

## **VISITE DE L'AAD EN ROUMANIE DANS LE CONTEXTE DE LA PRÉSIDENTE ROUMAINE**

**3-4 JUIN 2019**

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# I. Roumanie

## 1. Histoire<sup>1</sup>

En partie romanisée à la suite de la création de la province de Dacie par Trajan au II<sup>e</sup> siècle après J.-C., la Roumanie est le fruit de l'intégration de populations très diverses, dont la langue roumaine synthétise les apports latins et slaves, et de la réunion progressive de trois grandes régions, la Transylvanie, la Valachie et la Moldavie.

### III<sup>e</sup>-VI<sup>e</sup> siècles

Le territoire daco-romain est envahi par diverses tribus germaniques et asiatiques, qui ne s'y implantent pas.

### VII<sup>e</sup>-IX<sup>e</sup> siècles

Les invasions slaves conduisent notamment à l'intégration d'une grande partie de l'ancienne Dacie au sein de l'empire bulgare ; le pays est christianisé.

### X<sup>e</sup> siècle

Les Hongrois conquièrent la Transylvanie, où s'implantent dès lors une importante minorité magyare ainsi que des colons germaniques (Saxons). Une aristocratie magyarisée s'impose sur une paysannerie restée largement roumaine.

### XXIII<sup>e</sup> siècles

De nouvelles invasions (Coumans, Tatars) isolent la Transylvanie et freinent encore la formation d'une nation roumaine.

### XIV<sup>e</sup> siècle

La Valachie et la Moldavie constituent de puissantes principautés qui parviennent à résister à la pression des Hongrois.

### XV<sup>e</sup>-XVI<sup>e</sup> siècles

Malgré les résistances, l'Empire ottoman étend son emprise sur les principautés roumaines qui conservent une certaine autonomie : après la victoire de Mohács sur les Hongrois (1526), la Transylvanie, acquise par ailleurs à la réforme protestante, est à son tour vassalisée.

### XVII<sup>e</sup>-XVIII<sup>e</sup> siècles

Après une courte unification de l'ensemble des territoires roumains par le prince valaque Michel le Brave (1593-1601), l'Empire ottoman place la Valachie et la Moldavie sous l'autorité de hospodars issus de la communauté grecque « phanariote », tandis que les Habsbourg annexent la Transylvanie à la fin du XVII<sup>e</sup> siècle.

### XVIII<sup>e</sup>-XIX<sup>e</sup> siècles

Aux pouvoirs ottoman et autrichien, s'ajoutent les ambitions de la Russie dont le protectorat se substitue progressivement à celui des Turcs à partir de la fin du XVIII<sup>e</sup> siècle.

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<sup>1</sup> [https://www.larousse.fr/encyclopedie/divers/Roumanie\\_histoire/186037](https://www.larousse.fr/encyclopedie/divers/Roumanie_histoire/186037)

## **XIXe siècle**

À la suite de la guerre de Crimée (1854-1856) et dans le sillage de l'éveil des nationalités qui atteint toute l'Europe, les principautés de Moldavie et de Valachie s'unissent sous l'autorité d'Alexandre Cuza, donnant naissance à la Roumanie moderne et indépendante.

### **Du XIXe siècle à nos jours**

Ce n'est qu'en 1919-1920, à la suite de la dislocation de l'empire austro-hongrois, que la Transylvanie est rattachée à la Roumanie dont les frontières sont cependant de nouveau modifiées au lendemain de la Seconde Guerre mondiale. Basculant d'une dictature à l'autre – celle d'Antonescu, nazie, à celle prosoviétique de Gheorghiu-Dej –, le pouvoir politique évolue à partir de 1965 vers un communisme national avec N. Ceaușescu, dernier régime d'Europe orientale à finalement s'effondrer en 1989. La démocratie instaurée, la Roumanie parvient à adhérer à l'Union européenne en 2007 mais la légitimité de ses jeunes institutions est encore fragile comme en témoignent l'abstention très forte des électeurs et la difficile lutte contre la corruption.

## **2. Culture<sup>2</sup>**

Les traditions roumaines accordent une grande place à l'art, qu'il s'agisse des Beaux-Arts ou d'artisanat populaire.

Les premières productions artistiques sur le territoire actuel de la Roumanie remontent au néolithique et à l'âge de bronze. Les costumes, danses, céramiques et autres expressions de la culture populaire s'originent dans les traditions géto-daces ainsi que dans celles des autres peuples s'étant installés dans la région après le départ des armées romaines en 271 après Jésus-Christ.

Jusqu'au IXe siècle, l'art roumain est essentiellement religieux. Sous l'occupation des Ottomans, l'épanouissement culturel perdure car le régime de la vassalité ottomane laisse une plus large autonomie qu'en Bulgarie par exemple. D'autre part, la noblesse roumaine a toujours soutenu le développement des arts et notamment la construction de châteaux et autres édifices. On assiste aux XVe et XVIe siècles à l'âge de gloire des arts et de l'architecture roumaine.

L'éveil de la conscience nationale au XIXe et XXe siècles donne un nouvel élan à la production artistique roumaine grâce à de grands noms tels que le dramaturge Eugène Ionesco, le sculpteur Constantin Brâncuși et le compositeur Georges Enesco.

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<sup>2</sup> <http://www.roumanie.fr/culture/>

## **II. Présidence roumaine de l'UE 2019**

### **1. Programme de la Présidence**



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# PROGRAMME

*of the Romanian Presidency  
of the Council of the European Union*

*1 January – 30 June 2019*





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*COHESION, A COMMON EUROPEAN VALUE*

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## Romanian Presidency of the Council of the European Union: mission and priorities

The first Romanian Presidency of the Council of the European Union is to take place **against a backdrop of large-scale developments that will determine the shape of the European Union**: the reflection on the future of the Union; the United Kingdom's process of leaving the EU; the transition towards a new legislative cycle as a result of European elections, and implicitly the end of the European Commission and European Parliament's terms of office; and the negotiations on landmark policies and strategies, such as the post-2019 strategic action framework, the Economic and Monetary Union and the future Multiannual Financial Framework. At the same time, challenges on the international scene deem necessary an active role of the Union in global affairs, in accordance with its Global Strategy on Foreign and Security Policy.

Romania will have the opportunity to take over the Presidency of the Council of the European Union in a period in which Member States are making a common effort towards identifying solutions to the major challenges currently faced by the European project, and towards shaping the Union's actions for the next decade, with the aim to strengthening peace, freedom, stability, prosperity, social solidarity and cohesion that the project has been delivering ever since its inception. **In order to strengthen the European project, it is more than necessary to strengthen the bond between citizens and the Union by having citizens actively involved in European affairs and by bringing them closer to the decision-making process. Meanwhile, there is an ever-increasing need for reform and innovation in certain areas of European policies.** As part of this collective effort, Romania will be a strong supporter of furthering the European project so that the EU could respond to today's challenges and meet the expectations of European citizens in a cohesive, unitary and fair manner.

The Sibiu Summit on 9 May 2019 will represent an important moment in projecting a stronger, more united, more cohesive and more democratic Europe. This high-level event will provide an opportunity to raise awareness among European citizens of the tangible results of the decisions made at European Union level and of the reforms required in order to move forward while simultaneously strengthening the European project.

While holding the Presidency of the Council of the European Union, Romania will act as a genuine and **honest broker in order to find solutions that enable progress of the European agenda.** It will act in coordination with Finland and Croatia, as the Trio of Presidencies, while also ensuring continuity with the previous Trio in achieving the objectives established by the Strategic Agenda.

**The European Union's current legislative programme, which is in its final phase of implementation,** lies at the core of the responsibilities of the Romanian Presidency. In seeking agreement within the Council of the European Union, as well as during its negotiations with the European Parliament, the Romanian Presidency of the Council will act in line with the priorities defined in the 2014 Strategic Agenda for the European Union, with the Rome and Bratislava Declarations issued by European leaders, as well as with the Joint Declaration on EU legislative priorities for 2018-2019.

The Romanian Presidency's work programme is founded on the belief that any vision for the future must be built around the key principles that have steered the evolution of the European Union so far. **In formulating the priorities of the Presidency, Romania factored in citizens both as source of inspiration and as beneficiaries of the European action.** Romania's efforts will focus mainly on the legislative and non-legislative files that have a direct and immediate impact on citizens' daily lives. **Throughout its work while holding the Presidency, Romania aims at achieving tangible results and at maximising the benefits that a strong and cohesive Union could bring to each and every citizen. The Romanian Presidency will aim for the EU policies to be permanently in line with the principle of cohesion among Member States, regions and all citizens.** We consider cohesion to be a common European value, as well as an expression of unity among the countries and regions of the European Union. The promotion of economic and social convergence is essential to the Union's harmonious, balanced and sustainable development, which can be achieved by closing the development gaps among various regions and creating genuinely equal opportunities for all citizens.

On the one hand, determining the topics of interest was a democratic, bottom-up and deliberative process, which provided public institutions and various social stakeholders with the opportunity to reflect their views on the most important topics that should be included among the priority files of the Romanian Presidency. On the other hand, the main concern when determining the priority lines of action was the extent to which the content corresponded to the principles enshrined in the Treaties.

The European project needs a creative and an enhanced perspective to overcome the challenges it is currently facing and to provide new impetus to the integration process. Decisions on the future of European policies must be supported by their proper reflection within European Union's financing priorities in order to allow for the European policies to turn into tangible results for citizens. In this context, the Romanian Presidency will contribute to defining the principles for the upcoming post-2020 multiannual financial cycle. The future multiannual budget should provide the Union with the resources it needs to achieve the objectives for the seven years that follow, maintaining a balance between continuing the growth and convergence policies and addressing the new challenges that have arisen.

The Romanian Presidency's work agenda will focus on four main pillars, which will be reflected in the specific actions of the various decisional configurations of the Council of the European Union, as well as in the events that will take place within its mandate.

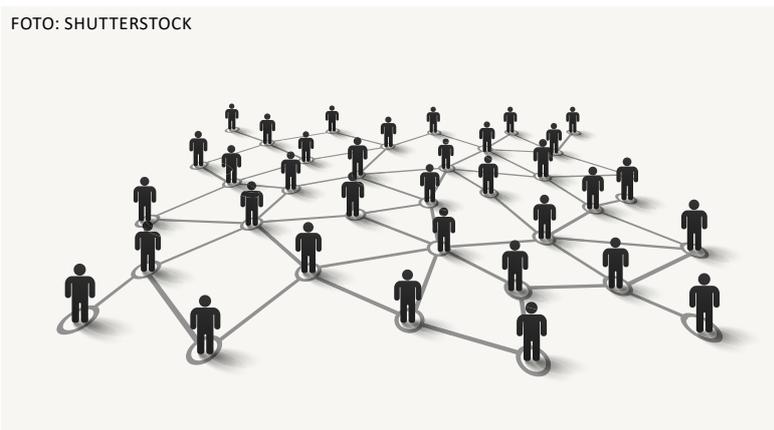
- 1. Europe of convergence:** ensuring convergence and cohesion for a sustainable and fair development for all citizens and Member States, by enhancing competitiveness and closing development gaps, social progress, promoting connectivity and digitization, stimulating entrepreneurship and strengthening industrial policy.
- 2. A safer Europe:** making Europe safer by increasing cohesion among Member States facing new security challenges that threaten citizens' safety and by supporting cooperation initiatives in this area.
- 3. Europe, a stronger global actor:** enhancing Europe's global role by continuing the work on the implementation of the Global Strategy, ensuring the availability of the resources required

at EU level, and promoting the enlargement policy, EU action in its neighbourhood and the implementation of the EU's global commitments.

4. **Europe of common values:** stimulating EU solidarity and cohesion by **promoting policies to fight discrimination, encourage equal opportunities and equal treatment for men and women, and increase citizens' involvement in European debates.**

## 1. EUROPE OF CONVERGENCE: growth, cohesion, competitiveness, connectivity

FOTO: SHUTTERSTOCK



**Sustainable development, closing development gaps, convergence, employment and social rights**

A cohesive Europe relies on the availability of equal opportunities for social and economic stakeholders, for citizens and for private businesses across the European Union. These opportunities relate both to fundamental rights and

equal conditions for development, as well as to access to fairly paid jobs for employees and to development opportunities for companies within the Single Market. Maintaining a fully functional European Single Market as well as preserving the fundamental **freedoms on which this is based**, is an essential pillar for the actions taken to strengthen the European project. This objective can only be reached by ensuring fair and non-discriminatory access for all citizens to the benefits of the Single Market.

**The Multiannual Financial Framework plays a major role in providing the proper means for achieving the objectives of policies founded on the Treaty, such as the Cohesion Policy or the Common Agricultural Policy and also in addressing new challenges.**

**Growth-enhancing policies must still aim at reducing development gaps and the differences in the living standards between the various regions of the European Union and between citizens, and to pursue social and economic cohesion, including urban development. Simultaneously, increasing the competitiveness of the European economy remains a priority, including by developing entrepreneurship and supporting SMEs.** The functioning of the Economic and Monetary Union may be optimised by coordinating economic policies, entailing measures designed to enhance economic resilience and improving budget coherence.

From the perspective of a 'Europe of convergence', **the social dimension represents a key component in any effort to increase European Union's overall competitiveness.** For this purpose, Romania will support the implementation of the European Pillar of Social Rights, promoting equal opportunities, equal access to the labour market, fair labour conditions and social inclusion, including through the increased involvement of social partners. Promoting workforce mobility remains a key factor for ensuring the effectiveness of the Single Market, as well as an adequate response to demographic

developments within the Member States. In addition, it is important to prevent workplace risks and promote safer and healthier working conditions in order to increase productivity and competitiveness, and improve living standards for citizens.

**A greater capacity is required at European Union level to act in a swift, coordinated and multidimensional manner, and a permanent political commitment must be ensured for Europe's education and health sectors,** which have faced significant challenges in recent years. A coordinated approach to these challenges – including the appropriate infrastructure adapted to the current requirements, designing coherent and streamlined cooperation training programmes for the labour market, and adapting the education and health systems to new technologies – will lead to sustainable solutions for the future.

### ***Innovation and digitisation***

The European Union has a huge potential in terms of developing the digital economy, artificial intelligence, block chain technology, state-of-the art computing, 5G, and enhancing cybersecurity. Romanian Presidency's aim is to contribute to capitalising as much as possible on this potential, so that Europe can become a worldwide digital leader and European companies can acquire a global dimension.

**Innovation and research contribute to job creation, and help increase companies' competitiveness on global markets, improve people's quality of life and generate sustainable economic growth. Simultaneously, a significant decrease of the digital gap between Member States, regions, categories of European citizens, and industrial sectors is needed.** Information technology and communications skills represent an important means of improving social and economic inclusion. Special attention must be paid to developing and implementing measures to improve digital skills and digital literacy, including by making this a long-term priority for the EU and taking a coherent approach regarding digital policies under the 2021-2027 Multiannual Financial Framework.

### ***Connectivity, competitiveness and markets***

The efficient functioning of the European Union and the achievement of its economic, social and security objectives depend on the ability to ensure an appropriate level of interconnection within the Single Market in the areas of energy, transport, telecommunications and capital market. **A real convergence at European level means facilitating connections of all types,** as this should contribute not only to maintaining the four freedoms of movement operational, but also to increasing the competitiveness of the European economy and improving the standard of living in less-developed regions. **It is important to focus on facilitating the development and creation of functional links, where needed, between East and West and between North and South in order to allow for non-discriminatory access to resources and to the benefits of EU membership, and for sustainable support for a more competitive European economy.**

**Stronger mechanisms are also needed to address the specific needs of European macro-regions. Strategies for these macro-regions should take an integrated and long-term approach, and particular attention should be paid to achieving the objectives of the European Union Strategy for the Danube Region (EUSDR).** The fact that the Romanian Presidency of the Council of the European Union in the

first six months of 2019 coincides with Romania's holding the rotating Presidency of the EU Strategy for the Danube Region from October 2018 until October 2019 provides an opportunity to promote on the EU agenda the added value of regional cooperation and of the development of cohesion through macro-regional strategies, namely the EU Strategy for the Danube Region.

With regard to competitiveness, developing the Single Market also requires enhancing EU's industrial policy. **The European industry needs a long-term policy, which should take into consideration the diversity of the current industrial base in the EU, and the impact of developments in digitalisation and artificial intelligence. Promoting the digitalisation of the industry at European level will be a priority topic for the Romanian Presidency.**

**The Energy Union is a key political and economic project for the future of Europe which needs a clearly defined regulatory framework, as energy interconnections are paramount in this respect.** The creation of fair conditions with regard to competition is also a priority.

## 2. A SAFER EUROPE



*EU internal security, management of external borders, functioning of the Schengen area and current challenges*

Currently, the European Union is confronted with a wide range of risks and threats that undermine the values and prosperity of our open societies. In this context, increasing the safety of European citizens is at the centre of their needs and expectations.

**Ensuring the security of the external borders is one of the most important assurances that the area of freedom, security and justice can operate efficiently. Implementing the Schengen evaluation mechanism, the EU-wide IT systems and their interoperability will create the conditions for a safer Europe, able to act in a unitary manner for preventing and managing security-related challenges.** In this context, strengthening the EU agencies and structures operating in this area will be a priority.

The migration topic requires further attention, in particular as regards the need to find solutions that will allow for effective and sustainable management of the phenomenon, based on a comprehensive approach both to the action within the EU and the promotion of cooperation with countries of origin and transit. The fight against the root causes should remain a major concern for the Union, in parallel with combating human trafficking.

**The fight against terrorism remains a priority that is part of efforts to strengthen EU's internal security.** Special attention must be paid to preventing and combating radicalisation, including online radicalisation. The fight against human trafficking also remains a major challenge. Priority will be given to consolidating police cooperation and fighting organised crime in all its forms.

The emergencies that the Member States or the Union have dealt with in recent years have demonstrated that an immediate, effective response requires closer inter-agency cooperation and a focus on efforts to rescue victims and provide emergency medical care. For this purpose, the cooperation in the area of civil protection remains a priority in order to provide an integrated response in the event of complex emergencies with disastrous consequences.

### ***Cybersecurity***

In a world of accelerated digitalisation, the EU must work and make further progress on protecting citizens' safety in the virtual space. **The review of the EU cybersecurity strategy was a good starting point for improving cooperation at the European level; however, additional efforts are required in order to improve the Union's resilience to cyber-attacks.** Cybersecurity cannot be considered merely optional, and public policies as well as any project relating to the digital society should take cybersecurity into consideration.

By pursuing discussions at EU level on countering hybrid threats, together with EU partners and EU institutions, improvements can be made to early warning capabilities and the fight against this type of threat in Europe.

### ***A Union of freedom, security and justice***

An effective Union needs **to eliminate fragmentation by enhancing trust and by ensuring greater consistency between home affairs policies and instruments.** In order to support an enhanced security area, police cooperation must be developed and adapted to the new realities and challenges, by following a community-centred vision and applying 'community policing' principles, and by embracing an innovative concept of 'policing in a connected world'.

**We support facilitating the operational implementation of the European Public Prosecutor's Office and the potential extension of the scope of its work to include terrorism-related crime in order to increase security within the EU and to ensure fair access to justice for those accused of criminal offences handled by the Prosecutor's Office.**

## **3. EUROPE, A STRONGER GLOBAL ACTOR**

### ***Common Security and Defence Policy and the efficiency of EU external action***

The global profile of the European Union will be fundamentally dependent on the pace at which the Global Strategy is implemented and on the efficiency of its various instruments. In the general security context, the EU needs to continue its efforts to strengthen resilience, to fight hybrid threats and to enhance its strategic communication capacity, based on an integrated approach.



FOTO: SHUTTERSTOCK

As regards the efficiency of EU external action, **it is essential to enhance the ongoing initiatives, which, *inter alia*, further develop the European Union's defence capabilities, such as the Coordinated Annual Review on Defence, the European Defence Fund, and the Permanent Structured Cooperation, while promoting a stronger partnership with NATO.** Special attention will be paid to civil-military coordination and to improving civilian crisis-management capacities, which is an area of excellence for the EU.

### ***The EU enlargement process***

Special attention must continue to be paid to the Western Balkans, in order to ensure the stability, security and development of the EU's immediate neighbourhood. The European perspective for the partners in the region must be advanced, based on their own merits and on criteria specific to the process. A structured and sustained dialogue with the youth in this part of Europe will contribute in an efficient manner to achieving EU's accession objectives. Turkey is a candidate country and a key partner for the EU in many areas.

### ***Consistency of the EU's policy in its neighbourhood***

In order for the EU's policy in its neighbourhood to be consistent, the effective implementation of the Eastern Partnership requires a special focus on extending the benefits associated with the free trade agreements currently in force and on interconnectivity – in particular in the transport, energy and digital sectors – with the most advanced countries in the Eastern Partnership that have concluded such agreements. The Eastern Partnership ten-year's anniversary will occur during the Romanian Presidency, and may be the proper moment to discuss the Partnership's post-2020 future. **A special focus must be placed on strengthening the concrete EU answers to the European aspirations of the Republic of Moldova, Ukraine and Georgia.**

**It is timely to reaffirm the importance of the Black Sea on the European Union's agenda, including from the perspective of reinvigorating the Black Sea Synergy and of moving forward projects under the Three Seas Initiative.** This initiative is a mean of increasing political visibility, and of continuing EU's involvement in successful regional programmes and projects, such as research and blue economy. In addition, the EU's strategy on connectivity with Asia opens up new prospects for cooperation between the EU and Central Asia.

### ***Implementation of EU's global commitments***

**The implementation of EU's commitments as a means of ensuring stability and increasing predictability on the international scene is one of the guiding principles of the European Union in support of preserving a global multilateral order based on rules.**

In this respect, it is worth stressing **the paramount importance of Transatlantic relations in maintaining the global multilateral order, the importance of strengthening international law, and the role of the EU in supporting effective multilateralism on a regional and global scale.** Relations between the EU and the UN must also be enhanced given our common priorities in terms of improving global governance, fostering sustainable development and promoting peace.

Further attention must be paid to enhancing relations between the European Union and the African continent over the medium term. Possible areas of action include increased investments and trade, and enhanced cooperation on education and training.

The 'New European Consensus on Development: our world, our dignity, our future', adopted by the European Council, represents the framework for a common approach to development policy, through which the EU and the Member States commit themselves to a more powerful, more effective, enhanced, coordinated and accelerated action to implement the 2030 Agenda. This line of action should be continued.

International trade remains a priority. In this respect, the EU must promote an open, transparent, multilateral trade system based on the rules of the World Trade Organisation (WTO), and ensure its own ambitious involvement in the WTO reform process. Negotiations must be carried forward on a number of ambitious, comprehensive and balanced free trade agreements with important third-party partners that share the EU's values as regards promoting the WTO trading system.

#### 4. EUROPE OF COMMON VALUES

##### *Solidarity, cohesion, equal opportunities and social justice*

The process of strengthening the European project must be founded on a unified, inclusive and open approach for all Member States. **Promoting cohesion, as a common value of the European Union, is a key element of efforts to rebuild citizens' trust.** At the same time, promoting the values included in the Treaties, such as cohesion, equality, freedom, democracy, human dignity, justice, and solidarity, may contribute to ensuring genuine support for the European project.

Mobility is an important pillar of the European project and of the promotion of common values, the development of skills and the integration of citizens into the labour market. There is also a need to identify measures that can contribute to closing the gaps in terms of access to educational, volunteering or vocational training opportunities, including for young people. The promotion of mobility, inclusion and excellence through the future Erasmus+ programme will contribute to promoting European values among young people.

Equal opportunities and equal treatment for women and men are also topics Romania will address while it holds the Presidency, focusing on reducing gender-based discrimination on the labour market and in the business environment, and on fighting the gender pay gap. In addition, increasing women's representation on



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the labour market will require further discussions at European level on tackling a number of issues in support of work-life balance. Gender equality will be a second national priority topic to be promoted at European level.

### ***Democracy, freedom and respect for human dignity***

**The objective of a more democratic Union can be achieved by ensuring the equal treatment that all Member States and European citizens aspire to, and by bringing the decision-making process in Brussels closer to the citizens.** For this purpose, promoting a unified and efficient application of the transparency principle at the level of the EU institutions will contribute to increasing citizens' trust in the European project. At the same time, there is a need to step up and simplify communication and provide information directly to citizens about the solutions that the EU has identified for their daily concerns, and about the main challenges that the Union is facing both internally and externally. The values enshrined in the Treaties, such as human dignity, freedom, democracy, equality and the rule of law, together with the principles underpinning the European Pillar of Social Rights – equal opportunities and access to the labour market, fair labour conditions, and social inclusion – will be continuously steering EU action. In addition, there is a need for streamlined and sustained action to protect free and democratic EU elections from external interference.

### ***Combating racism, intolerance, xenophobia, populism and antisemitism***

A strengthened and powerful Union relies on better knowledge of the cultures, mindsets and traditions of various groups co-existing in European societies, as well as on promoting better intercultural interaction and dialogue.

Raising awareness and promoting European values at the level of the whole society must be reflected in efforts to combat racism, intolerance, xenophobia, populism and antisemitism, and to discourage hate speech. In this respect, **the fight against online disinformation and fake news, including by improving education in the mass-media sector and by designing European mechanisms which promote best practices for combating disinformation, is an important aim.**



# *EU COUNCIL CONFIGURATIONS*

# *GENERAL AFFAIRS COUNCIL*



*During the Romanian Presidency, the European agenda will be marked by a number of key developments that will have deep implications for the European project: the United Kingdom leaving the EU and the end of the reflection process on the future of the EU. The informal Summit of European leaders in Sibiu, scheduled to take place on 9<sup>th</sup> of May 2019, will be an important moment for defining the strategic vision of the Union over the next five years. The Romanian vision is that **unity and cohesion** are the essential starting points for shaping the future of the Union and for **strengthening citizens' trust** in the European project.*

*Due to its specificity, the General Affairs Council plays a significant role in **ensuring horizontal political coherence and an integrated vision** as regards the elements that will shape the strategic future of the Union, and especially the means by which issues are reflected in the actual action taken at EU level. From this perspective, the Romanian Presidency aims at ensuring continuity in the role played by the General Affairs Council in preparations for the meetings of the European Council and the implementation of the leaders' decisions.*

*The Romanian Presidency will focus on the **2021-2027 Multiannual Financial Framework** as a foundation for further advancing the EU objectives. **The Enlargement Policy**, as an instrument capable of extending stability and prosperity across Europe, will represent another important topic, which contributes to a safer and a more prosperous future for the EU. The Romanian Presidency will also follow up on the status of and outlook for the implementation of the 2030 Agenda for Sustainable Development at European Union level.*

## **A balanced budget for a cohesive and competitive Union**

The European Union needs a strong project for the post-2020 period that could lead to its strengthening and this aim can also be achieved through a credible and balanced budget.

The Romanian Presidency will contribute to defining the main principles of the **2021-2027 Multiannual Financial Framework**. The future multiannual budget should provide the Union with the resources it needs to achieve the objectives for those seven years. The Romanian Presidency's commitment, expressed at political and technical level, as well as the cooperation with the European Council, the European Parliament and the European Commission, are important for the final outcome of the negotiations.

**Stimulating greater convergence across the entire Union** remains a priority, as a basis for further advancements in all European policies. While moving forward in the negotiations on the **post-2020 cohesion package**, the Romanian Presidency will aim for the creation of an investment-based framework able to stimulate economic and social development for all Member States and for all European regions. From this perspective, the Romanian Presidency intends to increase the pace of negotiations within the Council of the EU on the European Commission's proposals, with a focus on the Common Provisions Regulation and the Interreg Regulation, with the purpose of ensuring continuity and a smooth transition towards the next programming period.

During its Presidency of the Council of the European Union, Romania will also hold the rotating Presidency of the EU Strategy for the Danube Region (October 2018 – October 2019). In this twofold position, Romania will continue to actively promote the added value of regional cooperation and the development of cohesion through **macro-regional strategies**, with a focus on the EU Strategy for the Danube Region/EUSDR. The Romanian Presidency will aim to facilitate the adoption of Council Conclusions based on the Commission's report on the implementation of macro-regional strategies. The Presidency will also be actively involved in the review process for the EUSDR Action Plan.

In order to make sure that the objectives of the 2020 Europe Strategy for a more competitive Union are achieved, the Romanian Presidency will ensure continuity in the implementation process for the **2019 European Semester**, which will end with the adoption of Country-Specific Recommendations in June 2019.

## **Bringing the European project closer to citizens**

The European elections on 23-26 May 2019, which symbolically mark 40 years since the first direct



elections were organised for the European Parliament, will also be a special opportunity to revitalise citizens' trust in the future of the EU. The **Informal Summit in Sibiu**, which takes place two weeks before the European Parliament elections, is an opportunity to demonstrate EU's capacity to provide an agenda founded on priorities that reflect citizens' expectations, including in response to the citizens' consultations organised throughout



2018. The cross-cutting topic of **citizens' protection and empowerment will be addressed by supporting greater citizen's involvement in the European decision-making processes, and in a shared reflection on the future of the European project.** From a practical perspective, the Romanian Presidency will aim to ensure a better communication with citizens on the results of actions undertaken at EU level (**Communicating Europe**), based on the outcome of the citizens'

consultations and in view of the upcoming European elections, including through a better 'Knowledge about the European Union', as a tool of awareness and internalisation, especially among the younger generation, of the benefits of the European project and its development.

As part of its efforts to respond to citizens' expectations, the Romanian Presidency will aim at implementing **the Interinstitutional Agreement on Better Law-Making** as a foundation for a high-quality law-making process that is effective, efficient, clear and simple, able to avoid over-regulation and administrative burdens. The public consultation and impact assessments of legislative initiatives are key elements in reaching this objective. The Romanian Presidency will report on developments and progress achieved.

### **Enlargement policy as a foundation for stability and prosperity**

The Romanian Presidency will seek to further advance the enlargement policy, which is an instrument that was successful in extending stability and security across the European continent. A special attention will be paid to **candidate countries and to potential candidates** with impact on ensuring stability and security in the region. The Romanian Presidency will pay attention to the implementation of the principles, criteria and instruments of the enlargement policy, of the provisions included in the Stabilisation and Association Agreements, and of the decisions of the Council of the European Union, including the European Commission initiatives in the communication 'A credible enlargement perspective for enhanced EU engagement with the Western Balkans'.

During the Romanian Presidency, the Agenda adopted at the EU-Western Balkans' Summit in Sofia on 17 May 2018 will continue to be implemented, and the aim will be to adopt unitary Council Conclusions on enlargement following the publication of the *European Commission Communication on the enlargement package*, in line with the decisions adopted at the GAC meeting of 26 June 2018. The Romanian Presidency will make efforts to achieve progress and facilitate political decisions in relation to all partners involved in the enlargement process.

### **Brexit**

As regards the withdrawal of the United Kingdom from the European Union, the main objective remains maintaining the unity of the EU27 and ensuring an orderly withdrawal of the United Kingdom, as well as preparing European citizens and companies for a smooth transition towards an EU of 27

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Member States. Ensuring clarity and transparency in this process and compliance with the EU Treaties (Article 50 TEU) will also be essential. The Romanian Presidency will cooperate closely with the European institutions and with Member States in order to follow all the institutional procedures arising from such developments, including those related to the implementation of the agreement after 29 March 2019.

Moreover, the Romanian Presidency will aim at building a future relationship as close as possible between the EU and the United Kingdom, and to advance further the negotiation process in order to strengthen a comprehensive partnership that should reflect areas of common interest.

# *FOREIGN AFFAIRS COUNCIL*

*- INCLUDING DEFENCE, DEVELOPMENT AND TRADE FORMATS -*



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Romania intends to take the opportunity of its Presidency of the EU Council in order to support the High Representative in fulfilling the ambitious goals set by the Global Strategy. In order to be able to cope with the full range of current threats and risks, the European Union must have adequate instruments available.

**As regards the efficiency of the EU's external action,** Romania will support the High Representative in strengthening ongoing CSDP initiatives, with the main goal of developing the EU defence capabilities, within a framework of complementarity and strengthened partnership with NATO. Romania will continue actions towards strengthening the resilience of the EU and its partners, combating hybrid threats and enhancing strategic communication, including by better coordinating European and national instruments in these fields. Another priority for Romania will be to continue EU efforts to combat terrorism.

Special attention will also be devoted to the Western Balkans, with a view to ensuring the stability, security and development of the EU's immediate neighbourhood. We will follow up on the progress of the European perspective of the EU's partners in the region, based on their own merits and on the process-specific criteria. There will be a special focus on involving young people from the region in this process.

**Ensuring enhanced consistency of Union's action in its Eastern neighbourhood** will be a priority for the EU as we celebrate the tenth anniversary of the initiation of the EaP and the fifth anniversary of the first Association Agreements. Romania will cooperate with the EEAS, Member States and its partners to give this milestone the prominence it deserves. An objective of Romania's action will be to extend the benefits of the free trade agreements currently in force and of the connectivity with the EaP countries, especially in the transport, energy and digital fields. A special focus will be placed on enhancing the specific responses that the European Union can give to the aspirations of countries such as the Republic of Moldova, Ukraine and Georgia to benefit from an explicit European perspective. At the same time, Romania will reaffirm the importance of the Black Sea on the European Union agenda. Bearing in mind the finalisation of the new EU Strategy for Central Asia, Romania intends to contribute to revitalising EU-Central Asia relations.

In order to ensure stability and security both near the border and at global level, it is important that the EU **honours its commitments**. Globally, Romania will support EEAS' efforts to strengthen international law and the multilateral system. To this end, there will be a focus on highlighting the crucial importance of the transatlantic relationship in maintaining the rules-based international order. As regards cooperation for development, the Romanian Presidency of the EU Council will focus on the negotiation of the new ACP Agreement, on adopting appropriate financial instruments and on the youth issues. The Romanian Presidency of the EU Council will also promote the modernisation of the WTO with a view to safeguarding and promoting the rules-based multilateral trading system and will support initiatives to enhance and advance the relations between the European Union and the African continent at a higher level.

## **Efficiency of the EU's external action**

### **Common Security and Defence Policy/CSDP**

Romania intends to support more mature actions in the CSDP field, as a central component of an increased EU global role, with a focus on **strengthening the existing mechanisms and ensuring the synergy of new instruments** (Coordinated Annual Review on Defence/CARD - European Defence Fund/EDF - Permanent Structured Cooperation). For Romania, it is important **to ensure the coherence of these initiatives with similar NATO instruments and processes**. Romania will support actions on **research and development** and on strengthening the progress made in **defence industrial cooperation**. Romania will actively support the implementation of the new action framework on the EU integrated approach during the entire conflict cycle and on ensuring a comprehensive and flexible response in **the CSDP civil component**.

Romania will strongly support the strengthening of the EU-NATO partnership, in the spirit of synergy and complementarity of the efforts of the two organisations in the field of security and defence. Romania will also follow up on the implementation of the cooperation agenda, mainly in the following fields: **cyber defence, combating hybrid threats, countering terrorist threats, resilience, strategic communication and military mobility**.

### **Instruments of the EU Global Strategy**

Romania can contribute to the integrated approach on the concepts of hybrid/resilience/strategic communication in the EU's external action, both from a political perspective and in terms of European instruments. We will follow the lessons learned in the cooperation with the EU's partners, on the internal European security and resilience, in terms of the internal/external nexus.

### **Efficiency of instruments**

In the context of the discussions on the future Multiannual Financial Framework/MFF, the Romanian Presidency will be responsible for leading the negotiation process on the external component of the MFF, and of the future external action financing instruments, with a focus on their efficiency. Besides the budget aspects, a point of interest will be the improvement of the working methods of the Foreign Affairs Council.

## **EU action in the relationship with Western Balkans and Turkey**

The Western Balkans is an area of strategic interest for the European Union. The Romanian Presidency will pragmatically address the structural causes of the persistent risks in the region. Romania will focus mainly on youth issues and on the EU's strategic communication for South-East Europe. Romania will encourage a reflection process on the topic of the current regional cooperation framework and of the EU's liaison with the multiple cooperation initiatives and structures.

As Turkey is a candidate country and a key partner of the EU in fields such as migration management, combating terrorism and Euro-Atlantic and regional security, the Romanian Presidency will make every effort to impart a pragmatic and constructive dynamic to EU-Turkey relations.

## **Consistency of the EU's policy in its neighbourhood**

### ***EaP consistency as a successful EU policy in the last decade***

The EU's action in the Eastern Neighbourhood will benefit from a favourable context during the first semester of 2019, when we celebrate the tenth anniversary of the launch of the Eastern Partnership/EaP. Romania will support the organisation of a **high-level Anniversary Conference** in Brussels in May 2019, with the aim of agreeing upon an anniversary outcome document to mark the momentum. In coordination with the EEAS, the European Commission, Member States and Eastern partners, Romania will be involved in the implementation of the agenda and of the communication strategy for the 10th anniversary of the EaP, in cooperation with other international actors interested in promoting the EaP's objectives, and will use various informal meetings to **foster a reflection process on the future EaP after 2020**.

### ***The Black Sea on the EU agenda***



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It is important, during the first semester of 2019, to reaffirm the importance of the Black Sea on the European agenda, through a new impetus given to **higher EU involvement in sectoral cooperation projects, based on a common maritime agenda for the region**.

### ***EU-Central Asia relations***

In the context of the review of the *Central Asia Strategy*, to be finalised in 2019, and of the adoption of the *EU-Asia Connectivity Strategy* in the autumn of this year, there is an opportunity to **revitalise EU-Central Asia relations**. Romania will contribute in fields such as **water resources management, education and connectivity**.

## Implementation of EU's global commitments



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The Romanian Presidency will support the strengthening of EU's role in the multilateral global architecture and in safeguarding the rules-based international order. Romania will emphasise the **crucial importance of transatlantic relations**, of **strengthening international law** and of **raising the EU's profile in the multilateral system**.

**Against the background of challenges to the multilateral trading system**, the Romanian Presidency of the Council intends to promote the **modernisation of the multilateral trading system under the aegis of the World Trade Organisation (WTO)**. An active EU involvement as a leader in the process of identifying solutions to update the multilateral trading system defined by the WTO is of the essence in order to reach this objective.

**Romania will support EU's efforts for the implementation of the sustainable development goals/SDGs**. In this context, one of the tasks is to coordinate the validation process for the first *Voluntary Review of the implementation of the 2030 Agenda at the EU level and support for partner states*, with a view to presenting it during the High-level Political Forum in July 2019, in New York.

The Romanian Presidency of the Council of the EU will **coordinate the negotiation process for building a common vision among the EU Member States on the new partnership with ACP countries**, as the current Cotonou Agreement expires in 2020. Romania will also support actions for the implementation of the new *European Consensus on Development*.

# *ECONOMIC AND FINANCIAL AFFAIRS COUNCIL*



*Europe is going through a period of economic recovery, thanks to both the efforts of Member States and actions taken at European level to deepen the Economic and Monetary Union. The economic and monetary architecture of the Union is now stronger, offering **undeniable proof of European cohesion**, but additional efforts are needed if its full potential is to be realised.*

*In light of the favourable circumstances of the European economy, characterised by growth, stability and positive developments, the Romanian Presidency of the EU Council intends to take work forward in the economic, financial and fiscal fields, with a view to promoting growth and investment and supporting structural reforms and fairness, for the benefit of Member States and **European citizens**.*

*The Romanian Presidency of the EU Council is fully aware that the completion of the Economic and Monetary Union is an important component of the roadmap developed in preparation for the meeting of EU leaders in Sibiu of 9 May 2019. At the same time, better regulation in the fiscal field, within the limits of the Treaties, has the potential to ensure effective and fair taxation at European level and, not least, help combat fraud and tax evasion, for the benefit of Member States and **European citizens**.*

*Especially in a post-Brexit context, it is crucial **to maintain the EU's unity**, with the constructive and transparent involvement of all Member States in this process. With this in mind, it is extremely important to ensure close coordination between the Council of the European Union and the Eurogroup, and the Romanian Presidency intends to promote this approach throughout its term.*

## **Strengthening the Economic and Monetary Union and the Banking Union and further developing the Capital Markets Union**

Based on the outcomes of the Austrian Presidency and of the extended Euro Summit, the Romanian Presidency intends to continue efforts aimed at **strengthening the Economic and Monetary Union** and at completing the **Banking Union** by continuing the **risk reduction process**, including for non-performing loans, and **supporting discussions on the use of the European Stability Mechanism as a backstop for the Single Resolution Fund**, and on the **European Deposit Insurance Scheme**. The initiatives will improve the resilience of the euro area, with an impact on the prosperity and stability of the European economy as a whole.

In this context, the Romanian Presidency intends to ensure an open and transparent decision-making process at European level, including with regard to countries which are not members of the Euro Area.

**The process of removing barriers** to the development and integration of European capital markets should continue. Consequently, the Romanian Presidency will continue to work on the proposals related to the Capital Markets Union, in order to reduce to a minimum differences in terms of jurisdiction, to optimise opportunities for investors and to ensure SMEs' access to a wider range of financial resources.

As part of the efforts to develop the Capital Markets union, the Romanian Presidency will **consider the implementation of the FinTech action plan** and sustainable finance.

## **Fair and effective taxation**

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Starting from citizens' expectations regarding the EU's ability to identify viable solutions to fair taxation issues, the Romanian Presidency will continue efforts to **modernise the VAT system, especially the VAT regime for e-commerce**. Along the same lines, the Romanian Presidency is prepared to support constructive debates on the **common corporate tax base**.

Also, the Romanian Presidency will work on the proposals on the **taxation of the digital economy**, while considering the possibility of finding an internationally agreed solution. Based on the progress made during the Austrian Presidency, the Romanian Presidency intends to finalise negotiations on the Commission's new proposals on excises duties.

In order to foster tax transparency and fair fiscal competition globally, the Romanian Presidency will work on **updating the EU list of non-cooperative jurisdictions** following the evaluation of the commitments made by third countries.

In response to Member States' requests to strengthen external border security, the Romanian Presidency will work on the draft Regulation on **financing border control equipment as a priority**. The Romanian Presidency also intends to advance negotiations on the **Regulation on Customs post-2020**, a programme which supports the development of the electronic systems necessary for implementing the EU Customs Code, as well as the activities of and cooperation between customs authorities.

In order to avoid double taxation and address the negative impact on competitiveness which might occur in the internal market, the Romanian Presidency intends to promote discussions on the **Regulation on Fiscalis post-2020**, a cooperation programme which enables national tax administrations to acquire and exchange information and expertise.

 ***Ensuring coordination of economic policies at European level, with a view to enhancing performance and strengthening the resilience of economies***

The Romanian Presidency will **encourage the implementation of structural reforms and investment within the EU** by preparing the debates on the European Semester and ensuring a transparent environment, so as to facilitate the adoption of conclusions on the Annual Growth Survey, the Alert Mechanism Report and the recommendations for the Euro Area and the approval of the Country-Specific Recommendations package for 2019-2020.

In order to support priority reforms in all Member States, the Romanian Presidency will help facilitate discussions **on the development of a Reform Support Programme** within the future European budget. The Romanian Presidency intends to advance negotiations on the InvestEU programme, dedicated to supporting investments at EU level in all Member States.

The Romanian Presidency will ensure that the **discharge for budget implementation for 2017, the future implementation of the 2019 budget and the preparatory work for the 2020 budget** will be managed as efficiently as possible.

# *JUSTICE AND HOME AFFAIRS COUNCIL*



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The EU is currently facing a wide range of challenges, with an impact on the prosperity of our economies and on European citizens. In this context, there is a need for **joint action, eliminating fragmentation, fostering trust and cohesion of actions**, and ensuring greater coherence between the policies and instruments which define the area of freedom, security and justice.

In order to achieve this objective, increasing the level of safety is at the centre of the **needs and expectations of European citizens**. Measures needed to **strengthen a Union based on freedom and security** include ensuring coherent and uniform implementation of the actions included in the EU internal security strategy and promoting the implementation of new instruments which would ensure additional security and lead to the smooth operation of the area of free movement.

Also, **the issue of migration** remains in focus, in order to continue the substantial efforts of the European Commission, the European External Action Service and previous Presidencies, which strived to turn the concept of a comprehensive approach on migration into actions which should lead to the efficient and sustainable management of this phenomenon.

**Improving judicial cooperation** between Member States by enhancing the efficiency of the judiciary and consolidating mutual trust between the judicial authorities of all Member States, as well as supporting the adaptation of European judiciaries to digital developments are important lines of action which can help consolidating the area of freedom, security and justice.

An efficient pursuit of the EU objectives in the area of justice and home affairs is closely linked to ensuring a predictable and flexible framework in response to new realities and challenges, including with regard to the financing instruments of these objectives. With this in mind, the Romanian Presidency of the EU Council will continue efforts to make substantial progress on the sectoral proposals on the financing instruments in this area.

### Strengthening EU internal security

The internal security of the European Union is a priority issue both for Member States and for the Union as a whole.

The **fight against terrorism remains a priority**, and the Romanian Presidency intends to boost the exchange of good practice between Member States in this area, as part of the efforts to strengthen EU internal security. Special attention will be given to preventing and combating radicalisation, including online radicalisation. The Romanian Presidency will continue and attempt to finalise negotiations on the draft Regulation on preventing the dissemination of terrorist content online.

The Romanian Presidency of the EU Council will highlight EU results and national good practices as regards ensuring citizens' security in fields such as strengthening the protection of public spaces, including through the use of EU funded projects. The Romanian Presidency will promote the sharing of expertise on cooperation between competent national authorities in relation to combating terrorism.

Following the same goal of ensuring proper implementation of the strategic framework defined at EU level, the Romanian Presidency intends to monitor the progress made on the **EU policy cycle for organised and serious international crime for the period 2018-2021** and to participate actively in the launch of the actions included in the 2019 operational action plans.

The Romanian Presidency intends to promote two initiatives in the field of **police cooperation**, given its importance in the context of measures meant to strengthen cooperation between Member States in the area of home affairs. The first initiative aims to promote **an innovative concept in carrying out police activities - Policing in a connected world – Novel actionable information** - focused on three dimensions: technology, mobility and intelligence analysis. The concept is to be used both for prevention strategies and for fighting crime, and adapted to current and future technological developments. Its aims are to harmonise the role of analysis units in the institutional law enforcement architecture, identify benchmarks to define the role of analysis outcomes and promote their potential, train intelligence analysis personnel and develop analysis methods.

The second initiative focuses on **adapting the police response to the multicultural particularities of emergent communities within the Member States, and on extending the initial prerogatives of the operational support officers (provided for by the 'PRŪM Decisions') towards a preventive approach, focused on closeness to the community**. The presence of the operational support officers on the territory of the Member States, for longer periods of time, will make a substantial contribution to policies of different communities, to the development of preventive measures and to combating crime and victimisation.

As regards the **EU policy on combating drug trafficking**, the Romanian Presidency will monitor the progress made in the implementation of the Action Plan 2017-2020 under the EU Drugs Strategy. **Fighting migrant trafficking/smuggling** is another topic of interest for the Romanian Presidency, in the context of broader efforts to manage migration.

## **Integrated management of the EU external borders/Strengthening the Schengen area**

External border security is one of the most important safeguards for the efficient operation of the area without internal border controls, and each Member State must implement, at the highest level, the rules provided by European legislation.

The Romanian Presidency intends to facilitate the discussions on the **new proposal to strengthen the operational capacity of the European Border and Coast Guard Agency** (Frontex) with a view to promoting the efficient and coherent action of this Agency in managing migration challenges.

In 2019, **interoperability and the implementation of IT systems** developed at EU level will be very important topics on the agenda. Thus, the Romanian Presidency supports the **adoption of the interoperability package as soon as possible** and intends to grant more attention both to **updating the current EU systems** (SIS, VIS and EURODAC) and to preparing the implementation of **new EU systems (EES, ETIAS, ECRIS-TCN)**.

The Romanian Presidency will make efforts to finalise negotiations on the **proposal to strengthen the security of identity cards of EU citizens and of residence documents issued for EU citizens and their family members**, an initiative which would eliminate various gaps in the fields of identity and travel document security, improving the safety of European citizens.

Furthermore, in light of the need to adapt the current Schengen framework to constantly evolving security challenges, efforts will be made with regard to **the proposed amendments to the Schengen Border Code**, to the rules applicable to the reintroduction of controls at internal borders with the aim of preserving the free movement area. The **Schengen evaluation mechanism** will also be a key topic, to monitor the adoption of draft recommendations related to announced evaluations, as well as unannounced on-site visits, and the implementation of the Action Plans by the evaluated Member States.

## **Efficient and sustainable migration management**

The Romanian Presidency will support efforts to ensure the implementation – or, where appropriate, the monitoring of the implementation – of European Council Conclusions on both the internal and external dimensions of migration.

The goal is a **more effective return policy** at European level and an efficient and sustainable approach, with full observance of migrant rights and taking into account the specific situations in migrants' countries of origin.

In an attempt to reduce irregular migration flows into the EU even further, the **external dimension of migration will also be a priority**. The focus will be on strengthening cooperation with countries of origin and transit, and the Romanian Presidency will support any initiative aimed at consolidating such cooperation. The Romanian Presidency will also encourage dialogue with other countries of interest, based on the existing programming documents and by capitalising on relevant regional processes.

The Romanian Presidency will take action with regard to the instruments included in the **reform package**

on the **Common European Asylum System**, so as to foster the identification of consensus solutions. These solutions should contribute to the objective of achieving a more efficient asylum system and, at the same time, take into account the specific capacities of the different Member States.

The visa liberalisation dialogue, carried out in parallel with the signing of readmission agreements, is an important element of the Common Policy on Visas. The Romanian Presidency will continue discussions on these topics, depending on the developments related to the relevant roadmap. The **visa reciprocity mechanism** is also an important topic on the EU agenda, in cooperation with the European Commission.

### **Civil protection**



During the Romanian Presidency, the proposal to amend the Decision no 1313/2013/EU on a Union Civil Protection Mechanism /**RescEU** will be formally adopted by the European Parliament and the Council of the EU. In order to translate it into action, the Romanian Presidency will focus on **stimulating synergies between the medical component and the rescue component of the EU's integrated response to complex emergencies with catastrophic consequences.**

### **A Union of justice and freedoms**

#### **Civil justice**

The Romanian Presidency's main objective in this area is to make citizens' lives and businesses' activities easier by **improving mutual recognition and enforcement of decisions and judgments in family law and in civil and commercial matters** with cross-border implications. Improving the legal framework so as to better protect the best interest of children **via strengthening the rules on parental responsibility in cross-border cases** and on the civil aspects of international child abduction (**Brussels II bis recast**) represents a priority for the Romanian Presidency, which aims to reach a political agreement on the proposal.



Special attention will be paid to **deepening judicial cooperation in international civil procedural law** through the proposal for a Regulation on the law applicable to the third-party effects of assignments of

claims (COM(2016) 411 final), and by modernising Regulation (EU) 1393/2007 on service of documents and Regulation (EC) 1206/2001 on taking of evidence. The Romanian Presidency intends to advance negotiations on these three instruments, present progress reports or organise orientation debates, as the case may be.

The Romanian Presidency will pay particular attention to concluding the procedural stages for the adoption of the **Insolvency Directive**, aimed at ensuring that entrepreneurs and companies have access to effective preventive restructuring and second chance procedures, and, at the same time, at protecting the legitimate interests of creditors, debtors, employees and society at large.

In the field of **contract law**, the Romanian Presidency will endeavour to complete the final stage of negotiations on the draft Directive on the sale of goods and on the draft Directive on contracts for the supply of digital content.

### **Criminal justice**

The concrete objectives on **judicial cooperation on criminal matters** are, in terms of legislation, to advance negotiations on the **e-evidence legislation package** and, in terms of non-legislative matters, to facilitate the adoption of **Council Conclusions on improving the practical application of instruments for judicial cooperation in criminal matters** and of **Council Conclusions on improving synergies between the judicial networks set up by the Council in the field of judicial cooperation on criminal matters and between them and Eurojust**.

**A full operationalisation of the European Public Prosecutor's Office (EPPO)** in November 2020, with proper human and financial resources, requires completing several stages in the first half of 2019. For this purpose, the Romanian Presidency of the Council of the European Union will closely follow this dossier, with the objective to set up the EPPO College within the foreseen timeline. The objective is to reach an agreement between the EP and the Council on the person who will be appointed as European Chief Prosecutor and on initiating the appointment procedures for European prosecutors.

The two **draft legislative proposals on electronic evidence** will represent the main legislative priorities in the field of judicial cooperation on criminal matters during the Romanian Presidency, with the goal of reaching an agreement between the two co-legislators before the end of the European Parliament's term.

Another major priority will be to strengthen mutual trust between judicial authorities of the Member States in order to **improve the enforcement in practice of mutual recognition instruments**, in particular the Council Framework Decision 2002/584/JHA on the European arrest warrant and the surrender procedures between Member States, and Council Framework Decision 2008/909/JHA on the application of the principle of mutual recognition to judgments in criminal matters imposing custodial sentences or measures involving deprivation of liberty for the purpose of their enforcement in the European Union. The objective is to ensure the right balance between protecting fundamental rights and ensuring mutual recognition, while avoiding impunity for offenders.

One of the Presidency's complementary objectives will be **to improve synergies** between the European Judicial Network, the European Network of Contact Points in respect of persons responsible for genocide (Genocide Network), the Network of National Experts on Joint Investigation Teams and the European Judicial Cybercrime Network, and between them and Eurojust, as they are important tools for strengthening and facilitating judicial cooperation in criminal matters.

### *Justice in support of a competitive Europe / Justice in the digital age*



After the adoption of the European e-Justice Strategy and Action Plan for 2019-2023, the Romanian Presidency aims to start concrete **actions to implement the measures set forth in the strategic documents**, thus supporting the development and advancement of European e-justice.

Special attention will be paid to **improving judicial training**.

A number of debates are foreseen on the European Commission's document evaluating the implementation of the 2011 Strategy, 'Building trust in EU-wide justice – a new dimension to European judicial training', and on the possible adoption of Council Conclusions on this topic.

Regarding the **proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law**, the Romanian Presidency will endeavour to advance as much as possible the negotiations under the current term of the European Parliament.

### *The external dimension of Justice and Home Affairs*

The Romanian Presidency of the EU Council intends to ensure that the **external dimension of Justice and Home Affairs policies will contribute to strengthening the EU's role as a global actor and consolidating its relationship with its strategic partners** – the USA, Eastern Partnership countries, the Western Balkans – and with other third partners.

Regarding the **EU's relationship with the USA**, the Romanian Presidency will make efforts to further the dialogue with the USA on matters of mutual interest, such as the cross-border access to electronic evidence and various aspects of judicial cooperation in criminal matters (e.g. extradition and mutual judicial assistance).

In the area of home affairs, the Romanian Presidency is interested in continuing the exchange of ideas on topics related to the interoperability of IT systems, management of EU external borders,

migration management and fighting terrorism. With regard to this last topic, exchange of best practices will be encouraged, with a focus on preventive efforts and particularly on preventing and fighting radicalisation, including hate speech.

The Romanian Presidency will also pay **special attention to the Western Balkans area**, as countries in this area are important partners in preventing and fighting violent extremism, radicalisation and terrorism. The Presidency will pay increased attention to ensuring stability in the region by promoting the adequate functioning of the judiciary. Supporting these countries' shared European aspirations, including judiciary reform, is an important step towards guaranteeing regional security and development. The Romanian Presidency will focus on technical cooperation with these states and will promote a cooperation framework based on dialogue and trust. With this in mind, the Romanian Presidency will consider an interim evaluation and the need to develop a new plan for **fighting illegal trafficking of firearms**, depending on the objectives achieved by that time.

The Romanian Presidency will aim to strengthen the **thematic dialogues with EU partners, in particular those with the USA, CELAC and Brazil** on the international component of the policies on illegal drugs. In this area, the Presidency will contribute to a more cohesive internal approach, promoting a common EU position and increasing the EU's visibility as a global actor in the field and, in particular, in its relationship with the United Nations.

At the same time, the Romanian Presidency will support the provision of **a coordinated EU contribution in the field of private international law**, such as through the Hague Conference on Private International Law, UNCITRAL and UNIDROIT.

# *EMPLOYMENT, SOCIAL POLICY, HEALTH AND CONSUMER AFFAIRS COUNCIL*

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*The social field presents a wide range of challenges for the EU taking into account its direct impact on **European citizens**. As a cross-cutting sector with broad implications, it is also intertwined with all other fields. Moreover, the proclamation of the European Pillar of Social Rights has seen the social field acquire new dimensions, opening up the possibility for more cohesive European action aimed at **achieving social and economic cohesion throughout the EU**.*

*Labour mobility is an essential aspect as it is a tangible reflection of the fundamental principle of freedom of movement and, as such, it is inseparably linked to the functioning of the EU's single market. Against this backdrop, one of the priorities of the European Union must be to advance the mobility principle as a driver for growth, competitiveness and employment within the Single Market. In concrete terms, mobility means that the European mobile worker and his or her family should receive the same treatment – in terms of working conditions and social and economic integration – in their host Member State as the citizens in the respective Member State.*

*At the same time, it is essential that the European worker be afforded adequate protection. We need concrete measures to promote equal and safe employment, by improving workplace conditions and protecting workers against factors that may endanger their health and safety.*

*It is impossible to have a fully functional and operational labour market without promoting and securing gender equality. Ensuring equal opportunities for women and men is a priority derived from Article 3 of the Treaty on the European Union. This will be a first Romanian priority theme to be promoted at EU level. It is important that the required measures are taken to reduce the pay gap between women and men and to ensure a balance between professional and family life.*

*Guaranteeing access to healthcare for all European citizens is the central pillar of the EU's health policy. Investment in healthcare is a key element in **reducing the economic and social gap**.*

*Moreover, access to innovative, safe and easily available medication is vital for **European citizens' health**. Thus, one of the Romanian Presidency's lines of action in this area is a multidimensional approach and a political commitment to finding common solutions to cross-cutting problems.*

*Ensuring patients' access to medication is a topic of special interest, one that is ever present on the European agenda and key among citizens' needs. At the same time, issues such as fighting antimicrobial resistance, improving vaccination coverage, reducing medication abuse and improving the control of transmissible diseases also remain important issues.*

## **Labour mobility and fair working conditions as drivers for growth and competitiveness on the Single Market**

In the **field of employment and social affairs**, the Romanian Presidency will contribute to **promoting the labour mobility principle as a driver for competitiveness on the single market**. Free movement of workers within the EU is a way of putting into practice the fundamental freedom of movement of persons, enshrined in the Treaty on the Functioning of the European Union (TFEU). This freedom requires that the EU citizens have equal access to jobs throughout the Union and is supported by a number of factors, such as the equal treatment with regard to working conditions and access to social security.

Using actions already taken at Union level – such as the **Europe 2020 Strategy**, the **European Pillar of Social Rights** and the **European Employment Strategy** – as a starting point, the Romanian Presidency aims to consolidate mobile workers' access to the rights conferred to them by the Treaty on the Functioning of the European Union, particularly as regards social security.

Moreover, special attention will be given to encouraging cooperation between public employment services and labour inspectorates in the Member States. The main objectives of this will be to mitigate the risk of discrimination and undeclared work, to improve the systems in place for informing – or raising awareness among – current or potential mobile workers regarding their rights and obligations, and to identify the factors that influence labour mobility, including those related to mobile workers' returning to their Member States of origin, and find hands-on solutions for facilitating their reintegration and voluntary retention on national labour markets.

Given the importance of this topic, the Romanian Presidency is considering to organise a debate on labour mobility as a key element in ensuring labour market balance. Workers' mobility will also be discussed at the informal meeting of the Employment Committee (EMCO) and the meeting of the EURES national coordinators.

In terms of legislation, the Romanian Presidency will continue negotiations on the **proposal for a Regulation amending Regulation (EC) No 883/2004 on the coordination of social security systems and Regulation (EC) No 987/2009 laying down the procedure for implementing the former**, aiming to find a solution that is fair, non-discriminatory and in line with the fundamental objective of free movement.

Regarding the **proposal for a Regulation establishing a European Labour Authority**, together with Member States, the Romanian Presidency will explore the best options for defining the roles and responsibilities of the future Authority and will aim to complete the negotiations on this file.

**Preventing workplace risks and ensuring safer and healthier working conditions** will also be a priority for the Romanian Presidency. Health and safety at work is a complex area of the EU's employment agenda. It is an integral part of designing and organising work processes and plays an important role in preventing potential problems and ensuring maximum efficiency at the workplace.

The Romanian Presidency plans to advance negotiations on the regulatory framework for the protection of workers and improvement of working conditions, which will have a direct impact both on workers and on productivity.

At the same time, the Romanian Presidency proposes to continue the negotiations on the proposal to amend Directive 2004/37/CE on the protection of workers from the risks related to exposure to carcinogens or mutagens at work. It will also work towards Council conclusions on ensuring health and safety in the context of new forms of work.

Moreover, the Plenary meeting of the Senior Labour Inspectors Committee will be dedicated to early awareness-raising on workplace health and safety among young people. A debate regarding the main occupational health and safety issues in Europe will also be organised.

### *Promoting gender equality and economic independence of women and men*

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According to Article 3 of the Treaty on the European Union, promoting equality between women and men is one of the fundamental principles of the Union. Similarly, Article 23 of the Charter of Fundamental Rights of the European Union requires equality between women and men to be ensured in all areas, including employment and remuneration.

Another objective of the Romanian Presidency is therefore to **provide equal opportunities for women and men on the labour market**, by reducing the pay gap between women and men and by implementing measures to help workers maintain a balance between family and professional life. The differences between the EU Member States in terms of women's role and position in society need to be reduced, by balancing women's and men's income in a manner that consolidates women's economic independence.

In terms of national public policies to ensure **equal opportunities for women and men**, including reducing the pay gap, the Romanian Presidency's goal is to encourage entrepreneurship among women and promote actions that contribute to increasing women's presence in decision-making positions in both public and private entities. In this regard, promoting gender equality is a key factor in promoting balanced and inclusive growth, as encouraging women's employment has a positive impact on labour market efficiency.

In support of these objectives, the Romanian Presidency will take over the negotiations with the European Parliament on work-life balance for parents and carers and will continue the discussions on the proposal for a Directive on improving the gender balance among non-executive directors of publicly listed companies.

In this context, the Romanian Presidency will organise a series of high-level events on equal opportunities for men and women.

## **Guaranteeing access to healthcare for all European citizens**



Promoting universal access to treatment for all those who need it, fighting antimicrobial resistance, improving vaccination coverage, reducing medication abuse and improving the control of transmissible diseases are among the objectives of the Romanian Presidency. At the same time, **patient mobility** will be a special topic of the Romanian Presidency, and among other things, an exchange of views will be held on the implementation of Directive 24/2011/

EU on the application of patients' rights in cross-border healthcare.

The Romanian Presidency intends to organise debates on patient mobility and to encourage cooperation between Member States in the treatment of patients under the age of 18 who suffer from rare diseases, as well as in implementing Directive 24/2011/EU for these patients.

Continuing efforts to ensure **patients' access to medication** is one of the most important aspects that the Romanian Presidency will pursue. The Presidency aims to contribute significantly to identifying methods to **increase vaccination coverage**, in the context of threats to public health, by facilitating the exchange of best practices and expertise.

**Antimicrobial resistance (AMR) and associated infections** will also be important topics for the Romanian Presidency. One of the main objectives will be to advance the discussions on the *One Health* collaborative approach to risks to the health of humans, animals and ecosystems. The Presidency will propose a set of Council conclusions on fighting AMR and hospital-acquired infections.

Moreover, the Romanian Presidency will continue the negotiations in the Council on the proposal for a Regulation on coordination in health technology assessment. Particular attention will also be paid to healthcare issues in the proposal for a Regulation on the European Social Fund (ESF+), successor to the Health Programme of the European Union.

**Healthcare digitisation (e-Health)** will also be a topic of interest for the Romanian Presidency, and a *meeting of ministers and the e-Health Network* will be organised.

# COMPETITIVENESS COUNCIL

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*Coordinated actions in several areas are required in order to drive competitiveness and economic growth throughout the European Union.*

*A European priority is to ensure the full functionality of the European single market, with a focus on eliminating barriers to cross-border movement of goods, labour, services and capital, but also on combating unfair commercial practices.*

*At the same time, maintaining a strong industrial base is a prerequisite for the competitiveness of the European economy, job creation and for ensuring that high added-value goods account for a significant share of exports.*

*In a global context, the main challenge facing the single market is the need to adapt the EU's economy to the rapid technological progress. In this regard it is important to consolidate the scientific and technological base of the European industry, thus stimulating its international competitiveness and generating economic growth and jobs. The digitalisation of European industry is another priority theme that will be promoted at EU level.*

*Space technologies, data and services play a key role in advancing Europe's strategic interests and **in the daily lives of the European citizens**. The European space industry is one of the most competitive. The EU's new Space Programme will help it maintain its position as a leader in the space industry and to adapt to new needs and technologies while reinforcing Europe's autonomous access to space.*

*While Europe is a world leader in science, it lags behind other highly industrialised countries when it comes to innovation. The idea of a European Council for Innovation (EIC) is part of the EU's efforts to provide innovative enterprises with more opportunities and adequate tools to become internationally successful. The Romanian Presidency aims to substantially advance the negotiations on Horizon Europe, the research and innovation framework programme which is the most important European tool dedicated to strengthening the EU's potential for innovation and economic growth. Intensified efforts at EU level are needed in order to develop an adequate framework to **effectively stimulate research and innovation throughout the European Union**, facilitate better **networking and cooperation between all Member States and reduce the gaps in this field**. **This will generate a positive impact on the overall objective to strengthen convergence and cohesion at European level.***

*Tourism is becoming increasingly important for development and economic growth. This sector should therefore be more visible on the EU agenda. Particular attention should be paid to promoting measures to better integrate this sector into a wide range of EU policies, sustainable and responsible tourism, as well as high-quality services, which may translate into competitive advantages for companies, in particular for SMEs, and, at the same time, into **tangible benefits for the European consumers**.*

## **Towards a more integrated, more equitable and more digitized Single Market that facilitates economic and social convergence in the European Union**

The single market plays a decisive role in increasing competitiveness in the European Union, by facilitating the free movement of goods, services, persons and capital. It is vitally important that the EU **removes the remaining barriers within the single market and provides a fair and competitive framework for European consumers and companies.**

After 25 years of the single market, and considering that its success depends not only on the regulatory framework, but also on the degree of implementation and on the economic realities, the Romanian Presidency will propose the adoption of a set of Council conclusions on the single market.

The Romanian Presidency will endeavour to advance and, wherever possible, finalise the legislative initiatives on the single market. Thus, regarding the internal market for goods, the Presidency will aim to complete the legislative file on compliance and enforcement of Union harmonisation legislation on products. This file, together with the file on mutual recognition are of high importance for the single market.

Moreover, the Romanian Presidency aims to advance the negotiations on the New Deal for Consumers package and on supplementary protection certificates for medicines. The Romanian Presidency also places importance on the legislative files on explosive precursors and motor vehicles.

The proposal for a Regulation on establishing the Single Market Programme is a particularly important file within the 2021-2027 Multiannual Financial Framework and has an impact on the competitiveness of the single market, SMEs and European industry. The Romanian Presidency intends to advance the negotiations on this file as much as possible.

In a global context, the main challenge facing the single market is **adapting the EU's economy to rapid technological changes.**



**Promoting a smart economy** and enterprise mobility by updating the European Union's company laws through the two directives on the use of digital tools and processes in company law, as well as cross-border conversions, mergers and divisions, will also be important files.

Increasing innovation and digitalisation in the SME sector, promoting *start-ups*, *scale-ups* and unicorn companies are aspects of interest to the Romanian Presidency. The Presidency will organise debates on the inclusion of these companies in the value chains, with a direct impact on the competitiveness of European industry.



The Romanian Presidency will organize debates on the opportunity of revising and updating the *Small Business Act for Europe*, in order to adapt it to the digital era. The debates will take place via the European network of SME representatives (Network of SME Envoys). The Presidency aims that aspects related to entrepreneurship and SMEs' competitiveness are discussed at ministerial level, in the context of the debates on EU's industrial policy.

The Romanian Presidency will support the promotion of fairness and transparency in online intermediation services, aiming to conclude the negotiations on the proposal for a Regulation on online platforms (*Platforms-to-Business Regulation*). The Presidency will make efforts to identify reasonable compromise solutions that will allow for increased transparency and combat unfair practices, while respecting the freedom-of-contract principle, without hindering innovation.

At the same time, the Presidency will continue reforms in the field of copyright, contributing to the modernisation of the European legal framework, adapting it to digital progress and, implicitly, driving forward the competitiveness of the EU economy. In this context, the aim will be to ensure a fair balance between the interests of consumers, who need access to high-quality online content, service providers, as contributors to the EU's economic growth and, last but not least, right holders who need adequate remuneration for their works.

### **Ensuring a long-term vision on the European Union's industrial policy**

It is important that the EU maintains a strong industrial base in order to ensure the competitiveness of the European economy and job creation, and to ensure that high added-value products account for a significant share of exports. The European industry needs a long-term vision for the period until at least 2030, considering the diversity of the current industrial base, and taking advantage of the opportunities given by digitalisation, innovation, decarbonation and the circular economy, all of which are critical areas for the future of the industry. The digitalisation of European industry must become a priority for the Union.

The Romanian Presidency will promote Council conclusions aimed at encouraging a long-term vision for the EU's industrial policy. The Romanian Presidency will approach industry, focusing on artificial intelligence and digital transformation, and continue the existing cycle of debates on artificial intelligence. Moreover, the Presidency will organise debates on the defence industry and other industrial and creative sectors.

The Romanian Presidency will continue to promote the systematic integration of industrial competitiveness into all policy areas of the Union, an aspect of major importance in maintaining the EU's global competitiveness.

**Adapting industrial systems to digitalisation** is a challenge that can be turned into an opportunity to increase Europe's industrial competitiveness for the next decade.

Digital transformation and artificial intelligence are the main factors that will define 2030's industrial policies, for which we will need to develop adequate capabilities. In this context, we will encourage debates on the opportunities and challenges of artificial intelligence on the one hand and, on the other hand, on the development of digital skills and digital literacy, with a view to reducing digital gaps and increasing social and economic inclusion, as well as increasing investments in education and performance in STEM (science, technology, engineering and maths).

Moreover, the Romanian Presidency intends to organise debates on certain aspects that might contribute to the development of an adequate ethical and legal framework for artificial intelligence, which would enable citizens and enterprises to trust the technology they interact with, understand how it works, benefit from a predictable regulatory environment and enable effective measures to be taken to protect their fundamental rights and freedoms.

Considering the dynamics of the automotive sector in the context of digitalisation and of environmental and mobility policies, the Presidency will promote an open and focused dialogue on the future of the automotive industry.

Moreover, the Presidency will organise debates on the defence industry as well as on other industrial and creative sectors. The Romanian Presidency intends to advance negotiations on the proposal for a Regulation on the European Defence Fund, which is a particularly important file within the Multiannual Financial Framework 2021-2027, for the development of the technological and industrial base of European defence.

### *Supporting excellence in research and innovation throughout Europe and increasing competitiveness through adequate measures and tools at European and regional levels*

One of the major objectives of the Presidency in the field of research and innovation is to promote European solutions aimed at **reducing research and innovation performance gaps between EU Member States, through fair measures and adequate tools**, in order to strengthen the European Research Area.



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One way to achieve this objective is to promote the expansion of participation and sharing of scientific excellence within the Horizon Europe Programme of the European Union in order to build a critical mass of researchers and ensure an adequate level of research, development and innovation activities in all Member States.

The success of the Framework Programme is not only conditional on the involvement of a high-level scientific community, but also on the existence of state-of-the-art research infrastructures and accessible, compatible and flexible funding programmes and rules, using synergies to enable the

participation of all performant private and public researchers and to strengthen networking among researchers from various countries.

While remaining true to the principle of excellence, it is important to identify those measures and tools which may help to reduce the research and innovation disparities at European level. The Romanian Presidency will endeavour to advance the negotiations on the Horizon Europe file, with the aim of facilitating a fair, accessible, transparent and efficient post-2020 framework for research and innovation in the entire European area, limiting the types of implementation instruments and simplifying access for participants in the Horizon Europe Programme. The Presidency's objective is to advance negotiations on this file and make substantial progress.

Moreover, **supporting European policies and initiatives at various stages of implementation in the field of research, innovation and space, such as missions and partnerships, the European Open Science Cloud (EOSC), the European Innovation Council (EIC) and the European Space Programme** will be among the Presidency's priorities.

In launching the new Horizon Europe Framework Programme, the EU aims to introduce a new vision into its research and innovation policies by launching missions to deal with a series of global challenges. The goal of these missions is to bring research and innovation policies closer to the citizens, an objective that is also pursued by the Romanian Presidency. Moreover, European research partnerships are undergoing a reform in order to limit the number of implementation instruments and simplify access for participants in the Horizon Europe Programme. The Romanian Presidency will support the progress in implementing the EOSC.

At the same time, the Romanian Presidency, through the EIC, will support the aim to incentivise market-creating innovation that provides added value in the EU, with a focus on expanding innovation at European and international level.

The EU's position as a leader in the space industry will also be supported by its new space programme, which will help it to adapt to new needs and technologies while reinforcing Europe's autonomous access to space. The Presidency intends to advance the negotiations on the proposal for a Regulation on the EU Space Programme as part of the package of sectoral proposals under the 2021-2027 Multiannual Financial Framework.

Another major objective for the Romanian Presidency is the **development of a European Strategic Framework for cooperation in research and innovation in the Black Sea region**. Given the strategic importance of the Black Sea for the entire European Union, a detailed understanding of the interactions between the Black Sea and the rivers which flow into it is of crucial importance for the scientific substantiation of integrated management plans. Research, innovation and education are the most important tools to maximise the potential provided by the Black Sea region for blue growth, through living resources, tourism, culture, transport renewables or hydrocarbons.

In this regard, the Presidency will aim to promote a **Strategic Agenda for research and innovation in the Black Sea region**, which will be a strategic document defining regional, national and European priorities.

# *TRANSPORT, TELECOMMUNICATIONS AND ENERGY COUNCIL*



**Connectivity** is a fundamental element for the integration of European markets and in facilitating the fundamental freedoms of the European Union. Guaranteeing the efficient functioning of the European Union and achieving its economic, social and security objectives depend on ensuring an adequate level of single market interconnectivity, a priority justified by European developments, in particular in the energy, transport and telecommunications sectors. By focusing on the development of smart, sustainable and fully interconnected networks, the European Union can achieve the single market goals in a truly efficient and sustainable manner.

Increasing mobility is supported by good connectivity that, alongside infrastructure, depends to a great extent on the modernisation and diversification of transport services or the use of innovative means of transport or traffic management systems. At the same time, the European-level measures should ultimately lead to more effective functioning of the single market, through the identification of fair and balanced solutions that take into account the particularities of all Member States.

Bearing in mind that Romania's mandate as the Presidency of the Council of the EU partially overlaps with its term exercising the Presidency of the EU Strategy for the Danube Region, Romania proposes as one of the priority themes to incentivise connectivity and mobility in the Danube region, by working towards convergent policies and strategic projects for transport and digitalisation. To that end, it is necessary to continue the discussions with the states of the region in order to ensure and maintain the navigability on the Danube River and its navigable tributaries.

At the same time, in order for Europe to be stronger and more competitive worldwide, it is crucial that its economies reach a high level of digital development, competitiveness and innovation, the more so since digital technologies are transforming all aspects of economic and social life. Digitalisation is **an efficient tool in support of the cohesion objective**. Digitalisation does not only mean investments in advanced technologies, but also allowing every European citizen's access to digital skills and new technologies so as to improve their quality of life, work, professional performance, health and interaction with public authorities. To achieve their goal, more efforts are required **to reduce as much as possible the digital gap between various regions, categories of citizens or economic sectors**, so as to ensure that the benefits are spread throughout the Union, both in the use of technology and in social development.

At the same time, improving connectivity and energy security through infrastructure development is an essential means for consolidating Europe's energy system. The future of the Energy Union rests with a governance system that supports and implements innovative solutions, based on energy efficiency measures, with a view to transitioning to clean energy and for the **benefit of the European consumer**. We aim for a European energy market that provides more security to Member States, trust in the reliability of market signals on long-term energy needs to investors, and safe, sustainable and affordable energy to consumers. Last but not least, energy storage solutions (whether for electricity or natural gas) are the optimal method to strike a balance between economic benefits and the strategic objectives of the energy system of the future.



One of the objectives of the Romanian Presidency is to ensure a **more competitive and safer mobility, with an impact on the functioning of the single market and to the benefit of the citizens.** To achieve the Presidency's objective of a *Europe of convergence*, Romania aims to contribute to improving the functioning of the EU single market. In

this context, an essential part is played by the development of a modern, multimodal, interoperable and efficient trans-European transport network that will further strengthen cohesion, improve accessibility and provide connectivity both within the Union and with neighbouring regions, while stimulating investments for economic growth. Achieving this objective will contribute to bridging the development gaps between regions and between Member States, to job creation in the European Union and to ensuring the transition to low emissions mobility.

The priority for the Romanian Presidency will be to continue negotiating the three mobility packages, aiming at achieving a balanced compromise for the proposals on land and maritime transport and infrastructure. At the same time, the Presidency aims to advance negotiations on the Connecting Europe Facility (CEF 2.0), with the aim of funding infrastructure and related projects under CEF to support the objectives of developing the TEN-T networks.

In the land transport sector, the Romanian Presidency will continue the negotiations on Mobility Package I, aiming to identify optimal solutions to ensure a more efficient functioning of the single market, more competitive and safer mobility and an adequate balance between improving working conditions, reducing administrative burden and enforcement of regulations. Thus, the Presidency will aim to achieve a compromise on the files on access to the occupation of road transport operator and access to the road transport market, posting of drivers, social legislation and leased vehicles.

At the same time, the Romanian Presidency will make efforts to advance the negotiations on the proposal concerning railway passengers' rights.

The Presidency will pay a special attention to initiatives that improve road safety, aiming to advance the negotiations on the road infrastructure safety management file.

The revision of the Combined Transport Directive for the development of intermodal freight transport infrastructure is a good opportunity to define support measures for this type of transport. The measures

should ensure efficient use of existing freight transport infrastructure, by attracting the flow of goods from road to railway and inland waterways transport, thus generating economic growth and low environmental impact and eliminating road traffic jams. The Romanian Presidency will aim to advance the negotiations on this file, as well as the file on procurement of non-polluting vehicles.

In the maritime transport sector, the Romanian Presidency will aim at starting negotiations with the European Parliament on the legislative initiative regarding the training of sailors and the certification recognition system. With regard to the Council Recommendation on small passenger ships, the Presidency aims to restart the discussions, with a view to adopting this file.

An important objective of the Presidency is to **make real progress in achieving the objectives for completing the TEN-T network** that will ultimately contribute to increasing the European Union's cohesion and competitiveness in terms of sustainable mobility and interconnectivity.

The Romanian Presidency pays special attention to streamlining the project authorisation process and, as a result, to accelerating the implementation of TEN-T priority projects. For this reason, it will aim at advancing the negotiations on the proposal for a 'Smart TEN-T' Regulation.

In the new age of mobility and digital, where the EU aims at becoming a world leader in digitalisation, the development of a Single European Transport Area requires creating synergies between the objectives of the transport, energy and telecommunication strategies. Thus, standards and trends in the development of transport infrastructure and services in terms of multi-modality, digitalisation and innovation must be considered in the development of the EU-wide transport network. The Romanian Presidency will therefore aim at starting negotiations with the European Parliament on the legislative initiative establishing a single reporting interface at European level (*European Maritime Single Window*) and will also aim at advancing discussions on the file regarding the use of electronic information in freight transport.

In aviation, the international dimension will take priority. The Romanian Presidency will facilitate discussions on the negotiation, signing and entry into force of air transport agreements between the EU and third countries.

### **A borderless and continuously transforming Digital Europe**

The Romanian Presidency will place a special emphasis on all matters concerning digitalisation, throughout the EU's society and in all economic sectors. Europe has a huge potential in relation to the development of the digital economy, artificial intelligence, block chain, high performance computing, the internet of things (IoT), 5G and strengthening cybersecurity.

The Presidency's objective is to contribute to maximising the use of this potential, so that Europe can become a world leader and European enterprises acquire a global dimension. Moreover, it is equally important to ensure and increase citizens' trust in the online environment, by prioritising e-skills, digital education and cybersecurity matters on the European agenda.

Thus, the Presidency will have an ambitious, creative and future-oriented approach. It will make

efforts to advance and, where feasible, complete negotiations on current legislative files, such as re-use of public sector information, Digital Europe Programme, CEF-Telecom, privacy of electronic communications (ePrivacy), creating the European Cybersecurity Industrial, Technology and Research Competence Centre and the network of coordinated national centres.



In the continuously and rapidly changing digital ecosystem, it is essential that Europe's strategies, policies and regulatory framework be connected to the technological realities of the market. In this context, the Presidency will start discussions on strategic and economic priorities, objectives and topics from the perspective of the future of the post-2020 Digital Single Market European Strategy for Europe. These debates will be particularly important, especially considering the rapid

worldwide development of new technologies, 5G and data economics, but also against the background of the challenges related to complexity, cyber-attacks, access to and responsibility for data, lack of digital skills and digital gaps. The Romanian Presidency will support the reduction of the digital gap and the development of e-skills in order to achieve a real European digital economy and society.

Given Europe's huge potential in terms of tech experts, intelligence and innovation capabilities, another important priority for the Romanian Presidency is to promote the participation of women in the tech sector -'Women in tech – towards a cultural change'-, by promoting new professional development opportunities for girls and women.

### **Towards a genuine Energy Union**

The Romanian Presidency will continue the EU's efforts to **implement the Energy Union initiatives**, focusing on three topics of interest, namely to continue the implementation of the Energy Union (legislative dimension), to support the development of the future European energy system (power infrastructure, storage and technologies) and to contribute to strengthening nuclear security.

From the legislative perspective, the Presidency will aim to conclude the files concerning the reform of the electricity market part of the Clean Energy package, including by formalising political agreements. Last but not least, the Presidency aims to achieve progress on the regulation on tyres' labelling file.

Constructive efforts will be made in the negotiations on the Natural Gas Directive, with a view to consolidating a comprehensive, coherent and transparent regulatory framework that equally reflects the political will of the co-legislators.

Moreover, the Romanian Presidency will aim to achieve progress in the inter-institutional negotiations on the Connecting Europe Facility, the file being dealt in close cooperation with Transport and Telecom sectors.

Outlining the **future of the European energy system**, another thematic priority of the Romanian Presidency will aim to ensure energy transition and achieve post-2020 energy and climate change goals. Considering that the Clean Energy package is deemed to be the most advanced regulatory framework for energy transition, a special attention needs to be paid to Europe's energy infrastructure, energy storage solutions and



innovative technologies that should be developed to support the transition. The Presidency will work towards Council Conclusions on the vision of a future European energy system that contributes to the achievement of energy transition and energy security objectives.

Additionally, the Romanian Presidency will take forward the policy debates on the Strategic Long-Term Vision for a Climate Neutral Economy.

Implementing the highest standards of **nuclear security for the protection of workers, public and the environment** remains one of the priorities of the Romanian Presidency.

In the constantly changing current global context, the Presidency will work towards Council Conclusions on strengthening nuclear security through enhanced physical protection.

At the same time, it is important to prepare the discussions that will take place in the 2021 meeting of the contracting parties to the Conference on Physical Protection of Nuclear Facilities of 2021.

# AGRICULTURE AND FISHERIES COUNCIL



FOTO: SHUTTERSTOCK

*The Common Agricultural Policy contributes and will continue to contribute to **increasing the cohesion of rural areas** and to preserving European agriculture's vitality and competitiveness. Guaranteeing **food security and safety for European citizens** at reasonable prices and higher quality are valid political objectives, present on the European agenda, but also with a real impact on the global agenda in the field.*

*Reforming this policy for the post-2020 period will intensify the process of modernisation and simplification of the agriculture acquis, taking into account the need to adapt to future social, economic and environmental requirements. The future Common Agricultural Policy should protect the European agriculture model that is based on the principles of food sovereignty, sustainability and capacity to respond to **the real needs of European citizens, be they farmers or consumers**. The European farming sector should continue to remain viable and competitive, capable of supplying the citizens with quality foods at reasonable prices. Bureaucracy should be reduced for European farmers. Also, the competitive disadvantages faced by European farmers on international markets should be removed.*

*At the same time, the regulation of unfair trading practices in agri-food markets is a step towards fairness and fair competition, which aims at strengthening the farmers' position in the agri-food supply chain.*

*Measures to protect plants and plant products contribute to preserving farming competitiveness.*

*The single strategy on monitoring and protecting animal health at EU borders is a tool designed to guarantee the competitiveness of the agri-food sector, taking into account that certain serious viral animal diseases are present in the vicinity. In the current critical context of climate change and incidence of animal disease in Europe and its neighbouring areas, biosecurity should remain among the main topics on the agenda of chiefs of European veterinary agencies.*

*Regarding the Common Fisheries Policy, efforts should be focused towards finalising the multiannual management plans and achieving progress on the future European Maritime and Fisheries Fund and the Control Regulation.*

*Progress in implementing the EU Forest Strategy must be identified, taking into account the need to ensure trans-sectoral synergy after 2020.*

**Managing the negotiation of the legislative package related to the reform of the Common Agricultural Policy (CAP), in the context of the new Multiannual Financial Framework 2021-2027,** is the main priority for the Romanian Presidency in the field of agriculture. The Presidency will continue the discussion on the modernisation and simplification of the CAP, ensuring that, through the reform process, the provisions of the Treaty on the Functioning of the European Union are followed. Given the major role that the CAP plays in increasing the single market's cohesion and competitiveness, the modernisation and simplification will increase the efficiency of interventions under this policy, provide for a fair standard of living for the farming population in the future, guarantee food security, ensure reasonable food prices for all citizens and increase the productivity and competitiveness of European agriculture, taking into account the special nature of farming that results from the social structure of agriculture activity and the structural and natural differences between various regions.



Taking into account the objective of adopting an agriculture policy better adapted to future challenges and demands that adequately meets Member States' needs and specifications, continuing preparations for the next programming period is one of the major objectives of the Presidency. In full correlation and complementarity with the negotiations on the Multiannual Financial Framework 2021-2027, the Romanian Presidency will aim to advance discussions and facilitate consensus on the key elements of the future CAP, with a view to achieving a partial general approach on the legislative proposals comprised in the CAP reform package.

Bio-economy, innovation and agricultural research will be among the topics for debate in the Council of the European Union in the first half of 2019.

The Romanian Presidency envisages to continue discussions aimed at identifying measures to encourage the production of protein plant with the objective of ensuring EU's independence in this sector.

The proposal for a Directive on **Unfair Trading Practices** is an important step forward, intended to consolidate farmers' position in the agri-food supply chain. The Romanian Presidency will pursue the final procedural steps to adopt this proposal.

Another file of interest for the European agri-foods sector is the proposal to repeal the Regulation

**on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks.** The Romanian Presidency will aim at finalising the negotiations and adopt the proposal.

In the field of **plant health**, the Romanian Presidency will deploy all efforts to contribute to raising public awareness on this goal. The Presidency will promote the development of plant health infrastructure in Member States, in the context of the implementation of the new plant health regulations (plant health and official checks) and of the public information programmes on the upcoming events of 2020 (International Year of Plant Health).

***The single strategy on monitoring and protecting animal health on EU borders*** is a priority topic for the Romanian Presidency, considering that serious viral animal diseases are present in the vicinity of the EU. Prevention is the key element that contributes to maintaining the EU's territory free of animal diseases, thus protecting the functioning and development of livestock farming, which contributes significantly to the economic growth of Member States and the European Union as a whole.

Implementing measures to control, monitor and eradicate major animal diseases have a considerable social and economic impact. For this reason, a single strategy applied uniformly by all the Member States would strengthen EU's prevention capacity. Biosecurity is the most important tool for preventing the contact of pathogens with exposed animals. The Romanian Presidency will aim to reach an agreement on the technical elements deemed essential in the EU and on harmonised biosecurity measures. The Recommendations of the Working Party of Chief Veterinary Officers may form the starting point for the future development of specific regulations in the area. Another important topic that the Presidency wants to address concerns the progress made in implementing the European Union's Action Plan against Antimicrobial Resistance in the field of veterinary medicine, the *'One Health Approach'*.

The transparency of the EU system for assessing food chain risks, the decision-making process, effective and consistent communication, and bringing these processes closer to citizens are topics that will be addressed with particular attention by the Romanian Presidency.

## Fisheries

Regarding the Common Fisheries Policy, the Romanian Presidency will continue work on the multiannual management plans, with the purpose of making progress in debates and achieving a political agreement with the European Parliament.

The Presidency will deploy all efforts to advance the discussions on the proposal for a Regulation to amend the Control Regulation and the future Regulation on the European Maritime and Fisheries Fund post-2020.

The external dimension of the Common Fisheries Policy remains an important priority of the Romanian Presidency programme.

***Adapting the forestry sector to climate and society changes and stopping land degradation***



The European agenda places a special emphasis on adaptation to climate changes and sustainable management of forests, in the context of the 2030 Agenda and the Forest Europe process, as well as on promoting a new forestry strategy for the European Union after 2020.

The focal point of the Romanian Presidency in the field of forestry policy is the

preparation of EU's and Member States' participation in the UN Forum on forests and the review of the progress made in implementing the EU Forestry Strategy, with a view to ensuring a trans-sectoral synergy after 2020 and continuing the discussions on entering a binding agreement on forests in Europe, considering the outcomes of the Round Table of 2018. Other relevant topics include revising EU activities to stop deforestation and the Forest Law Enforcement, Governance and Trade Action Plan/FLEGT.

# *ENVIRONMENT COUNCIL*

FOTO: SHUTTERSTOCK



*The European Union's environmental policy has become more comprehensive and streamlined into other policies of the European Union. Reducing the gaps against the European Union average in what regards the transition to a circular economy, including in the area of investments made available under the Cohesion Policy for the waste sector, is a central aspect of **citizens' needs and expectations**.*

*The EU has become a global promoter of sustainable development, aiming at creating a **sympiosis between sustainable development principles, competitiveness and social cohesion**. The goal is to implement sustainable development principles through a global and cross-sectoral approach meant to tackle economic, social and environmental challenges in an integrated manner.*

*Moreover, Member States' efforts are channelled towards consolidating EU's leadership role in achieving the long term goals of the Paris Agreement, ensuring the transition to a low-carbon economy and continuing the integration of actions to fight climate change across sectors in EU's major policies. Attention will also be given to ensuring the quality of drinking water, efficient use of water resources and prompting and promoting biodiversity.*

*The environmental and climate change policies shape Europe's future and the new development trends. The transition to a circular economy and to low carbon emissions development will contribute to improving **European citizens'** quality of life.*

## Implementing the Paris Agreement – a pathway to economic growth with low carbon emissions



FOTO: SHUTTERSTOCK

The Romanian Presidency will continue to advance the EU agenda on climate change, in order to contribute to the implementation of the Paris Agreement. Efforts will be directed towards a sustained and coherent dialogue aimed at **outlining a shared EU vision on a long-term strategy** to encourage climate change actions and a sustainable transformation of the economy.

Regarding the legislative files, the Presidency aims to finalize the negotiations on the proposal to establish **CO<sub>2</sub> emission standards for new heavy-duty vehicles**, a proposal meant to support Member States in reducing road transport emissions. Additionally, the Romanian Presidency will deploy the necessary efforts to advance as much as possible the negotiations on the legislative proposal on **monitoring maritime sector CO<sub>2</sub> emissions**.

The Presidency will coordinate the active participation of the EU and Member States in the international negotiation session in Bonn (17-27 June 2019).

## Sustainable Development – implementing the 2030 Agenda for sustainable development and strengthening the environmental dimension of sustainable development

**Sustainable development** and the economic, social and environmental pillars are the new framework for global, national, regional and local development, and their promotion is an overarching objective for the EU and Member States.

The Presidency will coordinate the active participation of the EU and Member States in the **fourth meeting of UNEA that will take place in Nairobi, during 11 - 15 March 2019**, on the theme of 'Innovative solutions for environmental challenges and sustainable consumption and production'.



FOTO: SHUTTERSTOCK

A sustainable management of **chemicals** is particularly important in order to ensure a clean and healthy environment. Alongside the other Member States, the Romanian Presidency will have the opportunity to promote EU's vision on this matter, as well as on the chemicals / waste interface at the **triple COP meeting of relevant Conventions (Basel / Rotterdam / Stockholm)** that will take place in Geneva on 29 April – 10 May 2019.

The Presidency will coordinate the EU and Member States' representation in the **17<sup>th</sup> session of the Committee for the Review of the Implementation of the Convention to Combat Desertification (CRIC)**, which will take place in the Cooperative Republic of Guyana in January 2019. The Romanian Presidency will also start to prepare the EU position for its participation at the 14<sup>th</sup> Conference of the Parties to the Convention to Combat Desertification.

### **Biodiversity – post-2020 challenges and opportunities in the EU and international context**

**The Romanian Presidency will promote the benefits of biodiversity at European and international level.**

Providing adequate funding for measures to protect biodiversity is a key element in achieving EU's targets and the relevant targets of the Convention on Biological Diversity (CBD) and the 2030 Agenda. Considering the importance of the programmes to support biodiversity and climate change, another important item on the Presidency's agenda will be to **considerably advance the negotiations on the LIFE Programme**, in the context of the Multiannual Financial Framework.

Based on the outcomes of the COP 14 meeting of CBD, the Presidency intends to organise a **debate at ministerial level on consolidating the biodiversity action plan beyond 2020**.

A conference on large carnivores will be held in Bucharest, to emphasise the importance of representative species on our territory and their conservation needs.

The Presidency will coordinate the active participation of the EU and Member States to the important international meetings that will be held in the first half of 2019, including the 18<sup>th</sup> Conference of the Parties to CITES (Sri Lanka, 23 May – 3 June 2019) and the 7<sup>th</sup> Plenary Session of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (France, 29 April – 4 May 2019).

### **Water management**

The Romanian Presidency will focus on advancing the negotiations on the legislative files concerning **the re-use of water and the quality of drinking water**. Efficiency in the re-use of water and high quality in drinking water will contribute to the European Union achieving the specific sustainable development objectives under the 2030 Agenda.



FOTO: SHUTTERSTOCK

Implementing the Marine Environment Strategy and the measures to protect and preserve biodiversity are essential for achieving a good environmental status in Europe's marine regions by 2020. One of the most serious threats to **water and marine environment quality**, namely the pollution with plastics and micro plastics, will be a topic for debate in the informal Environment Council.

# *EDUCATION, YOUTH, CULTURE AND SPORT COUNCIL*

FOTO: SHUTTERSTOCK



*Education, culture, youth and sport policies take a central place on the European agenda, having both a high social relevance and a significant economic dimension.*

*Strengthening European policies in these areas contributes to the **EU's economic and social development, conveys a consistent message about European identity** and supports the objective of building a more transparent and citizen-centred Union.*

*Although the areas of education culture, youth and sport are in the competences of the Member States, the progressive transformation of intergovernmental initiatives into EU actions and the success they have had over time further underline the importance of the added value of these initiatives at European level.*

***Education and culture are key to Europe's future, both from the individual perspective of the European citizen** who should enjoy the opportunity to study in any EU Member State and to have full access to Europe's rich cultural heritage, and from the perspective of consolidating the European project, for a **stronger and more cohesive Union, based on shared values.***

***Developing the feeling of belonging to Europe** involves understanding and promoting European values in formal, non-formal, and informal education contexts. The role of education, culture and youth-centred policies is thus a determining factor in promoting shared European values and ideals, as well as in creating a European identity.*

*The initiative to establish the European Education Area by 2025 – which Romania supports – is defining for the future of the European Union, and aims to identify suitable solutions for the numerous challenges confronting the EU today. By creating a pole of educational excellence and mobility, the European Education Area will support all European education and training systems, making them more competitive and attractive for students and teachers from around the world.*



The central theme of the programme of the Romanian Presidency is 'Connecting Education', pursuing three major dimensions: mobility, inclusion and excellence.

The Romanian Presidency will aim at strengthening the European identity through education and culture, and at advancing high-quality, inclusive education, paying special attention to **key-skills learning**, acquired in a lifelong learning process.

Learning mobility is one of the most important tools that contributes to the development of professional competences and skills, as well as to increasing employment opportunities. The Presidency will continue discussions on the **proposal for a Regulation on the Erasmus+ Programme**, with a view to agreeing a programme that favours inclusion and that will contribute to increasing the mobility of pupils, student, teachers and administrative staff, as well as to promoting European values through education. A special attention will be given to establishing and developing European universities' networks and centres of excellence in vocational and technical education.

At the same time, one of the files that will be subject to debate concerns the **proposal for a Council Recommendation on high-quality early childhood education and care systems**, with the objective of its adoption, emphasising the importance of early education and care services for strengthening inclusion and cohesion, as well as the European dimension and the integration of families and children from third countries. Through this Recommendation, Member States will be supported in their efforts to improve the accessibility and quality of the early education and care systems.

Moreover, the Romanian Presidency will focus on promoting training, multilingual and cultural awareness.

Regarding the **contribution of education to the European Union's cohesion and competitiveness**, the Romanian Presidency will act to reach a consensus of the ministers of education on the **Council Recommendation on a comprehensive approach to language teaching and learning**. Foreign-language learning may be stimulated by the use of digital tools, aiming to increase pupils', students' and staff mobility and developing an inclusive cultural environment.

Learning foreign languages can contribute to: increasing employability, social inclusion, active citizenship and personal fulfilment. All Member States recognised the need to consolidate multilingualism and develop language skills in the Union.

## **Facilitating young people's access to EU Single Market opportunities**

The Romanian Presidency will aim at contributing to increasing the quality of the dialogue between public authorities and the young, at all levels (local, regional, national and European), by **promoting the active participation of the young, including those from disadvantaged areas, in the European Union's actions**. This, in fact, is a significant parameter in the activity of the current Trio, with Finland and Croatia lined up to continue the debates on improving youth inclusion and the structured dialogue process. On the brink of the European elections of May 2019, **young people's involvement in community life**



is an important dimension of the Romanian Presidency to the European Union Council. Against the backdrop generated by Brexit, rising Euro-scepticism and the migration crisis, the Presidency's objective is **to bring young people closer to the European project**, by developing skills and promoting active participation and volunteering. In this context, the Romanian Presidency aims to advance as much as possible the interinstitutional negotiations on the proposal for a Regulation on the *European Solidarity Corps*.

The Romanian Presidency aims to promote, as a main topic in the field of youth, the **increase of the adaptability of young people to challenges** faced in finding a job.

Youth will also be a significant priority for the Romanian Presidency in the field of culture. In connection with the opportunities brought about by digital development, we will highlight the importance of ensuring young generations' access to culture, with a view to developing **creative, intercultural and communication skills**, which are vital for meeting the challenges of a continuously changing world. For this purpose, the Presidency aims to propose Council conclusions that will foster measures supporting creativity and entrepreneurship. In the context of social developments, marked by an extensive process of transformation and reassertion of the system of values, it is necessary to consolidate the feeling of belonging to a European cultural community. This can be achieved by promoting and supporting an increased **involvement in the community and wider access to culture and cultural heritage**. The young people play a critical role in promoting these values – intercultural dialogue, solidarity, volunteering, equal opportunities and active citizenship – and in promoting a unified message on European identity, based on their creative potential and high level of interest in new information and communication technologies.

At the same time, considering that our shared cultural features give us the feeling that we belong to a common space, we will approach the theme of cultural heritage by making use of the legacy and momentum generated by the *European Year of Cultural Heritage 2018*, by organising debates and events.

Heritage plays a fundamental role in increasing a region's attractiveness, representing a shared European resource of which all European citizens should be aware.

The Romanian Presidency will emphasise the importance of preserving cultural heritage by ensuring high quality standards in conservation and interventions. In the context, it is useful to identify best practice, but also unsuccessful interventions that highlight a worrying decrease in the quality of restoration work, detrimental to authenticity.

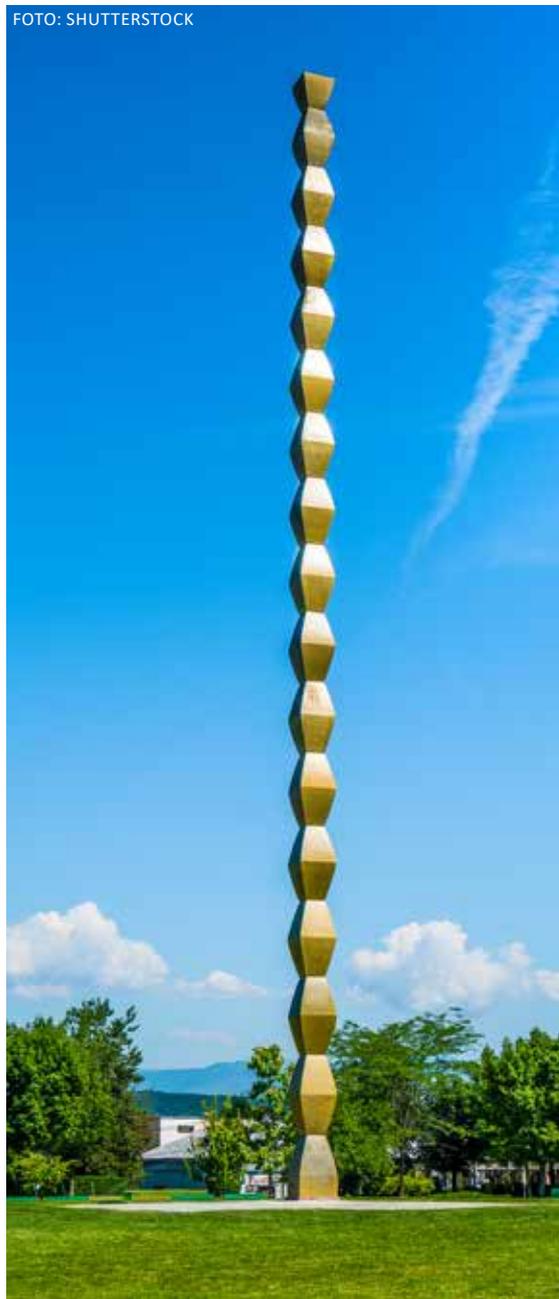
**Maximizing the European cultural and creative potential for the benefit of all European citizens** will be an important issue for the Presidency, which will emphasise the importance of developing the cultural and creative sectors. They contribute decisively to the social development and economic growth by, among other things, developing a highly qualified workforce.

The Romanian Presidency aims to continue the negotiations on the *proposal for a Regulation establishing the Creative Europe Programme (2021 – 2027)*, for the purpose of supporting the cultural and creative sectors, with the objective of facilitating

substantial progress in this dossier, to ensure the predictability and continuity of projects for the benefit of all parties involved. Aspects concerning the implementation of the programme will be discussed in the meetings of the network of *Creative Europe Desks* that will be held during the Romanian Presidency.

Moreover, in order to support the European film industry and its cultural diversity, the Romanian Presidency aims at contributing to the promotion of European film works, with a focus on co-productions, via Conclusions on *improving the cross-border circulation of audio-visual creations and co-productions*.

FOTO: SHUTTERSTOCK



The field of music will also be promoted during the Romanian Presidency, in the context of the changes generated by digital developments.

Considering the current challenges that the media and audio-visual industries are confronted with, fighting disinformation through media literacy and quality journalism is a stringent necessity. In order to reinforce trust in the digital media, the Romanian Presidency will facilitate debates on this issue, inviting Member States to share national best practices and solutions and to contribute to concrete European initiatives and actions.

### **Facilitating access to sport for all European citizens**

The Romanian Presidency will focus on **facilitating access to organised sports for persons with fewer opportunities**, and intends to put forward Council Conclusions on access to organised sport for people with disabilities.

The Presidency will act to foster performance in sports, emphasizing the positive perspective of the sports club – a space where community members meet, interpersonal relationships are established or developed, and athletes who provide exemplary role models are trained.

In legislative terms, the Romanian Presidency is prepared to make significant progress regarding the regulation for establishing the **Erasmus programme**, including the *sports* chapter.

At the same time, debates will be organised on **sports' development in the digital age**, with the aim of increasing the awareness level of sport organizations on the economic opportunities offered by the Digital Single Market.

In order to promote a *clean sport*, the Romanian Presidency of the EU Council will facilitate the formulation of the common position of the Member States and of the European Union on the **review of the World Anti-Doping Code and International Standards that accompany it**. Also, in the anti-doping field, under the Romanian Presidency the review process of the **Council Resolution on the representation and coordination of EU Member States in WADA Foundation Board's meetings** will continue.





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## 2. Dossiers prioritaires sous la présidence roumaine du Conseil de l'UE<sup>3</sup>

### Premier Pilier: „Europe de la convergence”

La présidence roumaine du Conseil de l'UE visera à assurer la convergence et la cohésion en Europe afin d'obtenir des opportunités de développement durables et égales pour tous les citoyens et tous les États Membres, en renforçant la compétitivité et en réduisant les écarts de développement, en favorisant la connectivité et la numérisation, en stimulant l'esprit d'entreprise et en consolidant la politique industrielle européenne.

Objectifs principaux:

- faire avancer le processus de négociation du Cadre Financier Pluriannuel 2021-2027.
- développer la dimension sociale de l'UE, par le biais de l'application du Socle Européen des Droits Sociaux.
- faire progresser l'agenda dans les domaines économique et financier, afin de stimuler la croissance et l'investissement, d'approfondir l'Union Économique et Monétaire et de soutenir les réformes structurelles.
- promouvoir la recherche et l'innovation, la numérisation et la connectivité, afin d'accroître la compétitivité de l'économie et de l'industrie européennes.

### Deuxième Pilier: „Une Europe plus sûre”

La présidence roumaine du Conseil de l'UE visera à consolider une Europe plus sûre grâce à une cohésion accrue entre les États Membres de l'UE face aux nouveaux défis de sécurité qui menacent la sécurité des citoyens et en soutenant les initiatives de coopération sur le terrain.

Objectifs principaux:

- consolider la sécurité intérieure en renforçant la coopération entre les États membres et de la même manière, l'interopérabilité des systèmes de sécurité de l'UE, en protégeant la sécurité des citoyens, des entreprises et des institutions publiques dans le cyber-espace et en améliorant la résilience globale de l'Union aux cyber-attaques.
- poursuivre la lutte contre le terrorisme
- facilitant la mise en œuvre du Parquet Européen
- accorder une attention accrue aux questions de migration, sur la base d'une approche globale de l'action au sein de l'UE et sur la promotion de la coopération avec les pays d'origine et de transit, ainsi que faciliter le dialogue entre les États Membres en vue de trouver des solutions permettant de garantir une politique européenne de migration et d'asile durable et efficace.

### Troisième Pilier: „L'Europe en tant qu'acteur global”

Au cours de son mandat de Présidence du Conseil de l'UE, la Roumanie soutiendra le renforcement du rôle global de l'UE en promouvant la politique d'élargissement, l'action européenne dans son voisinage, la mise en œuvre de la stratégie globale et la garantie des ressources nécessaires pour l'UE et la mise en œuvre de tous les engagements globaux de l'UE.

Objectifs principaux:

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<sup>3</sup> <https://www.romania2019.eu/priorites/>

- promouvoir le renforcement des capacités de défense et de sécurité de l'UE en lien étroit avec des processus similaires au sein de l'OTAN, l'accent étant mis sur la consolidation du partenariat stratégique UE-OTAN.
- soutenir le développement de l'action dans le domaine de la Politique de sécurité et de défense commune (PSDC), principalement en consolidant les mécanismes actuels tout en assurant la synergie des nouveaux instruments, tels que: L'examen annuel coordonné en matière de défense (EACD), Fonds européen de la défense et la Coopération structurée permanente.
- faire progresser le processus d'élargissement de l'UE afin de renforcer la sécurité intérieure et extérieure.
- promouvoir des actions coordonnées et cohérentes dans le voisinage de l'UE, en célébrant le dixième anniversaire du lancement du Partenariat Oriental, en réaffirmant l'importance de la mer Noire dans l'agenda de l'UE, notamment dans la perspective du relancement de la Synergie de la mer Noire.
- promouvoir les intérêts commerciaux par la consolidation du multilatéralisme et la modernisation du système commercial multilatéral et par l'élargissement des Accords de partenariat économique et de libre-échange.

#### Quatrième Pilier: „L'Europe des valeurs communes”

La présidence roumaine du Conseil de l'UE vise à stimuler la solidarité et la cohésion de l'UE par la promotion des politiques luttant contre la discrimination, des politiques pour l'égalité des chances et le traitement égal entre les hommes et les femmes, ainsi que en impliquant davantage les citoyens, en particulier les jeunes, dans les débats européens.

Objectifs principaux:

- promouvoir la lutte efficace contre le racisme, l'intolérance, la xénophobie, le populisme, l'antisémitisme tout en décourageant le discours de la haine.
- promouvoir la lutte contre la désinformation en ligne et les fausses nouvelles (fake news) à travers une meilleure éducation médiatique et en développant des mécanismes européens favorisant les bonnes pratiques de lutte contre la désinformation.
- promouvoir et soutenir les initiatives législatives concernant le progrès social, l'égalité de chances entre les hommes et les femmes, la réduction des écarts de développement, ainsi que la garantie de l'accès à l'éducation et à la formation des catégories défavorisées.
- lutter contre la discrimination sur le marché du travail et dans l'environnement des entreprises, ainsi que contre les écarts de rémunération entre hommes et femmes.

### **3. Priorités de la présidence roumaine débattues au sein des commissions parlementaires<sup>4</sup>**

Lors d'une série de réunions en commissions parlementaires, les ministres roumains présentent les priorités de la présidence roumaine du Conseil des ministres de l'UE.

La Roumanie assure la présidence du Conseil jusqu'à fin juin 2019. Les auditions ont débuté le 21 janvier 2019.

#### **Transport et tourisme: nécessité d'une action au niveau de l'UE pour favoriser le développement du tourisme**

“Il nous faut développer une nouvelle stratégie concrète pour faire croître le tourisme dans l'UE et la présidence aura pour objectif de mettre en œuvre les conclusions du Conseil sur le développement du tourisme en Europe, a déclaré le ministre du tourisme Bogdan Trif. Nous devons évaluer l'impact du tourisme au niveau local, promouvoir la durabilité environnementale et économique du tourisme et encourager l'utilisation des technologies numériques dans le tourisme”, a-t-il ajouté.

Les députés ont salué l'accent mis sur le développement du tourisme et ont souligné que des efforts supplémentaires étaient nécessaires pour résoudre les problèmes causés par le “sur-tourisme” et pour garantir que les besoins des personnes en situation de handicap soient pleinement pris en compte. Les députés ont également souligné le potentiel du tourisme à vélo, l'importance du financement des initiatives en matière de tourisme au niveau européen et les progrès réalisés en matière d'utilisation de billetterie multimodale.

#### **Agriculture et développement rural: PAC, chaîne alimentaire, maladies**

Faire avancer la réforme de la politique agricole pour l'après-2020 est notre principale priorité, a déclaré mercredi Petre Daea, ministre de l'agriculture et du développement rural. La présidence cherchera également à finaliser les nouvelles règles de l'UE visant à lutter contre les pratiques déloyales dans la chaîne d'approvisionnement alimentaire et à trouver des façons efficaces de lutter contre la propagation de maladies animales telles que la fièvre porcine africaine, a ajouté M. Daea. Les députés ont remis en question le calendrier de la réforme de la politique agricole commune (PAC) et ont exprimé leur préoccupation concernant les négociations commerciales avec les pays tiers.

#### **Environnement, santé publique et sécurité alimentaire**

Grațîela Leocadia Gavrilescu, vice-Première ministre et ministre de l'environnement, a déclaré que la présidence se concentrerait sur la conclusion des négociations interinstitutionnelles relatives aux normes de CO2 pour les véhicules utilitaires lourds, et sur la progression des négociations relatives au nouveau programme LIFE. La présidence roumaine lancera également les discussions au Conseil sur la proposition à venir concernant la réduction des émissions de CO2 dans le transport maritime.

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<sup>4</sup> <http://www.europarl.europa.eu/news/fr/press-room/20190122IPR24027/les-priorites-de-la-presidence-roumaine-debattues-en-commissions>

Parmi les priorités, la ministre a également évoqué la stratégie de l'UE en matière de biodiversité pour l'après-2020, "l'écologisation" du semestre européen, le débat en cours sur les perturbateurs endocriniens et le développement durable.

Ioan Deneş, ministre des eaux et des forêts, a annoncé que la présidence s'efforcera de faire progresser les négociations relatives à deux dossiers législatifs sur la gestion des eaux (directive sur l'eau potable et règlement sur la réutilisation de l'eau).

Petre Daea, ministre de l'agriculture et du développement durable, a déclaré que la présidence roumaine travaillerait sur la proposition relative à la transparence et à la durabilité du système d'évaluation des risques dans la chaîne alimentaire (législation alimentaire générale), avec pour objectif d'aboutir à un accord d'ici mi-février.

Sorina Pintea, ministre de la santé, a déclaré que la présidence roumaine ferait progresser les négociations relatives au règlement sur l'évaluation des technologies de la santé. La présidence organisera par ailleurs le 1er mars une conférence ministérielle à Bucarest sur les prochaines étapes permettant de faire de l'UE un exemple dans la lutte contre la résistance antimicrobienne, et elle travaillera à augmenter la couverture vaccinale dans l'UE.

### **Libertés civiles, justice et affaires intérieures**

Le Brexit, la migration et la sécurité sont les principaux défis en matière d'affaires intérieures, selon la ministre roumaine de l'intérieur, Carmen Dan. Concernant la réforme du régime d'asile, Mme Dan a insisté sur le fait qu'il était essentiel de trouver un équilibre entre la responsabilité et la solidarité. Elle a reconnu la difficulté pour les États membres d'aboutir à une position commune sur le règlement de Dublin et a déclaré que son objectif était de débloquer les négociations, au moins pour les dossiers ayant le plus de chances d'être adoptés.

Le ministre de la justice, Tudorel Toader, a souligné que la lutte contre la criminalité transfrontalière et l'amélioration de la coopération policière étaient des objectifs clés de la présidence. Il a rappelé qu'il était important d'étendre les compétences du parquet européen à d'autres infractions graves telles que les crimes terroristes, mais pas avant que l'agence ne devienne opérationnelle. Les députés ont posé de nombreuses questions au ministre sur l'État de droit et la lutte contre la corruption en Roumanie.

### **Affaires juridiques**

Le ministre de la justice, Tudorel Toader, a promis une coopération étroite et fructueuse avec la commission des affaires juridiques jusqu'à la fin de la législature. Les principales priorités de la présidence roumaine seront la finalisation des négociations sur les lanceurs d'alerte, les recours collectifs, le paquet européen sur le droit des sociétés, la coopération judiciaire et l'accès aux documents.

La présidence a hâte d'entamer les négociations sur les programmes "Justice" et "Droits et valeurs" et a souligné que, comme pour la directive sur les lanceurs d'alerte, la protection des droits des citoyens devait demeurer une composante clé durant les négociations. Le ministre a conclu en rappelant qu'il était essentiel d'éduquer et d'informer les citoyens sur les questions liées à la législation et aux valeurs de l'UE.

Durant l'audition, les députés ont souligné l'importance du dossier relatif au droit d'auteur et ont appelé à son déblocage au Conseil. Ils ont exprimé leur préoccupation quant à l'État de droit et à la réforme judiciaire en cours en Roumanie et ont encouragé à la coopération avec la Commission de Venise.

### **Industrie, recherche et énergie**

Dans le domaine de l'énergie, la présidence roumaine se concentrera sur les consommateurs, la diversification des sources d'énergie, l'approvisionnement et la sécurité, ainsi que l'accessibilité des services d'énergie, a déclaré mercredi Anton Anton, ministre roumain de l'énergie. La présidence formalisera les accords politiques sur la réforme du marché de l'électricité, une partie du train de mesures sur l'énergie propre et souhaite faire avancer autant que possible les négociations relatives aux règles communes sur le gaz naturel pour le marché intérieur.

Alexandru Petrescu, ministre des communications et de la société de l'information, a déclaré que la présidence roumaine se concentrerait particulièrement sur tous les sujets liés à la numérisation, dans l'ensemble de l'UE et dans tous les secteurs économiques. Elle fera progresser et, lorsque ce sera possible, aboutir les négociations relatives à des dossiers législatifs, comme la réutilisation des informations du secteur public, le programme pour une Europe numérique, la partie télécommunications du mécanisme pour l'interconnexion en Europe, la vie privée et les communications électroniques, la création du Centre européen de compétences industrielles, technologiques et de recherche en matière de cybersécurité et le réseau de centres nationaux de coordination.

L'un des principaux objectifs de la présidence en matière de recherche et d'innovation est de promouvoir les solutions européennes visant à réduire les écarts de performance en la matière entre États membres, a déclaré Nicolae Hurduc, ministre de la recherche et de l'innovation. La présidence roumaine ambitionne également de faire progresser les négociations sur le dossier Horizon Europe.

Niculae Bădălău, ministre de l'économie (en charge de l'industrie et de l'industrie de défense), a déclaré que la présidence poursuivrait les efforts en matière de développement d'une politique industrielle européenne à long terme pour 2030 et pousserait pour obtenir des conclusions du Conseil sur ce sujet. L'intelligence artificielle a également été mentionnée comme essentielle pour l'industrie européenne.

### **Emploi et affaires sociales: promouvoir une mobilité équitable de la main-d'œuvre dans l'UE**

“Notre présidence a pour ambition de promouvoir la libre mobilité des travailleurs comme facteur de croissance et de compétitivité dans le marché intérieur, tout en luttant contre la fraude et les inégalités”, a déclaré mercredi Marius-Constantin Budai, ministre du travail et de la justice sociale. Les priorités de la présidence roumaine incluent: la garantie que le socle européen des droits sociaux inclue davantage les partenaires sociaux, la promotion de la santé et de la sécurité au travail, ainsi que de l'égalité des chances entre hommes et femmes sur le marché du travail, notamment en réduisant l'écart salarial.

Le ministre a précisé que le Conseil pensait pouvoir aboutir à un accord avant la fin de la législature actuelle sur les dossiers suivants:

- création d'une Autorité européenne du travail;
- coordination des régimes de sécurité sociale;
- conditions de travail transparentes et prévisibles;
- troisième proposition relative à la protection des travailleurs contre les substances cancérigènes et mutagènes; et
- directive sur l'équilibre entre vie professionnelle et vie privée.

### **Développement régional: la cohésion, une valeur européenne commune**

Faire progresser la procédure de négociation relative au budget à long-terme de l'UE pour la période 2021-2027 sera l'une des priorités durant la présidence roumaine du Conseil, d'après Rovanna Plumb, ministre des fonds européens. La ministre a également précisé que les autres priorités de la présidence étaient: "une Europe de la convergence, plus sûre, plus forte sur la scène internationale et une Europe aux valeurs communes."

Les députés ont précisé que la commission du développement régional était prête à avancer sur tous les dossiers législatifs et souhaite avoir l'opportunité de négocier avec les États membres, en recherchant une approche plus large en matière de coopération.

### **Affaires étrangères**

Promouvoir la politique d'élargissement de l'UE avec les Balkans occidentaux, renforcer les liens avec les pays voisins et consolider la stratégie mondiale de l'UE figurent parmi les priorités de la présidence roumaine. Comme l'a déclaré le ministre roumain des affaires étrangères, Teodor Meleşcanu, "la cohésion sera le moteur de notre présidence". La présidence s'efforcera de maintenir ouverts tous les canaux de communication avec la Turquie, en gardant à l'esprit que ce pays est un partenaire stratégique de l'UE dans de nombreux domaines.

La présidence roumaine du Conseil arrive à un moment historique pour l'UE, avec le Brexit imminent et les prochaines élections européennes. Parallèlement au renforcement de l'action extérieure de l'UE, la présidence mettra l'accent sur la lutte contre la désinformation et le développement d'un mécanisme européen de partage des bonnes pratiques pour lutter contre la désinformation.

### **Transports**

Promouvoir la connectivité, la numérisation et l'utilisation de la technologie afin d'accroître la compétitivité de l'industrie européenne des transports sont les principales priorités de la présidence roumaine du Conseil, a déclaré Rovanna Plumb, ministre des transports par intérim.

La présidence se concentrera sur les propositions relatives à la gestion des infrastructures de sécurité routière, aux règles de location des camions d'un autre État membre et aux cabines aérodynamiques pour camions. Elle ambitionne également de faire progresser la proposition relative à l'Eurovignette, les directives sur les droits des passagers ferroviaires et sur les véhicules propres, le règlement relatif au mécanisme pour l'interconnexion en Europe, ainsi que la formation des gens de mer et le guichet

unique maritime. Elle est prête à discuter du paquet mobilité et abordera la question de la fin du changement d'heure saisonnier au cours de la seconde moitié de la présidence.

Les députés se sont félicités des projets ambitieux, mais ont fait remarquer que les négociations entre le Conseil et le Parlement devront être conclues bien en amont des élections européennes. Les députés ont salué l'accent mis sur le développement du réseau RTE-T et la finalisation du renouvellement du mécanisme pour l'interconnexion en Europe et des droits des voyageurs ferroviaires. Ils ont exprimé l'espoir que la Roumanie puisse profiter de la période de présidence pour lutter contre la concurrence déloyale dans les transports.

#### **Droits des femmes et égalité des genres:**

Équilibre vie professionnelle-vie privée, présence des femmes dans les conseils d'administration et Convention d'Istanbul

“Nous nous efforcerons de clore les négociations et de parvenir à un accord sur la directive relative à l'équilibre entre vie professionnelle et vie privée lors d'un trilogue final mercredi”, a déclaré mardi le ministre roumain du travail et de la justice sociale, Marius-Constantin Budai. Parmi les autres priorités de la présidence: faire avancer les négociations sur la directive relative à un meilleur équilibre hommes-femmes parmi les administrateurs non exécutifs des sociétés cotées en bourse, qui est bloquée depuis plusieurs années au Conseil. La lutte contre l'écart de rémunération entre les hommes et les femmes et contre toutes les formes de discrimination figurent également en bonne place à dans le programme de la présidence roumaine.

Concernant la Convention du Conseil de l'Europe sur la prévention et la lutte contre la violence à l'égard des femmes (Convention d'Istanbul), M. Budai a déclaré que la Présidence roumaine ferait tout son possible pour que tous les États membres la ratifient (à ce jour, huit pays de l'UE ne l'ont pas encore fait).

#### **Affaires économiques et monétaires: union bancaire et des marchés de capitaux, Fonds monétaire européen**

Eugen Teodorovici, Président du conseil ECOFIN et ministre des finances publiques, a déclaré lundi que la présidence s'efforcerait de poursuivre l'approfondissement de l'union économique et monétaire, notamment au travers de progrès dans l'union bancaire et l'union des marchés de capitaux, de progresser vers une fiscalité plus juste et d'améliorer la convergence économique.

Les députés ont été particulièrement intéressés par l'opinion de M. Teodorovici concernant les propositions relatives au Fonds monétaire européen et au mécanisme de stabilisation, ainsi que par les progrès qui pourraient être réalisés vers un budget de la zone euro. Ils se sont également enquis des prochaines étapes relatives à la fiscalité numérique, de la liste des juridictions non coopératives en matière fiscale ainsi que de la révision des agences de surveillance financière de l'UE.

#### **Budgets: invitation à comparaître refusée**

Les présidences successives du Conseil ont été invitées à présenter leurs priorités en matière budgétaire, sans jamais les accepter. La présidence roumaine s'est jusqu'à présent abstenue de répondre, malgré le nombre important de dossiers d'intérêt commun traités par cette commission, notamment le budget 2020, le cadre financier pluriannuel 2021-2027, la protection des intérêts

financiers en cas de défaillance en matière d'État de droit, InvestEU ou le programme d'appui aux réformes.

### **Culture et éducation: mobilité, inclusion, soutien aux artistes et rémunération équitable des auteurs**

La présidence mettra l'accent sur l'éducation et la protection de la petite enfance ainsi que sur l'enseignement et l'apprentissage des langues, car ils peuvent accroître la mobilité et créer un environnement inclusif, a déclaré mardi la ministre de l'éducation nationale, Ecaterina Andronescu.

Le ministre de la culture et de l'identité nationale, Valer Daniel Breaz, a déclaré que la présidence roumaine tenterait de finaliser les négociations relatives à la législation sur le droit d'auteur, en soulignant l'importance d'une rémunération équitable des artistes, mais aussi l'accès au contenu.

L'accès à davantage d'opportunités, une meilleure intégration au marché du travail et le volontariat des jeunes seront les principales priorités dans le domaine de la jeunesse, a déclaré le ministre de la jeunesse et des sports, Constantin-Bogdan Matei.

### **Marché intérieur: plateformes en ligne, surveillance du marché, protection des consommateurs**

La finalisation des négociations relatives aux plateformes en ligne et aux règles de surveillance du marché pour garantir que les produits vendus dans l'UE sont sûrs figure parmi les priorités de la présidence, a déclaré mardi le ministre de l'économie, Nicolae Bădălău. Le programme du marché unique 2021-2027, qui dépendra des négociations sur le cadre financier pluriannuel (CFP), figure également parmi les priorités.

Lors de la mise à jour des règles de protection des consommateurs (la "proposition omnibus" votée mardi en commission, qui traite également de la qualité différenciée des produits), la présidence cherchera à obtenir la position du Conseil début février, a assuré le ministre, afin que les négociations avec le Parlement puissent démarrer dès que possible.

### III. Politique en Roumanie

#### 1. Système politique

La Roumanie est une république démocratique multipartite, le régime semi-présidentiel, où le Premier ministre est le chef du gouvernement. Le pouvoir exécutif est détenu par le gouvernement tandis que le pouvoir législatif est partagé entre le gouvernement et les deux chambres du parlement.

Le président est élu au suffrage universel direct pour un mandat de cinq ans. En tant que chef d'État, il est chargé de la sauvegarde de la Constitution, des affaires étrangères et du bon fonctionnement des autorités publiques. Il est également le commandant suprême des forces armées et président du Conseil suprême de défense nationale. Il nomme le Premier ministre sur conseil du parti majoritaire au parlement. Si aucun parti ne détient la majorité, il consulte au préalable l'ensemble des partis représentés. Le Premier ministre nomme les autres membres du gouvernement. Lui et ses ministres répondent politiquement de leurs actes devant le parlement.

Le parlement de la Roumanie est un système bicaméral formé du Sénat (*Senat*) composé de 137 sénateurs et de la Chambre des députés (*Camera Deputaților*) composée de 334 députés. Les membres des deux chambres sont élus pour quatre ans, la dernière fois en décembre 2016.

#### 2. Développement historique de l'institution parlementaire<sup>5</sup>

L'histoire parlementaire de la Roumanie commence en 1831, avec l'adoption, en Valachie, d'un document constitutionnel appelé Règlement organique, mis en œuvre, un an plus tard, également en Moldavie. Les règlements organiques ont jeté les bases de l'institution parlementaire dans les Principautés roumaines.

L'Accord de Paris de 1858 et, surtout, les Statuts en développement de l'Accord (qui introduisirent la représentation à deux chambres), adoptés à l'initiative du prince Alexandru Ioan Cuza, au moyen d'un plébiscite, en 1864, ont perfectionné et élargi le principe de la représentation nationale. Sous le régime politique établi par l'Accord de Paris, le pouvoir législatif a été confronté à un processus évident de modernisation, et le pouvoir législatif en tant que représentation nationale, qui fonctionnait conformément à l'organisation et au mode de fonctionnement des parlements en Europe occidentale à cette époque.

Le processus historique de formation du Parlement de la Roumanie à l'époque moderne a fortement stimulé l'affirmation de la souveraineté nationale, conduisant par la suite à l'Union des deux Principautés, en 1859. Sous la coupole du Parlement roumain, le 9 mai 1877, la Déclaration d'indépendance de la Roumanie a été lue et, en 1920, les documents d'union des provinces historiques roumaines avec le pays ont été ratifiés.

En février 1938, sous une forte pression politique, le roi Carol II, qui a toujours sapé le rôle de l'institution parlementaire, impose un régime monarchique autoritaire. Sous le régime de la dictature royale, le Parlement n'est devenu qu'un organe décoratif, privé de ses principaux attributs.

A l'automne 1940, par la mise en place du régime de la dictature militaire, l'activité du Parlement fut suspendue. Après le 23 août 1944, sous la pression des forces soviétiques et communistes, le Parlement fut réorganisé en un seul organe législatif, l'Assemblée des députés, qui, conformément à la Constitution de 1948, devint la Grande Assemblée nationale, un organe formel, totalement subordonné au pouvoir communiste.

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<sup>5</sup> <http://www.cdep.ro/pls/dic/site2015.page?den=istorie2&idl=2>

La Révolution de décembre 1989 a ouvert la voie au retour de la Roumanie à un régime démocratique authentique, fondé sur des élections libres et le pluralisme politique, le respect des droits de l'homme, la séparation des pouvoirs et la responsabilité des dirigeants devant les organes représentatifs. Grâce aux documents délivrés par le pouvoir révolutionnaire provisoire, la Roumanie est revenue au système parlementaire à deux chambres. Toutes ces dispositions figurent dans la nouvelle Constitution du pays, approuvée par référendum en 1991.

Au cours de cette décennie si tourmentée de transition post-communiste, la Chambre des députés - avec le Sénat - a débattu et adopté un nombre impressionnant de lois et de règlements visant à réformer l'ensemble de la société sur des bases démocratiques, à garantir le respect des droits humains fondamentaux, à promouvoir la réforme et la privatisation, à consolider les institutions économiques du marché et de l'Etat de droit, qui sont les conditions de l'intégration de la Roumanie aux structures européennes et euroatlantiques.

### 3. Contexte politique actuel<sup>6</sup>

Klaus Iohannis, porté au pouvoir par le PNL (parti pro-européen de centre-droit), a été investi à la présidence de la Roumanie le 21 décembre 2014. L'élection en novembre 2014 de ce membre de la minorité allemande a surpris, alors que les sondages donnaient pour favori le premier ministre d'alors, Victor Ponta (Parti social-démocrate, PSD, affilié aux S&D), et a révélé un désir de changement d'une partie de la société roumaine en faveur de l'État de droit. Le président Iohannis a dû toutefois cohabiter près d'un an avec M. Ponta et sa majorité parlementaire, jusqu'à la démission de ce dernier, le 4 novembre 2015, suite au mouvement de protestation contre la corruption provoqué par un tragique fait divers (incendie de la discothèque Colectiv).

Le président Iohannis a alors chargé une personnalité indépendante, l'ancien commissaire européen Dacian Cioloș, de former un gouvernement d'experts pour mener le pays jusqu'au terme normal des élections législatives, fin 2016. Ce gouvernement a été approuvé le 17 novembre 2015 par le Parlement sur le fondement d'un programme de réformes prioritaires (lutte contre la corruption, réforme de l'État, stabilité économique, éducation, santé), dont il a posé les bases durant son année d'exercice du pouvoir.

Les législatives du 11 décembre 2016 ont ramené au pouvoir le PSD qui, avec son allié libéral ALDE, est assuré d'une majorité dans les deux chambres du Parlement (174 sièges sur les 329 de la Chambre des députés et 76 sur les 136 du Sénat). Cette coalition semble pouvoir compter au besoin sur un soutien du parti de la minorité hongroise (UDMR, 21 députés, 9 sénateurs). Les formations de droite (PNL et PMP) et le parti issu de la société civile (Union « Sauvez la Roumanie » / USR) forment l'opposition.

Répartition des mandats:

PSD :	154 députés	PNL :	69 députés
ALDE :	20 députés	PMP :	18 députés
UDMR :	21 députés	Minorités :	17 députés
USR :	30 députés		

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<sup>6</sup> <https://www.diplomatie.gouv.fr/fr/dossiers-pays/roumanie/presentation-de-la-roumanie/>

Investi le 4 janvier 2017, le gouvernement de Sorin Grindeanu a créé la polémique en adoptant dès le 31 janvier une réforme contestée de la justice, restreignant sensiblement les moyens des magistrats dans la lutte contre la corruption. Un mouvement de protestation, soutenu par le président Iohannis et les principales instances judiciaires, s'est développé à travers tout le pays et a atteint une ampleur inégalée depuis 1989 (jusqu'à 600 000 participants le 5 février). Face à ces réactions, le gouvernement a fait des gestes de compromis (abrogation des textes contestés le 5 février, démission le 9 février du ministre de la Justice, remaniement partiel le 23 février), qui ont permis un retour au calme.

Suite à des divergences internes apparues au sein même des partis de la coalition, en particulier le Parti social-démocrate de Liviu Dragnea (président de la Chambre des députés), le gouvernement Grindeanu a été renversé le 21 juin 2017 par une motion de censure. Un nouveau gouvernement a été investi le 29 juin, sous la direction de M. Mihai Tudose (PSD). Celui-ci a fait adopter une réforme judiciaire en décembre.

Le PSD ayant retiré sa confiance à M. Tudose en janvier 2018, Mme Viorica Dăncilă, une proche de M. Dragnea, a été chargée de former un gouvernement, qui a été investi le 29 janvier 2018. Ce gouvernement a fait adopter une réforme pénale en juin et juillet 2018 et obtenu la révocation de la procureure en chef anti-corruption, Mme Kövesi. Un référendum à valeur constitutionnelle tendant à rendre impossible l'ouverture du mariage aux couples de même sexe, organisé les 6 et 7 octobre 2018, a été invalidé en raison d'un faible taux de participation. Des remaniements gouvernementaux partiels ont eu lieu le 20 novembre 2018 et le 22 février 2019.

Dans le cadre du mécanisme de coopération et de vérification (MCV) mis en place lors de son adhésion à l'UE, la Commission européenne et le Conseil de l'Union européenne adressent des recommandations à la Roumanie pour l'aider à progresser dans sa réforme judiciaire et la lutte contre la corruption. Dans des conclusions adoptées le 11 décembre 2018, tenant compte d'un rapport du 13 novembre 2018 de la Commission européenne, le Conseil a rappelé les interrogations soulevées par la politique suivie dans ce domaine depuis 2017 et invité les autorités roumaines à réexaminer leur législation en matière de justice et de loi pénale à la lumière du besoin de compatibilité avec la législation de l'UE et les instruments anticorruption internationaux ainsi qu'avec les recommandations du MCV et de la Commission de Venise du Conseil de l'Europe.

### **Référendum sur la réforme de la justice<sup>7</sup>**

Le conflit entre le président Iohannis, qui dénonce une attaque contre le système judiciaire, et le gouvernement PSD, très critique à l'égard des institutions européennes, s'est aggravé avec la convocation par le président d'un référendum sur la réforme de la justice qui aura lieu le 26 mai. Le vote, qui va être organisé le même jour que les élections européennes, sera donc une opportunité pour que les Roumains se prononcent sur le gouvernement.

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<sup>7</sup> <http://www.rfi.fr/europe/20190328-roumanie-referendum-reforme-justice>

## IV. Acteurs politiques

### 1. Présidence de Roumanie



Prénom : Klaus

Nom : Iohannis

Date de naissance : 13 juin 1959

Lieu de naissance : Sibiu, Roumanie

Membre d'une vieille famille d'Allemands de souche ayant des racines dans les environs de Sibiu depuis la moitié du millénaire, le président Iohannis parle couramment allemand et anglais. En 1990, il a rejoint le Forum démocratique des Allemands en Roumanie (DFGR) où il a fait son apprentissage dans le domaine communautaire. En 2000, il a été nommé candidat du DFGR aux élections du maire de Sibiu, et finalement élu avec plus de 70% des voix. Il a remporté quatre mandats jusqu'en 2014, date à laquelle il a été élu Président de la Roumanie.

### 2. Premier ministre de Roumanie



Prénom : Viorica

Nom : Dăncilă

Date de naissance : 16 décembre 1963

Lieu de naissance : Roșiori de Vede, Roumanie

Viorica Dăncilă est devenue membre du Parti social-démocrate en 1996, dans le cadre de l'organisation PSD du comté de Teleorman. Au fil des ans, elle a occupé plusieurs postes au sein du PSD et de l'administration locale. Viorica Dăncilă a été conseillère municipale et conseillère de comté jusqu'en 2009, date à laquelle elle a été élue députée européenne pour son premier mandat. Aussi, Viorica Dăncilă a occupé plusieurs postes de direction dans le parti, comme président de l'organisation locale, vice-président de PSD Teleorman et président d'OFSD Teleorman. Avant d'entrer en politique, elle était ingénieure chez Petrom SA et, auparavant, enseignante à l'école secondaire industrielle Videle.

### 3. Présidences du Parlement

#### Président de la Chambre des Députés<sup>8</sup>



Prénom : *Nicolae-Liviu*

Nom : *Dragnea*

Date de naissance : 28 octobre 1962

Lieu de naissance : Gratia, Roumanie

Parti politique : PSD

#### Président du Sénat<sup>9</sup>



Prénom : *Călin*

Nom : *Popescu-Tăriceanu*

Date de naissance : 14 janvier 1952

Lieu de naissance : Bucharest, Roumanie

Parti politique : ALDE

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<sup>8</sup> <http://www.cdep.ro/pls/parlam/structura2015.mp?idm=103&cam=2&leg=2016&idl=3&pag=1&prn=0&par=>

<sup>9</sup> <https://www.senat.ro/FisaSenator.aspx?ParlamentarID=522AFE44-B00C-44EC-802F-BE592C406A5C>

#### 4. Composition du gouvernement

ANDRONESCU Ecaterina	Ministre de l'Éducation
ANTON Anton	Ministre de l'Énergie
BĂDĂLĂU Nicolae	Ministre de l'Économie
BIRCHALL Ana	Vice-Premier Ministre pour la mise en œuvre des buts stratégiques de la Roumanie
BREAZ Valer-Daniel	Ministre de la Culture et de l'Identité nationale
BUDĂI Marius-Constantin	Ministre du Travail et de la Justice sociale
CIAMBA George	Ministre-délégué aux Affaires Européennes
CUC Răzvan	Ministre des Transports et de l'Infrastructure
DAEA Petre	Ministre de l'Agriculture et du Développement Rural
DAN Carmen Daniela	Ministre de l'Intérieur
DENEȘ Ioan	Ministre des eaux et des forêts
GAVRILESCU Grațiela Leocadia	Vice-Premier Ministre, Ministre de l'Environnement
HURDUC Nicolae	Ministre de Recherche et Innovation
ILIE Viorel	Ministre en liaison avec le Parlement
INTOTERO Natalia-Elena	Ministre des Roumains à l'étranger
LEȘ Gabriel-Beniamin	Ministre de la Défense nationale
MATEI Constantin-Bogdan	Ministre de la Jeunesse et des Sports
OPREA Ștefan-Radu	Ministre du Commerce et l'Entrepreneuriat
PETRESCU Alexandru	Ministre des Communications
PINTEA Sorina	Ministre de la Santé
PLUMB Rovana	Ministre des Fonds Européens
ȘTEFAN Viorel	Vice-Premier Ministre
SUCIU Daniel	Ministre du développement rural et des administrations publiques
TEODOROVICI Eugen Orlando	Ministre des Finances Publiques
TOADER Tudorel	Ministre de la Justice
TRIF Bogdan Gheorghe	Ministre du Tourisme

## 5. Partis politiques<sup>1011</sup>



Le **Parti social-démocrate** (*Partidul Social Democrat, PSD*) est l'un des principaux partis politiques roumains, de type social-démocrate, membre du Parti socialiste européen (S&D) et de l'Internationale socialiste.

De 1997 à 2000, le parti est présidé par le président Ion Iliescu. De 2010 à 2015, il est présidé par le Premier ministre Victor Ponta. À la suite de la démission de celui-ci en juillet 2015, Liviu Dragnea est depuis le congrès d'octobre 2015, le président exécutif du parti.



L'**Alliance des libéraux et démocrates** (*Alianța Liberalilor și Democraților, ALDE*) est un parti politique se réclamant du centre droit et d'inspiration libérale. L'ALDE a été fondée le 19 juin 2015 par la fusion du Parti libéral-réformateur (PLR) et du Parti conservateur (PC). Ses présidents sont Daniel Constantin et l'ancien Premier ministre Călin Popescu-Tăriceanu, respectivement anciens présidents du PC et du

PLR. ALDE fait parti au niveau européen d' Alliance of Liberals and Democrats for Europe (ALDE).



Le **Parti national libéral** (*Partidul Național Liberal, PNL*) est un parti national-libéral et conservateur. Il est présidé depuis 2017 par Ludovic Orban.

Initialement membre de l'Internationale libérale et du Parti de l'Alliance des libéraux et des démocrates pour l'Europe (ALDE), il rejoint le groupe du Parti populaire européen (EPP) au Parlement européen après les élections de 2014.

<sup>10</sup> <http://perspective.usherbrooke.ca/bilan/servlet/BMGvt?codePays=ROM>

<sup>11</sup> <https://www.ladocumentationfrancaise.fr/pages-europe/d000442-roumanie.-la-renovation-de-la-scene-partisane-le-cas-du-parti-democrate-liberal-par>



Le **Parti Mouvement populaire** (*Partidul Mișcarea Populară*, PMP) est un parti fondé le 13 avril 2013 sous le nom de Fondation mouvement populaire, en soutien au président de la Roumanie, Traian Băsescu, à la suite de dissensions au sein du Parti démocrate-libéral (PDL), issu des transformations successives du Front de salut national (FSN). Les députés du PMP au Parlement Européen sont membres du EPP.



**L'Union sauvez la Roumanie** (*Uniunea Salvați România*) est un parti fondé en 2016, après le succès du parti Union sauvez Bucarest (*Uniunea Salvați Bucureștiul*) lors des élections locales de 2016.

Après avoir été officiellement enregistré comme parti politique en 2016, il s'unit avec le parti Union sauvez Bucarest et le parti Union pour Codlea (ville en Roumanie centrale). Grâce à cela, le parti gagne ainsi la plupart de ses premiers membres. L'USR ne compte aucun Europarlementaire.



**L'Union démocrate magyare de Roumanie** (en roumain : *Uniunea Democrată Maghiară din România*, abrégé en UDMR et en hongrois : *Romániai Magyar Demokrata Szövetség*, abrégé en RMDSz) est un parti politique ethnique représentant, comme son nom l'indique, les Hongrois de Roumanie. L'UDMR est membre du Parti populaire européen (EPP) depuis mars 1998.

## **6. Rapport final de l'OSCE/BIDDH sur l'évaluation des élections**



Office for Democratic Institutions and Human Rights

**ROMANIA**  
**PARLIAMENTARY ELECTIONS**  
**11 December 2016**

**OSCE/ODIHR NEEDS ASSESSMENT MISSION REPORT**  
**27 – 29 September 2016**



Warsaw  
31 October 2016

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**ROMANIA**  
**PARLIAMENTARY ELECTIONS**  
**11 December 2016**

**OSCE/ODIHR Needs Assessment Mission Report**  
**27-29 September 2016**

**I. INTRODUCTION**

Following an invitation from the Permanent Mission of Romania to the International Organizations in Vienna to observe the 11 December 2016 parliamentary elections and in accordance with its mandate, the OSCE Office for Democratic Institutions and Human Rights (ODIHR) undertook a Needs Assessment Mission (NAM) from 27 to 29 September. The NAM included Steven Martin, Senior Adviser on New Voting Technologies, and Ulvi Akhundlu, OSCE/ODIHR Election Adviser.

The purpose of the mission was to assess the pre-election environment and the preparations for the parliamentary elections. Based on this assessment, the NAM should recommend whether to deploy an OSCE/ODIHR election-related activity for the forthcoming elections, and if so, what type of activity best meets the identified needs. Meetings were held with officials from state institutions and the election administration, as well as with representatives of political parties, civil society, media, and the international community. A list of meetings is annexed to this report.

The OSCE/ODIHR would like to thank the Ministry of Foreign Affairs for its assistance and co-operation in organizing the visit. The OSCE/ODIHR is grateful to all of its interlocutors for taking the time to meet with the mission.

**II. EXECUTIVE SUMMARY**

In the 11 December parliamentary elections, voters will elect 330 members of the lower house of parliament and 136 members of the upper house through a fully proportional system. The elections will be conducted under a substantially revised legal framework. Key changes address a number of previous OSCE/ODIHR recommendations and include new provisions on voter and candidate registration, recruitment of polling staff, postal voting for citizens abroad, political and campaign finance, and deadlines for review of complaints and appeals. Most OSCE/ODIHR NAM interlocutors stated that the drafting process of the new laws was generally inclusive, included public consultation, and they were overall satisfied with the outcome.

The elections will be managed by two administrative structures: the Permanent Electoral Authority (PEA) and a three-tiered structure of election bureaus, headed by the Central Election Bureau. Most OSCE/ODIHR NAM interlocutors expressed a high level of trust in the professionalism and confidence in the impartiality of the election administration, though some reservations were noted concerning its ability to recruit enough trained staff to fill lower-level positions.

Voter registration is managed by the PEA, which extracts the electoral register based on a compilation of information from various government authorities. Since 2014, the PEA has introduced a centralized electronic register to increase list accuracy and prevent multiple entries. The number of voters is estimated at 18.9 million. The majority of OSCE/ODIHR NAM stakeholders expressed support for the PEA's initiatives to improve the integrity of the register as well as general confidence in voter list accuracy.

Candidate registration procedures were amended in 2015, specifically with regard to establishing parties, and candidate registration requirements, and some of introduced changes address previous OSCE/ODIHR recommendations. Although the number of parties eligible to contest the elections increased significantly compared to previous elections, some OSCE/ODIHR NAM interlocutors noted that the signature collection process posed challenges to new and smaller parties.

The electoral campaign commences 30 days before and ends on the Saturday preceding election day. Despite stringent regulations, all parties that the OSCE/ODIHR NAM met with noted their ability to campaign freely and convey their messages to the electorate. Most OSCE/ODIHR NAM interlocutors did not express significant concerns over party and campaign finance. However, some questioned the PEA's ability to efficiently fulfil its oversight duties given limited resources.

A range of media outlets operate in the country with television considered the primary source of political information. While the media landscape is considered open and vibrant, aside from the public broadcaster, outlets were generally characterized as politically aligned with the larger parties. Broadcast media, both private and public, are subject to strict and detailed regulations of campaign coverage. OSCE/ODIHR NAM interlocutors generally noted that the Audiovisual Council was only partially effective in its oversight function of media during elections.

The system of complaints and appeals offers an effective opportunity for legal remedy. In line with previous OSCE/ODIHR recommendations, the legislation establishes an expeditious dispute resolution process. Overall, OSCE/ODIHR NAM interlocutors expressed confidence in the complaints process and the impartiality of authorities to resolve electoral disputes.

Most OSCE/ODIHR NAM interlocutors expressed confidence in the legal framework for elections and noted the overall professionalism and impartiality of the election administration and its ability to efficiently organize elections. While a number of previous OSCE/ODIHR recommendations have been addressed, the OSCE/ODIHR NAM interlocutors welcomed a potential observation activity, recognizing that an external assessment and recommendations would be of added-value and certain aspects of the electoral process would benefit from further review.

In this context, areas that could benefit from review include the implementation of the amended legal framework, campaign and campaign finance regulation, and the media's campaign coverage. Based on this, and available resources, the OSCE/ODIHR NAM recommends the deployment of an Election Expert Team (EET) for the 11 December parliamentary elections. The OSCE/ODIHR EET would focus its efforts on the effects of the new legislation and application of election procedures, the conduct of the campaign, campaign finance and aspects of media campaign coverage. Given the number of concurrent election-related activities taking place across the OSCE region in the fall of 2016, the deployment of an EET to the 2016 parliamentary elections in Romania will be contingent upon availability of resources.

### **III. FINDINGS**

#### **A. BACKGROUND AND POLITICAL CONTEXT**

Parliament is composed of two chambers: a lower house, the Chamber of Deputies, and an upper house, the Senate. The president is directly elected and appoints the prime minister and government with the approval of the parliament.

Following the last parliamentary elections in 2012, the coalition of the Social Liberal Union (USL) comprising the Social Democratic Party (PSD), National Liberal Party (PNL), and Conservative Party (PC) won the majority of seats in both houses and formed the government. Other political forces represented in parliament include the Right Romania Alliance, led by the Democratic Liberal Party, the Democratic Union of Hungarians in Romania (UDMR) and various national minority representatives in the lower house.

The ruling coalition disbanded in February 2014, after Prime Minister Victor Ponta from PSD rejected attempts by the PNL to replace several cabinet ministers. The PNL left the government and a new cabinet consisting of the PSD, the UDMR, and two small parties took office in March 2014. For the November 2014 presidential election, Klaus Iohannis, leader of the PNL, was elected on a reformist and anticorruption platform.

In 2015, the PNL initiated two no-confidence votes, but neither passed. A fire at a nightclub in Bucharest in October 2015, resulting in the death of a several dozen individuals, prompted mass demonstrations under an anti-corruption slogan with protesters demanding resignations and prosecutions as well as new anti-corruption legislation. This resulted in the resignation of the prime minister in November 2015, followed by the appointment of Dacian Cioloş as the new prime minister to lead a technocratic caretaker government.

The OSCE/ODIHR has observed eight elections in Romania since 1996, most recently in 2012, when the OSCE/ODIHR deployed an Election Expert Team (EET) for the parliamentary elections. The EET concluded that “the elections were administered professionally and efficiently but more could be done to bring the legal framework further in line with OSCE commitments and other international standards”.<sup>1</sup>

## B. ELECTORAL SYSTEM

The bicameral parliament is composed of 466 seats: 330 seats in the Chamber of Deputies and 136 seats in the Senate, all members are elected for four-year terms. Following the adoption of a new election law in July 2015, the parliament will be elected through a party-list proportional system.<sup>2</sup> The number of members of parliament (MPs) is determined by a quota system: one deputy of the lower chamber per 73,000 citizens and one senator per 168,000 citizens. Elections are to be held in 43 multi-member constituencies related to 41 counties, the municipality of Bucharest, and a constituency for citizens living abroad.<sup>3</sup>

To qualify for representation, parties must pass a national threshold of five per cent of total valid votes or twenty per cent of total valid votes in at least four constituencies. Coalitions must pass a higher threshold – an additional three per cent for the first additional party and one per cent for each party thereafter, up to a maximum of ten per cent. Independent candidates must pass the threshold of their constituency (the number of votes needed to obtain one mandate) to be elected.

Minority groups enjoy constitutionally guaranteed representation in parliament.<sup>4</sup> Each recognized

<sup>1</sup> [See previous OSCE/ODIHR election reports on Romania.](#)

<sup>2</sup> The previous two legislatures were elected through a first-past-the-post electoral system introduced in 2008; prior to this, a proportional electoral system was in place.

<sup>3</sup> Citizens abroad are represented by four seats in the Chamber of Deputies and two in the Senate. No official data is available on the number of citizens abroad, but estimates place the number around three million.

<sup>4</sup> Article 62 of the Constitution stipulates that “organisations of citizens belonging to national minorities, which fail to obtain the number of votes for representation in Parliament, have the right to one Deputy seat each, under the terms of the electoral law.”

national minority is entitled to one seat in the Chamber of Deputies, which is not subject to the five per cent threshold.<sup>5</sup> Instead, organizations representing national minorities qualify for a seat if the number of votes received exceeds five per cent of the average number of votes needed to obtain one mandate.

### C. LEGAL FRAMEWORK

Parliamentary elections are primarily regulated by the 1991 Constitution (amended in 2003), 2015 Law for the Election to the Chamber of Deputies and the Senate (Election Law), 2003 Law on Political Parties (amended in 2015), 2006 Law on Financial Activity of Political Parties and Electoral Campaigns (Political Finance Law, amended in 2016), 2015 Law on Postal Voting, and the 2002 Audiovisual Law (Broadcasting Law).

The legal framework also includes government decisions and regulations of election management bodies on specific aspects of the electoral process, such as voter registration, political finance, and election day procedures. For these elections, the schedule of electoral activities and samples of key election-related materials were established by government decisions on 6 September. Two government emergency ordinances were adopted ahead of the elections: on introducing the possibility for citizens living abroad to request postal voting via email, and on extending the deadlines to reimburse campaign expenditures following the 2016 June local elections.

The elections will be conducted under a substantially revised legal framework.<sup>6</sup> The new Election Law altered the electoral system from single-round first-past-the-post system to one that is fully proportional. Other key changes to the legislation since the last parliamentary elections include new provisions on voter and candidate registration, postal voting for citizens abroad, recruitment of polling staff, political and campaign finance and deadlines related to complaints and appeals. Some amendments address previous OSCE/ODIHR recommendations. In addition, legal provisions for non-criminal campaign violations have been revised to clarify procedures. Depending on the type of violation, sanctions can be imposed by the police, higher level election bureaus, and representatives of the PEA President.

The legislation explicitly provides for the observation of voting and counting by citizen and international observers, proxies of electoral contestants, and the media. Most OSCE/ODIHR NAM interlocutors emphasized the crucial role played by citizen observers.

Most OSCE/ODIHR NAM interlocutors stated that the drafting process of the new laws was generally inclusive, included public consultation, and they were overall satisfied with the outcome of the legislation. Several highlighted the importance of harmonisation of electoral laws to address remaining inconsistencies and increase stability and predictability of electoral legislation.

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<sup>5</sup> Twenty groups are officially recognized as national minorities through their membership in the Council of National Minorities, a government consultative body. They are Albanians, Armenians, Bulgarians, Croats, Czechs, Germans, Greeks, Italians, Jews, Macedonians, Hungarians, Lipovan Russians, Poles, Roma, Ruthenians, Serbs, Slovaks, Tatars, Turks, and Ukrainians. Czech and Slovak minorities are represented by the same organization. The Hungarian minority participates in elections at the national level. Thus there is a maximum of 18 seats in the upcoming parliament made available for national minority representation.

<sup>6</sup> The Election Law, Political Finance Law and Law on Political Parties were amended in 2015 as part of an electoral reform process. The Law on Postal Voting was adopted in response to protest following long voting times and a large numbers of citizens living abroad unable to vote during the 2014 presidential election.

## D. ELECTION ADMINISTRATION

Elections are managed by two administrative structures: the Permanent Electoral Authority (PEA) and a three-tiered structure of election bureaus established for each election, headed by the Central Election Bureau (CEB). The mid-level comprises 43 Constituency Election Bureaus (BECs), including bureaus for the Municipality of Bucharest and for citizens living abroad. Voting will be organized in approximately 18,600 Polling Station Election Bureaus (BESVs). The Ministry of Foreign Affairs, in co-operation with the PEA, will establish 417 polling stations abroad. In addition, the law provides for the establishment of additional polling stations abroad at the request of at least 100 voters living in locations far from embassies, consulates, or cultural centres.<sup>7</sup>

The PEA is an autonomous institution responsible for issuing decisions and instructions to supplement the legal framework, ensuring logistical arrangements, revising constituency delimitation, overseeing the electoral register, and supervising political and campaign finance. The PEA is led by a president, appointed by a joint session of parliament, and supported by two vice-presidents. All three are appointed for an eight-year term and cannot be party members.<sup>8</sup> The current president was appointed in 2012 and is a woman.

The CEB is composed of up to 21 members. Five judges from the High Court of Cassation and Justice are randomly selected, and subsequently elect the CEB chairperson and deputy from amongst themselves. Other members include the PEA president and vice-presidents, up to 12 party representatives, and one representative of the parliamentary group representing national minorities. Each parliamentary party is entitled to a seat on the CEB, while the remaining seats are filled after candidate registration based on the number of candidates fielded by non-parliamentary parties. The CEB oversees the electoral process, publishes contestant lists, adjudicates appeals of lower-level decisions and tallies final results. BECs oversee county level activities and consist of three judges appointed from the local tribunal, one PEA representative, and up to nine representatives of parties, alliances, and national minority organizations running in the county.<sup>9</sup> BESVs comprise a president and a vice-president, who are usually magistrates or legal experts, and up to seven representatives of electoral contestants.

Parliamentary parties have priority to appoint members at all levels.<sup>10</sup> BESV management positions (president and alternate) are randomly appointed by the PEA from among experts registered in its electoral database, who pass mandatory training.<sup>11</sup> Following the introduction of postal voting, a special BESV will be created within the BEC for citizens abroad.<sup>12</sup>

The PEA plans a voter awareness campaign, including in sign language, targeting minority groups, first-time voters and citizens abroad. For voters with disabilities, legislation allows assistance with voting, provides for mobile voting, and requires public buildings to be accessible.

Most OSCE/ODIHR NAM interlocutors expressed a high level of professionalism and confidence in

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<sup>7</sup> Seven such polling stations will be opened for these elections, including four in Moldova, two in Spain, and one in the United Kingdom.

<sup>8</sup> One vice-president is appointed by the President of Romania and the other by the prime minister.

<sup>9</sup> Bucharest County Court judges serve on the BEC of the constituency for citizens abroad.

<sup>10</sup> The same priority is enjoyed by national minorities having their own groups in the parliament, and in the case of CEB formation, the parliamentary group of national minorities in the lower chamber.

<sup>11</sup> Some 50,000 experts are thus far included in the database. Other BESV members are trained by their respective parties and other nominating bodies.

<sup>12</sup> According to the law, an electoral bureau for postal voting shall be set up for every 10,000 voters.

the impartiality of the election administration, though specific reservations were noted concerning its ability to recruit enough trained staff to fill lower-levels positions.

## E. VOTER REGISTRATION

Citizens aged 18 years or older on election day are eligible to vote, unless disenfranchised by a final court decision for reasons of legal incapacity or as part of a judicial sentence. Voter registration is managed by the PEA, which extracts the electoral register based on a compilation of information from various government authorities, including the National Register of Persons' Records, maintained by the Ministry of Interior. Since 2014, the PEA has introduced a centralized electronic register as a means to increase list accuracy and prevent multiple entries.<sup>13</sup> The number of voters is estimated at 18.9 million. Some 609,000 voters are enrolled on the register of citizens abroad, with some 7,000 registering for postal voting.

The Election Law provides for permanent and supplementary voter lists. Voters are to cast their ballots at the polling station where they are registered, and can be included in a supplementary voter list if they reside in the corresponding locality and present identification and proof of their domicile. Voters can verify their records online or in-person. If a voter's residential address differs from the permanent one, s/he can apply to the respective mayor's office to update their information not later than 45 days before election day. To prevent multiple and illegal voting, the PEA introduced an electronic system of voter verification on election day. Voters are required to present their identification cards, which are and stamped and checked against the electoral register through the centralized electronic system. The majority of OSCE/ODIHR stakeholders expressed support to the PEA's initiatives to improve the integrity of the electoral register as well as general confidence in voter list accuracy.

## F. CANDIDATE REGISTRATION

Citizens with the right to vote can stand for election; minimum of 23 years old for the Chamber of Deputies and 33 years old for the Senate. Candidates can be nominated by parties, coalitions, and organizations representing national minorities, or run independently.<sup>14</sup> Candidate registration procedures were amended in 2015, and some of the changes address previous OSCE/ODIHR recommendations. Supporting signature requirements to establish political parties have eased, the requirement to submit financial deposits for candidate registration was lifted, and voters can support multiple candidates and parties. The number of parties eligible to contest the elections has increased compared to previous elections, partly due to reduced requirements for registration.<sup>15</sup>

The CEB registers candidate lists at the national level with contestants required to submit lists of supporters of at least one per cent of the total number of voters registered in the electoral register at the national level.<sup>16</sup> BECs register candidate lists of parties, alliances and independent candidates

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<sup>13</sup> The electronic register has been used in the three previous elections since its introduction in 2014.

<sup>14</sup> Organizations representing national minorities that are part of the Council of National Minorities and that have obtained a seat in either house of parliament may nominate candidates without further pre-conditions. If another organization representing a national minority wants to a nominate candidate(s), it should obtain a status of "public utility" and provide a list of persons constituting at least 15 per cent of the citizens who declared themselves as belonging to the respective minority.

<sup>15</sup> The Law on Political Parties previously required 25,000 supporting signatures for a party to be formally registered. In February 2015, the Pirate Party lodged a complaint with the Constitutional Court claiming the requirement was a violation of the constitutional provisions on freedom of association. The Court subsequently struck down the requirement as unconstitutional, and on 6 May 2015, a modified version of the law was approved, which allows the formation of a political party with only three signatures.

<sup>16</sup> Around 185,000 signatures.

standing in one or several constituencies; contestants require at least one per cent of the total number of voters permanently registered in the constituency where they intend to run, with a minimum of 1,000 signatures. Signature verification is not required by law and the OSCE/ODIHR NAM was informed that it is not undertaken by the authorities at any level. The CEB and BECs must decide on the registration of contestants within 48 hours of receiving registration documents.<sup>17</sup> Some OSCE/ODIHR NAM interlocutors noted that the number of required signatures posed challenges to the newly established political parties that had limited structures in place to facilitate signature collection.

## G. ELECTION CAMPAIGN AND CAMPAIGN FINANCE

The electoral campaign commences 30 days before and ends one day prior to the elections. Several OSCE/ODIHR NAM interlocutors noted that due to the short campaign period, some parties started early informal campaigning, essentially circumventing the regulations. Although the law provides for equitable campaigning conditions for all contestants, it extensively regulates campaigning, including the format and location of candidates' printed material. The use of billboards is prohibited as is distributing many types of campaign material. Despite stringent regulations, all parties that the OSCE/ODIHR NAM met with noted their ability to campaign freely and convey their messages to the electorate.

Many OSCE/ODIHR NAM interlocutors do not expect a vibrant campaign and opined that key campaign issues would centre on the economy, social welfare, poverty reduction, and migration. Parties intend to centre campaign efforts around small meetings, door-to-door canvassing, posters, and advertisement in the private media, as well as on the Internet and social media. Some OSCE/ODIHR NAM interlocutors alleged that the misuse of administrative resources may occur in isolated instances and that vote-buying is still attempted in the more economically deprived regions of the country with minority, especially Roma, communities being more susceptible to such practices.

Political and campaign finance is primarily regulated by the Political Finance Law and supported by relevant government decisions. Recent amendments partially address previous Council of Europe's Group of States against Corruption (GRECO) recommendations.<sup>18</sup> The PEA monitors compliance with political and campaign finance regulations and can initiate investigations at the request of any interested person or *ex officio*, issue fines, and refer matters for court action. Convictions for related offences can lead to the annulment of an MP's mandate and removal from office. Electoral contestants are required to submit detailed financial reports on income and expenditures to the PEA not later than 15 days after election day. The PEA has 30 days to check these reports, but the scope of its review is limited to checking whether declared expenditures match declared donations without a thorough audit of specific expenses.

Parties may receive donations from individuals and legal entities up to an annual limit set at 200 and 500 minimum gross salaries respectively.<sup>19</sup> Parties can also apply for loans from individuals (up to 200 minimum gross salaries) and from financial institutions (up to 500 minimum gross salaries), and some OSCE/ODIHR NAM interlocutors opined that this form of financing was insufficiently regulated. An expenditure ceiling exists for each candidate (60 minimum gross salaries) and the limit of additional expenditure by parties and coalitions is calculated by adding up the maximum values for each proposed candidate.

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<sup>17</sup> Electoral authorities coordinate with several government agencies on candidate registration, including the National Integrity Agency, which focuses on reviewing candidate declarations on assets/interests.

<sup>18</sup> [GRECO's Third Round Compliance report of 2015](#) notes that 8 of 13 recommendations concerning political finance have been fully implemented with the remaining 5 recommendations partially implemented.

<sup>19</sup> Currently, the national minimum gross salary set at 1,250 RON (approximately EUR 280).

Parties receive state funding divided between those parties that previously obtained parliamentary seats (75 per cent) and those that gained at least 50 local council seats (25 per cent) in proportion to the valid votes obtained in the corresponding elections.<sup>20</sup> State funding can increase in proportion to the number of seats obtained by women candidates. Few parties noted to the OSCE/ODIHR NAM about specific internal policies promoting women candidates.

In addition, amendments foresee the reimbursement of campaign expenditures to electoral contestants. According to the law, within 90 days after election day, the PEA must reimburse incurred expenditure in all electoral constituencies to contestants obtaining at least three per cent of the valid votes cast nationally.<sup>21</sup> Most OSCE/ODIHR NAM interlocutors did not express significant concerns over party and campaign finance; however, some questioned the PEA's ability to efficiently fulfil its oversight duties given limited human and financial resources.

## H. MEDIA

A range of media outlets operate throughout the country with television (TV) considered the primary source of political information. There are 10 national TV channels, some 300 local TV channels, and over 500 terrestrial radio stations. The circulation of print media is limited, with the Internet increasingly used as a source of political information. Most OSCE/ODIHR NAM interlocutors characterized the media landscape as open and vibrant, although aside from the public broadcaster, outlets were generally characterized as politically aligned with the larger parties to the exclusion of smaller and newly established ones.

Campaign coverage by broadcast media, both private and public, is subject to detailed and complex regulations outlined in the legislation, which requires a neutral and impartial approach. The National Audiovisual Council (CNA), a regulatory body for broadcast media, passes additional media regulations on campaign coverage before each election.

The law provides for free access to public television and radio, including territorial stations, for all parliamentary parties to promote their platforms. Such access is also granted to non-parliamentary parties that submit full candidate lists in at least 23 constituencies. Broadcasting time granted by public and private broadcasters and editorial boards must ensure non-discriminatory conditions. All contestants are required to apply for broadcasting time no later than 40 days before the election, which is proportionally calculated based on the number of candidate lists. Independent candidates are entitled to a total of five minutes of broadcasting time on territorial stations. The law also provides for talk-shows and debates between contestants and their representatives; the appearance in such programmes is not considered electoral publicity. Romanian public television (*TVR*) plans to organize a series of debates, the basic principles of which are stipulated in the law.

By law, candidates holding public offices may appear during news programmes strictly in matters related to the exercise of their office and this airtime is not counted towards the broadcasting time of the party with which they are associated. Private broadcasters are required to offer equal opportunity for paid ads for all contestants and require outlets to publish their respective price lists. The publication of opinion polls or broadcasting paid ads is prohibited two days before the elections.

The CNA intends to conduct monitoring of all national and territorial broadcasters during the campaign for compliance with election-related regulations, which focuses on time allocation over tone

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<sup>20</sup> Equal to some 0.04 per cent of income of the state budget.

<sup>21</sup> The amount varies from 20 to 50 per cent depending on the type of expenditure.

and content.<sup>22</sup> The CNA may issue various sanctions depending on specific violations. OSCE/ODIHR NAM interlocutors generally noted that the CNA was only partially effective in its oversight and its responsibilities can be further clarified, monitoring capacity improved, and sanctioning powers strengthened. Several OSCE/ODIHR NAM interlocutors stressed that external monitoring of the media's campaign coverage would be of value.

## I. COMPLAINTS AND APPEALS

The system of complaints and appeals offers contestants and voters an effective opportunity for legal remedy. In line with previous OSCE/ODIHR recommendations, the Election Law establishes an expeditious dispute resolution process for complaints and appeals against elections commission decisions with one to three calendar days allotted for appeals and decisions. Such appeals are filed with the superior election bureau and appealed through the hierarchy of the election administration with CEB's decision being final. Amendments allow parties to challenge CEB decisions on the election results within 24 hours before the High Court of Cassation and Justice.

Complaints regarding voter lists are filed with the county offices or local PEA office, which have three days to take a decision. This decision can be appealed within three days to the local court, which then has three days to adjudicate the appeal. Decisions of the CEB and a BEC for citizens living abroad regarding the registration of candidates shall be settled by the Bucharest County Court. All other BEC decisions regarding candidate registration can be contested or appealed to the tribunal of the respective county and settled within 48 hours. These could be further appealed at the higher level court. Complaints regarding campaign violations can be filed with BECs or the police. BEC decisions on the campaign can be challenged within 48 hours to superior electoral bureaus. Overall, OSCE/ODIHR NAM interlocutors expressed confidence in the complaints process and impartiality of the election administration and courts in resolving electoral disputes.

## IV. CONCLUSION AND RECOMMENDATION

Most OSCE/ODIHR NAM interlocutors expressed confidence in the legal framework for elections and noted the overall professionalism and impartiality of the election administration and its ability to efficiently organize elections. A number of previous OSCE/ODIHR recommendations have been addressed, and interlocutors generally stated that a comprehensive OSCE/ODIHR observation mission was not required. However, they welcomed a potential observation activity, recognizing that an external assessment and recommendations could be of added-value and certain aspects of the electoral process would benefit from further review.

In this context, areas that could benefit from review include the implementation of the amended legal framework, campaign and campaign finance regulation and the media's campaign coverage. Based on this, the OSCE/ODIHR NAM recommends the deployment of an Election Expert Team (EET) for the 11 December parliamentary elections. The OSCE/ODIHR EET would focus its efforts on the effects of the new legislation and application of election procedures, the conduct of the campaign, campaign finance and aspects related to media campaign coverage. Given the number of concurrent election-related activities taking place across the OSCE region in the fall of 2016, the deployment of an EET to the 2016 parliamentary elections in Romania will be contingent upon availability of resources.

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<sup>22</sup> The CNA noted that neither its monitoring reports nor complaints and related documents are made public.

## **ANNEX: LIST OF MEETINGS**

### **State and Electoral Authorities**

#### **Ministry of Foreign Affairs**

Cosmin Dinescu, Secretary General

Oana Rogoveanu, Director, Human Rights, Protection of Minorities and the Council of Europe Directorate

Cristina Simion, Expert

#### **Permanent Electoral Authority**

Marian Muhuleț, Vice-President

Cristian-Alexandru Leahu, Head of Legislative Department

#### **Central Election Bureau**

Marian Muhuleț, PEA Vice-President

Cristian Petraru, Co-ordinator of the auxiliary technical staff of the Central Electoral Bureau

Ivan Truțer, Member

#### **Constitutional Court**

Marieta Safta, Magistrate

#### **Ministry of Interior**

Ioan Buda, State Secretary

#### **National Agency for Integrity**

Bogdan Stan, President

Silviu Ioan Popa, Secretary General

#### **National Anti-corruption Agency**

Paul Dumitriu, Deputy Chief Prosecutor

#### **Department for Inter-ethnic Relations**

Laczikó Enikő, Undersecretary of State

Adriana Petraru, Head of the Legal Department

#### **Ombudsman**

Mircea Criste, Deputy Ombudsman

Ecaterina Mirea, Head of Department

#### **Romanian Post**

Ion Barbu, President, Stamp Factory

Alexandru Tucaliuc, Head of Corporate Sales and Client Management

Simona Tarabaseanu, Project Officer

#### **National Audiovisual Council**

Laura Corina Georgescu, President

Rodica Anghel, Communication and PR Counsellor

Radu Herjeu, Member

**Political Parties (in alphabetical order)**

**Alliance of Liberals and Democrats**

Luiza Marian, Deputy Campaign Manager

**Democratic Union of Hungarians in Romania**

Laczikó Enikő, Vice-President of Women Organization

**M10**

Florin Stan, President

Ovidiu Simion, Secretary General

**National Liberal Party**

Mihai Voicu, Vice-President, MP

Radu Surugiu, MP

**Save Romania Union**

Alexandru Ciurea, Vice-President of the Bucharest branch organization

Diana Punga, Member

**Social Democratic Party**

Marian Neascu, Secretary General, MP

Mihai Tudose, Member, MP

**National Union for Romania's Progress /People's Movement Party**

Cristian Diaconescu, Analyst

George Stanica, Member

**Media**

**Romanian Television**

Ioan Stavre, Producer

Olivia Visalom, International Relations Specialist

**Civil Society**

Razvan Martin, Programme Co-ordinator, FreeEx, Active Watch

Ionut Codreanu, Programme Co-ordinator, Research and Media Education, Active Watch

Paul Chioveanu, Programme Co-ordinator, Good governance, Active Watch

Claudiu Craciun, Advisor, Pro-Democracy Association

Septimius Parvu, Co-ordinator, Active Citizenship and Elections, Expert Forum

**International Organisations**

Alice Krisztina Pop, Resident Director, National Democratic Institute

## **V. Économie en Roumanie**

### **1. Rapport de la Commission sur Roumanie 2019**



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Brussels, 27.2.2019  
SWD(2019) 1022 final

**COMMISSION STAFF WORKING DOCUMENT**

**Country Report Romania 2019  
Including an In-Depth Review on the prevention and correction of macroeconomic  
imbalances**

*Accompanying the document*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN  
CENTRAL BANK AND THE EUROGROUP**

**2019 European Semester: Assessment of progress on structural reforms, prevention and  
correction of macroeconomic imbalances, and results of in-depth reviews under  
Regulation (EU) No 1176/2011**

{COM(2019) 150 final}

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## EXECUTIVE SUMMARY

**Romania's economic growth model, based on consumer spending, affects the country's ability to reach EU living standards in a sustainable way.** The near halving of GDP growth in 2018, largely due to a slowdown in consumer spending, has revealed the limits of Romania's economic growth model. Strong wage increases, a decreasing work force and skills shortages risk undermining the country's ability to compete internationally. Moreover, investors' confidence is being eroded by persistent legislative instability, unpredictable decision-making, low institutional quality and the continued weakening of the fight against corruption. Inequality and poverty remain high, with increasing regional disparities. Ensuring continuity with past reforms and shifting the growth model to investment could set the economy on a sustainable path towards convergence with EU living standards and help reduce inequality <sup>(1)</sup>.

**Despite the substantial slowdown in 2018, growth remains robust.** After a 7 % advance in 2017, real GDP growth (i.e. adjusted for inflation) slowed down to an estimated 4 % in 2018. Higher inflation dented disposable income and consumer spending, which is the main driver of economic growth. Strong growth in imports of consumer goods, which outpaced exports, caused the country's current account deficit to continue to widen.

**The labour market is under increasing stress.** The lowest unemployment rate in a decade (3.8 %), a declining labour force and persistent skills shortages have brought Romania close to full employment, which makes recruitment difficult and drives wage growth. Employees' earnings are low compared to the EU average but the strong growth since 2016, also driven by hikes in the

minimum wage and public-sector wages, risk putting pressure on competitiveness if not accompanied by corresponding productivity increases.

**The public deficit has been increasing, driven mostly by spending on wages and tax cuts.** Tax rates have been repeatedly cut while public wages have significantly increased since 2015 and are set to increase further. At the same time, public investment fell to a post-EU accession low in 2017 and is set to rebound only slowly. As a result, the public deficit has substantially increased since 2015 and is forecast to break the 3 % of GDP threshold required under the Stability and Growth Pact, pushed up also by increases to pensions. In June 2018 the Council launched a new significant deviation procedure addressed to Romania <sup>(2)</sup>. The structural deficit is projected to remain broadly stable at around 3.4 % until 2019 and to increase considerably in 2020.

**Financial sector stability has been put under strain.** Recent parliamentary and government measures have created risks to the stability of the financial sector. These could negatively impact lending and limit the impact of monetary policy, and may reverse several years of continuous improvement. In addition, changes to the rules on privately managed pensions increased unpredictability and may have undermined their long-term viability. This in turn may curtail the development of capital markets and deprive the economy of an important source of long-term investment financing.

**Public and private investment in infrastructure, education, healthcare, social inclusion and innovation would improve productivity and long-term growth.** Public investment has been subdued in recent years and is expected to recover only slowly while private investment could be affected by increasing uncertainty. Investments in transport, energy and environmental infrastructure would strengthen the economy's long-term growth potential and would have a positive impact on the population's standard of living. The education system does not sufficiently prepare people for employment and better social integration. Making

<sup>(1)</sup> This report assesses Romania's economy in light of the European Commission's Annual Growth Survey published on 21 November 2018. In the survey, the Commission calls on EU Member States to implement reforms to make the European economy more productive, resilient and inclusive. In doing so, Member States should focus their efforts on the three elements of the virtuous triangle of economic policy – delivering high-quality investment, focusing reforms efforts on productivity growth, inclusiveness and institutional quality and ensuring macroeconomic stability and sound public finance. At the same time, the Commission published the Alert Mechanism Report that initiated the eighth round of the macroeconomic imbalance procedure. The Alert Mechanism Report found that Romania warranted an in-depth review, which is presented in this report.

<sup>(2)</sup> <https://www.consilium.europa.eu/en/press/press-releases/2018/06/22/hungary-and-romania-called-on-to-correct-significant-budgetary-deviations/>

sure that Romania's work force achieves its full potential means investing also in social inclusion and healthcare. Increased public and private financing of innovation would help Romania's economy move towards higher value added activities. Annex D identifies key priorities for support by the European Regional Development Funds, the European Social Fund Plus and the Cohesion Fund over 2021-2027, building on the analysis of investment needs and challenges outlined in this report.

**Romania has made limited<sup>(3)</sup> progress in addressing the 2018 country-specific recommendations.** There has been limited progress in the following areas:

- Efforts to strengthen tax compliance and collection were limited to updating the guidance on the registration of certified cash registers and the use of risk assessment to audit taxpayers.
- On public procurement, the creation of a central purchasing body and the transition to e-procurement are welcome developments, but other reform commitments were stopped or even reversed;
- Social dialogue remains largely formalistic.
- Access to quality education is very unequal and the acquisition of basic and digital skills is limited;
- In the healthcare system, the roll-out of community care centres suffered further delays, limiting prospects for shifting to outpatient care;
- Limited progress was made on public investment project preparation and prioritisation, while the take-up of EU funds is slow.

There has been no progress in the following areas:

- Fiscal policy, including the adoption of the annual budget, continues to depart from the

<sup>(3)</sup> Information on the level of progress and actions taken to address the policy advice in each respective subpart of a country-specific recommendation is presented in Annex A.

requirements under the national fiscal framework,

- The minimum wage continues to be set by the government in an ad hoc manner, while the law setting a minimum inclusion income is not yet in force;
- The decision-making process remains highly unpredictable, with complex and sometimes controversial legislation being adopted through emergency decrees, without impact assessment or stakeholder consultation;
- The corporate governance of state-owned enterprises is at risk of being weakened.

Regarding progress towards its national targets under the Europe 2020 strategy, Romania is performing well on employment rates, national greenhouse gas emissions, renewable energy, energy efficiency and tertiary education. R&D investment and early school leaving remain some distance away from their respective targets.

**Romania performs poorly on most of the indicators of the Social Scoreboard supporting the European Pillar of Social Rights.** The high economic growth has translated into better job prospects and increased household disposable incomes. However, Romania still has a high number of early school leavers and, although decreasing, a high number of young people not in education, employment or training. This raises concerns about equal opportunities and access to employment. Romania has not yet achieved a mature social dialogue, and its Social Scoreboard performance indicates a critical situation on reducing poverty.

The main findings of the in-depth review in this report and the related policy challenges are as follows.

- **Romania's current account deficit has been widening and its composition raises concerns.** From a nearly balanced position in 2014, the current account deficit increased to 3.2 % of GDP in 2017 and is forecast to deteriorate further. Imports of consumer goods have increased much faster than those of capital and intermediate goods. This means that

the deterioration in the current account is driven more by consumption than investment, which will not support long-term economic growth.

- **Rising labour costs may hurt Romania's ability to compete internationally.** The cost of labour per unit of goods and services produced has increased strongly since 2016, as wage increases have outpaced productivity growth, albeit less so in industrial sectors open to international trade. Coupled with the gradual depreciation of the national currency, the impact on Romania's cost competitiveness has so far been limited and has allowed it to gain export market shares. Nevertheless, the pressure on private-sector wages due to high levels of employment, minimum wage hikes and spillovers from public wage increases may make Romania's economy less competitive in the future. In addition, trade tensions may weaken demand for Romania's exports.
- **Risks to the financial sector have substantially increased.** The functioning and stability of the financial sector and the long-term financing of the economy may be harmed by recent legislative initiatives including a retroactive cap on mortgage interest rates and a tax on banks' assets linked to the interbank interest rate. Moreover, new rules targeting privately managed pensions may hinder the development of what is still a very small capital market in Romania.
- **The business environment and investment decisions are being hurt by unpredictable policymaking.** Consultation of relevant stakeholders is limited and impact assessments are lacking or are of low quality. Recent legislation on the financial sector, privately managed pensions and the energy and telecommunication sectors could hinder future investment opportunities and increase uncertainty, making the economy less attractive to national and international investors.
- **Labour and skills supply are not keeping up with the fast-changing needs of the economy.** The limited availability of skilled labour, population ageing, weak internal mobility and continued emigration are limiting economic growth. Despite labour shortages, certain social groups, including the Roma, have difficulties entering the labour market. Schemes to help people into work provide little focus on comprehensive solutions, including upskilling and reskilling. Minimum wage levels continue to be set without a comprehensive predictable mechanism and the number of collective wage bargaining agreements is low, especially at sector level.
- **Despite recent improvements, poverty and income inequality remain high, and regional disparities are deepening.** One in three Romanians is still at risk of poverty and social exclusion, with particular groups such as children, the Roma, people with disabilities and the elderly being more affected. Income inequality is one of the highest in the EU, reflecting in part the low redistributive capacity of the tax and benefit system. Inequality of opportunity is also high. Social services have insufficient quality and coverage, and uneven territorial distribution. The limited integration of employment, education, health and social services does not allow for a sustainable inclusion of diverse disadvantaged groups enter employment and escape social exclusion. After repeated delays, the law which will increase the adequacy of the minimum inclusion income is expected to enter into force in April 2019.
- **The insufficient capacity of the public administration limits development opportunities.** Red tape and the lack of quality public services continue to harm investment, but the reform of the public administration is progressing only slowly. The public procurement system requires enhanced transparency, monitoring and supervision. Scattered resources, fragmented responsibilities between different services and levels of the public administration lead to ineffective delivery of public services. Funding of public services is uneven across regions, counties and smaller administrative units, while local

Other key structural issues analysed in this report, which point to particular challenges for Romania's economy, are the following.

authorities' revenues lack stability and predictability.

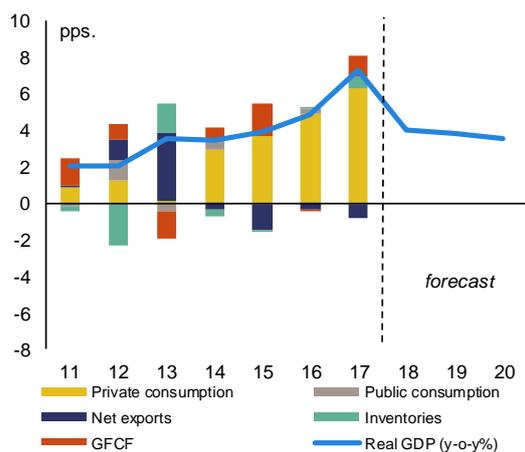
- **The weak performance of the education and training system is not helping Romania to catch up with the EU.** Spending on education remains one of the lowest in the EU. Low participation in early childhood education hampers the development of cognitive and social skills. Early school leaving remains high, and attainment levels in basic skills are low and not improving. Rural-urban disparities persist and vulnerable groups, including the Roma, continue to have limited access to quality inclusive mainstream education. The quality and labour market relevance of higher education and vocational education and training face challenges, while access to adult learning is limited.
- **The healthcare system faces many challenges.** Low funding and an inefficient use of public resources limit the effectiveness of the health system. Continued migration has resulted in a sizeable shortage of doctors and nurses. Health infrastructure and the prevalence of informal payments remain sources of concern. Access to healthcare services for those living in rural areas and for vulnerable groups is limited. These in turn have a negative impact on the population's health status.
- **Despite significant public investment after EU accession, physical infrastructure remains underdeveloped.** The general condition and reliability of the road and rail networks are very poor. In addition, energy, waste, water and waste water infrastructure continue to show deficiencies. Substantial challenges remain over climate change adaptation, risk prevention, disaster resilience and air pollution.
- **Romania's modest performance in research and innovation limits growth prospects.** The country lacks a coherent strategy to help firms move towards higher value added activities. Public and private spending on research and development is one of the lowest in the EU, resulting in a low quality of the public science base and a low innovative capacity. Links between science and business are underdeveloped, while technology imports are not being substituted by home-grown innovation.
- **The corporate governance of state-owned enterprises is only loosely applied.** The legislation in this field could be weakened through forthcoming legislative amendments before Parliament. Appointments of interim boards are a recurrent practice, departing from the spirit of the corporate governance laws.
- **Progress in the fight against corruption has suffered significant setbacks.** The independence of judges and prosecutors has been weakened by recent amendments to the justice laws. The key anti-corruption institutions have come under increased pressure, raising concerns about their ability to continue the fight against corruption. The ongoing amendments to the Criminal Code and Code of Criminal Procedure could further weaken the fight against corruption and other serious crimes, undermining progress achieved over the past 10 years.

# 1. ECONOMIC SITUATION AND OUTLOOK

## GDP and potential growth

**Economic growth has slowed down but remains robust.** Real GDP is estimated to have grown 4 % in 2018, down from a peak of 7 % in 2017 (Graph 1.1). The slowdown has been driven mainly by a deceleration in private consumption due to high inflation, fuelled by energy prices, and the fading of the effects of public policies aimed at increasing disposable income. However, private consumption continued to be the main driver of growth. Investment remained broadly stable and net exports became more negative as exports continue to decelerate faster than imports, affected by price hikes and the slow-down of external demand.

Graph 1.1: GDP growth and demand-side components



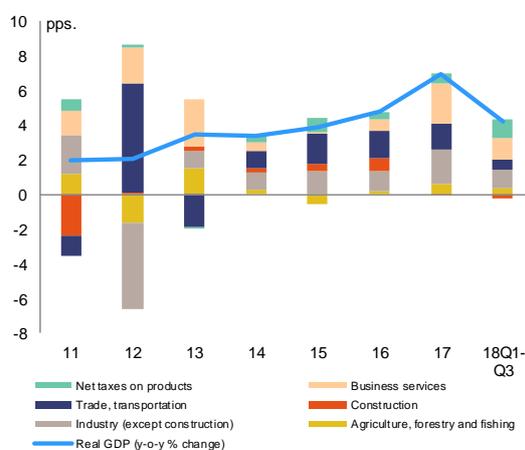
Source: European Commission

**Growth is expected to remain broadly stable in the medium run.** Real GDP is projected to remain below 4 % in 2019 and 2020 (Graph 1.1). Private consumption is set to continue being the main driver of economic activity, although slower increases in wages and a tighter credit environment could restrain its evolution. The contribution of the external sector to growth is forecast to remain negative but to improve as the growth of exports remains broadly stable while import growth is projected to decrease, following the slowdown in consumption. Investment is expected to increase somewhat more than in 2018.

**On the supply side, the economic deceleration was more evenly distributed across sectors.** For the first three quarters of the year, business

services accounted for a stable 38 % of GDP. Industry and trade represented 24 % and 18 %, respectively. In terms of contribution to growth, business services are estimated to have accounted for 1.3 pps, followed by industry with 1 pp. and trade with 0.6 pps (Graph 1.2). The slowdown in exports registered in 2018 is taking a particular toll on the performance of trade and industry.

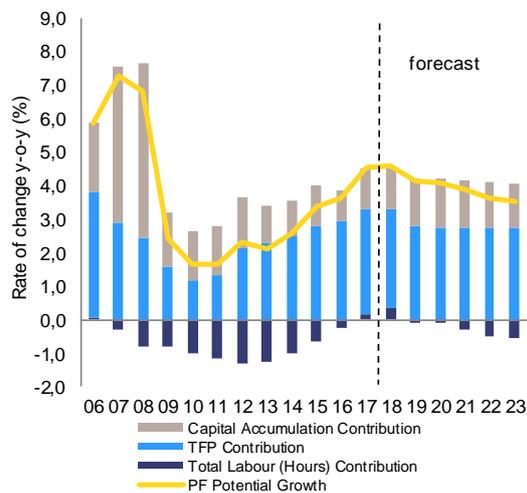
Graph 1.2: GDP growth and supply-side components



Source: European Commission

**Potential growth has been driven mainly by total factor productivity.** Potential GDP growth has strengthened in recent years, to reach 4.5% in 2017. (Graph 1.3). It is estimated to have remained strong in 2018, but is forecast to decrease progressively. Total factor productivity has been the main contributor to potential growth, despite a slight slow down in 2018. Labour made a modest but positive contribution in 2018 due to lower structural unemployment and a higher labour participation rate. After 2018 however, total factor productivity is expected to slow down and labour's contribution to potential growth to worsen due to slower growth of the working age population.

Graph 1.3: Contribution to potential growth



Source: European Commission

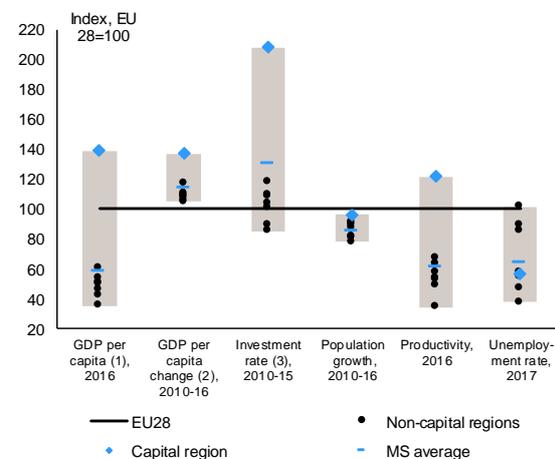
### Regional disparities

**Despite convergence towards the EU average, disparities within the country are still significant.** Romania's GDP per capita has increased from slightly more than 40 % at EU accession, in 2007, to more than 60 % of the EU average in 2017. Differences across regions are substantial. In 2016, the Bucuresti-Ilfov region recorded a GDP per capita in Purchasing Power Standards of EUR 40 400, 1.4 times the EU average and almost 4 times that of the Nord-Est region, the country's poorest region. Excluding the capital region, GDP per capita is half the EU average. Bucuresti-Ilfov also registers twice the EU average in terms of investment as a percentage of GDP and 1.5 times the national average (Graph 1.4 and Section 4.4.4). When considering all EU regions, Romanian regions with initially lower levels of GDP per capita have experienced comparatively higher growth rates since the country's accession.

**Disparities are also felt in the labour market.** In 2016, labour productivity divergence across regions was one of the highest in the EU. Bucuresti-Ilfov registered the highest productivity (22 % above the EU average), while productivity in the Nord-Est region is only one-third of the EU average (Graph 1.4). Average productivity for all regions excluding the capital is only half the EU average. The regional unemployment rate in 2017 varied significantly, from 2.9 % in Nord-Est to

7.7 % in Sud-Vest Oltenia, despite a reduction in the gap across regions from 6.9 pps in 2016 to 4.8 pps in 2017. Regional socio-economic indicators show a major divide between a growing capital that mainly attracts skilled labour in higher value-added sectors and the rest of the country where employment is concentrated in lower value added sectors in a context of outward migration.

Graph 1.4: Disparities across Romanian regions



Grey areas represent the range of disparities across regions.

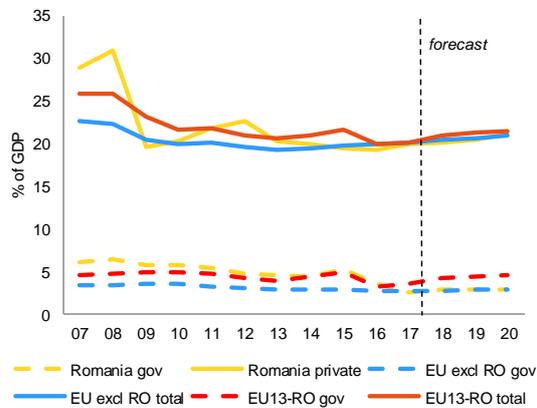
- (1) GDP per capita in PPS  
 (2) Difference in index points  
 (3) Percentage of GDP

Source: European Commission

### Investment

**Romania continues to have one of the highest investment ratios in the EU.** In 2017, total investment accounted for 22.6 % of GDP, above the EU and neighbouring countries' averages of 20.1 % and 20.2 % respectively. Private investment, which reached 20 % of GDP in 2017, is estimated to have increased somewhat despite concerns about fiscal and legislative instability and unpredictability (see Section 4.4.2). Public investment, by contrast, remains subdued, partly due to the slow uptake of projects under the EU financing period (see Section 4.4.2). In 2017, public investment fell to a post-EU accession low of 2.6 % of GDP, just at the EU average but below neighbouring countries (Graph 1.5). However, it is estimated to have slightly recovered in 2018 and forecast to progressively recover in coming years.

Graph 1.5: Gross fixed capital formation



Source: European Commission

**Investment could be hit by increasing uncertainty.** Levels of investment could be heavily affected by the susceptibility of private investment to more challenging financial conditions and the government's under-execution of initially budgeted projects. The persistent unpredictability of policymaking creates a climate of instability which could hinder business confidence and investment decisions (see Sections 3 and 4.4). Moreover, the recent emergency ordinance<sup>(4)</sup> introducing a set of far-reaching fiscal measures (see Section 3) may affect private investment in energy and communication and the financial sector's capacity to finance the economy.

### External position

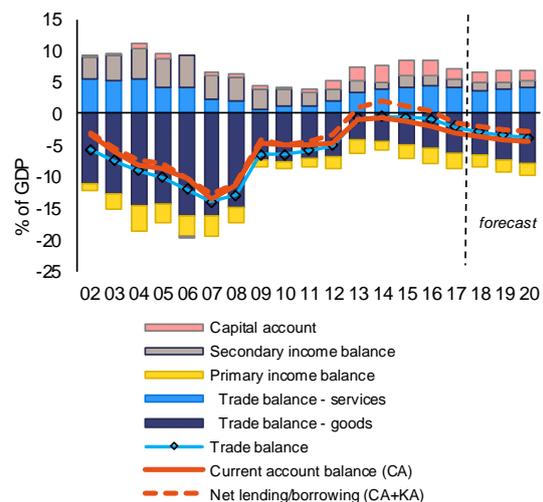
**The current account deficit widened further in 2018.** The deficit is estimated to have worsened to 4.3 % of GDP due mainly to the deteriorating trade balance (Graph 1.6). As a result, the current account balance is increasingly diverging from the economy's fundamentals<sup>(5)</sup>, which for Romania imply a balanced current account. The export market share is estimated to have remained on a gentle upward path in 2018. This evolution is felt in the net lending/borrowing, which became negative already in 2017 when the current account deficit started to widen markedly and the capital account balance almost halved. By sector, the net borrowing needs come mainly from households

<sup>(4)</sup> Government emergency ordinance 114/2018

<sup>(5)</sup> For details regarding the estimation of current accounts' fundamentals, see Coutinho, Turrini and Zeugner (2018).

and, to a much lesser extent, the government. Corporations are net lenders.

Graph 1.6: Current account breakdown and capital account



Source: European Commission

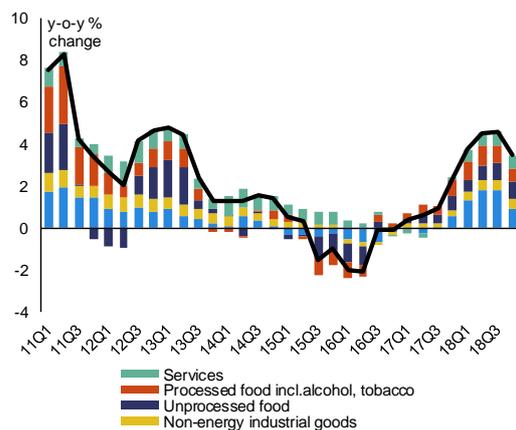
**The net international investment position is still improving.** Strong nominal GDP growth facilitated a further improvement in the net international investment position to an estimated -47.8% of GDP in 2017 and -44.8 % in Q3-2018. However, progress has slowed down as a result of the widening current account deficit and some deceleration in nominal GDP growth (see Section 4.4).

### Inflation and monetary policy

**Inflation reached a post-crisis peak in 2018.** Inflation as measured by the harmonised index of consumer prices turned positive in 2017 and continued to increase throughout 2018, to reach an annual average of 4.1 %. This is the result of both internal and external factors. Internally, inflation accelerated at the beginning of 2018 as the effect of the January 2017 tax cuts faded away. Increases in the excise tax on energy products in autumn 2017 further added to the increasing trend. Internationally, the hike in food prices and, to a larger extent, of energy prices, further spurred headline inflation (Graph 1.7). In 2018, Romania had the highest inflation rate in the EU, well above the euro area average. Headline inflation is expected to moderate to 3.3 % and 3.1 % in 2019 and 2020, respectively, on account of weakening

domestic demand. Core inflation has remained more stable, at an average of 2.7 % for the whole of 2018.

Graph 1.7: Contributions to headline inflation



Source: European Commission

**In 2018 the National Bank of Romania tightened its accommodative monetary policy.** As inflation increased, the key monetary policy rate was raised three times by a total of 0.75 pps in the first months of 2018, to 2.5 %. These were the first hikes in 10 years. Since May 2018, however, the National Bank of Romania has kept the rates constant, anticipating the return of the annual inflation rate, as measured by the consumer price index, to within the Bank's target of 2.5 % $\pm$ 1 pp, reaching 3.3 % in December 2018.

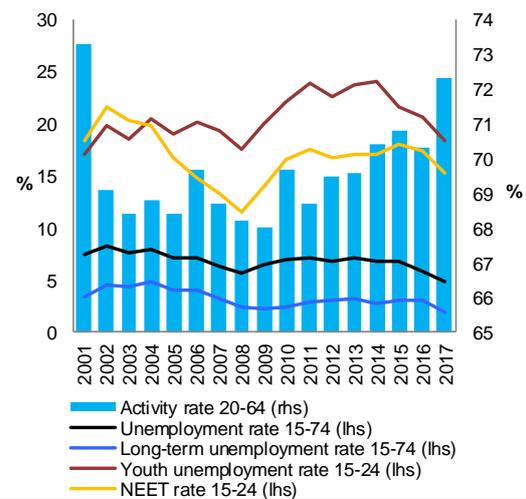
**The conduct of monetary policy is increasingly constrained by fiscal policy measures.** The recent introduction of a tax on banks' assets linked to the interbank rate (ROBOR) is likely to limit the room for manoeuvre of the monetary policy. It may also introduce a conflict between the objective of maintaining price stability and that of safeguarding financial stability (see Section 4.2).

#### Labour market, poverty and social exclusion

**Labour market conditions continued to improve, supported by robust economic growth.** The activity rate increased to 72.3% in 2017, exceeding the pre-crisis level of 68.7 %. The unemployment rate in December 2018 (3.8 %) is at its lowest level in a decade (Graph 1.8). However, the shrinking workforce in the context of unfavourable demographics represents an obstacle

for companies in filling job vacancies and finding the relevant skills on the labour market. As such, it could limit potential GDP growth. The labour market continues to be characterised by weak social dialogue, with a very limited involvement of social partners in policy-making.

Graph 1.8: Labour market overview



(1) Activity rate and employment rate (% of population), total, ages 20-64; Unemployment rate and long-term unemployment rate (% of labour force), total, ages 15-74; Youth unemployment rate (% of labour force), total, ages 15-24; NEET: Not in education, employment, or training (% of population), total, ages 15-24

Source: European Commission

**Wages and unit labour costs continued to increase at a rapid pace in 2018.** The record low unemployment rate, structural labour supply shortages and public policies increasing public and minimum wages<sup>(6)</sup> are forcing a correction in the labour market. Overall, wages are estimated to have increased further in 2018, also due to the impact of the 2017 change in the structure of social contributions, which shifted the burden almost entirely to the employees. As a result, unit labour costs have grown on average 8.1 % annually since 2016. These developments imply the risk of a competitiveness loss given that productivity developments can no longer compensate for such wage increases (see Section 4.4.1).

<sup>(6)</sup> The minimum wage rose to RON 1 900 (c. EUR 413) in 2018 (a net increase of 9 % when accounting for the effect of the shift in the social security contribution), and further to RON 2 080 (c. EUR 450) in January 2019. For university graduates with at least one year of work experience the minimum wage was set at RON 2 350 (c. EUR 510) (see Section 4.3.1).

**Despite the growing labour shortages, some groups are not fully integrated in the labour market.** Participation rates remain particularly low for people with low education attainment, and among women and people with disabilities. The share of young people not in education, employment or training, while on a decreasing path since 2015, remained relatively high in 2017 at 15.2 %. A large part of the long term unemployed either remain unemployed (73.2 %) or fall into inactivity (13.2 %). The active labour market measures in place do not sufficiently address upskilling and integrated service delivery (see Section 4.3.1).

**High poverty and inequality rates hamper Romania's ability to achieve inclusive growth.**

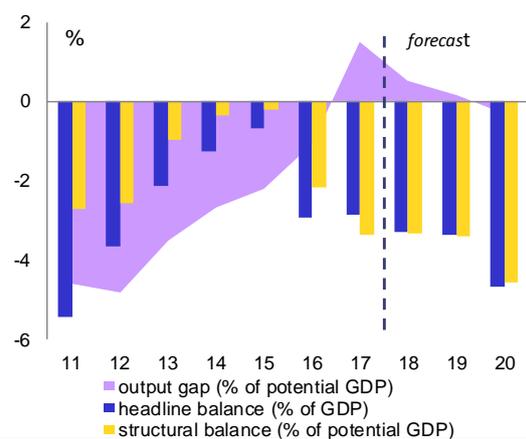
Although decreasing, poverty and inequality rates remain very high. Income inequality has declined over the past 2 years but remains one of the highest in the EU, reflecting in part the weak redistributive capacity of the tax and benefit system. More than 1.5 million people earn under EUR 3 per day (Friedrich-Ebert-Stiftung, 2018) and 3.9 million people suffer from severe material deprivation. Opportunities are unequal, in many respects. High poverty levels are associated with unemployment, low education attainment, high intergenerational transmission of poverty and regional disparities. The share of children living in poverty or social exclusion (4 out of 10) is one of the highest in the EU. Socioeconomic status greatly affects students' performance, deterring sustainable growth in the long-run (see Section 4.3.3). The education and care systems are not conducive to sufficiently independent living and to the employability of people with disabilities (see Section 4.3.2).

### Public finances

**The public deficit is projected to widen, mostly due to increases in current spending.** In its 2018 Autumn Forecast, the Commission projected the headline deficit to increase from 2.9 % of GDP in 2017 to 3.3 % of GDP in 2018, mostly driven by public wage increases. The headline deficit was projected to increase slightly further in 2019, to 3.4 %, and then to jump to 4.7 % in 2020 due to significant increases to old-age pensions. The pension point, i.e. the main parameter used for pension indexation, is set to increase by 15 % in September 2019 and by 40 % in September 2020.

The structural deficit <sup>(7)</sup> is projected to remain broadly stable at around 3.3 % to 3.4 % of potential GDP until 2019 and to increase to 4.5 % in 2020 (Graph 1.9). In June 2018 the Council launched a new significant deviation procedure addressed to Romania.

Graph 1.9: General government balance and output gap



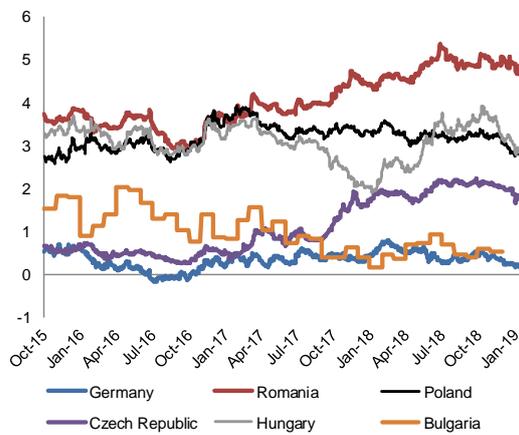
Source: Eurostat, European Commission 2018 Autumn Economic Forecast

**The tax cuts and expenditure increases are being financed with public debt.**

Because of the widening of the public deficit, the general government debt is projected to increase from 35.1 % of GDP in 2018 to 38.2 % of GDP in 2020. Assuming no policy change, public debt is projected to increase to above 60 % of GDP in 2029 (see Section 4.1.4). The financing cost of public debt has been steadily increasing since mid-2017 to levels well above those observed for peer countries (Graph 1.10).

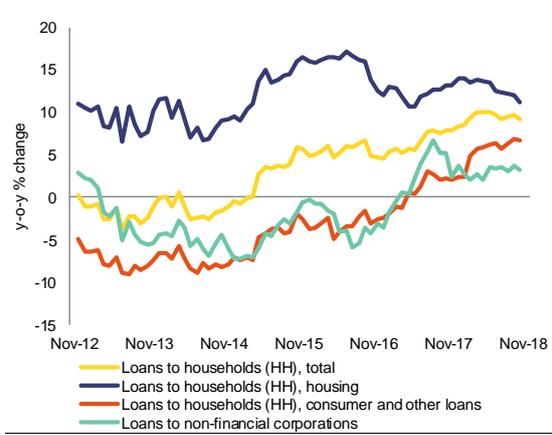
<sup>(7)</sup> Defined as the deficit corrected for the business cycle and one-off operations.

Graph 1.10: 10 year government bond yield: Romania and peers



Source: European Commission

Graph 1.11: Loans to households and non-financial corporations



Source: National Bank of Romania

## Financial sector

**Consumer credit accelerated in 2018.** The stock of loans denominated in Romanian lei (RON) continued to increase for both households and corporations. The domestic currency increased its share of the loans' stock to 65.9 % in November 2018, up from a low of 35.6 % in May 2012. Credit to non-financial corporations, albeit still increasing, has somewhat decelerated in 2018 compared to 2017 (Graph 1.11). Meanwhile, household lending has picked up on the back of an increase in the growth of consumer credit and mortgage lending, although the latter registered a slight slowdown. As of January 2019, a new macro prudential regulation limits the level of households' indebtedness (see Section 4.2).

## Banking sector stability is threatened by recent legislative changes.

Capital adequacy at system level continued to increase and stood at almost 20 % at the end of September 2018. As banks increased locally collected deposits and reduced dependency on parent funding, the loan-to-deposit ratio declined to around 76 % at end-September 2018. The share of non-performing loans in total loans fell below 6 %, but sales of impaired assets declined significantly as of March 2018 following changes to the Fiscal Code. Moreover, in December 2018, Parliament adopted several laws, not yet enacted (including retroactively capping interest rates in loan contracts), which are expected to hamper the disposal of non-performing loans and negatively impact the already very low level of financial intermediation in Romania. More worryingly, the newly introduced tax on banks' assets could have a long-lasting damaging effect on banks' ability to finance the economy, on the conduct of monetary policy and ultimately on economic growth (see Section 4.2).

## The second pension pillar was further weakened.

In December 2018, the government significantly increased the minimum capital requirements for second pillar pension funds' management companies operating in Romania, while substantially reducing the allowed level of the administration fees. Moreover, participants with at least 5 years of contributions are now allowed to opt out of the second pillar. These changes, following a 2018 reduction in the proportion of the contributions accruing to the second pension pillar, significantly weaken the

second pension pillar, with negative consequences for future pension adequacy, the development of the local capital market and the long-term financing of the economy (see Section 4.2).

### Housing market

**The growth rate of house prices is slowing down, but developments vary at sub-national level.** Housing demand has been adversely affected by higher lending costs and overall higher prices. House prices increased by 5.7 % in Q3-2018, less than the same period of the previous year (6.2 %). The deceleration continued in the first quarters of 2018 on the back of volatile demand, especially in the residential segment, due to the tightening of both public (the *Prima Casă* programme) and private credit conditions. Substantial regional differences persist. House prices advanced by less than 6 % in Bucharest in Q3-2018, but some counties saw double-digit increases.

Table 1.1: Key economic, financial and social indicators - Romania

	2004-07	2008-12	2013-15	2016	2017	forecast		
						2018	2019	2020
Real GDP (y-o-y)	6.8	0.7	3.6	4.8	7.0	4.0	3.8	3.6
Potential growth (y-o-y)	5.7	2.9	2.7	3.6	4.5	4.6	4.1	4.1
Private consumption (y-o-y)	13.2	0.0	3.6	7.9	10.0	.	.	.
Public consumption (y-o-y)	-2.4	1.2	0.1	2.2	2.6	.	.	.
Gross fixed capital formation (y-o-y)	23.2	-3.7	1.6	-0.2	3.5	.	.	.
Exports of goods and services (y-o-y)	9.9	7.0	10.7	16.0	10.0	.	.	.
Imports of goods and services (y-o-y)	22.3	1.4	8.5	16.5	11.3	.	.	.
Contribution to GDP growth:								
Domestic demand (y-o-y)	14.4	-1.1	2.5	5.1	7.5	.	.	.
Inventories (y-o-y)	-1.4	0.0	0.3	0.0	0.2	.	.	.
Net exports (y-o-y)	-6.4	1.3	0.6	-0.3	-0.7	.	.	.
Contribution to potential GDP growth:								
Total Labour (hours) (y-o-y)	-0.4	-1.0	-1.0	-0.2	0.2	0.4	-0.1	-0.1
Capital accumulation (y-o-y)	2.1	2.2	1.1	0.9	1.3	1.3	1.4	1.5
Total factor productivity (y-o-y)	3.9	1.7	2.5	3.0	3.1	2.9	2.8	2.7
Output gap	6.2	-1.4	-2.8	-1.1	1.5	0.5	0.2	-0.3
Unemployment rate	7.2	6.6	6.9	5.9	4.9	4.3	4.2	4.1
GDP deflator (y-o-y)	13.2	6.2	2.6	2.5	4.7	6.5	3.8	3.5
Harmonised index of consumer prices (HICP, y-o-y)	8.1	5.7	1.4	-1.1	1.1	4.1	3.3	3.1
Nominal compensation per employee (y-o-y)	15.8	7.9	4.3	15.0	12.3	13.0	6.7	6.7
Labour productivity (real, person employed, y-o-y)	7.4	2.3	4.1	6.0	4.0	.	.	.
Unit labour costs (ULC, whole economy, y-o-y)	7.8	5.5	0.2	8.5	8.0	9.3	2.5	3.0
Real unit labour costs (y-o-y)	-4.8	-0.6	-2.3	5.9	3.1	2.7	-1.2	-0.5
Real effective exchange rate (ULC, y-o-y)	9.5	-2.7	-0.5	6.7	6.3	6.8	-1.1	0.7
Real effective exchange rate (HICP, y-o-y)	8.5	-2.9	0.9	-1.2	-1.7	2.4	-0.4	0.8
Savings rate of households (net saving as percentage of net disposable income)	-22.3	-5.4	-9.6	-8.1	-7.6	.	.	.
Private credit flow, consolidated (% of GDP)	13.9	3.0	-1.2	0.6	1.7	.	.	.
Private sector debt, consolidated (% of GDP)	43.3	70.6	62.7	55.6	51.0	.	.	.
of which household debt, consolidated (% of GDP)	11.9	21.4	18.2	16.7	16.2	.	.	.
of which non-financial corporate debt, consolidated (% of GDP)	31.5	49.3	44.4	38.9	34.8	.	.	.
Gross non-performing debt (% of total debt instruments and total loans and advances) (2)	1.4	.	14.8	7.7	5.1	.	.	.
Corporations, net lending (+) or net borrowing (-) (% of GDP)	-2.8	0.4	7.6	7.8	7.7	8.3	6.5	6.6
Corporations, gross operating surplus (% of GDP)	25.9	28.2	31.8	31.1	31.7	31.4	32.0	32.5
Households, net lending (+) or net borrowing (-) (% of GDP)	-4.7	0.2	-4.3	-4.0	-6.4	-6.9	-5.3	-4.6
Deflated house price index (y-o-y)	.	.	-1.4	5.2	3.3	.	.	.
Residential investment (% of GDP)	2.0	2.9	2.5	2.6	4.2	.	.	.
Current account balance (% of GDP), balance of payments	-10.2	-6.2	-1.0	-2.1	-3.2	-4.3	-4.5	-4.7
Trade balance (% of GDP), balance of payments	-11.3	-7.4	-0.6	-0.9	-2.1	.	.	.
Terms of trade of goods and services (y-o-y)	4.3	1.0	1.8	-0.3	-1.5	0.6	-0.2	0.0
Capital account balance (% of GDP)	0.5	0.6	2.4	2.5	1.2	.	.	.
Net international investment position (% of GDP)	-37.2	-61.7	-58.2	-49.0	-47.8	.	.	.
NIIP excluding non-defaultable instruments (% of GDP) (1)	-5.0	-22.2	-16.5	-6.7	-5.8	.	.	.
IIP liabilities excluding non-defaultable instruments (% of GDP) (1)	35.8	57.7	50.7	40.0	37.4	.	.	.
Export performance vs. advanced countries (% change over 5 years)	84.0	70.5	24.0	20.1	30.9	.	.	.
Export market share, goods and services (y-o-y)	.	.	7.0	8.6	3.1	.	.	.
Net FDI flows (% of GDP)	-7.1	-2.8	-1.9	-2.6	-2.4	.	.	.
General government balance (% of GDP)	-1.7	-6.1	-1.4	-2.9	-2.9	-3.3	-3.4	-4.7
Structural budget balance (% of GDP)	.	.	-0.6	-2.2	-3.4	-3.3	-3.4	-4.6
General government gross debt (% of GDP)	14.6	27.0	38.2	37.3	35.1	35.1	35.9	38.2
Tax-to-GDP ratio (%) (3)	28.5	27.3	27.6	26.5	25.8	26.2	26.2	26.2
Tax rate for a single person earning the average wage (%)	27.2	28.5	25.6	.	.	.	.	.
Tax rate for a single person earning 50% of the average wage (%)	22.7	25.5	22.9	.	.	.	.	.

(1) NIIP excluding direct investment and portfolio equity shares

(2) domestic banking groups and stand-alone banks, EU and non-EU foreign-controlled subsidiaries and EU and non-EU foreign-controlled branches.

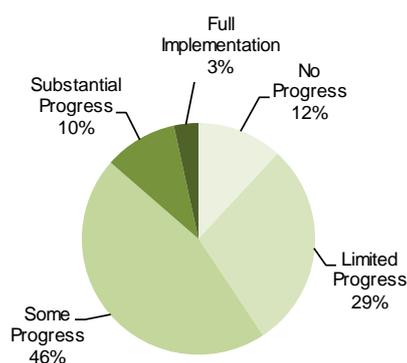
(3) The tax-to-GDP indicator includes imputed social contributions and hence differs from the tax-to-GDP indicator used in the section on taxation.

**Source:** Eurostat and ECB as of 31-1-2019, where available; European Commission for forecast figures (Winter forecast 2019 for real GDP and HICP, Autumn forecast 2018 otherwise)

## 2. PROGRESS WITH COUNTRY-SPECIFIC RECOMMENDATIONS

Since the start of the European Semester in 2011, 59 % of all country-specific recommendations addressed to Romania have recorded at least ‘some progress’. 41 % of country-specific recommendations recorded ‘limited’ or ‘no progress’ (Graph 2.1). Overall, Romania has advanced in implementing its country-specific recommendations since 2013, and some reforms have been pursued even during economically challenging times. However, the reform momentum appears to have waned over the past few years. In several policy areas subject to country-specific recommendations action has slowed down or even been reversed and significant efforts are still needed to achieve tangible results on implementing reforms.

Graph 2.1: Overall multiannual implementation of 2013-2018 CSRs to date



(1) The overall assessment of the country-specific recommendations related to fiscal policy exclude compliance with the Stability and Growth Pact.  
 (2) The multiannual CSR assessment looks at the implementation since the CSRs were first adopted until the February 2019 Country report  
**Source:** European Commission

**On fiscal adjustment, past progress has been gradually undone.** Since 2009, Romania has pursued a significant fiscal consolidation which led to achieving its medium-term objective in 2014 and 2015. However, since 2016 the authorities have been pursuing an expansionary fiscal policy that led to a substantial departure from that objective.

**Progress on labour market and social assistance reforms has stalled since 2016.** The minimum wage continues to be set by the government in an ad-hoc manner, without applying a set of objective criteria. Social dialogue remains ineffective, while the role of certain important institutions has been recently weakened. The implementation of the minimum inclusion income law, adopted in 2016, stalled in 2017 and is now expected to be enforced only as of April 2019. Active labour market policies are not comprehensively looking to individual needs and are insufficiently focused on upskilling.

**Access to quality and inclusive education is highly insufficient.** Early school leaving remains problematic and the acquisition of basic and digital skills faces substantial challenges. Ensuring equal opportunities for students from poor households and the Roma community remains a challenge. The limited availability of nurseries and their uneven distribution does not support children’s early cognitive and social development and women’s return to the labour market. The labour market relevance of education is limited. Forecasting and anticipation of skills needs remains unused, hampering the adaptation of the education system to labour market needs.

**The healthcare system is faced with multiple challenges.** Progress of reforms in key areas such as the development of integrated community care centres and the building of regional hospitals has been delayed, while in other priority areas the measures taken by the authorities appear insufficient. The administrative capacity of the Ministry of Health continues to be very limited, while poor investment planning and lack of political commitment further hamper the progress of reforms. The shift to outpatient care remains at an early stage, with most efforts concentrated on hospital care.

**The conduct of public policy continues to be highly unpredictable.** Important and sometimes complex legislative changes are still adopted without proper consultation of stakeholders, while impact assessments are often lacking. This often results in additional legislative changes being necessary to correct the unintended effects of emergency ordinances adopted on very short notice. Contradictory public statements about the

Table 2.1: Assessment of 2018 CSR implementation

Romania	Overall assessment of progress with 2018 CSRs: Limited progress
<p><i>CSR 1: Ensure compliance with the Council recommendation of ... June 2018 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection.</i></p>	<p><b>Limited progress</b></p> <ul style="list-style-type: none"> <li>• No progress was made in ensuring that the national fiscal framework is implemented</li> <li>• Limited progress was made in strengthening tax compliance and collection.</li> </ul>
<p><i>CSR 2: Complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. Improve access to healthcare, including through the shift to outpatient care.</i></p>	<p><b>Limited progress</b></p> <ul style="list-style-type: none"> <li>• No progress was made in completing the minimum inclusion income reform.</li> <li>• Limited progress was made on improving social dialogue.</li> <li>• No progress was made on minimum wage setting.</li> <li>• Limited progress was made on upskilling and improving access to quality mainstream education.</li> <li>• Limited progress was made on shifting to outpatient care</li> </ul>
<p><i>CSR 3: Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and stakeholder consultation and involvement in the design and implementation of reforms. Improve the preparation and prioritization of large infrastructure projects and accelerate their implementation, particularly in the transport, waste and waste water sectors. Improve the transparency and efficiency of public procurement. Strengthen the corporate governance of State-owned enterprises.</i></p>	<p><b>No progress</b></p> <ul style="list-style-type: none"> <li>• No progress was made on improving the predictability of decision making.</li> <li>• Limited progress was made on strengthening project prioritization and preparation in public investment.</li> <li>• Limited progress was made on implementing the national public procurement strategy.</li> <li>• No progress was made on improving the corporate governance of State owned enterprises.</li> </ul>

(1) This does not include an assessment of compliance with the Stability and Growth Pact.

Source: European Commission

future of important reforms also contribute to the overall climate of unpredictability of policy making, negatively affecting the business environment.

**Overall, Romania made limited progress<sup>(8)</sup> in addressing the 2018 country-specific**

**recommendations.** There was limited progress on tax compliance and collection, upskilling and education, social dialogue, outpatient care, public investment prioritisation and public procurement. No progress was made on the fiscal framework, minimum wage setting, minimum inclusion income, predictability of decision-making and the corporate governance of state-owned enterprises.

<sup>(8)</sup> Information on the level of progress and actions taken to address the policy advice in each respective subpart of a country specific recommendation is presented in the overview table in Annex A.

**Box 2.1: EU funds and programmes contribute to addressing structural changes and to fostering growth and competitiveness in Romania**

**Romania is a large beneficiary of EU solidarity.** EU funds allocated to Romania amount to EUR 30.8 billion for the 2014-2020 programming period, potentially representing around 2.4 % of GDP annually. As of the end of 2018, around EUR 20.8 billion was allocated to selected projects. EUR 7.9 billion of the total allocation was paid to Romania. In addition, EUR 1.2 billion was allocated to specific projects on strategic transport networks through the Connecting Europe Facility. Furthermore, Romanian research institutions, innovative firms and individual researchers benefited from other EU funding instruments, notably Horizon 2020.

**EU funds can help address policy challenges identified in the 2018 country-specific recommendations.** Actions financed include investments in transport, energy, water and waste management infrastructure, education, employment and social policies, strengthening healthcare, extending broadband access and developing public administration and inter-operable e-government services. As a result, 315 km of TEN-T railway lines and 378 km of TEN-T roads are under construction; almost 140 000 additional households will have access to broadband of at least 30 Mbps; around 750 000 additional people could benefit from improved water supply and more than 2.5 million people are set to be served by improved wastewater treatment. In addition, 1 793 micro-enterprises and 688 SMEs have received direct support to strengthen their competitiveness. The SME Initiative has generated EUR 361 million of loans supporting 1 344 SMEs. Moreover, the European Social Fund is currently supporting ongoing active labour market measures for about EUR 473 million, while other EU funds will also enable the hiring of 174 new researchers. Despite some progress, implementation is still delayed in several sectors including for smart, sustainable, social and connectivity investments. The reform of the public administration, a precondition for EU funding support, is progressing at a slow pace. In addition, the implementation of some key country specific recommendations and related reforms is severely delayed (see Section 2).

**In addition, the Commission can provide tailor-made technical support upon a Member State's request via the Structural Reform Support Programme to help Member States implement growth-sustaining reforms to address challenges identified in the European Semester process or other national reforms.** Romania, for example, is receiving support for the establishment of a national promotional bank. The Commission is also assisting the authorities in their efforts to develop an economically and environmentally sustainable water and waste water sector, to modernise the health service delivery model and to reinforce the administrative capacity of the National Agency for Fiscal Administration to improve tax compliance and revenue collection. In addition, in 2018, work has started on assisting the National Institute of Administration in introducing modern methods of training of public administration, on conducting the first evaluation of state aid schemes to assess market outcomes and optimise their design in the future, and on creating a mechanism of early detection/warning and intervention for identifying children at risk of repeated school drop-out.

**EU funding can contribute to the mobilisation of private investment.** Out of the total European Regional Development Fund financing, EUR 350 million is to be delivered via financial instruments and is expected to leverage additional private investment of around EUR 1 billion. European Social Fund financial instruments should support in particular the creation of new jobs and investments in the social economy. However, implementation has not started. Romania is advancing in the take up of the European Fund for Strategic Investments, with total financing amounting to EUR 652 million and expected to trigger EUR 2.7 billion in additional private and public investments<sup>(1)</sup>. A Romanian project backed by the European Fund for Strategic Investments is "Agricover Loan for Small and Medium-sized Enterprises", for which the European Investment Bank provides a EUR 15 million loan to Agricover Credit IFN to finance small projects in the agricultural sector.

**EU actions are intended to strengthen national, regional and local authorities and civil society.** Around EUR 1 billion has been allocated to strengthen the capacity of the public administration at different levels and encourage cooperation with relevant stakeholders. The Coal Regions in Transition Initiative seeks to improve socio-economic and technological transformation processes in the Jiu Valley mining region.

<https://cohesiondata.ec.europa.eu/countries/RO#>

<sup>(1)</sup> [https://ec.europa.eu/commission/sites/beta-political/files/romania-investment-plan-factsheet-17x17-dec18\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/romania-investment-plan-factsheet-17x17-dec18_en.pdf)

# 3. OVERALL FINDINGS REGARDING IMBALANCES, RISKS AND ADJUSTMENT ISSUES

## Introduction

**The 2019 Alert Mechanism Report concluded that a new in-depth review should be undertaken for Romania to examine the possible existence of imbalances (European Commission, 2018i).** An in-depth review was not prepared for Romania in 2018 and no imbalances have been identified. This chapter summarises the findings of the analyses in the context of the Macroeconomic Imbalances Procedure (MIP) in-depth review that is contained in various sections in this report <sup>(9)</sup>.

### 3.1. IMBALANCES AND THEIR GRAVITY

**The current account deficit has been widening markedly.** From being nearly balanced in 2014, the current account registered a deficit of 3.2 % of GDP in 2017 and is estimated to have deteriorated further to 4.3 % of GDP in 2018. This evolution implies an increasing divergence from the economy's fundamentals, which point to a close to balanced current account. This is mainly the result of an increasing deficit of the trade in goods, spurred on by the private consumption boom against the backdrop of an expansionary fiscal policy in times of high GDP growth. The net international investment position, in turn, has improved to -47.8 % of GDP in 2017. The 20 pps correction since 2012 has been mainly due to the strong nominal GDP growth more than offsetting the widening current account deficit. The capital account surplus added further relief.

**Unit labour costs have been growing strongly.** Despite significant productivity gains in recent years, which are to some extent a catching-up effect from a low starting point, wage increases have been significantly outpacing productivity growth since 2016, leading to a marked acceleration of unit labour costs. This in turn has led to an appreciation of the unit labour costs-

based real effective exchange rate (see Section 4.4.1).

**Public and minimum wages have been increasing at a rapid pace, with potential spillovers to the private sector and negative implications for competitiveness.** Public wages are on a marked upward trend. The more subdued evolution of wages in the tradeable sector in recent years, as well as relatively robust productivity developments, have allowed exports to remain competitive so far and helps explain the more limited loss in cost competitiveness in tradeables. Nevertheless, empirical evidence shows that the public sector has a leading role in wage determination in Romania. Therefore recent and future wage increases in the public sector may lead to substantially higher private sector wages, including in the tradeable sector, undermining competitiveness. Also the unilateral government-set increases in the statutory minimum wage, starting in 2015 and due to continue into 2019, have added to wage pressures and reinforce the potential negative effect on competitiveness.

**Recent legislative initiatives risk threatening the normal functioning of the financial sector.** These include a parliamentary law retroactively capping mortgage interest rates and a government emergency ordinance imposing a tax on banks' assets linked to interbank interest. Furthermore, measures aimed at the second pension pillar, also passed into law by the emergency ordinance, may strongly hinder the development of capital markets, which are already very shallow in Romania. The new risks to the banking sector, the weakening of institutional investors and the increasing unpredictability of policy making may also dent private investment.

### 3.2. EVOLUTION, PROSPECTS AND POLICY RESPONSES

**The current account deficit is on a deteriorating trend, with its composition being a concern.** Prospects imply a further deterioration in 2019 and 2020, to close to 5% of GDP according to the Commission's 2018 Autumn Forecast. Romania is one of the very few Member States whose current

<sup>(9)</sup> Analyses relevant for the in-depth review can be found in the following sections: Public finances and taxation (Section 4.1); Financial sector (Section 4.2), Labour market (Section 4.3), Competitiveness reforms and investment (Section 4.4). Some of the elements relevant for the in-depth review came into existence only after the publication of the 2019 Alert Mechanism Report.

account deficit is worsening. Changes in composition are also a concern, as growth in imports has been substantially higher for consumer goods than for intermediate or capital goods. This means that the import spree is not adding much to the potential future growth of the economy or improving living standards in a sustainable way.

**Recent improvements in the net international investment position may stall.** GDP growth, while still robust, has slowed in 2018 and is expected to slow further in 2019 and 2020, while the current account is forecast to continue to deteriorate. That could end the substantial improvement of the net international investment position observed over the past 5 years. The composition of the net international investment position, with a small debt weight, may mitigate risks. Overall, however, recent and prospective developments on the external side expose the economy to growing risks, especially in times of a more uncertain and weakening world economy.

**While the export performance is still strong, fast-growing unit labour costs can hurt competitiveness and the country's external position.** Romania's export market shares continued to increase in 2017 despite increasing RON-denominated export prices. The gradual depreciation of the national currency over the past 2 years has somewhat reduced the pressure on the price competitiveness of exports. However, private sector wages are under pressure from a very tight labour market, repeated minimum wage increases, and possible spillovers from strong public sector wage hikes. This could trigger competitiveness losses, including in the sectors more exposed to external competition.

**Threats to the external performance also arise from the current policy trajectory and the external environment.** These could increase macroeconomic volatility, undermine the capacity to withstand adverse shocks, and eventually slow down convergence toward the standards of living in other EU countries. Uncertainty over policy and legislative decisions, including those with potential impact on investment and production decisions, contributes to the overall perception of unpredictability in public policy making. The main external risks to the economic outlook include an abrupt shift in global risk appetite against the backdrop of continued monetary policy

normalisation in the EU, as well as trade tensions leading to weaker external demand. If these developments were to materialise, they would have a negative impact on investment and exports.

### 3.3. OVERALL ASSESSMENT

**Romania faces increasing risks in the form of a deteriorating current account deficit and accelerating unit labour costs.** The current account deficit has been widening since 2014 mainly due to a growing deficit of the trade in consumer goods. Despite a good export performance and significant export market share gains since 2012, growth in imports has persistently outpaced that of exports. Repeated increases of the minimum wage and public sector wages have put unit labour costs under growing pressure. The impact of the wage policies on cost competitiveness has so far been mitigated by a number of factors: productivity gains, a slow pass-through to the tradeable sector of the rising economy-wide unit labour costs, and currency depreciation. However, the continuation of this trend entails potential competitiveness losses, leaving the country vulnerable to external shocks.

**Policy measures adopted so far may exacerbate the risks of imbalances.** Government decisions on public and minimum wages have played a major role in increasing risks to cost competitiveness. Also, an expansionary fiscal stance limits the room to cushion potential shocks. The persistence of these trends can further harm the confidence of economic players, reduce the economy's capacity to adapt to shocks that may arise at home or spill over from abroad, and affect the economy's growing external financing needs as measured by the high and worsening external deficit.

**Recent government decisions have increased risks in the financial sector and may negatively affect private investment.** These decisions could lead to a lower availability of credit, fewer long-term investors, and an unstable and unpredictable policy-making environment. In light of the economy's limited debt tolerance, strong reliance on foreign investment and past record of capital flows volatility, addressing the ongoing trends would prevent a reversal of investors' sentiment in a context of slowing economic activity and increased uncertainty in the economic outlook.

## Box 3.1: MIP assessment matrix (\*) – Romania 2019

	Gravity of the challenge	Evolution and prospects	Policy response
<b>Imbalances (unsustainable trends, vulnerabilities and associated risks)</b>			
<b>Financial sector and investment</b> (see Section 4.2)	Recent legislative initiatives may hurt the functioning of the financial sector, international capital flows and private investment, and might constrain the conduct of monetary policy. These legislative initiatives include: (i) a parliamentary law retroactively capping mortgage interest rates; (ii) a government emergency ordinance imposing a tax on banks' assets linked to the interbank interest rate; and (iii) measures weakening the second pension pillar and the development of capital markets.	<p>The banking sector's capital adequacy and quality continued to improve in 2018. However, the financial sector's ability to finance the economy may be impaired and its stability threatened by legislative changes introduced in December 2018, including a retroactive capping of mortgage interest rates, a new tax on banks' assets and changes to the second pension pillar.</p> <p>The December legislation may also hinder foreign and domestic private investment due to tighter credit and a shallower capital market with weaker institutional investors. Unclear implementation details blur the potential overall effect in the economy, adding to the already beleaguered business environment, affected by political and legislative uncertainty and unpredictability.</p>	Parliamentary and governmental legislation for the financial sector, the second pension pillar and energy and communications companies have increased risks to the financial sector and investment.
<b>External balance</b> (see Section 4.4.1)	The current account deficit has persistently deteriorated, to an estimated 4.3 % of GDP in 2018. The widening deficit has been driven mainly by a worsening trade deficit in goods, which went from 4.3 % of GDP in 2014, when the current account was close to balance, to 6.7 % in 2018.	<p>The trade deficit will continue to widen, pushing the current account deficit to an estimated 4.5 % of GDP in 2019 and 4.7 % in 2020. The deterioration is taking place in a context of buoyant foreign demand and strong gains in export market shares. Less favourable external conditions could lead to an even stronger than forecast worsening of the current account. At the same time, the NIIP is expected to improve at a slower pace or even to worsen from levels that are already behind what is suggested by economic fundamentals.</p> <p>The consumption-led widening of the current account deficit is not supportive of potential GDP growth. The trade deficit in goods worsened in spite of a strong export performance (the export market share has increased by more than a third since 2012). The change in the composition of imports is also worrisome. The trade balance in consumer goods shifted from a small surplus in 2014 to a deficit of 2.3 % of GDP in 2017. Imports of consumer goods are growing significantly faster than other imports. Consumer goods imports increased by 14 % in the last 3 years, twice as much as imports of intermediate and capital goods.</p>	The widening of the current account deficit is in large part linked to Romania's private consumption, which expanded, in real terms, by 7.9 % in 2016, 10.1 % in 2017, and 4.6 % in 2018. A persistently expansionary fiscal policy has been fostering this consumption boom through successive indirect tax cuts and substantial public and minimum wage hikes. Public investment, however, contracted sharply in both 2016 and 2017, although is estimated to have slightly increased in 2018, indicating that the government's fiscal stance encourages growth in the short-run to the detriment of its long-term prospects.

	Gravity of the challenge	Evolution and prospects	Policy response
<b>Competitiveness</b> (see Section 4.4.1)	<p>After a modest evolution in the aftermath of the crisis, unit labour costs (ULCs) in Romania have started to pick up in recent years. In 2017, economy-wide ULCs grew by 8 %, the highest increase in the EU. The ULC acceleration has been driven entirely by wage growth, with productivity continuing to improve at strong rates, while nominal compensation per employee increased by an average of 15 % between 2016 and 2018.</p> <p>As a result, the ULC-based real effective exchange rate (REER) has appreciated continuously since 2016 while the export-price-based REER also started appreciating in 2018. For the future, the impact of these cost and price competitiveness losses may be exacerbated in an environment of trade tensions and slowing external demand.</p>	<p>Net wages increased by 13 % in the first 11 months of 2018. They remained higher in the public sector (19 % year-on-year) followed by both industry and market services which still grew at a robust pace (around 10.5 % year-on-year). Public wage developments may further spill over into the private sector and trigger lagged competitiveness losses.</p> <p>The impact of increasing ULCs on price competitiveness has been limited so far. Export prices, however, resumed growth in 2017 and the corresponding REER started to appreciate in 2018, signalling risks to price competitiveness.</p> <p>Competitiveness continues to be tied to non-cost factors such as deficient infrastructure, particularly in poorer regions, and a cumbersome business environment, fuelled by political and legislative uncertainty and unpredictability, which hinder long-term economic decisions and hurt business confidence and investment.</p>	<p>Repeated ad hoc public wage and minimum wage hikes have driven the acceleration of wages in the overall economy. The gross minimum wage almost doubled from RON 1 050 in July 2015 to RON 2 080 in January 2019, resulting in a highly compressed wage distribution. The share of workers earning the minimum wage, which was below 10 % until 2012, has grown to 37 % in 2017.</p> <p>Wages in the public sector grew by more than 75 % between 2015 and 2018, significantly outpacing the private sector. Further substantial increases have been approved for the coming years.</p>
<b>Conclusions from the IDR analysis</b>			
<ul style="list-style-type: none"> <li>• The current account balance is deteriorating as the growth of imports continues to persistently outpace that of exports. This is despite export market share gains. Cost competitiveness has been deteriorating on the back of strong wage growth. Recent parliamentary and governmental decisions may hurt the functioning of the financial sector and have added to the prevailing perception of an unpredictable policy-making environment.</li> <li>• The deterioration of the current account balance is expected to continue in the medium term, reflecting the ongoing private consumption boom. Imports of consumer goods have been a major driver of the current account deterioration, spurred by fiscal-led private consumption. Spillovers from public sector wages to the private sector and a deterioration of external conditions due to increasing trade tensions could further trigger a significant worsening of the country's current account. Recent legislation affecting the financial sector may distort the functioning of the sector, erode international capital flows and impact private investment.</li> <li>• Policy action has contributed to the accumulation of vulnerabilities for the Romanian economy on several accounts. The expansionary fiscal policy, in a context of high GDP growth, has repeatedly stimulated an already fast growing economy and led to the widening of the current account deficit. The recent increase in unit labour costs, triggered by successive public and minimum wages increases, may compromise external competitiveness. Recent legislative initiatives have created new risks to the functioning of the financial sector, international capital flows and private investment.</li> </ul>			

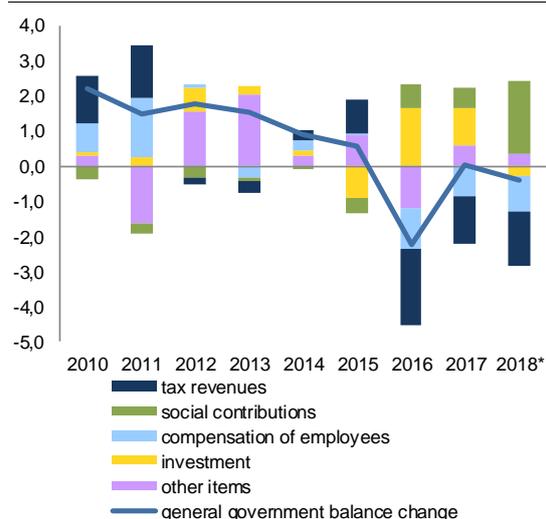
## 4. REFORM PRIORITIES

### 4.1. PUBLIC FINANCES AND TAXATION

#### 4.1.1. FISCAL POLICY (\*) <sup>(10)</sup>

The authorities have been reducing taxes and increasing current spending, while cutting public investment. (Graph 1.1) Tax revenues have been dropping following cuts in consumption tax rates in 2016-2017 and a cut of the flat personal income tax rate as from 2018. On the other hand, collected social contributions significantly increased in 2018 thanks to the social security shift on the employees and to the cut to the proportion transferred to the second pension pillar (Box 4.2.1). On the expenditure side, public wages have been significantly increased in an ad-hoc manner since 2016. The unified wage law, adopted in summer 2017, increased gross wages in the public sector in 2018 and beyond. At the same time, public investment gradually fell to a post-EU accession low in 2017 and is projected to have increased only slightly in 2018. These policies have increased the public deficit and boosted private consumption (see Sections 1 and 4.4.1) to the detriment of long-term growth.

Graph 4.1.1: Drivers of change of general government balance



Source: Eurostat, European Commission 2018 Autumn Forecast (for 2018)

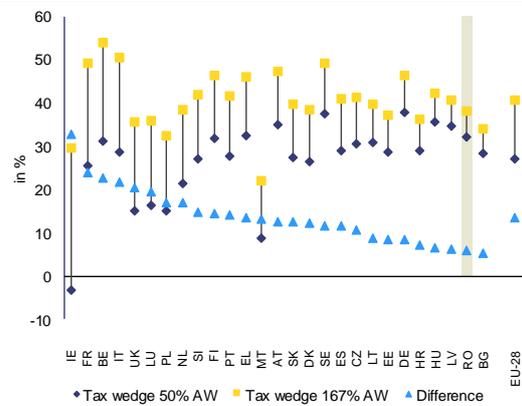
#### 4.1.2. TAXATION

The tax structure is characterised by low levels of revenues, with high reliance on consumption taxes. The tax-to-GDP ratio stood at 24.9 % in 2017, the lowest value since 1996. This represents the second lowest level in the EU – well below the EU average of 39.2 %. The tax structure largely relies on consumption taxes, while the share of tax revenues from labour (including social contributions) is well below the EU-average (European Commission, 2019a).

The power of the tax system to reduce poverty and correct social disparities is limited. Income inequality remains one of the highest in the EU and a third of Romanians are at risk of poverty, the highest rates in the EU (Section 4.3.2). The relatively low level of tax revenues limits Romania's ability to tackle these problems, either via redistribution or through financing public goods and services (Section 4.3.2). In addition, the tax structure relies substantially on consumption taxes, which have no or very little redistributive impact. The design of labour taxation is among the least progressive in the EU, as measured by the difference between the relative tax burden for low- and high-income earners (Graph 4.1.2). This partly explains the limited redistributive impact of the tax and benefit system (Graph 4.1.3). The graph shows that both non-pension social benefits (the distance between the square and triangle) and taxes (the distance between the triangle and the cross) have a low impact on income inequality.

<sup>(10)</sup> An asterisk indicates that the analysis in the section contributes to the in-depth review under the MIP (see Section 3 for an overall summary of the main findings).

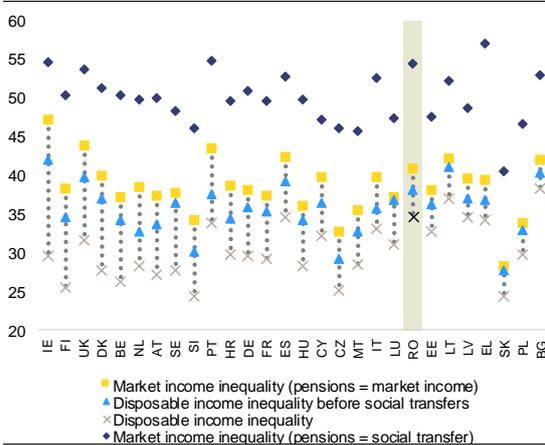
Graph 4.1.2: Degree of progressivity of labour income taxation in EU Member States, 2017



(1) The indicator takes into account personal income taxes, social security contributions and family allowances. (2) The indicator is based on tax wedge data for a variety of family compositions (single, one earner couple, two earner couples, all three without and with two children). Those are then weighted according to their prevalence in the respective Member State (2) The setup of two earner couples combines a person earning 67 % of the average wage with either a person earning 50 % or 167 % of the average wage

Source: European Commission calculations, based on Eurostat and OECD data.

Graph 4.1.3: Redistributive power of the tax and benefit systems in EU Member States, 2016



(1) Income data are adjusted for household size (equalisation). (2) Income inequality is measured by the Gini coefficient. The value 0 corresponds to perfect equality (same income to everybody) while 100 corresponds to maximum inequality (all income distributed to only one person and all the others have nothing.) (3) EU-SILC 2016 data are based on income generated in 2015 (with the exception of Ireland and the UK.)

Source: European Commission calculations, based on Eurostat data

**The implementation of several environmental taxes has been delayed.** The implementation of the landfill tax introduced in 2014 was gradually

postponed until 1 January 2017. This tax proved to be short-lived as on 1 July 2017, the government decided to suspend its application until 1 January 2019. However, government emergency ordinance 74/2018 introduced a contribution for the circular economy, imposed at relatively low levels, to be collected by the sanitation/waste collection companies. The government is also planning to introduce in 2019 a pollutants-dependent car registration tax (see Section 4.4.2). Moreover, the mandatory contribution/surcharge for failure to achieve the collection targets by economic operators placing on the market electrical and electronic equipment and portable batteries and accumulators, and by collective organisations has been postponed until 2020.

**Tax compliance remains low, as exemplified by the high value added tax (VAT) gap.** The VAT gap is defined as the difference between the VAT liability theoretically due and VAT actually collected. It thus represents lost revenue due to evasion, fraud, insolvencies, bankruptcies, administrative errors or legal tax optimisation. The VAT gap in Romania was the largest in the EU in 2016 as a share of VAT theoretically due (CASE et al. 2018). It amounted to around 36 % of VAT theoretically due, compared to the EU average of approximately 12 %. The gap increased by about 2 pps in 2016 compared to the previous year.

**The large shadow economy poses additional challenges in terms of tax compliance.** The Romanian informal economy is estimated at 22 % of the total economy (2014 estimation based on OECD methodology), with the unregistered workforce the biggest component. The National Institute of Statistics estimates the unobserved economy at about 21 % of GDP in 2017<sup>(1)</sup>. According to a recent study (PWC, 2018), 42 % of surveyed organisations reported having been subject to economic crimes (defined as fraud committed by consumers, cybercrime, business misconduct) in the last 24 months, a significant increase compared to the 2016 study (17 %).

**Undeclared work in Romania is high.** It is estimated to account for around one fifth of labour input and a quarter of gross value added in the private sector (European Commission, 2018m). Although coercive measures were expanded, i.e.

<sup>(1)</sup> [http://www.consiliulfiscal.ro/ionut\\_site.pdf](http://www.consiliulfiscal.ro/ionut_site.pdf).

by enlarging the legal definition of undeclared work situations<sup>(12)</sup>, the overall number of cases detected by the labour inspectorates is still low. Coordination between the labour inspectorates and the fiscal authorities is, however, improving. Still, “envelope wages” (i.e. underreported salaries) have so far been only treated as a tax collection problem and not as a labour relations issue. The preventive measures are not showing sufficient results and could benefit from stronger cooperation with social partners.

**Tax evasion is facilitated by high use of cash payments.** According to the National Bank of Romania, cash payments are four times larger than electronic payments. Only 77 % of total bank cards are active, in the context of a relatively low level of financial education<sup>(13)</sup>. Only 58 % of Romanian adults hold a bank account compared to 94 % in high-income economies and 63 % in developing countries. About a third of pensioners receive their rights in cash (World Bank, 2017b). All this facilitates the spread of the shadow economy and tax evasion. Law 19/2018, amending government emergency ordinance 193/2002 on the introduction of modern payment systems (the so-called “cashback law”) now obliges companies with a minimum turnover equivalent to EUR 50 000 to operate card readers or other modern electronic payment systems. Although a positive development, its ability to reach consumers in rural areas remains to be assessed.

**The tax administration has taken some steps on internal reorganisation and processes to enhance tax compliance.** The tax administration moved about 24 000 mid-sized contributors/companies from the control of regional tax administrations to county-level ones as of November 2018. The tax administration has recently updated its guidelines on the registration of certified cash registers and the issuing of single identification number for cash registers. It is also in the process of operationalising the use of its risk

analysis in order to identify, assess and manage the risk of tax non-compliance. As of July 2018, the Large Taxpayers Office began sending taxpayers formal questionnaires about risk indicators identified in their specific activity which may influence their risk rating. Even though the criteria for risk assessment are not made public, the questionnaires may help the tax administration identify inconsistencies in the VAT reporting obligations of the notified taxpayers<sup>(14)</sup>.

#### 4.1.3. FISCAL FRAMEWORK

**The Fiscal Responsibility Law sets national numerical fiscal rules which should guide the budgetary process.** It contains a structural deficit rule, which requires compliance with or convergence to the medium-term budgetary objective of a structural deficit not exceeding 1 % of GDP<sup>(15)</sup>. The national framework also contains several auxiliary rules concerning expenditure and revenue items. Furthermore, the government is required to prepare an update of the fiscal strategy – which sets out the macroeconomic assumptions, medium-term budget planning and expenditure ceilings that should guide the annual budget process – and send it to Parliament by 15 August of the preceding year. The Fiscal Responsibility Law also requires that the Prime Minister and the Minister of Finance sign a joint statement certifying that the draft budget and the fiscal strategy respect the fiscal rules set in the Law, and the principles of fiscal responsibility.

**As in previous years, the national fiscal framework has not been respected.** According to the national Fiscal Council, the 2018 budget is in flagrant contradiction with the fiscal rules set up by the Fiscal Responsibility Law (Fiscal Council 2017). In particular, the 2018 budget targeted a headline deficit of close to 3 % of GDP, which is inconsistent with the structural deficit rule. The

<sup>(12)</sup> False part-time contracts, fake/fraudulent suspension of work and failure to declare/register work contracts in the electronic labour registry at least 24 hours in advance. Done by government emergency ordinance 53/2017, OJ 644 of 7 August 2018, approved through Law 88/2018, OJ 315 of 10 April 2018.

<sup>(13)</sup> According to the Standard&Poor’s Ratings Services Global Financial Literacy Survey, only 22 % of adults in Romania understand basic financial concepts, against a European average of 52 %. For details, see Klapper et al. (2015).

<sup>(14)</sup> In particular, those in relation to their third parties (possible VAT abuse/non-compliance), the registration of a profit margin below the average of the market (possible transfer pricing abuse/non-compliance), as well as abnormal variations of certain financial indicators such as labour productivity, indebtedness, liquidity, rotation speed of fixed assets (financial management implications, possible abuses/non-compliance).

<sup>(15)</sup> The path of convergence is defined in agreement with the EU institutions, based on the rules of the Stability and Growth Pact.

2018 budget amendment from September broke, among others, rules prohibiting increases: (i) of the nominal headline and primary deficit ceilings during the fiscal year; and (ii) in personnel expenditure and total government expenditure excluding EU funds during the fiscal year. The second 2018 budget amendment, published in November, also broke several national fiscal rules. The draft 2019 budget, approved by the government on 8 February, again broke multiple fiscal rules, including the structural deficit rule (Fiscal Council, 2019). Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory August deadline, thereby undermining its guiding role. Also, as in previous years, the authorities derogated from the requirement to sign a statement that the 2019 budget and the fiscal strategy respect the fiscal rules and principles of fiscal responsibility.

#### 4.1.4. DEBT SUSTAINABILITY ANALYSIS AND FISCAL RISKS

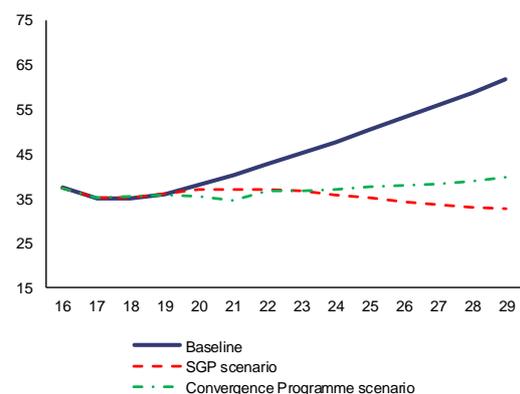
**Over the short term, no significant risks of fiscal stress are foreseen.** The value of the early-detection indicator of fiscal stress ('S0'), which assesses risk within one year, is below its critical threshold. None of the fiscal and financial competitiveness sub-indexes point to short-term vulnerabilities. Financial markets' perceptions of sovereign risk remain medium-grade, with a 'BBB- stable' or equivalent rating of the sovereign debt from the three major rating agencies. However, the financing cost of public debt has been increasing since mid-2017 (see Section 1).

**The public debt ratio is expected to gradually increase, leading to debt sustainability risks in the medium term**<sup>(16)</sup>. Due to a high structural primary deficit, and assuming no-policy change, the debt-to-GDP ratio is set on an upward path and expected to go beyond the 60 % of GDP Treaty reference value by 2029. Adhering to the existing fiscal rules, i.e. full compliance with the requirements of the preventive arm of the Stability and Growth Pact, would set the government debt ratio on a significantly lower trajectory relative to the baseline scenario at unchanged fiscal policy

<sup>(16)</sup> For an overview of fiscal sustainability assessment see European Commission (2019b). See also Annex B.

(Graph 4.1.4). The structure of the government debt in terms of maturity longer than 1 year helps to mitigate vulnerabilities. However, the high share of government debt in foreign currency and the substantial holdings of debt by non-residents could be aggravating factors, as could the negative net international investment position.

Graph 4.1.4: **General government debt projections (% of GDP)**



Source: European Commission calculations.

**The high fiscal deficit and increasing ageing costs are set to negatively impact government fiscal sustainability over the long term.** The relevant indicator ('S2'), points to a required fiscal adjustment of 5.9 pps of GDP to ensure that the public debt ratio remains sustainable over the long term. This is driven by the initial budgetary position (a contribution of 3.7 pps of GDP) and aging costs, in particular pensions and health care (a contribution of 2.1 pps of GDP).

**These projections do not take into account the long-term impact of the new pension law.** The law adopted by Parliament in December 2018 changed several parameters used to calculate pension benefits. It will lead to substantially higher long-term pension costs. In particular, the pension point value will rise as the indexation factor for existing pensions would no longer converge to prices but will, instead, remain permanently composed of wages and prices. Moreover, the contributory period used in the calculation of one's pension is now shorter, leading to higher pension expenditure for new pensions. However, the abolishment of the correction index for new pensions (which used to partly link the first pension to wages) will mitigate the overall pension

expenditure increase implied by the other parameters.

## 4.2. FINANCIAL SECTOR

### Banking and insurance (\*)

**Following several years of efforts to strengthen its resilience, the banking sector faces increased stability risks.** Banking sector capitalisation has been flat since 2016 at around 19 %, well above the EU average. The common equity tier 1 ratio declined marginally in the first half of 2018, but remained reassuring at 17.5 %. The non-performing loans ratio declined to below 6 % by the third quarter of 2018, while the flow of new non-performing loans has again increased in the first months of 2018, in particular for household loans in local currency. With sovereign bond holdings of roughly 20 % of total assets (compared to 2.2 % in 2008) and a pronounced home bias, the banking sector is heavily exposed to domestic sovereign debt, leaving banks vulnerable to an increase in sovereign spreads and interest rate hikes. Due to their deposit-based funding model, banks have issued few debt instruments. Consequently, compliance with minimum requirement for own funds and eligible liabilities will entail higher costs, in particular in the context of Romania's under-developed capital market.

**Tax measures have slowed down sales of non-performing loans by banks.** In mid-2017, the government limited as of January 2018 the tax deductibility of expenditures related to non-performing loans sold by banks to third parties to 30 %. Full tax deductibility was previously the rule (European Commission, 2018a). Law 72/2018 introduced an additional tightening of the tax regime for the non-performing loans sold by banks, by taxing both the income from the sale and part of the losses recorded at sale. The law treats 70 % of the difference between the book value of the non-performing loans sold or written-off (covered partially or entirely by loan-loss provisions) and the sale price as being similar to income and, therefore, subject to taxation. This treatment goes against efforts to develop the secondary market for impaired assets in the EU. It discourages the sale of non-performing loans and would hinder balance sheets' repair if these loans were to increase again. The Romanian secondary market for impaired assets, the most dynamic in Eastern Europe in recent years, recorded sales of EUR 8.5 billion in 2015-2017 but has stalled since Q1-2018.

**A recently introduced bank tax is likely to create strong headwinds for the banking sector.**

In December 2018, without impact assessment or consultation of stakeholders, the government adopted an emergency ordinance introducing a new tax for banks (the "tax on greed") levied on total assets and linked to the level of the interbank interest rate (ROBOR). The levy is calculated on a quarterly basis. It increases gradually from 0.1 % to 0.5 % of total assets depending on how much the quarterly average ROBOR surpasses an arbitrarily set threshold of 2 %. The tax is very pro-cyclical and raises calibration concerns, as it inhibits the price-setting mechanism in the banking sector. At the January 2019 level of the ROBOR, it will amount to 1.2 % of total assets per year. Based on a preliminary analysis, the tax is likely to put a strain on financial stability by significantly impacting the solvency and profitability of banks and by worsening further the situation of weaker banks. The impact of the levy on banking sector profitability appears to be much higher than in other EU countries which introduced such taxes in the past, including regional peers. Moreover, the bank levy is likely to constrain credit activity, as banks may deleverage to reduce total assets, further lower banking sector intermediation, and reduce flexibility for monetary policy and hamper its transmission mechanism. Banking sector intermediation in Romania (measured as the ratio of private sector credit to GDP) is currently the lowest in the EU.

**Three laws with potential negative impact on the banking sector were recently adopted by Parliament.** These laws are still to be enacted. The law capping interest rates in mortgage and consumer loan contracts raises significant concerns. The caps' calibration<sup>(17)</sup> could potentially harm lending activity and financial intermediation<sup>(18)</sup>. They may have an adverse impact on the supply of banking services and financial products by credit institutions and hinder

<sup>(17)</sup> The law is unclear about the application of caps, as a reference is missing. It can be inferred, however, that the legislator intended to have a cap of 3 pps above the monetary policy rate for mortgage loans, tighter than previously discussed, and 18 % for consumer loans.

<sup>(18)</sup> Caps on interest rates exist in other EU Member States, but with the objective to protect consumers from usury practices. Caps are normally linked to an average market interest rate and target mainly consumer loans or loans granted by non-financial institutions. Mortgage loans are less frequently impacted.

access to credit for clients with a higher risk profile. The law capping the value recoverable from non-performing loans sold by banks will further hinder banks' ability to further reduce non-performing loans and continue balance sheet repair. It will negatively impact the revenues of investors in these loans and of debt collection companies, increasing the likelihood of market exits, undermining the secondary market for impaired assets. Furthermore, the right granted to defaulted borrowers to buy the impaired assets from investors at capped values and obtain full debt discharge is likely to induce moral hazard and weaken significantly payment discipline in the banking sector. It may reduce access to credit for some categories of borrowers as banks are likely to become increasingly selective. Moreover, the retroactive application of the laws capping interest rates and banks' receivables from credit agreements concluded in the past will increase legal uncertainty<sup>(19)</sup>. Without prejudice to legitimate consumer protection objectives, the law eliminating the writ of execution of loan contracts will prevent the out-of-court repossession of collateral by banks and increase the overall recovery time for collateral. This will further adversely impact non-performing loans resolution and disposal.

**Several other legislative initiatives by Parliament are also of concern.** The Parliament intends to amend the 2016 law on debt discharge and has discussed the possibility of including the *Prima Casă* loans under the scope of this law. This would make the State guarantee on loans inapplicable, which could be regarded as an attempt by the State to backtrack on its financial obligations under the *Prima Casă* scheme. As such, it could put under strain the country's rating. Attempts to modify the Statute of the National Bank of Romania and remove the legal protection of staff involved in prudential supervision of credit institutions, which go against good international practices, would significantly weaken prudential discipline and the supervision of credit institutions.

**The banking sector's exposure to the real estate market has steadily increased in recent years.** Banks are the financial intermediaries most

exposed to the real estate sector. Real estate lending to households accounts for over one third of total credit to the private sector, with the bulk of loans being granted at variable interest rates. This increased exposure has been markedly supported by the government-sponsored *Prima Casă* programme<sup>(20)</sup>. The robust economic growth and developments in the residential real estate market in recent years, could justify a phasing out of the *Prima Casă* programme.

**Household indebtedness has increased in recent years, although from low levels.** Due to the sustained increase in housing loans since 2015, household indebtedness has increased in absolute terms. Whereas household debt-to GDP stood at just below 17 % in 2017, well below the EU average, the indebtedness level of low-income borrowers constitutes a matter of concern as they are the most exposed segment to an increase in interest rates. To curb the risks from the high indebtedness of individuals with low income, the National Bank of Romania introduced as of January 2019 maximum levels of indebtedness for both RON and foreign currency denominated loans (40 % and respectively 20 % of net income). These levels can be increased by 5 pps for borrowers taking out a mortgage loan for the first time to buy an own occupied dwelling.

**The insurance sector is still highly dependent on compulsory car insurance.** Insurance activity expanded further in 2017, when gross written premiums increased by roughly 3 % compared to 2016. Meanwhile, insurance penetration<sup>(21)</sup> has remained subdued (1.1 % at the end of 2017) and at low levels compared to EU peers. The insurance sector remains highly dependent on non-life insurance (in particular compulsory car insurance), which generated 79 % of the gross written premiums in 2017. Life insurance, the main driver of the insurance business in the EU, and household insurance have significantly lagged behind. The compulsory car insurance market (motor third party liability insurance) has been dominated by insurers subject in recent years to supervisory measures aimed at restoring compliance with solvency requirements. This market segment could benefit from further efforts to increase

<sup>(19)</sup> It is also in breach of the principle of non-retroactivity of civil law, which is one of the reasons for which these laws are being challenged in the Constitutional Court.

<sup>(20)</sup> See e.g. European Commission (2017 and 2018a).

<sup>(21)</sup> Defined as the share of gross written premiums in a country's GDP.

profitability, through cost-cutting measures and maintaining adequate levels of technical provisions, thus improving the insurers' capacity to meet their obligations towards policyholders.

#### Access to finance

##### **Retained earnings and asset sales are the main sources of financing for Romanian companies.**

Access to finance, mainly to bank financing, does not represent a pressing issue for most Romanian companies. In fact, appetite for external financing of their operations is low. According to a recent survey (NBR, 2018b), Small and medium-sized enterprises resort to bank financing less than larger corporations (22 % vs 50 %). They also report lower rates of success in obtaining the full amount requested compared to large companies (19 % vs 44 %). The appetite of small and medium-sized

enterprises for non-bank financing has also remained subdued, mainly due to their low level of financial education and burdensome (and often costly) administrative requirements.

##### **Loan demand from non-financial corporations has picked-up in Q2-2018.**

This trend continued in Q3-2018 and is estimated to have continued in the last quarter, albeit at a slower pace. Credit standards applicable to corporate loans tightened moderately in Q3-2018 following the introduction of macro-prudential measures by the National Bank of Romania. In contrast, credit standards for corporates in the euro area continued to ease in Q3-2018 (NBR, 2018c).

#### Box 4.2.1: Second pension pillar in Romania

**Since 2008, Romania has had a three-pillar pension system, including a second pillar based on defined contributions.** The first pillar is a mandatory pay-as-you-go scheme. The second pillar, also mandatory, is fully-funded and is run by private pension funds' management companies. The third pillar consists of voluntary individual pension savings. As of end-November 2018, the seven second pillar funds were managing assets worth RON 48.2 billion (EUR 10.3 billion) for 7.2 million individual participants. Around 63 % of their assets were invested in government bonds, 19 % in equity and 8 % in deposits. While investment in government securities is close to the prudential and legal threshold, exposure to equity remains well below the 50 % maximum limit.

**Several government decisions undermine the viability of the second pension pillar.** The contributions to the second pension pillar, which were to be progressively raised to 6 % of gross wages by 2016, were just 5.1 % by 2017 and have been reduced to 3.75 % in 2018. Moreover, government emergency ordinance 114/2018, adopted in December, made the second pillar optional, with employees now having the possibility to opt out after contributing for 5 years to the second pillar and transfer future contributions to the first pillar. The government emergency ordinance also significantly increased the minimum capital requirements for pension funds' management companies and reduced the administration fee levied on gross contributions from 2.5 % to 1 %. As such, the funds' management companies can retain only 0.2%, since 0.5% are transferred to the National Pension House and 0.3% to the Financial Supervisory Authority. These changes make the operating environment for pension funds' management companies highly unpredictable, negatively affect their financial results, and increase the likelihood of their market exit. They also reinforce the overall perception of an unpredictable legislative environment.

**The short-term budgetary gain from the likely reduction of the transfers to the second-pension pillar will dissipate in the long-term while the retirement income will be less diversified.** The second pillar is classified outside of the general government sector. Therefore, the reduction of transfers to the second pillar, following the likely opt-out of some employees entirely to the first pillar, will decrease the general government deficit in the short term. However, this budgetary gain would dissipate in the long term as the diverted social contributions would be accompanied by an obligation to pay the corresponding pensions in the future. Furthermore, the changes to the second pillar are likely to result in even less diversified retirement income and subject pensions to higher political and demographic risks. Past pension cuts and recent significant increases to the pension point have shown a tendency to depart from the statutory pension indexation formula.

**The weakening of the second pillar can hamper the development of the capital market.** Second pillar funds have invested approximately RON 8.3 billion (c. EUR 1.8 billion) in shares, mainly domestic. This accounts for some 5 % of the market capitalisation of the Bucharest Stock Exchange. In 2016, they were among the top performers in the region (European Commission, 2018a). Direct comparison with the performance of the first pillar is not possible since payments under the first pillar are the result of a political rather than an investment decision. Pension funds can support developing capital markets and boost investment if the assets they manage are allowed to grow and the predictability of the legislative environment is conducive to long-term investments. Empirical literature points to a positive impact of second pillar pension funds on market capitalisation (Enache et al., 2015). The likely market exit of some pension funds due to the recently adopted measures could deprive the Romanian economy of a potential source of investment funding, thus curtailing further development of what is currently a rather small and undeveloped capital market.

## 4.3. LABOUR MARKET, EDUCATION AND SOCIAL POLICIES

### 4.3.1. LABOUR MARKET

**Employment is growing but labour shortages continue to increase on the back of economic expansion.** The employment rate has increased steadily for the past 5 years reaching 65.5 % in 2017, above the pre-crisis level of 64.4 %. The unemployment rate of 3.8 % in December 2018, was the lowest in a decade, pointing to a tight labour market. Meanwhile, the country continues to face serious adverse demographics <sup>(22)</sup> due to fast ageing <sup>(23)</sup>, low birth rates and emigration. The contribution of labour to potential GDP remains low but positive, supported by the low unemployment rate and remaining untapped potential in the labour market.

**The continued emigration of the labour force challenges sustainable economic growth.** In almost three decades Romania lost 23.3 % of its working-age population due to emigration (World Bank, 2018). The decrease in annual GDP growth due to emigration is estimated at 0.6 to 0.9 pps (IMF, 2016). Over 3 million people are estimated to have left the country, with the highest numbers leaving from the larger cities (Roman, 2018). Emigration from poor rural areas and of the young population (15-34 years old) is prominent in the Nord-Est and Sud-Muntenia regions (Roman, 2018). While the main drivers of emigration are higher wages, better working conditions and public services, in particular education and health (European Commission, 2018a), the emigration of people with higher education is also due to the low

quality of public governance (IMF, 2016). Some measures aimed at reducing outward labour force migration were adopted in December 2018, notably in the construction sector, by exempting employees from income tax as of January 2019, for a period of 10 years and the adoption of a new specific minimum wage for the sector <sup>(24)</sup> (see Section 4.4).

**Internal labour market mobility schemes are used to address labour shortages, but barriers persist.** Unemployment rates vary significantly across regions. The capital region and the metropolitan areas in the Vest and Nord-Vest are service-driven regions which offer better labour market opportunities and attract more qualified workers. In contrast, in the regions with a manufacturing economic base, the urban industrial centres attract mainly unqualified workers from the neighbouring rural areas (World Bank, 2017a). Although internal mobility schemes are in place and supported by a national mobility plan, their implementation is lagging behind. Potential beneficiaries complain about the administrative burden related to its implementation and the lack of an integrated solution for the unemployed (such as limited provision of social and education services for family members).

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<sup>(22)</sup> From -4.7 % in 2010 to -6.2 % in 2017 the population change trend is negative (Eurostat).

<sup>(23)</sup> The projected old-age dependency ratio per 100 persons is forecast to reach 35 % in 2030 (25 % in 2015) (Eurostat)

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<sup>(24)</sup> Government emergency ordinance 114/2018

**Box 4.3.1: Monitoring performance in light of the European Pillar of Social Rights**

The European Pillar of Social Rights is designed as a compass for a renewed process of upward convergence towards better working and living conditions in the European Union <sup>(1)</sup>. It sets out 20 essential principles and rights in the areas of equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion.

**Romania still faces a significant number of challenges in the areas covered by the Social Scoreboard supporting the European Pillar of Social Rights.** The country has one of the highest early school leaving rates and a high number of people living at risk of poverty or social exclusion.

SOCIAL SCOREBOARD FOR ROMANIA		
Equal opportunities and access to the labour market	Early leavers from education and training (% of population aged 18-24)	Critical situation
	Gender employment gap	Critical situation
	Income quintile ratio (S80/S20)	Weak but improving
	At risk of poverty or social exclusion (in %)	Weak but improving
	Youth NEET (% of total population aged 15-24)	Weak but improving
Dynamic labour markets and fair working conditions	Employment rate (% population aged 20-64)	Weak but improving
	Unemployment rate (% population aged 15-74)	Better than average
	Long-term unemployment	On average
	GDHI per capita growth	Best performers
	Net earnings of a full-time single worker earning AW	Weak but improving
Social protection and inclusion	Impact of social transfers (other than pensions) on poverty reduction	Critical situation
	Children aged less than 3 years in formal childcare	To watch
	Self-reported unmet need for medical care	To watch
	Individuals' level of digital skills	Critical situation

Member States are classified according to a statistical methodology agreed with the EMCO and SPC Committees. The methodology looks jointly at levels and changes of the indicators in comparison with the respective EU averages and classifies Member States in seven categories (from "best performers" to "critical situation"). For instance, a country can be flagged as "better than average" if the level of the indicator is close to EU average, but it is improving fast. For methodological details, please consult the draft Joint Employment Report 2019, COM (2018)761 final. Data update of 29 January 2019.

NEET: neither in employment nor in education and training; GDHI: gross disposable

While labour market performance has improved, the overall inactivity and especially inactivity of women remain a concern. The available skills are not keeping up with the needs of the labour market and future work patterns. The lack of basic competences among the Roma and people in vulnerable situations do not allow them to fully benefit from economic expansion and to gain a foothold in the labour market. The design of social inclusion policies, the availability of social services and social transfers are still not fully effective at getting people out of poverty and lack an integrated approach combining employment, health and education measures.

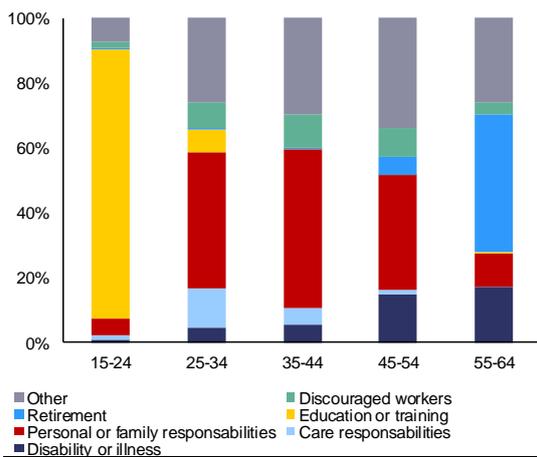
**Significant challenges persist on equal opportunities and social protection.** Inequality of opportunity persists in education, healthcare and access to social services, with rural areas disproportionately affected. Territorial coverage of existing social services is very uneven, and not correlated with communities' needs. The lack of consistent evidence basis for policymaking and unpredictability of reform timelines are preventing effective implementation and sustainability of results.

**Conversely, the de-institutionalisation of children shows some positive results.** The coordinated approach linking legislative changes, adequate funding mechanisms and support to the local authorities is showing its first results. The shift towards community-based support is accompanied by individualised assessment of children's needs while capacity-building activities are being developed to support municipalities. Additional efforts are still needed to ensure the availability of foster families across the country and to improve and professionalise their care competences.

<sup>(1)</sup> The European Pillar of Social Rights was proclaimed on 17 November 2017 by the European Parliament, the Council and the European Commission. [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en)

**The activity rate of women is low despite the overall positive economic conditions.** The activity rate of women aged 20 to 64 is 63.7 % (20 pps below that of men). The situation is particularly critical for young and middle-aged women whose inactivity rate is 5 pps above the EU average<sup>(25)</sup>, mainly due to personal and family responsibilities<sup>(26)</sup> (Graph 4.3.1). This is primarily due to low participation of children aged 0-3 in formal childcare (15.7 % in 2017). The lack of efficient measures to promote an early return of women to the labour market further aggravates the situation. Regions such as Centru, Sud-Est and Vest have female employment rates below 50 %<sup>(27)</sup>. Further investments in childcare facilities could increase the labour market participation of women.

Graph 4.3.1: Inactive female population by reason for inactivity



Source: European Commission

**The number of young people neither in education, employment or training is steadily decreasing.** The share of young people neither in education, employment or training stood at 15.2 % in 2017, down from 18.1 % in 2015 and 17.4 % in 2016, but is still among the highest in the EU. Implementation of the Youth Guarantee shows some signs of improvement. The proportion of beneficiaries taking up an offer within the 4-month target has increased significantly from 25.9 % in

<sup>(25)</sup> The inactivity rates of women aged 25-49 are 24.7 % for RO and 19.7 % for the EU (Q3-2018, Eurostat data)

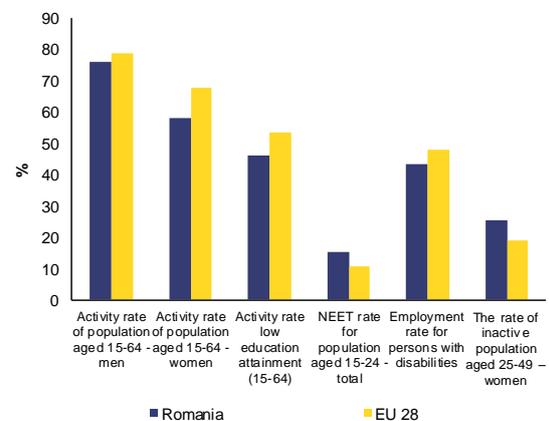
<sup>(26)</sup> 43 % of women aged 25-34 and 48.7 % of those aged 35-44 are inactive for personal reasons or due to family responsibilities (Eurostat).

<sup>(27)</sup> National Institute of Statistics, 2017 data

2016 to 40.2 % in 2017. However, the Youth Guarantee coverage of the young people neither in education, employment or training is poor (only 14 % of this group aged 15-24 are registered). This points to the limited outreach measures implemented so far and to ineffective coordination between the education, employment and social sectors. In the meantime, emigration remains very high among young people, with Romania being one of the EU countries with the highest numbers of emigrants aged 15 to 24 (European Commission, 2018b).

**Access to the labour market is particularly challenging for certain social categories.** The share of long-term unemployment in total unemployment declined from 50 % in 2016 to 41.4 % in 2017. However, a large part of the people in this group either remain unemployed (73.2 %) or fall into inactivity (13.2 %), with only about one in eight (12.3 %) being registered with the public employment service, one of the lowest registration rates in the EU. At the same time, the employment rate for people with disabilities (43.5 %) is slightly below the EU average (48.1 %). The labour market participation of people with low educational attainment, which also include persons from the Roma community, is low, as only 46 % of them are active (Graph 4.3.2). Measures co-financed by the European Social Fund such as targeted employment subsidies and job coaching are planned but their implementation is delayed.

Graph 4.3.2: Activity and employment rates for selected groups



Source: European Commission

**Active labour market policies provide a limited response to the labour market needs.** The measures in place still focus mainly on financial incentives for companies rather than on tailor-made approaches addressing the comprehensive needs of the unemployed, notably upskilling and integrated services delivery. Despite the increase in the amount of subsidies for employers who hire young people neither in education, employment or training and other vulnerable groups, the take-up of the measures is slow, pointing to a limited evidence-base behind this policy. Nevertheless, the measure for unemployed people aged over 45 and single parents <sup>(28)</sup> shows some positive results. The excessive administrative burden associated with accessing labour market measures remains unaddressed.

**The planned reform of the public employment service has been significantly delayed.** The public employment service has a very limited case management approach. The lack of integration of employment, social and education services and the ineffective cooperation with employers remain important barriers. The accumulated delay in the implementation of the European Social Fund co-financed measures is undermining the service's effectiveness as a broker in the labour market delivering services for employers and the unemployed.

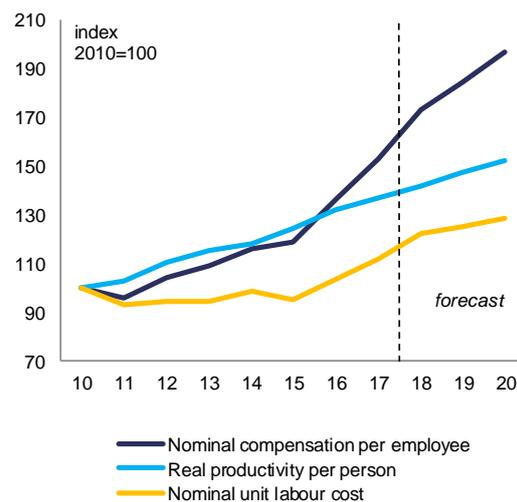
**Wage increases are large, particularly in the public sector.** After years of moderate wage growth, Romania displays one of the fastest wage increases in the EU, strong even for a catching up economy faced with high poverty rates. Between 2011 and 2015, nominal compensation per employee grew at an annual average rate of 3.5 %, below productivity. This relationship reversed in 2016, when compensation per employee increased by 15 % (Graph 4.3.3). Subsequent increases of 12.3 % in 2017 and an estimated 13 % in 2018 are much faster than the pace consistent with an unchanged real effective exchange rate or expected based on inflation, productivity growth and unemployment. Gross wage growth was mainly driven by the public sector (see Section 4.4.1).

<sup>(28)</sup> The number of employment subsidies requests for this category increased from 334 in January 2018 (before the subsidies were increased) to 3 470 in September 2018.

**The minimum wage was increased again in January 2019 without an objective mechanism.**

A government decision issued in December 2018 increased the minimum wage from RON 1 900 (EUR 413) to RON 2 080 (EUR 450) from January 2019. Moreover, a higher minimum wage of RON 2 350 (about EUR 510) was introduced for people with a university degree and, in a subsequent emergency ordinance, an even higher level of RON 3 000 (EUR 652) for workers in the construction sector. Previous ad hoc increases of the minimum wage resulted in one in three employees earning the minimum wage in 2017, a rate almost four times higher than in 2011 (Romanian Labour Inspectorate) <sup>(29)</sup>.

Graph 4.3.3: Productivity and labour costs (GDP deflator)



Source: European Commission

**Skills are not evolving in line with the needs of expanding economic sectors.** 81 % of employers declare having difficulties filling job vacancies. The hardest profiles to fill in are electricians, welders, mechanics and engineers in the chemical, electrical, civil and mechanics sectors (Manpower, 2018). The ICT sector is growing, also based on the development of specialised business clusters i.e. in the Cluj county area, and it represents a valuable future economic potential. However, the number of Romanians aged 20-29 holding a science, technology, engineering and mathematics degree fell from 16.6 per 1 000 individuals in 2014 to 14.4 in 2016 (19.1 in the EU). The available IT

<sup>(29)</sup> In 2017, the minimum wage was 44.6 % of average monthly earnings in industry, construction and services.

skills are not keeping up with the emergence of IT hubs, as only 29 % of individuals have basic or above basic digital skills (European Commission, 2018k). Skill mismatch represents an additional challenge for Romanian firms (EIB, 2018).

**The upskilling of the labour force would benefit from a comprehensive approach.** At present there is neither a global assessment available of skills needs nor one at economic sector level. The labour market relevance of vocational education and training is limited. Some steps have been taken to recognise learning outside formal education and training and to steer the new dual vocational education and training system (see Section 4.3.3), yet important challenges remain. Other important barriers are: (i) the limited offer of non-formal education and training; (ii) limited participation in vocational qualifications' programmes for people with a low level of qualifications<sup>30</sup>; (iii) insufficient coordination between stakeholders; and (iv) insufficient system monitoring, quality assurance and staff training.

**Collective agreements coverage is low, particularly at sector level.** According to national authorities, around 15 % of employees were covered by collective agreements in 2017. The current delineation of sectors does not facilitate collective bargaining at sector level and only one agreement at this level was in force in 2017. In 24 out of the 30 industrial sectors there is no complete representation of social partners able to negotiate a collective agreement. The authorities have initiated plans to revise the definitions of economic sectors but no agreement has been reached yet. Trade unions consider that employee representatives, who signed 8 out of 10 existing collective agreements, were not selected through a transparent procedure.

**Social dialogue is insufficiently used for engaging social partners on policy issues and reforms in a timely and meaningful manner.** Beyond the collective bargaining framework, social partners do not enter into a voluntary dialogue to improve labour market conditions. Most social dialogue takes place formally, within the Economic and Social Council and the Social

Dialogue Committees. Despite the established framework of dialogue and consultations, the stability and the role of these institutions has weakened over the last year.

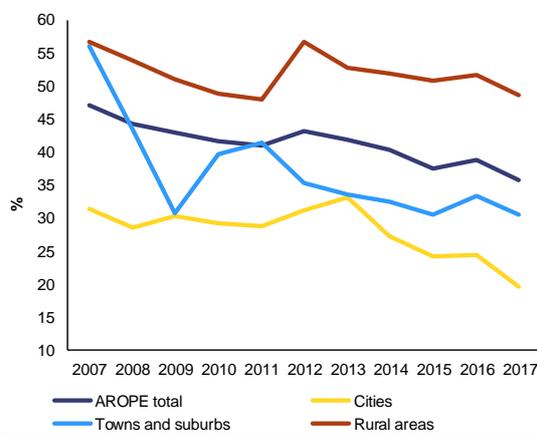
#### 4.3.2. SOCIAL POLICIES

**The poverty rate decreased in 2017 but remains very high.** One in three Romanians are still at risk of poverty and social exclusion. Despite a decline of 2 pps compared to 2016, monetary poverty is one of the highest in the EU, affecting 23.6 % of the total population in 2017. The main drivers of poverty are inactivity, low education attainment, intergenerational transmission of poverty and lack of inter-regional mobility. Poverty and social exclusion levels in rural areas are more than twice as high as those in cities (Graph 4.3.4). Vulnerable groups in rural areas (children, people with disabilities, members of the Roma community and the elderly) face particularly high poverty rates. Moreover, the country has the highest rate of in-work poverty in the EU (17.4 %).

**Income inequality remains high, with regional and gender gaps.** Despite a considerable decrease since peaking in 2015, income inequality remains well above the EU average. As shown in the Social Scoreboard accompanying the European Pillar of Social Rights, the income of the top 20 % of the population exceeds by 6.5 times the incomes of the bottom 20 % (EU: 5.1) (Eurostat). High income inequality levels are experienced particularly within the working-age population, and can be attributed more to the poorer being relatively poorer rather than the richer getting relatively richer. The rate of in-work poverty is five times higher for low-educated workers than for university graduates. Men are more exposed to this risk than women. However women are twice as likely as men to be inactive (see Section 4.3.1).

<sup>(30)</sup> The legal provisions have been changed recently to allow people with a very low educational attainment to participate in vocational qualification courses.

Graph 4.3.4: People at risk of poverty or social exclusion by degree of urbanisation



Source: European Commission

**Children living in poverty are more likely to remain poor in their adult life due to inequalities of opportunity.** Romania has the highest share of children living in poverty in the EU. The poverty risk for children is indirectly correlated with parents' education level, and this correlation grew stronger in 2017. Moreover, due to shortcomings in the education and health systems, children born today are set to enter the labour market with only 60 % of their real potential, the lowest level in the EU <sup>(31)</sup>. Compared to the EU average, families with low incomes report higher difficulties in affording education for their children. The existing offer of public services and the education system do not manage to address this challenge. Growing inequalities of opportunities also affect other vulnerable groups such as young adults and the Roma community.

**People with disabilities have limited support to achieve independent living and access employment.** Care for people with disabilities is mainly focused on providing medical assistance rather than enabling independent active living. Children in this group have limited access to pre-school facilities and drop out of school twice as often as other children. The education system does not prepare them sufficiently for an independent life. Employment quotas have been set to boost employment of people with disabilities, but this reform has not been matched with sufficient and targeted active labour market policies. The lack of

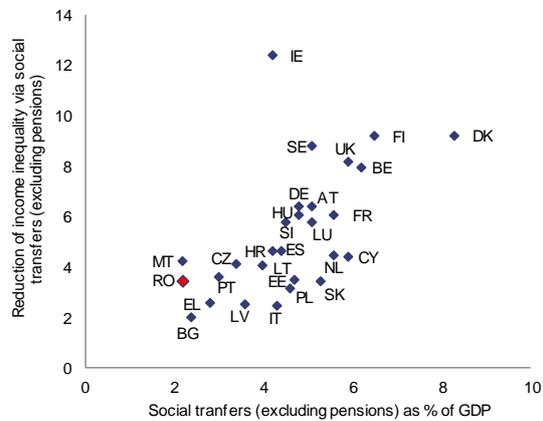
synergies between the relevant benefits and the community-based social and employment services aggravates the situation further. A dedicated European Social Fund co-financed project aiming to increase the employability of people with disabilities is under preparation. Preparing the deinstitutionalisation of adults with disabilities is just starting, with the first visible results expected for 2021.

**The situation of the Roma community shows very little progress.** The living conditions of part of the Roma community are characterised by informal, unhygienic and irregular settlements. Eight in ten Roma live in a house without running water and only one in two has medical insurance. Lack of identification documents and/or property deeds precludes some Roma from accessing public services and claiming their rights. Implementing the National Roma Inclusion Strategy is being hampered by the fact that coordination between line ministries is not always a priority. The implementation of the National Roma Platform is still pending. Several Roma inclusion projects through integrated measures, co-financed by the European Social Fund, are under implementation. Sustainability of the measures is, however, challenging as the existing projects are fragmented and rely heavily on external funding.

**According to the European Pillar of Social Rights, social transfers have a low impact on reducing poverty and income inequality.** Government spending on social transfers is low (Graph 4.3.5). This contributes to the overall low impact of the tax and benefit system on income inequality (Graph 4.1.3). The social reference index used as a basis for most social benefits has not been updated since its introduction in 2008. It also depreciated considerably in relation to the minimum wage from being almost equal to it in 2008 to roughly five times lower in 2018. As a result, poverty rates for people with low and very low work intensity increased by half since 2010. The impact of social transfers on reducing income inequality is also low.

<sup>(31)</sup> Human Capital Index 2018, World Bank

Graph 4.3.5: Redistributive power of social transfers



(1) Social transfers exclude pensions

(2) Income inequality is measured by the Gini coefficient.

The value 0 corresponds to perfect equality (same income to everybody) while 100 corresponds to maximum inequality (all income distributed to only one person and all the others have nothing.)

Source: European Commission

**The minimum inclusion income reform is not yet completed.** The minimum income benefit in Romania is among the least sufficient in the EU<sup>(32)</sup>. A law adopted in 2016 is designed to increase coverage and adequacy of benefits and to pair them with activation measures. Its entry into force has been postponed to April 2019 and is still uncertain. In the meantime, the national authorities have attached stronger activation measures and the tapering of benefits to the current minimum income guaranteed scheme. Following the adjustment, social assistance beneficiaries that refuse one job lose their social benefit for a year. On the other hand, they can cumulate the minimum guaranteed income with income from seasonal activities included in their municipality's plan.

**Social security for atypical workers is inadequate.** One in three atypical workers is at risk of severe material deprivation. Moreover, self-employed and part-time workers, people in low-qualified jobs and those living in rural areas are most at risk of in-work poverty compared to other employees. Daily and seasonal workers do not have formal access to social security rights covering unemployment, maternity, accidents and

<sup>(32)</sup> According to the Benchmarking Framework on Minimum Incomes conducted within the Social Protection Committee. For details, see the draft Joint Employment Report 2019, COM(2018) 761 final

occupational injuries (European Commission, 2018n).

**The high level of housing deprivation hampers social inclusion.** One in seven households faces a serious housing problem (e.g. humidity, lack of sanitary facilities)<sup>(33)</sup>. Overall housing deprivation is the highest in the EU. Romania's housing stock is low quality, energy inefficient and deteriorating because of lack of maintenance (Housing Europe, 2017). Post-institutionalised children, the victims of domestic violence and the mentally ill are particularly in need of housing. Social housing policies are being decentralised without a strategic framework, which makes poverty worse in areas that are already poor. Through measures co-financed under the European Social Fund approximately 260 vulnerable communities are currently supported, but not all vulnerable groups are covered.

**Social services are characterised by uneven territorial distribution and insufficient coverage and quality.** According to the Ministry of Labour and Social Justice only around 20 % of administrative territorial units have licensed social services. Services are usually concentrated around richer or urban areas, while needs exist mostly in poorer, rural areas and regions<sup>(34)</sup>. Some vulnerable groups face a severe lack of services, e.g. the homeless, young people leaving institutions, and the elderly. The shortage of social assistants, particularly in rural areas, compounds this issue. Access to the profession is costly and laborious<sup>(35)</sup>. Coordination between the local, county and national levels is ineffective, also due to the fragmented distribution of powers and responsibilities. There is no direct link between financing and needs at county and local levels. The underfinancing of private service providers is affecting the continuity of services at local level, as more than two thirds of the current providers are non-public. Use of alternative financing methods, including volunteering and sponsorships, is low as

<sup>(33)</sup> National Institute of Statistics, 2017

<sup>(34)</sup> According to the Ministry of Labour and Social Justice, more than half of the social service providers are located in towns with more than 100 000 inhabitants.

<sup>(35)</sup> After graduation all social assistants need to register with and obtain a certificate from the National College of Social Assistants, a non-governmental entity in charge of a national register of social assistants.

the existing legal incentives are perceived as insufficient (see Section 4.4).

**Integration of services is progressing at a slow pace.** Social, employment, health and education services are poorly integrated, limiting the effectiveness of activation measures and worsening social conditions. A dedicated EU co-funded project to introduce integrated teams<sup>(36)</sup> in 139 marginalised communities started implementation in the second half of 2018. The project will design integrated case management methodologies that can be scaled up at national level and envisages closer collaboration with employment services.

**The old-age pensions have been increasing although some structural challenges remain unaddressed.** The elderly have lower poverty rates than other groups. Due to significant increases beyond the standard indexation mechanism, the average old-age pension from the state social insurance increased by 10.0 % in 2017 and 9.4% in 2018<sup>(37)</sup>. The pension law adopted in December 2018 is set to increase pension adequacy but also budgetary costs (see Section 4.1.3). Some structural challenges with an impact on pension adequacy remain unaddressed. The effective average retirement age is close to the EU-average. However, the retirement age is not equal between women and men. Coupled with shorter contributory periods for women, this results in a considerable pension gender gap.

**The long-term care sector is not ready to deal with a rapidly ageing population.** Romania faces one of the fastest ageing rates in the EU, a trend that is not fully taken into account in the design of current policies or projections of long-term needs. In 2016, homes for the elderly covered only 1 % of the population over 75 years old. There are very few at-home and day-care services. When they do exist they are normally close to areas with higher income. Additional investments appear necessary

for the country to keep up with the ageing rate of its population.

### 4.3.3. EDUCATION

**The educational system is underfinanced and administrative capacities to modernise it require strengthening.** The acquisition of basic<sup>(38)</sup> and digital skills<sup>(39)</sup> faces significant challenges. Investment in education remains one of the lowest in the EU (3.7 % of GDP compared to 4.7 %). This gap is particularly relevant at pre-primary and primary levels of education<sup>(40)</sup> which are key to preventing early school leaving, ensuring equal opportunities and tackling inequalities later in life. Recent legislative measures postpone until 2022 the legal requirement for allocating the equivalent of 6 % of GDP annually on education. This threshold has never been reached. Strategic planning, aligning system-monitoring to educational priorities and improving the use of results at central, county and school level is faced with challenges (OECD, 2017).

**Modernisation of the school network and optimisation to address demographic trends is lagging behind.** The number of children in pre-university education decreased by 14 % between 2007 and 2017 (excluding children in nurseries). A recent mapping shows that 10 % of schools are overcrowded, while 58 % have excess capacities<sup>(41)</sup>. 38 % of schools in rural areas have outside lavatories, without running water or sewage, compared to 7 % in urban areas. School laboratories and libraries are often lacking and school buses are insufficient. Regular maintenance and rehabilitation are lagging behind due to the lack of funding by local authorities. 58.5 % of kindergartens have excess capacities.

**The acquisition of cognitive skills is hampered by low participation in quality early education**

<sup>(36)</sup> The municipal teams are expected to include social workers, community nurses and the county school counsellors.

<sup>(37)</sup> Source: National House of Public Pensions. These growth rates exclude some special pensions schemes such as old-age pensions of farmers, military, lawyers and clergy. Including these categories, the growth rates are 12.3% in 2017 and 9.6% in 2018 (the latter being an estimate).

<sup>(38)</sup> Despite efforts to introduce a competence-based school curriculum, almost 40 % of teenagers lack the basic competences in reading, mathematics or science.

<sup>(39)</sup> Measures were taken to improve digital skills in schools (European Commission, 2018e), but only 52 % of young people aged 16-19 have basic or above basic digital skills.

<sup>(40)</sup> In 2016 Romania invested the equivalent of 0.7 % of GDP on pre-primary and primary education compared to the EU-average of 1.5 %.

<sup>(41)</sup> 46 % in urban areas and 63 % in rural areas

**and care.** The participation of children aged 4 to the starting age of compulsory primary education is below the EU average (88% vs 95% in 2016). Pre-school participation is particularly low in rural areas<sup>(42)</sup> and among Roma<sup>(43)</sup>. Only 15.7 % of children aged 0-3 are enrolled in nurseries (EU: 34 %), including due to lack of facilities. The Ministry of Education is in the process of drawing up cost and quality standards and the necessary curricula, together with training for specialised staff. EU funded activities are being implemented but face delays.

**Early school leaving remains very high, hampering the development of high skills.** The rate of early leavers from education and training stood at 18.1 % in 2017, almost 8 pps above the EU average. The indicator is particularly high in rural areas (27.1 %) and among Roma (77 %, FRA, 2016). The proportion of out-of-school children remains high<sup>(44)</sup>. An integrated approach to prevent early school leaving is still missing. There have been only scattered efforts to improve the quality of education in schools with high dropout rates. A project setting up an early warning system to identify pupils at risk of drop out started in 2018. Access to second chance programmes is insufficient and their design is not tailored to the needs of adult learners. The provision of career guidance services is limited.

**Teachers' ability to apply a learner-centred approach are not sufficiently developed.** Initial teacher education insufficiently focuses on challenges in the classroom, including supporting children with learning difficulties or children at risk of dropping out. The European Social Fund is co-financing the retraining of teachers to support the new competence-based curriculum. However, implementing a learner-centred approach in education is not applied across-the-board. Teachers in rural areas are much more likely to lack the necessary qualifications. In addition, the school funding model and teachers' merit allowances are not sufficiently geared towards improving the outcomes of disadvantaged schools and students.

<sup>(42)</sup> 97.4 % in urban areas compared to 85% in rural areas in 2016-2017 (National Institute of Statistics)

<sup>(43)</sup> Only 38 % of Roma children attend kindergarten (FRA, 2016).

<sup>(44)</sup> In the 2016/2017 school year, the gross enrolment rate was 89 % in primary and 91 % in lower secondary education.

**The education system fails to compensate for socio-economic disadvantage, perpetuating already high income inequalities.** Parents' socioeconomic status greatly affects school outcomes (PISA, 2016). The transition to upper secondary education is particularly challenging for students from vulnerable groups and those living in rural areas. This is mainly due to financial costs of studying in urban areas where most high schools and professional schools are located. Roma inclusion in education is a significant challenge, including due to poor quality of education in Roma-majority schools.

**Dual-vocational education and training education is being rolled out in a bid to address skills shortages.** In September 2017, more than 2 400 students (equivalent to 8 % of students in professional schools) were enrolled in dual education, i.e. education incorporating a partnership with employers. Measures are envisaged to revise the school curriculum for vocational education and training, professional qualifications and training standards. However, vocational education and training is still considered a second-choice option by students and parents. Moreover, the employment rate of recent vocational education and training graduates remains relatively low (67 % in 2017, vs. an EU average of 77 %), indicating that labour market relevance is a challenge. Employers complain of vocational education and training graduates' outdated skills, including due to outdated equipment and teaching methods. They report a heavy administrative burden for taking part in dual- vocational education and training programmes.

**Higher education is not sufficiently aligned with the labour market.** Although tertiary educational attainment has doubled over the decade, it remains low (26 % in 2017 vs. an EU average of 40 %). The number of graduates in science, technology, engineering and mathematics is low, including due to low participation in higher education. Only 4 % of new university entrants have parents with low educational attainment. Employers report that graduates entering the labour market have overly theoretical skills and often lack key soft skills, including problem solving, teamwork and communication. Several Romanian universities

have started offering a limited number of online courses <sup>(45)</sup>.

#### 4.3.4. HEALTH POLICIES

**The health of the population remains below the EU average, despite recent improvements.** Life expectancy at birth was 75.3 years in 2016, compared to 81 years for the EU. <sup>(46)</sup> The amenable mortality rate, i.e. deaths that could have been avoided through optimal quality healthcare, was two and a half times higher than the overall rate in the EU in 2015 and is not converging towards the EU level <sup>(47)</sup>. Ongoing initiatives include screening campaigns for oncological and cardiovascular diseases and a legislative initiative on vaccination. In addition, the current national multiannual plan promotes various healthy living initiatives.

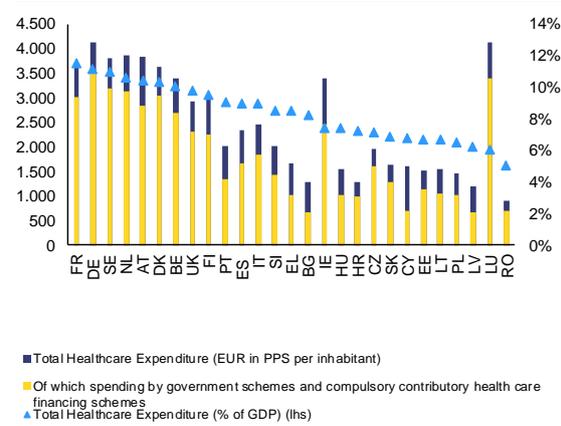
**Spending on healthcare is comparatively low and staff shortages are an ongoing concern.** Spending on preventive care slowly increased in recent years, from 1.3 % of the public healthcare budget in 2011 to 1.6 % in 2016. However, coordination of prevention measures and funding is not progressing fast enough. Provision of key diagnostic and therapeutic medical equipment is very low, particularly in hospitals, despite a high supply of hospital beds. In addition, the coverage of high cost novel medicines, especially in the area of cancer treatment, remains limited, despite recent improvements. A shortage of healthcare staff, coupled with high workforce emigration poses challenges to the proper functioning of the health system. In 2016, there were 56 000 physicians in Romania which in per capita terms was the third lowest number in the EU. In 2013, more than a fifth of the total number of Romanian doctors were working abroad (World Bank, 2018). Recent increases in public salaries in the health sector could increase workforce retention, especially when coupled with complementary measures to improve working conditions.

<sup>(45)</sup> <https://www.mooc-list.com/countries/romania>

<sup>(46)</sup> Eurostat general mortality data

<sup>(47)</sup> Eurostat causes of death data

Graph 4.3.6: Spending on healthcare by Member State, 2016



(1) The data for Denmark, Cyprus, Luxembourg, Netherlands, Slovenia, Slovakia and Finland refer to 2015; there are no data for Malta.

Source: Eurostat System of Health Accounts.

**Unmet needs for medical care remain high, especially for vulnerable groups.** Despite improvements in recent years, high disparities in the accessibility of healthcare are reported between different groups as well as between urban and rural areas. The rate of unmet healthcare needs due to long travelling distances was the third highest in the EU in 2017 <sup>(48)</sup>. The widespread practice of informal payments is a significant impediment to the accessibility of healthcare. The government has taken measures to foster transparency and governance, including by setting up a patient feedback mechanism. A comprehensive assessment of the results is not yet available.

**The healthcare system is characterised by inefficiency and limited accessibility.** The uptake of ambulatory care (such as one-day surgery) in hospitals has increased. Legal and financial measures were recently taken to incentivise the use of ambulatory care in hospitals and specialised ambulatory services outside of hospitals. However, progress on shifting to outpatient care remains low. The current design of competencies between medical services might lead to gaps in healthcare services coverage, especially in rural areas and marginalised communities. Preparations are under way for the building of the first three of a total of eight planned new regional emergency care hospitals. However, implementation and budgetary challenges for the building of the hospitals remain.

<sup>(48)</sup> Eurostat Survey on Income and Living Conditions data

Due attention is needed in preparatory planning efforts to embed these hospitals in regional referral schemes. This would allow for optimised allocation across the spectrum of primary, secondary and tertiary care.

**Improvements in community care are much needed but delayed.** The roll-out of community care centres delivering integrated care has suffered further delays. Improved community care could reduce the current high level of avoidable hospital admissions for ‘ambulatory care sensitive conditions’ such as diabetes and hypertension (OECD, 2018a). The continued decline of the share of patients’ lists registered with family physicians<sup>(49)</sup> hints at the health system’s decreasing capacity to monitor patients in primary care settings. Various planned policy measures to boost the uptake of e-health solutions across the health system continue to be delayed, including the move to a fully functional operation of electronic health records.

**Access to long-term care, rehabilitation and palliative care is poor.** Longstanding concerns have not been remedied over patient access to rehabilitation services (WHO, 2016), that typically enable patients to experience a smooth transition out of hospital following surgery. Rehabilitation care is provided in ambulatory and inpatient settings, but access to such care is not adequate and waiting lists are long. Coverage and public spending on long-term care in Romania is among the lowest in EU; only 7.9 % of palliative care needs were covered in 2014.

regional labour market needs, while better anticipating the new skills requirements and introducing more flexible upskilling and reskilling opportunities. Ensuring sustainable growth also requires matching investment in social inclusion, specifically by supporting a wide range of active inclusion measures, and the deinstitutionalisation of children and of adults with disabilities, as well as increasing access to integrated social, education and healthcare services, in particular for children at risk of poverty and vulnerable groups. It is also important to pay due attention to geographical disparities in the availability and quality of these services.

#### 4.3.5. INVESTMENT

**Increased investment in skills, education and training, healthcare and social inclusion is important for improving productivity and long-term inclusive growth.** The main obstacles to business investment include high labour force emigration and skills shortages, unfavourable demographics and regional disparities. This points to the need to invest in early childhood education and prevention of early school leaving, improve quality and inclusiveness, and matching education curricula (notably vocational education and training and tertiary education) to local and

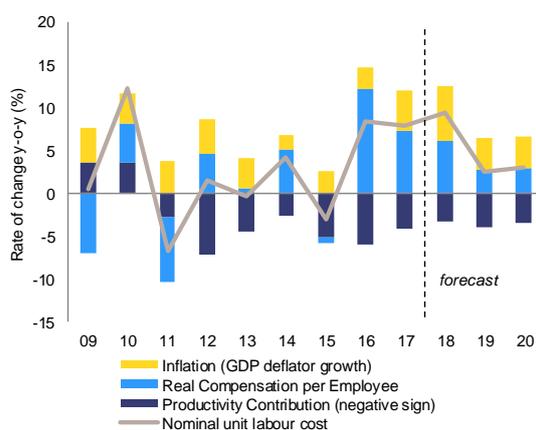
<sup>(49)</sup> National Health Insurance Fund, 2017 Activity Report

## 4.4. COMPETITIVENESS REFORMS AND INVESTMENT

### 4.4.1. COMPETITIVENESS AND EXTERNAL POSITION (\*)

**Labour costs have increasingly outpaced productivity developments.** Unit labour costs (ULCs) have accelerated strongly. Nominal unit labour costs started to accelerate in 2016 (Graph 4.4.1), growing by 8.5 % in 2016, by 8 % in 2017 and by an estimated 9.3 % in 2018. This acceleration has been driven entirely by compensation per employee, which has been increasing by double digits in nominal terms since 2016. Productivity developments have only partially mitigated such impact. Labour productivity per person grew 6 % in 2016, 4.3 % in 2017 and an estimated 3.3 % in 2018, well above regional peers. In levels, labour productivity amounts to around two thirds of the EU average.

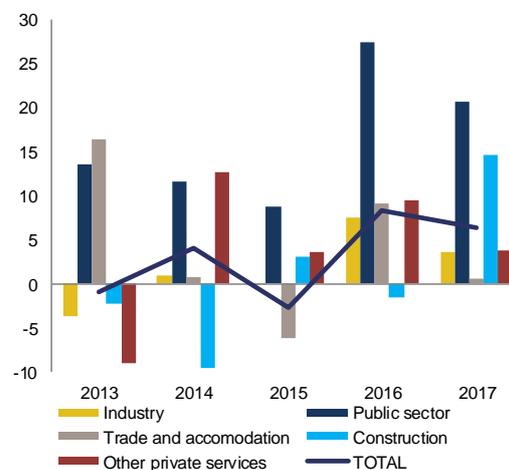
Graph 4.4.1: Nominal unit labour costs, growth breakdown



Source: European Commission

**So far the rise in nominal unit labour costs stems mainly from the public sector.** Overall, unit labour costs increased by almost 70 % between 2014 and 2017. Growth has been stronger and accelerating faster in the public sector, where unit labour costs increased by 27.5 % and 20.7 % in 2016 and 2017, respectively (see Section 1). Unit labour costs in other sectors have experienced milder increases, but those in construction were already showing significant growth in 2017 (14.6 %) while those in industry, Romania's main exporting sector, expanded substantially less, by 7.5 % in 2016 and 3.6 % in 2017.

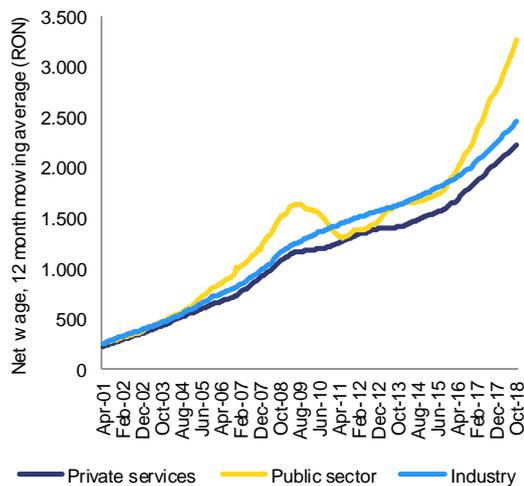
Graph 4.4.2: Evolution of unit labour costs by sector



Source: European Commission

**The increase in nominal compensation per employee comes mainly from public wage but is also meaningful in the private sector.** Public sector compensation per employee is estimated to have grown annually at an average of above 20 % over the last 3 years, whereas private sector compensation increased by an average of around 10 %. A similar decoupling of public wages from private wages took place in the run-up to the 2009 crisis, leading to a strong correction in the following years (Graph 4.4.3). Wage levels in the public and private sectors differ substantially, with public wages 34 % higher than private wages. These cannot solely be explained by the different skill composition in these sectors.

Graph 4.4.3: Evolution of public and private wages



Source: National Statistics Institute

**Spillovers of the wages' growth from the public to the private sector may further affect competitiveness.** Unit labour costs developments in the tradable sector (mainly industry and ICT in the case of Romania) have been much more moderate than in the overall economy. This has softened the pressure on the country's cost competitiveness and supported the very strong export performance in recent years (Graph 4.4.4). However, wage developments in the public sector can spill-over to other sectors, triggering additional competitiveness losses. Empirical evidence suggests that the public sector in Romania plays a leading role in wage dynamics, with public-wage increases eventually leading to less than proportional wage increases in the private tradable sector, which are in turn fully adapted by the non-tradable sector. A 10 % increase in public wages is estimated to lead to a 6.6 % increase in wages in the tradable sector (Biea et al, 2019). Additional evidence suggests that a 10 % increase in public sector wages leads to a 3.5 % increase in the average wage growth in the industry sector over a year (NBR, 2016).

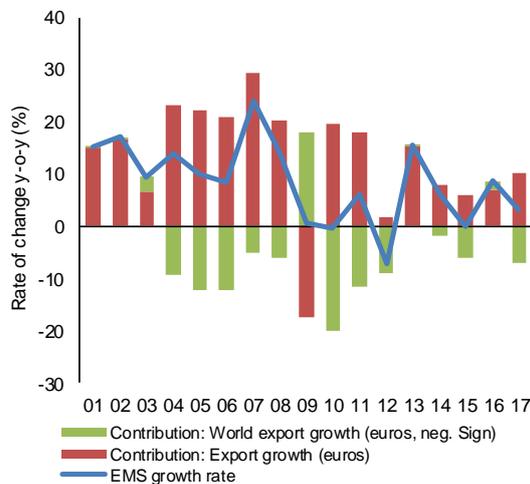
**The profitability of firms has remained robust despite the recent increase in unit labour costs.** Profitability deteriorated in the aftermath of the crisis across sectors but has been improving since 2013. 2016 data, the latest available data, suggest robust profit rates in construction, manufacturing and retail. This reflects the fact that labour cost growth for the private sector was relatively

subdued up to 2016. However, since then labour costs have been growing faster. Repeated minimum wage increases with additional indirect effects on the wage scale, together with potential spill-overs from public sector wages put additional upward pressure on private wages (see Section 4.3), creating significant pressure on firms' profitability and/or prices.

**A number of non-cost factors also affect Romania's competitiveness negatively.** The poor state of road and railway infrastructure affects businesses' effectiveness in moving goods and services across borders, limits labour force mobility and aggravates regional disparities (see Section 4.4.2). The economy's low innovative capability is another key factor limiting competitiveness (see Section 4.4.2). A cumbersome business environment, marked by frequent and unpredictable legislative changes, together with excessive red tape and persistent inefficiencies in the public administration undermines investment decisions and risks reducing the country's attractiveness to foreign investors (see Section 4.4.5).

**Romania has gained export market share in recent years.** Romania's export market share increased by 8.5 % in 2016 and by a further 3.1 % in 2017 (Graph 4.4.4). Over 2012-2017, it increased by 37 %, second in the EU only to Ireland, and significantly above gains in other peer countries. From 2016 to 2017 export market share gains shifted from machinery and equipment, to the vehicle industry and mineral products. Growth in the latter sector was particularly strong, even if from a relatively low base. For services, exports continued to rely on transport and telecommunications. On quality, for the last 10 years, Romania has increasingly specialised in medium high-tech products, which now account for almost 50 % of total manufacturing exports.

Graph 4.4.4: Export market share growth

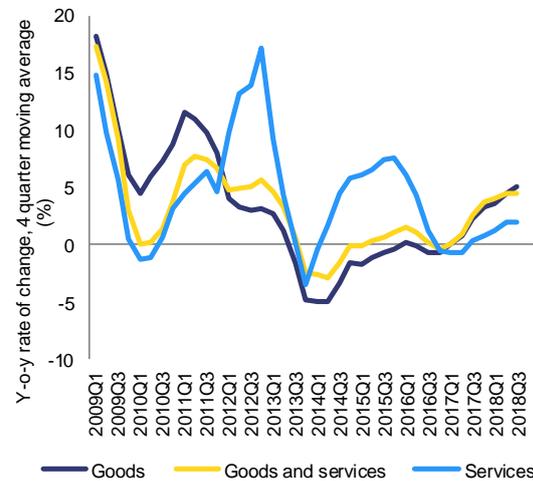


Source: European Commission

**Romania's strong export performance has been supported by subdued export prices but risks to price competitiveness are emerging.** The price of exported goods in the domestic currency (as measured by the export of goods deflator), fell each year between 2013 and 2016 (Graph 4.4.5). It resumed growth in 2017, increasing by 3.5 %. In the first three quarters of 2018 the price of exported goods increased, on an annual average, by 3.7 %, 4.5% and 5 % year-on-year respectively, raising concerns that the country's price competitiveness could start deteriorating. The evolution of the real effective exchange rate deflated by export prices also signals risks. It has been depreciating since 2015 but began appreciating in the first quarter of 2018.

**A gradual depreciation of the currency has mitigated the effect of rising export prices.** Between December 2016 and December 2018 the RON fell by 3 % against the euro. This depreciation has partially compensated for the rise in export prices and has supported the country's strong export performance in euro area markets.

Graph 4.4.5: RON-denominated export price evolution



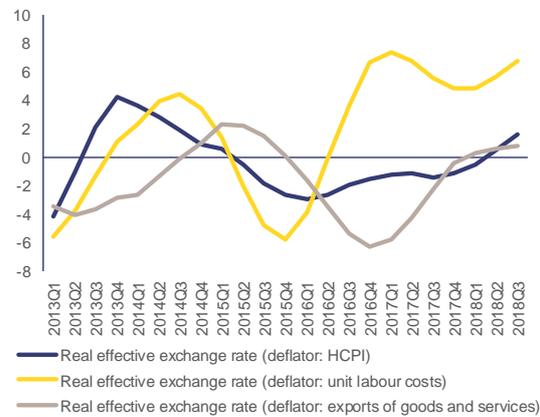
Source: European Commission

**High unit labour costs might hinder competitiveness.** The acceleration of unit labour costs has put pressure on the real effective exchange rate and Romania's cost competitiveness. As a result, the real effective exchange rate, subdued over the last few years, has started to pick up. The inflation-based real effective exchange rate<sup>(50)</sup> depreciated every year between 2014 and 2017 due to the nominal depreciation of the RON. In 2018, however, the stabilisation of nominal exchange rates (see Section 1) allowed an appreciation of the real effective exchange rate by an average of 2.4 % year-on-year, putting pressure on price competitiveness (Graph 4.4.6).

**Despite a strong export performance, the current account deficit has persistently deteriorated since 2014.** From a balanced position in 2014, the current account reached a deficit of 3.2 % of GDP in 2017 and is estimated to have widened further to 4.3 % in 2018. The widening current account deficit has been driven mainly by a worsening trade balance in goods, triggered by strong growth in imports, which outpaced exports. The deficit in the trade in goods gradually increased from 4.3 % of GDP in 2014 to 6.5 % in 2017.

<sup>(50)</sup> Computed using the Harmonized Consumer Price Index and measured against a group of 42 trade partners

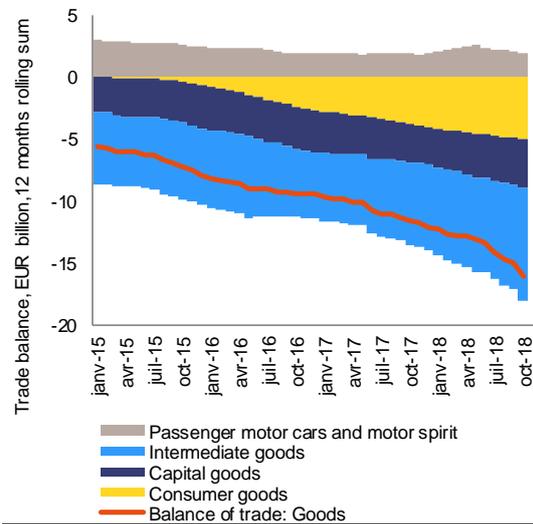
Graph 4.4.6: Real effective exchange rate growth



Source: European Commission

**Consumer goods imports have substantially outpaced other imports.** The change in the composition of imports raises concerns. Imports of consumer goods have been growing significantly faster than those of capital and intermediate goods. The boom has been fostered by an expansionary fiscal policy directed at increasing disposable income, which has driven private consumption. Since 2015, consumer goods imports have increased by an annual average of 13.5 %. The corresponding figures for imports of intermediate goods and those of capital goods were 6.7 % and 9.1 % respectively. As a result, the balance of trade for consumer goods moved from a small surplus in 2014 to a deficit of around 2.1 % of GDP in 2017. In contrast, the trade deficits in capital and intermediate goods deepened slower and the surplus in services has slightly increased since 2015 (Graph 4.4.7). A current account deficit driven by consumption, rather than investment, does not support potential GDP growth (see Section 1).

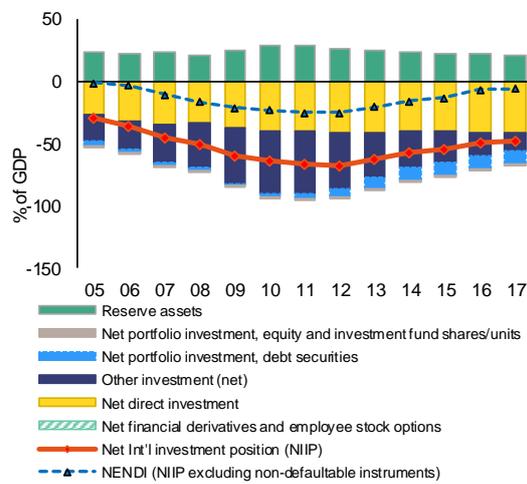
Graph 4.4.7: Breakdown of the trade balance



Source: European Commission

**The net international investment position (NIIP) is improving at a slower pace.** The net international investment position reached -47.8 % of GDP in 2017, almost 10 pps above 2014 (Graph 4.4.8). This improvement has been due to the very strong GDP growth and to a positive capital account. However, progress has slowed down. The net international investment position improved just over 1 pp. in 2017, reflecting a deceleration of GDP growth and a widening current account. By components, net direct investment has remained broadly stable as a share of GDP, averaging -41 % in the last 8 years, but has steadily increased its share in the net international investment position by 36 % in the 8 years up to 2017. The share of other foreign liabilities to GDP declined as Romania repaid external debt.

Graph 4.4.8: Net international investment position

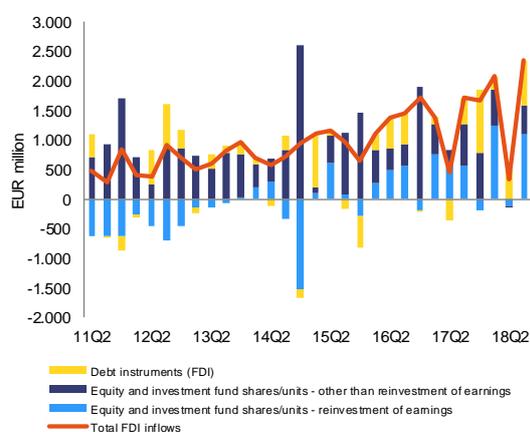


(1) Merged BPM5/BPM6-ESA 2010 data

Source: European Commission

**Foreign direct investment (FDI) flows remain volatile.** In 2017, foreign direct investment inflows declined by about 7 % compared to 2016. In the first 11 months of 2018, however, they were nearly 20 % higher than in the same period in 2017 (Graph 4.4.9). The 2018 increase was accounted for by debt instruments (intercompany loans). At the end of 2017, 43 % of the foreign direct investment stock was concentrated in industry, about 15 % in construction and some 12 % in financial intermediation (NBR, 2018a). The main countries of origin for foreign direct investment in Romania are Germany, the Netherlands, Austria, France and Italy.

Graph 4.4.9: FDI flows by investment type



Source: European Commission

## 4.4.2. PRODUCTIVITY AND INVESTMENT

### Productivity developments

**Productivity has increased substantially over the past two decades, albeit from a low level.** Despite being the third lowest in the EU, labour productivity increased from almost 22 % of the EU average in 2000 to nearly 60 % in 2017. Total factor productivity has also increased substantially. It averaged 0.8 % over 2007-2017 (vs. 3.7 % over 1995-2007) but is picking up again. In 2017, Romania recorded the highest total factor productivity growth in the EU despite some factors holding back further gains: low infrastructure, dysfunctionalities in labour and product markets (see Sections 4.3 and 4.4.3), weak innovation capacity, and a cumbersome business environment (see Section 4.4.5).

**Labour productivity diverges significantly across firms.** The gap between the 10 % least productive and the 10 % most productive firms remains very wide (CompNet database). This gap could be due to large differences between foreign-owned and domestic firms but may also signal the slow spread of technological advances. Exporting firms (mostly multinationals) are more productive than non-exporting ones (ECB, 2017). Large divergences in terms of productivity are translating into high wage dispersions and high inequality.

**A National Productivity Board was set up in 2018.** Following a 2016 Council Recommendation, in August 2018 Romania announced that the Council of Economic Programming, part of the National Commission for Strategy and Prognosis, would also serve as Romania's National Productivity Board. The board should contribute to addressing the relatively low productivity levels in Romania and boost ownership of structural reforms, as recommended by the Council.

### Investment activity

**Investments in infrastructure and innovation are particularly needed to set growth on a sustainable path.** Romania is poorly connected to the EU's main transport corridors. The low quality of transport infrastructure affects shipping times and limits labour force mobility, resulting in additional costs for businesses. It also undermines business investment decisions and magnifies

regional disparities. Investment in the energy infrastructure is necessary to ensure a better integration in regional energy markets and secure the country's energy supply. Romania recycles only a very small part of the waste it produces and a significant part of its population is still not connected to public water supply. Substantial investments in waste and wastewater infrastructure are needed to allow Romania to improve the life quality of its citizens and move towards a greener economy (see Box 4.4.1). Romania's long-term economic prospects depend on the economy's capacity to move from the production of relatively low-technology goods to higher value-added products and services. This requires a significant increase in the financing of research and innovation activities.

**Total investment is relatively high.** In 2007-2018, total investment represented 26.7 % of GDP on average, well above the EU average (20.3 % of GDP). Private investment accounted for some 80 % of the total. Public investment was strong immediately after EU accession, in 2007 (around 6 % of GDP), but has lost momentum since 2016, dropping below 4 % of GDP on the back of a slowdown in EU funds absorption. While private investment in Romania has constantly outperformed regional peers, public investment started lagging behind as of 2014, except for a slight rebound in 2016.

**Private investment would benefit from a qualitative improvement.** Private investment is geared towards replacement needs and capacity expansion, and significantly less towards developing new products or services. According to a recent survey (EIB, 2018), firms invest most in machinery and equipment and least in research and development. Asset quality, as measured by the share of state-of-the-art machinery and equipment, is significantly below the EU average (28 % vs 44 %).

**Policy unpredictability is a key obstacle to investment.** Uncertainty about policy and labour and business regulations are cited by firms as the main obstacles to long-term investment (EIB, 2018). A survey by the National Bank of Romania (NBR, 2018b), identifies fiscal unpredictability as the most pressing issue facing Romanian companies in 2017-2018. This is corroborated by Eurobarometer (2018b). For almost half of

surveyed companies, the instability of the tax legislation was a major obstacle to investment. In another recent survey (EY, 2018), Romanian companies identified fiscal and legislative instability, political instability and a lack of vision of public policy as the main barriers to increasing their business. 85 % declared that their investment plans have been affected by fiscal and legislative unpredictability. The adoption by the government in December 2018, without any impact assessment or public consultation, of a set of fiscal measures with far-reaching consequences for several economic sectors reinforced the prevailing perception of policy unpredictability<sup>(51)</sup>.

**EU funds account for a large share of public investment in Romania.** Since 2014, capital transfers from the EU accounted for a quarter of public investment spending and 1% of GDP annually. Following a drop caused by the delayed start of new EU-funded projects, absorption improved by the end of 2018<sup>(52)</sup>.

**EU funds have been made available to upgrade Romania's infrastructure but their implementation is lagging behind.** Recurring bottlenecks and delays have slowed down implementation of EU-funded investment projects. Access to EU funds was conditioned on reforms addressing structural policy challenges. However, these reforms are still at an early stage, hampered by high political volatility, low political buy-in, and the absence of long-term planning. Furthermore, there is no strategic management framework for either nationally-funded or EU-funded public investment. EU funds absorption is also held back by limited administrative capacity to prepare and implement large investment projects coupled with an inefficient application of public investment management rules, a lack of real prioritisation, and lengthy tender procedures. In the 2007-2013 programming period Romania was a major beneficiary of EU funds, having received EUR 17 billion. However, it was not able to absorb about EUR 1.6 billion of its initial EU funds allocation (European Commission, 2018I).

<sup>(51)</sup> See section 4.4.5 for a further discussion on the impact on the business environment of public policy-making.

<sup>(52)</sup> As of 29 January 2019, the absorption rate stood at 26 % of the total allocation, compared to the EU average of 28 %.

**Public-private partnerships are increasingly seen by the government as an alternative to EU funding.** The low absorption rate of EU funds notwithstanding, the authorities have announced that they intend to develop major infrastructure works, including several motorways and regional hospitals, using public-private partnerships rather than EU funds. However, the successful implementation of such projects requires strong public institutions and expertise in negotiating public-private partnership contracts, and keeping overall costs under control. The experience of other EU Member States highlights the importance of a strong institutional setting. While in some Member States a good level of service and maintenance was observed, public-private partnerships have often resulted in an inappropriate risk sharing between the public and private sectors, cost overruns and delays (European Court of Auditors, 2018). A move towards public-private partnership contracts unaccompanied by reforms to improve administrative capacity could result in a high future fiscal burden for the State budget.

### Research and innovation

**The competitiveness gap between foreign-owned and domestic firms has not narrowed.** This suggests a gap in the take-up and financing of research and innovation activities. Foreign-owned firms account for two-thirds of Romania's exports of goods (Foreign Investors Council, 2017a) and increased their share of total value added from 39 % in 2008 to 44 % in 2015 (Eurostat). They have a strong presence in key medium-tech and high-tech manufacturing sectors, with their share of value added in the manufacturing of motor vehicles exceeding 90 %. Their labour productivity is also twice that of domestic firms. Conversely, the agro-food sector, dominated by small, domestic holdings, is characterised by very low levels of productivity, which means that Romania is not able to fully exploit its significant agricultural potential (NBR, 2018d).

**The innovation gap separating foreign-owned and domestic firms signals that technology imports have not been substituted with home-grown innovation.** Several multinationals in the automotive and IT sectors have set up research and development activities in Romania. Most seek experimental development rather than industrial research. However, technology spillovers to

domestic firms remain limited, in part because foreign-owned firms primarily source from other foreign companies. Domestic firms mainly supply low value-added components (ACAROM; AKH Romania, 2018). No targeted policy has been developed to leverage technology spillovers from foreign direct investment and promote research and innovation as a driver for future competitiveness (Foreign Investors Council, 2017b; Horobeț & Popovici, 2017).

**The economy's overall innovative capacity remains low.** Romania ranks last in the EU in terms of innovation and its performance has deteriorated since 2010 (European Commission, 2018c). Furthermore, the start-ups' survival rate beyond 5 years dropped from 60 % in 2009 to 40 % in 2014 (European Commission, 2018d). With the exception of the ICT sector, Romania has few fast-growing firms<sup>(53)</sup>.

**At sub-national level, research and innovation is more diversified and dynamic.** Innovation is modest in all Romanian regions, albeit with a large gap between best and worst performers. Under the 'Catching Up Regions Initiative', smart specialisation strategies and governance structures were set up in two pilot regions (Nord-Est and Nord-Vest), leading to the development of regional entrepreneurial discovery processes<sup>(54)</sup> and a pipeline of projects to be co-financed by EU funds. The initiative is being rolled-out to all Romanian regions.

**Investment in research and development (R&D) remains critically low.** R&D intensity (i.e. R&D expenditure as a percentage of GDP) has been flat since 2000, at 0.5 % in 2017 vs. 2.7 % in the EU as a whole (Graph 4.4.10). Public R&D intensity fell from 0.32 % in 2011 to 0.21 % in 2017. Despite an increase in recent years, business R&D intensity remains well below the EU average (0.29 % vs. 1.36 % in 2017). This under-investment in business R&D results in a number of researchers per capita in the private sector over six times lower

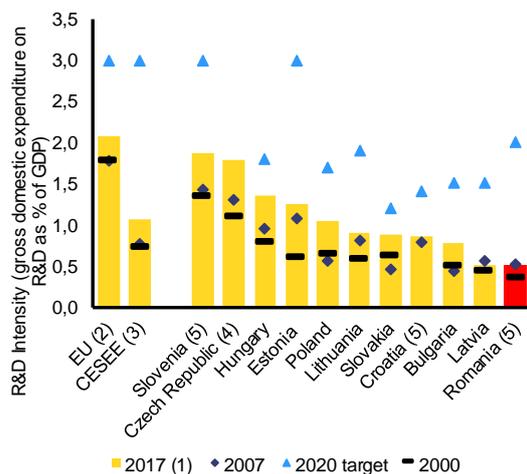
<sup>(53)</sup> Enterprises with an average annualised growth in the number of employees of more than 10 % per year over a 3-year period and at least 10 employees at the moment growth began.

<sup>(54)</sup> An inclusive and interactive bottom-up method under which participants from government, industry, academia and civil society build connections and partnerships, identify potential investment opportunities and develop project pipelines.

than the EU average and in a very low number of patent applications. In early 2017, government emergency ordinance 3/2017 introduced a 10-year tax exemption for R&D firms, but procedural norms are still in preparation.

**Public R&D funding is insufficient and declining.** This has translated into an overall stagnant scientific performance<sup>(55)</sup> and a low level of international scientific cooperation<sup>(56)</sup>. Although substantial investments are needed, the government has no clear plans to address this issue.

Graph 4.4.10: R&D intensity 2000, 2007, 2017 and 2020 target



(1) Estonia: 2016 data; (2) EU: provisional data; (3) CESEE: SI, CZ, HU, EE, PL, LT, SK, HR, BG, LV, RO; (4) CZ: R&D Intensity target for 2020 is not available; (5) HR, SI, RO: Breaks in series occur between 2007 and 2017

Source: European Commission

**The economy's research and innovative capacity could be improved by increased science-business cooperation.** Higher education institutions do not systematically integrate industry needs into their teaching and research programmes. Knowledge transfer offices are not yet fully operational despite EU funds having been

<sup>(55)</sup> Measured as the share of top 10 % most cited publications in total publications.

<sup>(56)</sup> Measured as the share of international co-publications in total publications

allocated for this. The continued decline in the number of tertiary graduates in science, technology, engineering and mathematics (European Commission, 2018e), further hampers knowledge transfer. Romania is also confronted with a significant migration of skilled people, having one of the largest scientific diasporas among EU countries (European Commission, 2018h). Further investments supporting science-business cooperation and skills are needed.

**Romania has not yet developed a coherent vision for moving towards higher value added activities.** Existing policies (the Competitiveness Strategy, the National Strategy for research and development and the 2014 Small and Medium-sized Enterprises Strategy) are loosely coordinated and do not provide adequate measures for firms to move up the value chain. Non-financial measures targeting start-ups and innovative small and medium-sized enterprises (e.g. business support services, support to competences) remain underdeveloped, whilst existing schemes (mostly funding measures) are not customer-oriented (European Commission 2018d). The use of financial instruments with an innovation component is limited, even if some equity instruments were set up. The combination of EU funds grants and financial instruments is largely unexplored.

## Digitalisation

**Digitalisation is a key challenge for boosting innovation and competitiveness.** In this respect, Romania presents a very mixed picture. On the one hand, there are elements of excellent connectivity and a proven potential to develop services especially in the ICT sector, which contributes 6-7 % to Romania's GDP. The digital sector is growing, with two major hubs in Bucharest and Cluj-Napoca, as well as significant ICT investments in other cities. On the other hand, Romania scores poorly on all other components of the Digital Economy and Social Index, including digital public services, digital skills of the overall population and digitalisation of businesses (European Commission, 2018k).

### Box 4.4.1: Investment challenges and reforms in Romania

#### Macroeconomic perspective

While Romania continues to have one of the highest investment ratios in the EU, its investment performance since the crisis has been volatile. An acceleration of investment in 2015 was followed by a contraction in 2016 as public investment fell due to a slow uptake of projects financed by EU funds under the 2014-2020 programming period. Investment grew again in 2017 on account of an upturn in private investment, but remained subdued in 2018. Public investment inched slightly up in 2018, after having declined for 2 consecutive years, but remains significantly below pre-crisis levels.

#### Assessment of barriers to investment and ongoing reforms

Public administration / Business environment	Regulatory/ administrative burden	CSR	Financial Sector / Taxation	Taxation	CSR	
	Public administration	CSR		Access to finance		
	Public procurement / PPPs	CSR		R&D&I	Cooperation btw academia, research and business	
	Judicial system				Financing of R&D&I	
	Insolvency framework			Sector specific regulation	Business services / Regulated professions	
	Competition and regulatory framework				Retail	
Labour market/ Education	EPL & framework for labour contracts		Construction			
	Wages & wage setting	CSR	Digital Economy / Telecom			
	Education	CSR	Energy			
			Transport			

	No barrier to investment identified		Some progress
CSR	Investment barriers that are also subject to a CSR		Substantial progress
	No progress		Fully addressed
	Limited progress		

The overall business environment presents challenges that are hampering investment. These include continued unpredictability of policymaking, shortages of skilled workforce and the limited labour market relevance of education and training. Some measures have been taken to tackle these issues, but many barriers remain to be addressed to lift growth and accelerate convergence (see Sections 4.3 and 4.4).

#### Selected barriers to investment and priority actions under way

1. The recurrent legislative uncertainty continues to hamper the business environment. Investment may be held back by frequent and unpredictable legislative changes enacted without proper stakeholder consultation or impact assessment, by the authorities' contradictory declarations about important reforms and by persistent uncertainty over the direction of the fight against corruption (see Section 4.4.5).
2. Despite relatively high public investment spending over the past decade, infrastructure remains deficient in both qualitative and quantitative terms, hampering competitiveness and investment. The development of quality infrastructure is being held back by: (i) comparatively low absorption of EU funds; (ii) low administrative capacity; and (iii) remaining inefficiencies in project preparation, prioritisation and implementation (see Section 4.4.2).

**Investment activity could be supported by the forthcoming National Promotional Bank.** The institution will be responsible for coordinating the implementation of financial instruments in Romania. It will be well placed to address market failures which have been identified during an *ex-ante* assessment delivered mid-2018. The feasibility study for the new National Promotional Bank and its associated implementation roadmap are expected to be delivered by end of February 2019, enabling the start of the implementation phase.

**Romania lacks a clear strategy to digitise businesses.** In 2016, the government launched a Manifesto for Digital Romania<sup>(57)</sup> setting out principles aligned with a vision for a digital future. However, a clear national strategy for digitising industry is still missing. The integration of digital technologies by businesses remains very low, with the percentage of firms using electronic information sharing decreasing from 22 % in 2015 to 17 % in 2017 (European Commission, 2018k).

**The digitalisation of the Romanian economy could be affected by recent fiscal measures.** In December 2018 the government set a minimum price threshold for spectrum licences of 4 % of the 2018 turnover of the telecom sector per year of licencing. The national regulatory authority will launch the 5G spectrum auction by the end of 2019. These measures could endanger the success of the auction and adversely affect the roll-out of 5G networks. The excessive pricing of 5G licences could negatively impact the very competitive pricing of telecommunications services.

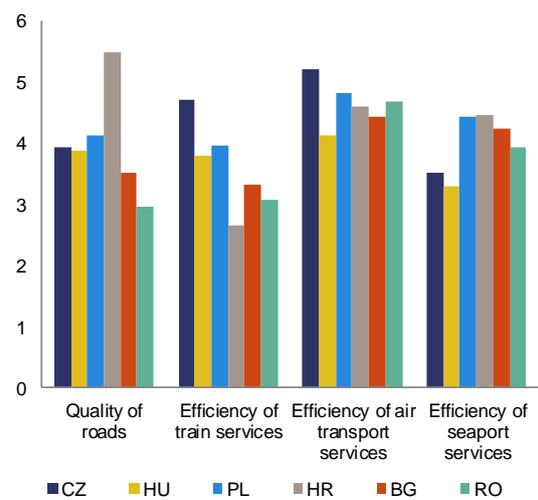
## Transport

**The general condition of the road infrastructure remains poor.** The infrastructure is not keeping up with the traffic demand generated by an expanding economy<sup>(58)</sup>, despite the availability of significant EU funding. The road network is among the least developed in the EU (Graph 4.4.11). With only 38 km per 1 million inhabitants, Romania has by far the lowest motorway density in the EU. The country ranks also relatively low in the quality of its road infrastructure (WEF, 2018) and has the highest road fatality rate in the EU. The under-developed infrastructure is detrimental to delivery times and road safety and hinders the country's competitiveness. Significant investments would be warranted to increase the quantity and quality of the infrastructure.

**The reform of the railway sector is lagging behind.** Although the Railway Reform Authority was established and studies have been initiated, the reform continues to be delayed. In addition, heavy underinvestment in maintenance has reduced train speed and affected delivery times of rail freight

transport. Upgraded railway lines designed for speeds of 160 km/h are not used to their full potential. The European rail traffic management system is not operational anywhere on the core rail network, affecting safety, reliability, traffic capacity, and accessibility.

Graph 4.4.11: Quality of public infrastructure index, Romania and regional peers



Scale: 1-7 (best)

Source: World Economic Forum, The Global Competitiveness Report 2018

**Urban mobility is weakly developed across Romania.** Urban mobility suffers from chronic underfinancing, poor sector organisation and the weak administrative capacity of local providers. A number of growing agglomerations (Bucharest, Cluj, Iasi, and Timisoara) are facing increased challenges due to the recent expansion of their functional areas and suburbanisation, as well as the poor quality of urban mobility plans and delayed implementation of existing projects. Bucharest is one of the most congested cities in the world<sup>(59)</sup>.

## Telecoms networks

**Romania is lagging behind in rural broadband coverage.** Despite outstanding fast broadband take-up, with 53 % of homes subscribing to broadband connections of  $\geq 30$ Mbps (EU average: 33 %), overall broadband coverage is still below the EU average (74 % vs. 80 %). These figures also hide a large urban-rural digital divide, with

<sup>(57)</sup> <https://see40.org/2017forum/>

<sup>(58)</sup> Romania built only 352 km of new Trans-European Transport Networks (TEN-T) roads by the end of 2017.

<sup>(59)</sup> [https://www.tomtom.com/en\\_gb/trafficindex/](https://www.tomtom.com/en_gb/trafficindex/)

less than 40 % of rural areas covered (European Commission, 2018k).

**EU funds were allocated to bridge the urban-rural digital divide.** During the 2014-2020 programming period some EUR 125 million were allocated from EU funds. The RO-NET project supporting the deployment of national broadband infrastructure in 'white areas' <sup>(60)</sup> is expected to be finalised by July 2019. For a significant part of the remaining 'white areas', the Next Generation Network investment projects will be developed by private operators deploying last-mile access infrastructure. Additional public investment may be needed for broadband infrastructure to further increase the coverage of rural areas.

**More efforts are needed to improve fixed and 4G broadband coverage.** Despite a leap from 45 % in 2016 to 72 % in 2017, mobile 4G broadband coverage is still well below the EU average of 91 %. Fixed broadband coverage is static at around 88 % (EU average: 97 %). Broadband network deployment is particularly affected by the cumbersome authorisation process at local level. A better coordination between ministries, the national communications regulator and local authorities is needed to ensure streamlined assistance to operators interested in investing in broadband. In November 2018, the national communications regulator adopted a decision on maximum tariffs chargeable to network operators for access to public property, which could lower costs in the deployment of communications networks.

### Energy and climate

**Energy intensity remains above the EU average.** While primary energy consumption is broadly stable, final energy consumption increased in 2016 by 1.8%. The legal and operational framework hinders investments, as procedures are considered overly complicated by many project developers. Buildings renovation, investments in district heating systems to improve heating services and develop district cooling systems can significantly contribute to enhancing energy efficiency and support the transition to a low-carbon economy. The development of renewable energy sources and energy efficiency products supports job creation

<sup>(60)</sup> Areas not covered by telecom networks.

and growth. In the absence of additional measures Romania will not reach the 2030 climate targets, as established through the Effort Sharing Regulation.

**A total investment need of around EUR 22 billion on energy and climate for 2021-2030 was indicated by Romania.** The draft National Energy and Climate Plan was submitted on 31 December 2018 in line with the Regulation on the Governance of the Energy Union and Climate Action <sup>(61)</sup>. In the final National Energy and Climate Plan to be adopted by 31 December 2019, Romania will provide an overview of its investment needs until 2030 for the different aspects of the Energy Union, including renewable energy, energy efficiency, security of supply, and climate mitigation and adaptation. This will further contribute to the identification and assessment of energy and climate-related investment needs.

**Recent legislative changes could hamper future investments in the energy sector.** Government emergency ordinance 114/2018 may distort the gas market, put at risk investments and delay the development of Romanian offshore gas production in the Black Sea. It may also hamper the development of infrastructure relevant for security of supply and solidarity in the Energy Union (see Section 4.4.3).

**Integration in regional gas and electricity markets requires additional investments.** In 2017, Romania's electricity interconnectivity level was 7 %, below the 2020 target of 10 %. With the finalisation of planned projects of common interest on transmission infrastructure pending, the Romanian electricity system is overall well developed. The timely achievement of pending projects will increase Romania's integration in the regional market and relieve existing congestions in the south-east region while accommodating renewable development in north-east Bulgaria and southeast Romania (the Black Sea Corridor project of common interest). Investments in the gas sector are further needed to enable bi-directional flows, enhance interconnectivity with neighbours and fully exploit the advantage of the Black Sea resources, which would benefit security of supply and competition in the region.

<sup>(61)</sup> Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action.

## Environment

**The waste management system is underdeveloped.** Key gaps are insufficient separate collection, the lack of economic incentives to move away from disposal, inefficient producer responsibility schemes for packaging, lack of infrastructure and investments in projects higher up the waste hierarchy and lack of administrative capacity and public engagement. Due to the lack of separate collection, the country's performance continues to be characterised by very low recycling of municipal waste (14 %, including 7 % material recycling and 7 % composting) and very high landfilling rates (70 %) (Eurostat, 2017 data). However, the figure does not include the temporary storage prior to disposal, which, if added, would increase this rate further. This puts into question the achievement of the EU waste targets (European Commission, 2018j). The national waste management plan was adopted in 2017, with the aim of reaching the 50 % recycling target of municipal waste by 2020 and reducing biodegradable municipal waste going to landfills to 35 % <sup>(62)</sup>. County waste management plans, which will put the national waste management plan into practice, are still under preparation. Government emergency ordinance 74/2018 introduced some measures which could incentivise the separate collection of municipal waste. These include the pay as you throw principle, minimum service requirements for sanitation companies, a contribution for the circular economy to replace the suspended landfill tax (see Section 4.1.2) and extended producer responsibility. However, its implementation will represent a significant challenge. A pipeline of projects to be financed by EU funds under the current programming period has not yet been developed. An inter-ministerial committee established in October 2018 aims to ensure better governance and coordination of technical aspects in the sector.

**The water and waste water infrastructure is also deficient.** Connection to the public water supply is incomplete, with only approximately 57 % of the population connected, the lowest rate in the EU. Water infrastructure is being upgraded through EU co-financed regional projects totalling

<sup>(62)</sup> Art 5.2(c) of the Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste

EUR 2.5 billion. Considering the current low level of compliance with collection and treatment requirements, investments in the sector will remain a priority in the medium and long term.

**Air quality is very poor.** Domestic solid fuel used by households and the energy sector remain the main sources of air pollution. Traffic also has a significant impact. Over 25 000 premature deaths per year are due to air pollution (European Environment Agency, 2018). The abolishment in 2017 of a vehicle registration tax resulted in a surge of second-hand car sales, aggravating air quality. The government is considering introducing a pollutants-dependent car registration tax in 2019.

**Romania lags behind on several other components affecting standards of living.** This is the case for green infrastructure, climate change adaptation, risk prevention and disaster resilience, the rehabilitation of old contaminated sites and the prevention of floods and other natural hazards. Romania also does not comply with EU limits on the emission of several major pollutants, while the implementation of the EU Nature Directives represents a considerable challenge.

### 4.4.3. SINGLE MARKET INTEGRATION

#### Internal market for goods and services

**Obstacles to the free movements of goods persist in the retail trade of agricultural and food products, gas and timber.** National rules in these areas favour the domestic market, creating a barrier to trade and restricting market access from other countries. For instance, rules issued in 2016 give priority to marketing local food products. In the case of gas, emergency ordinance No 64/2016 envisages an increase of domestically produced gas to be traded on the centralised market. As for timber, priority access is given to local furniture manufacturers to use timber from state-owned forests.

**Access to certain professions and services remains restricted by a cumbersome regulatory framework.** This is the case for civil engineers, architects, accountants and tourist guides <sup>(63)</sup>. For

<sup>(63)</sup> The European Commission has developed a composite indicator on the restrictiveness of most existing barriers to

lawyers, the level of restrictiveness is similar to EU levels (Paun et al., 2013). Reducing administrative complexity for businesses and reforming the licensing system are now on the government agenda. A comprehensive reform of the licensing system for services, intended to redesign and simplify the procedures, is scheduled to be implemented in 2019-2020 with the involvement of the Competition Council.

### Energy market

**Regulatory changes in late 2018 constitute a roll-back from the deregulation of energy prices for households.** The process had been completed in 2017 for electricity and was expected to end in 2021 for gas. In addition, regulated gas tariffs, set below the reference price, will also apply to the non-household sector. Retail markets remain highly concentrated, with switching rates below 1 % in 2016 (CEER, 2017) while competition on retail energy markets is not yet fully functional. This is unlikely to change considering the latest backtracking from a competitive and open energy market.

**Progress towards competitive and liquid markets in line with the EU regulatory framework appears to have been undone.** This is the case particularly for gas. Recent legislative amendments (the Energy Law and government emergency ordinance 114/2018) risk undermining the functioning of the gas market, against its stated objectives, limiting competition, discouraging internal producers and hurting investments. This could have negative repercussions on domestic gas production and on the long-term energy security of Romania and the region. In addition to the provisions of the Offshore Law these could also put at risk the bi-directional Bulgaria-Romania-Hungary-Austria gas corridor (phase 2), thus precluding collateral economic and budgetary benefits from royalties, job creation and infrastructure development in the country.

### Collaborative economy

**New restrictions to the collaborative economy are being introduced despite strong growth**

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the access to and exercise of regulated professions. It is based on data collected from Member States, complemented by desk research.

**potential.** According to a recent survey 23 % of respondents have used a service offered via collaborative platforms, most frequently in transport (49 %) and accommodation (41 %) (Eurobarometer, 2018a). Restrictive requirements have recently been introduced on certain types of platforms intermediating transport services by treating them as taxi dispatchers. Draft legislation on ride-sharing services that would introduce further restrictions is being discussed in Parliament. Following the strong development of this sector, the Competition Council is currently assessing the market, the behaviour of the economic operators and regulation's impact on the sector. A study will be published in 2019.

#### 4.4.4. REGIONAL DISPARITIES

**Significant needs remain in infrastructure and human capital in all regions.** Despite sustained convergence towards the EU average in the last decade, all regions continue to face socio-economic challenges. Large portions of the country lack the basic conditions for a transition to a dynamic, high-value added, knowledge-oriented economy. Three of the eight Romanian regions remain among the 20 poorest regions in the EU (Eurostat, 2016). Most of the economic development takes place in the capital region, followed by the Vest, Centru and Nord-Vest regions, whereas Sud-Vest Oltenia (GDP at 42 % of the EU average) and Nord-Est (GDP at 36 % of the EU average) are lagging behind. At national level, GDP stands at about 60 % of the EU average (Eurostat, 2017). The Bucharest-Ilfov region displayed one of the highest rates of growth in GDP per capita in the EU over 2007-2015 (Eurostat regional yearbook 2017).

**Different development patterns call for tailor-made investment priorities.** Fast-growing metropolitan areas are increasingly confronted with development challenges related to suburbanisation, traffic congestion and pollution. Smaller cities and surrounding areas, however, face challenges related to access to the labour market, as well as education, healthcare and other social services. The same applies to areas marked by specific territorial challenges (e.g. remoteness and difficult access, environmental protection) or

industrial decline<sup>(64)</sup>. As a result, the rural-urban divide is increasing. Poverty is mainly concentrated in rural areas, where skills and employability are low and the connectivity to the centres of economic opportunities is poor. Improving the connectivity of less developed rural communities requires substantial additional investments.

**Municipalities' low administrative capacity limits development opportunities.** The capacity of urban authorities to plan strategically and to coordinate and cooperate efficiently is limited, preventing them from fully exploiting development and financing opportunities. In smaller municipalities, scale is an additional challenge, both in terms of administrative capacity and the potential for efficient provision of public services.

**A deficient transport network affects Romania's connectivity and competitiveness.** Romanian regions are poorly inter-connected, with the Nord-Est region faring particularly badly. The Romanian sections of the core TEN-T Rhine-Danube and Orient-East Mediterranean corridors are still not completed. The missing links (the Sibiu-Pitești motorway and the Brașov-Predeal and Timișoara-Craiova-Calafat rail connections) pose significant obstacles to regional, inter-regional and cross-border mobility. Investments in river navigation and multi-modal transport have been modest, not exploiting the full potential of the country's geographic and economic connections.

#### 4.4.5. GOVERNANCE AND INSTITUTIONAL QUALITY

##### Business environment (\*)

**The conduct of fiscal and economic policy remains highly unpredictable.** A notable example is the government emergency ordinance adopted in November 2017 which shifted the burden of social contributions almost entirely onto employees, which was accompanied by a cut of the flat personal income tax rate from 16 % to 10 %. Both changes entered into force in January 2018 without a proper impact assessment and with limited public consultation. Some unintended

effects on the net wages of part-time workers and employees in the IT and the R&D sectors led to additional amendments to the Fiscal Code in February 2018. This practice was repeated in December 2018, when the government passed emergency ordinance 114/2018, immediately applicable as from 1 January 2019, containing a series of measures on taxation, pensions and public investment. On taxation, the ordinance introduced a progressive tax on bank assets (see Section 4.2), tax incentives for the next 10 years in the construction sector<sup>(65)</sup> and rules affecting the functioning of the energy and telecommunications sectors. The ordinance also undermines the role of second pension pillar funds (see Box 4.2.1)

**The business environment is negatively affected by this persistent legislative instability.** Important legislative initiatives are often announced by the government just before adoption (such as government emergency ordinance 114/2018) with very limited consultation of relevant stakeholders and limited or no impact assessment. Moreover, legislative initiatives previously invalidated by the Constitutional Court often re-emerge in forms which raise more concerns for investors. Over recent years, contradictory public statements by the authorities on the direction of certain reforms have added to the overall climate of unpredictability, with potential negative implications for firms' investment decisions.

**Corruption remains a major issue and hampers the business environment.** Corruption as well as patronage and nepotism are identified as obstacles to doing business in Romania by 85 % and 82 % of businesses respectively (EU averages: 37 % and 38 % respectively) (European Commission, 2018a). Romania's position on the incidence of corruption indicator of the 2018 Global Competitiveness Index is stagnating (WEF, 2018) ranking among the last in the EU, but some regions have made significant positive advances in recent years (Charron and Lapuente, 2018).

<sup>(65)</sup> An exemption from personal income tax and a 3.75 pps reduction in social contributions for employees.

<sup>(64)</sup> Such as the Danube Delta or the Jiu Valley mining area.

### Judicial reform and the fight against corruption

**The amended justice laws have undermined the independence of judges and prosecutors and public confidence in the judiciary.** The amended laws entered into force in July and October 2018<sup>(66)</sup>. They contain a number of measures weakening the legal guarantees for judicial independence, in particular new provisions on the material liability of magistrates for their decisions, the establishment of a special prosecution section investigating offences committed by magistrates, a new early retirement scheme<sup>(67)</sup>, restrictions on freedom of expression for magistrates and extended grounds for revoking members of the Superior Council of Magistracy<sup>(68)</sup>, and measures specifically weakening the checks and balances underlying the operational independence of prosecutors. There is a risk that these elements – both on their own and cumulatively – could result in pressure on judges and prosecutors, and ultimately undermine the independence, efficiency and quality of the judiciary. This concern has also been raised by a number of outside observers, notably the Council of Europe Venice Commission (2018a) and the Group of States Against Corruption (GRECO, 2018). The amendments also raise questions as to the capacity of prosecutors to continue the fight against high-level corruption with the same degree of independence (European Commission, 2018f).

**The implementation of an action plan for the enforcement of court decisions is progressing.** The action plan is advancing and a list of measures was submitted to the government in September 2018 (European Commission, 2018f). Proposals include amendments to the legal framework in order to guarantee timely execution of judgments and a mechanism to supervise and prevent late execution of judgements for which the State is a debtor. The Ministry of Justice and the Superior

Council of Magistracy are also advancing on putting in place an IT registry of court decisions in which the State is a debtor or a creditor.

**A pattern of pressure on the key anti-corruption institutions has created growing concerns about their continued ability to deliver and on the irreversibility of the fight against corruption.** The National Anti-Corruption Directorate has been a particular target of pressure, including heavy public and media criticism from senior politicians (European Commission, 2018f). Both the dismissal of the sitting Chief Prosecutor of the National Anti-Corruption Directorate and the proposed replacement ignored the negative opinion of the Superior Council of Magistracy, raising major doubts over the process. The pressure has extended to the High Court of Cassation and Justice. The steps taken by the government may also be reflected in an apparent reduction in the cooperation with the National Anti-Corruption Directorate, with many public institutions such as ministries, the Court of Accounts and other control bodies reportedly more reluctant to flag up potential fraud and corruption cases.

**The ongoing amendments to the Criminal Code and the Code of Criminal Procedure could also undermine the fight against corruption.** Amendments adopted by Parliament before the summer of 2018 under an emergency legislative procedure constitute a profound overhaul of the 2014 reform, upsetting the balance between the public interest in sanctioning crime, victims' rights and the rights of suspects. The amendments also reduce the scope of corruption as an offence. This was also highlighted by the Venice Commission (2018b) and may raise questions on whether the amendments are compatible with international conventions ratified by Romania. Many of the changes were ruled unconstitutional in October 2018 (European Commission, 2018f).

**The implementation of the national anti-corruption strategy is progressing at technical level, but political developments undermine the credibility of the process.** The Technical Secretariat within the Ministry of Justice published its first monitoring report in March 2018 and has continued to organise thematic evaluations of public institutions' corruption prevention measures. In August 2018, the government

<sup>(66)</sup> Law 207/2018 amending and completing Law 304/2004 on the judicial organisation entered into force on 20 July. Law 234/2018 for amending and completing Law 317/2004 on the Superior Council of Magistracy entered into force on 11 October. Law 242/2018 amending and completing Law 303/2004 on the statute of judges and prosecutors entered into force on 15 October.

<sup>(67)</sup> Emergency ordinance 92/2018 of 15 October 2018 delays for 1 year the entry into force of the early retirement scheme but does not abandon it as recommended by the Venice Commission (2018a).

<sup>(68)</sup> Emergency ordinance 92/2018 introduces further changes in the revocation procedure.

adopted standard methodologies for use by institutions at central level when evaluating corruption risks and carrying out *ex-post* evaluation of integrity incidents. The implementation of the strategy appears to have progressed in some important vulnerable sectors, especially in education, internal affairs and at local level, but less obviously in the case of health. At the same time, several ongoing legislative initiatives give a contradictory signal in terms of political support for the continuation of corruption prevention and sanctioning, and raise concerns regarding their potential impact on the strategy's implementation. The ongoing reform of the Administrative Code should also support the implementation of the strategy by strengthening the professionalisation of the national and local public administration and by ensuring the effective implementation of corruption preventive measures, such as the responsibility of managers of public institutions in the prevention and occurrence of integrity incidents. (European Commission, 2018f)

#### Corporate governance of state-owned enterprises

**The performance of state-owned enterprises has improved in a context of strong economic growth.** Overall, the economic and financial performance of state-owned enterprises improved in 2017 on the previous year (Fiscal Council, 2018). Total revenue, operational results and profits increased, while arrears and indebtedness decreased. This evolution is largely in line with that of private companies in the same period.

**The corporate governance of state-owned enterprises is insufficiently implemented and may be weakened.** The relevant legislation<sup>(69)</sup> is robust but a number of amendments were approved in December 2017 to exempt some 100 state-owned enterprises from Law 111/2016, including most large ones. The amendments were referred back to Parliament by the Constitutional Court in early 2018, on procedural grounds. However, legislators are preparing their re-introduction<sup>(70)</sup>. Also, implementation of the

legislation remains sparse. Despite an improvement in the number of state-owned enterprises which have started appointments under Law 111/2016, only a small number had completed the procedures as of mid-2018. The repeated appointment of interim boards is still the norm, and appointments made in accordance with the legislation frequently diverge from its spirit. Furthermore, in 2018 the Ministry of Finance did not meet a legal obligation to publish the annual report on state-owned enterprises' activities and governance<sup>(71)</sup>. Nor is the Ministry of Finance fully exercising its powers to request implementation of corporate governance legislation by non-compliant companies beyond some effort to remind non-compliant firms of their obligations to make public accounts and reports.

#### Several of the larger state-owned enterprises may be transferred to a new Sovereign Fund.

In November 2018, the government adopted a framework allowing for the creation of government-owned investment funds. This paves the way for the setting-up of a long announced Sovereign Development and Investment Fund<sup>(72)</sup>, to which the government intends to transfer the ownership of some 30 state-owned enterprises. The Fund's goal, governance and potential economic and fiscal impact have yet to be clarified. The framework sets the funds' objectives in very broad terms: job creation, the development of infrastructure, stimulating innovation and increasing competitiveness. The government's intention is that the Fund will be classified outside the budget perimeter. This will have a fiscal impact which cannot be estimated until the Fund is fully set up but which could be substantially negative, in particular in the early years.

#### Public administration

**The reform of the public administration system is advancing at a slow pace.** This is particularly the case for the decentralisation process and capacity building of local authorities, public consultation and evidence-based decision-making, as well as implementation of the e-governance

<sup>(69)</sup> Namely Law 111/2016 on SOEs corporate governance and the accompanying implementing legislation, which updated the previous relevant legislation, government emergency ordinance 109/2011 (European Commission, 2017a).

<sup>(70)</sup> The exemption was again approved by the Senate in June 2018 and is awaiting the vote in the Chamber of Deputies.

<sup>(71)</sup> Ministry of Finance (2017: pp.6-7) summarises the Ministry's obligations under Law 111/2016.

<sup>(72)</sup> The Parliament approved in June 2018 the creation of the Fund. In July, however, the Constitutional Court ruled that only the government can set up such a fund.

measures<sup>(73)</sup>. Regulatory impact assessments continue to be formalistic, although their quality and actual use vary across sectors. The development of impact assessment competencies and tools is ongoing. A robust policy monitoring mechanism with a transparent reporting system is lacking, and *ex-post* evaluations are carried out on an ad-hoc basis. The legal and institutional framework for a quality control function of impact assessments at governmental level has not been formally established.

**Stakeholders' engagement in policymaking remains limited.** The reshuffling of responsibilities for public consultation at government level has stalled progress in this area. The quality of public consultation continues to be hindered by operational factors, such as short periods of consultation (i.e. 10 calendar days or less), late announcement of important legislative initiatives, limited follow-up and feedback to stakeholders during and after the consultation process. The authorities have committed to increasing transparency and better involving citizens through the Open Government Partnership. However, a centralised website for public consultation ([consultare.gov.ro](http://consultare.gov.ro)), one of the key deliverables of this process, is not consistently used.

**The implementation of the strategy for civil servants continues, yet the relevant legal framework has not been adopted.** The entry into force of the law transposing the strategy is still pending, delaying the actual implementation of the human management reform at central level. Reform of local public administration will be more limited in scope compared to initial ambitions. The authorities are developing new tools and instruments, including a framework for a national competition for civil servants, with results expected in 2019. The National Institute of Administration became operational in 2018 and is taking steps to develop its organisational strategy and a training programme portfolio for civil servants.

**Measures to increase the performance of public administration are not widespread.** Wage increases are not correlated with performance

evaluation and the delivery of better services to citizens and businesses. Recent legislative measures appear to limit the number of civil servants over 2019-2021, depending on the available approved budget for each institution. This measure could result in uneven quality of public services. The attractiveness of the public administration as an employer remains low for young qualified people (only 3 % of total civil servants are aged below 30, and over 41 % are above 50). The employee turnover rate is among the highest in the EU<sup>(74)</sup>. Romania ranks 40th out of 41 among OECD/EU countries in 2018 on executive capacity, down four places on 2017 (Bertelsmann Stiftung, 2018).

**The national administration's fragmented IT system increases the administrative burden for citizens and businesses.** The GovITHub project, launched in 2016, which entailed a public-private partnership based on fellowships and voluntary work in order to develop public services, has been discontinued. Moreover, the national administration continues to face difficulties in attracting and retaining ICT specialists which can develop digital public services. The lack of coordination between the public institutions in setting up digital public services represents an additional challenge. This limits the benefits of a functioning and interoperable e-government system for citizens and businesses. Investments are necessary to create interoperable digital public services among public institutions and to attract and build IT skills.

#### Public service delivery

**High fragmentation of competencies and resources affects the coherence and availability of services provided.** National and regional strategies for different public services are not well translated into integrated measures at regional and local level. Funding of public services is uneven across regions and territorial administrative units and does not correspond to local needs. Factors like a unitary strategic approach per type of service, existing gaps and needs to develop new services are overlooked. National programmes, for example in the health sector, do not benefit from

<sup>(73)</sup> As shown by the recent report on the implementation of the 2014-2020 strategy for public administration strengthening

<sup>(74)</sup> The employee turnover rate = the rate of employees leaving the civil service, due to other reason than retirement, to the average number of employees (EU pack 2017)

multi-annual budgetary planning, and are sometimes delayed or interrupted because of a temporary lack of funding.

**Revenues of local administrations lack stability and predictability.** Important strategic measures are delayed, such as setting appropriate cost and quality standards for all services and increasing local budgets' resources. Elements like inflation, updated standard costs and the need to develop or improve services are not factored into the budgetary allocation, resulting in a lack of or low quality service delivery. Fiscal decentralisation has stalled and the capacity of local authorities to increase the share of their own resources remains limited. The government plans to beef up the revenues of local authorities by increasing their quota from the revenue taxes from 73 % (in 2018) to 100 %. These changes are planned to be incorporated in the revised Code for Local Public Finances.

**The system and mechanisms for delivering a minimum package of integrated public services are not developed.** The government programme makes reference to the minimum package of public services to be made available to citizens in rural areas. However, the legal, institutional and other necessary instruments to deliver these services have not yet been developed. There is no integrated framework to ensure a minimum package of services to the citizens, including health, social protection and education. The national programme for local development envisages substantial investments but these are limited to infrastructure related investments. A new development and investment fund will be set up in 2019 to finance priority investment areas at local level, but its operational and financing mechanisms still need to be developed.

**The long-envisaged decentralisation of public services continues to progress very slowly.** There has been some progress in assessing the opportunities and impact of decentralising competencies in four out of the eight sectors envisaged by the strategy (tourism, youth and sport, education, water and forests). However, the overall progress for all sectors is limited. Limited action has been taken to improve the balance between competencies to be decentralised and the financial resources and ability of local authorities to deliver good quality services. Short-term

budgetary solutions were provided for in the 2018 state budget law to ensure the same level of financing of local authorities as for 2016 and 2017 and to compensate for the loss of revenue due to income tax reductions. Additional actions are needed to increase administrative capacity at local level especially for competencies to be decentralised.

#### Public procurement

**Further efforts are needed to increase the capacity of contracting authorities.** Despite some initiatives to professionalise procurement and to increase technical and procedural capabilities at the level of contracting authorities, further extensive efforts are required. One such example is the plan to train 4 100 civil servants in 2 years. The share of negotiated procedures without prior publication has remained among the highest in the EU (21 % in 2018). Moreover, about 34 % of contracts awarded by public institutions in 2018 were single bids.

**The public procurement system requires enhanced transparency, monitoring and supervision.** The recent developments on e-procurement, such as the ongoing transition to a new e-procurement system, have laid the foundation for more transparency in the procurement process. The supervision function needs to be fundamentally strengthened so the authorities can take adequate measures to further increase the transparency of the public procurement system and boost competition in the public procurement market. To that end, the introduction of appropriate key performance indicators will be crucial to achieving a functional and efficient supervision system.

**Centralised public procurement is not yet operational.** The legislation setting-up a central purchasing body operating at national level was recently adopted. Before expanding centralised procurement to more complex products, it is very important to build on the experience acquired in the procurement of simple products that are subject to demand aggregation. Moreover, there are plans to develop aggregated contracting systems for local contracting authorities within a geographical area.

**The *ex ante* external control sample for public procurement has been significantly reduced.**

The initiative for this control has been transferred to the contracting authorities. Moreover, the responsibility for the *ex-ante* control of EU-funded contracts or agreements was taken over by the managing authorities, which may not be fully prepared in terms of technical expertise and personnel for this shift of responsibilities. These important changes were not linked to or based on the measured performance and reliability of contracting authorities against well-established key indicators, and were not supported by, for instance, an impact assessment. The streamlining of *ex ante* controls is essential for reaching the objectives of the national strategy. However, to achieve an efficient and transparent public procurement system, it is important to couple streamlining with measures to increase the accountability and capacity of the contracting and managing authorities.

**The track record of the National Integrity Agency remained steady on investigations of incompatibilities and administrative conflicts of interests.** The PREVENT system for systematic ex-ante checks of conflicts of interests is now fully operational and the National Integrity Agency reported positive results. However, the stability of the legal framework on integrity continues to face challenges (European Commission, 2018f).

## ANNEX A: OVERVIEW TABLE

Commitments	Summary assessment <sup>(75)</sup>
2018 country-specific recommendations (CSRs)	
<p><b>CSR 1:</b> Ensure compliance with the Council recommendation of ... June 2018 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection.</p>	<p>Romania has made <b>Limited progress</b> on addressing CSR 1</p>
<p>Ensure compliance with the Council recommendation of...June 2018 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective.</p>	<p>The compliance assessment with the Stability and Growth Pact will be included in spring, when final data for 2018 will be available.</p>
<p>Ensure the full application of the fiscal framework.</p>	<p><b>No progress.</b> There was no progress on ensuring the application of the fiscal framework. The 2018 budget did not comply with the deficit rule, which requires compliance with the adjustment path towards the medium-term structural objective. The 2018 budget amendment from September broke, among others, rules prohibiting increases in: (i) the nominal headline and primary deficit ceilings during the fiscal year; and (ii) personnel expenditure and total government expenditure excluding EU funds during the fiscal year. The second 2018 budget amendment, published in November, also broke several national fiscal rules. Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory</p>

<sup>(75)</sup> The following categories are used to assess progress in implementing the country-specific recommendations (CSRs):

**No progress:** The Member State has not credibly announced nor adopted any measures to address the CSR. This category covers a number of typical situations to be interpreted on a case by case basis taking into account country-specific conditions. They include the following:

no legal, administrative, or budgetary measures have been announced in the national reform programme,

in any other official communication to the national Parliament/relevant parliamentary committees or the European Commission, publicly (e.g. in a press statement or on the government's website);

no non-legislative acts have been presented by the governing or legislative body;

the Member State has taken initial steps in addressing the CSR, such as commissioning a study or setting up a study group to analyse possible measures to be taken (unless the CSR explicitly asks for orientations or exploratory actions). However, it has not proposed any clearly-specified measure(s) to address the CSR.

**Limited progress:** The Member State has:

announced certain measures but these address the CSR only to a limited extent; and/or

presented legislative acts in the governing or legislative body but these have not been adopted yet and substantial further, non-legislative work is needed before the CSR is implemented;

presented non-legislative acts, but has not followed these up with the implementation needed to address the CSR.

**Some progress:** The Member State has adopted measures

that partly address the CSR; and/or

that address the CSR, but a fair amount of work is still needed to fully address the CSR fully as only a few of the measures have been implemented. For instance, a measure or measures have been adopted by the national Parliament or by ministerial decision but no implementing decisions are in place.

**Substantial progress:** The Member State has adopted measures that go a long way towards addressing the CSR and most of them have been implemented.

**Full implementation:** The Member State has implemented all measures needed to address the CSR appropriately.

Strengthen tax compliance and collection.	August deadline.  <b>Limited progress</b> The Romanian tax administration (ANAF) has recently updated its guidelines on the registration of certified cash registers and the issuing of single identification numbers for cash registers. They have been more active in using risk assessment for the management and auditing of taxpayers, mostly for value-added tax (VAT) and corporate income tax purposes. However, the relative weight of the unobserved economy is about 22.5 % while the VAT gap (i.e. the difference between the VAT liability theoretically due and VAT actually collected) remained the highest in the EU in 2016 (at about 36 %). The introduction of the cash registers with an electronic memory connected to the servers of ANAF is slowly being implemented, also due to suppliers' shortages.
<p><b>CSR 2:</b> Complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. Improve access to healthcare, including through the shift to outpatient care.</p>	Romania has made <b>Limited progress</b> on addressing CSR 2
Complete the minimum inclusion income reform.	<b>No progress.</b> The Law on minimum inclusion income is expected to enter into force in April 2019. However, no visible progress has so far been observed.
Improve the functioning of social dialogue.	<b>Limited progress.</b> The social dialogue law is currently in being debated in Parliament after a long period of consultation with relevant stakeholders. Another competing proposal, drafted with the help of some social partners, has also been put forward. Both legislative initiatives are being debated together. Currently, most social dialogue takes place formally, within the Economic and Social Council and the Social Dialogue Committees. Despite the established framework of dialogue and consultations, the stability and the role of these institutions weakened in the most recent period.
Ensure minimum wage setting based on objective criteria.	<b>No progress.</b> Minimum wage levels continue to be set in an ad-hoc manner, and are not based on a comprehensive and predictable mechanism.
Improve upskilling and the provision of quality mainstream education, in particular for Roma and	<b>Limited progress.</b> There has been limited progress in improving the provision of quality inclusive

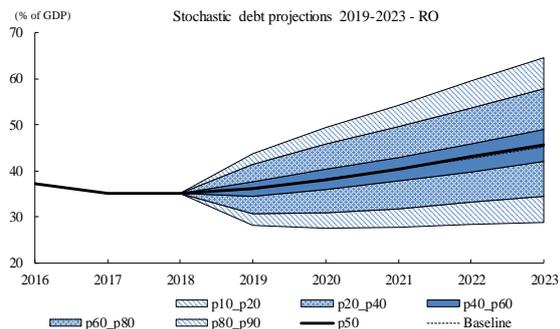
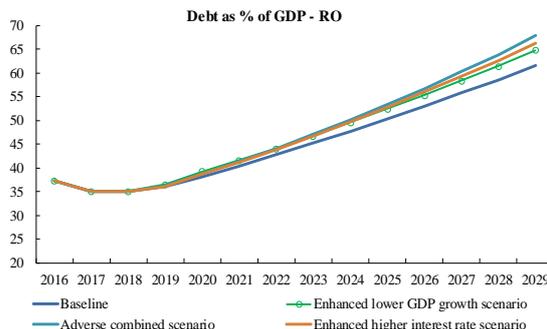
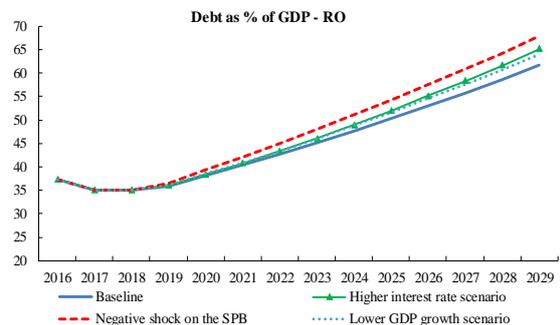
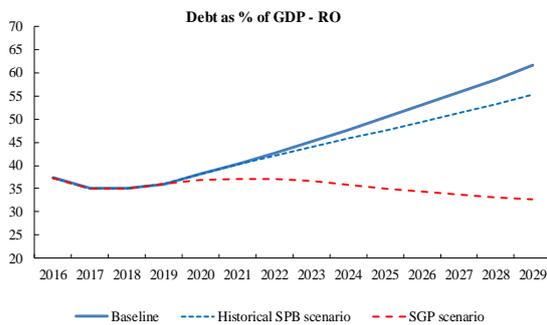
<p>children in rural areas.</p>	<p>mainstream education, in particular for children in rural areas and Roma. The measures financed by the European Social Fund are in early stages of implementation. Work on developing the early warning mechanism to prevent school dropout continues. The methodology to monitor and prevent school segregation has not been adopted yet. Overall, early school leaving remains very high. Rural-urban disparities and Roma inclusion in education remain problematic. While the authorities are planning some measures, active labour market policies continue to provide limited focus on upskilling. A global assessment of skills needs for various economic sectors still needs to be developed and implemented.</p>
<p>Improve access to healthcare, including through the shift to outpatient care.</p>	<p><b>Limited progress.</b> Since 2018 there have been serious delays in key areas such as integrated community care centres, funding of regional hospitals with related care referral plans, etc. In other relevant areas (such as the uptake of one-day planned surgeries) the effectiveness of previously taken measures remains to be demonstrated.</p>
<p><b>CSR 3:</b> Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and stakeholder consultation and involvement in the design and implementation of reforms. Improve the preparation and prioritization of large infrastructure projects and accelerate their implementation, particularly in the transport, waste and waste water sectors. Improve the transparency and efficiency of public procurement. Strengthen the corporate governance of State-owned enterprises.</p>	<p>Romania has made <b>No progress</b> on addressing CSR</p>
<p>Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and stakeholder consultation and involvement in the design and implementation of reforms.</p>	<p><b>No progress.</b> There is still persistent legislative instability and lack of decision-making predictability, which risk eroding investors' confidence. Regulatory impact assessments continue to be formalistic, although their quality and actual use vary across sectors. A robust policy monitoring mechanism with a transparent reporting system is lacking, and ex-post evaluations are carried out on an ad-hoc basis. The legal and institutional framework for a quality control function of impact assessments at government level has not been formally established. Stakeholders' involvement in policy-making remains limited. The quality of public consultation continues to be hindered by operational factors, such as short periods of consultation, late announcement of important legislative initiatives, and limited follow-up and feedback to stakeholders during and after the</p>

<p>Improve the preparation and prioritization of large infrastructure projects and accelerate their implementation, particularly in the transport, waste and waste water sectors.</p>	<p>consultation process.</p> <p><b>Limited progress.</b> Large infrastructure projects are being prepared and sent to the European Commission for approval, due in particular to the increased involvement and cooperation with the European Investment Bank (through the Joint Assistance to Support Projects in European Regions programme and the Project Advisory Support instrument). Implementation, however, continues to lag behind.</p>
<p>Improve the transparency and efficiency of public procurement.</p>	<p><b>Limited progress.</b> There has been limited progress in implementing the national public procurement strategy. The transition to a new e-procurement system and the putting in place of legislation on a Central Purchasing Body to operate at national level are positive examples. However, some reforms started under the Action Plan drafted in the context of the <i>ex-ante</i> conditionality that Romania had to fulfil on public procurement and which were relevant for the implementation of EU funds, have been stopped and, with the recent adoption of the government emergency ordinance no 114/2018, even reversed. Furthermore, important efforts are needed to increase the capacity of contracting authorities and to enhance transparency, monitoring and supervision of the public procurement system, as well as legislative stability and predictability. The streamlining of <i>ex-ante</i> control of public procurement should be based on the measured performance and reliability of contracting authorities.</p>
<p>Strengthen the corporate governance of State-owned enterprises.</p>	<p><b>No progress.</b> Corporate governance legislation applicable to state-owned enterprises is robust but only sparsely applied. The exemption of some 100 companies from the legislation, adopted end-2017, has been barred by the Constitutional Court on procedural grounds, but was again approved by the Senate in June 2018 and awaits final approval in the lower house.</p>
<p>Europe 2020 (national targets and progress)</p>	
<p>Employment rate target set in the NRP: 70 %.</p>	<p>The national target of 70 % by 2020 is within reach as the employment rate in the age group 20-64 was at 68.8 % in 2017.</p>
<p>R&amp;D target set in the NRP: 2 % of GDP</p>	<p>Romania's R&amp;D intensity in 2017 was 0.5 % of GDP, the lowest in the EU and representing only a quarter of the national target. Romanian R&amp;D intensity fell annually by 1.1 % between 2007 and 2017. To reach its 2020 target, R&amp;D intensity in</p>

	Romania will need to grow by an average of 58.4 % per year until 2020. In 2017, public R&D intensity increased by 4.8 %, while business R&D intensity increased by 7.4 % compared to 2016. Thus, business R&D intensity reached 0.29 % of GDP in 2017 while public R&D intensity amounted to 0.22 % of GDP.
National greenhouse gas (GHG) emissions target: - 19 % in 2020 compared with 2005 (in sectors not included in the EU emissions trading scheme)	<p>According to preliminary estimates in 2017, greenhouse gas emissions not covered by the EU Emissions Trading Systems (ETS) decreased by 1.7 % between 2005 and 2017.</p> <p>According to the latest national projections based on existing measures, non-ETS emissions will increase by 1.4 % between 2005 and 2020. The target is consequently expected to be met with a margin of 17.6 pps.</p> <p>However, the 2030 target would be missed by a margin of 12.5 % based on existing measures, as emissions are projected to increase above the base year in the long run.</p>
2020 renewable energy target: 24 %	With 24.4 % renewable energy share in gross final consumption in 2017 (Eurostat provisional data), Romania is on track and slightly above in attaining its renewable energy target for 2020. In light of the stable or slightly decreasing share, continued efforts are needed to install more capacity in a context of economic growth.
Energy efficiency, 2020 energy consumption targets: Romania's 2020 energy efficiency target is 43 Mtoe expressed in primary energy consumption (30.3 Mtoe expressed in final energy consumption)	Romania appears to be on track for reaching its 2020 target. However, both primary and final energy consumption increased in 2017, and therefore continued efforts are needed to limit energy consumption in a context of economic growth.
Early leavers from education and training: 11.3 %.	With a rate of 18.1% in 2017, achieving the target by 2020 is not within reach.
Tertiary education target: 26.7 % of population aged 30-34.	With a rate of 26.3% of people aged 30-34 having a tertiary degree in 2017, Romania has almost reached the national target. However, the rate remains significantly below the EU-average of 40%.
Target for reducing the number of people at risk of poverty or social exclusion, expressed as an absolute number of people: 580 000 (base year 2010: 8 425 000).	The national target of 580 000 people is already considered reached. The population taken out of poverty or social exclusion in 2017 was of 2 074 000 persons, considerably higher than in the previous years ( e.g. 1 420 000 in 2016, 1 680 000 in 2015).

# ANNEX B: COMMISSION DEBT SUSTAINABILITY ANALYSIS AND FISCAL RISKS

General Government debt projections under baseline, alternative scenarios and sensitivity tests													
RO - Debt projections baseline scenario	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Gross debt ratio</b>	<b>35.1</b>	<b>35.1</b>	<b>35.9</b>	<b>38.2</b>	<b>40.4</b>	<b>42.7</b>	<b>45.1</b>	<b>47.7</b>	<b>50.3</b>	<b>53.0</b>	<b>55.8</b>	<b>58.6</b>	<b>61.6</b>
Changes in the ratio (-/+2+3) of which	-2.2	0.0	0.9	2.2	2.2	2.3	2.5	2.6	2.6	2.7	2.7	2.8	3.0
<b>(1) Primary balance</b> (1.1+1.2+1.3)	<b>-1.5</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-3.2</b>	<b>-3.2</b>	<b>-3.1</b>	<b>-3.0</b>						
<b>(1.1) Structural primary balance</b> (1.1.1-1.1.2+1.1.3)	<b>-2.0</b>	<b>-1.9</b>	<b>-2.0</b>	<b>-3.1</b>	<b>-3.1</b>	<b>-3.0</b>							
(1.1.1) Structural primary balance (bef. CoA)	-2.0	-1.9	-2.0	-3.1	-3.1	-3.1	-3.1	-3.1	-3.1	-3.1	-3.1	-3.1	-3.1
(1.1.2) Cost of ageing					0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
(1.1.3) Others (taxes and property incomes)					0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
<b>(1.2) Cyclical component</b>	<b>0.5</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.0</b>								
<b>(1.3) One-off and other temporary measures</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>										
<b>(2) Snowball effect</b> (2.1+2.2+2.3)	<b>-2.7</b>	<b>-1.9</b>	<b>-1.0</b>	<b>-0.9</b>	<b>-1.0</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.1</b>
(2.1) Interest expenditure	1.3	1.4	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.2	2.3	2.5	2.7
(2.2) Growth effect	-2.4	-1.1	-1.2	-1.2	-1.4	-1.4	-1.5	-1.4	-1.4	-1.5	-1.5	-1.6	-1.5
(2.3) Inflation effect	-1.6	-2.1	-1.3	-1.2	-1.1	-1.0	-0.8	-0.9	-0.9	-1.0	-1.0	-1.1	-1.1
<b>(3) Stock-flow adjustments</b>	<b>-1.1</b>	<b>0.0</b>											



Short term	Medium term	S1	Debt sustainability analysis (detail)						DSA	S2	Long term
			Baseline	Historical SPB	Lower GDP growth	Higher interest rate	Negative shock on SPB	Stochastic projections			
LOW (S0 = 0.3)	MEDIUM	MEDIUM (S1 = 1.5)	MEDIUM	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM
			61.6	55.3	64.0	65.2	67.8				
			2029	2029	2029	2029	2029				
			89.0%	84.0%							
								78.7%			
								35.7			

**Note:** For further information, see the European Commission Fiscal Sustainability Report (FSR) 2018.

[1] The first table presents the baseline no-fiscal policy change scenario projections. It shows the projected government debt dynamics and its decomposition between the primary balance, snowball effects and stock-flow adjustments. Snowball effects measure the net impact of the counteracting effects of interest rates, inflation, real GDP growth (and exchange rates in some countries). Stock-flow adjustments include differences in cash and accrual accounting, net accumulation of assets, as well as valuation and other residual effects.

[2] The charts present a series of sensitivity tests around the baseline scenario, as well as alternative policy scenarios, in particular: the historical structural primary balance (SPB) scenario (where the SPB is set at its historical average), the Stability and Growth Pact (SGP) scenario (where fiscal policy is assumed to evolve in line with the main provisions of the SGP), a higher interest rate scenario (+1 pp. compared to the baseline), a lower GDP growth scenario (-0.5 pp. compared to the baseline) and a negative shock on the SPB (calibrated on the basis of the forecasted change). An adverse combined scenario and enhanced sensitivity tests (on the interest rate and growth) are also included, as well as stochastic projections. Detailed information on the design of these projections can be found in the FSR 2018.

[3] The second table presents the overall fiscal risk classification over the short, medium and long-term.

a. For the short-term, the risk category (low/high) is based on the S0 indicator. S0 is an early-detection indicator of fiscal stress in the upcoming year, based on 25 fiscal and financial-competitiveness variables that have proven in the past to be leading indicators of fiscal stress. The critical threshold beyond which fiscal distress is signalled is 0.46.

b. For the medium-term, the risk category (low/medium/high) is based on the joint use of the S1 indicator and of the DSA results. The S1 indicator measures the fiscal adjustment required (cumulated over the 5 years following the forecast horizon and sustained thereafter) to bring the debt-to-GDP ratio to 60% by 2033. The critical values used are 0 and 2.5 pps. of GDP. The DSA classification is based on the results of 5 deterministic scenarios (baseline, historical SPB, higher interest rate, lower GDP growth and negative shock on the SPB scenarios) and the stochastic projections. Different criteria are used such as the projected debt level, the debt path, the realism of fiscal assumptions, the probability of debt stabilisation, and the size of uncertainties.

c. For the long-term, the risk category (low/medium/high) is based on the joint use of the S2 indicator and the DSA results. The S2 indicator measures the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon, including the costs of ageing. The critical values used are 2 and 6 pps. of GDP. The DSA results are used to further qualify the long-term risk classification, in particular in cases when debt vulnerabilities are identified (a medium / high DSA risk category).

## ANNEX C: STANDARD TABLES

Table C.1: **Financial market indicators**

	2013	2014	2015	2016	2017	2018
Total assets of the banking sector (% of GDP) <sup>1)</sup>	63.6	60.1	57.6	55.5	52.5	50.6
Share of assets of the five largest banks (% of total assets)	54.4	54.2	57.4	59.1	59.4	-
Foreign ownership of banking system (% of total assets) <sup>2)</sup>	90.0	90.0	90.5	91.4	77.3	74.5
Financial soundness indicators: <sup>2)</sup>						
- non-performing loans (% of total loans)	-	20.7	13.4	9.7	6.6	5.9
- capital adequacy ratio (%)	18.8	17.7	18.9	19.2	19.4	18.6
- return on equity (%) <sup>3)</sup>	0.0	-15.2	11.3	10.6	11.7	15.9
Bank loans to the private sector (year-on-year % change) <sup>1)</sup>	-3.5	-1.3	4.5	3.3	7.1	6.4
Lending for house purchase (year-on-year % change) <sup>1)</sup>	9.7	9.2	15.5	13.4	13.2	11.7
Loan to deposit ratio <sup>2)</sup>	-	67.2	67.6	68.2	69.2	72.1
Central Bank liquidity as % of liabilities <sup>1)</sup>	0.3	-	-	-	-	0.0
Private debt (% of GDP)	66.8	62.1	59.1	55.6	50.8	-
Gross external debt (% of GDP) <sup>2)</sup> - public	20.8	21.8	19.6	19.0	17.9	16.2
- private	30.2	28.9	26.8	28.2	27.9	26.7
Long-term interest rate spread versus Bund (basis points)*	384.4	333.1	297.8	322.9	364.1	427.9
Credit default swap spreads for sovereign securities (5-year)*	180.4	137.4	110.0	105.9	92.5	83.5

(1) Latest data Q3 2018. Includes not only banks but all monetary financial institutions excluding central banks.

(2) Latest data Q2 2018.

(3) Quarterly values are not annualised

\* Measured in basis points.

**Source:** European Commission (long-term interest rates); World Bank (gross external debt); Eurostat (private debt); ECB (all other indicators).

Table C.2: **Headline Social Scoreboard indicators**

	2013	2014	2015	2016	2017	2018 <sup>6</sup>
<b>Equal opportunities and access to the labour market</b>						
Early leavers from education and training (% of population aged 18-24)	17.3	18.1	19.1	18.5	18.1	:
Gender employment gap (pps)	16.3	16.7	17.5	17.6	17.1	18.3
Income inequality, measured as quintile share ratio (S80/S20)	6.8	7.2	8.3	7.2	6.5	:
At-risk-of-poverty or social exclusion rate <sup>1</sup> (AROPE)	41.9	40.3	37.4	38.8	35.7	:
Young people neither in employment nor in education and training (% of population aged 15-24)	17.0	17.0	18.1	17.4	15.2	:
<b>Dynamic labour markets and fair working conditions<sup>†</sup></b>						
Employment rate (20-64 years)	64.7	65.7	66.0	66.3	68.8	70.0
Unemployment rate <sup>2</sup> (15-74 years)	7.1	6.8	6.8	5.9	4.9	4.1
Long-term unemployment rate <sup>3</sup> (as % of active population)	3.2	2.8	3.0	3.0	2.0	1.8
Gross disposable income of households in real terms per capita <sup>4</sup> (Index 2008=100)	98.0	99.4	106.1	116.7	129.1	:
Annual net earnings of a full-time single worker without children earning an average wage (levels in PPS, three-year average)	8581	8621	8987	9609	:	:
Annual net earnings of a full-time single worker without children earning an average wage (percentage change, real terms, three-year average)	-0.1	0.3	5.0	8.5	:	:
<b>Public support / Social protection and inclusion</b>						
Impact of social transfers (excluding pensions) on poverty reduction <sup>5</sup>	18.4	12.8	13.3	14.2	16.6	:
Children aged less than 3 years in formal childcare	6.0	2.6	9.4	17.4	15.7	:
Self-reported unmet need for medical care	10.9	9.8	9.4	6.5	4.7	:
Individuals who have basic or above basic overall digital skills (% of population aged 16-74)	:	:	26.0	28.0	29.0	:

(1) People at risk of poverty or social exclusion (AROPE): individuals who are at risk of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in households with zero or very low work intensity (LWI).

(2) Unemployed persons are all those who were not employed but had actively sought work and were ready to begin working immediately or within two weeks.

(3) Long-term unemployed are people who have been unemployed for at least 12 months.

(4) Gross disposable household income is defined in unadjusted terms, according to the draft Joint Employment Report 2019.

(5) Reduction in percentage of the risk of poverty rate, due to social transfers (calculated comparing at-risk-of poverty rates before social transfers with those after transfers; pensions are not considered as social transfers in the calculation).

(6) Average of first three quarters of 2018 for the employment rate, long-term unemployment rate and gender employment gap. Data for unemployment rate is seasonally adjusted (annual series, for EE, EL, HU, IT and UK data based on first three quarters of 2018).

**Source:** Eurostat.

Table C.3: Labour market and education indicators

Labour market indicators	2013	2014	2015	2016	2017	2018 <sup>4</sup>
Activity rate (15-64)	64.9	65.7	66.1	65.6	67.3	:
Employment in current job by duration						
From 0 to 11 months	5.2	5.0	6.2	4.9	5.8	:
From 12 to 23 months	5.8	6.0	7.4	6.4	6.7	:
From 24 to 59 months	21.2	20.0	19.5	20.5	19.8	:
60 months or over	67.8	69.0	66.8	68.2	67.7	:
Employment growth*						
(% change from previous year)	-0.9	0.8	-1.3	-1.1	2.8	0.2
Employment rate of women						
(% of female population aged 20-64)	56.5	57.3	57.2	57.4	60.2	60.7
Employment rate of men						
(% of male population aged 20-64)	72.8	74.0	74.7	75.0	77.3	79.1
Employment rate of older workers*						
(% of population aged 55-64)	41.8	43.1	41.1	42.8	44.5	45.9
Part-time employment*						
(% of total employment, aged 15-64)	9.0	8.7	8.8	7.4	6.8	6.6
Fixed-term employment*						
(% of employees with a fixed term contract, aged 15-64)	1.4	1.5	1.4	1.4	1.2	1.1
Participation in activation labour market policies						
(per 100 persons wanting to work)	3.1	2.9	3.5	4.5	:	:
Transition rate from temporary to permanent employment						
(3-year average)	57.7	57.8	56.5	56.1	56.9	:
Youth unemployment rate						
(% active population aged 15-24)	23.7	24.0	21.7	20.6	18.3	16.2
Gender gap in part-time employment						
	1.0	1.3	0.7	0.4	0.2	0.6
Gender pay gap <sup>1</sup> (in unadjusted form)	4.9	4.5	5.8	5.2	3.5	:
<b>Education and training indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Adult participation in learning						
(% of people aged 25-64 participating in education and training)	2.0	1.5	1.3	1.2	1.1	:
Underachievement in education <sup>2</sup>	:	:	39.9	:	:	:
Tertiary educational attainment (% of population aged 30-34 having successfully completed tertiary education)	22.9	25.0	25.6	25.6	26.3	:
Variation in performance explained by students' socio-economic status <sup>3</sup>	:	:	13.8	:	:	:

\* Non-scoreboard indicator

(1) Difference between the average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. It is defined as "unadjusted", as it does not correct for the distribution of individual characteristics (and thus gives an overall picture of gender inequalities in terms of pay). All employees working in firms with ten or more employees, without restrictions for age and hours worked, are included.

(2) PISA (OECD) results for low achievement in mathematics for 15 year-olds.

(3) Impact of socio-economic and cultural status on PISA (OECD) scores. Values for 2012 and 2015 refer respectively to mathematics and science.

(4) Average of first three quarters of 2018. Data for youth unemployment rate is seasonally adjusted (annual series, for EE, EL, HU, IT and UK data based on first three quarters of 2018).

Source: Eurostat, OECD

Table C.4: Social inclusion and health indicators

	2012	2013	2014	2015	2016	2017
Expenditure on social protection benefits* (% of GDP)						
<i>Sickness/healthcare</i>	4.0	3.9	3.9	3.8	3.9	:
<i>Disability</i>	1.2	1.1	1.1	1.1	1.0	:
<i>Old age and survivors</i>	8.2	8.0	8.0	7.9	7.8	:
<i>Family/children</i>	1.3	1.2	1.2	1.3	1.4	:
<i>Unemployment</i>	0.2	0.2	0.1	0.1	0.1	:
<i>Housing</i>	0.0	0.0	0.0	0.0	0.0	:
<i>Social exclusion n.e.c.</i>	0.2	0.2	0.2	0.2	0.2	:
<b>Total</b>	15.2	14.6	14.4	14.3	14.3	:
<i>of which: means-tested benefits</i>	0.6	0.6	0.6	0.6	0.5	:
General government expenditure by function (% of GDP, COFOG)						
<i>Social protection</i>	12.3	11.5	11.4	11.4	11.6	:
<i>Health</i>	3.8	4.0	4.0	4.2	4.0	:
<i>Education</i>	3.0	2.8	3.0	3.1	3.7	:
Out-of-pocket expenditure on healthcare (% of total health expenditure)	22.4	20.2	20.3	21.3	20.8	:
Children at risk of poverty or social exclusion (% of people aged 0-17)*	52.5	51.4	50.7	46.8	49.2	41.7
At-risk-of-poverty rate <sup>1</sup> (% of total population)	22.9	23.0	25.1	25.4	25.3	23.6
In-work at-risk-of-poverty rate (% of persons employed)	19.0	18.4	19.8	18.8	18.9	17.4
Severe material deprivation rate <sup>2</sup> (% of total population)	31.1	29.8	25.9	22.7	23.8	19.7
Severe housing deprivation rate <sup>3</sup> , by tenure status						
<i>Owner, with mortgage or loan</i>	19.9	16.1	4.9	1.6	1.4	1.2
<i>Tenant, rent at market price</i>	19.0	21.2	32.8	53.0	46.0	27.2
Proportion of people living in low work intensity households <sup>4</sup> (% of people aged 0-59)	7.9	7.6	7.2	7.9	8.2	6.9
Poverty thresholds, expressed in national currency at constant prices*	3884	3888	3991	4253	4518	5167
Healthy life years (at the age of 65)						
<i>Females</i>	5.1	5.2	5.7	5.7	5.6	:
<i>Males</i>	5.9	5.8	5.9	6.3	6.2	:
Aggregate replacement ratio for pensions <sup>5</sup> (at the age of 65)	0.7	0.7	0.7	0.6	0.7	0.6
Connectivity dimension of the Digital Economy and Society Index (DESI) <sup>6</sup>	:	:	43.9	46.2	49.8	54.1
GINI coefficient before taxes and transfers*	53.2	51.8	52.1	54.1	54.4	52.3
GINI coefficient after taxes and transfers*	33.2	34.0	34.7	37.4	34.7	33.1

\* Non-scoreboard indicator

(1) At-risk-of-poverty rate (AROP): proportion of people with an equivalised disposable income below 60 % of the national equivalised median income.

(2) Proportion of people who experience at least four of the following forms of deprivation: not being able to afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour TV, or ix) have a telephone.

(3) Percentage of total population living in overcrowded dwellings and exhibiting housing deprivation.

(4) People living in households with very low work intensity: proportion of people aged 0-59 living in households where the adults (excluding dependent children) worked less than 20 % of their total work-time potential in the previous 12 months.

(5) Ratio of the median individual gross pensions of people aged 65-74 relative to the median individual gross earnings of people aged 50-59.

(6) Fixed broadband take up (33%), mobile broadband take up (22%), speed (33%) and affordability (11%), from the Digital Scoreboard.

Source: Eurostat, OECD

Table C.5: Product market performance and policy indicators

Performance indicators	2012	2013	2014	2015	2016	2017
Labour productivity per person <sup>1</sup> growth (t/t-1) in %						
Labour productivity growth in industry	-6.38	3.98	0.19	8.52	2.17	4.34
Labour productivity growth in construction	9.01	4.72	2.70	6.84	5.37	-3.25
Labour productivity growth in market services	35.86	3.85	0.64	3.10	3.59	5.03
Unit Labour Cost (ULC) index <sup>2</sup> growth (t/t-1) in %						
ULC growth in industry	19.86	-3.55	0.59	-0.06	7.24	3.55
ULC growth in construction	-1.54	-3.96	-12.10	4.96	-2.90	13.85
ULC growth in market services	-18.71	3.01	5.72	-0.17	10.65	3.04
<b>Business environment</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Time needed to enforce contracts <sup>3</sup> (days)	512	512	512	512	512	512
Time needed to start a business <sup>3</sup> (days)	8.0	8.0	8.0	8.0	12.0	12.0
Outcome of applications by SMEs for bank loans <sup>4</sup>	:	0.99	0.94	0.46	0.36	0.69
<b>Research and innovation</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
R&D intensity	0.48	0.39	0.38	0.49	0.48	0.50
General government expenditure on education as % of GDP	3.00	2.80	3.00	3.10	3.70	:
Employed people with tertiary education and/or people employed in science and technology as % of total employment	24	24	24	26	27	27
Population having completed tertiary education <sup>5</sup>	14	14	14	15	15	15
Young people with upper secondary education <sup>6</sup>	80	80	80	80	80	80
Trade balance of high technology products as % of GDP	-1.79	-1.96	-1.66	-1.75	-1.60	-1.87
<b>Product and service markets and competition</b>				<b>2003</b>	<b>2008</b>	<b>2013</b>
OECD product market regulation (PMR) <sup>7</sup> , overall				:	:	1.69
OECD PMR <sup>7</sup> , retail				:	:	1.80
OECD PMR <sup>7</sup> , professional services				:	:	:
OECD PMR <sup>7</sup> , network industries <sup>8</sup>				:	:	1.97

(1) Value added in constant prices divided by the number of persons employed.

(2) Compensation of employees in current prices divided by value added in constant prices.

(3) The methodologies, including the assumptions, for this indicator are shown in detail here:

<http://www.doingbusiness.org/methodology>.

(4) Average of the answer to question Q7B\_a. "[Bank loan]: If you applied and tried to negotiate for this type of financing over the past six months, what was the outcome?". Answers were codified as follows: zero if received everything, one if received 75% and above, two if received below 75%, three if refused or rejected and treated as missing values if the application is still pending or don't know.

(5) Percentage population aged 15-64 having completed tertiary education.

(6) Percentage population aged 20-24 having attained at least upper secondary education.

(7) Index: 0 = not regulated; 6 = most regulated. The methodologies of the OECD product market regulation indicators are shown in detail here: <http://www.oecd.org/competition/reform/indicatorsofproductmarketregulationhomepage.htm>

(8) Aggregate OECD indicators of regulation in energy, transport and communications (ETCR).

**Source:** European Commission; World Bank — Doing Business (for enforcing contracts and time to start a business); OECD (for the product market regulation indicators); SAFE (for outcome of SMEs' applications for bank loans).

Table C.6: **Green growth**

<b>Green growth performance</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Macroeconomic</b>							
Energy intensity	kgoe / €	0.27	0.24	0.23	0.22	0.21	0.21
Carbon intensity	kg / €	0.96	0.85	0.83	0.80	0.74	-
Resource intensity (reciprocal of resource productivity)	kg / €	3.35	3.26	3.23	3.71	3.43	3.02
Waste intensity	kg / €	1.91	-	1.26	-	1.17	-
Energy balance of trade	% GDP	-3.05	-1.90	-1.41	-0.91	-0.94	-1.31
Weighting of energy in HICP	%	12.5	12.4	12.2	12.3	11.9	12.4
Difference between energy price change and inflation	%	1.3	5.0	0.1	2.8	-1.0	1.6
Real unit of energy cost	% of value added	29.5	27.6	26.5	26.6	26.7	-
Ratio of environmental taxes to labour taxes	ratio	0.18	0.19	0.22	0.24	0.23	-
Environmental taxes	% GDP	2.0	2.0	2.3	2.4	2.3	1.9
<b>Sectoral</b>							
Industry energy intensity	kgoe / €	0.16	0.15	0.14	0.14	0.13	0.12
Real unit energy cost for manufacturing industry excl. refining	% of value added	21.5	21.2	20.6	20.4	20.3	-
Share of energy-intensive industries in the economy	% GDP	11.6	11.4	12.0	12.3	12.4	12.4
Electricity prices for medium-sized industrial users	€ / kWh	0.08	0.09	0.08	0.08	0.08	0.08
Gas prices for medium-sized industrial users	€ / kWh	0.03	0.03	0.03	0.03	0.03	0.03
Public R&D for energy	% GDP	0.01	0.01	0.02	0.01	0.02	0.01
Public R&D for environmental protection	% GDP	0.02	0.02	0.01	0.01	0.01	0.01
Municipal waste recycling rate	%	14.8	13.2	13.1	13.2	13.3	13.9
Share of GHG emissions covered by ETS*	%	44.6	38.0	38.2	37.7	35.2	-
Transport energy intensity	kgoe / €	0.60	0.54	0.53	0.48	0.43	0.42
Transport carbon intensity	kg / €	1.68	1.53	1.52	1.35	1.21	-
<b>Security of energy supply</b>							
Energy import dependency	%	22.3	18.1	16.4	16.4	21.6	23.1
Aggregated supplier concentration index	HHI	12.4	12.8	14.2	17.8	19.9	-
Diversification of energy mix	HHI	0.23	0.23	0.23	0.23	0.23	0.23

All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2010 prices)

Energy intensity: gross inland energy consumption (Europe 2020-2030) (in kgoe) divided by GDP (in EUR)

Carbon intensity: greenhouse gas emissions (in kg CO<sub>2</sub> equivalents) divided by GDP (in EUR)

Resource intensity: domestic material consumption (in kg) divided by GDP (in EUR)

Waste intensity: waste (in kg) divided by GDP (in EUR)

Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP

Weighting of energy in HICP: the proportion of 'energy' items in the consumption basket used for the construction of the HICP

Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual % change)

Real unit energy cost: real energy costs as % of total value added for the economy

Industry energy intensity: final energy use in industry (in kgoe) divided by gross value added of industry, including construction (in 2010 EUR)

Real unit energy costs for manufacturing industry excluding refining : real costs as % of value added for manufacturing sectors

Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP

Electricity and gas prices for medium-sized industrial users: consumption band 500–20 000MWh and 10 000–100 000 GJ; figures excl. VAT.

Recycling rate of municipal waste: ratio of recycled and composted municipal waste to total municipal waste

Public R&D for energy or for the environment: government spending on R&D for these categories as % of GDP

Proportion of GHG emissions covered by EU emissions trading system (ETS) (excluding aviation): based on GHG emissions (excl. land use, land use change and forestry) as reported by Member States to the European Environment Agency.

Transport energy intensity: final energy use in transport sector including international aviation, (in kgoe) divided by transport industry gross value added (in 2010 EUR)

Transport carbon intensity: GHG emissions in transport sector divided by gross value added of the transport activities

Energy import dependency: net energy imports divided by gross inland energy consumption plus consumption of international maritime bunkers

Aggregated supplier concentration index: Herfindahl-Hirschman index for net imports of crude oil and NGL, natural gas and hard coal. Smaller values indicate larger diversification and hence lower risk.

Diversification of the energy mix: Herfindahl-Hirschman index of the main energy products in the gross inland consumption of energy

\* European Commission and European Environment Agency

**Source:** European Commission and European Environment Agency (Share of GHG emissions covered by ETS); European Commission (Environmental taxes over labour taxes and GDP); Eurostat (all other indicators)

## ANNEX D: INVESTMENT GUIDANCE ON COHESION POLICY FUNDING 2021-2027 FOR ROMANIA

Building on the Commission proposal for the next Multi-Annual Financial Framework for the period 2021-2027 of 2 May 2018 (COM (2018) 321), this Annex D <sup>(76)</sup> presents the preliminary Commission services views on priority investment areas and framework conditions for effective delivery for the 2021-2027 Cohesion Policy. These priority investment areas are derived from the broader context of investment bottlenecks, investment needs and regional disparities assessed in the report. This Annex provides the basis for a dialogue between Romania and the Commission services in view of the programming of the cohesion policy funds (European Regional Development Fund, Cohesion Fund and European Social Fund Plus).

### Policy Objective 1: A Smarter Europe – Innovative and smart industrial transformation

Romania's expenditure on research and innovation is significantly below the EU average and the country displays a stagnant research and innovation performance and low technological outputs. High priority investment needs <sup>(77)</sup> are identified to **enhance research and innovation capacities and skills and the uptake of advanced technologies**, in all Romanian regions, including in the capital region, taking into account the results of the Catching Up Regions Initiative and in particular to:

- support collaboration between public research institutions and innovative industries, increase the attractiveness and performance of research and development organisations and encourage applied research through innovation hubs and joint national and transnational investments in early product validation, commercialisation, patenting, start-up formation and technology transfer;
- support Entrepreneurial Discovery Processes and Project Development Labs at national and regional level and provide training on skills for beneficiaries on marketing research results and developing project and business plans in order to strengthen the preparation and implementation of smart specialisation projects;
- strengthen research and innovation performance and foster productivity growth by identifying smart specialisation areas on the basis of national and regional needs and potential;
- reinforce the current research and innovation infrastructures, capacities and skills to ensure participation in Horizon and other EU programmes and initiatives, to integrate international, cross border networks and transnational clusters and set-up joint research and education programmes and co-financing schemes;
- link higher education and vocational centres to the national and regional innovation and smart specialisation reskilling system;
- support the capacities and skills development of regional and national stakeholders, involved in the design and implementation of smart specialisation strategies and projects, in close cooperation with beneficiaries.

<sup>(76)</sup> This Annex is to be considered in conjunction with the Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund COM(2018) 372 and the Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund Plus COM(2018) 382, in particular as regards the requirements for thematic concentration and urban earmarking outlined in these proposals.

<sup>(77)</sup> The intensity of needs is classified in three categories in a descending order - high priority needs, priority needs, needs.

Romania performs significantly below the EU average in terms of digital public services and the integration of digital technologies by businesses. Priority investment needs are identified to **reap the benefits of digitisation for citizens, companies and governments**, and in particular to:

- strengthen the Information and Communications Technology up-take by small and medium-sized enterprises, including investments in infrastructures, foster digital skills and services and further support digital innovation hubs, living labs, etc.;
- increase measures for e-government, including the introduction and consolidation of Europe wide interoperable services, e-inclusion, e-health, e-learning, e-skilling.

Romania's share of innovative companies is behind the EU average and the country is confronted with a persistent low level of business investment in research and innovation. Priority investment needs are identified to **enhance growth and competitiveness of small and medium-sized enterprises**, and in particular to:

- support the creation of new companies (start-ups, scale-ups), increase their survival rates and raise their degree of competitiveness and internationalisation;
- increase the innovation capacities of companies, by introducing product, organisational or marketing innovations, by providing training on innovation management and smart specialisation specific skills, marketing research results skills, by supporting key enabling technologies and acceleration of market access and by supporting industrial cluster development and integration into industry-research driven cooperation networks, including cooperation with the EU Strategy for the Danube Region countries;
- facilitate access to finance for small and medium-sized enterprises, including by encouraging seed and early stage finance for high-potential innovative start-ups.

**Policy Objective 2: A low carbon and greener Europe – Clean and fair energy transition, green and blue investment, circular economy, climate adaptation and risk prevention <sup>(78)</sup>**

Energy intensity in Romania remains above the EU average and energy poverty affects one household out of four. Priority investment needs are identified to **promote energy efficiency measures and renewable energy**, and in particular to:

- support energy efficiency renovation of public and residential buildings;
- support energy efficiency measures in district heating systems, together with the promotion of renewable energy into the district heating and cooling;
- promote small-scale renewable energy in combination with energy efficiency renovation of buildings;
- strengthen the capacity of managing authorities, project developers and public authorities.

Romania is lagging behind regarding measures for tackling climate change adaptation, the rehabilitation of old contaminated sites and the prevention of floods and other natural hazards. Priority investment needs are identified to **promote climate change adaptation, risk prevention and disaster resilience**,

<sup>(78)</sup> While outside of the scope of the ERDF and the Cohesion Fund (art. 6, paragraph 1(h), COM (2018)372), energy interconnectors could be financed by the Connecting Europe Facility in line with its objectives (art. 3, paragraphs 1 and 2 (b), COM(2018) 438).

and in particular to:

- support measures for emission reduction, elimination (exchange) of energy sources for district heating, complementary to the energy efficiency investments;
- implement the risk prevention strategies and address climate change and natural risks (floods, drought, forest fires, landslides, earthquakes), as prioritised nationally and in cross-border and transnational coordination and cooperation.

Water and wastewater infrastructure is largely insufficient and high priority investment needs are identified to **promote sustainable water management**, and in particular to:

- promote regional water management schemes, including through capacity building;
- support schemes for addressing water pollution (dispersed sources) and maintaining/improving the status of water bodies;
- cooperate in international programmes for the Danube region and the Black Sea.

The waste management system in Romania is one of the least developed in the EU, with high landfilling rates and the poor quality of waste infrastructure. High priority investment needs are identified to complete the waste management system, to **promote the transition to a circular economy**, and in particular to:

- invest in capacity-building for all stakeholders involved in the transition to circular economy, and promote circular economy in small and medium sized enterprises;
- expand the waste management schemes at county level in order to increase reuse and recycling, to prevent waste generation and divert waste from landfilling;
- support the administrative and management capacity at the national and county level on waste prevention, separate collection and recycling.

Important gaps remain in reaching the EU's objectives in the areas of maintaining biodiversity, restoring ecologically damaged areas and reducing pollution, in particular in highly sensitive areas. Priority investment needs are identified to **enhance biodiversity, green infrastructure in the urban environment, and reducing pollution**, and in particular to:

- support management and conservation measures in protected areas, in line with the EU environmental legislation for areas such as the Danube basin, the Black Sea and the Carpathians, in cooperation with the EU Strategy for the Danube Region countries;
- support ecological restoration and develop new municipal green areas connected with emission reduction objectives;
- accelerate the closure and rehabilitation of the remaining non-compliant landfills, storage and dumping sites and the decontamination and rehabilitation of contaminated industrial sites.

**Policy Objective 3: A more connected Europe – Mobility and regional Information and Communications Technology connectivity**

The general condition and reliability of road and rail infrastructure in Romania are poor and its transport networks remain among the least developed in the EU, without tackling geographical obstacles to traffic, such as the Carpathian Mountains and crossing the Danube to Bulgaria. High priority investment needs are identified to develop a **sustainable, climate resilient, intelligent, intermodal Trans-European Networks for Transport, including improved access to Trans-European Networks for Transport, national, regional and cross border mobility**, and in particular to:

- develop core and comprehensive Trans-European Networks for Transport road and rail networks, notably links with peripheral regions across the Carpathian Mountains e.g. the north-east and to the Danube Delta, and unlock industrial centres e.g. around Pitești;
- put the European Railway Traffic Management System into operation on the core rail Trans-European Networks for Transport;
- implement the adopted traffic safety strategy and carry out road safety measures to reduce the high road accident fatality rate and mitigate environmental damage;
- improve the navigability of the Danube River in cooperation with the Danube region Member States;
- support the administrative capacity building of the major transport beneficiaries i.e. the national rail and road companies, other transport authorities, and the Ministry of Transport;
- develop core and comprehensive Trans-European Networks for Transport cross border connections e.g. realising additional transport connections across the Danube, either by constructing new bridges or improving ferry connections.

Sustainable multimodal mobility in urban areas is poorly developed. High priority investment needs are identified to **promote sustainable multimodal urban mobility**, based on sustainable multimodal urban mobility plans, in particular to:

- develop sub-urban rail and multi-modal connections in and around larger urban centres;
- promote sustainable and accessible modes of transport, such as low-carbon collective public transport, active modes of transport, that will reduce congestion, emissions, traffic accidents, etc.;
- support development of urban transport systems in less-developed regions, such as light rail, metro and tram lines, cycling friendly infrastructure.

Even though Romania has one of the highest shares of subscriptions to fast broadband in the EU, the coverage of fixed and mobile (4G) broadband networks remains one of the lowest in the EU, with a very pronounced urban-rural divide. Investment needs are identified to **enhance digital connectivity**, and in particular to:

- support white spots in densely populated areas or surroundings of urban areas and in rural areas ;
- reduce the cost of deploying high-speed electronic communications networks;

- improve the capacity of the programme authorities and beneficiaries.

#### **Policy Objective 4: A more social Europe – Implementing the European Pillar of Social Rights**

Unfavourable demographics, high labour force emigration, lack of relevant skills, lead to tight labour market conditions. High priority investment needs are therefore identified **to improve access to employment through active labour market policies, anticipate skills needs and support labour market transitions and mobility** and in particular to:

- improve the design of active labour market policies, by a better integration with education and social services to ensure tailor-made assistance to jobseekers;
- consolidate and support social entrepreneurship and social economy;
- support the improvement of working conditions, provision of flexible working arrangements, as well as ensure employability of persons with disability and older workers;
- build robust skills anticipations systems, implement targeted upskilling and reskilling measures that meet labour market needs; reinforce participation in adult learning in collaboration with relevant stakeholders, and develop services on lifelong guidance to foster career transition;
- address local and regional labour market shortages and labour force migration, by improving the internal mobility measures and supporting new type of businesses matching local economic opportunities;

The education system is characterised by low attainment levels in basic, digital and soft skills, high early school leaving, and low labour market relevance of vocational education and training and higher education. High priority investment needs are therefore identified **to improve the quality, effectiveness and labour market relevance of education and training systems; promote equal access to inclusive education and lifelong learning**, and in particular to:

- improve the accessibility, quality and affordability of early childhood education and care, including related infrastructure;
- prevent early school leaving, by introducing a learner-centred approach for children at risk, and flexible second chance programmes, accompanied by relevant counselling and career guidance. Improve teachers' skills to address children from vulnerable groups;
- improve access to quality inclusive education, in non-segregated facilities, in particular for Roma, learners with disabilities and in rural areas, including relevant infrastructure;
- improve quality of vocational education and training to adapt to labour market developments, including necessary trainings and provision of equipment;
- improve labour market relevance of tertiary education, in particular for professions with high labour market demand, including joint training actions and traineeships in companies;
- support development of innovative and effective teaching methods and technologies.

Poverty, social exclusion and inequalities remain among the highest in the EU, with significant regional and local disparities in quality and access to social and healthcare services. High priority investment needs are therefore identified **to foster active inclusion, to promote socio-economic integration of**

**Roma community, to enhance access to quality services and address material deprivation, and invest in housing, health care and long-term care infrastructure** and in particular to:

- develop and consolidate individualised integrated services, in particular in marginalised areas; initiate targeted measures to support children at risk of poverty and social exclusion;
- increase quality and availability of social services and develop tailored family-based approach;
- improve access of Roma community to integrated support and mainstream services.
- support the upskilling of social, health-care and long-term care workers and tackle territorial disparities;
- support deinstitutionalisation of children and of adults with disabilities, including relevant training, services, and infrastructure;
- develop social housing services and infrastructure for vulnerable groups, in a comprehensive way, to reduce spatial segregation, including by urban regeneration projects;
- address material deprivation through food and basic material assistance to the most deprived;
- increase access to primary health services and prevention; develop outpatient care and e-health solutions, in particular at community level and for vulnerable groups; support health infrastructure with emphasis on primary/ambulatory care and intermediate care facilities;
- develop home care, long-term care and community-based services and infrastructure, in particular for the elderly and people with disabilities; support effective national active ageing measures

**Policy Objective 5 – A Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives**

Growth is mainly confined to strong agglomerations and is marked by increasing sub-urbanisation challenges. Smaller cities and surrounding territories face different challenges related to access to labour market, education, healthcare and other social services. High priority investment needs are identified, a compulsory urban earmarking is introduced and a coordinated approach to investments from all policy objectives is needed to **foster the integrated development and security in urban areas**, and in particular to:

- invest in metropolitan areas (growth drivers) marked by strong growth and on-going sub-urbanisation with a view to strengthen the planning and coordination capacity to steer integrated urban investments for driving growth, innovation and productivity, in line with a coordinated functional area approach;
- support sustainable urban development of county capitals in order to ensure access to new jobs and basic public services at local level, in line with their growth potential and a more tailor-made and differentiated approach needed for these cities;
- increase the administrative capacity and cooperation possibilities of urban authorities in the programming and the implementation phase.

Disparities between regions, between rural and urban areas and between citizens remain very strong and call for tailor-made investment priorities based on specific territorial and socio-economic needs and

development potential. High priority investment needs are identified to **foster the integrated social, economic, cultural and environmental local development and security** and in particular to:

- support integrated territorial strategies in structurally challenged areas, e.g. the counties of Vaslui, Teleorman and Mehedinti;
- support specific territorial initiatives aimed at the reconversion of the economy in regions affected by industrial decline and mining, such as the Jiu Valley (taking into account the results of the Coal and Carbon-Intensive Regions in Transition Initiative);
- support sensitive areas of specific environmental importance, such as the current Danube Delta Integrated Territorial Investments;
- increase the administrative capacity of the local authorities in the programming and the implementation phase.

#### **Factors for effective delivery of Cohesion policy**

- improved and simplified procedures in order to eliminate excessive documentation and over-bureaucratic requirements; enhanced use of simplified costs options;
- increased capacities of EU Funds managing authorities, intermediate bodies, final beneficiaries, and other bodies to prepare and implement projects, especially in waste, roads, railways, education, health sectors and for regional and local public authorities in preparation of their integrated territorial development strategies and project applications;
- development and implementation of a roadmap on administrative capacity building necessary for the effective administration and implementation of the EU Funds;
- improved and more efficient measures to prevent and address conflict of interest, fraud and corruption;
- strengthened social dialogue and capacity of social partners and of the civil society organisations, to participate to the development, implementation, monitoring and evaluation of public policies and projects, especially by supporting coordination and networking structures;
- continued adequate capacity building of local authorities to increase quality of services' delivery (especially in social, education and health sectors);
- investments and programming under the five policy objectives, taking into account the relevant national and/or regional and local strategies and investment plans and results from the Catching-up Regions Initiative and the Coal Regions in Transition Initiative;
- improved public procurement performance, in particular by reducing the rate of "single-bidding" instances or "no calls for bids" numbers;
- broader use of financial instruments and /or contributions to Romania's compartment under InvestEU for revenue-generating and cost-saving activities.

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## 2. Eurobaromètre Standard 90 - Roumanie

27.424 interviews  
08 > 22 / 11 / 2018

1.042 interviews  
08 > 18 / 11 / 2018

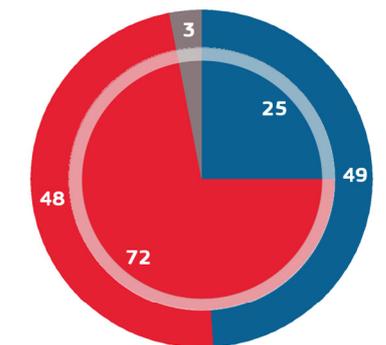
Methodology: face-to-face



ROMANIA

1. LIFE IN THE EUROPEAN UNION

**QA1a.2** How would you judge the current situation in each of the following?  
**The situation of the (NATIONALITY) economy (%)**



EU28 Outer pie RO Inner pie

	EU28		RO	
	EB90 Aut.2018	EB89 Sp.2018	EB90 Aut.2018	EB89 Sp.2018
Total 'Good'	49	=	25	- 2
Total 'Bad'	48	+ 1	72	+ 1
Don't know	3	- 1	3	+ 1

Evolution Autumn 2018 / Spring 2018

**QA1a** How would you judge the current situation in each of the following?  
**(%)**



EU28   
RO

Total 'Good' Total 'Bad' Don't know

**QA2a** What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?  
**(%)**



EU28   
RO

Better Same Worse Don't know

Evolution Autumn 2018 / Spring 2018

**QA2a.3** What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?  
**The economic situation in (OUR COUNTRY) (%)**

	EU28		RO	
	EB90	EB90- EB89	EB90	EB90- EB89
Better	21	- 4	20	- 3
Same	47	- 1	40	=
Worse	27	+ 4	33	- 1
Don't know	5	+ 1	7	+ 4

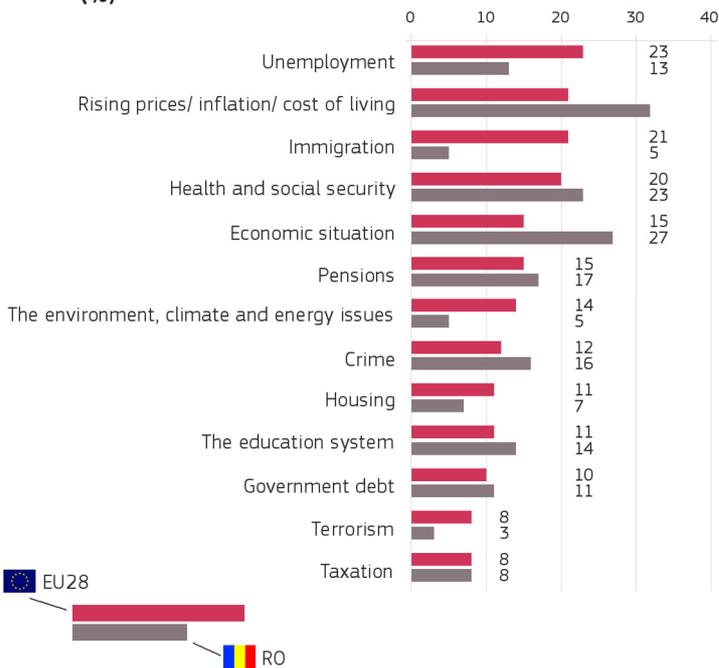
27.424 interviews  
08 > 22 / 11 / 2018

1.042 interviews  
08 > 18 / 11 / 2018

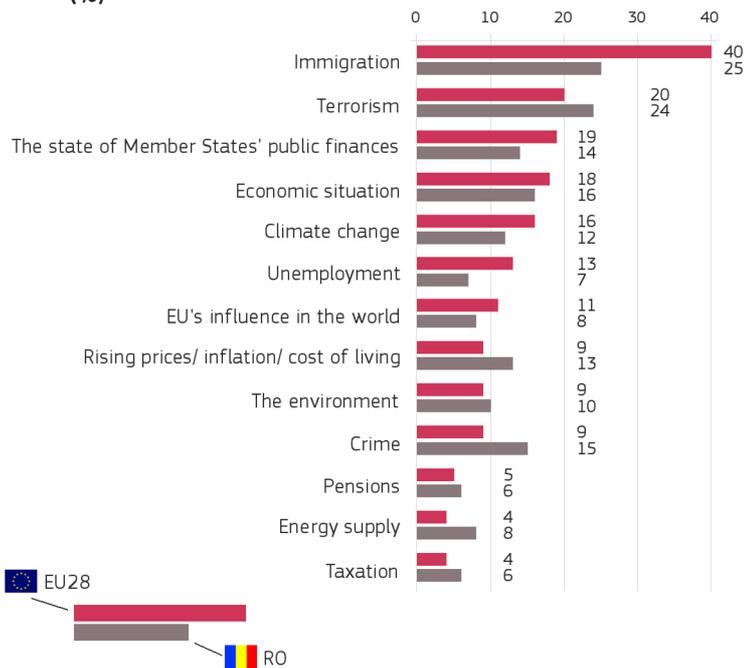
Methodology: face-to-face

1. LIFE IN THE EUROPEAN UNION

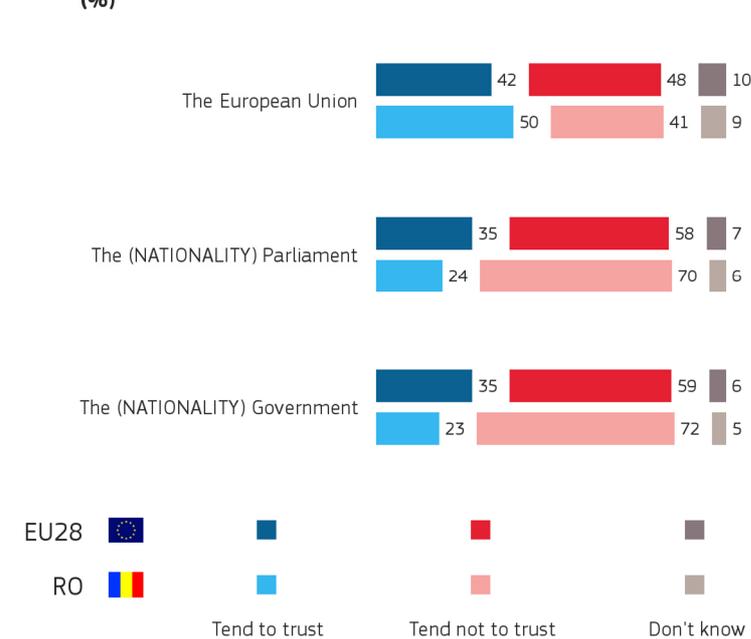
**QA3a** What do you think are the two most important issues facing (OUR COUNTRY) at the moment?  
(%)



**QA5** What do you think are the two most important issues facing the EU at the moment?  
(%)



**QA8a** I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.  
(%)



Evolution Autumn 2018 / Spring 2018

**QA8a.14** I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.  
**The European Union (%)**

	EU28		RO	
	EB90	EB90-EB89	EB90	EB90-EB89
Tend to trust	42	=	50	- 2
Tend not to trust	48	=	41	=
Don't know	10	=	9	+ 2

27.424 interviews  
08 > 22 / 11 / 2018

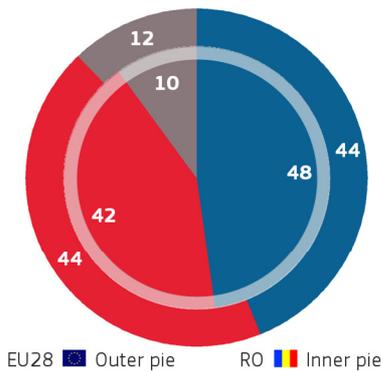
1.042 interviews  
08 > 18 / 11 / 2018

Methodology: face-to-face

1. LIFE IN THE EUROPEAN UNION

**QC1** Some analysts say that the impact of the economic crisis on the job market has already reached its peak and things will recover little by little. Others, on the contrary, say that the worst is still to come. Which of the two statements is closer to your opinion?

(%)



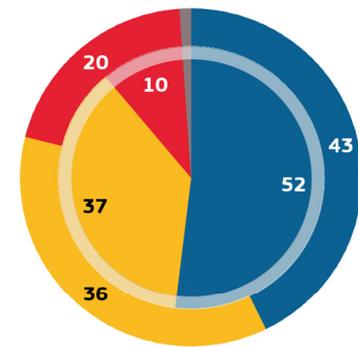
- The impact of the crisis on jobs has already reached its peak
- The worst is still to come
- Don't know

EU28		RO	
EB90 Aut.2018	EB89 Sp.2018	EB90 Aut.2018	EB89 Sp.2018
44	- 5	48	+ 2
44	+ 5	42	- 2
12	=	10	=

Evolution Autumn 2018 / Spring 2018

**D78** In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?

(%)



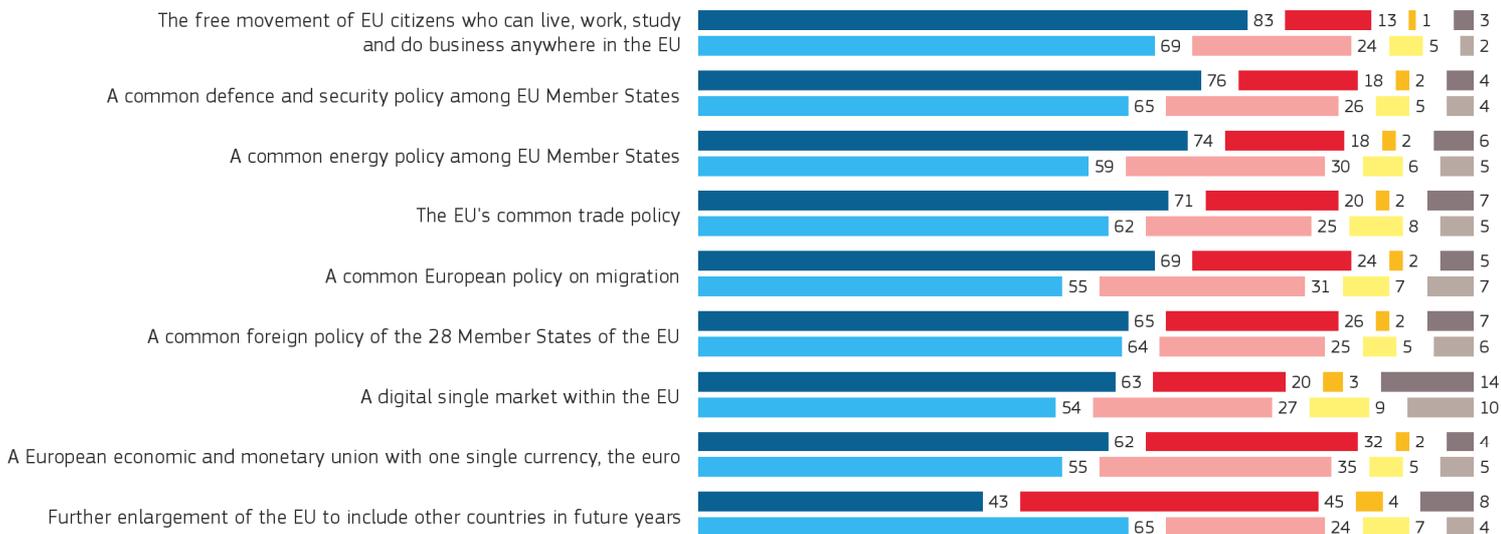
EU28 Outer pie RO Inner pie

	EU28		RO	
	EB90 Aut.2018	EB89 Sp.2018	EB90 Aut.2018	EB89 Sp.2018
Total 'Positive'	43	+ 3	52	+ 2
Neutral	36	- 1	37	+ 4
Total 'Negative'	20	- 1	10	- 5
Don't know	1	- 1	1	- 1

Evolution Autumn 2018 / Spring 2018

**QA15** What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.

(%)



EU28 For Against Refusal (SPONTANEOUS) Don't know  
RO For Against Refusal (SPONTANEOUS) Don't know

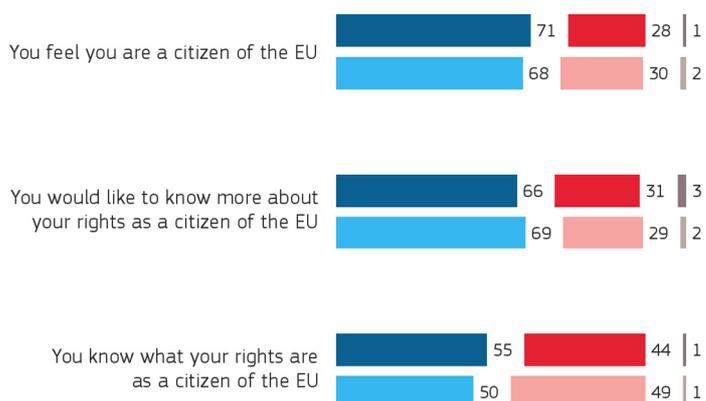
27.424 interviews  
08 > 22 / 11 / 2018

1.042 interviews  
08 > 18 / 11 / 2018

Methodology: face-to-face

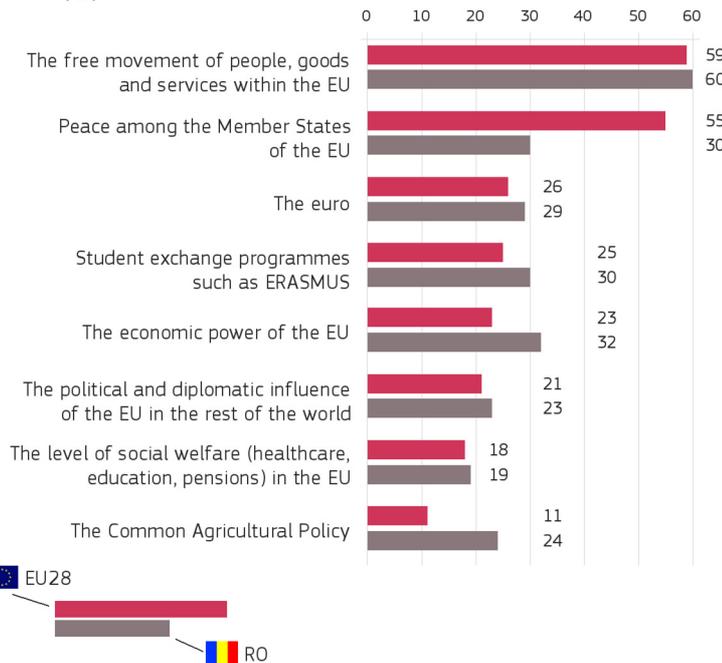
## 2. EUROPEAN UNION CITIZENSHIP

**QD2** For each of the following statements, please tell me to what extent it corresponds or not to your own opinion.  
(%)



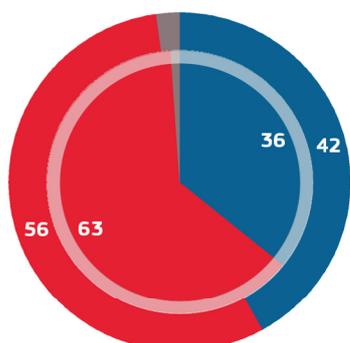
EU28   
RO

**QD4T** Which of the following do you think is the most positive result of the EU? Firstly? And then?  
(%)



## 3. INFORMATION ON EUROPEAN POLITICAL MATTERS

**QE2** And overall, to what extent do you think that you are well informed or not about European matters?  
(%)

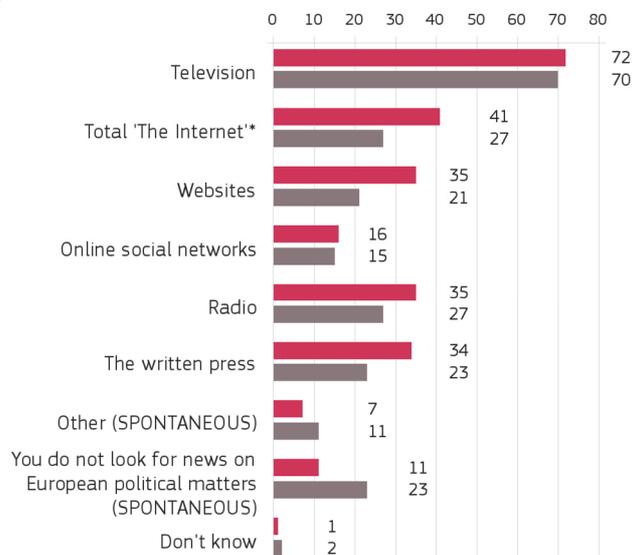


EU28 Outer pie RO Inner pie

	EU28		RO	
	EB90 Aut.2018	EB88 Aut.2017	EB90 Aut.2018	EB88 Aut.2017
Total 'Well informed'	42	=	36	+ 2
Total 'Not well informed'	56	- 1	63	- 2
Don't know	2	+ 1	1	=

Evolution Autumn 2018 / Spring 2018

**QE5T** Where do you get most of your news on European political matters? Firstly? And then?  
(%)



EU28   
RO

\*Total 'The Internet': aggregate of 'websites' and 'online social networks'

## VI. À la découverte de la Roumanie

### 1. Attractions principales<sup>10</sup>

Bucarest est peut-être un des secrets les mieux gardés d'Europe : la ville cache derrière une allure brouillonne de vrais trésors.

Dans les années 1930, Bucarest était surnommée "Le Petit Paris" du fait de ses boulevards jalonnés d'arbres. La ville compte même un Arc de Triomphe sur la Chaussée de Kisseleff. La ville est verte avec ses nombreux parcs et agréables grâce à ses cafés et bistrots.

Lips cani, le quartier « branché » du centre historique de Bucarest garde le charme de la vieille ville mais présente aussi le visage du nouveau Bucarest (petites rues rénovées, boutiques d'antiquaires, bars et restaurants).

Le palais du Parlement, symbole de l'ère Ceausescu est le deuxième plus grand bâtiment à usage civil du monde. La visite guidée permet ainsi de découvrir depuis la terrasse les perspectives sur « la ville communiste ».

L'arc de triomphe, réalisé en 1918 commémore la participation de la Roumanie à la première guerre mondiale au côté des alliés.

L'Athénée roumain représente l'épicentre des activités musicales de Bucarest depuis le XIXème siècle.

Le parc Cismigiu est le plus vieux jardin public de Bucarest.

Parmi les principales attractions de la ville figurent :

- Calea Victoriei, pour les promenades et pour le Musée National d'Histoire ;
- le Palais de la Poste ;
- le Parc Cismigiu ;
- le Boulevard Magheru ;
- le Musée du Village en plein air, dans le Parc Herastrau ;
- l'Arc de Triomphe ;
- le Musée National d'Art ;
- Curtea Veche, avec sa petite église peinte du XVIe siècle, et l'Eglise Stravropoleos, à proximité ;
- Eglise de la Patriarchie, bâtie en 1657 ;
- Le Chateau de Tepes.
- Le Musée Cotroceni

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<sup>10</sup> <http://www.roumanie.fr/tourisme/bucarest.html>

## 2. Informations pratiques

### 1. Hôtel

*Mercure Bucharest City Center*  
15, 17, 17A George Enescu Street  
10302 Bucharest  
Romania

Tel: +40 37 242 60 00  
Fax: +40 37 242 60 01

### 2. Comment rejoindre l'hôtel depuis l'aéroport

La ligne 783 Express relie l'aéroport international Henri Coandă de Bucarest au centre-ville. Le trajet dure environ 45 minutes. Cette ligne fonctionne jour et nuit. La nuit, le bus part toutes les 40 minutes.

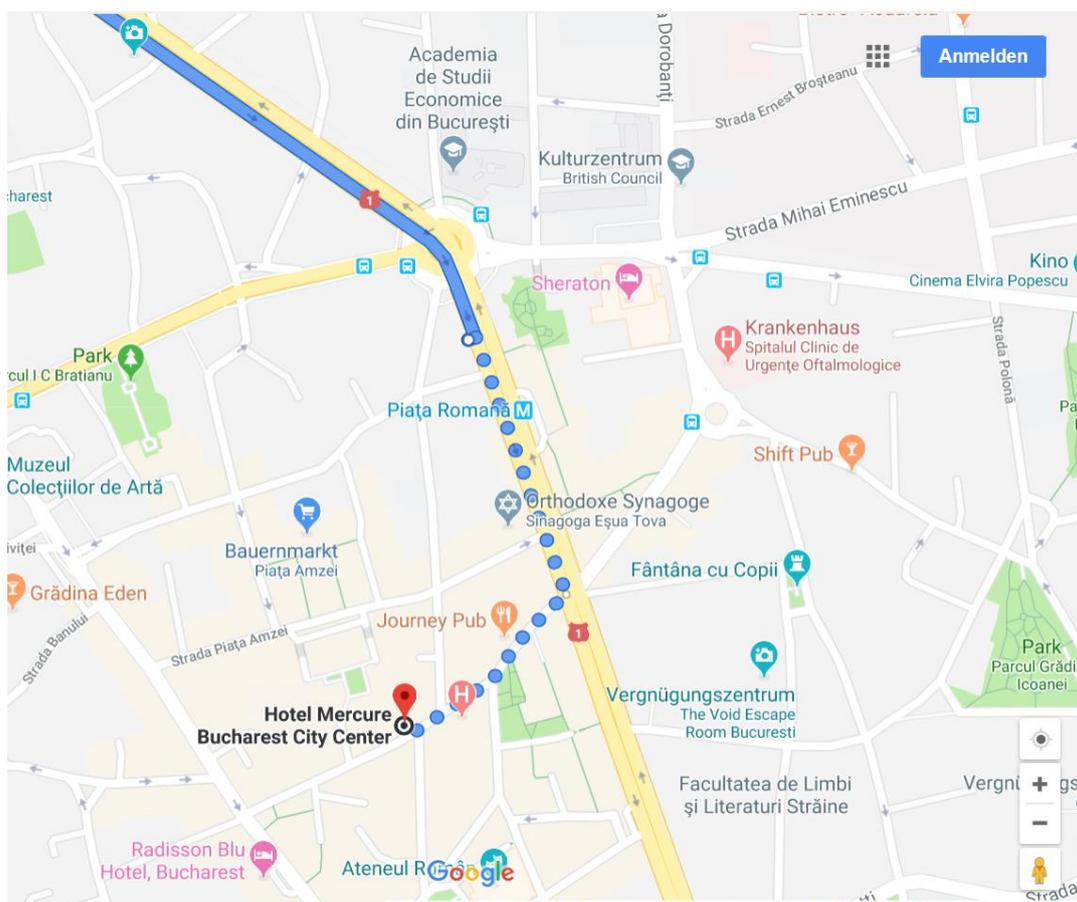
#### Arrêts à l'aéroport :

Devant le terminal des arrivées et des départs Terminal des arrivées et des départs

Le prix pour un voyage est de 3,5 lei.

La carte magnétique valable pour deux voyages coûte 7 lei.

Pour arriver à l'hôtel, vous devez sortir du bus à la gare de Piata Romana. L'hôtel est à cinq minutes à pied.



### **3. Transport**

Le transport en commun de surface inclut un réseau ample de lignes d'autobus, tram et trolleybus. Pratiquement toutes les zones du Bucarest sont assurées par ces lignes ; ainsi, on peut visiter tous les lieux qu'on veut visiter sans le risque de l'impossibilité de s'y rendre dans un moyen de transport en commun de surface.

Sur les billets, l'avantage principal est que les billets d'autobus, tram et trolleybus sont interchangeables. En outre, les points de vente des billets sont disponibles partout en Bucarest, notamment dans ou près des stations. Les billets doivent être validés après avoir monté dans le véhicule afin d'éviter des circonstances potentiellement désagréables, dont l'effet serait une amende montant à 50 lei (surtaxe) (environ 13 euros).

Les cartes de voyage (portefeuilles électroniques) sont aussi disponibles. On peut les utiliser pour le transport souterrain ainsi que pour le transport de surface, en fonction du type de carte acheté par le passager.

Le transport en commun de surface est disponible de 5am à 11.30 pm, mais le désavantage principal est donné par le fait que les autobus, trams et trolleybus peuvent être assez bondés, particulièrement aux heures de pointe ; en d'autres mots, ces moyens ne sont pas la manière préférable de voir le Bucarest.

Le transport en métro est de loin la manière la plus rapide de visiter le Bucarest. C'est vrai que les métros aussi peuvent être bondés dans les périodes de pointe, mais l'efficacité de ce moyen de transport devance ce désavantage.

Les billets ou les abonnements peuvent être achetés dans les stations de métro. Les stations sont signalisées par un grand signe bleu (M), pour qu'on puisse les identifier sans difficulté lorsqu'on est à la surface.

Le souterrain de la capitale est traversé par 4 lignes (M1, M2, M3 et M4) ; M1 et M2 sont les lignes les plus grandes et les plus compréhensives. M1 est le trajet qui croise tous les autres trajets de métro.

### **4. Code vestimentaire**

Lundi soir :

Aucune tenue de soirée formelle n'est requise pour l'opéra ou la salle de concert (ou portée par les Bucarestois), un costume noir pour les messieurs et une robe ou un pantalon foncé pour les dames serait approprié.

Mardi matin :

Réunions avec les présidents du Parlement, aucune tenue de cérémonie n'est requise.

### **5. Téléphone**

Le code de pays est +40

### **6. Liste des contacts utiles**

Ms Elisabetta FONCK

portable: 32/ (0) 473 64 67 46

Secrétariat de l'AAD:

Tel: 32/2 28 40703

E-mail: [formermembers@europarl.europa.eu](mailto:formermembers@europarl.europa.eu)

## 7. Ambassades à Bucharest

- Ambassade de la France  
Strada Biserica Amzei 13-15  
București 010392  
+40 21 303 1000
- Ambassade des Pays-Bas  
Bulevardul Dimitrie Pompeiu 5-7, 8th floor  
București 077190  
+40 21 208 6030
- Ambassade du Royaume-Uni  
Strada Jules Michelet 24  
București 010463  
+40 21 201 7200
- Ambassade de l'Allemagne  
Strada Căpitan Gheorghe Demetriade 6-8  
București 011849
- Consulat honoraire de Luxembourg  
Str. Dr. Raureanu Nr 4, sector 5  
050048 Bucuresti  
(+40) 21 310 35 10

Ambassade du Grand-Duché de Luxembourg à Athènes  
23A, Ave. Vas. Sophias & 2, rue Neophytou  
Vamva  
GR- 106 74 Athènes  
(+210) 725 64 00

- Ambassade de Espagne  
Strada Louis Blanc 3  
București 011751  
+40 21 318 1080
- Ambassade d'Italie  
Strada Henri Coandă 9  
București 010667  
+40 21 305 2100

## 8. Climate

Le climat de la Valachie, région où se trouve la capitale Bucharest, est continental, avec de forts écarts entre des hivers rigoureux et des étés plutôt moites. En juin, la température minimale moyenne est 13,6°C, la température moyenne est 20,7°C et la température maximale moyenne est 27,7°C. En moyenne, il y a onze jours avec des précipitations.

## 9. Alimentation électrique



En Roumanie, les prises de courant sont de type F. La tension standard est de 230 V et la fréquence standard est de 50 Hz. Cette prise fonctionne également avec les fiches C et E.

## 10. Langages

En Roumanie, il y a plusieurs langues parlées. Outre le roumain, langue officielle du pays, d'autres langues parlées sont parlées et parfois co-officielles au niveau local. Ces langues comprennent le hongrois, le romani, l'ukrainien, l'allemand, le russe, le turc, le tatar, le serbe, le slovaque, le bulgare et le croate.

## 11. Devise

Le **leu** roumain (code : RON), pluriel **lei**, est la monnaie de la Roumanie. Il est subdivisé en 100 **bani**, singulier **ban**, un mot qui est aussi utilisé pour "argent".

## 12. Emergency numbers

Le numéro d'urgence général en Roumanie est le 112.

## 13. Fumer à Bucharest

Il est interdit de fumer au travail (bureaux, salles de conférence, couloirs, ascenseurs, balcons fermés), dans les établissements publics et dans les aires communes des immeubles résidentiels (couloirs, ascenseurs). De plus, les gens ne peuvent pas fumer dans les zones commerciales (magasins, expositions/foires dans des espaces fermés, centres commerciaux, marchés fermés), dans les restaurants, cafés, bars, patios fermés, hôtels et auberges, clubs, théâtres et gymnases. Il est également interdit de fumer dans les gares, les aéroports, les quais ferroviaires fermés et les gares de transports publics, les taxis et les voitures de société, ainsi que dans les unités éducatives et médicales et dans les aires de jeux pour enfants ou à proximité.

Les fumeurs peuvent fumer une cigarette dans des espaces extérieurs qui n'ont pas de toit ou qui ont un toit mais moins de deux murs. Par exemple, ils peuvent fumer dans le jardin, les balcons ouverts, les patios ouverts et les kiosques ouverts. Les fumeurs peuvent également allumer une cigarette sur les quais et dans les gares des transports publics, mais seulement s'il s'agit d'espaces ouverts. Il est également permis de fumer dans les parcs, mais pas à proximité des terrains de jeux, à l'intérieur des maisons personnelles et dans tout espace clos qui n'accueille pas d'activités économiques (ce n'est pas un lieu de travail), comme les tentes, patios et pavillons destinés aux événements personnels.

#### **14. Pourboire**

Il est sûr de prendre la règle des 10 % comme un pari sûr, mais plus la facture à payer est élevée, plus le pourcentage peut être faible. Bien que l'argent liquide soit toujours roi en Roumanie, de plus en plus de restaurants et de cafés acceptent les paiements par carte. Contrairement à d'autres pays, cependant, en Roumanie, il n'y a pas d'option "pourboire" supplémentaire sur la facture, donc si vous voulez laisser un pourboire, vous devrez en fait mettre quelque chose sur le côté.