostat, NSI

*) plus the adjustor – 0.25 pp to co-finance the European projects

Evolutia cresterii economice si a deficitelor bugetare in perioada 2008-2017



As shown in the table and chart above, between 2008 and 2011 Romania had the highest budget deficits, which caused important risks to stability and growth. Fiscal consolidation measures were implemented aimed at cutting the budget deficit and improving the public finances.

As a result of improper policies promoted, the macroeconomic balances deteriorated and caused the growth in 2009 drop to minus 7.1% as against plus 8.5% in 2008 in Romania, a country with higher imbalances at the beginning of the crisis which, therefore, required higher adjustment efforts compared to other countries in the region.

The economic growth in Romania was 3.5% in 2013, the third year of growth in a row (1.1% in 2011 and 0.6% in 2012) which consolidates the trend of recovering from the economic and financial crisis which affected Romania too, in 2009 and 2010. The growth, in 2013, was mainly due to the positive contribution to the net export, while the domestic demand dropped with the decline in the gross fixed capital formation and the government consumption.

In 2009-2011, the structural budget deficit went down from 9.6% of GDP to 3.8 % of GDP, in a very rapid adjustment pace. At the same time, one has to take into account that the starting point was high as well, which required to swiftly pass decisive measures to ensure a sustainable fiscal policy. Cutting the budget deficit after 2008 was a must, but the choice of means in to do so in 2010-2011 involved significant social costs and negatively impacted Romania's growth potential. In terms of estimated aggregate adjustment for 2009-2012, this has been, in Romania's case, one of the most ambitious, consistent with the high initial fiscal imbalance.

The adjustment was implemented mostly on the expenditures side, with structural reforms promoted mainly in the public sector wage system, the public pension system and the budget programming. As for the revenues, the most important measure was the raise of the standard VAT rate from 19% to 24%, as of July 2010. Starting 2011, the effective year of European regulations which introduced the obligation to annually cut the structural deficit by minimum 0.5 pp, Romania cuts its deficit by 4.4 pp, i.e. from 6.1% of GDP in 2010 to 1.7% of GDP in 2013. As a consequence Romania, along with Denmark, was the only country outside the Eurozone which got under the MTO monitoring mechanism, together with the Eurozone states.

Specifically, in Romania's case, taking into account the fairly low public debt level, the structural budget deficit rule currently involves **engaging on an annual adjustment path to maximum 1% of GDP**. This adjustment path must be agreed with the EU institutions under the European MS budgetary supervision mechanism (SM). **The broad objective is to reach in 2015 the MTO committed by Romania in the 2014-2017 Convergence Programme approved by the Government and submitted to the European Commission, namely a structural deficit of 1% of GDP, after Romania officially got out from under the excessive deficit procedure, in 2013.** Since 2013, a new approach has been taken in the fiscal consolidation process, as a move to stimulate growth, distribute the adjustment burden in a fair manner, do away with deepened disparity and social tensions. For the first time in the Romanian history, in 2013 the ESA deficit (2.2% of GDP) was lower than the cash deficit (2.5 % of GDP).

A significant deviation from the adjustment path to MTO would require the application of provisions in art. 6² of the Fiscal and Budgetary Responsibility Law 69/2010, as revised and supplemented (FRL, **meaning the implementation of a set of measures aimed at correcting the deviation. The failure of Government members to comply with the LRF provisions attracts, according to the provisions of article 52 of the same law, the joint political liability for the other members of the Government, in accordance with the Romanian Constitution, as republished, and the Law 115/1999 on the accountability of ministers, republished, as amended.**

Under these circumstances, any divergence from the targets committed by Romania is considered a violation of European regulations as well as of the national legislation.

2.3 The importance of achieving the medium term budgetary objective

The limitation of the structural deficit promoted by the *Treaty on stability, coordination and governance of the EMU* signed by Romania on March 2, 2012 will make impossible the use of pro-cyclical fiscal policies, leading to a strengthened fiscal discipline, responsible spending of public money which, for a country such as Romania, given the negative historical experiences, could be an important advantage.

In addition, the new budgetary constraints introduced by the fiscal compact require a higher efficiency in spending public money. **With the same budget resources, the fact that there is a limitation to the budget deficit forces better outcomes for the economy from spending public money.**

Cutting the structural deficit is needed to avoid the increase of public debt, public expenditures with interest and to not overcharge the monetary policy, which will put to test the coherence of the future policy mix. The fact of reaching the assumed medium term objective should ensure a rapid development to a sustainable situation, at the same time creating enough fiscal room to a few discretionary budget policy measures such as, for instance, the increase of public investments for the infrastructure.

3. Macroeconomic Framework

3.1 Recent macroeconomic developments in the Romanian economy

In 2013, the gross domestic product went up by 3.5% due to the 4.4-percent positive contribution of the net export, following a higher foreign demand which triggered a 21.4% hike in the exports of goods and services, in real terms, while the imports of goods and services increased by 8.5%.

The domestic demand dropped by 0.8% as a consequence of a gross fixed capital formation reduced by 3.2% and the negative contribution of the change in stocks. Final consumption went up by 0.4% with the expenditures with the final household consumption rising by 0.9% and the government consumption declining by 1.6%.

The consumption of the population sped up in the second half of 2013, on the back of a low inflation and high crops, which encouraged the small producers' market and the self-consumption, an important component of the population consumption in Romania.

On the supply side, the increase of the gross domestic product was sustained by the agriculture and the industry, in which the gross value added raised by 26.6% and 23.0%, respectively, with the constructions and services sectors declining by 0.5% and 7.4%, respectively.

- the rate of change, compared to the previous year -

Gross domestic product	2013	2014 estimates
Domestic demand, of which:	-0.8	1.6
Final consumption	0.4	3.6
- private consumption expenditures	0.9	3.4
- expenditures with the final household consumption	0.9	3.4
- expenditures with the government consumption	-1.6	4.1
- Aggregate consumption of the general government	-1.2	9.0
Gross fixed capital formation	-3.2	-4.7
Exports of goods and services	21.4	9.6
Imports of goods and services	8.5	7.0
GDP	3.5	2.6
- Industry	23.0	4.2
- Agriculture	26.6	0.5
- Constructions	-0.5	-1.7
- Services	-7.4	2.5

Source: 2013, National Statistics Institute, 2014, National Prognosis Commission

The gross domestic product in Q3 2014 was, in real terms, higher by 1.8% compared to Q2 2014. In the first nine months of 2014, the gross domestic product went up compared to the same period of 2013, by 2.8%. Following the revision of the gross series according to the European system of Accounts, (ESA 2010) and of the seasonally adjusted series, the gross domestic product declined in Q2 2014 by 0.4% compared to Q1 2014, and it increased in Q1 2014 by 0.7% compared to Q4 2013.

The economic growth in the first nine months of the year came from the significant increase of the household consumption and the positive dynamics of the foreign demand. The household consumption contributed 3% to the GDP growth and the net export 1%, with a negative contribution (-1.8%) of the gross fixed capital formation. The gross value-added in industry and services had a positive contribution to the GDP growth, with whereas constructions had a negative contribution. The dynamics was positive in the case of net taxes per product (2.6%).

The economic outcome to date supports the likelihood of achieving an economic growth of 2.6% in 2014.

In 2014, the economic growth will be based on both the domestic and the foreign demand. The domestic demand will go up by 1.6%, with the final household consumption expenditures increasing by 3.4% and the government consumption expenditures (which include the individual and aggregate consumption of the government) by 4.1%, while the gross fixed capital formation will decline by 4.7%. The net export will have a positive contribution to the real growth of the gross domestic product, with exports and imports of goods and services going up by 9.6% and 7.0%, respectively, compared to 2013.

On the domestic supply side, the gross value-added in 2014 is expected to grow in the industry, services and agriculture sectors by 4.2%, 2.5% and 0.5%, respectively, while the constructions will shrink by 1.7%.

The average number of employees, according to the civilian labor force balance, remained flat in 2013 at 4443.6 thousand people. In the first nine months of 2014, the monthly numbers increased in average by 1.0% compared to the same interval of 2013. The average number of employees is projected to increase by 1.5% in 2014.

Registered unemployment was 5.65% at end-2013 and it went down, at the end of October 2014, to 5.1%. The registered unemployment rate is estimated to reach 5.3% at the end of 2014.

In 2013, **exported goods** amounted to EUR 49.6bln, higher by 10.0% compared to 2012, whereas **imports** went up by only 1.0% and amounted to EUR 53Billion Under the circumstances, the FOB-FOB trade deficit was EUR 3.4 Billion, lower by 53.6% compared to the one in 2012.

In the first nine months of 2014, **exported goods** amounted to EUR 39.1bln, higher by 7.1% compared to the same interval of the previous year, whereas **CIF imports** amounted to EUR 43.4bln, higher by 6.6%.

For the whole year 2014, the exports are expected to reach EUR 53.2bln, with CIF imports at EUR 58.9bln, higher by 7.3% and 6.6%, respectively, compared to the previous year. Intra-Community exports of goods are expected to go up by 6.1%, with the exports outside the Community increasing by 10.1%, while the intra-Community imports will go up by 9.4% and the imports outside the Community will drop by 2.0%.

In 2013, **the balance of payments current account** saw a deficit of EUR 1,165mln, reaching a share to GDP of only 0.8%. The current account deficit was financed only from foreign direct investments, which amounted to EUR 2.7bln, higher by around 27% compared to 2012 when they amounted to a total of EUR 2.1Billion

The balance of payments current account showed a deficit of EUR 558mln in the first nine months of 2014 and was financed in full from foreign direct investments which totaled EUR 1,511Million

In 2014, the foreign balance of payments current account deficit will amount to EUR 1,515 Million, with a share to GDP of 1.0%.

-mln Euros -		
Foreign trade and current account	2013	2014 estimates
FOB Export	49,564	53,185
- annual rate of change, %	10.0	7.3
CIF Import	55,268	58,915
- annual rate of change, %	1.0	6.6
FOB Import	52,990	56,485
- annual rate of change, %	1.0	6.6
FOB - FOB Trade Balance	-3,425	-3,300
FOB - CIF Trade Balance	-5,704	-5,730
Current account balance*	-1,165	-1,515
- % of GDP	-0.8	-1.0

* According to the manual entitled „Balance of payments and the international investment position– IMF, the sixth edition, (BPM6)”

Source: 2013, National Statistics Institute and the National Bank of Romania, 2014 National Prognosis Commission

At the end of 2013, **the annual inflation rate** reached its lowest level since 1990, at 1.55%, which is by 3.4 percentage points under the level reached at end-2012. As annual average, the inflation amounted to 3.98% and was by 0.65 pp above the average of the previous year.

The ample disinflation process occurred on the background of a persistent demand gap and lack of pressures from agro-foods prices. The reduced VAT rate introduced for a range of bakery products TVA and the fact that a relatively stable rate of exchange was maintained, helped the consumer prices which continued to trend down. An opposite trend was seen in the regulated prices, with an important increase compared to the end of 2012 in the water, sewerage, sanitation (12.07%) gas (9.25%) and electricity (7.90%).

Since September 2014, the annual inflation has been trending up to reach, in October 1.44%. At end-2014, the inflation rate is expected to go up to around 1.6%, with an annual average of 1.2%.

3.2. The budget execution in 2013 and the first 10 months of 2014

Overall, according to the final data, the execution of the general consolidated budget in 2013 closed in a cash deficit of RON 15.8 Billion, i.e. 2.5% of GDP, as against a projected annual deficit of RON 15.8 Billion.

The fiscal consolidation continued in 2013 and the budget deficit remaining flat at 2012 level, namely 2.5% of GDP, of GDP, with arrears paid in the health sector and the local administration (+0.4 pp of GDP), the wages restored in the public sector (+0.5 pp of GDP), and the allocations from the state budget to projects funded from European funds increased by RON 2.2 Billion compared to the previous year, in particular for the cofinancing of projects in which the beneficiaries are the local territorial-administrative divisions and the Romanian National Road and Motorway Company.

Revenues to the General Consolidated Budget

The revenues to the general consolidated budget in 2013 amounted to a total of RON 200.4 Billion, accounting for 31.3% of GDP and an achievement rate of 97.5% compared to annual estimates.

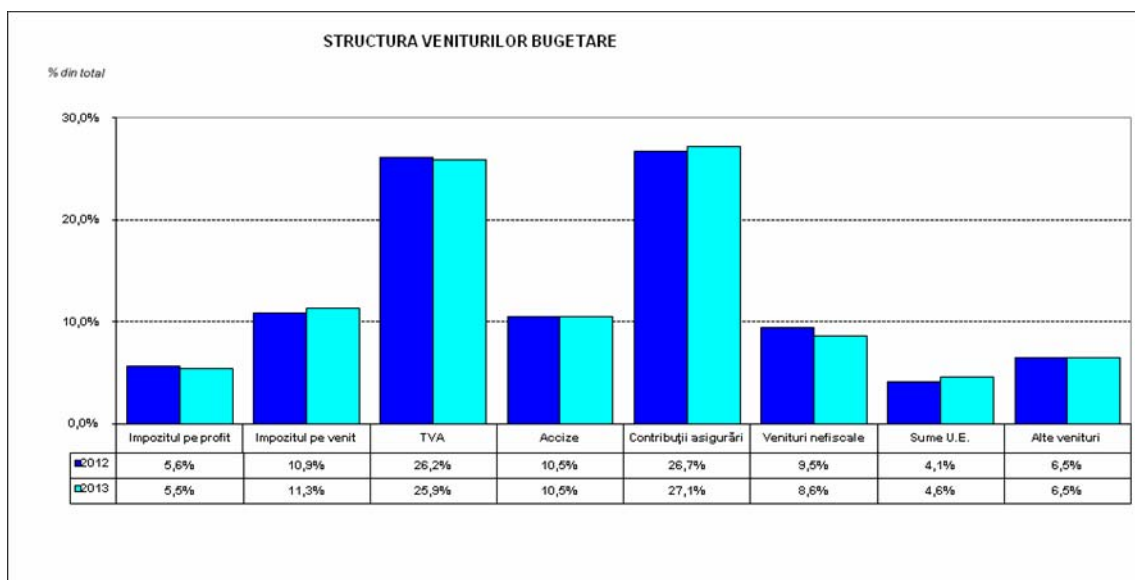
Collections to the budget have been influenced by the economic developments as well as by the fiscal policy decisions, including: the increase of the minimum wage, the increase of public sector wages, the revision of the calculation base for the health social insurance contribution payable by the retired, the revised excise rates, and as the temporary measure of blocking the reimbursements from European funds, due to deficiencies found in the previous years.

Regarding the shares of the main tax categories in total revenues, an increase was seen in the wage and personal income tax by 0.4 pp, the insurance contributions by 0.4 pp, but also in the **EU reimbursements for incurred payments and advances** by 0.4 percentage points.

In parallel, the revenues from the corporate income tax dropped by 0.1 pp and the VAT revenues declined by 0.3 pp. The non-fiscal revenues went down by 0.9 pp.

Compared to the previous year, **the revenues to the general consolidated budget** in 2013 showed a positive evolution, with a nominal increase of 3.7%, but it went down as share to GDP by 1.1 pp, namely from 32.4% in 2012 to 31.3% in 2013.

The nominal increase in revenues compared to 2012 was caused mainly by the collections from the wage and personal income tax (+8.5%), the tax on the use of goods, the license fees for the use of goods or activities (+32.2%), VAT (+2.6%), excise duties (+4.2%), insurance contributions (+5.7%), reimbursements from the European Union for the incurred payments (+15.0%).



The tax on foreign trade and international transactions (customs duties) were below the level of collections in 2012 (-12.4%) as well as non-fiscal revenues (-6.1%).

Collections from **the personal income tax** went up reflecting the increase in the number of employees and the average gross annual wage, as well as the increase of the minimum wage.

The revenues from **excise duties** went up as a result of the increased excise rate for diesel oil, cigarettes and the higher exchange rate.

The collections from **other taxes and fees on goods and services** in 2013 went down compared to the collections of the previous year (-26.9%).

Revenues from **the tax on the use of goods, the license fees for the use of goods or running economic activities** went up by 32.2% compared to the previous year, reflecting the collection, in 2013, of an amount of RON 1,491.2 Million in license fees for the use of radio frequencies, according to the provisions of the Government Decision 605/2012.

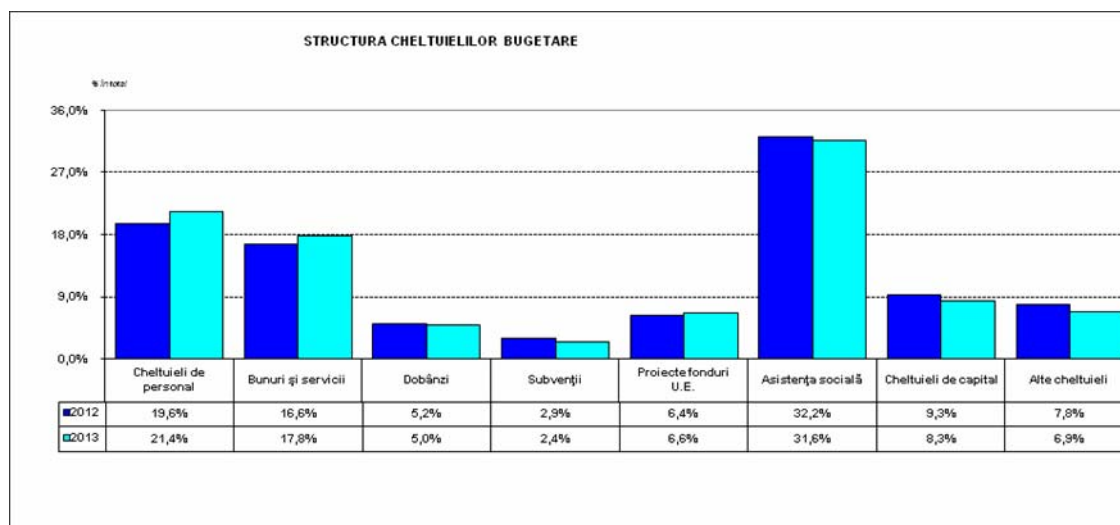
The collections from **insurance contributions**, while higher in nominal terms by 5.7% as a consequence of wage increase, the restoration of wages in the public sector, the increase of the minimum wage first on February 1, 2013 and later on July 1, 2013. Collections from insurance contributions were affected by the obligation to reimburse the health insurance paid by the retired, as well as by the increase by 0.5 pp, in 2013, of the contribution rate to privately managed pension funds (from 3.5% to 4%).

The amounts reimbursed by the European Union for the incurred payments amounted to RON 9.2 Billion and accounted for 1.4% of GDP.

Expenditures of the General Consolidated Budget

The expenditures of the general consolidated budget amounted in 2013 to **RON 216.2 Billion**, accounting for an achievement rate of 97.7%.

In the economic structure of expenditures, the share of staff expenditures increased by 1.8 pp, the share of goods and services went up by 1.2 pp and the expenditures with the projects funded from non-refundable external funds by 0.2 pp.



The share of interest expenditures dropped by 0.2 pp, the share of subsidies and social assistance by 0.6 pp and the share of capital expenditures and other expenditures by 1.0 pp.

Compared to the previous year, **the expenditures of the general consolidated budget** increased in nominal terms by 4%, with their share to GDP decreasing by 1 pp.

In 2013, compared to the previous year, **the subsidies expenditures** dropped by 15.8%, the **capital expenditures** by 6.9%, and the expenditures for **programs funded from reimbursable funding** by 43.6%.

Staff expenditures of the general consolidated budget, went up in 2013 by 13.3% compared to the previous year, due to the restoration of wages for employees in the public sector and the payments made under court orders.

The expenditures with goods and services increased in nominal terms by 11.9% compared to the previous year, and their share to GDP went up by 0.2 pp. The increase in the expenditures with goods and services was caused by the implementation of Law 72/2013 by which the Directive 7/2011 on late payments and arrears to local governments and hospitals was enacted in the Romanian legislation.

The social assistance expenditures increased compared to 2012 by 2%, due to:

- the increase by 8.5% of the social benefits granted pursuant to Law 416/2001 on the minimum guaranteed income, on July 1 2013;
- on the same date, the family allowances granted pursuant to the Law 277/2010 on family went up by 30%;
- the pension point went up by 4%.

Interest expenditures went up by 0.4% compared to the previous year.

Investments expenditures, which include capital expenditures and the expenditures with development programs funded from foreign and domestic sources, amounted in 2013 to RON 31.6 Billion and accounted for 4.9% of GDP.

The budget execution in the first 10 months of 2014

The budget execution in the first 10 months of 2014 closed on a surplus of 0.29% of GDP

The result indicates a situation which favors the observance of the 2.2% of GDP deficit target set for 2014, and is influenced by the collection of revenues from the greenhouse gas emissions certificates issued by the Ministry of Economy amounting to RON 452 Million and of the second tranche of the tax on constructions in amount of RON 693.7 Million. The revenues to the general consolidated budget in amount of RON 177.5 Billion, accounting for 26.3% of GDP, were higher by 6.5% in nominal terms as against the same interval of the previous year.

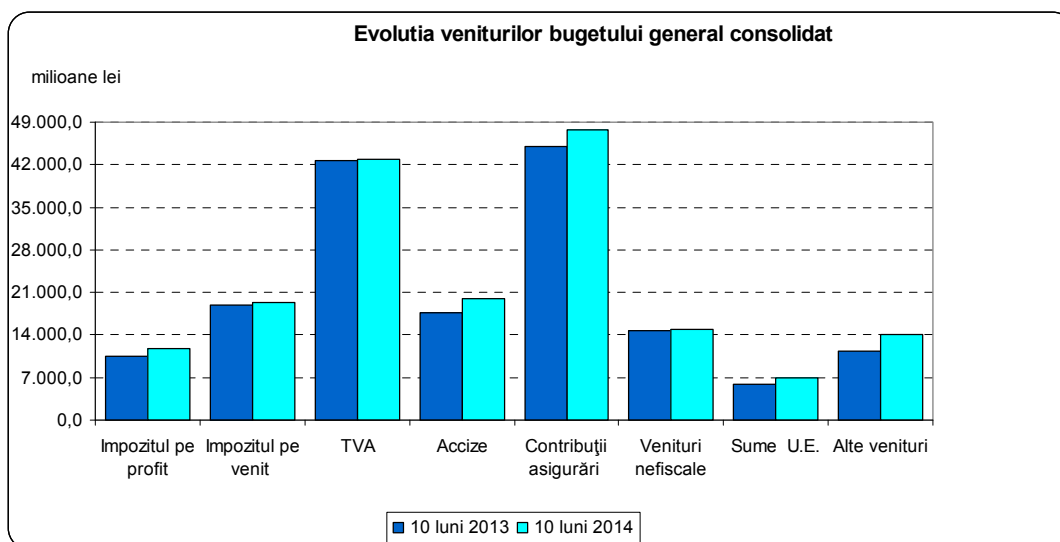
The revenues collected from social security contributions increased compared to the same interval of the previous year (RON +2,781 Million), as did the collections from excise duties (RON +2,291 Million), property taxes and fees (RON +1.765 Million), corporate income tax (RON +1,235 Million), wage tax (RON +473Million), VAT (RON +271Million).

Revenues from the fee for the use of goods dropped by 41,6% because last year the license fees for the use of radio frequency were collected in amount of RON +2.0 Billion.

At local government level, the collections from property taxes and fees went up by 4.2% compared to the previous year; collections from the fee for the use of goods went up by 2.5% and non-fiscal revenues by 1.1%.

The reimbursements from the European Union for the incurred payments amounted to RON 6.8 Billion, which is higher by RON 0.9 Billion compared to the same interval of the previous year.

Fiscal revenues amounted to **RON 106.1 Billion** (15.7% of GDP), higher by 5.42% compared to the same interval of the previous year.



In structure, the revenues performed as follows:

- Collections from **corporate income tax** increased by 117% compared to the previous year, as a result of the positive evolution of collections from economic agents and from commercial banks;
- Collections from **personal income tax** amounted to RON 19.3 Billion, accounting for an increase of 2.5% compared to the same interval of the previous year, as a consequence of the increase of the gross average wage, the pension point and the number of employees in the economy;
- Collections from **property taxes and fees** went up by 44.4% compared to collections from the same interval of the year 2013, with the significant increase of collections to the state budget after the tax on constructions was introduced pursuant to GEO 102/2013;
- Collections from **value-added tax** totaled RON 42.9 Billion (6.4% of GDP), which is higher by 0.6% compared to the same interval of the previous year. In detail, the amounts collected from VAT were higher by 3.2 % for internal operations and by 3.0% for imported goods. The higher VAT reimbursements by 10.1% had a negative impact on the VAT collections.
- Collections from **excise duties** went up by 13.0% compared to the first 10 months of the previous year, mainly on the back of increased excise duty rates for a few categories of products and the revised method for the calculation of excise duties in RON, in addition to the improved collection process.
- Collections from **tax on foreign trade and international transactions** went up by 2.1% compared to the same interval of the previous year;

- Collections from **fees for the use of goods, license fees for the use of goods or running economic activities** sharply dropped (-41.6%) compared to the same interval of the previous year, with the license fees for radio frequencies collected in June 2013, pursuant to GD 605/2012, amounted to approximately RON 2 Billion.

Insurance contributions collected to the general consolidated budget in first 10 months of 2014 amounted to **RON 47.8 Billion**, higher by 6.2% compared to the same interval of the previous year.

Compared to the first 10 months of the year 2013, the collected insurance contributions went up across all three social insurance budgets, as follows: the state social security contributions rose by 3.6%, the unemployment contributions by 5.5%, and the health insurance contributions by 12.1%.

The improved performance compared to the previous year reflected mainly the increased number of employees in the economy, the higher average and minimum wages.

Non-fiscal revenues were collected in amount of RON 14.8 Billion, showing a slight increase by 0.6% compared to collections in the same interval of 2013.

EU reimbursements for the incurred payments amounted at the end of October 2014 to RON 6.8 Billion (1.0% of GDP), higher by 14.5 % compared to the same interval of the previous year.

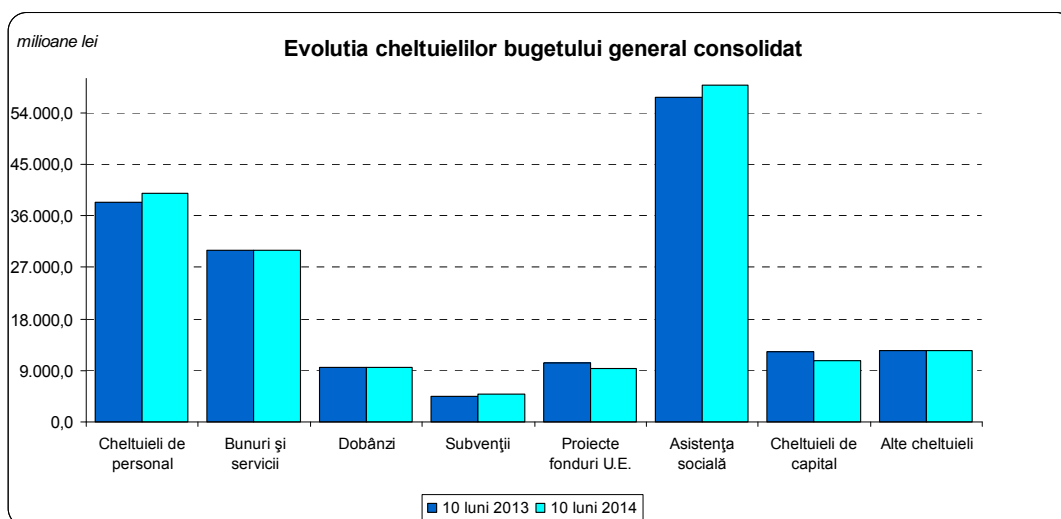
The expenditures of the general consolidated budget, in amount of RON 175.6 Billion, increased in nominal terms by 0.7% compared to the same interval of the previous year, but went down as share to GDP by 1.3 percentage points.

The **staff expenditures** went up compared to the same interval of 2013 (+4.0%), along with **social assistance expenditures** (+3.6%), **subsidies** (+6.9%). Expenditures went down in the case of **goods and services** (-0.1%), **interests** (-0.5%), **capital expenditures** (-13.4%) and **projects funded from nonrefundable external funds** (-8.1%).

Staff expenditures went up by 4.0% compared to the same interval of the previous year following the increase of the gross minimum wage to RON 850 on January 1, 2014 and further to RON 900 on July 1, 2014, and the payment of court orders.

Compared to the previous year, the **interest** expenditures went down by 0.5% reflecting the lower yields of benchmark bonds and expenditures with **goods and services** by 0.1%.

Social assistance expenditures went up by 3.6% compared to the same interval of the previous year, reflecting the increase of the minimum guaranteed income and of the pension point.



Expenditures for projects funded from nonrefundable external funds remain below the level of the same interval of the previous year (- 8.1%) but they were twice as much in October compared to the previous month.

Investment expenditures, which include capital expenditures and the expenditures for development programs funded from domestic and foreign sources, amounted to RON 20.3 Billion, accounting for 3.1% of GDP, as against RON 22.6 Billion in the same interval of the previous year. It is worth mentioning that in the reporting period of 2013 arrears in amount of approximately RON 2 Billion were paid to the National Road and Motorway Company, and that treasury borrowings were used to pay arrears in amount of RON 800 Million to local governments.

3.3. Medium Term Macroeconomic Forecast (2015-2017)

Having regard to the evolution of the economic growth potential, the Romanian economy is expected to return to a more sustained growth path in 2015-2017, with the possibility for the gross domestic product to increase, in average, by 2.9% per year.

Economic growth	2015	2016	2017
<i>Annual rate of change</i>			
Real GDP	2.5	3.0	3.3
Nominal GDP	5.3	5.5	5.6
<i>Real GDP Components</i>			
Domestic demand, of which:	2.9	3.5	3.8
Final consumption	2.6	2.9	3.0
- Private consumption expenditures, of which:	2.8	3.0	3.3
- Expenditures with the population final consumption	2.8	3.0	3.3
- Government consumption expenditures, of which:	1.5	2.5	1.7
- Aggregate consumption of the general government	1.5	2.5	1.6
Gross fixed capital formation	4.0	5.2	6.1
Exports of goods and services*)	5.9	5.3	5.0
Imports of goods and services*)	6.9	6.4	6.1
<i>Contributions to GDP growth (%)</i>			
Final domestic demand	2.9	3.5	3.8
Change in stocks	0.0	0.0	0.0
Net export	-0.4	-0.5	-0.5

*) Exports and imports of goods and services are expressed in real terms (amounts)

Source: National Prognosis Commission

The scenario relies on an improvement of the economic activity in the industrial branches with a high export potential, in the constructions sector, which may take advantage of the infrastructure needs which now exist in all sectors, as well as in the services sector.

The domestic demand will be the driver of this performance, with an annual average estimated at 3.4%. The gross fixed capital formation will speed up, with priority infrastructure projects better funded, at an annual average rate of 5.1%. The expenditures with the final consumption of the population will increase, in average, at a pace of 3.0%, with the raising disposable income of the population and the improved confidence in the economic climate, while the government consumption expenditures, which include the government's individual and aggregate consumption, will achieve average rates of 1.9%, which will ensure the decrease of their share to the gross domestic product and the improvement of the budget spending efficiency. Exports and imports of goods and services will grow in real terms by an annual average of 5.4% and 6.5%, respectively, with the net export negatively impacting, and slowing down, the gross domestic product growth.

The average number of employees, according to the civilian labor force balance, will go up in average by 1.6% annually, and the year-end **registered unemployment rate** will drop to 4.7% at end-2017.

Building on the assumption of a temperate economic growth at global level, with a positive impact on the foreign demand increase and, implicitly, on the Romanian **foreign trade**, in 2015 - 2017 the exports and imports of goods are expected to go up annually, in average, by 7.3% and 7.5%, respectively.

Million Euros

Foreign trade and current account	2015	2016	2017
FOB Export ^{*)}	57 015	61 175	65 700
- annual rate of change, %	7.2	7.3	7.4
CIF Import ^{*)}	63 215	67 950	73 180
- annual rate of change, %	7.3	7.5	7.7
FOB Import ^{*)}	60 605	65 150	70 165
- annual rate of change, %	7.3	7.5	7.7
FOB - FOB Trade Balance	-3 590	-3 975	-4 465
FOB - CIF Trade Balance	-6 200	-6 775	-7 480
Current account balance	-2 430	-2 460	-3 500
- % of GDP	-1.5	-1.5	-1.9

^{*)} Exports and imports of goods are nominal values, in Euros.

Source: National Prognosis Commission

The **current account deficit** will remain in the range of EUR 2.4 – 3.5 Billion, accounting for 1.5 – 1.9% of GDP.

The **annual inflation** will continue to trend down in 2015-2017.

A continued firm monetary policy stand, along with a prudential wage policy and continued structural reforms will help keeping disinflation on a sustainable path. Thus, the inflation rate is to fall down to 2.5% in 2017, with an annual average of 2.7%. Moreover, the fact of continuing the disinflation process will help discourage more the inflationist expectations. Another efficient way of anchoring the inflationist expectations is the lower volatility of the domestic currency, compared to Euros. This will be possible if we take into consideration the perspective of a more accelerate increase of productivity in the Romanian economy, compared to the country's main foreign partners.

The estimates took into account normal agricultural years and a low volatility of the international oil price in the upcoming years.

- %-

Inflation	2015	2016	2017
- year-end	2.9	2.8	2.5
- annual average	2.2	3.0	2.7

4. Fiscal and Budgetary Framework in 2015-2017

4.1 Fiscal and budgetary policy

The achievements of 2013 and 2014 compared to the measures committed through the 2014-2016 fiscal and budgetary strategy

- Corporate income tax and the tax on micro-business income:

Measures adopted in 2013 - 2014:

Corporate income tax:

- the rate of additional deduction of expenditures was increased for the research & development activity from 20% to 50% (since February 1, 2013);
- the deduction of expenditures with the depreciation of passenger transport vehicles with maximum 9 passenger seats was capped at 1,500 RON/month (i.e. 18,000 RON/year); some sectors are excluded;
- fiscal measures encouraging startup of holding companies, including non-taxation of the income from dividends, capital income and the income from the liquidation process of legal persons, subject to several criteria relating to holding terms;
- tax credit granted to permanent offices of foreign legal persons established in Romania;
- the change of the fiscal year for the taxpayers which require the revision of the financial year, pursuant to the provisions of art. 27 in the Accounting Law 82/1991, as republished, as revised and supplemented;
- revise the fiscal arrangements applicable to sponsorship, in the sense of reporting the amounts remained un-deducted in the fiscal year because they exceed the minimum threshold which is subtracted from the corporate income tax (3 per thousand of the turnover and maximum 20% of the corporate income tax), over the following 7 years in a row;
- the tax exemption for the profit invested in the production and/or purchase of technology – machinery and installations – as defined in the sub-group 2.1 of the Catalogue on the classification and useful life of fixed assets (applicable since July 1, 2014).

Tax on micro-business income:

- on February 1, 2013, the mandatory microbusiness income tax payment system was introduced for the Romanian corporate taxpayers whose turnover, on December 31 of the previous fiscal year, was below EUR 65,000;
- the base of microbusiness income tax was expanded to include the taxpayers with maximum 20% of the income coming from consulting and management activities;
- the tax base was revised in the sense of removing the currency exchange differences and the commercial deductions allowed.

Other fiscal measures:

- the 0.5% tax on the income from the operation of natural resources, other than natural gas, was introduced and was effective between February 1, 2013 and December 31, 2014;
- the tax on windfall revenues from the price deregulation in the natural gas sector was introduced and was in force between February 1, 2013 and December 31, 2014);
- the „**constructions tax**” was introduced as a special measure to enlarge the tax base to include constructions;

Personal income tax and mandatory social security contributions:

In the field of personal income tax and mandatory social security contributions, the measures implemented in 2013-2014 and committed for 2014-2016 are as follows:

- revise the taxable base of agricultural income by setting up standard categories of income;
- preserve the individual income flat tax rate;
- tax the per diems given to employees during the time of their reassignment, for the portion which exceeds the limit of 2.5 times the amount set by means of government decision for the public institutions;
- ensure fairness in applying the contribution principle to funding the health public system, by expanding the calculation base of the health insurance to include the income from rent;

- include the per diems given to employees during the time of their reassignment into the calculation base, for the portion which exceeds the limit of 2.5 times the amount set by means of government decision for the public institutions;

- introduce the measure regarding the special allowance for restructured loans.

- **In the VAT sector**, the main measures introduced in 2013-2014 are:

- cut the VAT rate from 24% to 9% on the whole commercial chain of bread and bakery deliveries, as of September 1, 2013, as part of an action mentioned in the 2013-2016 Government Ruling Strategy;

- introduce the option to pay VAT at the time of collecting the invoice amount as of January 1, 2014 for taxpayers with an annual sale figure below the ceiling set at RON 2,250,000 (equivalent of EUR 500,000);

- enactment in the national legislation of the provisions of article 5 of Council Directive 2008/8/EC amending the Directive 2006/112/EC on the place of supply of services. As of January 1, 2015, the place of supply of electronic, telecommunications, radio and television broadcasting services to non-taxable persons established in the European Union is considered to be in the Member State in which the beneficiary of services is established.

- **In the excise duty sector**, the objectives submitted previously were observed, namely:

- Follow the calendar set to gradually increase the excise duty rate for cigarettes, as provided in annex nr. 6 to the Title VII of the Fiscal Code Law 571/2003, as revised and supplemented, in accordance with the provisions of the Directive 2011/64/EU *on the structure and rates of excise duty applied to manufactured tobacco*;

- Observe the commitments made by Romania to International Financial Institutions;

- Enactment in the national legislation of the directives which are adopted by the European Commission in the field of excise duties, within the deadlines stipulated by the respective directives

In addition, for the time span 4 April 2014 – 31 March 2019 a state aid scheme was implemented for the passenger and freight transport companies which use diesel oil as fuel; the scheme consists in the refund of excise duties in amount of 40 Euros/1000 liters, for:

- The road freight transport in one's own name or on behalf of other persons, using vehicles or groups of linked vehicles used only for road freight transport and licensed for a maximum gross weight of minimum 7.5 metric tons;

- The transportation of passengers, either on occasions or on a regular basis, not including the local public transport system, using vehicles in the M2 or M3 categories, as defined in the Directive 2007/46/EC of the European Parliament and the Council of September 5, 2007 for setting up a framework for the homologation of vehicles and their attachments, as well as of the systems, components and separate technical units which are meant for the respective vehicles.

4.2 Brief description of the 2015-2017 fiscal policies, with the main medium term objectives

The fundamental objectives of taxation consist in the creation of a simplified and predictable tax system, within a fiscal and budgetary framework which encourages the development of the private and public economic environment; these objectives are mentioned in the text of the 2014-2016 Fiscal and Budgetary Strategy.

In addition, the fiscal policy between 2015 and 2017 will preserve the **main features** which are mentioned in the previous strategy paper, namely:

- The taxation must be subordinated to the fundamental objective which is the economic development;

- The fiscal vision must be of quality, to encourage the economic environment, investments and entrepreneurship;
- The efficiency in spending public money and promotion of investments.

At the same time, in the medium run, the Government plans, among other consolidation elements of the fiscal and budgetary policy, to continue the measures aimed at boosting the efficiency of the tax system by re-writing the Fiscal Code and the Fiscal Procedure Code.

The objective to reduce the fiscal burden of the low-income labor force through the implementation of a new mandatory social security system, through expanding the calculation base of the social security contributions so as to include all the income streams of individuals running independent activities, irrespective of whether or not there are other income streams for these individuals.

With regard to excise duties, we remind here the main medium term objectives:

- Enactment in the national legislation of the directives adopted by the European Commission in the field of excise duties, within the deadlines required by the European Directives.
- Express the excise duties in RON. As of January 1, 2015 the excise duty rates are expressed in RON per unit of measurement, using the RON rate of 2014. Starting 2016, the resulting rate shall be updated, on an annual basis, to reflect the consumer price increase over the past 12 months, which is calculated in the month of September of the year prior to the implementation, as it is officially communicated by the National Institute of Statistics until October 15. At the same time, for the sake of a consistent treatment, the tax rate for crude oil and the excise duty rate for other products than those for which excise duties are due harmonized with the European Directives, shall be expressed in RON per unit of measurement, as well.

4.3 Fiscal measures in the time interval of reference

CONTENT OF THE PROPOSAL	
I. FISCAL CODE	
Corporate income tax	Introduce a system for the taxation of profits from the exploitation of natural gas and oil.
Other direct taxes	<p>Extend the effectiveness of the Government Ordinance 7/2013 introducing the tax on windfall revenues from deregulation of prices in the natural gas sector; the Government Ordinance 6/2013 introducing special measures to tax the natural resources exploitation, other than natural gas; as well as Government Ordinance 5/2013 introducing special taxation on activities of natural monopoly nature in the electricity and natural gas sector, before December 31, 2015.</p> <p>The positive budgetary impact estimated for 2015:</p> <ul style="list-style-type: none"> - of GO 5/2013 amounts to RON 245.6 Million; - of GO 6/2013 amounts to RON 114.6 Million; - of GO 7/2013 amounts to RON 743.2 Million.
Personal income tax and social contributions	<ul style="list-style-type: none"> - the rate of social security contributions payable by the employers reduced by 5 percentage points (Law 123/2014 amending the Fiscal Code Law 571/2003) will continue to apply, with an estimated negative impact on the 2015 budget of RON – 4,780.0 Million, namely Expenditures RON 1820.0 Million and Revenues RON – 6600.0 Million. - the special allowance for restructured loans (GEO 46/2014 amending and supplementing the Fiscal Code Law 571/2003) has the following estimated

	<p>impact:</p> <ul style="list-style-type: none">- in 2015 – none- in 2016 the fiscal impact is negative: RON -725.5 Million- in 2017 the fiscal impact is negative RON -757 Million- for 2018 – none																												
Local Taxes and Fees	<p>In order to lay the premises for a predictable and more efficient tax system by creating a coherent fiscal legal, the Fiscal Code will be re-written and the property taxes will be reformed in the sense that the tax base will be revised to take into account, in the case of individual taxpayers, the purpose of the building (residential or non-residential), and in the case of corporate taxpayers, the taxable amount as resulted from an assessment report drawn up by a certified evaluator instead of the amount which is in the books.</p> <p>Taking into account that no statistical reports exist on the surface of buildings used for non-residential purposes, the impact was calculated based on assumptions. Hence, if 1% of the surface of buildings owned by natural persons is used to purposes other than residential purposes, the impact is RON +132.4 Million.</p>																												
VAT	<ul style="list-style-type: none">- Continue to improve the legislation to meet the approximation criteria with the Community legislation, by the enactment in the national legislation of VAT directives adopted at European level;- Improve the VAT legislation depending on the evasion phenomenon, as a move to counteract the tax evasion in this area;- Assess the possibility to cut the standard VAT rate, as the collection of budget revenues improves. The impact on the budget of a reduced rate of 23%, 22%, 21%, 20%, 19% in 2015, 2016 and 2017 was calculated as follows: <p style="text-align: right;">-bln lei-</p> <table><tr><th>VAT rate</th><th>2015</th><th>2016</th><th>2017</th></tr><tr><td>(%)</td><td>Impact ⁵</td><td>Billion RON</td><td></td></tr><tr><td>23</td><td>-2.3</td><td>-2.4</td><td>-2.5</td></tr><tr><td>22</td><td>-4.6</td><td>-4.8</td><td>-5.0</td></tr><tr><td>21</td><td>-6.9</td><td>-7.3</td><td>-7.7</td></tr><tr><td>20</td><td>-9.2</td><td>-9.7</td><td>-10.2</td></tr><tr><td>19</td><td>-11.5</td><td>-11.9</td><td>-12.3</td></tr></table>	VAT rate	2015	2016	2017	(%)	Impact ⁵	Billion RON		23	-2.3	-2.4	-2.5	22	-4.6	-4.8	-5.0	21	-6.9	-7.3	-7.7	20	-9.2	-9.7	-10.2	19	-11.5	-11.9	-12.3
VAT rate	2015	2016	2017																										
(%)	Impact ⁵	Billion RON																											
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21	-6.9	-7.3	-7.7																										
20	-9.2	-9.7	-10.2																										
19	-11.5	-11.9	-12.3																										
Excise duties	<p>Implement a new fiscal policy measure in the excise duty area, consisting in expressing the excise rate in RON and updating it on an annual basis to reflect the increase of the consumer price over the previous 12 months, calculated in the month of September previous to the implementation, compared to the period October 2013 – September 2014, as officially communicated by the National Institute of Statistics before October 15.</p>																												

	<p>The impact on the state budget revenues, generated by the implementation of this measure, was calculated as follows:</p> <ul style="list-style-type: none"> - in 2015 RON – 1547 Million; - in 2016 RON – 1641 Million; - in 2017 RON – 1741 Million; - in 2018 RON – 1847 Million. <p>In addition, all necessary measures will be taken to implement the legal revisions in the excise duty area to help the fight against tax evasion.</p>
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The interval under review, 2015-2018, will be characterized by the continuation of the fiscal consolidation by cutting the ESA deficit from 2.0% of GDP in 2014 to 1.2% of GDP in 2015, plus a 0.25 pp adjustor for cofinancing of projects supported from European funds and 1.1% of GDP in 2016 and 2017.

In addition, the cash deficit is estimated to be adjusted from 2.2% of GDP in 2014 to 1.8 % of GDP in 2015 and 1.1 % of GDP in 2016 and 2017.

The revenues to the general consolidation budget were projected based on the macroeconomic indicators estimated for the time interval under review, as well as on the regulations to be implemented in the tax sector.

In 2015, the budget revenues will grow by RON 7.6 Billion in nominal terms and are expected to amount to RON 243.9 Billion in 2016 and RON 251.6 Billion in 2017. The budget revenues estimation takes into account, a cash budget deficit of 1.1% of GDP in 2017, a forecast which is based on the other macroeconomic indicators, with the macroeconomic framework influenced by the developments in the Eurozone.

In the medium term, against the background of a revived economy, and following the measures considered by NAFA as a move to cut tax evasion, the budget revenues, in absolute value, will start trending up.

Among the budget revenues, during the interval under review, the highest shares are seen for the social security contributions (7.8% of GDP), VAT (7.8% of GDP), excise duties (3.6 % of GDP) When the economy trends up, the tax yield of VAT and excise duties is higher.

On the expenditure side:

Medium term measures

- Ensure a sustainable level of wage and pension expenditures in the public sector;
- Channel available resources to public investments in infrastructure, agriculture and rural development, power and advanced technology;
- Speed up the spending rate of European funds to reach a rate of absorption ranging between 50% and 80%, until December 31, 2015;
- Revisit the public procurement system by giving consideration to the opportunity, priority and efficiency criteria;
- The implementation of multi-annual project and program budgeting, which will generate important savings to the budget and will improve the predictability and efficiency of the public spending process;

The budget expenditures are estimated in 2015 to amount to RON 239.4 Billion, accounting for 33.7% of GDP, while in 2016 they are expected to go up to RON 251.9 Billion, in 2017 to RON 260.5 Billion, and they will trend down as share to GDP compared to 2015, which reflects the continuation of the adjustment process, the efficient use of the public money so as to leave the fiscal room to accommodate the investment expenditures which in 2017 amount to RON 48.0 Billion, with a share to GDP of 6.1%.

The budget expenditure structure takes into consideration the following expenditures, which will be funded depending on the type of expenditure, as follows:

Staff expenditures

The wage envelope in 2015 will amount to RON 48.4 Billion, accounting for 6.8% of GDP, and will trend down in the interval under review as better correlated to the labor productivity.

Investment expenditures

The investment expenditures will reach RON 44.8 Billion in 2015, higher by RON 8.7 Billion compared to 2014 and a share to GDP of around 6.3% in 2015.

In the following years, in order to comply with the deficit-related rules of the new fiscal pact, with a much more limited room in the fiscal and budgetary policy and the low automatic stabilizers, the absorption of EU funds seems like a solution to encourage the economy.

Expenditures with goods and services

Substantial reductions of some categories of material expenditures and services which are onerous and counter-productive for the taxpayers, following the strengthening of the legal framework related to **various measures aimed at cutting public expenditures and reinforce the financial discipline**. Hence, the expenditures with goods and services in 2015 account for 5.6% of GDP and will be trending down in the upcoming period of time.

Subsidies

Subsidies will account, in 2015, for 0.8% of GDP, trending down in the interval under review, which reflects a lower government intervention in the economy and the intensification of the market economy rules.

Interest expenditures

Interest expenditures in 2015 amount to 1.5% of GDP, almost stable in the medium run.

4.4 Tax administration policy

The good performance of the National Agency for Fiscal Administration in January – October 2014 reflects a significantly higher efficiency in the tax administration activity. Hence, the total collections in budget revenues, in amount of RON 154,074.5 Million, exceeded by 5.7% the collections in the same interval of 2013.

The positive trend of collections was a consequence of the improved voluntary compliance with filing and payment obligations, the positive evolution of collections from arrears and the additional amounts resulted from the action taken by ANAF in the fraud and tax evasion area.

1. The most important legal and organizational measures

The main pieces of legislation issued by NAFA in January – September 2014:

- OPNAFA 117 /2014 approving the Form “Assessment of pre-payments on health contributions in respect of the rental income”;
- Order 491/2014 issued by the public finance minister to revise and supplement the Settlement Procedure in the case of credit VAT returns with a refund claim, approved in the Order 263/2010 issued by the public finance minister;
- OPNAFA 225/2014 amending OPNAFA 5/2010 for the approval of the Settlement Procedure of VAT refund claims filed by taxable persons which are not registered for VAT purposes in Romania, as they are established outside the Community;
- OPNAFA 235/2014 amending the OPNAFA 3331/2013 for the approval of the procedure to amend, by default, the fiscal vector related to VAT, as well as the template and contents of some forms;
- OPNAFA 266/2014 for the approval of the procedure to select the taxpayers which fail to comply with the obligation to register for VAT purposes (in-house order);
- OPNAFA 230/12.02.2014 for the approval of a set of „Instructions on customs supervision and management of information on certain categories of goods brought in the personal luggage of persons travelling to Romania”, which is applied since February 15, 2014, at the customs office at the borders of Sighet, Halmeu and Siret;
- OPNAFA 1672/19.06.2014 for the revision of various forms for the management of the personal income tax and the social contributions;

- OPNAFA 1703/2014 amending and supplementing OPNAFA 1950/2012 for the approval of the template and contents of the forms used to report the taxes and charges under self-assessment or withholding arrangements;
- OPNAFA 1292/2014 introducing the template and contents of Form 106 "Dividends to shareholders";
- OPNAFA 1296/2014 amending and supplementing OPNAFA 2605/2010 introducing the procedure to enforce the safety measures provided for in GO 92/2003 on the Fiscal Procedure Code;
- OPNAFA 223/2014 amending OPNAFA 1294/2007 on taxes, contributions and other amounts accounting for tax claims which are payable by the taxpayers to a single account;
- OPNAFA 380/2014 amending OPNAFA 2289/2010 approving the Procedure for issuing and communicating various administrative documents to debtors with outstanding tax obligations below a certain threshold;
- OPNAFA 173/2014 approving the templates of various forms issued for the application of the provisions of GEO 25/2014 introducing a set of measures aimed at reducing arrears to the budget of economic operators in the defense sector and other fiscal and budgetary measures;
- OPNAFA 1421/2014 for the approval of "Technical guidelines to enforce the common/Community transit arrangements";
- OPNAFA 443/2014 approving the internal control procedure for the activity of the central and territorial NAFA structures.
- OPNAFA 1847/2014 approving the implementation procedures of art. 78¹ of the Fiscal Procedure Code, as well as the template and contents of various forms;
- Order 1731/2014 of the public finance minister, approving the templates of various forms issued for the implementation of the provisions in GO 25/2014 introducing a set of measures aimed at reducing arrears to the budget of economic operators in the defense sector and other fiscal and budgetary measures;
- OPNAFA 2281/2014 supplementing the Annex 1 to OPNAFA 1294/2007 on taxes, contributions and other amounts accounting for tax claims which are payable by the taxpayers to a single account;
- OPNAFA 2447/2014 amending OPNAFA 1438/2009 approving the templates of various forms used to collect tax claims;
- OPNAFA 2869/2014 amending and supplementing Annex 1 to OPNAFA 127/2014 approving the Instructions for the application of the procedure related to the joint liability regulated by the provisions of articles 27 and 28 of GO 92/2003 on the Fiscal Procedure Code;
- OPNAFA 530/2014 amending OPNAFA 52/2012 approving the template and contents of various forms provided for in Title III of the Fiscal Code Law 571/2003, as amended;
- OPNAFA 2365/2014 approving the procedure for the recalculation of advance tax payments;
- OPNAFA 1672/2014 amending various forms related to the personal income tax and social contributions;
- OPNAFA 123/2014 amending OPNAFA 1950/2012 for the approval of the template and contents of the forms used to declared the self-assessed or withheld taxes and charges;
- OPNAFA 1292/2014 approving the template and the contents of Form 106 "Dividends to shareholders";
- OPNAFA 1703/2014 amending and supplementing OPNAFA 1950/2012 for the approval of the template and contents of the forms used to declared the self-assessed or withheld taxes and charges;
- OPNAFA 491/2014 amending and supplementing the Settlement Procedure in the case of credit VAT returns with a refund claim, approved in the Order 263/2010 issued by the public finance minister;
- OPNAFA 225/2014 amending OPNAFA 5/2010 approving the Settlement Procedure of VAT refund claims filed by taxable persons which are not registered for VAT purposes in Romania, as they are established outside the Community;
- OPNAFA 795/2014 amending and supplementing the Annex to OPNAFA 2211/2013 approving the legal authority for the management at territorial level;
- OPNAFA 235/2014 amending OPNAFA 3331/2013 for the approval of the procedure to amend, by default, the fiscal vector related to VAT, as well as the template and contents of some forms;
- GD 790/2014 for repealing the paragraphs 2, 3 and 5 of art. 565 of the Romanian Customs Code Regulation, approved in GD 707/2006, as amended and supplemented;

- OPNAFA 2.323/2014 approving the technical guidelines on the customs formalities procedure related to rapid courier services;
- OPNAFA 2.781/2014 approving the use of electronic signature;
- OPNAFA 1136/ 2014 approving the Guidelines to fill out the administrative document in electronic format (e-DA) using the application *EMCS-RO-Mișcări de control* of movements of excisable goods under suspensive arrangements.

2. NAFA achievements in January – October 2014

2.1. Collection of revenues

Total budget revenues collected by the National Agency for Fiscal Administration in amount of RON 154,074.5 Million exceeded by 5.7% the amount of revenues collected in January – October 2013.

The state budget revenues amounted to RON 104,943.6 Million; the nominal growth pace was 54% compared to the first ten months of 2013. The biggest contribution to the state budget revenues came from VAT, with a share of 40.8%, followed by excise duties (18.9%) and the personal income tax (18.2%).

In January – October 2014, the revenues to the social security contributions budget amounted to RON 32,498.1 Million, higher by 3.4% compared to the same interval of 2013 (RON 31,416.3 Million).

The revenues to the Single Health Fund amounted to RON 15,380.8 Million, higher by 13.7% compared to the first ten months of 2013 (RON 13,524.6 Million).

Compared to January - October 2013, the revenues to the unemployment budget went up by 4.4%, i.e. from RON 1,199.0 Million to RON 1,252.1 Million.

Revenues collected by the Large Taxpayer Unit in January – October 2014 amounted to RON 77,663.7 Million, higher by 15.3% compared to the same interval of 2013 (RON 67,359.9 Million).

Arrears which can be recovered at October 31, 2014 dropped by 1% compared to October 31, 2013. In terms of share to GDP, recoverable arrears in the budgets managed by NAFA went down from 2.4% at October 31, 2013 to 2.3% at October 31, 2014.

Tax claims in amount of RON 12,036.5 Million were collected through enforcement procedures in January - October 2014, lower by 13.9% compared to the same interval of 2013.

The cost of collection in January – September 2014 was RON 10,597.4 spent for 1 Million RON of net budget revenues, compared to RON 11,683.7 spent to collect 1 Million RON in the same interval of 2013.

2.2. Support to voluntary compliance

NAFA intensified its efforts to improve the voluntary compliance with filing and payment obligations, with the intention to boost the collection of budget revenues.

In 2014, two projects were started by NAFA as part of its efforts to improve voluntary compliance. The first project is dedicated to the ongoing improvement of the tax and contribution collection system and is aimed at recovering tax arrears of medium-sized taxpayers. The second project was created to prevent and fight the undeclared and/or understated work, as a move to support fair competition in the business environment and protect the employees by improving the social security level.

In January – October 2014, the voluntary compliance with filing and payment obligations went up by 1.1 pp (from 92.7% to 93.8%), namely by 2 pp (from 81.6% to 83.6%) compared to the same interval of 2013.

2.3. The fight against tax evasion and fraud

In January – October 2014, the main achievements in respect of prevention and fight against tax evasion may be summarized as follows:

- ✓ 103,646 individuals and corporate taxpayers were verified and the adjustment following the verifications amounted to RON 11,399.7 Million in additional taxes to the general consolidated budget (higher by 18.4% compared to January – October 2013) and the fiscal loss was reduced by RON 1,184.8 Million;

- ✓ 31,326 contraventional fines were inflicted, in total amount of RON 120.9 Million (lower by 5.8% compared to January – October 2013) and 42,604 fines were collected, in total amount of RON 134.3 Million (lower by 7.2% compared to January – October 2013);
- ✓ 3418 cases were referred to the competent bodies to continue the investigations, for a loss in amount of RON 9,092.3 Million (higher by 10.9% compared to January – October 2013);
- ✓ 3103 safety measures were introduced, in amount of RON 5,337.6 Million (higher by 34.7% compared to January – October 2013).
- ✓ Goods and cash were confiscated in amount of RON 382.2 Million (higher by 166.4% compared to January – October 2013), including 45,653,422 confiscated cigarettes.

The tax inspection activity

In January - October 2014, following the action taken by NAFA (tax inspections, unannounced audits, cross-audits, on-the-spot investigations) with the individual and corporate taxpayers:

- ✓ 60,108 verifications were conducted, of which 34,389 tax inspections which resulted in adjustments of RON 11,270.6 Million (taxes and penalties);
- ✓ 10,722 fines were inflicted in a total amount of RON 19.8 Million;
- ✓ Goods and cash in amount of RON 19.7 Million were confiscated;
- ✓ 2,424 cases were referred for criminal investigations, over a total loss of RON 7,164.0 Million;
- ✓ Safety measures were taken in 2,021 cases, for an amount of RON 3,270.3 Million;
- ✓ The tax loss was reduced by RON 1,184.8 Million.

The General Anti-Fraud Directorate (DG Fraud)

The activity conducted by DG Fraud in January – October 2014 resulted in a total amount collected (in fines, confiscated goods and damages attached to cases referred to criminal investigators) of RON 2,231.0 Million (the equivalent of EUR 507.1 Million).

As part of the efforts related to the identification of, and the fight against, the tax evasion, in the year under review, 532 cases were referred to the criminal investigation structures for a total loss of RON 1,878.4 Million (the equivalent of EUR 426.9 Million), with the cases in which the assessed loss exceeds 1 Million Euros accounting for 87% of the total loss of all cases referred for criminal investigations.

As part of the efforts aimed at preventing tax evasion, as a result of the audit activity a number of 17,313 fines was inflicted, which were followed by sanctions in total amount of RON 352.6 Million (the equivalent of EUR 80.2 Million), consisting of contraventional fines and confiscations of cash, illicit revenues and goods, as follows:

- contraventional fines in amount of RON 82.5 Million (the equivalent of EUR 18.7 Million), most of it from verifications related to licenses, legal origin of goods, the existence and use of cash registers for the issuance of tax receipts, the compliance with the financial discipline.

- confiscation of cash, revenues from illicit activities and goods, with an estimated value of RON 270.1 Million (the equivalent of around EUR 61.4 Million), of which RON 187.4 Million in cash and illegal revenues and RON 82.8 Million in goods of unproven origin, according to the law.

As an effort to ensure that the amounts unpaid to the state consolidated budget are recovered, safety measures were decided in 1052 cases in respect of assets in total amount of RON 2,051.3 Million (the equivalent of around 466 Million Euros).

At the same time, 1386 companies saw their activity suspended, of which 1301 cases for violation of the legal provisions requiring the use of cash registers.

The Customs Directorate General (DG Customs)

Following the customs supervision measures and ex-post audits, in the first ten month of the year 2014, additional obligations were assessed in amount of RON 129.1 Million. Contraventional fines of RON 18.7 Million were inflicted and goods and cash were confiscated in amount of RON 67.0 Million.

At the same time, 45.5 Million cigarettes estimated at around RON 25.4 Million were confiscated. In addition, 462 cases amounting to RON 49.9 Million were referred to criminal investigators. Safety measures of RON 15.9 Million were taken.

II. NAFA short and medium term strategic objectives – selective presentation

In the upcoming period of time, ANAF will undertake two new priority objectives which are required by the current business processes and the need for NAFA business processes to meet the European standards:

- Implement the procedures and develop a new IT system for the automatic exchange of information with the EU Member States, as of 2015, in accordance with the provision of Directive 2011/16/EU, an objective with costs estimated at 1.5 Million Euros;
- Build a NAFA HQ Building and solve the premises problem of the Bucharest and Ilfov County tax and customs administration and the technical premises for the data center and the archives, a project with costs estimated at approx. 12-13 Million Euros.

1. Tax Administration Policy in 2015

Lead a firm fight against tax evasion

- Develop the risk analysis procedure for the whole tax administration activity, based on the tax information regarding the taxpayers; develop the IT applications to analyze the results of tax inspection measures initiated based on the risk assessment outcomes, as a move to confirm the risk criteria and provide information for the future risk assessments;
- Expand the program of fiscal verifications using indirect proof methods, to be conducted by the territorial delivery units of NAFA, to include to all categories of individual taxpayers showing a fiscal risk;
- Continue the High Net Wealth Individuals initiative through verifications according to the fiscal procedure code and resume the soft letter campaign aimed at taxpayers which showed a filing risk for the income from abroad;
- Continue to develop the tax compliance program dedicated to the High Net Wealth Individuals, through fiscal verifications based on risk assessments and the implementation of specific projects aimed at improving the voluntary compliance – soft letter campaigns related to the filing of income, meetings with the tax advisers and tax agents;
- Strengthen and improve the efficiency of customs control
 - ✓ Improve activity efficiency in the most important control areas for which the customs authority is responsible; measures at national level will be implemented to improve audits, in all customs offices (air, sea, rivers) and those located at the Romanian road borders with third countries (Moldova, Ukraine and Serbia), giving consideration mainly to activities which relate to:
 - control of the type and the applicable taxes, taking into account the correct description of the commodity codes, the origin and customs value (when the commodities are declared and afterwards);
 - checks related to the commodities under customs supervision arrangements (goods which are temporarily stored and placed under specific customs arrangements);
 - checks related to the trade policy and commodity traffic measures;
 - checks related to the security, safety and public health requirements;
 - checks related to the observance of the environment protection legislation;
 - checks related to the observance of the CAP norms;
 - checks related to the compliance with food health and safety regulations;
 - checks related the compliance with the anti-drugs legislation, the legislation regarding the products with double use and the reporting of cash at the foreign borders.

- ✓ The objectives and responsibilities committed by the customs authority shall be achieved through specific activities too, as follows:
 - License the Authorized Economic Agents (AEA) for customs simplifications and in the field of excise duties;
 - Ensure the exchange of information and the mutual assistance in the field of excise duties (according to EC Regulation 389/2012);
 - Ensure the exchange of information and mutual assistance in the customs area (according to EC Regulation 515/1997 and the Naples II Convention);
 - Manage the electronic systems developed in line with the European standards in force and which support the implementation under optimal circumstances of customs operations such as import/export and transit of goods and the movement of excisable goods under suspensive arrangements;
 - Ensure the statistics of the Romanian foreign trade.

Improve voluntary compliance

- Continue to simplify taxpayers' access to their own files;
- Continue to simplify tax returns/forms and expand electronic filing;
- Conduct a census among taxpayers to verify all the registration attributes;
- Improve the quality of taxpayer services:
 - ✓ Orientation towards remotely provided services;
 - ✓ Expand the communication in the relationship with the taxpayers;
 - ✓ Provide expert assistance and guiding dedicated to various categories of taxpayers;
 - ✓ Improve taxpayer awareness about the rights and obligations they have in the relationship with the tax administration;
 - ✓ It will be possible to send by email the fiscal administrative documents using the email accounts of taxpayers to avoid lengthy postal services and cut the printing and mailing costs (included in the Delivery Unit Action Plan);
 - ✓ Revisit the current taxpayer service catalogue, including the totality of publications by the taxpayer assistance staff, and the existing distribution channels (office windows, call-centers, site-web, written requests, etc.);
 - ✓ Conduct taxpayer satisfaction surveys in respect of services supplied by the tax administration.

Improve the revenue collection efficiency

- Implement the „Revenue Administration Modernization Project (RAMP)”;
 - ✓ Institutional development (development of the management function);
 - ✓ Improve operational efficiency (IT development and re-engineering process);
 - ✓ Improve taxpayer services.
- Develop human resources strategies as part of the MoPF Human Resources Strategy;
- Consolidate the institution's staff, taking into account that NAFA total number of staff compared to the number of managed taxpayers observes the average of the tax administrations in other European countries.

2. Objectives for 2016 -2017

Lead a firm fight against tax evasion

- Develop the risk analysis procedure for the whole tax administration activity, based on the tax information regarding the taxpayers; develop the IT applications to analyze the results of tax

inspection measures initiated based on the risk assessment outcomes, as a move to confirm the risk criteria and provide information for the future risk assessments;

- Expand the program of fiscal verifications using indirect proof methods, to be conducted by the territorial delivery units of NAFA, to include to all categories of individual taxpayers showing a fiscal risk
- Continue the High Net Wealth Individuals initiative through verifications according to the fiscal procedure code and resume the soft letter campaign aimed at taxpayers which showed a filing risk for the income from abroad;
- Continue to develop the tax compliance program dedicated to the High Net Wealth Individuals, through fiscal verifications based on risk assessments and the implementation of specific projects aimed at improving the voluntary compliance – soft letter campaigns related to the filing of income, meetings with the tax advisers and tax agents;
- Strengthen customs controls:
 - ✓ Implement and enforce the Community legislation in the foreign trade area, not only for the customs duties and the commercial policy measures, but also for measures related to: safety and security of EU citizens, anti-dumping charges, environment protection and consumer protection, common agricultural policy (CAP).
 - ✓ In accordance with the EC Strategy in the customs area, the Romanian customs authority is responsible, in the first place, for supervising the international trade in the Community, thus helping a fair and open trade, for applying the foreign aspects of the domestic market, the common trade policy and other Community policies with an impact on trade, as well as for the overall security of the supply chain; at national level, the measures implemented in the customs field are, in principal, to:
 - Protect the financial interests of the Community and the Member States;
 - Protect the Community against the unfair and illegal trade and encourage legal economic business;
 - Provide security and safety to the Community and its residents, and protect the environment, where necessary, in close cooperation with other authorities;
 - Preserve a proper balance between the customs checks and the facilitation of the legitimate trade.

Improve voluntary compliance

- Continue to simplify the tax forms and expand electronic filing;
- Improve the quality of taxpayer services:
 - ✓ Improve internal activity of the structures which provide assistance and guidance to taxpayers;
 - ✓ Continue the implementation of quality standards for the services supplied and optimize business processes;
 - ✓ Develop the NAFA call-center by raising the number of positions and creating support services to the staff answering the phone, set up regional centers for a speedy process of providing the information required by the taxpayers;
 - ✓ Develop taxpayer satisfaction surveys about the taxpayer services supplied by the agency;

Improve the revenue collection efficiency

- Implement the „Revenue Administration Modernization Project (RAMP)”;
 - ✓ Institutional development (development of the management function);
 - ✓ Improve operational efficiency (IT development and re-engineering process);
 - ✓ Improve taxpayer services.

- Consolidate the institution's staff, taking into account that NAFA total number of staff compared to the number of managed taxpayers observes the average of the tax administrations in other European countries;
- Implement a value-for-money integrated and unitary IT system;
- Use the IT&C Technology in the NAFA reorganization process, for a full automation and improved efficiency of NAFA business processes.

4.5 The General Consolidated Budget

The medium term fiscal and budgetary policy projection is based on two essential benchmarks, which are: macroeconomic caution and fiscal and budgetary responsibility. Basically, the balanced conduct started in the second part of 2012 will continue, between the sustainable fiscal consolidation and the economic recovery.

The fundamental objective of the medium term budgetary policy is reaching a value of the structural balance of the public administration which complies with the provisions of the „Treaty on Stability, Coordination and Governance within the Economic and Monetary Union”, in line with the limit of 1% of the GDP as early as 2015 and preserving this level on a medium term.

Bugetul general consolidat					
- % din PIB -					
	2013	2014	2015	2016	2017
VENITURI buget general consolidat (cash)	31,3	32,5	31,9	32,6	31,8
CHELTUIELI buget general consolidat (cash)	33,8	34,6	33,7	33,7	32,9
SOLD buget general consolidat (cash)	-2,5	-2,2	-1,8	-1,1	-1,1
SOLD buget general consolidat (ESA)	-2,2	-2,0	-1,2 *)	-1,1	-1,1
SOLD structural	-1,7	-1,6	-1,0 *)	-1,0	-1,0

*)la care se adaugă 0,25 puncte procentuale - ajutor pentru cofinanțarea proiectelor susținute din fonduri europene

Nota: Din cauza rotunjirilor este posibil ca totalul sa nu fie egal cu suma componentelor

4.5.1 Recent developments and trends for budget revenues⁶

The lines of action on medium term consider:

- Simplify the tax system;
- Boost budget revenues collection;
- Reduce tax evasion

The estimated performance of the main categories of taxes and fees in 2015-2017 is based on the most recent projection of macroeconomic indicators, correlated with the collection evolution as well as the legal changes.

In nominal value, the budget revenues are expected to increase approximately by 15% compared to 2014, which complies with a nearly stable GDP level, around the value of 32%.

In nominal terms, the corporate income tax and the personal income tax, the excise duties and the VAT are expected to grow by more than 14% in 2017, compared to 2014.

The revenues from the social security contributions are estimated with a positive nominal performance of 3,4%, recovering and even outcoming, at the end of the prognosis time frame, the decline determined by the cut in the contributions rate effective as of the end of 2014.

⁶ Unless otherwise stated, the indicators in this section are calculated based on a cash methodology.

Veniturile bugetului general consolidat - pe tipuri de venit -						
	- mil. lei -					
	2012	2013	2014	2015	2016	2017
Total, din care:	193.148	200.374	218.827	226.360	243.859	251.593
Impozit pe profit	10.855	10.926	11.991	12.670	14.050	14.803
Impozit pe venit	20.957	22.736	23.034	25.315	26.814	28.295
Impozite si taxe pe proprietate	4.060	4.403	6.251	6.354	6.782	7.055
Taxa pe valoarea adaugata	50.516	51.827	53.917	55.537	58.826	61.848
Accize	20.260	21.106	24.114	25.531	26.902	28.623
Impozit pe comertul exterior	707	620	626	675	695	718
Alte venituri fiscale	6.689	7.492	7.179	7.310	6.596	6.915
Contributii de asigurari sociale	51.658	54.383	57.413	55.311	56.019	59.366
Venituri nefiscale	18.328	17.212	17.791	18.030	20.045	20.295
Venituri din capital	653	655	1.701	854	889	924
Donatii	443	207	43	2	1	1
Sume de la UE in contul platilor efectuate	7.979	9.173	14.766	18.772	26.239	22.750
Sume incasate in contul unic la bugetul de stat sau in curs de redistribuire	43	-365				

Nota: Din cauza rotunjirilor este posibil ca totalul sa nu fie egal cu suma componentelor

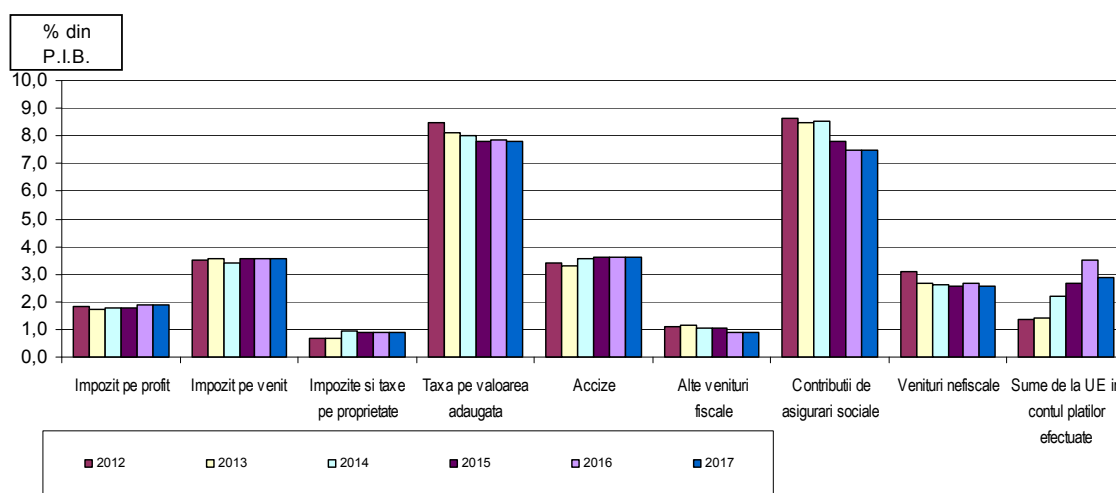
The corporate income tax is positively influenced by the employer's social insurance reduction by 5 percentage points starting 2014. The facility regarding the tax deduction of the profit invested in technological equipment, in force since 2014, has a negative effect until 2017 when its applicability ends.

In 2016-2017 the income tax is negatively impacted by the fiscal facility under the form of special tax allowance for restructured loans introduced in GEO 46/2014.

The social insurance contributions are negatively influenced by the application of the reduction decision of 5 percentage points of the employer's social insurance contribution and increasing the contribution rate related to the private pension funds administrated from 4,5% to 5% in 2015 and respectively by 6 % in 2016.

For 2016 the revenues from the personal income tax and the social security contributions are positively influenced by the writs of execution payment regarding the salary payments to employees of the public sector.

Evolutia veniturilor bugetare in perioada 2012-2017



The central government has the highest share of the general consolidated budget followed by local budgets and the social security budget

The central government has the highest share of the general consolidated budget.

The central government receives the highest subsidies from the state budget, to correct imbalances of the public pension system.

Veniturile bugetului general consolidat - pe bugete componente -						
	2012	2013	2014	2015	2016	2017
Total, din care:	193.148	200.374	218.827	226.360	243.859	251.593
Bugetul de stat	87.171	90.698	99.001	107.613	120.526	123.127
Bugetul general centralizat al unitatilor administrativ teritoriale	53.442	56.941	63.139	63.212	64.528	68.026
Bugetul asigurarilor sociale de stat	48.858	50.116	52.383	55.045	56.918	59.373
Bugetul asigurarilor pentru somaj	1.915	1.770	1.916	1.821	1.804	1.812
Bugetul Fondului pentru asigurari sociale de sanatate	19.085	23.069	22.902	22.902	23.402	24.073
Bugetul institutiilor/activitatilor finantate din venituri proprii	18.064	18.147	19.784	18.190	18.477	18.831
Alte componente ale bugetului general consolidat	8.977	8.835	7.338	8.947	9.701	9.982
Transferuri intre bugete si operatiuni financiare(se scad)	-44.364	-49.202	-47.636	-51.368	-51.496	-53.631

Nota: Din cauza rotunjirilor este posibil ca totalul sa nu fie egal cu suma componentelor

4.5.2 Recent evolution and trends of budgetary expenditures⁷

General

orientations:

- provide a sustainable level of wages and pensions expenditures in the public sector;

⁷ Unless otherwise stated, the indicators in this section are calculated based on a cash methodology.

- direct available resources to supporting public investments of training ;
- speed up the European funds spending pace in order to increase the absorption rate;

The GDP share of the total budgetary expenditures is preserved on a medium-term decreasing trend, mainly due to the staff expenditures trajectory, the one of the goods and services as well as those of social assistance. Staff expenditures will continue to trend down to reach 6.4% of GDP in 2017, reflecting the continuation of a prudent staff policy application in the public sector.

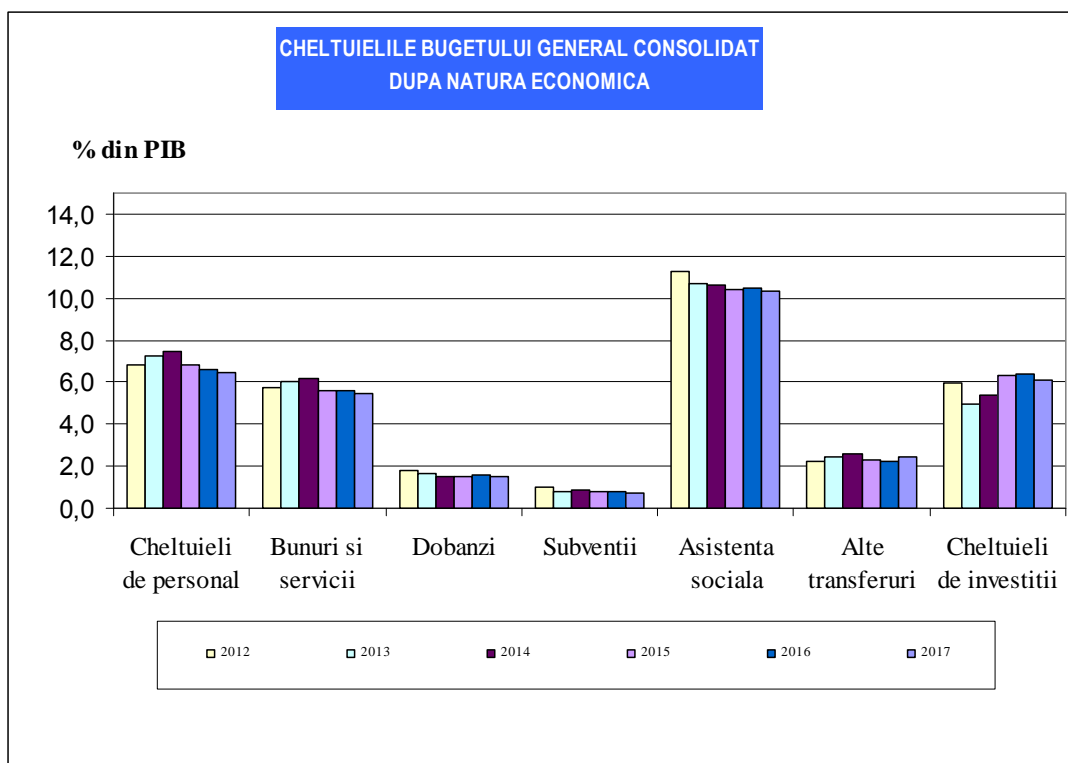
Interest expenditures register a relatively steady trajectory as a GDP share, with even a negative nominal evolution being expected in the last year of the forecast horizon.

Even though the nominal dynamics of the social assistance expenditures is maintained in the positive area, this is a sustainable one and allows a contraction of the GDP share from 10.6% in 2014 to 10.3% at the end of the prognosis horizon.

The reduced GDP share of the other types of expenditures creates a sufficient fiscal space in order to substantially increase the investment expenditures from 5,4% of the GDP in 2014 for values of more than 6% from the GDP of the entire prognosis interval.

Cheltuielile bugetului general consolidat						
- pe clasificatia economica -						
- mil. lei -						
	2012	2013	2014	2015	2016	2017
Total, din care:	207.922	216.168	233.540	239.364	251.955	260.538
Cheltuieli de personal	40.799	46.241	50.519	48.373	49.358	50.851
Bunuri si servicii	34.444	38.539	41.777	39.918	41.938	42.918
Dobanzi	10.711	10.755	10.196	10.670	11.927	11.909
Subventii	6.122	5.154	5.708	5.353	5.728	5.798
Asistenta sociala	67.048	68.389	71.584	74.095	78.578	81.640
Alte transferuri	13.343	15.477	17.611	16.166	16.783	19.381
Cheltuieli de investitii	35.455	31.614	36.145	44.789	47.643	48.042

Nota: Din cauza rotunjirilor este posibil ca totalul sa nu fie egal cu suma componentelor



The most important component of the general consolidated budget is represented by the state budget which holds the highest share of the total budgetary expenditures. The next element as a share is the administrative-territorial centralized budget, closely followed by the social insurance state budget.

The amounts transferred from it to the other components of the general consolidated budget also contribute to the state budget expenditures, either for balancing purposes (social security budgets) or for financing various decentralized activities at the local government level.

All the transfers granted from the state budget to other budgets are eliminated when the general consolidated budget is aggregated, in order to avoid double booking.

Cheltuielile bugetului general consolidat - pe bugete componente -						
	- m il. lei -					
	2012	2013	2014	2015	2016	2017
Total, din care:	207.922	216.168	233.540	239.364	251.955	260.538
Bugetul de stat	104.570	110.128	120.287	126.733	133.852	137.137
Bugetul general centralizat al unitatilor administrative teritoriale	56.081	58.159	63.543	64.047	65.375	68.863
Bugetul asigurarilor sociale de stat	48.609	49.916	52.171	54.833	56.712	59.151
Bugetul asigurarilor pentru somaj	1.738	1.779	1.684	1.597	1.563	1.554
Bugetul Fondului pentru asigurari sociale de sanatate	19.464	23.090	22.902	22.902	23.402	24.073
Bugetul institutiilor/activitatilor finantate din venituri proprii	18.107	17.950	18.236	16.956	17.095	17.475
Alte componente ale bugetului general consolidat	8.969	9.224	7.345	8.815	9.575	9.861
Transferuri intre bugete (se scad)	-44.360	-49.195	-47.514	-51.360	-51.490	-53.624
Operatiuni financiare (se scad)	-5.257	-4.882	-5.114	-5.158	-4.128	-3.951

Nota: Din cauza rotunjirilor este posibil ca totalul sa nu fie egal cu suma componentelor

C5.3 Differences from previous strategy

The forecast scenario of the 2015-2017 Fiscal and Budgetary Strategy is different from the previous version of the strategy, first as a result of the statistic data revised by the NIS⁸ for the previous years, in the context of a changed methodology of national accounts and the transition from ESA⁹ 95 to ESA 2010. These changes have led to modifications in the GDP structure and induced a basic effect on the GDP nominal values and its components.

In 2013, GDP grew beyond expectations, i.e. by 3.5%, on the back of a solid industrial production and a heavy crop which favored significant exports.

Given the economic development over the first 9 months, and the GDP growth by 2.8%, a GDP growth rate of 2.6% was estimated for 2014, with a more modest economy performance in the latter part of the year. The same GDP increase movements were maintained in the following period.

The difference from the previous strategy projections, for the following two years, can be found in the GDP structure, the inflation, unemployment and current account evolution. Simultaneously, the consolidated compared situation of revenues, expenditures and consolidated general budget deficit is presented, associated with the 2014-2016 Fiscal and Budgetary Strategy and the 2015-2017 Fiscal and Budgetary Strategy.

	2013		2014		2015		2016	
	FBS 2014- 2016	FBS 2015- 2017*)	FBS 2014- 2016	FBS 2015- 2017	FBS 2014- 2016	FBS 2015- 2017	FBS 2014- 2016	FBS 2015- 2017
GDP	2.2	3.5	2.2	2.6	2.5	2.5	3.0	3.0
Export of goods	6.9	10.0	7.3	7.3	7.2	7.2	7.3	7.3
CPI –end of year	2.0	1.55	3.0	1.6	2.5	2.9	2.3	2.8
- annual average**)	4.1	3.98	2.4	1.2	2.8	2.2	2.5	3.0
Average number of employees**)	1.5	0.0	1.3	1.5	1.4	1.6	1.5	1.5
Registered unemployment rate at year end	4.9	5.65	4.8	5.3	4.6	5.1	4.5	4.9
Current account balance (% of GDP)	-1.0	-0.8	-1.3	-1.0	-1.6	-1.5	-1.9	-1.5
Revenues (cash methodology) (% of GDP)	32.9	31.9	32.9	32.5	33.3	31.9	33.1	32.6
Expenditures (cash methodology) (% of GDP)	35.5	34.4	35.1	34.6	34.7	33.7	34.6	33.7
Deficit (cash methodology) (% of GDP)	-2.5	-2.5	-2.2	-2.2	-1.4	-1.8	-1.4	-1.1
ESA deficit (% of GDP)	-2.6	-2.2	-2.2	-2.0	-1.4	-1.2**)	-1.4	-1.1
Structural deficit (% of GDP)	-2.0	-1.7	-1.7	-1.6	-1.0	-1.0	-1.0	-1.0

*) actual data.

**) to which a 0.25 percentage points allowance is granted to co-finance the projects funded by European funds

Favorable influences due to the last year's harvest, as well as the decrease of VAT rate from 24% to 9% starting September 1, 2013 for some bakery products continued in the first part of the current year. At the same time, the disinflation process was sustained by the cancellation of the applied increase for the purchase price of natural gas from domestic production for households by Governmental decision, which determined an annual average inflation decrease by 1.2 percentage points in 2014. This generated a change in the inflation evolution assessments for the coming years, mainly as a basic effect induced by the positive influences dissipation in 2013 and the reduced demand deficit on account of domestic requirement strengthening.

⁸ NIS – National Institute of Statistics

⁹ ESA – European System of Accounts

In 2013 the labor market evolution was characterized by keeping the number of employees relatively to the same level as in 2012, accompanied by a higher above expectations unemployment rate.

For the 2014-2016 interval, the prognosis regarding the number of employees was revised upwards and an improvement of the employment on the labor market is to be expected. The unemployment registered at the end of 2013 has been growing from 2012, with a higher unemployment rate as against the rate projected in the previous strategy, which led to the reassessment of the registered unemployment for the next period.

The evolution of the current account components changed from the 2014-2016 FBS, mainly as a result of the new methodological standards used for the purpose of the balance of payments and international investment position, based on IMF Balance of Payments and International Investment Position Manual, 6th Edition (BPM6), which replaces the previous 1993 version (BPM5). These changes led to a lower deficit-to-GDP ratio compared to the previous version.

4.6 Public policies

Wage policy

The wage policy of 2015 is promoted in line with the latest developments of the domestic and international environment, the legislative framework in force, as well as the fiscal and budgetary measures to be implemented in the time interval under review.

Lines of action

Continue the application of the Framework Law 284/2010 *on the unitary pay to employees of the public sector*, as revised, and increase the wages up to the limit of the wage bill agreed with the international financial institutions. Thus, the process of gradual alignment of the base salaries of the personnel paid from the public funds at the rates of the unitary pay law will be continued;

Wage policy measures in 2015

Starting January 1, 2015, the gross amount of basic wages/payments/wages associated to the main job, as granted in the month of December 2014 to the staff of the public health system, including medical and social units and the public social assistance system, will be increased by 100 lei, except in the case of the staff which will have their basic wages raised by 100 lei as a consequence of the minimum gross wage increase.

Increase the wages of teachers and supporting staff in the education system by 5% starting March 1, 2015 and by 5% starting September 1, 2015;

Gradually increase the gross minimum wage to 1050 lei in the second half of 2015 (in observance of the target provided for in Government Ruling Strategy).

Employment policy

In the workforce field the Government Strategy is directed to support employment and training, focusing on youth employment, ensuring equal opportunities for women and men and optimal work conditions.

The Government strategy intends to support employment and training, focusing on youth employment, ensuring equal opportunities for women and men and optimal working conditions.

The overall objective is to promote and increase employment by 2020 in order to achieve an employment rate of 70% for people aged 20-64, according to the priorities of 2020 Europe Strategy. The focus is on:

- Increasing the employment rate among young people towards 2020;
- Increasing the employment rate of unemployed and inactive people;
- Strengthening the administrative capacity of NEA and territorial agencies towards 2020.

1. The continuation of structural reforms will aim at achieving a sustainable level employment supported by economic competitiveness, social cohesion and sustainable development, provisioned by the 2014-2020 National Strategy for Employment, by implementing specific objectives and lines of action provided for in the Strategy.

Given that Romania committed to an employment rate of 70% for people aged 20-64 by 2020, the 2013-2016 Government Ruling Strategy includes, under the *Labor Section* a series of reforms and initiatives (some of them are already under implementation), which are destined to promote a performing, dynamic and flexible labor market in order to facilitate access to quality jobs thus ensuring sustainable development and economic and social cohesion.

The Government Ruling Strategy in 2013-2016 aimed at providing a flexible legal framework to increase the employment rate, including:

- Increase the employment rate of the labor force, focusing on the following target groups: young people aged between 15 and 25; workers aged between 50 and 64; women; unskilled workers; disabled people; people with complex family responsibilities; ethnic minorities, including the Roma minority;
- Stimulate investments aimed at improving the working conditions of employees, with an emphasis on green jobs;
- **support the third sector, social economy and social enterprises, aiming at the improvement of the cohesion and social inclusion of persons coming from vulnerable groups by creating new local jobs and/or social services;**
- **introduce of partial unemployment procedure that allows aggregating income from part-time jobs with a part of unemployment benefit, for a limited period,**
- reduce undeclared work and strengthen fiscal discipline while diminishing administrative barriers and costs for the employer by up to 18%, by creating the insurance card within the social security system;
- limit the „brain drain” phenomenon
- Promote and extend the measures to encourage the employment of young people, especially those coming from orphanages and disabled persons;
- Promote integrated programmes for the social inclusion of Roma people.

In addition, according to the **2014 National Reform Programme**, the measures taken into account to improve labor market participation in order to achieve the national employment target focus on subsidizing employers to hire unemployed people who are eligible to apply for early retirement or partial retirement within five years from the employment date.

According to the 2014 NRP the provision of adequate conditions for the (re) integration of young people into the labor market, including young NEETs is one of Romania's priorities. For this purpose the **Youth Guarantee Implementation Plan (YGIP) for 2014 - 2015** has been developed and approved in the government meeting on 23 December 2013.

The funding of measures in the 2014 – 2015 (**YGIP**) is based on the ESF (European Social Fund) financing and other structural and cohesion instruments (as applicable), the financing from YEI (Youth Employment Initiative) funds, the state budget funding, including co-funds for the absorption of YEI and ESF funds and the unemployment budget funding. Unemployment budget measures are financed from the unemployment budget under this Plan as provisioned by Law 76/2002 regarding the unemployment system and employment stimulation as revised, Law 279/2005 regarding apprenticeship on the job, as republished, and Law 335/2013 regarding internship for university graduates.

In 2014 as well as in 2015-2017, the objective of achieving a sustainable level of employment is mainly based on **further implementation of measures package in order to stimulate employment, funded from the unemployment budget**, namely the measures provided for in:

- Law 76/2002 on the unemployment system and employment stimulation as revised;
- Law 279/2005 on apprenticeship on the job, as republished;
- Law 72/2007 on pupils and students' employment stimulation, as revised;
- Law 335 / 2013 on the internship for higher education graduates, including the elements of reform introduced in 2013.

Law 76/2002 on unemployment and employment support stipulates:

- *information awareness and consulting;*
- *labor mediation;*
- *training;*
- *free services for the assessment of skills acquired otherwise than officially*
- *supplement the income of employees by providing an amount of 30% of the unemployment benefit to which the persons concerned would have been entitled to if not hired;*
- *employment bonus for graduates of educational institutions and special school aged 16 minimum who are employed with a full-time job for more than 12 months;*
- *mobility premiums, including to long-term unemployed;*
- *subsidize, for a time period of 12 months, the jobs offered by employers who hire on high education graduates, unemployed aged over 45, unemployed single parents and people with disabilities based on a permanent employment contract;*
- *promote the measure according to which employers who hire unemployed persons who fulfill the conditions for retirement within 5 years from the date of employment according to the law, benefit from an amount equal to the social reference indicator in force during the employment period;*
- *promote the employment of young people facing the risk of social exclusion, by encouraging employers who hire young people from this category, measure by which these employers, called insertion employers, shall receive upon request, for each young employee in this category, on a monthly basis, from the unemployment budget, an amount equal to the basic wage established on the employment date, but not more than twice the reference social indicator in force on the employment date for a period equal to the period of solidarity contract between NEA and the young person for a period of up to 3 years but not less than one year.*
- *subsidize insertion employers who still qualify for a maximum 2 years period from a granted monthly sum amounting to 50% of the unemployment benefit according to the law, which the young employee would have received if they were laid-off at the expiry date of the individual employment contract, if after this date they conclude an permanent individual employment contract with the young person facing the risk of social marginalization.*

Law 279/2005 on apprenticeship, as republished, aims at obtaining a quality training for young people and nationally recognized skills which allow employment and further studying.

The law provides the encouragement of employers which conclude contracts of apprenticeship, by providing a subsidy for the entire period of the apprenticeship contract, from the unemployment budget in amount of 60% of the reference social indicator value.

Law No. 335/2013 for the conduct of training for graduates of higher education considers ensuring the transition of higher education graduates from the education system to the labor market, as well as enhancing their skills and professional skills in order to adapt to practical needs and workplace demands.

Employers who will conclude an apprenticeship contract under the provisions of this law shall receive monthly, upon request, from the unemployment budget, an amount equal to 1.5 times the value of the social reference indicator provided for by the Law 76/2002 on the unemployment system and employment encouragement, as subsequently amended and supplemented, during the period of the internship contract for that trainee for a period of six months,

Passive social protection will continue to be given to individuals who are facing unemployment risk based on their previous contributions in accordance with Law 76/2002, as well as those who will be made redundant through layoffs, carried out on the basis of Redundancy Plans, according to the GEO 36/2013.

2. The measures provided for in the acts referred to in paragraph 1 will be implemented in 2015.

With regard to new measures for the period 2016-2017, the measures provided for in the 2013-2016 Ruling Strategy are to be considered:

- *support the third sector, social economy and social enterprises, aiming at increasing social cohesion and insertion of persons coming from vulnerable groups by establishing new jobs and/or social services to the benefit of the local communities;*
- *introduction of partial unemployment to allow for a limited period the income aggregating from part-time jobs with a part of the unemployment benefit*

as well as initiate the legal steps to remove from the Law 76/2002, as revised, the provisions by which an employment benefit accounting for 50% of the social reference indicator is granted to the persons assimilated to unemployed people and high education graduates for a period of 6 months; the introduction of a new measure under Law 76/2002 as revised as an alternative to removing unemployment benefit awarding to graduates, directed to the young people who are not employed and do not follow any educational program or training (NEETs)- the registration bonus at the public employment service, granted as a lump sum equal to the social reference indicator;

C . Social Assistance Policy

The purpose of policies in this sector is to develop efficient social assistance systems to support people in distress, to protect children, families and old people and secure their wellbeing.

Current situation:

1. The social assistance gives consideration to promoting measures aimed at protecting children, families, people with disabilities, old people, people living in disadvantaged areas and those facing the risk of poverty and social exclusion, all in line with the strategies developed for this sector, the provisions of the Government Ruling Strategy and the commitments made by our country as EU Member State.

Main objectives:

- A. Continue to reform the system of social benefits, so as to turn this system into an efficient, balanced and resilient system, in correlation with active measures meant to prevent and fight risks or any situations which may entail social exclusion;
- B. Develop the legal framework needed to build a sustainable and efficient system of quality social assistance services at national level, tailored to fit the different categories of people in distress;
- C. Promote public policies aimed at the social assistance of old people, under the circumstances of a rapid demographic ageing;
- D. Develop the institutional capacity to provide systematic monitoring, review and forecast of the indicators in the social assistance and social inclusion sector, and to achieve strategic planning and set up the most efficient programs and policies in the sector;
- E. Improve the social assistance system achievements by promoting skillful and quality staff in the system.

2. The main benefits to be covered in 2015-2017

Benefits - Child allowances

- Allowances, benefits and support for child raising
- benefits to disabled persons
- Family support allowances
- Household heating support
- Social support (the minimum guaranteed income)
- Minimum insertion income
- Other social assistance benefits

3. Under the circumstances of 2015 budget expenditures, consideration has been given to increasing the allowance to support the low-income families by 42 lei for each child, increasing the placement allowance pursuant to the provisions of the Government Emergency Ordinance nr.65/2014, and increasing by 16% the monthly benefits and the additional budget to people with disabilities.

4. Starting 2016, pursuant to the Social Assistance Law nr. 292/2011, the minimum insertion income will be introduced as the main measure to prevent poverty, by securing a minimum income to each Romanian citizen. This will be addressed to low-income families and will help achieve, in time, the target provided for in the National Reform Program, based on the European 2020 Strategy, which is to reduce poverty according to the methodology used by the EU Member States.

Policy in the Health Sector

General Purpose

The purpose is to build a health system which supports the citizens of Romania and provide them with the possibility to preserve a good health condition and helps improving the quality of their living standards.

The Ministry of Health develops policies, strategies and action plans in the health sector and coordinates and supervises the implementation of these policies, strategies and action plans at national, regional and local level and is responsible for the achievement of the healthcare reform. At the same time, the MoH organizes, coordinates and guides the activities which address the population health and are meant to prevent and fight the health harming practices.

Our healthcare system, with its institutions and experts in the health sector, puts the patient to the core of its preoccupations. The social concept which is the fundament of the health system relies on the principles of universal access to quality medical care and, as a consequence, involves the joint funding principle.

One of the main tasks of the Government will be to identify and arrange in a systematic way the optimal lines of action for the implementation of the reform measures in the framework of a comprehensive legal process allowing that both the population and the political environment needs are met.

The citizens' confidence in the health system needs to be restored, by allowing a civilized access to the necessary medical care, as does the dignity of the medical staff.

Specific objectives:

One of the fundamental objectives undertaken and promoted by the Romanian Government is to continue the reform in the health sector through the implementation of the 2014-2020 National Health Strategy. To this purpose, a set of reforms will be implemented in the public healthcare system, and these reforms are essential for improving the population health condition, increasing the quality and improving the efficiency of healthcare services and improving the access to healthcare services. These policies will result in a higher life expectancy, a reduced burden of sickness, disability and early deaths and, by this will help improving the quality of living.

Priorities are established based on strategic reasons and take into account, in principal, the deviation of health indicators and the unfairness in the health sector: the mortality rate of mothers and children, the main transmissible diseases (for instance, HIV/AIDS), as well as the main five chronic pathologies which may be diagnosed and treated by an early approach (cancer, cardiovascular diseases, diabetes, mental disorder, rare diseases) which are known as having a strong impact on the poor and vulnerable people. The strategic objectives aimed at maximizing the potential of the healthcare sector to financially help, in a sustainable manner, promoting the social cohesion through health and healthcare services are a better access to health services, in particular of most vulnerable segments of population, along with a drop in administrative costs,

including through measures aimed at the rehabilitation and modernization of the health infrastructure, and an improved administrative capacity.

Romania set its development strategies in the health sector on a short, medium and long term, as follows:

I. PUBLIC HEALTH

Measures:

- Improve the health of children and mothers
- Fight the double burden of the disease on the population by:
 - An effective control of epidemics and supervision of transmissible diseases, including with a focus on the transmissible diseases with a relatively high burden on the Romanian citizens
 - Lessening the burden of non-catching diseases which can be avoided, including interventions in the case of pathologies which have been neglected before (cancer, cardiovascular diseases, diabetes, mental disorder, rare diseases)
- considering the health in connection with the environment
- Promote awareness about the effective preventative solutions (of primary, secondary or tertiary level)

Main lines of action:

- Cut the rate of non-transmissible diseases which currently are the major causes for the morbidity, disability and mortality – cardiovascular diseases, brain diseases, cancer, and diseases of the digestive system, respiratory system, and diabetes. This objective will be achieved through measures which include:
 - risk assessment and active supervision of the population through preventive care services;
 - early identification of the disease and organized screening interventions;
 - expansion and diversification of services which may be supplied by family medical practices and specialty medical practices;
 - access to diagnosis and treatment procedures in the field of interventional cardiology, cardiovascular surgery and general surgery.
- Reduce the mortality and morbidity caused by transmissible diseases, as well as their impact on the individuals and the society, and on a long term the significant decline of the mortality and morbidity rate. Hence, the following are considered:
 - preserve proper identification and successful therapy rates for tuberculosis;
 - treat the hepatitis B and C as priorities, through a coordinated and unitary action in this sector;
 - preserve Romania's profile as a low-HIV rate country, by comprehensive prevention and risk reducing measures.
- Improve the health and nutrition for children and mothers, including for disadvantaged and vulnerable groups – interventions to prevent malnutrition, obesity, neonatal deaths through an increased access to proper care; family planning services;
- Mental health – improve the living quality of people with mental disorders, by securing the access of this people to medical therapy and psycho-therapy; detect the consumption of psycho-active substances;
- Rare diseases – improve the quality of care for patients suffering from this type of disease, throughout the healthcare chain, and provide access to specific therapy.

II. HEALTH SERVICES

The restructuring process of the health services system is built on levels of medical care, promoting decentralization and regionalization of the medical assistance, reviewing on a case by case basis the optimal solutions to each component, developing quality and cost-effective basic healthcare services accessible to

everybody, with a focus on the prevention and the promotion of a healthy lifestyle, and reorganizing the services supplied by hospitals, thus building the foundation of a health system which will answer, in a fair way, to the needs of the population, in particular the most vulnerable.

General objectives, specific objectives and measures attached to the strategic area of health services are aimed at:

- The consolidation of the Community network of medical assistance services dedicated to the most vulnerable groups;
- Improved efficacy and diversification of the primary care services;
- The consolidation of the quality and efficacy of services supplied in ambulatory care
- Increasing the population safety through the consolidation of the integrated emergency services and ensuring the fair access to emergency care
- The regionalization/concentration of hospital care and development of regional networks of hospitals and laboratories with different levels of competency which are interconnected with the primary care and ambulatory care
- Improving access to rehabilitation, palliative and long term care

The measures related to health services give consideration to the following:

- improve the efficacy and diversify the primary care services, including a higher share of primary, secondary and tertiary prevention services, early diagnosis and treatment, monitoring of chronic patients (HTA, diabetes) in the Community;
- expand the services provided in special ambulatory care and increase the number of cases treated at this level, at the same time with reducing the number of in-bed treatment cases;
- reassess existing hospitals, revisit the classification criteria and reorganize the hospitals by levels of competency, which will include the criteria for an integrated care of critical patients and complex cases;
- put the regional, high performing emergency hospitals in the center of hospital network, than add the zonal hospitals and the rest of county emergency hospitals and hospitals of the Bucharest Municipality, as well as specialty institutes;
- Replace the nonperforming hospital services offer with ambulatory services and safe and quality long term services, along with the reorganization of non-performing hospitals;
- Supplement the current classification of hospitals to include the hospitals providing rehabilitation, recovery or long-term in-bed services;
- Consolidate the integrated emergency care system and continue to develop this system through multi-annual programs aimed at providing proper equipment to ambulance services and SMURD services, rehabilitating and providing proper equipment to emergency admission units and compartments;
- Expand the tele-medicine system between pre-hospital and hospital care, as well as between the emergency admission compartments, with the possibility to add the health centers available around the clock.

III. CROSS-CUTTING MEASURES

- Strengthen the administrative capacity at national, regional and local level
- Implement a sustainable policy to ensure the proper human resources in the health system
- Implement a sustainable policy to secure the financial resources of the health system, the cost control and the financial protection of the population
- Provide and monitor the quality of public and private health care services
- Develop and implement a policy in the pharmaceuticals field to secure the fair and sustainable access of the population to evidence-based medication
- Promote research and innovation in the health sector
- Promote cross-sector cooperation for a better health of the population, in particular the most

vulnerable groups

- Improve the efficiency of the health system by speeding up the process of using modern IT & C (E-health)
- Develop the proper infrastructure at national, regional and local level, to reduce the unfairness in accessing the health services

Expected results:
Following the implementation of these policies, the Romanian health system will present, as a minimum, the following features on a medium and long term:

- Provide on a permanent basis safe and efficient healthcare services, with patients receiving the medical services they need at all levels (primary, secondary and tertiary care level);
- The public policies, from the allocation of resources at national level to the diagnosis and treatment methods shall be based on the best scientific and technological knowledge available;
- Ensure the provision of quality medical services;
- Reduce the risk faced by the patients and ensure the patient safety with support from the proposed IT systems and procedures and from the quality monitoring system, which will help recognizing, preventing and reduce the number of errors;
- Optimize the system by focusing on the facilitation of cross-sector cooperation, which is crucial to addressing the health drivers with a high impact on the health.

The Agricultural and Rural Development Policy

In the field of European Funds, in the 2014-2020 programming period a unique exercise is conducted by the European Union: common norms applicable to the cohesion policy, the rural development policy and the fishery and maritime affairs policy are established.

Thus, a consistent regulatory framework is created for the European Structural and Investment Funds (ESIF) which include the financial instruments of the cohesion, rural development and fishery policy, to improve the coordination and approximate the implementation of funds used to finance the cohesion policy, namely EFRD, ESF and CF, with the implementation of the EAFRD and the maritime and fishery sector fund, namely the European Maritime and Fishery Fund (EMFF).

The New Common Agricultural Policy

The new direct payment system starting in 2015 – support to farmers through direct payments:

Basic payment for farmers;

A single surface payment scheme (SSPS), which consists of a uniform amount/single payment by eligible hectare declared by the farmer, which is payable one a year and totally separated from the production. The single surface payment is calculated annually by dividing the national annual ceiling to the total number of eligible hectares declared at national level. This may also work as a basic payment (a farmer who, until 2013, has received the SSPS may continue to receive this single payment instead of the basic payment);

A payment to farmers who use environment and climate-friendly practices (the payment for verdure): diversification of crops, preservation of meadows and areas which bear an ecological interest – payments are given automatically to green agriculture;

The re-distributive payment is a 2-layer payment granted for the first 30 hectares, irrespective of the size of the farm. The payment amounts corresponding to the two layers of the payment will help merging the plots of land and building farmers of a size the over 5 hectares. This payment is an annual payment for farmers entitled to a payment under the single surface payment scheme; it is a payment that is paid gradually, for the first 30 hectares of a farm, irrespective of the size of that farm.

The optional payment to farmers in the areas facing natural restrictions are meant to prevent the abandon of this areas and thus allow this areas to continue to be used for farming

purposes;

A start-up payment to young farmers – an annual payment to young farmers (under 40 years of age) which are entitled to receive payments under the Single Surface Payment Scheme;

A support optional scheme (joint optional support) which is addressed to certain types of farming activities or certain farming systems in difficulty, but which are highly important for economic and/or social reasons.

Sectors and crops covered by this scheme are:

- grains, oilseeds, grain legumes, flax, hemp, rice, nuts, potatoes, seeds, olive oil, dried fodder, hop, sugar beet and chicory, fruits and vegetables forest species with a short production cycle;

- sheep and goat meat, beef and young beef meat, milk and dairy products, silkworms.

A simplified scheme for small farmers, with more simple requirements and procedures, for which the payments are ranging from 500 to 1250 Euros. This scheme will be applied starting October 15, 2015;

The national transition aid which consists of additional payment to farmers involved in the sectors of vegetables and animal breeding, which received complementary direct payment in 2013. The requirements which must be met to receive the national transition aid are identical to the requirements for the payments made in 2013.

Measures considered
for 2015:

The national program for the achievement of the national soil-ground monitoring in agriculture

Continue to provide the funds for the implementation of activities under the national program aimed at building the national soil-ground monitoring in agriculture, in accordance with the provisions of the Order issued by the minister of agriculture and rural development (Order 278/2011) which includes:

- The national pedological and agrochemical research in 2012-2021;
- The fund allocation program to:
 - The county soil-ground monitoring system in agriculture and supplementation of the county database and the national soil quality monitoring system, into the network of profiles 8x8 km, and the attached database, including writing the soil quality annual report;
 - Funding the works for uploading-updating the national soil-ground unit database (BDUST) by integrating the county (judet) databases (BDJUST), maintenance for the BDUST/BDJUST management software and expertise for conducting the pedological research and dissemination of the updated software versions and TA and advisory services to pedological and agrochemical research offices for the use of the software;

Other measures:

Carry out the attributions according to the commitments pursuant to the provisions of the Government Decisions 668 of July 4, 2012 revising and supplementing the Government Decision 1570/2007 on the national system aimed at estimating the level of anthropic greenhouse gas emissions resulted from sources or retention of CO₂, as regulated by the Kyoto Protocol;

Finance the activities provided for with the purpose of implementing the INSPIRE Directive (Infrastructure for spatial information in the European Union).

The main rural development priorities which will be the focus of the Ministry of Agriculture and Rural Development (MARD) in the programming period 2014-2020, via the **2014-2020 National Rural Development Programme** are:

- Modernize and increase the viability of family farms through consolidation and market opening and processing of agro-foods. In order to develop the agriculture so as to reach the European standards, MARD plans to continue to provide funds to investments in farms, which have been very successful in the current programming period;
- Encourage young farmers' startups. The support to young farmers in this programming period will continue, as a move to revitalize the rural population and facilitate the modernization of farms. The rejuvenation of the farming sector and putting an end to the young people migration from the rural environment needs to be improved through this measure addressed to young farmers, which provides for a stronger support to help the young people start a farm at the countryside. This will be a two-fold support: higher payments per hectare and a more intensive non-refundable support;
- Build/develop the local infrastructures, including irrigations as a pre-requisite to economic development of rural areas, as a move to attract investments to the rural areas and create new jobs;
- Promote the creation and development of SMEs in the non-farming sectors of the rural environment;
- Promote certain sectors with specific needs, with a particular focus on the fruit tree sector and the mountain areas; as a measure to invigorate the fruit tree sector and help the consumption of fruits and fruit products from the domestic crop, this sector will be funded under a sub-program which is dedicated to the fruit tree sector and includes the following measures/sub-measures:
 - Modernization of farms;
 - Processing and selling of agro-foods;
 - Cooperation;
 - Groups of producers;
- Encourage the local development, a responsibility which has been transferred to the local community via the LEADER approach. With a view to consolidate LEADER by increasing the local capacity, the new preparatory support was introduced for the establishment and operation of local partnership with the possibility to run small pilot projects;
- Implement financial instruments (loan and risk capital funds) by financing a mutual fund aimed at cutting the risks faced by farmers through financial compensations to the members for any economic losses caused by sick animals, plants or environment incidents.

The main objective of the Ministry of Agriculture and Rural Development is to properly manage the community and national funds and support the Romanian farmers, thus helping the development of the agriculture sector, the vegetables and animal breeding segments, in observance of the measures aimed at protecting the environment and make the best use of the natural resources and possibilities available in Romania.

Proposed Objectives, Action taken

The main objective on the medium term

Provide the national food safety by increasing and diversifying the farming output;
 Improve the competitiveness of Romanian agro-food and fishing products on the European and global market with a view to restore the commercial agricultural balance;
 Absorb the Community funds intended to finance the specific areas;
 Provide financial and fiscal support to the agriculture, through multi-annual programs;
 Improve the efficiency of structures of the agricultural and agro-food markets;
 Speed up the rural development process, including the services in the rural environment;
 Modernize and expand the land improvement infrastructure, adapt the agriculture to climate changes;
 Develop fishery activities;
 Support the research activity and professional training in the farming sector;

Objectives of the
Sectoral Policies for
the year 2015

Continue to financially support the farmers in the vegetables sector, from the national and Community budgets;
Encourage farmers to establish market-oriented partnerships (professional organizations, groups and organizations of producers) as a move to improve the efficiency of the production – selling chain, ensuring a fair distribution of profits and fair prices for the final consumers;
Support sectors which involve market niches, with value-added products (green agriculture, traditional products);
Continue the programs aimed at developing the irrigation systems and rehabilitating the land improvement system;
Cut the tax evasion in the agriculture sector;
Increase the competitiveness of agro-foods on the common market and the third markets, through awareness and promoting measures;
Subsidize the price of diesel oil used in agriculture, in the vegetables, livestock and land improvement segments, by reducing the taxation rate (excise duties);
Pay the insurance premiums for the farming crops;
Make the payments to farmers under the direct payment schemes;
The single surface payment scheme;
The national complementary direct payment scheme;
Raise the level of specific aids aimed at improving the quality of agro-foods in the green farming sector;
Raise the level of specific aids for milk and beef meat, as well as goat and sheep milk and meat, granted to farmers in the disadvantaged areas;
Financial support to the preliminary recognized groups of farmers and producer organizations;
Continue the fruit distribution programs in schools;
Continue the National Beekeeping Program;

Objectives of the
Sectoral Policies on
the medium term

Programs aimed at increasing awareness about the agro-foods and the promotion of the agro-foods on the domestic market and in third countries;
Speed up the merging and regulatory process of the land market;
Special program dedicated to the reconstruction of the irrigation infrastructure;
Continue to implement the measures proposed for 2015, namely the green agriculture and traditional products, as well as other sectors which can make the best use of the agro-food sector;
Develop a medium and long term program dedicated to the fruits and vegetables sector aimed at setting up collection centers funded from NRDP and PPPs;
Fight tax evasion by supporting a low VAT rate on a medium and long term, in close cooperation with the MoPF;
Encourage the market nichers – vegetables in winter time, building protected areas – green houses and solariums – through measures provided for in the National Rural Development Program, by adopting new types of constructions allowing the use of state-of-the art technology in the farming sector and obtain high quality crops;
Encourage the market nichers – fruit production, by:
- developing specific infrastructure and production capacity specialized in pools and fruit tree centers, as well as an organized system to produce, sort, acclimatize, package and store the products;
- introduce public policies aimed at supporting the concentration of fruit tree plantations, in order to reach optimal operating areas of 10 to 20 hectares;
- develop viable fruit tree plantations through a reconversion/restructuring process aimed at replacing old plantations in decline and introduce new sorts of shrubs in the plantations;
- Provide funding for research in the fruit tree sector in order to continue and develop applicative research to obtain and preserve the seedling with a high biological value, included in the categories PRE- BASIS and BASIS increase of technical and economic competitiveness through intensive technologies adapted to the climate changes and the

market requirements;
Implement the new Community legal package on the farmer support schemes.

Increase the EU funds absorption capacity

Implemented Measures

Amend the 2007-2013 National Rural Development Program to reallocate funds from the measures with a low absorption rate to those with a high absorption rate;
Revisit the local development strategies which must be adapted to answer in a better way to the current local development needs and to allow more projects to be funded under the LEADER approach;
Implement the transition regulation 1310/2013 of the European Parliament and the Council which include transitory provisions related to the rural development support under EAFRD, which allowed applications according to the 2007-2013 NRDP “old rules” for “new funds” from 2014-2020 NRDP;
Promote the Emergency Ordinance on various measures aimed at the development of farms by micro-loans extended from the MARD budget, to secure the cofinancing needed to implement the NRDP projects. The purpose of this measure is to turn family farms into viable commercial farms, which will be, in addition to the self-consumption, to provide products to be sold on the market;
Re-introduce the maximum EAFRD contribution rate of 95% for the period October 2013 - December 2015;
Optimize the working procedures of the Managing Authority for NRDP, the Agency for the Rural Investments and the Agency for Payments and Intervention in Agriculture, as a move to do away with the barriers in the implementation of the Programme.

Policy in the transportation and infrastructure sectors

Strategic priorities in infrastructure and transportation services for 2015-2017

Territorial cohesion providing the national territory interconnection to international routes, as well as regional interconnectivity, providing the basic infrastructure to the needs of modern transportation economies;
Efficiency by eliminating the bottlenecks and delays having an impact on economic and social environment
Sustainability by promoting and introducing intelligent less polluting transport means, which contribute to the 2020 Europe Strategy objectives.

In order to meet the 2014-2020 Partnership Agreement **the overall objective** of the Large Infrastructure Operational Program (LIOP) for the transport infrastructure is **promoting sustainable transportation systems and removing bottlenecks in network infrastructures.**

In the field of transport infrastructure, the **funding policy** proposed for 2015-2015 will take into account:

Support to a single European area of multimodal transport type through investments in trans-European transport network(TEN-T);
Encourage regional mobility through secondary and tertiary nodes connection to TEN-T infrastructure, including multimodal nodes;

Development and improvement of transport systems which comply with the environment, including those with low noise, and those with low carbon emissions, including inland waterways and maritime transport systems, ports, multimodal links and airport infrastructures, with the aim of promoting sustainable mobility at regional and local level.

Construction of highways/expressways on the TEN-T;
Rehabilitation and upgrading of railway infrastructure on the TEN-T network by completing the missing sections of corridors on the central TEN-T, including boosting the

quality of railway services;

Allocation of financial resources of the Ministry of transportation will mainly focus on:

Undertake studies and technical projects for high speed railway line;
Improve the navigation conditions on the Danube and the navigable canals;
Modernize and develop the sea and river ports infrastructure;
Upgrade and develop the network of national roads, including the construction of new bypass variants
Modernize the infrastructure of cross-border linkages, including by improving the quality of railway services and acquisition/modernization of rolling stock;
Modernize the railway transport infrastructure and connection to TEN-, including through the acquisition of systems and equipment for traffic fluidization
Investment in port infrastructure located outside the TEN-T;
Airport infrastructure investments;
Infrastructure development in intermodal terminals, customs points and modernization of intermodal transfer equipment modernization to reduce bottlenecks in the intermodal transfer, including in customs stations;
Improve traffic safety and transports security for all modes of transport;
Purchase of equipment for snow removal.

In the process of resource allocation on programs/projects and modes of transport, the Transport Ministry will take **the same approach** by implementing *a policy of consistent financing, massive nonrefundable European funds, progressive involvement of the users in the infrastructure financing, encouragement of private sector participation through arrangements of public-private partnerships, streamlining the public investment programme.*

General Transport Master Plan (GTMP) for the period until 2020 and 2030

Failure to set investment priorities will materialize mainly in

GTMP will provide the necessary elements for prioritizing investments in the transport field, for all modes of transport (road, rail, ship, air), based on a multi-criteria analysis and also highlighting the necessary funds allocations on 2014-2010 European programs.

The slowdown in investment programs over the entire transport infrastructure resulting in worsening of operating parameters, reducing traffic safety, decreasing of the number of users and the reduction of income;

Partial finalization and delay on the work begun resulting in increasing moral wear of the designed solutions, additional costs for design and work restoration work

:

Ceasing ongoing projects, resulting in the degradation of the executed works, penalties and costs of conservation and protection;

Limiting the start of new projects resulting in Romania failing on its obligations assumed in capacity as Member State of the European Union

Priority projects of the Ministry of Transport for 2015 and beyond, highlighted in the Ruling Strategy are::

Road infrastructure

Construction of Nădlac-Arad-Bucharest Motorway to link Romania to Europe (Corridor IV) – works finalization;
Transilvania Highway construction - works continuation

Construction of the motorway București-Ploiești-Brașov by completing the section Brașov-Predeal-Comarnic;
 Construction of the Bucharest– Ploiești – Focșani – Bacău – Pașcani motorway;
 Construction of the Bucharest motorway - the project start up at the Pan European IX project;
 Construction of the Bucharest South Motorway – Alexandria – Craiova – Drobeta –Turnu Severin – Timișoara – project commencement;
 Execution of 50 bypass alternatives;
 Rehabilitation of bridges and passages;
 The program of eliminating “black spots” in traffic;

Railway transport

Rehabilitation of the Curtici – Arad – Simeria – Sighișoara – Brașov railway section;
 Modernization of 30 railway station of which 16 stations are in progress;
 Construction of new railways and duplication of the existent ones: construction of the new railway Vâlcele – Râmnicu Vâlcea, the construction and electrification of the line II on the section Mărășești – Tecuci – Bârlad – Iași;
 Modernization of the equipment to increase traffic safety-the pilot project implementation of European Railway System Management Level 2 (ERSMS level 2);
 Remove dangerous points and speed restrictions areas in the railways;
 Program of modernization and computerization of the management routing system and wail traffic control;
 Renewal and upgrade of rolling stock equipment from the Romanian Railway Company(CFR) Passengers endowment;
 The development of the RO-LA transportation and intermodal transportation platforms;

Underground railway

Execution of sections: 1 Mai – Laminorului – Lac Străulești; Drumul Taberei – Universitate – Pantelimon; 1 mai – Aeroportul Otopeni;
 Acquisition of rolling stock for the renovation of the existing fleet as well as the train endowment of new subway lines
 Acquisition of existing rolling stock fleet renovation and equipping of new subway lines with trains.

Air transport

Modernization and development of the airports of national strategic interest: the Bucharest Airports and the International Airport Traian Vuia – Timișoara, the International Airport Mihail Kogălniceanu Constanța;

Implementation of projects aimed at reducing greenhouse gas emissions in the civil aviation field;

Maritime transport and inland waterways

Infrastructure works for the development of specialized terminals in the Constanța South-Mol 3S and 4S in the port of Constanța;
 Develop the artificial island area in Constanța port;
 Industrial platform in Constanta Sud port;
 Improvement of the navigation conditions on the Danube on the Romanian-Bulgarian common sector of the Danube;
 Improvement of the navigation conditions on the Danube on the Călărași – Brăila sector;
 Modernization of locks-equipment and installations on the Danube-Black Sea and Poarta Albă Midia – Năvodari;
 Modernization and development of the Danube ports as intermodal logistics centers;
 Complete the consolidation and maintenance works of the banks of the Sulina channel;

Intermodal Transport

Build 5 main intermodal centers (București, Timișoara, Constanța, Iași and Brașov) and 6 secondary centers (Craiova, Cluj-Napoca, Târgu Mureș, Suceava, Giurgiu and Pitești)

The main investment objectives proposed for 2015-2017:

The railway transport

Rehabilitation of the railroad București-Constanța – objective completion in 2016;
Electrification of the railroad line Doaga-Tecuci-Barboși - objective completion in 2017;
Continuation of the capital repairs program conducted on the railway infrastructure;

The Bucharest urban-underground transport

The completion of the works related to the objective of Line IV for the section Parc Bazilescu-Straulesti and those for the objective of facilities for disabled persons in the subway network by the end of 2016

Naval transport

Continue the programme of independent endowments of specific technique for the river-naval transport;

Modernize and provide the Perseus icebreaker with a new engine system

Finance of further works on refloating the wreck Transilvania

Air transport

The International Airport Mihail Kogălniceanu Constanța:

- Continue the airport endowment programme with equipment specialized for the airport activities deployment, as well as car means to ensure the proper functioning of the airport;
- Finance the feasibility studies of new investments objectives for technical expertise and consolidation works from the departures airport, pillars of projectors support, air shaft and light marking system at 8 years of functioning

Higher School of Civil Aviation

- Purchase of a new aircraft (helicopter);
- Capital repairs of two Lycoming IO-360-L2A and 2 continental L/TSIO-360-RB1B motors.

Education strategy

Education, training and scientific research have a key role and generate the most important gains in terms of competitiveness and social cohesion; from this point they represent the primary means of overcoming crises on the medium and long term.

The 2014-2017 Government Ruling Strategy and the European pragmatic documents in this area (the Europe 2020 Strategy, 2020 ET Framework) substantiate the main strategic guidelines of the Ministry of National Education.

Objectives

Action lines, programs, measures

I. Pre-university education

1. Equal access opportunities and participation to education for all children in Romania

- Organize and sustain early education;
- Develop the “second Chance” program to eliminate illiteracy and promote help integration on the labor market and other support programs, financed with European funds, dedicated for those who drop school;
- Support the “School after school” program;
Encourage pupils from the rural areas to participate to all levels of education and training;
- Provide the environment for children of minority groups to participate in the

education process (including Roma population) and encourage them to access higher education levels;

- Support pupils with disabilities in basic education and higher education levels;

Contents

- Development of new curriculum and ensure adequate textbooks, including in digital format
- The realization of relevant assessments and optimal organization of national contests and exams;
- Organize competitions and International School Contests as well as extracurricular activities provided for in the National Calendar

Human resources

- employ qualified teaching staff;
- Develop an educational market of lifelong learning programs for teachers, based on a competition system;
- Professionalize managerial careers in education
- Link structures and stages of didactic career to educational standards and provide professional dynamics by using the system of professional credits;
- Re-define the statute and role of the supporting teaching staff, to raise professional competencies;

Decentralize and depoliticize education establishments

- Establish decision-making in schools (in school boards etc.), in partnership with parents, sponsoring local authorities and interested economic agents;
- Assume public responsibility for the school performance;
- Encourage school consortiums and professional associations;
- Provide school and teacher participation to programs and projects which are beneficial to the teaching process; promote projects aimed at raising school and family contribution to personalized education of children;
- Encourage private initiative in the pre-university education.

2. Provide quality at all education and vocational training levels

Growth of innovation capacity and creativity from the perspective of sustainable development

- Promote a system of reference values in society through education;
- Stimulate innovation and creativity, including entrepreneurship; encouraging pupils who are capable of innovation and creation;
- Development of educational alternatives and projects focused on cultural acquisitions, technological knowledge, learning skills for a healthy life, sports and environment;
- Promote complementary extracurricular activities and institutionalizing the participating in projects and programs with themes which are complementary to the curriculum.

3. Develop vocational and technical education; link the educational and vocational system and professional training to the labor market

- Conduct needs analysis on the labor market and make use of the studies results;
- Support vocational education for graduates of the eighth and ninth grade;
- Encourage the public/private partnership between the educational system and economic environment to boost the absorption rate of graduates in the labor market by developing vocational training/internship practice;
- Follow the professional path of graduates, for a feedback on their careers.

4. Provide and modernize the material basis of pre-university education; use new technologies

- Modernize the teaching and learning process using ITC; create new learning opportunities using electronic means, multimedia systems, educational software and data networks;
- Provide Internet services for all educational units and improve their access performance.

5. Proper funding to education and vocational training

- Conduct monitoring/evaluation/counseling, audit and control through MoNE (Ministry of National Education) and the subordinated and coordinated institutions, including by the School Inspection;
- Finance of investments considered to be priorities and provide the necessary facilities;

6. Encourage lifelong learning

- Develop the National Lifelong Learning Strategy;
- Promote the concept of educational services benefitting the community;
- Establish Lifelong Learning Community Centers;
- Encourage development of new competencies/skills; improve career orientation and counseling through expert psycho-pedagogical approaches;
- Focus continuous training of teachers on digitalized teaching; provide a curriculum which is adequate to innovative and creative training and competencies; modern pedagogy, optimize the relations with the parents, pupils and local authorities; update knowledge in the specific subjects of the curricula;
- Develop reconversion and/or continuous training programs, based on the needs identified in the system.

II. High education

1. Provide autonomy to high education and university research activity - self-governance, based on the most comprehensive legal framework

- Provide funding to high education establishments based on the results;
- Allow high education establishments the right to have their own staff policy; to decide on the learning/research contents, according to the law and based on the objectives to which individual education institutions are committed;
- Support private initiative in high education and provide guarantees for the autonomy of operations;
- Increase the role of universities in developing the proactive knowledge regions.

2. Improve Romanian universities

- Provide proper and predictable multi-annual funding to high education establishments in Romania, based on excellence criteria, in order to consolidate the material base;
- Strengthen quality assurance criteria, in order to switch to performance-based development

competitiveness

- Concentrate resources by stimulating university cooperation and reopen competitions for research grants;
- Strengthen the monitoring and system evaluation capacity (for ex.: Single Register of Academic Records, National Qualifications Framework etc.) and the strategic planning capacity, based on national and international statistic data etc.;
- Develop local and regional partnerships among government agencies, private companies, school establishments, institutes and research centers and others and some cooperation for achieving knowledge, to disseminate and use it
- Develop strategic alliances among universities, private companies and government agencies

2. Provide proper subsidies to the high education system

- Ensure transport allowances for students;
- Finance students scholarships;
- Allocation of funds necessary for accommodation and meals

III. Develop the European and international dimensions of Romanian education

1. Develop the European and international relationships in high education

- Continue and improve the European and international cooperation in the education sector; consolidate bilateral relations with EU Member States, EEA Member States and third countries;
- Consolidate the cooperation within various international organizations and institutions, in the education, vocational training and research sectors;
- Assume an active role in the regional EU initiatives: Strategy for Danube Region; EU – Asia Region; EU – Latin America and Caribbean; Eastern Partnership; North America and Africa, etc.;
- Attract a higher number of foreign students to high education establishments in Romania, which will attract the prestige of the Romanian education system and substantial financial resources;
- Support Romanian communities living outside the Romanian borders by continuing the „Program of scholarships” and the „Romanian language, culture and civilization class in education establishments of the European Union Member States”;
- Increase the role of Romania in providing assistance to other countries in the education sector, to achieve the objectives targeted by the “Education for All” initiative supported by UN and coordinated by UNESCO at global level.

Policy in the Research, Development and Innovation Sector

In the international context of the *2020 Europe Strategy*, the national research-development and innovation strategy for 2014-2020 (2020NS) preserved the commitments made by Romania in the National Reform Program:

- Romania reaches the EU 28 average of the *Summary Innovation Index*;
- The research investment, from public funds, reaches 1% of GDP (an indicator which is relevant for the intensity of the research and is monitored at EU level);
- The investment in research, *on the companies side*, reaches 1% of GDP (an indicator which is relevant for the effectiveness of RD&I).

2020 NS strategic objectives are:

1. *Increase, through innovation, the competitiveness of the Romanian economy.* This objective relates to building the capacity of companies to absorb state-of-the-art technology, to adapt these technologies to the market needs and use these technologies to develop other technologies or services which allow the progress in the value chains.
2. *Increase the Romanian contribution to the frontier knowledge progress.* The Strategy supports a visibility at

international level of the Romanian experimental research and development. The RD activities at the knowledge frontier requires a critical mass of researchers in the most promising areas, preserve the advance in the niche sectors, international evaluation standards for the research projects and sizeable scientific initiatives, such as the one developed around large infrastructures.

3. *Increase the role of science in the society.* Science and technology become relevant for the society when their effects are seen in the daily life of citizens. The Strategy aims at solving the society-related problems through innovative solutions.

2014-2020 RDI Strategy targets the following types of RD&I priorities:

- smart specialization priorities, which require the definition and consolidation of high competency areas, with real or potential comparative advantages, contributing in a significant way to GDP; these are:
 - *Bio-economy.*
 - *Information and Communication Technology, space and security.*
 - *Power, environment and climate changes.*
 - *Green nanotechnologies and advanced materials.*
- Priorities of public relevance, which target the allocation of resources in areas in which the research and technological development respond to specific and urgent social needs. Fundamental research remains a priority for the 2020 NS – including humanist and socio-economic disciplines – as a source for the frontier and inter-disciplinary research.
 - *Health.* In this sector, experimental research and development have a crucial contribution, as they impact not only the individual and general wellbeing, but the economic perspectives of an entire society.
 - *Patrimony and cultural identity.* This area gives consideration to a wide range of scientific research topics, from the social impact of the science and technology to the development of the education system, consistently with the essential objectives of the European Union.
 - *New and emerging technologies.* This direction is oriented towards the pre-commercial innovative public procurement, in support of strategically relevant opportunities.

Lines of action

1. Improve the performance of the national RD&I system, by developing its material, functional and staffing capacity.

It consists of investments in the research infrastructure of pan-European interest, active in and through Romanian institutions, which are already included or are to be included on the “*European Strategy Forum on Research Infrastructures*” (ESFRI), such as:

- The laser installation “*Extreme Light Infrastructure*” (ELI – NP);
- The Danube – Danube Delta – Black Sea Centre for Advanced Studies, a component of the EU Strategy for the Danube Region.

2. Improve the economic competitiveness by encouraging innovation and support policy portfolio aimed at RD investments in the private sector.

The RD&I Government policy supports the competition poles, either around investments like the one mentioned above, or using instruments for the implementation of the PPP (public procurement, smart specialization etc.) The advantages expected from this type of cooperation are: alternative financing, trading in the intellectual property rights, acquisition and dissemination of “know-how” in Romanian regions, internationalization of domestic SMEs through RD&I. In correlation with the directions at national level, observing the commitments at international level will lead to an increased absorption rate of Community funds and the consolidation of Romania’s participation to the European Research Area (ERA) – this is the membership capacity in *CERN (Organisation européenne pour la recherche nucléaire)*, *FAIR (Facility for Antiproton and ION Research)*, *ITER (International Thermonuclear Experimental Reactor)*, *ESA (European Space Agency)*.

The lines of action in the research sector are consistent with the objectives of the cohesion policy, an essential component for the implementation of the *Europe 2020 Strategy*. The European Regional Development Fund supports the objective related to the consolidation of research-development and innovation, through the OP Competitiveness Priority Axis 1 Research, technological development and (RDI) in support of the economic

competitiveness and business development, in which MoNE – Research is an intermediate body.

The Policy of the National Defense Sector in 2015 - 2017

The strategic objective of the defense policy in 2015 - 2017 is to increase the operational capacity of the troops, including by improving the decision-making and action capacity of the military bodies, the adjustment of the legal framework, with a view to affirm the interests of Romania and use the opportunities at European, Euro - Atlantic and international level.

Lines of action to meet the strategic objective:

- Restore the operational capacity of the Romanian Army, based on the NATO defense planning process principles, to develop a structure of forces and optimize the decision-making on the basis of an Multi-annual Plan aimed at re-building and consolidating the operational capacity of the Romanian Army;
- Carry out the responsibilities derived from the NATO and EU membership capacity, to ensure the necessary capabilities to live up to the level of political and military ambitions of the two organizations;
- Continue to take part in the international operations to honor the commitments made to NATO and EU;
- Gradually develop the air defense capacity through the “Multirole Plane”;
- Improve the quality of living of the Romanian Army Staff, in agreement with the economic and social domestic reality and in line with the capacity as NATO and EU member, simultaneously with making the military profession more attractive.

On the international plan

The Ministry of National Defense takes part in the following programs implemented in cooperation within NATO or EU:

- NATO “Smart defense” Initiative
- EU “ Pooling and Sharing” Initiative
- NATO Security Investment Plan - NSIP
- Action Plan for improving NATO reaction capacity

On a domestic plan

Stage 1 of the process of restoring the fighting capacity of the Romanian Army

Lines of action:

- Raise/preserve the troops’ level of training;
- Operate and provide maintenance to land, naval, air, communication, supervision and early warning equipment;
- Continue to implement/start the priority equipping projects;
- Develop/supplement the mobilization and fight stocks – ammunition and spare parts;
- Develop the communication, supervision and early warning system according to the command architecture – control and market development, communication and IT systems and services;
- Achieve the air operational capacity – Stage I of the initial transition stage of the gradual air defense capability achievement concept (the Program called “Multirole Plane of the Air Forces”);
- Provide the infrastructure as required to host the NATO Center for Black Sea training.

In 2015 – 2017, the Ministry of Domestic Affairs preserves the strategic priorities defined based on the *Government Ruling Strategy, the National Reform Program and the Convergence Program*, as well as the financial restrictions imposed by the domestic and foreign economic circumstances.

Lines of action	<p>- Provide a climate of public safety and order – two budget programs are used to budget this action:</p> <ul style="list-style-type: none"> • Public Order and Citizens' Safety • Civil Protection and Support to the Community
2015 - 2017 Priorities	<p>- Consolidate the institutional capacity of the Ministry of Domestic Affairs – this is funded under the budget program „Support to the Structures of the Ministry of Domestic Affairs”, which is intended to provide an optimal organizational, financial, logistic, material and technical operation of all structures within this ministry.</p> <p>a. Increase the citizens' safety level by preserving and observing the public order and safety; the purpose will be to prevent and fight against crimes of all kinds, prevent and fight against corruption, increase the road, naval, railway, air safety level, consolidate Community services (passports, driving license, personal records).</p> <p>b. Consolidate security at the state border by providing the supervision and control capacity in accordance with EU recommendations; The activity of specialized MoDA structures will be primarily focused on: the state border management, prevent and fight against cross-border crimes, prevent and fight against illegal immigration, implement specific policies in the field of asylums and integration for foreign citizens, improve cooperation at the foreign EU borders.</p> <p>c. Develop the resiliency in situations of crisis and disaster – improve the emergency situation management, provide support to Communities to reduce the risk of a natural disaster and war. Priority will be given to action related to the optimization of the National Emergency Management System, informing and educating the population and communities as a measure of prevention, training for emergency situations, build the state reserves stocks, carry out flight missions and humanitarian missions, prepare the economy and the territory for defense purposes.</p>
	<p>d. Strengthen the administrative capacity of the MoDA To do this, the MoDA structures will focus on: improving the managerial processes at strategic, managerial and tactic level, develop coherent institutional policies and strategies, improve the lawmaking processes within the ministry, efficient management of financial, material and human resources, develop partnerships, including with the civil society.</p>
	<p>e. Develop the MoDA operational capacity Operational performance will be improved by investments in logistics, continuous improvement of the human resources, consolidation of the communication and information technology infrastructure, achieve the interoperability of communication platforms and IT, provide IT systems maintenance, consolidate the cooperation among and inside the institutions.</p>

PROGRAME	Objectives, Expected Results
„Public Order and Safety”	<p><u>Program Objectives :</u></p> <ul style="list-style-type: none"> • Provide public order and increase the safety of citizens, as well as preserving

an optimal climate for social and economic development.

Expected Results:

1. Protection of citizens, public order and safety preserved;
2. Improve the identity document issuing process (passports, identity cards, driving licenses) to improve the service efficiency in providing these documents.

Program Objectives:

„Civil Protection and
Community Support”

- Improve the emergency situation management and provide support to communities as a move to reduce natural disasters and war risks.

Expected Results:

1. Limit and even remove the negative consequences of emergency situations on the population and the territory.

Program Objectives :

“Support to MoDA
structures”

- Ensure an optimal organizational, financial, logistic, material and technical operation of all structures within MoDA

Expected Results:

1. Optimal operation of all MoDA structures, through technical support;
2. Support to the MoDA HR development and integrity

Policy in the Justice Sector, 2015 - 2017

Strategic
Priorities

- Prepare the judiciary system for the new Codes
- The justice system automation strategy
- Consolidate the administrative capacity of the courts and facilitate access to the justice system
- Consolidate the administrative capacity of the MoJ Headquarters
- Consolidate the Romanian system of penitentiaries
- Consolidate the administrative capacity of subordinated institutions
- Develop the probation system
- Consolidate the institutional mechanisms used to identify and recover the claims from crimes

Main
Sectoral
Policy
Objectives

- **Prepare the judiciary system for the new Codes**

For this objective the aim is to implement the new codes of the judiciary system and solve all the relevant aspects related to the structural and procedural reform, the adjustments to HR and judiciary infrastructure investments, as this objective is one of the most important which have been retained by the European Commission in the context of the progress made by Romania under the Cooperation and Verification Mechanism.

The following will be taken into account in 2015-2017:

- ✓ *Add a number of judge and support expert staff positions in the organizational charts of the courts and provide the funds to cover the new positions*

The Government Ordinance 137/2014 was passed in 2014 for the purpose of amending the annex nr. 2 to the Government Decision 652/2009 on the organization and rules of functioning of the MoJ; by this ordinance, 90 new positions were added to the courts' staff.

In 2015, there is a need for 150 positions of judge plus the necessary financing and 154 new support staff positions and the necessary financing. As an additional effect of these measures provided for in

the Plans of Measures of the Memorandum entitled „Preparation of the judiciary system for the new Codes” will be extended until 2016. Simultaneously with the new positions added to the organizational charts in 2014-2016, a set of measures will be implemented to rebalance the available human resources by a redistribution of positions in the courts as a move to cut the excessive workload of some courts and improve the quality of the act of justice.

In addition, a realistic reassessment of the human resource needs will be considered, at the earliest in the beginning of 2017, and this will be an opportunity to reassess the effects of the new codes’ implementation on the entire judiciary system in terms of staff needs.

- ✓ Fill out the vacancies in the organizational charts of the courts
- ✓ Provide promotion opportunities to all professional categories of the courts

The right to advance in one’s career is provided by law, for each professional category, be this a promotion to management positions in higher courts, or a simple upgrade to an execution position. All the ways by which a promotion is granted require financial resources, the absence of which may lead to bottlenecks in the system.

- **The justice system automation strategy**

The automation strategy of the MoJ has as purpose to help improve the efficiency of judiciary procedures, to improve the transparency of the judiciary system, to make sure that information safe and secure, to provide an integrated management of human, financial and material resources.

The IT automation strategy wishes to attract foreign funds in particular, to cut budget expenditures.

- **Consolidate the administrative capacity of the courts and facilitate access to the justice system**

Project: „Reform of the judiciary system”

The Ministry of Justice wants to conclude a new Loan Agreement with the World Bank, as a move to finance the objectives related to the development of the judiciary system and the meet the foreign partners’ requirements, including the main MCV objectives; this new loan will provide the funds for specific areas of major interest to the judiciary system, such as:

- “Neighborhood for Justice” – a new major objective expected to create the optimal environment for activities conducted by several institutions of the judiciary system, including: the Bucharest Appeal Court, The trial courts located in the Bucharest districts, the Prosecutor’s Office attached to the Bucharest Court, The High Board of Magistrates, the Judiciary Inspection, the National Institute of Magistrates, the National Clerk School;
- The criminal justice system – the implementation of the new criminal codes in order to reduce the trial times and simplify criminal judiciary procedures, with the purpose of strengthening the National Administration of Penitentiaries and the National Directorate for Probation, along with the provision of professional training services in this sector;
- Establish/modernize the custodial care centers for the under-aged to meet European standards;
- Create and increase the capacity of the courts specialized in economic/financial/business environment litigation matters;
- Continue to improve the efficiency of trial courts.

In the Project aiming at the *Reform of the Judiciary System*, non-refundable foreign funds are used to rehabilitate the infrastructure of court buildings and support the information management in the courts using IT means (for ex. rehabilitation and expansion works at the Sibiu Court Building, The Oradea Palace of Justice, the Prahova Trial Court, Iași Palace of Justice, rehabilitation works at the Dolj Court and the Appeal Court in Craiova, an integrated system for the management of judiciary resources).

- **Consolidate the administrative capacity of the MoJ Headquarters**

This objective will be achieved by undertaking the following:

- ✓ Improve the capacity of the National Office for the Prevention of Criminal Action and Recovery of Debts from Crimes (*Rom. ONPCCRCPI*), subordinated to the MoJ, to ensure a coordinated implementation of anti-corruption policies and of the mechanisms aimed at identifying, managing and using the claims derived from criminal action;
- ✓ Promote ethics and integrity in the public administration, through the implementation of the 2012-2015 National Anti-Corruption Strategy (NAS), as approved in the Government Decision 215/2012, which is a major objective of the Government, provided for in the 2013 – 2016 Ruling Strategy.

The National Office for the Prevention of Criminal Action and Recovery of Debts from Crimes will implement a national, integrated IT system to manage the records of claims from offences and crimes, with the support of the other institutions involved in the process (prosecutor's offices, police, trial courts, National Agency for Fiscal Administration);

- ✓ Annual escalation, in 2015 - 2017, of the tariffs of certified translators and interpreters to reflect the inflation indicators;
- ✓ Increase by 50 lei/hour the tariff charged by certified interpreters and translators, by 2015 at the latest;

This measure has immediate beneficial consequences on the system and will result in the cooperation with well-trained, experienced professionals, and higher quality services.

- ✓ Create a new IT software for notary public record tracking;
- ✓ Create new IT software for bailiff's offices record tracking.

- **Consolidate the Romanian system of penitentiaries**

If we take into account the international standards which require that each prisoner is provided with a minimum living room of 4 square meters (standards required by CEDO and CPT) there is a current deficit in the Romanian network of penitentiaries of over 14,000 places of accommodation, therefore it becomes obvious that the penitentiary infrastructure needs to be developed, with the implementation of the existing investment list, the continuation/completion and start of new works (investments, interventions of the nature of investments/capital repairs) to the existing buildings and undertake current repairs. In 2015 – 2017, new works (investments, interventions of the nature of investments/capital repairs) to the existing buildings will start and ongoing works will be completed and the infrastructure of the penitentiary system will be developed to meet the legal provisions and European standards with respect to the detention of people as a move to increase the number of detention places and improve the incarceration environment for prisoners.

Hence, consideration will be given to reduce the over-crowding in prisons, with the new codes being adopted, and raise the accommodation capacity of the penitentiaries by finalizing the ongoing projects and start new investment objectives.

Improve the guard and surveillance system by properly equipping the staff for guard, surveillance, escort and intervention missions with specific means and pieces of equipment.

In addition, consideration will be given to building an integrated training and education system, to provide the necessary human resources for the business process areas in the system (social

reintegration of former prisoners, guarantee the safety of all prisoners during the detention time, medical care services to people in custody) and, most of all, to the resource management area. The purpose is to provide the staff needed by the support center for the RMS Program.

- **Consolidate the administrative capacity of subordinated institutions** which targets

the consolidation, expansion and modernization of the Prof. Dr. Constantin Angelescu Hospital. The main objective of this hospital in 2015 - 2017 is to develop and improve the efficiency of the medical activities dedicated to the justice system, by purchasing highly performing equipment and provide the funds to preserve the stock under safe circumstances. In addition, the services supplied by the National Office of the Trade Registrar will be improved. The following will be considered: develop and implement specific information systems; increase the on-line service provision of the judiciary, improve security of information; provide an integrated management of human resources, financial and material resources.

- **Develop the probation system**

The effectiveness of the new codes impacted in a strong manner the probation system as well, and generated new needs for human and financial resources.

GD 1079/2013 was implemented to reorganize the probation system, which is formed of the National Probation Directorate, with central and territorial delivery divisions including the probation services, and the secondary office thereof. With respect to the human and financial resource needs of the probation system in 2014 - 2016, taking into account that the central structure of the probation system has been reorganized in the form of a stand-alone separate institution having legal personality and its own budget, it becomes necessary to consolidate this structure too, to be able to respond to organization, coordination and control which are assigned to the new institution.

Considering the local staff expansion scheme, a similar measure needs to be implemented at headquarter level, to allow the coordinating directorate to support the reform process of the probation system. In the 3 years after the effective date of the new codes (criminal and criminal procedure codes), the financial impact in respect of the probation services amounts to RON 160,144,248.8.

Local Budgets

Transfers from VAT collections to local budgets were estimated for the interval under review according to the legislation in force.

As of 2010, in order to implement the efficiency criteria in using funds allocated by the central government to local budgets to cover current expenditures, the transfers from VAT were substantiated based on cost standards approved through government decisions for the education, social services and healthcare sectors.

The use of those standards will secure the minimum operating costs for the public services in the respective sectors, and will allow local governments to help improving the quality of supplied services.

Transfers from VAT are meant to finance:

- decentralized expenditures at county (județ) level:

a) child protection centers and social assistance centers for disabled people;

b) the entitlements related to dairy and bakery products to students in the primary and secondary public and private education, as well as to children in the state and private kindergartens working based on a 4-hour schedule, according to the provisions of the Government Emergency Ordinance 96/2002 on this very topic, as approved with amendments and supplements in Law 16/2003, as amended;

c) implement a program which encourages the consumption of fresh fruits in schools, by the students specifically mentioned in art. 1 of the Government Emergency Ordinance 24/2010 on this very topic, as approved

with amendments in Law 195/2010, as revised, who are enrolled in the public and private authorized accredited education, up to the limit of the total annual allocations according to the government decisions.

- d) special education and county centers of resources and assistance in education;
- e) The decentralized institutions of culture since 2002;
- f) contributions to non-clerical staff employed in the cult institutions in Romania;
- g) public community records services for the people under the authority of county councils;

- decentralized expenditures at the level of communes, towns, cities and districts of Bucharest Municipality:

a) the expenditures aimed at funding the basic expenses of the public pre-university education institutions for the categories of expenses provided for in art. 104 par. (2) of the National Education Law nr. 1/2011, as revised;

b) the entitlements of personal assistants to persons with serious disabilities or monthly benefits to people with serious disabilities granted pursuant to the provisions of art. 42 par. (4) of the Law 448/2006 on the protection and promotion of the rights of the disabled, as republished, as revised;

c) the aid for heating with wood, coal, petrol fuels, granted to the people which receive social assistance benefits;

d) the community public records services of people under the authority of local councils of communes, towns, cities, districts and General Council of Bucharest Municipality;

f) expenditures of day nurseries;

g) decentralized expenditures of Bucharest districts, for: the child protection system; social care centers for disabled; the entitlements related to dairy and bakery products to students in the primary and secondary public and private education, as well as to children in the state and private kindergartens working based on a 4-hour schedule, according to the provisions of the Government Emergency Ordinance 96/2002 on this very topic, as approved with amendments and supplements in Law 16/2003, as amended; a program which encourages the consumption of fresh fruits in schools, by the students specifically mentioned in art. 1 of the Government Emergency Ordinance 24/2010 on this very topic, as approved with amendments in Law 195/2010, as revised, who are enrolled in the public and private authorized accredited education, up to the limit of the total annual allocations according to the government decisions; special education and county centers of resources and assistance in education; decentralized institutions of culture since 2002; and the payment of contributions to non-clerical staff employed by the institutions of cults in Romania.

- fund the expenditures with county and communal roads;

- balance local budgets of the communes, cities, municipalities and counties.

The transfers from VAT to local budgets and central government subsidies allocated via the budgets of various ministries, to the territorial administrative divisions in the course of the time interval under review and their destination are presented in the table below.

		Thousand lei				
INDICATORS		ACHIEVED 2013	ESTIMATES 2014	ESTIMATES 2015	ESTIMATES 2016	ESTIMATES 2017
VAT TRANSFERS		15,239,912	19,498,544	16,860,300	17,169,851	17,386,485
VAT transfers for decentralized expenditures at county level		2,109,966	2,170,640	2,234,031	2,232,033	2,254,272
VAT transfers for decentralized expenditures at commune, town, municipality and Bucharest sector level		10,691,632	12,754,388	12,282,306	12,152,048	12,652,802
VAT transfers for county and municipality roads		367,537	818,323	396,000	412,000	423,124
VAT transfers for balancing local budgets		2,070,777	3,755,193	1,947,963	2,373,770	2,056,287
SUBSIDIES		5,218,884	7,225,901	6,625,274	5,128,156	6,974,975
Subsidies provided by other levels of the public administration		5,218,884	7,225,901	6,625,274	5,128,156	6,974,975
Subsidies provided by the state budget		5,021,741	7,225,901	6,625,274	5,128,156	6,974,975
A. Capital		2,316,919	4,813,814	3,906,670	2,456,403	4,302,757
	Re-technologization of heating plants and electrical heating units	24,617	49,600	75,000	0	0
	Urban planning and regulations	234	2,200	2,000	175	182
	Communal road pavements and village water supply networks	149	0	0	0	0
	Funds for seismic risks reduction for existing buildings intended as housing facilities	4,906	5,000	5,000	1,154	1,198
	Thermal enveloping of buildings	11,458	58,000	50,000	1,154	1,198
	Multi-annual priority programs in the environment and water management sector	36,241	14,000	32,077	0	0
	Funding of capital expenditures in the pre-university education sector	100	0	0	0	0
	Subsidies provided by the National Development Fund	25,124	0	0	0	0
	Central government subsidies to local budgets for healthcare investments	6,957	10,150	70,000	72,100	74,046
	Subsidies to local budgets from the Ministry of Health own income used for funding healthcare investments	34,101	135,155	60,000	61,800	6,468
	Funding for the multiannual technical assistance program aimed at helping prepare public investment projects financed under the 2007-2013 Regional Operational Program	133	0	0	0	0

thousand lei

INDICATORS		ACHIEVED 2013	ESTIMATES 2014	ESTIMATES 2015	ESTIMATES 2016	ESTIMATES 2017
	Subsidies from the state budget to local budgets for the implementation of projects funded from non-refundable post-accession external funds (NEF),	1,352,447	1,916,140	1,750,838	1,089,178	2.910.500
	Subsidies from the state budget to local budgets for the implementation of investments in the tourism sector	900	0	0	0	0
	Subsidies from the state budget for funding programs of national impact meant for the development section of the local budget	9,011	7,000	8,766	3,000	2.000
	Subsidies from the state budget for funding investments on behalf of public social assistance institutions as well as medical and social care units	15,285	20,000	27,159	11,800	1.350
	Subsidies for funding the social housing stock	3,883	0	0	0	0
	Subsidies for funding the sub-program called „Modernization of Romanian villages”	200,264	0	0	0	0
	Subsidies for funding the sub-program called „Regeneration of municipalities and cities”	20,166	0	0	0	0
	Subsidies for funding the county infrastructure sub-program	71,364	0	0	0	0
	Allocations from the state budget for financial corrections	335,479	255,800	230,000	0	0
	State budget subsidies for the payment of arrears meant for the development section	5,266	402,013	0	0	0
	Funding for the National Local Development Program	158,834	1,871,811	1,450,000	1,065,837	1,094,554
	Subsidies from the state budget allocated pursuant to contracts concluded with the public health directorates		0	145,830	150,205	154,261
	Subsidies from proceeds of auctioned greenhouse emission certificates, aimed at funding investment projects		66,945	0	0	0
B. Current		2,704,822	2,412,087	2,718,604	2,671,753	2,672,218
	Funds for benefits to disabled persons	2,168,385	2,238,941	2,526,778	2,577,142	2,587,687
	Subsidies provided from the Intervention Fund	30,849	0	0	0	0
	Funds for land registration works		1,270	1,000	168	165

Thousand lei

INDICATORS		ACHIEVED 2013	ESTIMATES 2014	ESTIMATES 2015	ESTIMATES 2016	ESTIMATES 2017
	Subsidies for funding heating allowances (wood, coal, petrol fuel heating)	181,382	73,960	90,000	11,480	0
	Subsidies provided by the state budget to fund medical and social units	22,083	21,390	21,549	22,195	22,794
	Subsidies from the state budget to local budgets for health funding	143,826	29,060	28,901	29,768	30,572
	Allocations from the local administrations under the EAGF programs implemented by APIA	49,380	0	0	0	0
	Subsidies from the state budget to local budgets for funding agricultural chambers	28,585	32,632	30,605	31,000	31,000
	Allocations from the local administrations under the ESF programs	105	0	0	0	0
	Subsidies from the state budget for funding various programs of national impact meant for the operating section of the local budget	7,074	14,834	19,771	0	0
	Subsidies from the state budget for the payment of arrears meant for the operating section	15,684	0	0	0	0
	Subsidies from the state budget for funding urgent expenditures required by the cold season, meant for the operating section	57,469	0	0	0	0
Subsidies from other administrations		197,143	0	0	0	0

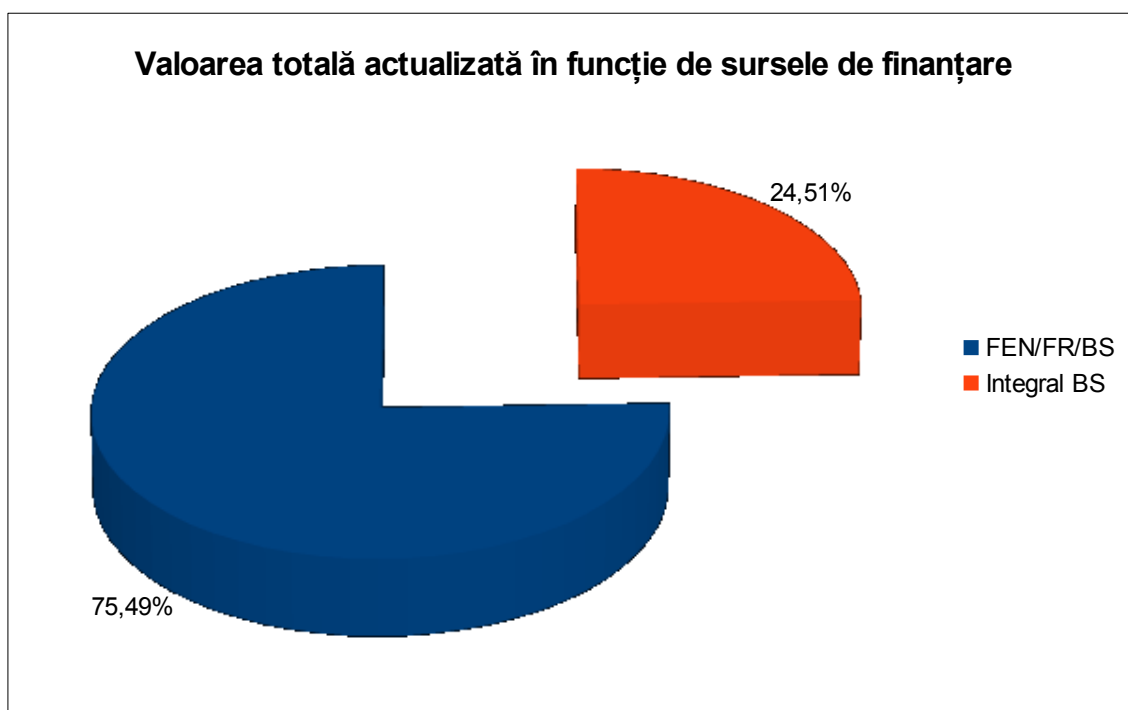
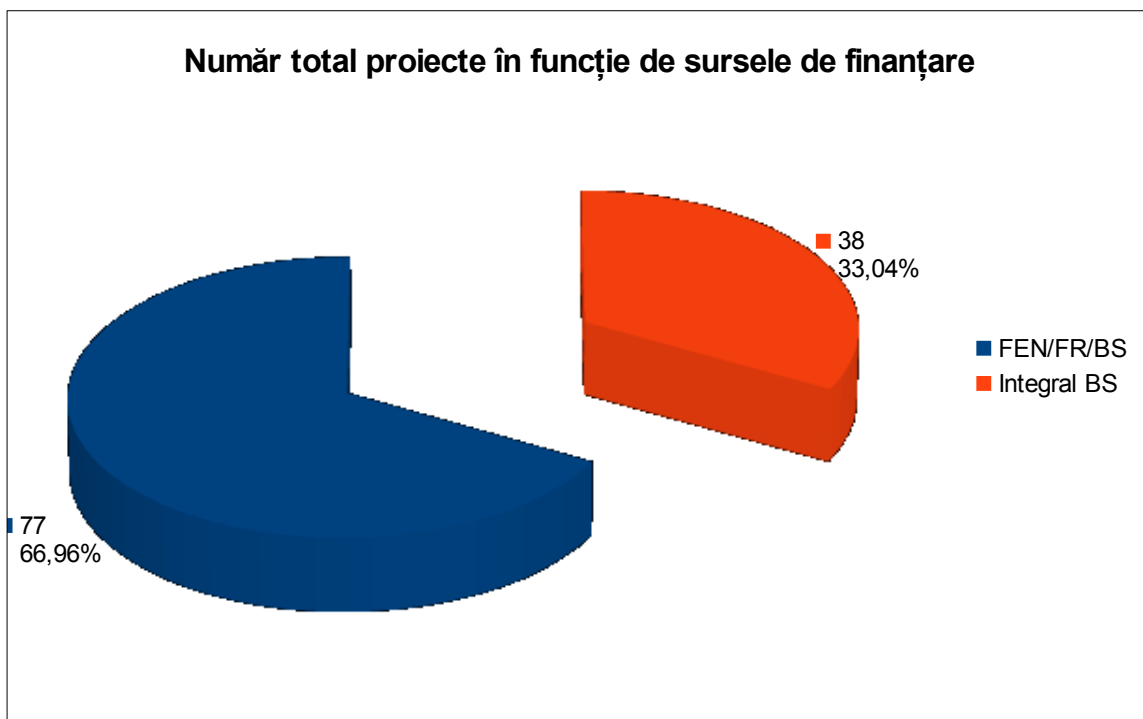
4.7 Prioritized significant public investments

Based on the lists of significant projects submitted by the main budget managers, according to the legal provisions in force, the short analysis below was conducted.

The main budget managers which submitted their lists of prioritized significant investment projects are:

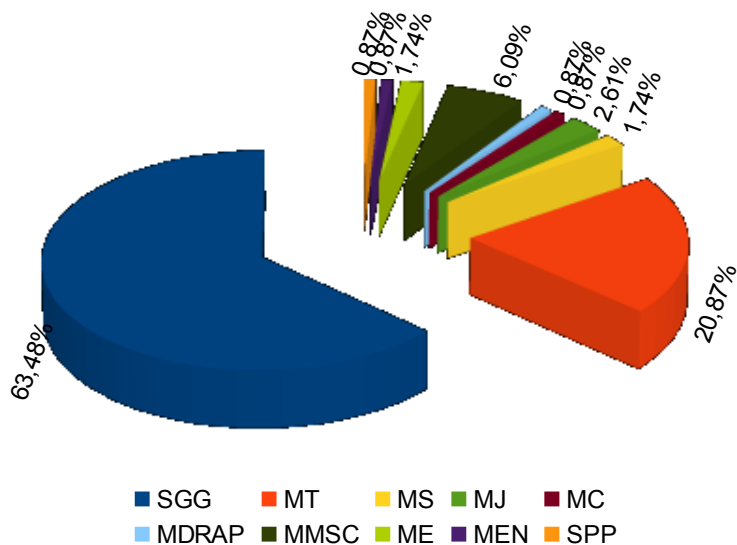
Main budget manager	Number of significant investments projects submitted
General Secretariat of the Government	73
Ministry of Transport	24
Ministry of Health	2
Ministry of Justice	3
Ministry of Culture	1
Ministry of Regional Development and Public Administration	1
Ministry of Environment and Climate Changes	7
Ministry of Economy	2
Ministry of National Education	1
Protection and Guard Service	1
Total: 10 main budget managers	115

The structure of this list is presented below as a breakdown on funding sources, namely (i) fund provided entirely by the state budget and (ii) funding from European pre-accession and post-accession grants, refundable financing from and the state budget, showing the total number of projects and their updated amounts.



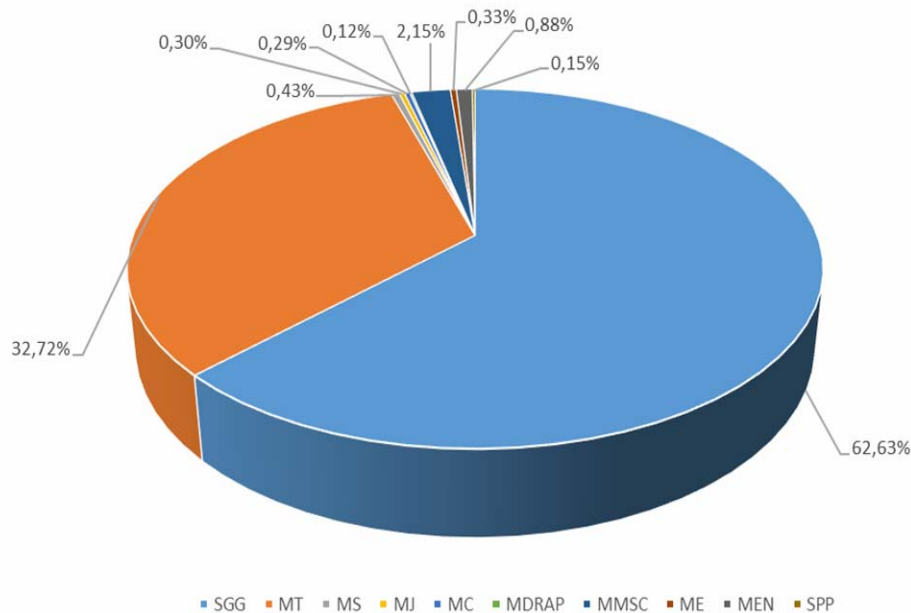
The list based of significant investment projects based on the number of projects submitted by each main budget manager is presented in the chart below.

Distribuția numărului total de proiecte pe OPC

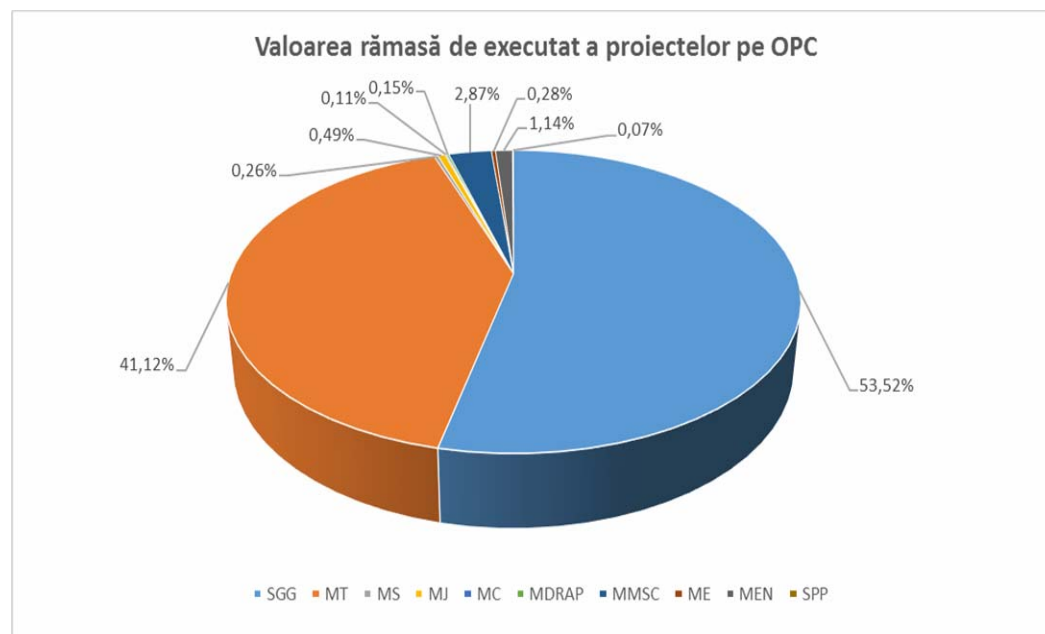


The list of significant investment projects with the updated amounts, for each main budget manager, is presented below:

Valoarea totală actualizată a proiectelor pe OPC



The list structured based on the remained amount for the significant investment projects submitted by each main budget manager:



In accordance with the general and specific objectives mentioned in articles 37 and 38 of GEO 88/2013, the prioritization principles and criteria were taken into account in putting together the list of significant investment projects, in other words the scoring received by these projects from the main budget managers, as well as the economic output indicators of the respective projects and the commitments made by Romania in its capacity as borrower or in other capacity, under various loan agreements concluded with international financial institutions or other agreements.

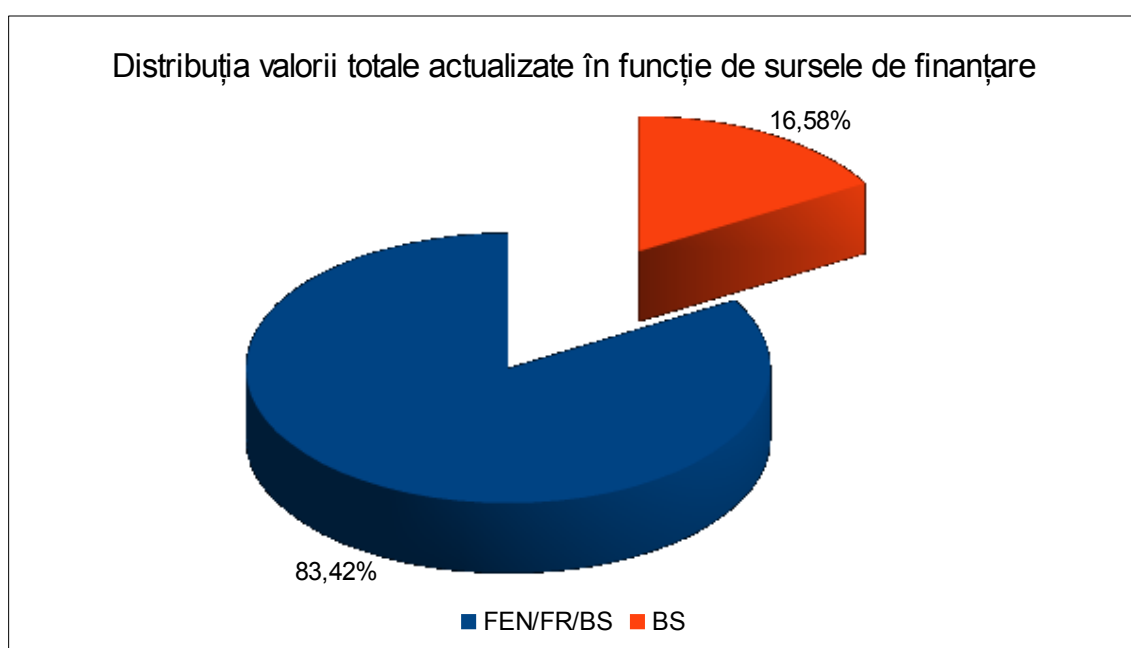
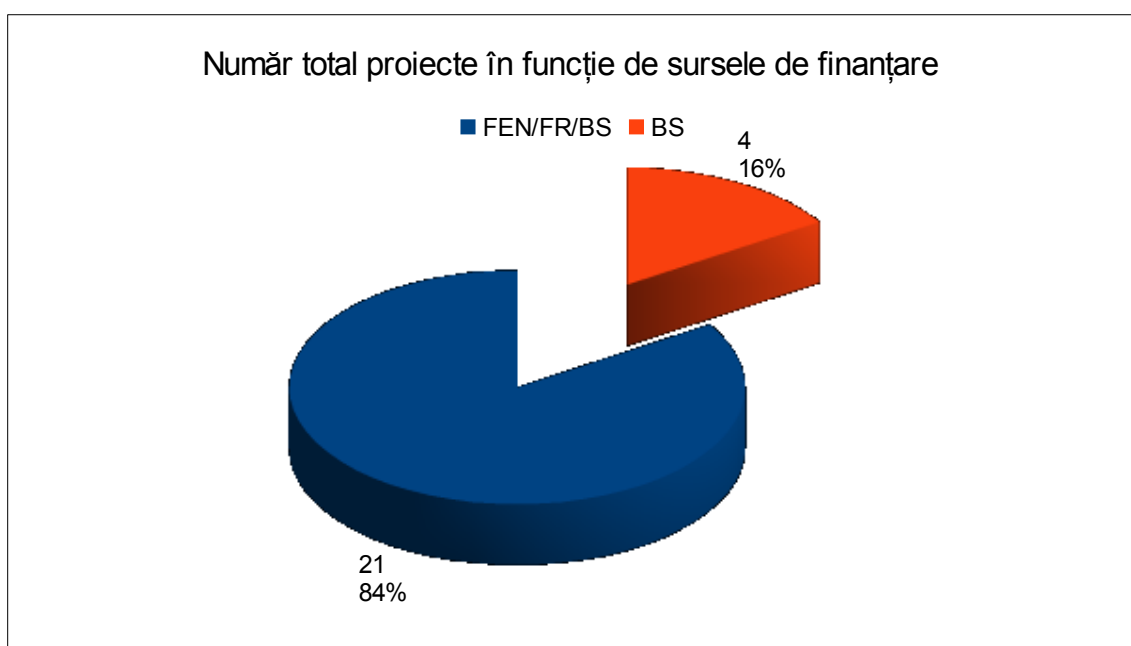
We underline the fact that one of the commitments made by Romania to the International Monetary Fund and the European Commission is the re-orientation of public investment expenditures to allow a gradual switch from the investments fully funded from national sources, to investments co-financed by EU funds. In addition, we need to clarify that this prioritization is indicative and not exclude the financing of these projects from the national budget, in accordance with the legal provisions in force. Below is a list of ongoing significant investment projects as prioritized, which have received a high score in the review and assessment process:

#	MBM	Objective / Significant Investment Project
Funding source: NEF/RF/SB		
1	GSG	Construction of Orăştie – Sibiu Highway, km 0+000 - km 82+070
2	MoT	Rehabilitation of the Braşov – Simeria railway section, a component of the Pan-European Corridor IV, intended for the circulation of trains with a maximum speed of 160 km/h, section Sighişoara - Coşlariu (funded under Title 56.03 – Programs from the Cohesion Fund)
3	MoNE	Extreme Light Infrastructure - Nuclear Physics (ELI-NP)
4	MoT	Measure ISPA 2000/RO/16/P/PT/001 – Rehabilitation of Băneasa-Feteşti section on the Bucharest – Constanţa railway
5	GSG	Construction of Timişoara – Lugoj Highway and the Timişoara ring road at highway standards, km 44+500 - km 79+625

6	MoT	Finalize Constanța Port Seawall (Funded under Title 56.01 – Programs under the Regional Development Fund)
7	GSG	Construction of Brașov ring road
8	GSG	Rehabilitation of the national road DN56, Craiova - Calafat, km 0+000 – km 84+020
9	MoT	Improve the navigable conditions on the Danube between Călărași and Brăila, km 375 – km 175 (Funded from the Title 56.03 – Programs under the Cohesion Fund, from 84.01.55.01 –Internal transfers, and 84.01.55.01.28 – non-eligible ISPA expenditures – Non-refundable funds as well as 84.08.55.01.09 – ISPA Programs)
10	GSG	Construction of Sebeș - Turda Highway, km 0+000 - km 70+000
11	GSG	Construction of Lugoj - Deva Highway
12	GSG	Rehabilitation DN 76, Deva - Oradea, km 0+000 – km 184+390
13	GSG	Modernization DN 5 București - Adunații Copăceni Sector
14	GSG	Construction of Nădlac – Arad Highway, km 0+000 - km 38+882
15	MECC	Protection and rehabilitation of the Southern Portion of the Romanian seaside in Constanța Municipality Area (Mamaia Sud, Tomis Nord, Tomis Centru and Tomis Sud) and Eforie Nord, in Constanța County
16	GSG	Rehabilitation DN6 Alexandria – Craiova
17	GSG	Construction of Constanța Ring Road at highway standards, km 0+000 - km 21+775
18	GSG	Rehabilitation DN 15 Tg. Mureș– Reghin, km 69+500- km 109+940 and DN15A Reghin – Sărățel km 0+000 - km 46+597
19	GSG	Rehabilitation DN 14 Sibiu - Mediaș - Sighișoara, km 0+000 - km 51+100 and km 57+500 - km 89+400
20	MECC	WATMAN – Information System for the Integrated Water Management
21	MoC	National Theatre Building „ I.L. Caragiale” București – Stability and safety use, functional optimization
Funding from the State Budget		
1	MoT	Danube – Black Sea Waterway; DCS 300/1978;
2	MoT	Poarta Alba-Midia, Năvodari Waterway; DCS 409/1983;

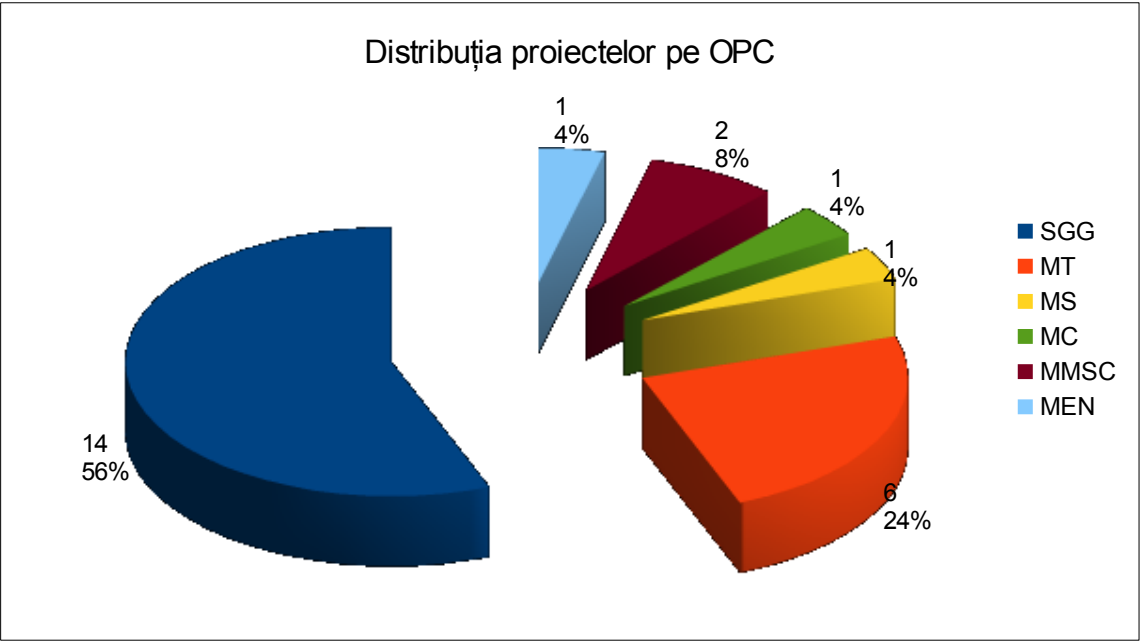
3	MoH	Put the 300-bed building of the former Iași Clinical Emergency Hospital into operation again, an action that is underway, in order to accommodate the Regional Oncology Institute
4	GSG	Ring Road of Bucharest Municipality - Sector South Ring Road km 52+770 - 100+900

The two charts presented below show the distribution of these projects based on the number and updated amount, by sources of funding.

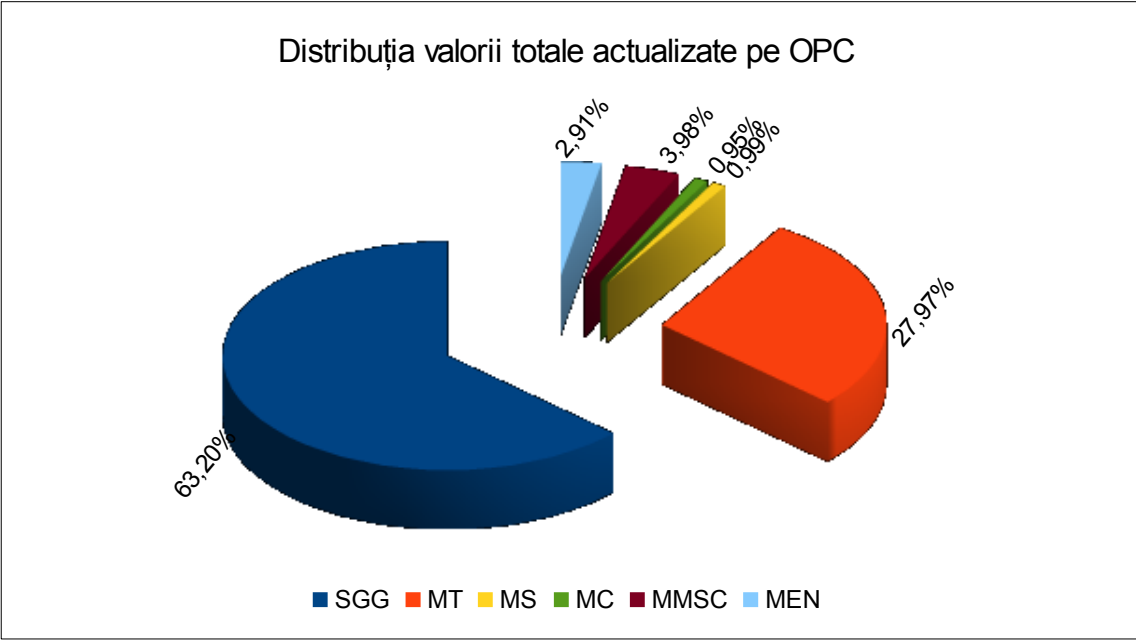


A review of this list shows that 76% of the 25 projects are at national level and 24% in the București-Ilfov Region.

The two charts below show the distribution of the projects by main budget managers, number of projects and updated amount of the significant public investment projects.



- All the above data was communicated by the main budget managers under the prioritization exercise.



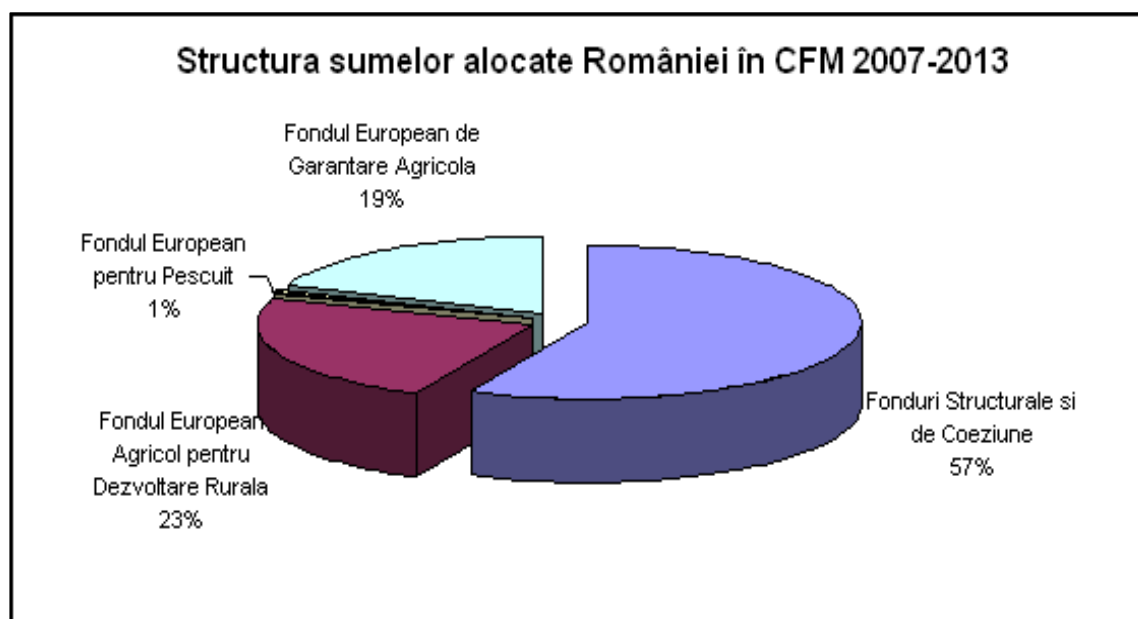
4.8. European Funds Policy

I. Funds allocated to Romania from the EU Budget – 2007-2013 MFF

The absorption of non-refundable external funds is one of the government's top priorities. Substantial funds allocated by EU (approximately 34.6 Billion Euros) under the current multiannual financial framework, 2007 - 2013 MFF, must be used at their best as this is a key resource for a medium and long term development of the Romanian economy and the Romanian society, at the same time a core element of budget sustainability in terms of investment strategies given the fact that those funds are not refundable.

Total EU Allocations under 2007-2013 Multiannual Financial Framework

Million Euros	
Instrument	Suma
Structural and Cohesion Funds	19,668
European Agricultural Fund for Rural Development	8,124
European Fishery Fund	231
European Fund for Guarantees in Agriculture	6,580
Total	34,603



A) Structural Instruments under MFF 2007-2013

Structural and Cohesion Funds allocation to Romania in 2007-2013 amounts to EUR 19.67 Billion, of which EUR 19.21 Billion is allocated to the „Convergence” Objective, and EUR 0.46 Billion is allocated to the „European Territorial Cooperation” Objective. Out of the EUR 19.21 Billion – the Convergence Objective, EUR 12.66 Billion are structural funds (European Regional Development Fund and European Social Fund) and EUR 6.55 Billion come from the Cohesion Fund.

On December 30, 2014 the progress on the seven operational programs funded under the „Convergence” Objective is as follows:

- *Projects submitted*: 43,908, total amount approx. EUR 75.29 Billion, of which approx. EUR 49.50 Billion in EU contribution.
- *Projects approved*: 17,503, total amount approx. EUR 36.95 Billion; of this amount, around EUR 22.39 Billion is the EU contribution, which accounts for approx. 116.52% of the 2007–2013 EU allocation.
- *Financing Contracts/ Decisions signed with the beneficiaries*: 14,606, in total amount of EUR 32.82 Billion, of which the eligible amount is approx. EUR 25.51 Billion. Of this amount, EU funds amount to approx. EUR 19.93 Billion. The EU contribution attached to the signed contracts, under the EU 2007–2013 allocation, amounts to approx. 103.72%.
- *Payments to beneficiaries*: total payments to beneficiaries (pre-financing and reimbursements) amounts to approx. EUR 9.89 Billion. Of this amount, the EU contribution amounted to around EUR 8.82 Billion, accounting for 45.93% of the 2007–2013 allocation.
- *The current absorption rate¹⁰*: the amount of expenses declared submitted to the EC is EUR 7.39 Billion, which accounts for a rate of absorption of 38.46 % of the EU allocation for 2007-2013.

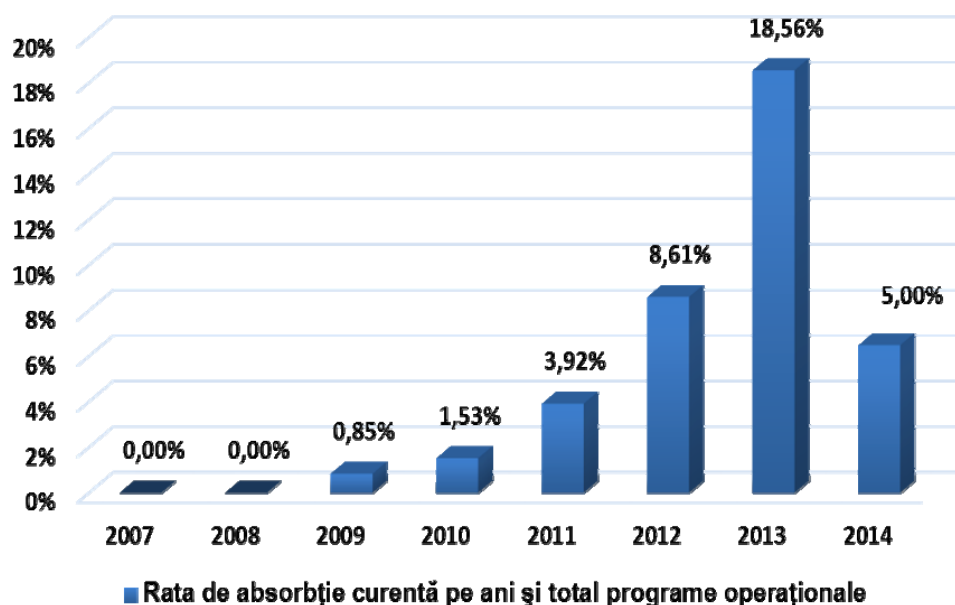
The table below presents the situation of the declared expenses requested the reimbursement of which was requested from EC, by years and operational program:

Expense reports submitted to EC							Million Euros
	2009	2010	2011	2012	2013	2014 (on September 30, 2014)	TOTAL
SOP Competitiveness	87.09	22.58	43.14	216.36	560.49	0.00	929.66
OPTA	0.39	6.10	10.24	14.30	26.67	9.52	67.22
SOP Environment	11.73	35.94	67.12	466.35	594.76	453.61	1 629.51
ROP	23.21	185.72	228.32	516.59	825.56	227.63	2 007.03
SOP HRD	9.87	27.03	153.43	220.08	589.04	0.00	999.45
SOP T	31.20	10.44	238.21	187.51	915.03	233.22	1 615.61
OP Administrative Capacity Building	0.05	5.61	13.23	32.34	54.01	36.01	141.25
TOTAL	163.54	293.41	753.70	1 653.54	3 565.56	959.99	7 389.73

The above data shows that a significant progress was made in 2013 so the total amount requested from EC was higher than the amount requested for reimbursement in 2007-2012.

The current absorption rate evolution by years and total operational programs is in the chart below:

¹⁰ The current absorption rate is the ratio between the amount of expenses report submitted to EC and the total allocation for 2007-2013.



Rate of reimbursements¹¹

The rate of reimbursements in 2007-2013 is 37.26% of the total allocation for the period. The amounts reimbursed to Romania by EC total EUR 7.16 Billion, plus EUR 2.11 Billion in pre-financing, which results in a total amount received by Romania from the European Commission for 2007-2013 is EUR 9.26 Billion. The rate of total amounts received by Romania for the objective 1 is 48.22% of the EU 2007-2013 allocation.

In terms of types of funds under which the expense reports were submitted to the European Commission, of the total amount of EUR 7.39 Billion, around EUR 3.77 Billion comes from EFRD, the amount of EUR 2.48 Billion comes from CF and EUR 1.14 Billion from ESF.

The table below shows the amounts reimbursed by EC by years and operational programs:

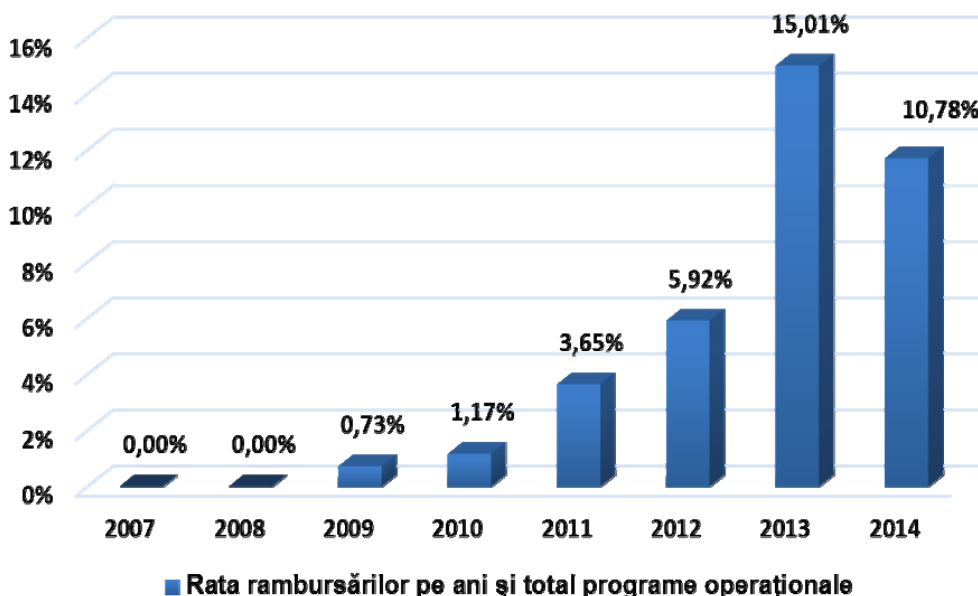
Amounts reimbursed by EC							Million Euros
	2009	2010	2011	2012	2013	2014 (on Sept. 30, 2014)	TOTAL
SOP Competitiveness	87.09	21.20	44.52	20.10	274.09	482.65	929.65
OPTA	0.39	6.10	10.24	14.30	4.23	23.37	58.63
SOP Environment	11.73	35.94	48.15	368.78	587.54	451.32	1,503.46
ROP	8.67	129.72	298.84	483.10	726.22	268.87	1,915.42
SOP HRD	1.47	18.31	170.56	78.52	679.26	51.34	999.46
SOP T	31.20	10.44	113.02	140.51	581.03	734.96	1,611.16
OP Administrative Capacity Building	0,05	2,94	15,90	32,34	32,09	57,93	141,25
TOTAL	140.60	224.65	701.23	1 137.66	2,884.47	2,070.44	7,159.03

¹¹ The reimbursement rate is the ration between the amount reimbursed by EC and the total allocation to operational programs.

The table shows that in 2013 the amount reimbursed by EC was higher than the reimbursements for the entire 2007-2012 period, and in 2014, namely over nine months, the amount of EUR 2.1 Billion was reimbursed, which accounts for approx. 10% of the total allocation to the operational programs funded under the „Convergence” Objective.

In terms of types of funds under which the European Commission reimbursed the amounts requested by Romania, we mention that from the amount of EUR 7.16 Billion, approx. EUR 3.71 Billion comes from EFRD; EUR 2.31 Billion comes from CF and EUR 1.14 Billion from ESF.

The evolution of the reimbursement rates per year and operational programs is presented in the chart below:



Having regard to the amounts which have already been requested from EC in 2014, the expenses which need to be submitted in 2014 to avoid the automatic de-commitment of funds is EUR 1.86 Billion.

**De-commitment risk in 2014 (n+3)
30 September 2014**

OP	2014 de-commitment ceiling	Advance payment	Expense reports submitted to EC on the reporting date	Total funds committed on the reporting date	Million Euros
					Expense reports which need to be submitted to EC
	1	2	3	4=2+3	5=1-4
SOP T	2 601	526	1 616	2 141	460
<i>EFRD</i>	<i>664</i>	<i>116</i>	<i>421</i>	<i>537</i>	<i>127</i>
CF	1 937	410	1 195	1 604	333
SOP E	2 642	521	1 630	2 150	492
<i>EFRD</i>	<i>676</i>	<i>111</i>	<i>344</i>	<i>455</i>	<i>221</i>

<i>CF</i>	1 966	409	1 286	1 695	271
ROP	2 146	335	2 007	2 342	0*
SOP Comp.	1 649	230	930	1 160	489
SOP HRD	2 059	452	999	1 451	607
OPACB	154	27	141	168	0*
OPTA	103	15	67	83	20
TOTAL	11 353	2 106	7 390	9 496	1 858

According to the estimated EU contribution to be requested from EC in 2014, as officially communicated to EC in September 2014, it is projected that for the Convergence Objective Romania would request an amount of approx. EUR 3,654.17 Million; the breakdown is in the table below:

Million Euros	
Operational Program	Estimated amounts to be requested from EC in 2014
SOP T	674.08
SOP Environment	762.63
SOP HRD	950.84
OP ACD	50.51
ROP	618.52
SOP Competitiveness	566.68
OPTA	30.91
TOTAL	3,654.17

Major Projects approved by EC

94 major Romanian projects are approved by EC, as follows:

- 70 project in the environment sector (water supply infrastructure, waste water treatment, waste management, urban heating systems, protection against floods and coast erosion)
- 22 projects in the transport sector (road, railway and naval infrastructure)
- 2 projects in the economic competitiveness sector.

The total eligible amount of the 94 projects goes up to around EUR 10.87 Billion.

Measures which have been implemented

To provide economic stability and achieve the structural reforms, the Government of Romania wants to increase the country's capacity to absorb EU funds, a major funding source for infrastructure investments in Romania.

All the measures which have been taken by the Government so far, related to revising the institutional, legal and procedural framework, have resulted in an improved rate of project implementation and EU fund absorption.

In 2014, the Ministry of European Funds continued to implement the operational procedure simplification and consistency measures and developed new measures aimed at speeding up the Operational programs' implementation process. The main measures adopted this year are:

- ✓ Secure the funds needed by the managing authorities to make the payments for the reimbursement of eligible expenses to beneficiaries and to make the payments in respect of eligible refundable expenses as identified in the declarations of expenses from structural funds, for the purpose of an optimal implementation of operational programs (by initiating Government Decisions on temporary allocation of amounts from the privatization income to the primary budget managers which have the capacity as managing authorities).
- ✓ Reduce the time taken to make payments to beneficiaries by the Managing Authority/ Certification and Payment Authority, from five to three business days, with a direct impact on the project implementation ([Government Ordinance nr. 29/ 2014](#) revising GEO nr. 64/2009).
- ✓ Secure cashflows to be able to continue investments when a fraud allegation is made, until the start of the criminal procedure for the regional water operators, which currently manage major water infrastructure projects, in total amount of approx. 2 Billion Euros ([Government Ordinance nr. 29/ 2014](#) revising GEO nr. 64/ 2009).
- ✓ Simplify the payment mechanism to allow beneficiaries running operations from bank accounts to use these accounts to make the payments from their own contribution directly to suppliers/providers. Hence, the time taken to make the payments was reduced after the intermediate fund transfers procedures involving the Treasury accounts were removed.
- ✓ Initiate the revision of GEO 66/2011 on irregularities in respect of EU and/or related cofinancing from national public funds, which introduced the flexibility of financial corrections in accordance with the provisions of the new Financial Corrections Guide of the European Commission used for the expenses funded by the European Union under shared management arrangements, for non-compliance with the public procurement rules, as approved in EC Decision nr. C(21031) 9527/December 19, 2013 and the possibility for the managing authorities to not apply financial corrections in the case of irregularities which have no financial impact.
- ✓ Revise and supplement the GEO 198/2005 in line with the regionalization process of the water and sewerage sector and encouraging these investments from local sources ([GEO 32/ 2014](#)).
- ✓ Revise GEO 34/2006 on the award of public procurement goods, works and services contracts, so as to remove any dysfunctions which lead to unusual delays in the procurement process and an abusive use of the appeal provisions ([GEO 51/ 2014](#)). Speed up the procurements conducted by private beneficiaries under the projects funded from structural instruments, the "Convergence" Objective, as well as in the case of projects funded from the EEA and Norwegian financial mechanisms for the award of procurement contracts of goods, works and services.

Measures planned

The measures planned by MoEF to increase the absorption rate of European Funds include:

- ✓ Revision of GD 925/2006 which approved the guidelines for the application of the provisions of GEO nr. 34/2006 regarding the awards of procurement contracts of goods, works and services.
- ✓ The revision process suggests a more efficient contracting system, removing risks and bottlenecks which have been faced so far, by rendering the criteria for the operators' participation in the

procurement procedures more flexible, taking account of the current economic circumstances (for example clarifications on the minimum eligibility requirements, filling out of situations if the bid is not accepted, the possibility to extend the deadline for candidates' submissions by publishing an errata, the provision regarding the time allowed for providing clarification in the call for bids, bank transfers introduced as a way to provide the performance bond etc). Training of the managing authorities' staff provided by a project funded under the OPTA. This provides for a selection of the staff proposed for attending the training action (there is a commission which checks including the mandate according to the job description), so as to target the training to the persons who are actually involved in the management of procurement procedure. In addition, part of the trained staffed will have the obligation to disseminate the knowledge, as trainers.

- ✓ For the private beneficiaries which have to apply the Order 1120/2013 an improved application for publishing the announcements on the internet is being built, simultaneously with the approval of the Instruction.
- ✓ Provide swift monitoring of priority investment projects, as a move to reduce the risks of defaulting on the monthly payment targets for each contract.

B) Funds provided the Common Agricultural Policy under MFF 2007-2013

The allocation of the CAP funds to Romania in 2007-2013 amounts to EUR 14.94 Billion, of which EUR 8.12 Billion are provided to the European Agricultural Fund for Rural Development, EUR 0.23 Billion to the European Fishery Fund and EUR 6.58 Billion to the European Fund for Guarantees in Agriculture.

On September 30, 2014 the progress of agricultural operational program implementation is as follows:

1) The European Agricultural Fund for Rural Development (EAFRD)

On September 30, 2014 the EAFRD-funded NRDP progress was as follows:

- *Projects submitted* at national level: 148,461, in total amount of 24,293.87 Million Euros. Of this amount, 14,663.89 Million Euros is the EU contribution;
- *Projects approved*: of the total number of projects submitted, 96,005 were approved totaling 10,104 Million Euros; of this amount, 5,726 Million Euros is the EU contribution, which accounts for approx. 70.5% of the total EU allocation in 2007-2013;
- *Financing contracts/decisions signed with the beneficiaries*: 88,766 projects were signed, in amount of 5,919 Million Euros, which accounts for a commitment rate of 96.3% of the 2007-2013 allocation to measures which are implemented based on the project submission principle, plus 2,765 Million Euros which is the amount of direct payments per surface under Axis 2 „Improvement of environment and rural areas” and Measure 611 „Direct complementary payments”.
- *Payments made from EAFRD and the State Budget*: payments to the beneficiaries of all measures -6,492 Million Euros, of which the EAFRD payments amount to 5,321 Million Euros (according to the quarterly expense reports submitted to COM in 2008 – Q3 2014, plus the advance payment of 562 Billion Euros received in 2008 by Romania from the EU budget, to secure the necessary cofunds to start and implement NRDP, which accounts a share of 72.4% used from the EAFRD allocation.
- *The amount reimbursed by COM (which was used to feed up the EAFRD account)* is 5,087 Million Euros.

Until the end of 2013, no de-commitment of funds occurred for the allocations for the period 2008-2011¹².

¹² In the case of the 2007-2013 EAFRD, the payments of budget commitments are made according to the N+2 principle

From the 2012 allocation, which must be used until the end of 2014, a share of 30.4% was used to date.
From the 2013 allocation, the amount of 1,356, Million Euros must be used in 2015.

Measures aimed at improving the NRDP implementation

- ✓ Revise and supplement *Government Decision 224/2008 introducing the general framework for the implementation of measures cofunded by the European Agricultural Fund for Rural Development 2007-2013* – to allow the continuation of rural development support schemes it is necessary to include the text of GD nr. 224/2008, several provisions for the extended applicability of the provisions of this GD for the full transitory period, awaiting for the approval of the National Rural Development Program for 2014-2020;
- ✓ The Government Emergency Ordinance 74/2009 *on the management of Community non-refundable funds from the European Fund for Guarantees in Agriculture, the European Agricultural Fund for Rural Development and the European Fishery Fund and the funds allocated by the state budget, on the management of the non-refundable funds allocated by the European Community and the funds allocated by the state budget for the program of collecting and managing the data needed to implement the common policy in the fishery sector and the program for the control, inspection and supervision in the fishery sector and for the revision of art. 10 of Law nr. 218/2005 on boosting the absorption of SAPARD funds, the European Agricultural Fund for Rural Development, the European Fishery Fund, the European Fund for Guarantees in Agriculture, by transferring the credit risk to guarantee funds* – this ordinance will be amended to introduce regulatory provisions on using the amounts allocated by the state budget to the MARD budget and the amounts which cover both the national cofinancing and the temporary EAFRD contribution, to secure the transition to the new programming period 2014-2020, namely until the time of reimbursement of eligible expenses by the European Commission in respect of commitments concluded pursuant to the provisions of the Council and European Parliament Regulation 1310/2013 and the acts delegated under the provisions of article 89 of the Council and European Parliament Regulation 1305/2013;
- ✓ Following the approval of the 2014-2020 National Rural Development Program, the legislation will be initiated to create the national legal framework for the program implementation, as well as for ensuring the proper absorption of European Funds.

Measures increasing the absorption capacity

- ✓ Amend the 2007-2013 NRDP to reallocate funds from the low-absorption measures to high-absorption measures;
- ✓ Revisit the local development strategies which must be adapted to answer in a better way to the current local development needs and to allow more projects to be funded under the LEADER approach;
- ✓ Implement the transition regulation 1310/2013 of the European Parliament and the Council which include transitory provisions related to the rural development support under EAFRD, which allowed applications according to the 2007-2013 NRDP “old rules” for “new funds” from 2014-2020 NRDP;
- ✓ Promote the Emergency Ordinance on various measures aimed at the development of farms by micro-loans extended from the MARD budget, to secure the cofinancing needed to implement the NRDP projects. The purpose of this measure is to turn family farms into viable commercial farms, which will be, in addition to the self-consumption, to provide products to be sold on the market;
- ✓ Re-introduce the maximum EAFRD contribution rate of 95% for the period October 2013 - December 2015;
- ✓ Optimize the working procedures of the Managing Authority for NRDP, the Agency for the Rural Investments and the Agency for Payments and Intervention in Agriculture, as a move to do away with the barriers in the implementation of the Programme.

2) European Fishery Fund (EFF)

The progress on September 30, 2014 of the implementation of the Operational Program Fishery (OPF) funded from was as follows:

- *Projects submitted:* 1,111 amounting to a total of 1,030, Million Euros.

- *Projects approved:* of the total number of submitted projects, 619 were approved, in total amount of approx. 275 Million Euros;
- *Funding contracts/decisions signed with beneficiaries:* 619 contracts were signed, totaling approx. 275 Million Euros (a commitment rate of 105% of the 2007-2013 public allocation for measures implemented based on the project submission principle).
- *Payments made (EFF and State Budget):* 107.5 Million Euros.
- *Payment made from EFF:* 80.6 Million Euros.

Romania received from EC pre-financing amounts of 32.30 Million Euros and reimbursements, as follows:

- In 2007-2012: 0 Euros
- In 2013: 55.4 Million Euros
- In 2014: 20.9 Million Euros.

2007-2013 EFF absorption rate

- *2007-2013 allocation:* 261.58 Million Euros, of which: 196.2 Million Euros from EFF (EU contribution) and 65.4 Million Euros from the state budget.
- *Payments made from EFF until September 30, 2014:* 80.6 Million Euros, which results in an EFF absorption rate of 41.1%.
- *The amount of funds decommitted for Romania from 2007-2013 OPF is* 34.5 Million Euros, from the EFF contribution, namely:
 - 0.1 Million Euros from the 2009 allocation;
 - 22.4 Million Euros from the 2010 allocation;
 - 12.1 Million Euros from the 2011 allocation.

For the year 2014, of the 2012 payment ceiling with a limit in 2014, a decommitment of EFF funds in amount of 7.8 Million Euros is estimated in accordance with the Memorandum on revised estimates for 2014 and 2015 in respect of the EU contribution from structural and cohesion funds, the European Fishery Fund and the pre-accession assistance instrument.

According to the estimates for 2015, the amount of payments will cover the full allocation with no decommitments¹³.

Measures implemented to increase the absorption capacity

- ✓ Revision of 2007-2013 OPF to allow the reallocation of funds from the low-absorption measures to high-absorption measures.
- ✓ Optimization of the working procedures at the level of the Managing Authorities for OPF, as a move to remove barriers in the implementation of the Program.
- ✓ Introduction of the system of advance payments for public beneficiaries for financing investment projects.
- ✓ Outsourcing of various activities related to the verification of reimbursement requests and the monitoring of projects.
- ✓ Introduction of a guarantee scheme financed from EFF for the loans extended to the projects of beneficiaries selected for the measures 1.3, 1.4, 1.5, 2.1, 2.2, 2.3, 3.3.; this measure was introduced in 2010 and continued in 2013 when the funds were supplemented so as to include the beneficiaries under the Priority Axis 4.
- ✓ The possibility of OPF beneficiaries to provide a guarantee to the benefit of a lender, in the form of a pledge or a mortgage on the investment which is the subject matter of the financing contract, by revising the legislation on this issue, namely the GD 442/2009, as revised;

¹³ We need to clarify that in the case of 2007 – 2013 EFF the payments from budget commitments are made based on the N+2 principle.

- ✓ In order to support the public-private partnerships, DGP—MA OPF decided to grant a financial support in the form of an advanced payment of maximum 30,000 Euros to help developing the integrated local development strategies for the fishery areas and the establishment of Local Fishery Groups. Under these circumstances, GEO 74/2009 was amended and supplemented by including the possibility to pre-finance public-private partnerships.

Measures to increase the absorption capacity: future legislation

- ✓ Decision nr. 442/2009 setting up the general framework for the implementation of the measures cofunded by the European Fishery Fund through the 2007-2013 Operational Program Fishery – this decision will be amended to allow VAT being declared as eligible expense for the entities which are not VAT payers.
- ✓ The Government Emergency Ordinance 74/2009 *on the management of Community non-refundable funds from the European Fund for Guarantees in Agriculture, the European Agricultural Fund for Rural Development and the European Fishery Fund and the funds allocated by the state budget, on the management of the non-refundable funds allocated by the European Community and the funds allocated by the state budget for the program of collecting and managing the data needed to implement the common policy in the fishery sector and the program for the control, inspection and supervision in the fishery sector and for the revision of art. 10 of Law nr. 218/2005 on boosting the absorption of SAPARD funds, the European Agricultural Fund for Rural Development, the European Fishery Fund, the European Fund for Guarantees in Agriculture, by transferring the credit risk to guarantee funds* – this ordinance will be amended to introduce the possibility of „over-contracting”. The change is aimed at allowing the use in advance of the amounts available from the implementation of 2007-2013 OPF to finance other projects and thus avoiding a decommitment of funds towards the end of the programming period.

3) European Fund for Guarantees in Agriculture (EAFG) - implementation of support measures benefitting the farmers

The Agency for Payments and Interventions in Agriculture (APIA) is a public institution with legal personality, subordinated to the Ministry of Agriculture and Rural Development, and it is fully financed from the state budget. APIA is the body which manages the European funds by implementing the support measures for farmers, funded from both the EU Budget, via the European Fund for Guarantees in Agriculture, and the Romanian state budget, up to the limit of the annual allocations in the budget law.

Since 2007, the activity of the Agency for Payments and Interventions in Agriculture was carried out along three main directions, with support measures funded from the national budget and the European funds as well:

- Direct payments and market measures;
- Specific measures funded from European funds for agriculture and rural development, as introduced in orders issued by the minister of agriculture and rural development;
- Payments accounting for financial support from the national budget.

For the programming period 2007-2014, APIA has allocated the amount of:

- 7.793 Million Euros from EAFG, of which approx. 6,725 Million Euros were paid, accounting for 86.30%. The initial ceiling for the 2007-2013 programming period was 6,580 Million Euros. It was increased by adding the ceiling for the year 2014, which is considered a year of transition to the new Common Agricultural Policy (CAP).

- 3,026 Million Euros from EAFRD (including the cofinancing from the national budget) of which 2,363 Million Euros were paid. This ceiling includes the one set for the Measure 215 “Payment for the livestock wellbeing – poultry and porcines”.

Million Euros

	ALLOCATIONS 2007-2014	PAYMENTS MADE IN 2007-2014	Absorption rate
TOTAL EAFG PAYMENTS	7,793	6,725	86.30 %

The total amount allocated by APIA in 2007-2014 totals 9,089 Million Euros, of an overall total of 17 Billion Euros, the allocation to Romania for the three types of expenses covered from the CAP budget. APIA spent around 85% of the money allocated by EC for direct payments, and around 80% of the rural development funds given to the Agency for Funding Rural based on a mandate for implementation.

Overall, in 2007-2014 APIA absorbed the European Funds at a 65% rate, thus helping the knowledge transfer and innovation, increase of competitiveness, promotion of the management of food chain and products, rebuilding, protecting and consolidation of the ecosystems, the efficient use of resources and the transition to an economy with a low carbon consumption and the promotion of social inclusion, reduction of poverty and economic development in the rural areas.

Main achievements in 2014 under the 2007-2013MFF

In 2014, the total estimated amount to be paid for the surface payment schemes goes up to 1.4 Billion Euros, of which approx. 700 Million Euros are provisioned for being paid as an advance on the SSPS requests submitted under the 2014 Campaign.

To this purpose, on October 16 2014 APIA started to authorize the advance payments to the farmers who had applied for the Single Surface Payment Scheme (SSPS) - the 2014 Campaign. These advances will be given to all farmers declared eligible after the verifications conducted in accordance with article 20 of the EC Regulation nr. 73/2009.

The amount for the payment of SSPS - 2014 Campaign is 156.89 euro/ha according to the Government Decision 863/2014 which decided on the amount of direct payment per surface of land, separate payment for sugar beet and specific payments for rice which will be granted in 2014, and which are usually granted to the vegetables sector, plus a linear reduction coefficient to make sure that the amounts remain under the ceiling set by the European Commission.

In line with article 6 of the EU Regulation 1310/2013, which sets the advance payments to maximum 50% of the total direct payment amount, in Romania the advance payment is 69.00 Euros/ha.

Payments take into account an exchange rate of 4.4102 lei for one Euro, as set by the ECB on September 30, 2014 and published in the EU Official Journal series C, nr. 342/03 of October 1, 2014. As of October 16, 2014, the Agency has authorized the payment of advances, in amount of maximum 74% of the amount to which farmers are entitled after applying for payments per surface of land, under the rural development measures – 2014 Campaign: 211 "Payments for the mountain disadvantaged areas", 212 "Payments for disadvantaged areas – other than the mountain areas" and 214 "Payment for agro-environment", in accordance with the EU Regulation 65/2011 setting the guidelines for the application of the EC Council Regulation 1698/2005 for the implementation of the control and eco-requirements procedures related to the support measures in the rural development sector.

The table below shows the estimated amounts and the amount actually paid to date since the beginning of this year, to the surface payment schemes and the specific aid schemes funded only from EAFG:

Support measure	Fund	Amounts estimated for payment in 2014		Payments made from January 1, 2014 to date	
		Million LEI	Million Euros	Million LEI	Million Euros
Surface payments	EAFG	6 041.35	1 348.00	5 191.4	1 169.9

Art. 68 specific aid	EAFG	356.98	79.66	193.5	43.03
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The amounts paid to date for the market measures, namely: community aid schemes for supplying fruits and milk in schools, the restructuring and reconversion measures in the vineyard sector, the European Program dedicated to Most Disadvantaged People (EPDV) as well as the programs aimed at promoting agro-foods, including wines and export restitutions, amount to 44.41 Million Euros, as shown in the table below:

MARKET AND EXPORT RESTITUTION MEASURES PAYMENTS MADE BY APIA IN 2014	Million RON	Million EUR
Community aid for the supply of milk in schools	22,792	5,128
Community aid for the supply of fruits in schools	9,078	2,042
Beekeeping program	29,698	6,682
Producer Groups (administrative expenses and investment expenses of producers)	34,617	7,788
Organizations of fruits and vegetables producers	4,941	1,111
Restructuring/Reconversion of vineyards	78,405	17,119
Insurance of grape crops	1,119	0,251
EPDV	11,357	2,523
Programs aimed at promoting farming products, including wines and export restitutions	7,733	1,768

The measures implemented in 2013-2014 by the Agency for Payments and Interventions in Agriculture were aimed at reducing the deficiencies found by external auditors and encouraging, at the same time, the absorption of European funds. The measures implemented by APIA included:

- Authorize and pay the advances to farmers which are beneficiaries of the SSPS and to the beneficiaries of the rural development measures Of Axis II of the 2007-2013 National Rural Development Program. Payments were made between 15 October 2013 – and 30 November 2013, in line with the Community legislation in force;
- Conclude/extend the working conventions with the guarantee funds and the commercial banks, in order to issue the certificates for the various schemes which are implemented, namely: SSPS, AXIS II (NRDP), complementary national direct payments in the animal breeding sector, payments for the wellbeing of livestock (poultry and porcines);
- Run public awareness campaigns about the measures/support schemes funded from European money (EAFG) and the national budget.
- Organize training session to the representatives of professional associations in the agriculture sector and briefing sessions dedicated to farmers, road shows at county and local level.
- Print and disseminate brochures in which a special section is dedicated to the measures implemented by APIA.
- Post the information related to applications for the surface payments scheme on the organization website www.apia.org.ro, in a section opened for this very purpose available on the main page. In cooperation with the IT Directorate, a section dedicated to this campaign was built, namely Farmer Forum SSPS 2013, which was used by farmers to ask questions and receive answers about these schemes/support measures. All the forms of support to farmers were advertised online, on the Agency's website at: http://www.apia.org.ro/materiale_2013.htm.
- Participate in public awareness or advertisement campaigns, in the Agency's own showroom sections or through persons representing the Agency in the sections of partner agencies within MARD or foreign agencies, in national or international shows and exhibitions.
- Public information or advertisement activities – in conferences, seminars, expert fora, reunions with the representatives of the city hall and prefect's institutions, producers or farmers' association etc., in which APIA experts took part;

- participate to the IndAgra 2014 National Fair of equipment and agro-foods;

For 2015-2017, the main objective is to provide a proper management of community and national funds and support the Romanian farmers, to help develop the agriculture in Romania, the vegetables and livestock sectors, in observance of the environment protection requirements and using the natural resources and possibilities available in Romania.

II. Allocation to Romania MFF 2014-2020

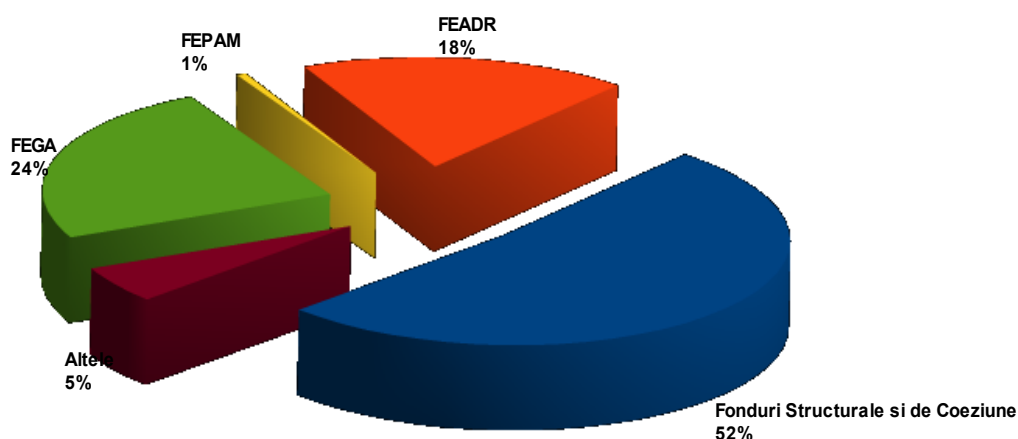
2014 is the beginning of a new 7-year MFF for EU, which will thus last until 2020. This new MFF (2014-2020) differs from the previous MFF (2007-2013) in terms of component programs.

The amounts allocated to Romania under the 2014-2020 MFF are of around 43 Billion Euros.

Total allocations to Romania under MFF 2014-2020

Instrument	Million Euros Amount
Structural and Cohesion Funds	22,887
European Agricultural Fund for Rural Development	8,016
European Fund for Fisheries and Maritime Affairs	231
European Fund for Guarantees in Agriculture	11,819
Other	549
Total	43,502

Structura sumelor alocate României în CFM 2014-2020



A) Structural Instruments for 2014-2020 MFF

The 2014-2020 programming period is based on the 2014 Partnership Agreement, a document adopted by the European Commission in Decision C(2014) 5515/6.8.2014.

This is the strategy of Romania as Member State of the European Union, for accessing the five categories of European Structural and Investment Funds in the time interval 2014-2020: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fishery and Maritime Affairs Fund (EMFF).

At the same time, the Partnership Agreement is a way to focus investments under ESIF 2014-2020 to promote competitiveness, convergence and cooperation, as a move to encourage smart development based on economic growth and social inclusion.

To live up to its growth aspirations, Romania may have a modern and competitive economy by giving consideration to the following five challenges:

- Competitiveness and local development
- Population and social aspects
- Infrastructure
- Resources
- Administration and governing

In 2014-2020 Romania will make investments from ESI Funds under the 11 thematic objectives of the Europe 2020 Strategy.

Thematic objectives are selected based on their capacity to contribute to solve the main challenges when it comes to development.

The table below contains the detail of the indicative allocation of EU funds for each of the ESI Funds (Million Euros):

Million Euros						
	EFRD	ESF	CF	EAFRD	EMFF	TOTAL
1.Consolidation of research, technological development and innovation	973.40	-	-	93.52	-	1 066.93
2. Improve access to IT&C, increase the IT&C use and quality	531.91	-	-	-	-	531.91
3. Improve SME competitiveness, the competitiveness of the farming sector (for FEARD) and the fishery and aquaculture (for EMFF)	744.68	-	-	2 287.99	84.21	3 116.89
4. Support the transition to a low carbon emissions economy in all sectors	3 248.06	-	159.57	486.18	3.37	3 897.19
5. Promote adjustment to climate changes, risk prevention and management	-	-	478.72	1 536.22	-	2 014.95
6. Preserve and protect the environment and encourage the efficient use of resources	926.40	-	2 892.44	1 115.22	37.05	4 971.13
7. Promote sustainable transport and remove barriers in the large network infrastructure	2 728.21	-	3 404.26	-	-	6 132.46
8. Encourage sustainable and quality employment and support the mobility of the labor force	101.06	1 563.93	-	529.92	33.68	2 228.60
9. Encourage social inclusion, fight poverty and discrimination in any form	521.28	1 133.86	-	1 752.96	-	3 408.09
10. Invest in education, training and vocational education, as a move to develop skills and encourage lifelong learning	361.70	1 257.10	-	35.27	-	1 654.07
11. Improve the institutional capacity of public authorities and interested parties as well as the	265.96	531.06	-	-	-	797.02

	EFRD	ESF	CF	EAFRD	EMFF	TOTAL
efficiency of public administration						
12. Technical assistance	323.40	288.09	-	178.37	10.11	799.96
TOTAL	10 726.08	4 774.04	6 935.00	8 015.66	168.42	30 619.20

ESIF investments in 2014-2020 will be one of the most important instruments in reducing the growth gaps among the Romanian regions and between Romania and other Member States.

In the programming period 2014-2020, the European Union wants to see that the competitiveness concept is better reflected by the policies and measures implemented by the Member States, as defined in Europe 2020 Strategy, the Europe's development strategy over the next 10 years.

PROGRAMS DESCRIPTION

1. Technical Assistance Operational Program – total allocation: 212 Million Euros, EAFRD

Objectives: - horizontal support for the coordination, management and control system of ESIF (MoEF, AA, CPA, NRAPP and CPPVU funds - only for the structures dealing with these funds, Management Authorities and Intermediate Bodies) and horizontal support for the funds' beneficiaries. This horizontal support is similar to the one granted by the 2007-2013 OPTA, with a greater emphasis on MoEF providing support to beneficiaries and a horizontal guarantee of the assistance for evaluation/contracting/monitoring and verification of all projects.

- specific support to the Large Infrastructure OP and Competitiveness OP which do not have their own Axes of Technical Assistance.

2. Operational Program Competitiveness – total allocation: 1.33 Billion Euros, EAFRD

Main objective: Competitiveness by encouraging Research, Development, Innovation as well as Information and Communications Technology.

3. Operational Program Human Capital - total allocation: 4.22 Billion Euros, ESF

Overall objective: create a highly skilled workforce by developing the necessary skills and abilities for a dynamic and competitive labor market, by supporting investments in education and training, health and social services.

4. Operational Program Large Infrastructure – the total allocation is about 9.5 Billion Euros, of which 7 Billion is from CF and 2.5 Billion Euros from EAFRD

Overall objective: develop transport infrastructure, environment, energy and risk preventing at European standards, in terms of protection and efficient use of natural resources.

5. Operational Program Helping Disadvantaged Persons - total allocation 442 Million Euros, EAFRD

Objective: OPAD – will be implemented across the country and will provide a minimum of food needs (staple food packages) and school supplies for the persons belonging to the categories of beneficiaries who are considered as needing basic material assistance.

6. Regional Operational Program – total allocation: 6.7 Billion Euros, EAFRD

Objective: 2014-2020 Regional Operational Program sets itself to guarantee the continuity of the strategic vision regarding the regional development in Romania by completing and enhancing the directions and priorities of regional development contained by 2007–2013 NRDP and NSRF and implemented by 2007–2013 ROP, as well as by other national programs. This approach is based on the fact that on the long-term, the global objective of the regional development policy could be achieved if further major development priorities established in 2007-2013 will be pursued.

7. Operational Program Administrative Capacity– total allocation 553 Million Euros, FSE

Objective: strengthen the administrative capacity of public authorities and public institutions in order to support a modern and competitive economy, to contribute to the creation of modern public economy, capable to facilitate the socio-economic development of the country by means of public services, investments and quality regulations, thus contributing to achieving the objectives of the Europe 2020 Strategy.

8. NRDP – it has an allocation of over 8 Billion Euros, EAFRD (European Agricultural Fund for Rural Development)

General objective: sustain the strategic development of the rural area by approaching the following specific objectives:

- Restructure and increase the viability of farms
- Manage natural resources in a sustainable manner and fight climate changes
- Diversify economic activities, create new jobs for improving infrastructure and services in order to improve the quality of living in rural areas.

The expected outcomes of 2014-2020 ESIF interventions will reflect the change that the Romanian authorities hope to generate in the next programming period, taking account of the lessons learnt in the current period and taking into consideration the development needs and the existent national potential.

With regard to the implementation of 2014-2020 ESIF, this will be achieved in a much better coordinated system by establishing management authority duties only by means of three ministries:

- Ministry of EU funds for the management of 4 operational programs which target: large infrastructure (transport, environment and energy); competitiveness (research and development, the Digital Agenda); human capital development and technical assistance;
- Ministry of Regional Development and Public Administration - for the regional operational program, programs dedicated to European territorial cooperation and the operational program of administrative capacity;
- Ministry of Agriculture and Rural Development (management of programs dedicated to rural development and fishery)

Other programs:

The EEA and 2009-2014 Norwegian financial mechanisms

The EEA and Norwegian funds represent a very important tool developing projects in key sectors for the Romanian economy and society: environmental protection, strengthening of civil society and the judicial sector, the promotion of energy efficiency and renewable energy, supporting "green" companies, public health services, children and youth at risk, and others.

All 22 of the financed programs under the two mechanisms were approved. The effective implementation of the projects funded under these programs is conducted during 2014-2016, with the exception of three programs for which the term of completion is April 2017.

The total value of these funds for the entire period is 280.9 Million. Euros non-refundable foreign funds (NEF) and 35.8 mil Euros co-financed from the State budget.

We need to emphasize that the amounts in the FEN, in accordance with the financial flow established with donor States, are received on the basis of advance payments throughout the program progress and are not initially supported from the State budget.

The Ministry of European Funds is appointed, as the national contact point with the role of coordinating the scheduling and managing the financial assistance destined to Romania and providing liaison at the institutional level, between Romania and donor States.

The Ministry of European Funds performs the role of national contact point (NCP) and of Program Operator (PO) for 2 programs-Environmental monitoring programs, planning, integrated control and capacity building and institutional cooperation between public institutions, local and regional authorities in Romania and those in Norway with a budget of 8.181.250 Euros 6.000.000 respectively NEF.

As Operator of the Program, the MFE shall ensure the co-financing from the national budget, 15% in relation to amounts granted by donor States.

As a Program Operator, the MoEF shall guarantee the co-financing from the national budget, of 15% in relation to the amounts granted by the donor States.

As a NCP, the Directorate manages the technical assistance fund and the Bilateral Fund at the national level, totaling 6.119.000 Euros from the NEF without a State budget co-financing.

All three programs are in the implementation phase of the contracts financed under them.

The Swiss-Romanian Cooperation Program

The amount of the financial contribution allocated to Romania: the amount assigned to Romania in this financial framework is 181 Million CHF, which means around 150 Million Euros (of which the Ministry of European funds manages 83.9 Million CHF, equal to around 65 Million Euros), the difference being directly managed by Swiss IB, the period of employment of the funds being 5 years from the date of the framework loan approval by the Swiss Parliament and 10 years as the date of the actual payment

B) Funds from the Common Agricultural Policy for 2014-2020 MFF

1) 2014-2020 European Agricultural Fund for Rural Development

2014-2020 National Rural Development Program (NRDP) was officially submitted for consideration to the European Commission on July 1, 2014. Guidelines and procedures for the 2014-2020 RDP measures are still in progress.

The EAFRD amounts allocated to Romania for rural development, in accordance with the 2014-2020 multiannual financial framework, per total, year, distinct goals (rural development priorities) related to 2014-2020 NRDP.

Total public NRDP grant (EAFRD budget + national contribution) - 9.85 Billion. Euros, of which EAFRD grant according to RS 1305/2013-8.02 Billion Euros.

The NRDP total public grant, broken down by years as in following table:

		Million Euros						
Grant 2014-2020		2014	2015	2016	2017	2018	2019	2020
Total grant (EAFRD +National budget)	9 363 .19	1 343 .15	1 341 .38	1 339 .58	1 337 .74	1 335 .87	1 333 .90	1 331 .56
FEADR	8 015 .66	1 149 .85	1 148 .37	1 146 .79	1 145 .22	1 143 .61	1 141 .93	1 139 .93
National budget	1 347.52	193,30	193,05	192,79	192,52	192,25	191,97	191.63

The total public grant is split on the 6 priorities for rural development (RDP), in accordance with the 2014-2020 NRDP, is as follows:

- RDP 1 "The encouragement of knowledge transfer and innovation in agriculture, forestry and in rural areas"-146.40 Million Euros (of which EAFRD grant of 128.79 Million Euros) (this amount of

this priority is scheduled within the other 5 RDP from 2-6 and will be present in total grants of these priorities, because it is a horizontal priority, according to the EU framework documents);

- RDP 2: "The increase of the competitiveness of all types of agriculture and the increase of the viability of farms, in all regions and the promotion of innovative agricultural technologies" – 1,757.97 mil. Euros (of which EAFRD grant of 1.516,92 Million Euros);
- RDP 3: Promotion of the food chain organizations, animal welfare and risk management in agriculture – 1.019 18 mil. Euros (of which EAFRD grant of 867.58 Million Euros);
- RDP 4: Restoration, conservation and consolidation of ecosystems which are related to agriculture and forestry", 2,655.21 mil. Euros (of which EAFRD grant of 2,258.49 Million Euros);
- RDP 5: Promotion of the resources efficient use and support of the transition to an economy with low carbon and climate resistant in agriculture, food products and forestry" – 1,067.68 mil. Euros (of which EAFRD allocation of 907.18 Million Euros);
- RDP 6:" Promotion of the social inclusion, poverty reduction and economic development in rural areas"- 2,653.29 mil. Euros (of which EAFRD grant of 2,287.12 Million Euros).

To the above mentioned grants, on rural development priorities public allocation for the Technical assistance measure in amount of 209.84 Million Euros (of which the EAFRD grant is 178.37 Million Euros).

2) 2014-2020 Operational Program for Fishery and Maritime Affairs (2014-2020 OPFMA)

The financial grant of the European Fund for Fishery and Maritime Affairs granted to Romania for the 2014-2020 programming period is 168.42 Million Euros

	2014	2015	2016	2017	2018	2019	2020	TOTAL
External fund	23.09	23.38	23.59	23.98	24.53	24.70	25.15	168.42
National Budget	7.70	7.79	7.86	7.99	8.18	8.23	8.38	56.14
TOTAL	30.79	31.17	31.45	31.97	32.71	32.93	33.53	224.56

3) European Fund for Guarantees in Agriculture EFGA for 2014-2020 MFF for CFM 2014-2020 – European Funds for the implementation of support measures for agricultural producers

The amounts allocated to Romania for the multiannual financial 2014-2020 framework, per total, years, distinct goals and operational programs;

In 2015-2020, the budget for management entrusted the APIA will be about 13.571 Million. Euros, of which 10.490 Million Euros will return to Romania for granting direct payments and market measures, the remain being allocated under delegation from the EAFRD budget for the measures aimed at the environment, organic farming and areas experiencing natural constraints or other specific constraints. These amounts will add the sums required for financing measures of the market, export restitutions and promotional programs for agricultural products in third country markets. It is mentioned that in case of those schemes/measures it is necessary the guarantee from the Member States of a percentage of cofinancing, which can range from 25 to 75% of the total amount of the Community aid, according to a number of conditions laid down by the Community regulations.

The ceilings of direct payments situation for Romania, in financial years 2015-2020, according to the MFF and financing the 2014-2020 Common Agricultural Policy (CAP) – prepared by the European Commission will be as follows:

	Million Euros					
Financial year	2015	2016	2017	2018	2019	2020

EFGA ceiling value – SAPS Romania	1428.53	1629.89	1813.80	1842.45	1872.82	1903.20
TOTAL 2015 - 2020				10.490,68		

We need to say that the grant for the financial year 2015 includes payments for applications filed in 2014, considered to be the transition year to the new CAP. As such, APIA started from October 16, 2014, effecting payments in advance for the applications lodged the 2014 Campaign from the ceiling envisioned for the financial year 2015.

Moreover, under the new CAP, Romania was given the possibility of offering new transitional national aids in the next period, instead of granting complementary national direct payments. Thus, in the projection of the next year's budget, the estimated amounts to be assigned for such aids should be included, given that the financing source will be provided from the national budget.

As regards the 2014-2020 forthcoming programming period, APIA is considering developing/updating the legislative acts necessary for the implementation of the new Community provisions, as approved by the European Commission at the end of December 2013, as well as the information system development necessary for the management of the powers provided by the Act of accreditation, concerning the implementation of the new CAP requirements.

Romania's contribution to the EU budget and the net financial position

Estimation of Romania's contribution to the 2015 European Union budget and 2016 – 2018 perspectives

According to the commitments assumed in the EU Accession Treaty of Bulgaria and Romania to the European Union ratified by Law 157/2005 (negotiated in Chapter 29 – Financial and budgetary provisions), Romania, as a Member State, participates to the European Union budget according to Community rules that are directly applicable as from the accession date. Thus, as of January 1, 2007, Romania shall pay its contribution for financing the European Union budget in the system of Community budget own resources.

Since 2007 the system of Community own resources is governed by Decision 2007/436/EC, Euratom, this being published, both in its original form (EN) as well as in all the official languages of the Member States (including in Romanian), in the Official Journal of the European Union No. L 163, part II, of 23.06.2007 (p. 17-21 for the Romanian language version).

These amounts may suffer changes as, on one hand, according to Community procedures, automatic technical adjustments of the indicators will be made as established in the ACOR meeting – Projections at the time of the occurrence of new macroeconomic indicators estimated by the European Commission, and on the other hand, the level of contributions of all member States and therefore of Romania, will be modified depending on the negotiations at Community level in relation to the total amount of the European Union budget.

Contribuția României la bugetul Uniunii Europene pentru anul 2014 și estimarea pentru anii 2015-2018

mii LEI

Denumirea	2014 ¹⁾	2015 ¹⁾	2016 ¹⁾	2017 ¹⁾	2018 ¹⁾
Contributii din taxe vamale	471.238,0	491.062,0	491.062,0	521.400,0	519.030,0
Contributii din sectorul zaharului	3.390,0	3.978,0	3.978,0	4.224,0	4.205,0
Total contributii din resurse proprii tradiționale	474.628,0	495.040,0	495.040,0	525.624,0	523.235,0
Contributii din resursa TVA	730.182,0	747.582,0	747.422,0	744.040,0	740.658,0
Contributii pentru corectia/rabatul acordat Marii Britanii	445.231,0	452.361,0	452.166,0	450.120,0	448.074,0
Contributii din resursa VNB	5.166.870,0	5.090.442,0	5.037.474,0	4.844.400,0	5.113.212,0
Contributii pentru reducerile în favoarea Danemarca, Austria, Țărilor de Jos și Suediei	0,0	0,0	0,0	48.884,0	48.662,0
Total contributii din resurse proprii	6.816.911,0	6.785.425,0	6.732.102,0	6.613.068,0	6.873.841,0
Contributii suplimentare si neprevazute ²⁾	334.578,0	185.550,0	906.233,0	277.200,0	275.940,0
²⁾ rezerve pentru acoperirea diferentelor calculate la soldurile TVA si VNB	334.578,0	185.550,0	906.233,0	277.200,0	275.940,0
Contributia Romaniei la bugetul UE	7.151.489,0	6.970.975,0	7.638.335,0	6.890.268,0	7.149.781,0

Produsul Intern Brut ³⁾	674.300.000,0	709.700.000,0	748.600.000,0	790.800.000,0	836.100.000,0
Contributia Romaniei privind resursele proprii la bugetul UE, ca pondere in PIB (%), inclusiv contributii suplimentare si neprevazute	1,06	0,98	1,02	0,87	0,86

Estimation of Romania's contribution to the 2015 European Development Fund and 2016-2018 perspectives

By means of Law 16/2008, Romania acceded to the Agreement, signed in Luxembourg on June 25, 2005, revising the Partnership Agreement between the Group of African States the Caribbean and the Pacific members, on one hand, and the European Community and their Member States, of the other hand, signed in Cotonou on June 23, 2000.

In this context, in 2011, Romania shall contribute to the 10th European Development Fund (10th EDF).

In the chart below the estimation of Romania's contribution to the 2014 European Development Fund, as well as its projection for 2015-2018.

**Contribuția României la Fondul European de Dezvoltare pentru anul 2015
și estimarea pentru anii 2016-2018**

mii LEI

Denumirea	2014 ¹⁾	2015 ⁴⁾	2016 ⁴⁾	2017 ⁴⁾	2018 ⁴⁾
Contribuția României la Fondul European de Dezvoltare	63.270,0	58.874,4	58.874,4	114.048,0	113.529,6
Transferuri curente in strainatate (catre organizatii internationale)	63.270,0	58.874,4	58.874,4	114.048,0	113.529,6

These amounts may change according to the decisions taken at Community level, regarding the necessary funds for the payments to CPA states.

Romania's net financial position in respect of EU Budget

Member States use an instrument called "Net financial balance" to calculate their positions under the Community budget. As of its very first year after accession, Romania has been a net beneficiary, running a positive balance as in the below Table.

ROMANIA'S NET FINANCIAL BALANCE in 2007-2015

Million
Euros

Description	Achieved 2007-2013	Achieved 2014 (on 31.10.2014)	Estimates 2014	Estimates 2015
A	1	2	3	4
I. AMOUNTS FROM EU BUDGET (A+B)	21 086.29	4 354.67	6 486.47	10 182.26
<i>A. Pre-accession funds</i>	2 659.20	4.52	0.00	0.00
<i>B. Post-accession funds, of which:</i>	18 427.10	4 350.15	6 486.47	10 182.26
B1. Structural and Cohesion Funds (SCF)	7 335.61	2 300.04	3 714.35	6 879.32
B2. Rural development and fishery funds (EAFRD+EFF)	5 123.37	641.04	1 329.05	1 627.89
B3 European Agricultural Guarantee Fund EAGF	4 643.40	1 316.61	1 329.02	1 581.69
B4. Other (post-accession)	1 324.72	92.46	114.05	93.37
II. AMOUNTS PAID TO EU (C+D)	9 201.94	1 298.49	1 614.84	1 591.65
C. RO Contribution to EU Budget	8 910.27	1 288.03	1 599.50	1 577.10
D. Other contributions	291.66	10.46	15.34	14.55
III. Balance of flows = I - II	11 884.35	3 056.18	4 871.63	8 590.61

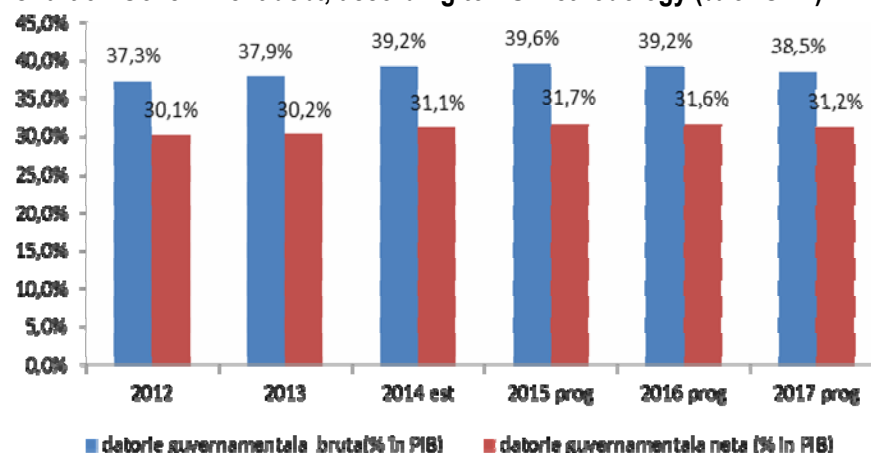
4.9 Public Debt¹⁴, financing of the budget deficit and issuance of guarantees

Government Debt (EU method)

The government debt according to EU methodology accounted at end-2013 for 37.9% of GDP, clearly below the 60% ceiling required by the EU Treaty. Of the government debt, at end-2013, the domestic debt was 17.2% of GDP and the foreign debt was 20.7% of GDP due to large foreign financing in 2011-2013. In addition, at the end of October 2014, the government debt accounted for 40.4 % of GDP, of which 19.4% of GDP in domestic debt and 21.0% of GDP in foreign debt.

The estimated gross government debt at the end of 2014 is 39.2 % of GDP, and on the medium term (2015 -2017) it will be below 40.0 % of GDP, with the net government debt¹⁵ estimated at 31.1% at the end of 2014, with a level below 32.0% of GDP in the medium run.

Chart 3 : Government debt, according to EU Methodology (% of GDP)



Source: MoPF

The moderate growth outlook of the government debt on the medium term and the possibility to preserve the government debt at a sustainable level is due to the economic growth projected at an annual average of around 2.8 %, a relatively flat exchange rate against the Euro and the fiscal consolidation measures and budget deficits calculated according to the EU methodology of up to 2.0% of GDP, in 2014-2017.

The public debt drivers according to EU methodology, on a medium term, are presented in the table below:

% of GDP	ESA Code	2013	2014	2015	2016	2017
1. Gross government debt		37.9	39.2	39.6	39.2	38.5
2. Change in the government debt		0.6	1.3	0.4	-0.4	-0.7
<i>Contribution to the gross debt change</i>						

¹⁴ The gross government debt according to EU method, which includes the debt of companies reclassified to the general government sector. Debt data was revised following the Eurostat Decision requiring the reclassification of various commercial credits as loans and the debt of entities reclassified to the general government sector for the purpose of the fiscal Notification sent out in March 2014.

¹⁵This represents the gross debt minus liquid financial assets (FA1(gold and SDR), FA2 (deposits and cash), FA3 (securities, other than shares), AF5 (shares and other participations to equity, if listed, including mutual fund shares)).

3. Primary balance		-0.5	-0.4	0.4	0.5	0.4
4. Interest expenditure	EDP D.41	1,7	1,6	1,6	1,6	1,5
5. Stock-flow adjustments		-2,2	-2,0	-1,2	-1,1	-1,1
<i>of which:</i>						
- Differences between cash and accrual		-0,1	-0,04	-0,04	-0,04	-0,04
- Net accumulation of financial assets		1,2	0,8	0,2	0,1	0,1
<i>of which:</i>						
- <i>privatization proceeds</i>		0,3	0,0	0,0	0,0	0,0
- Valuation effects and others		-3,4	-2,7	-1,3	-1,2	-1,2

Budget deficit financing

In accordance with the 2014-2016 Government Public Debt Management Strategy, the public deficit in 2014 was covered, in a balanced manner, from both domestic and foreign sources, whereas for the upcoming years MoPF intends to raise the share of domestic financing sources, taking into account the objective of developing the domestic market of government securities and reducing the exposure to currency risk, while due to the MoPF policy of extending the debt maturities and consolidating the State Treasury hard currency buffer, the budget deficit was mainly financed from foreign sources supplemented by domestic sources. Under these circumstances, the annual amount of government securities aimed at financing the budget deficit and refinancing the public debt to be issued in the upcoming years on the domestic market is estimated at maximum RON 50 Billion, which is lower by RON 5 Billion compared to the amounts of government securities issued in 2013.

The strategy of financing the budget deficits from domestic sources provides in principal for the use of government securities denominated in RON, namely Treasury-Bills, including with shorter maturities (3 months, initially) in addition to those on 6 and 12 months, and medium and long term benchmark bonds, which will be issued depending on the market demand and taking into account the objective of building the yield curve in RON. The yields of government securities trended down over the recent years, due to a prudential adjustment of the monetary policy conduct by the central bank (NBR), in conjunction with other factors, such as global liquidity and the non-resident investors interest in T-Bonds denominated in RON, after including some of Romanian bonds in the regional index of Barclays and JP Morgan GBI-EM, for emerging markets.

In order to reduce the costs of financing and for a better functioning of the secondary market, MoPF plans to continue the policy of building the liquid benchmark bonds (in equivalent amount of 1.5 - 2 Billion Euros) along the length of the yield curve, simultaneously with a transparent policy of issuing the government securities. In addition to this policy, MoPF plans to eliminate the government securities denominated issued in Euros on domestic market, having in view that this is a non-typical instrument which leads to a fragmentation of

government securities market.

Starting with 2015, after the implementation of the procedural and operational framework, MoPF intends to use operations which are specific to the secondary market, such as buy backs and bond exchange, to accelerate the construction of liquid benchmark securities and facilitate the refinancing of benchmarks in large amounts coming due. Similarly, MoPF plans to start using reverse repo operations for an effective management of the Ministry's cash balances, based on prior consultations with the NBR, as a move to coordinate the policy for government financing and cash management with monetary policies.

Through a transparent policy of government securities and more liquid benchmarks, the secondary market should trend positive and consolidate faster. To further encourage the market, MoPF plans to introduce starting 2015 the obligation of the primary dealers to make quotations for government securities using an electronic platform provided by Bloomberg, which will help cutting the trading costs for the participants to the secondary market.

In addition, for the purpose of enlarging the base of investors for the government securities issued on the domestic market, a pilot program of government securities issued for the individual investors is to be started. Hence, the government securities will be available to average citizens, in a simple and transparent way, and these citizens will have the possibility to directly buy and then trade on the government securities via the Bucharest Stock Exchange.

External financing sources in the medium run will come in principal from Eurobonds issued on the external capital markets under the MTN and in addition loans contracted with official creditors (international financial institutions and government agencies). MoPF intends to remain present on the international capital markets in Euros and access the USD market and other foreign currencies markets on an opportunistic basis, selecting the longest possible maturities in a move to reduce refinancing risk, bearing in mind the cost of extending maturity.

MoPF used the opportunity window on the foreign capital markets in January 2014 to issue, under the MTN Programme, two series of USD-denominated bonds with maturities of 10 and 30 years, in aggregate amount of 2 Billion. Hence, Romania borrowed 1 Billion USD for 10 years and a 4.875% coupon (trending down compared to the last year's issuance) and 1 Billion USD for 30 years (the longest maturity ever of a government bond) and a 6.125% coupon. In addition, on April 15 2014, MoPF issued Eurobonds denominated in Euros with a 10-year maturity (for the first time since the financial crisis) and extended the yield curve in Euros, obtaining the lowest cost ever for Romania in issuing Eurobonds (yield: 3.701%; coupon 3.625%). In October 2014, MFP issued Eurobonds denominated in Euros in amount of EUR 1.5 Billion, 10 years maturity and a 2.875% coupon.

In addition, MoPF intends to continue the partnership with IFIs in order to benefit of the financial advantages coming from the products of these institutions. In 2014, amount of the 300 Million Euros remained in the BIRD DPL DDO loan was withdrawn. In addition at the beginning of 2015, the legal procedures will be finalized to put into effect the first IBRD development policy loan (DPL) in amount

of up to 750 Million Euros, of a series of 2 DPL loans (with the second loan to be contracted in the first half of 2015). These loans will be used to support the government objective of boosting Romania's growth potential by improving the efficacy of action in the public sector and maximizing the functioning of capital, real estate and energy markets.

These two IBRD loans will be followed in 2016 – 2017 by two more similar loans with the amount to be determined latter, the amount of which remained to be decided. At the same time, in the first half of 2015, the legal formalities will be finalized for the IBRD loan in amount of 250 Million Euros, aimed at supporting the reform of the healthcare sector, as well as the 300 Million Euros loan extended by the European Investment Bank to cover the state budget contribution to NRDP.

Several new loans will be added to this list, loans which will be contracted in 2015-2016 with the international financial institutions (IBRD, EIB, BDCE), the purpose of which will be to finance the state budget deficit and refinance the government public debt; the disbursements from these loans will be subject to the actual achievement of investments objectives and/or other action needed for the implementation of sectoral reforms.

The size of government guarantees issued according to the national legislation

The public debt balance guaranteed by the Government, through MoPF and other territorial-administrative divisions, in accordance with GEO 64/2007 on the public debt is as follows:

	2012	2013	2014	2015	2016	2017
I. Balance of the guaranteed public debt at the end of the interval						
- Billion lei	13.8	14.7	18.6	22.5	28.0	33.4
- % of GDP	2.3%	2.3%	2.8%	3.2%	3.7%	4.2%
II. GDP (Billion lei)	596.7	639.3	674.3	709.7	748.6	790.8

*) the projection of guarantees was based on the amount estimated by MoPF for issuing new guarantees

4.10. Ceilings of the main budget indicators in 2012-2017

The tables below show the limits set for several budget indicators which will be adopted by the Parliament according to the provisions of article 18 of the Fiscal Responsibility Law 69/2010.

Plafoane privind soldul bugetar pe principalele bugete componente

	2012	2013	2014	2015	2016	2017
Sold buget general consolidat (% din PIB)	-2,5	-2,5	-2,2	-1,8	-1,1	-1,1
Sold structural (% din PIB)	-2,5	-1,7	-1,6	-1,0 **)	-1,0	-1,0
Sold primar*) al bugetului general consolidat (mil. lei)	-4.063,0	-5.038,6	-4.516,8	-2.334,2	3.830,9	2.963,4
Sold buget general consolidat (mil. lei)	-14.773,9	-15.794,0	-14.713,0	-13.004,0	-8.096,0	-8.945,2
Sold buget de stat (mil. lei)	-17.398,4	-19.429,8	-21.285,7	-19.119,6	-13.325,9	-14.010,5
Sold buget asigurari sociale de stat (mil. lei)	249,2	200,6	211,9	211,8	206,2	222,7
Sold bugetul fondului pentru asigurari de sanatate (mil. lei)	-379,4	-21,3	0,0	0,0	0,0	0,0
Sold bugetul fondului pentru somaj (mil. lei)	176,2	-8,8	232,2	224,0	241,3	257,8
Sold bugetul institutiilor financiare din venituri proprii (mil. lei)	-42,8	197,1	1.547,7	1.233,3	1.381,9	1.356,4

*) Excluse platile de dobanzi

**) la care se adauga 0,25 puncte procentuale - ajustor pentru cofinanțarea proiectelor susținute din fonduri europene

In order to comply with the budget deficit targets for 2015-2017 so as to keep, starting in 2012, the budget deficit according to EU methodology below the limit provided for in the Maastricht Treaty (3% of GDP), annual ceilings were proposed to administrative-territorial divisions in respect of the amount of refundable funds to be contracted, as well as limits for budget expenditures from loans which have been contracted or are to be contracted by the territorial-administrative divisions.

Taking into account the growth prospects of the national economy we estimate that the government debt according to the EU methodology will be at a sustainable level and therefore we suggest to set up ceilings of maximum 40.5% of GDP, while to reduce the budget risk generated by the payments that MoPF and the territorial-administrative divisions would have to make on behalf of the guarantees issued in accordance with GEO 64/2007 on the public debt, the following ceilings were proposed:

Plafoane pentru datoria guvernamentală, împrumuturi contractate și garanții acordate

	2012	2013	2014	2015	2016	2017
Datoria guvernamentală (metodologie UE) - % din PIB -	37,3	37,9	39,2	40,5	40,0	40,0
Finantari rambursabile contractate de unitatile/subdiviziunile administrativ-teritoriale *) - mil. lei -	900,0	800,0	1.200,0	1.200,0	1.200,0	1.200,0
Trageri din finanțările rambursabile contractate sau care urmează a fi contractate de către unitatile/subdiviziunile administrativ-teritoriale *) - mil. lei -	1.398,8	970,0	1.200,0	1.200,0	1.200,0	1.200,0
Garanțiile emise de Ministerul Finantelor Publice și unitatile administrativ teritoriale - mil. lei -	3.306,3	2.361,3	8.000,0	8.000,0	8.000,0	8.000,0

*) Nu sunt incluse finanțările rambursabile destinate refinanțării datoriei publice locale și cele destinate proiectelor care beneficiază de fonduri externe nerambursabile de la Uniunea Europeană, inclusiv cele cuprinse în Planul Elen de Reconstrucție și Dezvoltare Economică a Balcanilor – HIPERB

Notă: Valorile pentru finanțările contractate de UAT-uri și cele pentru trageri aferente anilor 2015, 2016 și 2017 sunt prevazute in proiectul de HG privind aprobarea limitelor anuale, aferente anilor 2015, 2016 și 2017, pentru finanțările rambursabile care pot fi contractate și pentru tragerile din finanțările rambursabile contractate sau care urmează a fi contractate de unitățile/subdiviziunile administrativ-teritoriale.

The ceilings of the general government expenditures, excluding the EU and other donors' financial assistance, as well as the ceilings of staff expenditures are presented in the table below.

Plafoane privind cheltuieli de personal si cheltuieli totale exclusiv asistenta financiara din partea UE sau alti donatori						
- mil. lei -						
	2012	2013	2014	2015	2016	2017
Bugetul general consolidat	199.500,1	206.788,3	218.730,4	220.590,1	225.714,8	237.786,8
- cheltuieli de personal	40.798,8	46.241,0	50.518,9	48.373,4	49.358,0	50.850,6
- cheltuieli de personal % din PIB	6,8	7,2	7,5	6,8	6,6	6,4
Bugetul de stat	101.329,4	106.064,9	110.959,9	115.338,6	115.591,1	122.341,0
- cheltuieli de personal	17.141,5	19.890,1	21.385,6	19.947,8	21.047,0	21.592,2
Bugetul general centralizat al unitatilor administrativ teritoriale	52.135,0	53.887,2	59.352,0	58.457,8	58.551,5	62.039,8
- cheltuieli de personal	16.439,4	18.713,6	21.423,8	20.323,8	20.467,7	21.246,8
Bugetul asigurarilor sociale de stat	48.580,7	49.909,2	52.171,1	54.795,5	56.711,7	59.150,5
- cheltuieli de personal	148,5	154,8	175,4	168,0	173,0	177,7
Bugetul asigurarilor pentru somaj	1.667,4	1.713,9	1.684,0	1.486,4	1.562,5	1.554,1
- cheltuieli de personal	79,5	90,2	106,1	102,7	94,2	94,2
Bugetul Fondului national unic de asigurari sociale de sanatate	19.433,9	23.036,4	22.868,7	22.728,5	23.402,0	24.072,8
- cheltuieli de personal	134,1	150,4	181,5	154,0	158,6	162,9
Bugetul institutiilor/activitatilor finantate din venituri proprii	17.370,5	17.106,9	17.505,6	16.034,4	16.145,8	16.499,3
- cheltuieli de personal	6.623,3	6.993,9	7.012,5	7.451,1	7.184,6	7.337,7
Alte bugete componente ale bugetului general consolidat	8.599,4	9.146,2	6.817,3	8.266,5	9.368,2	9.704,9
- cheltuieli de personal	232,5	247,9	234,0	226,0	232,8	239,1

4.11 Potential fiscal and budgetary risks associated to the 2015-2017 Fiscal and Budgetary Strategy

The budget estimates and the economic forecasts which have been the basis for the 2015-2017 Fiscal and Budgetary Strategy may face various risks, including the effects from the variations of basic assumptions and forecast parameters.

Risks faced by the economic position

Risks associated with the economic outlook for Romania

The risks which may affect the real economy and, implicitly, the economic growth, are in principal external risks. The Romanian economy, part of the European economy, is dependent on the international economic context and, in particular, on the economic growth of the main partner countries, in commercial terms.

The growth at international level is still not consistent and was below the expectations of the international financial institutions in the first half of 2014, with the effects of the crisis still active. The medium term risks

include, for *the advanced economies, stagnation or a slow economic growth, and for the emerging economies, a slowdown of the growth potential*.

In the *European Union*, the delay in implementing reforms or the partial implementation of structural, fiscal and institutional reforms would be detrimental to growth and may deepen the gaps among the Member States. Unless we continue to improve the labor market or should the unemployment go up, the private consumption – which is the most important GDP component in the EU – could stagnate. The economic growth may slow down as well as a result of the tensions in the financial market generated by the re-valuation of asset quality and the stress tests, as well as the increased concerns about the debt sustainability of some Member States. An inflation rate below expectations may have indirect consequences on the economy by the fact that it will make deleveraging difficult and it will affect investments and the private consumption.

The deflation risks starts being more and more visible in *Europe*, adding to the already existing risks: the still low investment level (both public and private investments); reforms slowing down and a insignificant decline of public and private debt. Cumulated, all these risks reduce the possibility of having economic growth, both in the Eurozone and the entire European Union.

The negative risks regarding the inflation are related to a weak economic growth in EU, global factors and the implication of recent disinflation trend. Domestic demand below expectations remains the main inflation risk. A global growth below the forecast could lead to a longer period of energy and raw material prices decrease, which is going to result in lower import prices. Negative risks also derive from the fact of not anchoring inflation expectations. However, even though the risk of having longer times of low inflation still exists, the possibility of seeing a deflation is cast out. *On the positive side*, an economic revival above expectations or a substantially higher oil price, could push up EU inflation above the forecast rates.

Short term risks include an escalation of **geopolitical tensions** (MENA¹⁶ Region, the conflict in Ukraine and the sanctions against Russia, which may trigger a decline in the confidence of European consumers) and volatility of the financial markets.

In terms of regional dynamics, several elements indicate that Romania enjoys a positive situation compared to other countries. First of all, in general terms, is less dependent on the foreign energy resources, compared to other Member States. In addition, there has been a sharp decrease in the imports of oil products and natural gas in 2013, following the decline in the energy consumed in the economy, mostly due to a contraction of the activity of energy-intensive consumers. The country's energy dependence dropped also as the importance of renewable resources grew, with the massive investments of the recent years encouraged by the subsidies allocated to the sector through the green certificates, given the prospects of the energy market liberalization. Second of all, around 70% of Romania's commercial flows are mostly oriented towards EU countries. Third of all, the source of direct foreign investments in Romania, as reported in 2012, comes mostly from Netherlands, Austria, Germany, France and Italy. In addition, the Romanian banking sector is formed of banks which have a mainly European capital which, in conjunction with the other above-mentioned factors, puts Romania in a favorable position in the region's geopolitical environment.

On the domestic side, risks are in general balanced in terms of impact on the domestic supply and demand. After two very good agricultural years in 2013 and 2014, should the weather be bad for agriculture in 2015, the crops could drop significantly and directly affect the inflation and the economic growth.

An *internal risk* with an impact in all the sectors of the economy and in particular on the small and medium-sized enterprises, is the restrictive lending policy of the banking sector, despite of the relaxed monetary policy rate. A revival of the bank loan is expected, but in order to reach the growth objectives in 2014 we need a significant expansion of lending to companies and individuals.

Romania may be affected by the fact that the first five states which are the destination of exports are facing economic or political problems, or both.

¹⁶ Middle East and North Africa.

One other risk to growth is the EU fund absorption. However, the absorption rate over the recent years grew considerably, and one of the Government's objectives continues to be the significant and immediate improvement of the absorption rate of structural funds, which is a crucial condition to reaching sustainable growth and limiting the foreign debt.

Negative internal risks are counteracted by the fiscal relaxation measures implemented by the government. The exemption of the reinvested profit and the lower social security contribution are powerful incentives to investments and economic growth.

Specific risks related to the medium term fiscal and budgetary position

Risks associated to the EU NEF absorption

Having regard to the amounts which have been already requested from the European Commission in 2014, the expense amount reports which need to be submitted in 2014 to avoid decommitment is EUR 1.86 Billion.

Automatic decommitment risk for 2014 (n+3) on September 30, 2014

Million Euro

OP	Decommitment ceiling 2014	Advance	Expense Reports submitted to EC, on the reporting date	Total funds committed on the reporting date	Expense Reports which need to be submitted to EC
	1	2	3	4=2+3	5=1-4
SOP-T	2 601	526	1 616	2 141	460
EFRD	664	116	421	537	127
CF	1 937	410	1 195	1 604	333
SOP - M	2 642	521	1 630	2 150	492
EFRD	676	111	344	455	221
CF	1 966	409	1 286	1 695	271
ROP	2 146	335	2 007	2 342	0*
SOP Comp.	1 649	230	930	1 160	489
SOP HRD	2 059	452	999	1 451	607
OP-ACD	154	27	141	168	0*
OPTA	103	15	67	83	20
TOTAL	11 353	2 106	7 390	9 496	1 858

A review of risks associated with the public debt

I. The budget risk resulting from the payments made by MoPF in its capacity as Guarantor for the guarantees issued by the government

Having regard to the decreasing stock of government guarantees issued in the past for the loans contracted by companies and the very low rate of repayments made by MoPF in its capacity as Guarantor for the guarantees issued under the government programs, the estimated payments to be made from the state budget on behalf of these guarantees are below 0.03 % of GDP in 2015 - 2017. The assumptions in this scenario take into account the government guarantees issued for the “First House” Program, the program supporting the beneficiaries of projects implemented in priority area for the Romanian economy, which are funded from EU structural instruments allocated to Romania, the thermal rehabilitation program for buildings, the government program which warrants the credit lines for the SME working capital, the program encouraging the purchase of new vehicles and the government program including architectural environment improvements of housing blocks.

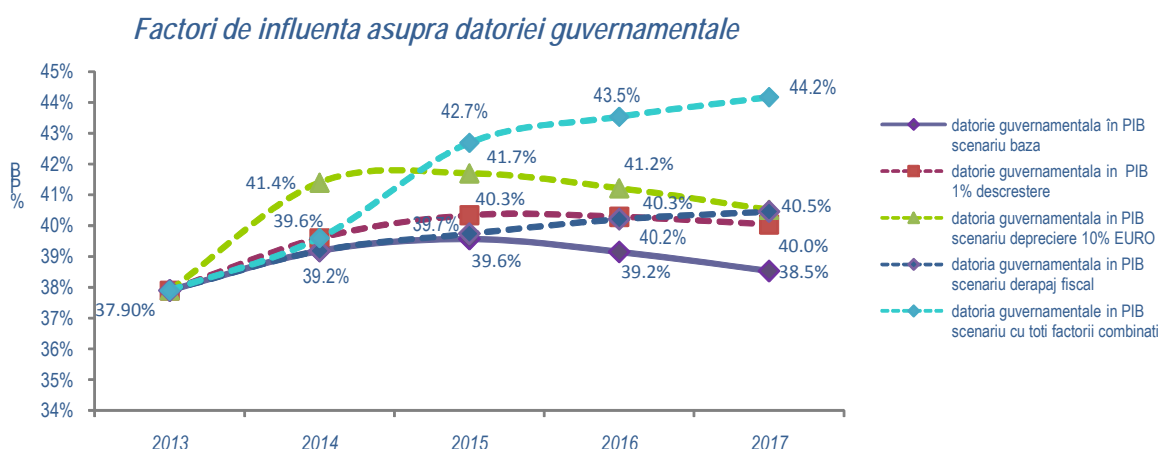
Payments made by MoPF in its capacity as guarantor for the government-issued guarantees

	2012	2013	2014	2015	2016	2017
I. Payments made by MoPF in its capacity as guarantor for the government-issued guarantees						
- Million lei	59 .5	6 .0	15 .7	159 .7	172 .1	172 .6
- % of GDP	0 .01%	0 .001%	0 .002%	0 .023%	0 .023%	0 .022%
II. PIB (Million lei)	596 700	639 300	674 300	709 700	748 600	790 800

II. Sensitivity analysis of the gross government debt

The sensitivity analyses of the government public debt portfolio give consideration to the following factors:

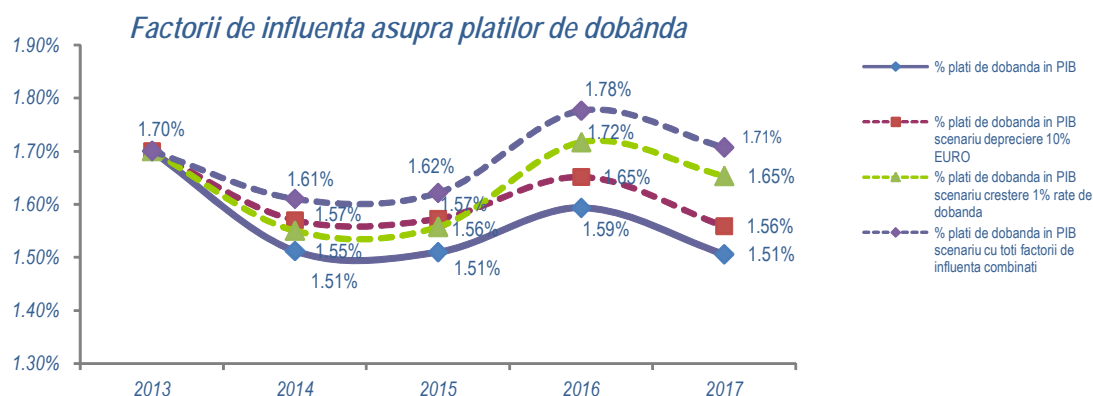
- 1) the influence of economic growth, the domestic currency depreciation and fiscal slippages on the outstanding government debt;
- 2) the impact of domestic currency depreciation and interest rates changes on interest payments.



The above chart shows the following:

- *The economic growth of 1% of GDP, lower than the projected nominal growth, could have a negative impact on the indebtedness level, namely, the debt increase by 1.5 % of GDP until 2017;*

- *The domestic currency depreciation against the Euro by 10%¹⁷, which is the main currency of denomination of the debt in foreign currency, would trigger an increase of the debt-to-GDP ratio by up to 2.0 % of GDP, in 2017;*
- *A fiscal deviation transposed in a cash deficit to finance of around 2% of GDP in 2015 – 2018, would lead to an increase of the indebtedness level by up to 2.0% of GDP, in 2017;*
- *The combined influence of these factors on the debt-to-GDP ratio would lead to an increase of this indicator by 5.7% of GDP at the end of the time interval under review.*



The above chart shows the following:

- *The domestic currency depreciation by 10% against the Euro¹⁸, would have a negative impact on the interest payments, in the sense of an increase of their GDP ratio by up to 0.05%, in 2017;*
- *The increase of interest rates by 1%, would lead to a more accentuated increase of the share of interest payments to GDP by up to 0.14%, at the end of the time interval under review;*
- *The combined influence of these factors on the interest payments would trigger an increase of these payments by 0.2% of GDP, in 2017.*

Assessment of risks generated by natural disasters (floods, earthquakes, drought)

Prevention and management of emergency situations are provided via the **National Emergency Situations Management System**¹⁹ which has been set up to prevent and manage the emergency situations, provide and coordinate the human resources, material resources, financial and other types of resources which are needed to restore the state of normality²⁰.

Human, material and financial resources have been provided for the operation of the National Emergency Situations Management System.

The money for the management of emergency situations at central and local level is provided by the state budget and/or the local budgets, as applicable, as well as from other sources domestic and foreign sources, according to the law.

The ministries which are responsible for the management of risks which generate emergency situations have the obligation to assess the general costs associated to the respective emergency situations triggered by

¹⁷ The other debt currencies follow the same trend

¹⁸ Idem 3

¹⁹ Înființat pe baza OUG nr. 21/2004

²⁰ O.U.G. nr. 21/2004

the respective risks having affected infrastructure or other elements administrated by those ministries (hydropower, defense works, national roads, highways, bridges etc.)

The General Inspectorate for Emergency Situations (IGSU – abbreviation in Rom.) is responsible for the assessment of damages produced by the occurrence of the different types of risks.

When the emergency situations appear, a commission is set up at the level of each administrative-territorial division, following an instruction issued by the mayor; this commission will conduct a final assessment of the damages (material and values) which are validated at county level by the commission specialized on specific areas, by means of an order issued by the prefect's institution.

With respect to the average estimated cost of natural disasters, according to the legal authority of the Ministry of Public Finance, the risk data, grouped by types of risks, are described below:

✓ Earthquakes:

According to the statistical data from the year 1977 (1978 World Bank Report), the damages amount to a total of 2.048 Billion dollars. If we consider an additional coefficient of 20% of this value – generated by factors such as the age of constructions, only a partial implementation – because of the insufficient funds – of the National Building Consolidation Program, the increased number of buildings with large agglomerations of people, the higher inflation-generated costs etc., we can estimate that if an earthquake occurred at this time, similar to the 1977 earthquake, would generate losses of around 1.8 Billion Euros.

✓ Natural risks in general:

The data provided by the General Directorate for Guidance and Control of the Prefect Institution of the Ministry of Domestic Affairs, which receives the assessment reports developed at county level, show the following situation of the damages generated by natural calamities in 2005-2014:

Year	Amount of damages	
	- thou lei -	- % of GDP -
2005	5 975 202	2.1
2006	887 500	0.3
2007	708 585	0.2
2008	1 600 693	0.3
2009	0	0.0
2010	3 736 150	0.7
2011	0	0.0
2012	464 011	0.1
2013	705 917	0.1
2014*	279 261	0.0

* only the expenditures with removing the snow and floods of April 20-21, 2014

In 2010-2014, following the risks generated by natural disasters (floods, earthquakes, drought, nuclear accidents, heavy snow removing, etc.), serious traffic accidents outside the territory of Romania, or aids granted to other countries which found themselves in this kind of situations in the form of humanitarian aid in case of emergency, funds were disbursed amounting in average to 57933.48 thousand lei per year:

- Humanitarian aid in amount of 14,251 thousand lei was paid from the budget of the Ministry of Domestic Affairs in 2010-2014;
- The budget of the Ministry of National Defense was increased with funds from the Government's Reserve Fund in amount of 661 thousand lei for foreign humanitarian mission;
- Humanitarian aid for natural disasters, in particular floods, was granted in 2010-2014 from the Budget of the Ministry of Environment and Climate Change, in amount of 87,705 thousand lei;
- Humanitarian aid for natural disasters, in particular drought, was granted in 2010-2014 from the Budget of the Ministry of Agriculture and Rural Development, in amount of 187,050.40 thousand lei.

The logistics of interventions requires that the material base is provided for the support functions. Hence, each structure of the specialized central public administration must provide for this function, in its line of business as well as for the projects coordinated/subordinated or under the authority of such structures.

As regards the assets managed by the Ministry of National Defense, the review of the main risks generated by natural disasters revealed that the major risk is the one related to earthquakes, due to the unfit state of some of the buildings used by the structures of the ministry.

To reduce this risk, the Ministry of National Defense planned and implemented, up to the limit of the approved budget, certified assessment studies and consolidation works in some of the buildings with a high risk for earthquakes, as the average estimated cost of this type of works over the past 5 years amounted to 32.7 Million lei, which accounts for around 0.05% of the GDP forecast for 2014. The current state of play requires the continuation of consolidation works, with the cost estimated for this type of works in 2015-2017 amounting to 51.3 Million lei; we mention that this cost was included in the budget impact for this year, as described before.

At the same time, it is worth mentioning that, according to the provisions of GD nr. 2288/2004, the Ministry of National Defense carries out the support functions mentioned above, related to the prevention and management of emergency situations, the associated costs being supported from the approved budget of the ministry or the Government's Intervention Fund, as applicable.

5. 2015-2017 Medium Term Expenditure Framework

The total state budget expenditures in 2012-2017, as well as the aggregated expenditures of the largest 10 main budget managers, using the criterion of funds allocated from the state budget, are included in the table below:

	- milioane lei -					
	2012	2013	2014	2015	2016	2017
BUGET DE STAT -						
CHELTUIELI TOTAL, din care:						
mil lei	104.570	109.890	120.573	126.723	133.852	137.137
% din P.I.B.	17,52	17,19	17,88	17,86	17,88	17,34
CHELTUIELI TOTAL - 10 ministere						
mil lei	79.976	79.389	82.153	88.885	95.795	98.302
% din P.I.B.	13,40	12,42	12,18	12,52	12,80	12,43
Cheltuieli de personal						
mil lei	14.107	16.339	17.065	15.704	16.393	16.836
% din P.I.B.	2,36	2,56	2,53	2,21	2,19	2,13
Bunuri si servicii						
mil lei	2.985	3.124	3.829	3.680	3.821	3.923
% din P.I.B.	0,50	0,49	0,57	0,52	0,51	0,50
Dobanzi						
mil lei	133	69	60	60	51	47
% din P.I.B.	0,02	0,01	0,01	0,01	0,01	0,01
Subventii						
mil lei	3.604	2.914	3.593	3.110	3.796	3.896
% din P.I.B.	0,60	0,46	0,53	0,44	0,51	0,49
Transferuri intre unitati ale administratiei publice						
mil lei	23.278	26.192	26.640	31.103	33.280	33.062
% din P.I.B.	3,90	4,10	3,95	4,38	4,45	4,18
Alte transferuri						
mil lei	5.414	3.650	2.944	3.095	5.095	3.929
% din P.I.B.	0,91	0,57	0,44	0,44	0,68	0,50
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	9.280	8.267	8.136	12.594	11.852	12.331
% din P.I.B.	1,56	1,29	1,21	1,77	1,58	1,56
Asistenta sociala						
mil lei	13.616	13.337	13.811	13.830	16.360	16.886
% din P.I.B.	2,28	2,09	2,05	1,95	2,19	2,14
Alte cheltuieli						
mil lei	1.585	1.164	2.340	1.978	1.968	4.224
% din P.I.B.	0,27	0,18	0,35	0,28	0,26	0,53
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	4.119	2.146	1.329	1.364	916	892
% din P.I.B.	0,69	0,34	0,20	0,19	0,12	0,11
Active nefinanciare						
mil lei	1.623	1.413	1.712	1.923	1.892	1.969
% din P.I.B.	0,27	0,22	0,25	0,27	0,25	0,25
Active financiare						
mil lei	20	652	421	198	85	50
% din P.I.B.	0,00	0,10	0,06	0,03	0,01	0,01
Imprumuturi						
mil lei	97	35		10	100	100
% din P.I.B.	0,02	0,01		0,00	0,01	0,01
Rambursari de credite						
mil lei	472	341	273	236	186	158
% din P.I.B.	0,08	0,05	0,04	0,03	0,02	0,02
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-357	-253				
% din P.I.B.	-0,06	-0,04				
CHELTUIELI TOTALE - ALTI ORDONATORI PRINCIPALI DE CREDITE						

The budgets of the 10 main budget managers included in the strategy account for around 70% of the total state budget expenditures. If we add to these budget managers the Ministry of Public Finance – General Actions, which include interest, repayments of loans, the contribution of Romania to the EU Budget, the cofinancing for pre-accession projects, as well as state-aid schemes, these would account for around 90% of the total expenditures of the central government.

The breakdown of expenditures by the 10 main budget managers for the interval under review is shown in Annexes 1 to 10 attached to this Strategy.

6. Statement of accountability

The accuracy and completeness of the fiscal and budgetary information collected and processed by the Ministry of Public Finance, from the information which was made available to it, as provided by involved factors,

as well as the consideration given to the domestic and foreign circumstances known at this time, are hereby confirmed.

This fiscal and budgetary strategy was prepared in line with the fiscal and budgetary responsibility law 69/2010, and the proposed ceilings and targets are in observance of the fiscal responsibility principles.

**PRIME – MINISTER,
VICTOR-VIOREL PONTA**

**PUBLIC FINANCE MINISTER,
Ioana-Maria Petrescu**

**MINISTER DELEGATED FOR BUDGET,
Darius-Bogdan Vâlcov**

Anexa 1 - Cheltuielile Ministerului Muncii, Familiei, Protecției Sociale și Persoanelor Vârstnice din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	30.411	28.653	29.878	36.716	41.213	41.864
% din P.I.B.	5,10	4,48	4,43	5,17	5,51	5,29
Cheltuieli de personal						
mil lei	191	222	239	210	216	222
% din P.I.B.	0,03	0,03	0,04	0,03	0,03	0,03
Bunuri și servicii						
mil lei	146	142	151	142	163	168
% din P.I.B.	0,02	0,02	0,02	0,02	0,02	0,02
Transferuri între unități ale administrației publice						
mil lei	16.018 *)	15.018 *)	16.533 *)	22.709 *)	24.690 *)	24.864 *)
% din P.I.B.	2,68	2,35	2,45	3,20	3,30	3,14
Alte transferuri						
mil lei	7	6	3	4	3	4
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Proiecte cu finanțare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	972	399	60	256	346	354
% din P.I.B.	0,16	0,06	0,01	0,04	0,05	0,04
Asistența socială						
mil lei	13.057	12.827	12.811	13.307	15.703	16.211
% din P.I.B.	2,19	2,01	1,90	1,87	2,10	2,05
Alte cheltuieli						
mil lei	26	37	40	49	30	30
% din P.I.B.	0,00	0,01	0,01	0,01	0,00	0,00
Cheltuieli aferente programelor cu finanțare rambursabilă						
mil lei	24	34	35	30	55	6
% din P.I.B.	0,00	0,01	0,01	0,00	0,01	0,00
Active nefinanciare						
mil lei	6,83	3,06	5,84	10,00	6,27	6,40
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Plăți efectuate în anii precedenți și recuperate în anul curent						
mil lei	-38	-35				
% din P.I.B.	-0,01	-0,01				

*) Începând cu anul 2011 sunt incluse și subvențiile stabilite ca fiind necesare pentru echilibrarea bugetului asigurărilor pentru somaj (473,4 milioane lei în anul 2012, 267,8 milioane lei în anul 2013, 399,376 milioane lei în anul 2014, 144,303 milioane lei în anul 2015 și 164,354 milioane lei în anul 2016, 77,532 milioane lei în anul 2017).

NOTA: Subvențiile de la bugetul de stat pentru echilibrarea bugetului asigurărilor sociale de stat sunt estimate la 13.148,7 milioane lei în anul 2012, 12.254,2 milioane lei în anul 2013, 13.645,798 milioane lei în anul 2014, 19.755,892 milioane lei în anul 2015 și 21.672,521 milioane lei în anul 2016, 21.939,413 milioane lei în anul 2017.

Estimările pe anii 2015-2017 nu corespund cu cele din Legea bugetului de stat pe anul 2014, nr.356/2013, deoarece începând cu data de 1 martie 2014, Ministerul Fondurilor Europene a preluat activitatea și structurile cu rol de Autoritate de management pentru Programul operațional sectorial "Dezvoltarea resurselor umane" de la Ministerul Muncii, Familiei, Protecției Sociale și Persoanelor Vârstnice.

Anexa 2 - Cheltuielile Ministerului Afacerilor Interne din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	8.079	8.344	8.622	8.074	8.464	8.693
% din P.I.B.	1,35	1,31	1,28	1,14	1,13	1,10
Cheltuieli de personal						
mil lei	6.456	7.242	7.444	6.965	7.392	7.592
% din P.I.B.	1,08	1,13	1,10	0,98	0,99	0,96
Bunuri si servicii						
mil lei	638	478	615	543	573	588
% din P.I.B.	0,11	0,07	0,09	0,08	0,08	0,07
Transferuri intre unitati ale administratiei publice						
mil lei	104	71	108	184	176	177
% din P.I.B.	0,02	0,01	0,02	0,03	0,02	0,02
Alte transferuri						
mil lei	8	7	3	7	9	18
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	154	198	171	112	0	0
% din P.I.B.	0,03	0,03	0,03	0,02	0,00	0,00
Asistenta sociala						
mil lei	82	56	64	65	70	70
% din P.I.B.	0,01	0,01	0,01	0,01	0,01	0,01
Alte cheltuieli						
mil lei	6	4	25	11	12	14
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	21	3	0	2		
% din P.I.B.	0,00	0,00	0,00	0,00		
Active nefinanciare						
mil lei	625	295	192	186	232	234
% din P.I.B.	0,10	0,05	0,03	0,03	0,03	0,03
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-15	-9				
% din P.I.B.	0,00	0,00				

Anexa 3 - Cheltuielile Ministerului Transporturilor din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	11.181	5.827	7.934	8.658	9.189	6.985
% din P.I.B.	1,87	0,91	1,18	1,22	1,23	0,88
Cheltuieli de personal						
mil lei	20	22	28	27	28	28
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Bunuri si servicii						
mil lei	8	7	23	7	8	8
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Dobanzi						
mil lei	93	34	27	26	21	19
% din P.I.B.	0,02	0,01	0,00	0,00	0,00	0,00
Subventii						
mil lei	1.601	1.603	2.035	1.696	2.280	2.354
% din P.I.B.	0,27	0,25	0,30	0,24	0,30	0,30
Transferuri intre unitati ale administratiei publice						
mil lei	1.389	668	919	891	895	897
% din P.I.B.	0,23	0,10	0,14	0,13	0,12	0,11
Alte transferuri						
mil lei	2.346	302	312	351	1.027	245
% din P.I.B.	0,39	0,05	0,05	0,05	0,14	0,03
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	3.322	2.150	3.278	5.250	4.477	3.001
% din P.I.B.	0,56	0,34	0,49	0,74	0,60	0,38
Asistenta sociala						
mil lei	109	108	593	105	221	227
% din P.I.B.	0,02	0,02	0,09	0,01	0,03	0,03
Alte cheltuieli						
mil lei	7	25	95	14	21	21
% din P.I.B.	0,00	0,00	0,01	0,00	0,00	0,00
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	2.064	269	28	28	104	106
% din P.I.B.	0,35	0,04	0,00	0,00	0,01	0,01
Active nefinanciare						
mil lei	15	2	3	3	3	3
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Active financiare						
mil lei		400	402	110		
% din P.I.B.		0,06	0,06	0,02		
Rambursari de credite						
mil lei	383	258	189	150	104	76
% din P.I.B.	0,06	0,04	0,03	0,02	0,01	0,01
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-176	-20				
% din P.I.B.	-0,03	0,00				

Anexa 4 - Cheltuielile Secretariatului General al Guvernului din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	6.887	7.181	5.523	6.956	7.912	8.457
% din P.I.B.	1,15	1,12	0,82	0,98	1,06	1,07
Cheltuieli de personal						
mil lei	266	303	167	193	199	204
% din P.I.B.	0,04	0,05	0,02	0,03	0,03	0,03
Bunuri si servicii						
mil lei	128	134	91	87	88	91
% din P.I.B.	0,02	0,02	0,01	0,01	0,01	0,01
Dobanzi						
mil lei	39	35	32	33	31	28
% din P.I.B.	0,01	0,01	0,00	0,00	0,00	0,00
Transferuri intre unitati ale administratiei publice						
mil lei	517	435	678	400	593	567
% din P.I.B.	0,09	0,07	0,10	0,06	0,08	0,07
Alte transferuri						
mil lei	1.758	1.328	683	836	2.083	1.624
% din P.I.B.	0,29	0,21	0,10	0,12	0,28	0,21
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	2.097	2.854	2.221	4.000	3.810	4.810
% din P.I.B.	0,35	0,45	0,33	0,56	0,51	0,61
Alte cheltuieli						
mil lei	399	432	512	410	422	433
% din P.I.B.	0,07	0,07	0,08	0,06	0,06	0,05
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	1.574	1.575	1.042	900	589	602
% din P.I.B.	0,26	0,25	0,15	0,13	0,08	0,08
Active nefinanciare						
mil lei	26	8	17	16	16	17
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Rambursari de credite						
mil lei	85	79	80	82	82	82
% din P.I.B.	0,01	0,01	0,01	0,01	0,01	0,01
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-3	-2				
% din P.I.B.	0,00	0,00				

Anexa 5 - Cheltuielile Ministerului Sănătății din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	3.086	8.327	6.657	5.487	5.344	4.933
% din P.I.B.	0,52	1,30	0,99	0,77	0,71	0,62
Cheltuieli de personal						
mil lei	188	644	750	740	762	783
% din P.I.B.	0,03	0,10	0,11	0,10	0,10	0,10
Bunuri si servicii						
mil lei	741	1.109	1.438	1.449	1.492	1.532
% din P.I.B.	0,12	0,17	0,21	0,20	0,20	0,19
Transferuri între unitati ale administratiei publice						
mil lei	1.871 *)	6.467 *)	4.347 *)	3.073 *)	2.964 *)	2.502 *)
% din P.I.B.	0,31	1,01	0,64	0,43	0,40	0,32
Alte transferuri						
mil lei	5	10	6	37	5	5
% din P.I.B.	0,00	0,00	0,00	0,01	0,00	0,00
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	17	12	28	22	23	27
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Alte cheltuieli						
mil lei			1	1	1	1
% din P.I.B.			0,00	0,00	0,00	0,00
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	92	83	78	125	56	41
% din P.I.B.	0,02	0,01	0,01	0,02	0,01	0,01
Active nefinanciare						
mil lei	180	17	9	41	42	43
% din P.I.B.	0,03	0,00	0,00	0,01	0,01	0,01
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-8	-15				
% din P.I.B.	0,00	0,00				

*) Anii 2012-2017 includ subventiile acordate din bugetul de stat catre Fondul national unic de asigurari sociale de sanatate pentru echilibrare (552,7 milioane lei in anul 2012, 4.915,1 milioane lei in anul 2013, 2.794,0 milioane lei in anul 2014, 1.336,0 milioane lei in anul 2015, 1.196,7 milioane lei in anul 2016 si 705,8 milioane lei in anul 2017).

Anexa 6 - Cheltuielile Ministerului Agriculturii și Dezvoltării Rurale din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	5.525	5.361	5.032	5.045	5.819	6.869
% din P.I.B.	0,93	0,84	0,75	0,71	0,78	0,87
Cheltuieli de personal						
mil lei	312	354	375	461	474	487
% din P.I.B.	0,05	0,06	0,06	0,06	0,06	0,06
Bunuri și servicii						
mil lei	126	113	132	120	124	127
% din P.I.B.	0,02	0,02	0,02	0,02	0,02	0,02
Subvenții						
mil lei	2.003	1.311	1.558	1.414	1.516	1.543
% din P.I.B.	0,34	0,21	0,23	0,20	0,20	0,20
Transferuri între unități ale administrației publice						
mil lei	378	379	675	477	445	448
% din P.I.B.	0,06	0,06	0,10	0,07	0,06	0,06
Alte transferuri						
mil lei	8 *)	851 *)	683 *)	646 **)	681 **)	744 **)
% din P.I.B.	0,00	0,13	0,10	0,09	0,09	0,09
Proiecte cu finanțare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	2.481	2.224	1.460	1.800	2.303	3.243
% din P.I.B.	0,42	0,35	0,22	0,25	0,31	0,41
Alte cheltuieli						
mil lei	73	80	76	71	69	69
% din P.I.B.	0,01	0,01	0,01	0,01	0,01	0,01
Cheltuieli aferente programelor cu finanțare rambursabilă						
mil lei	48	23	16			
% din P.I.B.	0,01	0,00	0,00			
Active nefinanciare						
mil lei	46	42	53	43	106	107
% din P.I.B.	0,01	0,01	0,01	0,01	0,01	0,01
Imprumuturi						
mil lei	97	35		10	100	100
% din P.I.B.	0,02	0,01		0,00	0,01	0,01
Rambursări de credite						
mil lei	3	3	4	4		
% din P.I.B.	0,00	0,00	0,00	0,00		
Plăți efectuate în anii precedenți și recuperate în anul curent						
mil lei	-50	-56				
% din P.I.B.	-0,01	-0,01				

*) În anii 2012-2014 titlul "Alte transferuri curente" include și fondurile necesare pentru plățile naționale directe complementare în sectorul vegetal, care se suportă din Fondul European Agricol de Dezvoltare Rurală

**) În anii 2015-2017 titlul "Alte transferuri curente" include și ajutoare naționale tranzitorii în sectorul vegetal

Anexa 7 - Cheltuielile Ministerului Educației Naționale din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	4.848	4.641	5.473	5.619	5.447	5.589
% din P.I.B.	0,81	0,73	0,81	0,79	0,73	0,71
Cheltuieli de personal						
mil lei	276	312	332	300	309	318
% din P.I.B.	0,05	0,05	0,05	0,04	0,04	0,04
Bunuri si servicii						
mil lei	102	91	93	72	74	76
% din P.I.B.	0,02	0,01	0,01	0,01	0,01	0,01
Transferuri intre unitati ale administratiei publice						
mil lei	1.987	2.048	2.173	2.124	2.188	2.247
% din P.I.B.	0,33	0,32	0,32	0,30	0,29	0,28
Alte transferuri						
mil lei	1.152	1.019	1.058	1.021	1.058	1.087
% din P.I.B.	0,19	0,16	0,16	0,14	0,14	0,14
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	223	391	867	1.054	874	894
% din P.I.B.	0,04	0,06	0,13	0,15	0,12	0,11
Asistenta sociala						
mil lei	303	262	262	268	276	283
% din P.I.B.	0,05	0,04	0,04	0,04	0,04	0,04
Alte cheltuieli						
mil lei	397	422	467	478	492	505
% din P.I.B.	0,07	0,07	0,07	0,07	0,07	0,06
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	232	85	54	117		
% din P.I.B.	0,04	0,01	0,01	0,02		
Active nefinanciare						
mil lei	205	95	167	185	175	180
% din P.I.B.	0,03	0,01	0,02	0,03	0,02	0,02
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-29	-85				
% din P.I.B.	0,00	-0,01				

Anexa 8 - Cheltuielile Ministerului Apărării Naționale din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	4.797	5.696	6.166	6.179	6.267	6.437
% din P.I.B.	0,80	0,89	0,91	0,87	0,84	0,81
Cheltuieli de personal						
mil lei	3.481	3.831	3.673	3.588	3.696	3.795
% din P.I.B.	0,58	0,60	0,54	0,51	0,49	0,48
Bunuri si servicii						
mil lei	629	615	802	800	824	846
% din P.I.B.	0,11	0,10	0,12	0,11	0,11	0,11
Transferuri intre unitati ale administratiei publice						
mil lei	178	176	248	310	365	372
% din P.I.B.	0,03	0,03	0,04	0,04	0,05	0,05
Alte transferuri						
mil lei	118	125	191	190	210	185
% din P.I.B.	0,02	0,02	0,03	0,03	0,03	0,02
Asistenta sociala						
mil lei	64	85	82	86	89	93
% din P.I.B.	0,01	0,01	0,01	0,01	0,01	0,01
Alte cheltuieli						
mil lei	7	3	2	3	1	1
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Active nefinanciare						
mil lei	332	868	1.167	1.202	1.083	1.144
% din P.I.B.	0,06	0,14	0,17	0,17	0,14	0,14
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-10	-8				
% din P.I.B.	0,00	0,00				

Anexa 9 - Cheltuielile Ministerului Finanțelor Publice din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	2.797	2.608	3.432	3.457	3.459	5.738
% din P.I.B.	0,47	0,41	0,51	0,49	0,46	0,73
Cheltuieli de personal						
mil lei	1.680	1.898	1.927	1.850	1.906	1.957
% din P.I.B.	0,28	0,30	0,29	0,26	0,25	0,25
Bunuri si servicii						
mil lei	267	239	273	260	268	275
% din P.I.B.	0,04	0,04	0,04	0,04	0,04	0,03
Transferuri intre unitati ale administratiei publice						
mil lei	0	1	1	1	1	1
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Alte transferuri						
mil lei	0	0	1	1	16	15
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	10	16	26	49	14	4
% din P.I.B.	0,00	0,00	0,00	0,01	0,00	0,00
Alte cheltuieli						
mil lei	671	161	1.121	944	921	3.150
% din P.I.B.	0,11	0,03	0,17	0,13	0,12	0,40
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	14	5	3	67	62	94
% din P.I.B.	0,00	0,00	0,00	0,01	0,01	0,01
Active nefinanciare						
mil lei	152	52	62	197	187	192
% din P.I.B.	0,03	0,01	0,01	0,03	0,02	0,02
Active financiare						
mil lei	20	251	18	88	85	50
% din P.I.B.	0,00	0,04	0,00	0,01	0,01	0,01
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-19	-15				
% din P.I.B.	0,00	0,00				

Anexa 10 - Cheltuielile Ministerului Justiției din bugetul de stat pe perioada 2012-2017

	2012	2013	2014	2015	2016	2017
CHELTUIELI TOTAL						
mil lei	2.364	2.752	3.435	2.695	2.681	2.738
% din P.I.B.	0,40	0,43	0,51	0,38	0,36	0,35
Cheltuieli de personal						
mil lei	1.237	1.509	2.128	1.370	1.411	1.449
% din P.I.B.	0,21	0,24	0,32	0,19	0,19	0,18
Bunuri si servicii						
mil lei	200	195	210	201	207	213
% din P.I.B.	0,03	0,03	0,03	0,03	0,03	0,03
Transferuri intre unitati ale administratiei publice						
mil lei	836	928	958	933	961	987
% din P.I.B.	0,14	0,15	0,14	0,13	0,13	0,12
Alte transferuri						
mil lei	11	2	3	3	3	3
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Proiecte cu finantare din fonduri externe nerambursabile (FEN) postaderare						
mil lei	3	23	25	51	7	
% din P.I.B.	0,00	0,00	0,00	0,01	0,00	
Asistenta sociala						
mil lei	0,16	0,08	0,07	0,08	0,08	0,08
% din P.I.B.	0,00	0,00	0,00	0,00	0,00	0,00
Cheltuieli aferente programelor cu finantare rambursabila						
mil lei	51	69	73	95	50	43
% din P.I.B.	0,01	0,01	0,01	0,01	0,01	0,01
Active nefinanciare						
mil lei	34	31	38	41	42	43
% din P.I.B.	0,01	0,00	0,01	0,01	0,01	0,01
Plati efectuate in anii precedenti si recuperate in anul curent						
mil lei	-8	-7				
% din P.I.B.	0,00	0,00				