

**GOVERNMENT OF ROMANIA**

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| **FISCAL AND BUDGET STRATEGY FOR THE PERIOD OF**  **2022 - 2024** |

**DECEMBER**

**2021**

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***FOREWORD***

*The pages of the Fiscal and Budget Strategy for 2022 and the 2023-2024 horizon, a fundamental strategic document of the fiscal and budget strategy, objectively and realistically capture the predictable synthetic picture of the evolution of Romania’s economy in the perspective of the 2023-2024 horizon, which is based on the evolutions registered until the present for the macroeconomic and budget indicators, the measures of fiscal and budget and monetary policy combined with the regulatory and prudential measures taken by the authorities for the financial sector, which have alleviated the impact of the health crisis generated by the COVID-19 pandemic which brought about the biggest lockdown, unprecedented in modern history, with severe and very specific implications on almost all economic and social levels. The measures that were taken managed to ensure the economy’s recovery, which registered a 7% growth in 2021, the maintenance of a sustainable growth and of an average annual pace of 4.9% on the entire 2023-2025 horizon, higher by comparison with the one estimated to be recorded at EU level and at the level of the Eurozone of 4.3%, considering that the economic shock caused by the pandemic has* ***the particularity of a relatively fast recovery of the real GDP to pre-pandemic levels in Romania’s case. It can be noted already a change in the growth paradigm, meaning that in 2022 investments will represent the engine of the economy’s advance.***

***The strategy presents in a coherent, responsible, and honest vision*** *the objectives, targets and priorities of the mix of macroeconomic, fiscal, budget, economic, and social policies which shall be promoted in 2022 and the perspective of 2023-2024 in the framework of Romania’s quality as member state of the European Union, from where certain commitments arise, which must be fulfilled, as well as opportunities which can be capitalized to transform Romanian economy into a resilient and robust economy.*

*The basic coordinate of the political formulation established through this strategic document is the continued* ***gradual fiscal consolidation which will allow the attainment of the target deficit provided by the European regulations until the end of the prognosis horizon, respectively in 2024, achieved under the conditions of a balance between the necessity for fiscal adjustment and the need to support economic recovery,*** *of the health system, of the infrastructure, climate changes, digitalization, which remain priorities in the difficult current circumstances.* ***Romania has an exceptional opportunity,*** *because it benefits of allocations of 30.3 billion EUR from the cohesion policy corresponding to the multiannual financial framework of the EU for the period 2021-2027, to which are added 29.2 billion EUR (14.3 billion EUR in grants and 14.9 billion EUR under the form of loans) through the Recovery and Resilience Mechanism (RRM) Facility.*

*This European financial package could lead* ***to the alleviation of the contracting impact of macroeconomic correction,*** *to the implementation of structural reforms, with the result of increasing the robustness of Romanian economy,* ***the attraction of European resources being a mandatory condition for a sustainable fiscal and economic policy that improves Romania’s financial creditworthiness.***

*The strong point of the Fiscal and budget strategy* ***is the emphasis on public policies which represent a strategic response of the Government to current economic problems,*** *which refers to economic development, the social field, social protection, human capital, the field of European funds, policies formulated in the framework of the commitments undertaken through the National Recovery and Resilience Plan (NRRP).*

*Priority reconsiderations (financing for green and digital economy, infrastructure, environmental policies), the budget targets and indicators on the reference horizon, are* ***presented in multi-annual perspective, which denotes transparency, clarity, stability, being capable of transmitting a message of confidence, of proving a strong political vision relative to the European agenda,*** *so that all member states act for a prosper and secure Union.*

*By presenting and achieving the mentioned strategic coordinates, Romania shall become a country that participates to Community decisions, in an open, positive manner, geared towards building consensus in the Union, whose motto is “unity in diversity”.*

**1. OBJECTIVES OF THE FISCAL AND BUDGETARY POLICY FOR THE 2022-2024 HORIZON**

**The pandemic generated by Covid-19 has affected all Member States of the EU and has put to the test the economic and political systems,** and ultimately the citizens, and the governments are called upon to manage with responsibility extreme situations and challenges, to find new approaches for economic growth, to guide the limited resources towards targeted and well-defined priorities.

In the Government’s vision, the fiscal and budget policy **for 2022 and the 2023-2024 horizon is based on a coherent, realistic strategy, supported by reforms for a decent life** and which particularizes the European objectives to the national realities and possibilities and **considers the following:**

* **to alleviate** the effects of the current crisis, but, especially, **to support Romania’s development and evolution under condition of resilience, sustainability, transparency, equity, and efficiency.**
* **To ensure the amounts necessary for implementation of the reforms undertaken through the National Recovery and Resilience Program**, materialized **into six pillars** which stimulate the growth of economic competitiveness and the facilitation of access to digitalized public services for the business environment, the creation of new jobs, the promotion of green and digital competences, the favorable increase of inclusion by reducing disparities between the regions.
* **the adoption of the Euro currency, a strategic country project of Romania on medium term,** in which context the strategic documents substantiated and agreed in 2019 by all the institutions involved, namely the National plan of adoption of the Euro currency and the Substantiation report of this plan, should be updated in accordance with the post-pandemic economic and social realities. Accessing the Eurozone means healthy public finance, low budget deficits, a level of the exchange rate that allows Romania to face the competitive pressure in the Eurozone, sustainable budget consolidation, solid multiannual programming, ambitious targets which must be reached in the following years through sustained efforts.

In this framework, Romania **sets the following objectives of budget construction for 2022 and the 2023-2024 horizon:**

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| * Gradual relaxation of the measures of elimination of the effects of the pandemic crisis generated by Covid-19, which has targeted the population and economic operators, as health risks decrease and economic recovery becomes robust, **creation of the assumptions for maintenance and support of a new framework for sustainable, just and non-intrusive development to ensure a green transition that is economically efficient, socially bearable and focused on competitiveness, innovation, and decarbonisation**[[1]](#footnote-1)**,** financing State aid schemes to support the business environment; * **Gradual performance of fiscal consolidation through measures which allow the achievement of the target deficit provided by the European regulations by the end of the forecast horizon, namely year 2024,** thus contributing to the decrease of inflation, of interest rates, of the trade deficit and the current account deficit of the payment balance, as well as to the stability of the exchange rate of the Leu; * **Reform, prioritization and multiannual programming of public investments,** in an efficient, professional and transparent manner with multiplier effect and direct contribution to the gross fixed capital formation, **by increasing the contribution of European funds corresponding to the 2021-2027 financial framework and to the Recovery and Resilience Mechanism which finance the reforms and investments established through the National Recovery and Resilience Programme.** These shall be oriented towards infrastructure projects and the field of green budgeting represented by financing the objectives which refer to climate changes and the environment, in accordance with the regulations adopted at European level; * Creating a predictable fiscal policy to support and adapt the business environment to the challenges raised by the health crisis, simplifying fiscality and streamlining internal processes, in order to create the assumption for sustainable economic growth; * **Development and diversification of public debt management instruments to maintain public debt at a sustainable level;** * Consistent measures to create and consolidate healthy public finance, by making public spending more efficient in terms of quality with a focus on: * financing a package of reforms in the field of labor, pensions, active measures of protection related to the disadvantaged and vulnerable groups; * Consolidating budget programming based on result indicators at all levels of the central and local public administration to allow full transparency of public spending, improve the clarity and coherence of the budgeting process, prioritize sector policies, and ensure real competition between the projects proposed for financing and support performance; * strengthening corporate governance in State owned companies in order to improve their performance, by using the best European practices. |

Year 2020 was marked by the crisis generated by the COVID-19 pandemic, which has brought about the biggest lockdown, unprecedented in modern history, with severe and very specific implications at almost all economic and social levels. Fiscal and monetary policy measures, combined with regulatory and prudential measures for the financial sector have continued in 2021 as well, but at a lower extent, being essential in alleviating the impact of the health crisis.

**2021 is characterized, in its turn, by a series of particularities[[2]](#footnote-2)**

* **As isolation measures are gradually relaxed and the vaccination process advances,** **it is foreseen that activity will increase in the EU in all Member States, with an acceleration in the second half of 2021,** which will also reflect the growth impulse given by the implementation of the national recovery and resilience plans.
* **Economic policy must remain expansionist in 2021 and 2022** and should remain flexible, **avoiding the premature withdrawal of budget support.**
* **Fiscal and budget policies of the Member States should become more differentiated in 2022,** considering the situation of recovery, fiscal sustainability and the need to reduce economic, social, and territory divergence.
* **The implementation of the Recovery and Resilience Mechanism shall be an unprecedented opportunity** for all Member States to approach the main structural challenges and needs in terms of investments, in parallel with engaging in green and digital transition.
* **The general derogatory clause in the Stability and Growth Pact will continue to apply in 2022 and it is foreseen to be deactivated from 2023.** It has facilitated the coordination of budget policies during periods of serious slowing of economic growth. The activation of the clause allows a temporary deviation from the adjustment trajectory in order to reach the medium term budget objective of every Member State, provided this deviation endangers the public finance sustainability on medium term.
* As health risks decrease, **economic policy measures should move from an emergency regime to objectives oriented towards sustainable and inclusion favorable recovery.**  The priority of orientation of the funds should be focused towards investments which stimulate economic growth, especially those which support **green and digital transition, towards structural fiscal and budget reforms, including in order to improve spending efficiency and quality resource management** in the field of public finance.
* **The gradual adjustment strategy** with deadline for correction of the excessive deficit until 2024, although it continues to require substantial annual adjustments, it implies a slower effort and **would ensure an optimal balance between budget consolidation and supporting economic recovery.**
* **More extensive budget and economic reforms, including reforms of the pension system, of the fiscal administration, of public sector salaries and of the governance of State-owned enterprises,** should support the efforts of fiscal consolidation and ensure sustainability for the budget system.

**Nevertheless, the following risks remain:**

* Due to the evolution of the vaccination campaign, extremely important steps have been taken in the direction of controlling the health crisis, **but we have not yet fully recovered from the crisis, and the prediction of the appearance of wave 5 of the pandemic requires close monitoring;**
* **The appearance of more aggressive, more resistant and infectious mutations of the virus** could significantly change the economic perspectives;
* **The higher indebtedness level** (especially in the public sector), translates into vulnerabilities which must be carefully monitored;
* In this framework, one of the most important challenges is **to identify the opportune moment for the gradual and controlled elimination of the current set of support measures** both at external and internal level.

In response to the pandemic generated by COVID-19 and to the slowing of economic growth generated by it, **Romania adopted budget measures meant to consolidate the capacity of its health system, to keep the pandemic under control and offer support to the most affected persons and sectors.** This strong political response dampened GDP contraction, which, in its turn, reduced the increase of public deficit and public debt. **The measures taken by Romania in 2020 and some of them extended until June 2021, as well as the new measures taken in 2021 and presented in the previous budget reports were compliant with the Council Recommendation of July 20, 2020. The discretionary measures adopted by the Government in 2020 and 2021 are either temporary, or counterbalanced by compensatory measures.**

* Gradual relaxation of the measures of elimination of the effects of the pandemic crisis generated by Covid-19, which has targeted the population and economic operators, as health risks decrease and economic recovery becomes robust, **creation of the assumptions for maintenance and support of a new framework for sustainable, just and non-intrusive development to ensure a green transition that is economically efficient, socially bearable and focused on competitiveness, innovation, and decarbonisation**, financing State aid schemes to support the business environment

**Measures taken for 2022**

**The macroeconomic framework on which the budget forecasts for 2022-2025 are based** considered the following aspects:

* the economic evolutions of year 2021 to date;
* economic growth supported **mainly by investments, together with consumption, in an internal environment favored by the stability and predictability of macroeconomic policies,** as well as the effectiveness of government policies related to the alleviation of the pandemic’s effects;
* the best possible absorption of EU funds on the two axes: the multi-annual financial framework and the NRRP;
* the recovery of economic activity in all sectors, under observance of the vaccination strategy;
* The European and global framework: the forecast takes into account a continued recovery of the economies as a result of the improvement of the health situation, of the progress of vaccination campaigns and of the gradual reduction of restrictive measures. **Thus, the most recent forecast of the European Commission estimates an economic growth at EU level of 5.0% in 2021, 4.3% in 2022, and 2.4% in 2023**. Similarly, the Fall 2021 Forecast of the International Monetary Fund (World Economic Outlook) foresees for 2021 an advance of the economies in the Euro area of 5.0% and of 4.3% in 2022. For the world economy it is expected an economic growth of 5.9% this year and 4.9% next year.

**The budget planning for the 2022-2024 horizon considered:**

* the measures taken by the Government of Romania in 2020 and 2021 in different fields affected by the crisis, like the economic field, that of social assistance, of health and education, of the business environment, in order to stop the negative effects of the pandemic, the new measures to be taken in 2022, which will influence the macroeconomic framework and the budget indicators for the 2022-2024 horizon, as well as the financing priorities from the national budget; these measures will be relaxed and differentiated as the recovery becomes robust and the risks decrease;
* the objectives and measures provided in the Government Programme adopted through Decision of the Parliament no. 42/2021 on giving the vote of confidence to the Government, strengthened through the operationalization of the Recovery and Resilience Plan which contains reforms in the regulated fields to stimulate the competitiveness of the Romanian economy and to accelerate Romania’s real convergence with the developed economies from the European Union;
* the medium term macroeconomic forecast for 2020-2025 (the fall forecast for 2021) elaborated by the National Commission for Strategy and Prognosis, according to which real GDP growth in 2021 will be of 7 % and for 2022 it is provided to be of 4.6%.
* Given the existence of the health crisis with uneven evolutions, it was considered **a responsible and credible budget construct, the avoidance of premature withdrawal of budget support in order to alleviate the effects of the pandemic crisis, the creation of fiscal space,** vital for emerging economies in times of high uncertainty and easily changing financial markets, arguments to avoid the deterioration of financial stability, to assess sovereign risk, in order to support the business environment.

**Projection of the budget indicators for 2019-2024**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Revenues of the general consolidated budget (cash) | 30.3 | 30.6 | 32.6 | 33.4 | 33.7 | 34.0 |
| Expenditures of the general consolidated budget (cash) | 34.9 | 40.2 | 39.7 | 39.2 | 38.10 | 36.9 |
| Balance of the general consolidated budget (cash) | -4.58 | -9.64 | -7.13 | -5.84 | -4.37 | -2.89 |
| Balance of the general consolidated budget (ESA) | -4.36 | -9.35 | -8.03 | -6.24 | -4.4 | -2.9 |
| Budget balance (structural) | -4.8 | -7.72 | -7.31 | -5.71 | -4.18 | -2.88 |

**Main measures of 2022**

Considering the Government’s obligation to lead the fiscal and budget policy in a cautious manner that **ensures sustainability of the fiscal position on medium and long term**, the need to maintain budget balance by adopting measures meant to limit the increase of permanent budget spending, as well as the need to observe the recommendation of the European Commission established in the excessive deficit procedure started against Romania, **the estimation of expenses shall mainly consider the following measures:**

* *Maintaining in 2022 the gross amount of the salaries and bonuses benefiting the personnel form the central and local public administration, including the personnel holding public dignity positions and positions assimilated thereto, at the level granted for the month of December 2021. By way of exception from this rule, for the personnel holding the positions provided in annex no. II “The occupational family of public positions in the Health and social assistance category” to Framework law no. 153/2017, as subsequently amended and supplemented, as of January 1, 2022 the basic salaries shall be increased by ¼ of the difference between the basic salary provided by Framework law no.153/2017, as subsequently amended and supplemented, for year 2022 and that of December 2021;* Also, for teaching staff, auxiliary teaching staff, management teaching staff and educational guidance and control staff, as of January 1, 2022 the basic salaries shall be increased by 1/4 of the difference between the basic salary provided by Framework law no. 153/2017, as subsequently amended and supplemented, for year 2022 and those of December 2021
* ***Maintaining*** *in 2022 the amount of the* ***meal allowance*** *at the level of 2021 (4,160 Lei/year);*
* ***Granting*** *in 2022* ***the holiday vouchers in the amount of 1,450 Lei*** *for the personnel paid from public funds and postponement for 2023 of the provisions related to the award of holiday allowances;*
* *Maintaining in 2022 the amount of the merit allowance at the level of 2021 (6,240 Lei/month);*
* ***Postponement until 2023 of the provisions of the Law of national education no. 1/2011 on the allocation from the State budget and the local budgets of the equivalent of 6% of the gross domestic product and granting from public funds of 1% of the gross domestic product for research - this measure is also provided in Government Ordinance no. 57/2002 on scientific research and technological development;***
* *Postponement until 2023 of the measure of award of the amount representing the equivalent in Lei of EUR 500 to every child who is a Romanian citizen and of* ***the social coupons for education;***
* ***Postponement of the entry into force of Law no. 196/2016 on the minimum inclusion income.*** *Since it is impossible to enforce Law no. 196/2016, it is necessary to keep enforcing Law no. 416/2001 on the minimum guaranteed income for a period of at least 1 year, so as not to affect the families and singles who benefit of social aid and to avoid the creation of new social problems by increasing the risk of social exclusion, considering also the current social and economic framework;*
* *Postponement until 2023 of the measure of award of the allowance for age limit to mayors, deputy mayors, presidents and vice-presidents of county councils;*
* ***Not granting gift vouchers and cultural vouchers;***
* ***Not granting prizes to the public sector personnel;***
* ***Compensation of overtime exclusively with corresponding free time;***
* ***Maintaining the calculation base for certain rights of military personnel, policemen and penitentiary police at the level of 2021;***
* ***No update of the meal and equipment standard benefiting the personnel from the defense, public order and national security sectors;***
* ***Payment in installments of court judgments whose object is the award of salary rights to the personnel from the public sector;***
* ***No granting of allowances for retirement, withdrawal, termination of employment relationships or discharge for certain categories of public personnel (military personnel, policemen, penitentiary police, magistrates, auxiliary justice personnel, parliamentary public servants);***
* ***Postponement of the entry into force of the provisions in Law no. 195/2020 approving for railway personnel, both from public institutions and from majority State-owned economic operators, salary and social assistance rights with impact on the State budget, mainly generated by the increase of the compensation for the public railway passenger transportation service and of railway infrastructure management expenses;***
* ***Maintenance in payment at the level granted/due for December 2021 of certain remedial allowances/aid established through special laws (revolutionary individuals, persecuted individuals, etc.), as well as of the allowances of members of academia and their heirs;***
* ***In 2022, the life annuities provided by art. 64 in the Law of physical education and sports no. 69/2000, as subsequently amended and supplemented, shall be awarded in the amount payable in December 2021.***

Under these circumstances, the budget revenues forecasted for year 2022 represent 33.4% of GDP, 33.73% of GDP in 2023, and in 2024 they would represent 34.0% of GDP, an evolution determined by the evolution of the macroeconomic indicators on the reference horizon, by the measures/provisions adopted until that moment through legislative acts, the measures of improvement of collection on medium term with annual targets from 10.7 billion Lei in 2022 (0.8% of GDP) to 22.7 billion Lei in 2024 (1.5% of GDP), as well as the capitalization of radio frequencies in the new frequency bands harmonized at European level for 5G broadband terrestrial mobile communications systems (2.5 billion Lei), and the budget expenses forecasted for 2022 represent 39.24% of GDP, reaching 36.9% in 2024, decreasing on the reference horizon as share in the GDP.

* **Gradual performance of fiscal consolidation through measures which allow the achievement of the target deficit provided by the European regulations by the end of the forecast horizon, namely year 2024,** thus contributing to the decrease of inflation, of interest rates, of the trade deficit and the current account deficit of the payment balance, as well as to the stability of the exchange rate of the Leu. The approach considered is a balanced one, which also focuses on a consolidation on the revenue side through the increase of the degree of collection, as well as on strengthening the capacity to administer the fiscal regime.

**Budget deficits in 2019-2024**

- % of GDP

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Budget deficits** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| ESA deficit | -4.36 | -9.35 | -8.03 | -6.24 | -4.40 | -2.90 |
| Structural Deficit\*) | -4.80 | -7.72 | -7.31 | -5.71 | -4.18 | -2.88 |
| Cash deficit | -4.58 | -9.64 | -7.13 | -5.84 | -4.37 | -2.89 |

**The excessive deficit procedure was started in April of 2020,** as a result of the breach of the 3% limit provided in the Treaty on the Functioning of the European Union (the Treaty), as well as the lack of introduction of fiscal consolidation following the warnings received from the European Commission. According to the recommendation of the EU Council, the excessive deficit procedure must be closed by 2022.

Romania’s exceeding of the reference value of 3% of GDP provided in the Treaty was the result of a constant accumulation of budget imbalances, caused by the expansionist fiscal and budget policy applied since 2016, during a period of strong economic growth.

**Budget planning for 2022 and the estimates for the period 2022-2024 set the ESA budget deficit in 2022 at 6.24% of GDP, which shall reach 2.90% in 2024, respectively a decrease of 3.34 percentage points compared to 2022, observing at the end of the forecast horizon (year 2024) the provisions of the European regulations, namely 2.90% of GDP in 2024.**

In structural terms, it is estimated that the deviation registered in 2016 from the MTO set for Romania (respectively 1% of GDP) shall be maintained on the entire reference horizon, but shall continue to adjust in 2022 as well, by 1.6 percentage points compared to 2021, and it 2024 it shall be of 2.88% of GDP, i.e. an adjustment of 2.83 percentage points compared to 2022.

On medium term (2022 – 2024), under conditions of fiscal consolidation, the gross government debt, according to the EU methodology, **shall be maintained at a sustainable level which shall not exceed 50.3% of GDP, below the level of 60% of GDP, while the net government debt (representing the gross government debt minus the liquid financial assets)[[3]](#footnote-3) shall not exceed 44.6% of GDP.**

Debt sustainability does not consider only the maintenance of the indicator below a certain critical level, but also the assurance of the fact that additional indebtedness should have a correspondent in assets or structural changes of the economy, which would allow the payment of debts in the future, without special significant sacrifices for future generations

**Brief considerations regarding fiscal consolidation, the big challenge of the reference horizon 2022-2024**

* Budget correction is thus conceived as to presuppose **a balance between the need for fiscal adjustment and the need for supporting economic recovery,** *supporting the economy and the health system remaining priories in the difficult current circumstances;*
* Considering the state’s limited capacity for intervention to fight the crisis, **the financial package of the EU that shall also benefit Romania could play an important role in the achievement of budget correction, including Next Generation EU/NGEU) could alleviate the contraction impact of the budget correction.**  European resources will finance projects in the field of digitalization, the fight against pollution, infrastructure, health, education, structural reforms, improved governance of the public sector, development of competitive advantages whose effect is the increase of the potential GDP;
* **Romania benefits of the derogatory clause in 2022 as well.**

Given that in 2019 the phenomenon of twin deficits was prominent, the delay of budget correction *might involve the maintenance of the vulnerabilities associated with the persistence of these deficits with potential of weakening the response capacity on medium term of the Romanian economy in the face of adverse shocks and in the immediate perspective of affecting the assurance at reasonable costs of the flows necessary to finance these deficits.*

The estimates for 2022 of the main macroeconomic and budget indicators are:

|  |  |  |
| --- | --- | --- |
| **MAIN MACROECONOMIC INDICATORS - SYNTHESIS** | | |
| **Indicators** | **Year 2022** | |
| GDP - million lei | 1,317,267 |
|  |  |
| Economic growth % | 4.6 |
|  |  |
| Average annual inflation % | 6.5 |
|  |  |
| Revenues of the GCB - million lei | 439,986 |
|  |  |
| Weight of total revenues in GDP | 33.40 |
|  |  |
| Expenditures of the GCB - million lei | 516,969 |
|  |  |
| Weight of total expenditures in GDP | 39.24 |
|  |  |
| Deficit - million lei | 76,983 |
|  |  |
| Deficit - weight in GDP | -5.84 |
|  |  |
| Unemployed (total number of persons) | 258,000 |
|  |  |
| Average net monthly salary | 3,775 |

**Contribution of the usage components to real GDP growth**

* percentages

|  |  |  |
| --- | --- | --- |
|  | **2021** | **2022** |
| **GROSS DOMESTIC PRODUCT** | **7.0** | **4.6** |
| **Domestic demand** | **8.6** | **5.7** |
| Final consumption | 5.2 | 3.3 |
| - Expenditures for private consumption, of which: | 4.9 | 2.8 |
| -- Expenditures for final consumption of the population | 4.9 | 2.8 |
| - Expenditures for government consumption\*, of which: | 0.2 | 0.5 |
| -- Effective collective consumption of the public administration | 0.1 | 0.3 |
| Gross capital formation | 3.5 | 2.4 |
| - Gross fixed capital formation | 2.0 | 2.4 |
| - Change of stocks | 1.4 | 0.0 |
| **Net export** | **-1.7** | **-1.1** |
| Export of goods and services | 3.5 | 2.1 |
| Import of goods and services | 5.2 | 3.2 |

\*) Government consumption includes the individual and collective consumption of the public administration

*Note: The possible inconsistencies when adding up are due to rounding offs.*

|  |  |  |
| --- | --- | --- |
| **Contribution of the branches to real growth of GDP** | | |
| - percentages - | | |
|  | **2021** | **2022** |
| Industry | 1.2 | 0.9 |
| Agriculture, forestry, fishing | 0.8 | 0.1 |
| Constructions | 0.0 | 0.6 |
| Total services | 4.1 | 2.5 |
| Net taxes on product | 0.9 | 0.4 |
| **GROSS DOMESTIC PRODUCT** | 7.0 | 4.6 |
| *Note: The possible inconsistencies when adding up are due to rounding offs.* |  |  |

Economic growth for 2022 is estimated at 4.6% with the contribution of the following factors:

* **Internal demand** will be the engine of economic growth, especially through the increase of gross fixed capital formation, **with a higher dynamic than that of final consumption,** respectively 9.3% compared to 4.1%
* On the offer side, constructions shall be the most dynamic sector, with a GAV increase of 9% based mainly on the attraction of funds from the NRRP. The industry and tertiary sector shall also have a positive contribution to the economic advance, with increases of 4.4%, respectively 4.3%.
* The new priority of the EU budget is the **European Ecologic Pact**, which launches a new economic growth strategy for the EU. **The national budgets, including that of Romania, will finance the priorities of the ecologic pact which would particularize the European objectives to the national realities and possibilities, so that the new sustainable development framework would ensure a green transition that is economically efficient, socially bearable and focused on competitiveness**
* **Measures that allow an improved participation on the labor market** 
  + **The SURE instrument** of 100 billion EUR supports **technical unemployment schemes** and similar measures, in order to help the member states protect jobs and, as a result, the employees and independent workers, against the risk of unemployment and loss of revenues. The SURE instrument could also finance **certain measures related to health, especially at the workplace, meant to ensure the resumption of normal economic activity under conditions of safety**
* **Financing State aid schemes**

***Supporting the business environment is another coordinate of a responsible and credible budget construction for 2022 through* supporting the SME sector*, characterized by dynamism and diversity, through the financing of important programs:***

**The Program of ”State aid for financing investment projects”**, includes State aid schemes which apply both to large enterprises and to SMEs, whose objective is regional development through the stimulation of investments, creation of new jobs, as well as modernization or development of SMEs.

The program cumulates:

1. **State aid schemes administered by the M.F., established through:**

- G.D. no. 332/2014 *on the establishment of a State aid scheme to support investments promoting regional development through the creation of new jobs,* as subsequently amended and supplemented - open scheme for the issuance of financing agreements until December 31, 2023, with possibility of making the payment of the State aid until 2028;

- G.D. no. 807/2014 *on the establishment of a State aid scheme to support investments with major impact in the economy,* as subsequently amended and supplemented - open scheme for the issuance of financing agreements until December 31, 2023, with possibility of making the payment of the State aid until 2028.

**b) State aid schemes administered by other authorities, established through:**

- G.E.O. No. 42/2020 amending and supplementing GEO no. 110/2017 on the *Support Programme for Small and Medium Enterprises - IMM INVEST ROMANIA, as well as approving the State aid scheme for support of SME activity in the framework of the economic crisis generated by the COVID-19 pandemic;*

- GEO no. 118/2020 *approving the Support Programme for Small and Medium Enterprises “IMM LEASING DE ECHIPAMENTE SI UTILAJE”,* as subsequently amended and supplemented;

- G.E.O. no. 146/2020 *approving the* ***IMM FACTOR Programme - Commercial credit guarantee product and of the State aid scheme associated thereto,***as subsequently amended and supplemented.

**State aid schemes which shall be implemented in 2022-2024**

* **G.D. no. 332/2014 establishing a State aid scheme to support investments promoting regional development through the creation of jobs, as subsequently amended and supplemented;**

This scheme intends to encourage active participation of enterprises to the reduction of economic gaps between the regions and the recovery of Romanian economy, **through the performance of investments and the creation of over 35,000 new jobs.**

**The maximum budget of the scheme is of Lei 2,700 million, respectively the equivalent of approximately EUR 600 million. The average annual budget of the scheme is of** Lei 450 million**, respectively the equivalent of approximately** EUR 100 million**, with possibility of supplementation.**

The total estimated number of enterprises that shall benefit of State aid on the basis of the scheme is of 1,700.

We mention that this scheme was closed in 2017 and reopened on December 3, 2020, the date as of which applications for financing agreement can be submitted.

* **G.D. no. 807/2014 establishing a State aid scheme to support investments with major impact in the economy,** as subsequently amended and supplemented;

**The State aid scheme considers the financing of investments made by enterprises in high technology tangible and intangible assets with a value of at least 4.5 million Lei.**

**The maximum budget of the scheme is of Lei 6,380 million, respectively the equivalent of EUR 1,450 million. The average annual budget of the scheme is of Lei 638 million, respectively the equivalent of EUR 145 million,** and the maximum annual budget which can be committed includes the average annual budget and the amounts established with this purpose but not used in previous years, within the limit of the commitment and budget appropriations approved through the annual budget laws.

**The total estimated number of enterprises that shall benefit of State aid on the basis of the scheme is of 300.**

**The investment projects in process of implementation will have a significant impact in the economy, through the creation of 17,910 jobs and the payment of contributions to the State budget of Lei 4,946.78 million.**

* **G.E.O. no. 42/2020 amending and supplementing GEO no. 110/2017 on the *Support Programme for Small and Medium Enterprises - IMM INVEST ROMANIA, as well as approving the State aid scheme for support of SME activity in the framework of the economic crisis generated by the COVID-19 pandemic***

The objective of the scheme is for the State to grant guarantee facilities for the credits granted by credit institutions to small and medium enterprises and midcaps.

For the credits granted within the Programme, the Ministry of Finance subsidizes up to 100% the interest for a period of 8 months as of the date of award of the credit corresponding to the credits/lines of credit for financing of working capital and of investment credits, as well as the complete subsidization of the administration fee and of the risk fee throughout the validity period of the State aid scheme;

The grant awarded to small and medium enterprises and mid-caps, as well as to farmers from the fields of agriculture, fishing, aquaculture and the food sector also includes a non-reimbursable component of maximum 10% of the guaranteed financing value, provided the ceiling of EUR 270,000 is observed for every enterprise operating in the fishing and aquaculture sector or that of EUR 225,000 for every enterprise operating in the field of production of primary agricultural products, respectively of EUR 1,800,000 for small and medium enterprises from the food sector;

Through Government Emergency Ordinance no. 16/2021, the State aid scheme was amended and supplemented with the **Sub-programme AGRO IMM INVEST.**

**The Sub-programme AGRO IMM INVEST extends the area of activity sectors for which financing can be accessed and supports small and medium enterprises and midcaps from the fields of agriculture, aquaculture, and the food sector.**

Following the introduction of the Sub-programme AGRO INVEST, the budget of the State aid scheme was increased to Lei 1,832 million for the financing measures provided in chapter II.2, for a number of maximum 58,987 beneficiaries.

For year 2021, the annual ceiling of State guarantees that can be granted within the Programme IMM INVEST ROMANIA is of 15 billion Lei, of which the ceiling for the Sub-programme AGRO IMM INVEST is of 1 billion Lei, which can be supplemented within the limit of the total ceiling allocated for the award of guarantees within this Programme, in accordance with article 5 para. (5) of GD no. 282/2020.

From the operationalization of the Programme in May 2020 and until October 31, 2021 have been granted 36 581 State guarantees amounting to approximately 19 billion Lei and in Sub-programme AGRO IMM INVEST, as of April 2021 and until October 31, 2021 have been granted 1,543 State guarantees amounting to approximately 1.3 billion Lei.

* **G.E.O. no. 118/2020 *approving the Support Programme for Small and Medium Enterprises “IMM LEASING DE ECHIPAMENTE SI UTILAJE”,* as subsequently amended and supplemented**

The support programme for small and medium enterprises “IMM LEASING DE ECHIPAMENTE SI UTILAJE” whose objective is to grant State guarantee facilities under the form of making available to non-banking institutions certain annual guarantee platforms for financing of the type of financial leasing for the procurement of new or second hand movable assets necessary for the performance of activities of SMEs, as well as of affiliate enterprises **which have 250 of more employees.**

The State aid scheme consists of State guarantees granted in favor of every beneficiary who fulfills the Programme’s eligibility requirements for financing of financial leasing type dedicated to the procurement through financing of new and/or second hand movable assets, the subsidization of the interest corresponding to the financing under financial leasing guaranteed in accordance with the Programme’s conditions up to 50% for a period of 8 months as of the date the financing was granted, as well as the subsidization of the administration fee and of the risk fee up to 100% corresponding to the guarantee granted within the Programme.

In application of G.E.O. No. 118/2020 was adopted G.D. No. 766/2020 *approving the Methodological norms of enforcement of Government Emergency Ordinance no.* *118/2020* ***approving the Support programme for small and medium enterprises "IMM LEASING DE ECHIPAMENTE ŞI UTILAJE", as well as a De minimis aid scheme corresponding to the Support programme for small and medium enterprises "IMM LEASING DE ECHIPAMENTE ŞI UTILAJE".***

For 2021, the annual ceiling of guarantees which can be granted within the Programme is of 2 billion Lei.

As of the operationalization of the Programme and until October 30, 2021 have been granted 22 State guarantees, of 7.2 million Lei.

It is estimated that **1,600 beneficiaries** shall be granted de minimis aid.

* **G.E.O. no. 146/2020 *approving the IMM FACTOR Programme - Commercial credit guarantee product and of the State aid scheme associated thereto, as subsequently amended and supplemented***

*The objective of the State aid scheme is to support access to financing for small and medium enterprises through the State granting guarantee facilities for short-term credits for financing of commercial credit.*

For financing of factoring type shall be given a grant within the limit of the sum of the entire value of the risk fee and of the administration fee and the value resulting from the application of a percentage of 50% to the value of interest, but not more than the equivalent in Lei of EUR 800,000 per enterprise. The period of award of the grants which cover the financing costs is of 8 months as of the date of award of the financing and the period of award of the grants which cover the guarantee costs is of maximum 12 months as of the date of award of the guarantee.

**The budget of the State aid scheme is of Lei 1.043 billion (the equivalent in Lei of the amount of EUR 215.72 million), of which 43 million Lei (the equivalent in Lei of the amount of approximately 8.89 million EUR) corresponding to the measures provided in chapter II section 2.2 and 1 billion Lei (the equivalent in Lei of the amount of approximately 206.83 million EUR),** the maximum guarantee ceiling corresponding to the measures in chapter II section 2.1 and the payment of the grant can be made until April 30, 2022.

**It is estimated that a maximum number of 500 beneficiaries shall be granted State aid through the implementation of the scheme.**

For 2021, the annual ceiling of guarantees which can be granted within the Programme is of 1 billion Lei; no guarantees were granted until October 31, 2021.

**Measures taken in the framework of the COVID 19 pandemic**

In the current economic framework, in response to the crisis caused by the COVID-19 pandemic, the M.F. has taken the following measures:

**The M.F. Has contributed to the elaboration of the amendment and supplementation of the State aid/de minimis aid schemes dedicated to the alleviation of the effects of the crisis generated by the COVID-19 pandemic and has implemented them in accordance with the duties thereof**, namely:

* The State aid scheme to support the activity of SMEs in the framework of the economic crisis generated by the COVID-19 pandemic, adopted through G.E.O. No. 42/2020;
* The de minimis aid scheme corresponding to the Support programme for small and medium enterprises “IMM LEASING DE ECHIPAMENTE SI UTILAJE”, adopted through G.E.O. no. 118/2020, as subsequently amended and supplemented;
* The State aid scheme associated with the Programme IMM FACTOR - Commercial credit guarantee product, adopted through G.E.O. no. 146/2020.

Also, Eximbank Romania administers support measures for large and small and medium enterprises with turnovers over 20 million Lei, in accordance with the Temporary framework of the EU Commission for State aid measures to support the economy in the framework of the Covid-19 pandemic, through which:

* it grants guarantees, in the name and on behalf of the State, for companies affected by the COVID-19 pandemic, to cover the necessary guarantees up to maximum 90% for new loans or for loans already granted by commercial banks; from the allocated budget of 2 billion Lei (approximately 400 million EUR), until November 30, 2021 were granted guarantees of 2.4 billion Lei;
* it grants financing with the State aid component, in the name and on the account of the State, for the companies affected by the COVID-19 pandemic, with an allocated budget of 2 billion Lei, out of which financing of 202.3 million Lei was granted until November 30, 2021.

The State aid scheme is available until December 31, 2021.

Complementary, in 2022 EximBank is considering to grantproducts with de minimis component, respectively compensating the interest for loans in progress, subsidizing the interests for new credits and guarantee ceilings with de minimis component for working capital loans granted by commercial banks. For these products it is considered the allocation of a budget of 2 billion Lei (approx. 400 million EUR), with an estimated impact in the economy of approximately 4.3 billion Lei (approx. 860 million EUR).

Through the Government Programme for 2021-2024 - the Coalition for resilience, development, and prosperity, **it is sought both to continue the actions taken for the purpose of reducing gaps relative to the economies of the states from Western Europe through stimulation of Romanian capital and to continue the support measures for resuming the economic activities affected by the pandemic and employment, as well as to protect Romanian people’s revenues.**

**Economic support package for SME**

* IMM Prod Programme

Government guarantees up to 100% granted to companies through the FNGCIMM, FGCR, to increase the production capacity, for reconversion from intermediation to production, investment financing.

* Rural INVEST Programme

Government guarantees up to 100% granted through FNGCIMM, FRC and FGCR, to companies which locate their production in the rural and small urban environment.

* IMM Prod Programme

Government guarantees up to 100% granted to companies through the FNGCIMM, FGCR, to increase the production capacity, for reconversion from intermediation to production, investment financing.

* Grant Construct Programme

Government guarantees granted to companies from the Constructions field, through the banking system, FNGCIMM and FRC to ensure liquidities and finance investments.

* Start-up for Students Programme

Financing business incubators for students from universities, in collaboration with local partners (public authorities, companies operating on the local market). Grants of 100,000 EUR. Priority score: business developed in the field of specialization.

**INNOVATION economic support package**

* “INNOVATION” State aid scheme

Deduction of up to 80% of the costs necessary for investments, including coverage of expenses for the registration and protection of inventions with obligation of actual implementation in Romania.

* Grants for digitalization and e-commerce (for SME)

Grants between 50,000 and 200,000 € for companies with turnovers of less than 1 mil. €, for e-commerce and company management certified software (of ERP type).

* State aid scheme for the upgrading of local companies

Support scheme for technology transfer. Additional score: exporting, non-polluting industries.

**Economic support package Romania Tech Nation**

* Romania Tech Nation Programme

State aid scheme to support the incorporation of start-ups with digital component in every county, through the award of a grant of 50,000 EUR/start-up. It is necessary the mandatory inclusion of the education, training and mentoring component, with assurance of a place in the local makerspace, business incubator or accelerator.

* Women in Tech Programme

State aid scheme to support women entrepreneurs to open businesses in the technology field. Grants with technological component shall be granted in every county.

* Starter kit Programme - State aid scheme to ensure support for transformation/transfer of companies in the digital era by granting digitalization vouchers amounting to EUR 5000/company.

**Support programme for the tourism sector**

The Programme for Tourism Digitalization - digitalization of the record keeping system of tourists in Romania, under observance of GDPR norms, in order to develop the database that allows a better targeting of the country promotion on the categories/countries of interest.

* **Reform, prioritization and multiannual programming of public investments,** in an efficient, professional and transparent manner with multiplier effect and direct contribution to the gross fixed capital formation, **by increasing the contribution of European funds corresponding to the 2021-2027 financial framework and to the Recovery and Resilience Mechanism which finance the reforms and investments established through the National Recovery and Resilience Programme. They shall be oriented towards infrastructure projects and to the field of green budgeting represented by the financing of objectives which target climate change and the environment, in accordance with the regulations adopted at European level.**

**Investment expenses in 2019-2024**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|  | **achieved** | **achieved** | **preliminary execution** | **proposals** | **estimates** | **estimates** |
| Total expenditures of GCB (million Lei) | 369,629 | 424,455 | 472,642 | 516,969 | 548,650 | 575,608 |
| - % of GDP | 34.88 | 40.21 | 39.71 | 39.24 | 38.10 | 36.9 |
| Investment expenditures of GCB (million Lei) | 43,672.3 | 53,079.7 | 66,565.9 | 88,778.9 | 104,960.6 | 119,864.3 |
| - % of GDP | 4.12 | 5.03 | 5.59 | 6.74 | 7.29 | 7.68 |

**Note: Investment expenditures include the expenditures that correspond to financing programs from post-accession external non-reimbursable funds (post-accession ENF), capital expenditures and expenditures that correspond to programs with reimbursable financing**

**Multiannual programming and prioritization of public investments**, no matter the financing source, based on project prioritization criteria according to relevance (compatibility with sector strategies), expected results (impact), capacity of performance of the project within the provided term and financial sustainability **shall lead to the increase of European fund absorption for the purpose of decongesting the fiscal space and supporting economic growth.**

In 2022, the expenses dedicated to investments amount to approximately 88.8 billion Lei, representing approximately 6.7% of GDP and in 2024 they amount to approximately 119.9 billion Lei; therefore, it is noted an increase in absolute value compared to 2022.

In 2022-2024 it is noted **an improvement of the structure of investment expenses**, meaning that the share of expenses corresponding to the projects financed from external non-reimbursable funds from the financing sources increases by comparison to 2021.

The performance of a large volume of investment expenses from the public sector, with **peaks of over 7% of GDP in 2023-2024**, is supported by the European funds corresponding to the 2021-2027 financial framework and those coming from the Recovery and Resilience Mechanism which finances the reforms from the NRRP.

**The Recovery and Resilience Mechanism** is an **innovative instrument** which provides **direct financial support correlated with the obtaining of results measured by reference to the milestones and targets indicated** in the approved recovery and resilience plan, which is why the reforms financed through this mechanism must be very carefully monitored.

Romania’s National Recovery and Resilience Plan (NRRP) is Romania’s strategic document which substantiates the reform priorities and the investment fields for application of the Recovery and Resilience Mechanism - RRM at national level. The end purpose of the NRRP is to accelerate the implementation of sustainable reforms and related public investments, respectively to ensure the improvement of the state of the national economy after the crisis generated by COVID-19, economic growth and the creation of jobs necessary for labor force inclusion, supporting green and digital transition for promotion of sustainable growth.

**In the financial exercise 2014-2020, Romania’s total allocation is of approx. 46.55 billion EUR**, of which approx. 24.1 billion EUR through the Cohesion Policy and approximately 22.4 billion EUR through the Common Agricultural Policy and the Integrated Marine Policy.

**Romania is facing a historic opportunity.**  In 2021-2027, within the Cohesion Policy for 2021-2027, Romania has allocated European funds **amounting to** **31.35 billion EUR**(current prices, including European territorial cooperation), and the amount corresponding to the implementation of the NRRP is of 29.2 million EUR. Romania requested **non-reimbursable financial support of EUR 14.24 million and loans of EUR 14.94 million from the Recovery and Resilience Mechanism.**

**During the period of implementation of the NRRP it is expected a positive impact on the macroeconomic indicators, generating significant additional economic growth throughout the entire interval compared to the basic scenario without the NRRP.**

* Creating a predictable fiscal policy to support and adapt the business environment to the challenges raised by the health crisis, simplifying fiscality and streamlining internal processes, in order to create the assumption for sustainable economic growth

The main objectives of the fiscal policy taken into account for medium term mainly refer to the following aspects:

* Implementation of the measures comprised in the Government Programme for 2021-2024, as the fiscal and budget space allows it, as well as of those included in the National Recovery and Resilience Plan;
* Improvement and simplification of the fiscal legislation, as a result of the dialogue with the business environment;
* Improving the legislation according to evasion phenomena, in order to fight them.
* Implementation of a mandatory electronic invoicing system to ensure efficiency and effectiveness improvement in the collection of taxes and charges, as well as to prevent and fight fraud/evasion in the field of VAT, with prior obtaining of a special measure of derogation from the provisions of Directive 2006/112/EC on the common system of value-added tax.
* Preparing certain reforms in the fiscal field to contribute to sustainable economic growth on medium and long term;
* Continued improvement of the legislation to correspond to the criteria of harmonization with the Community legislation, through transposition into the national legislation of the measures adopted at European level. Are also considered the initiatives proposed by the European Commission through the “Action plan for fair and simple taxation supporting the recovery strategy”, whose purpose is to reduce the administrative burden in the Member States and for the taxpayers, as well as to simplify legislative provisions and the obligations of registration and reporting in the field of VAT;
* Increasing the collection of fiscal revenues and extensive measures to enter a regime of voluntary compliance of taxpayers, including through the digitalization of the relationships between the State and the taxpayers, as well as business to business.

The main fiscal measures for the period 2020-2024 are presented in Chapter 4 of the strategy.

* **Development and diversification of public debt management instruments to maintain public debt at a sustainable level**

In 2022-2024, the Ministry of Finance shall seek to achieve the objectives provided in the Public Debt Management Strategy for 2021-2023.

The financing policy of the Ministry of Finance is that of ensuring financing for the budget deficit both from domestic and foreign sources, mainly through issues of government securities, and with respect to government debt refinancing, it shall be made from the market where the debt was initially issued.

The Ministry of Finance will continue to have a flexible and transparent approach in making the financing process, reacting promptly to the changes of the market framework and to the investors’ behavior.

For the purpose of diversifying the investor base and of increasing the accessibility of private individuals to the purchase of government securities shall be continued the issuances of government securities for the population through the two dedicated programs, i.e. TEZAUR (government securities issued through units of the State Treasury and post offices of the National Company “Posta Romana” S.A.) and FIDELIS (government securities issued through the banking system), within the limit of an indicative annual ceiling. As of December 2021 have been brought a series of improvements to the TEZAUR Programme, which facilitate the possibility of making on-line subscriptions and refunds of amounts owed when due to the investors through the Virtual Private Space.

As of 2022, the Ministry of Finance intends to use specific operations on the secondary market of the type of anticipatory redemptions or exchanges of government securities for the purpose of limitation of refinancing risk.

Also, in order to reduce the exposure to currency risk and to the interest rate risk associated with the government debt portfolio, in 2022 the Ministry of Finance is considering to use derivative financial instruments (currency swap and interest rate swap), pursuant to the framework-agreements ISDA Master Agreement which shall be concluded with a series of counterparts.

For the purpose of launching “green” bonds, the Ministry of Finance is considering to create the General Framework of issuances of green bonds at sovereign level, for which was requested technical assistance from the European Commission, and then shall be identified in the State budget the “green” investment/expense projects.

For the purpose of improving the management of public and for the avoidance of temporary pressure in ensuring the financing sources of budget deficit and of refinancing of government debt, the Ministry of Finance is considering to maintain the financial reserve (buffer) in foreign currency at the disposal of the State Treasury at a level that covers up to 4 months of the gross necessary financing.

* Consistent measures to create and consolidate healthy public finance, by making public spending more efficient in terms of quality with a focus on:
* financing a package of reforms in the field of labor, pensions, active measures of protection related to the disadvantaged and vulnerable groups;
* Consolidating budget programming based on result indicators at all levels of the central and local public administration to allow full transparency of public spending, improve the clarity and coherence of the budgeting process, prioritize sector policies;
* strengthening corporate governance in State owned companies in order to improve their performance, by using the best European practices.
* **At the labor market level,** it shall be sought to modernize the salary system, to eliminate inequalities and to establish a system of performance stimulation, to set the implementation schedule for Law no. 153/2017 considering the modernization conditions assumed through the NRRP.
* Making more efficient the policy of employment and labor stimulation, so as to offer competitive services, adapted to the realities from the labor market both for employers and for the persons searching for a job. Measures provided by legislative acts in force are under implementation and they refer to active and passive measures dedicated to the unemployed and to persons searching for a job, to the award of subsidies to employers in order to activate and encourage the employment of categories of persons with more difficult access to the labor market, as well as other financial support measures.
* The minimum gross salary guaranteed at national level was increased to a monthly amount of 2,550 Lei, as of January 01, 2022, which represents an increase of 10.9% compared to December 2021.
* **Modernization of the pension system**

1. Digitalization/Assessment of pension files;

* Transposition of all pension files from letter format into electronic format;
* Increasing the capacity of pension houses in using technology to solve the requests of pensioners;
* Strengthening the capacity for communication/response to information requests of the beneficiaries by using information in digital system;
* Making more efficient the activity of pension houses through digitalization and assessing all pension files in the perspective of recalculation of the pension.
* Establishing the implementation schedule of Law no. 127/2019 (within 120 days), considering the conditions regarding modernization assumed through the NRRP and the negotiations with the European Commission; recalculation of all pensions in accordance with Law no. 127/2019, in order to eliminate inequalities from the system.
* **Pension recalculation. General application of the contribution principle when establishing the right to pension.**

**Granting additional allowance for people with disabilities, respectively the 13th allowance**

**Active measures of protection and support regarding disadvantaged and vulnerable groups, including non-household consumers and other consumers;**

* Enforcement of certain social protection measures for vulnerable energy consumers through award of the energy bonus during the whole year and of heating aids for housing during the cold season, differentiated according to the energy source and family revenues;
* The support scheme for payment of invoices corresponding to electricity and natural gas consumption for non-household consumers, respectively for small and medium enterprises, microenterprises, authorized private individuals, individual enterprises, family enterprises, through the budget of the Ministry of Energy;
* Increasing the State’s contribution to the share capital of the National Railway Passenger Transportation Company “C.F.R. Calatori” S.A. and of the Trading Company “Romanian national air transport company - Tarom” S.A. to compensate for the losses suffered as a result of the COVID-19 pandemic, under observance of the provisions in the field of State aid;
* Granting in January a form of support that would benefit the retirees with low revenues, in order to bear the price increases for utilities.
* **The modernization of the social assistance system** presupposes **passing from a social assistance service based on insufficient financial allocations** relative to the needs and concrete problems of the vulnerable categories **to integrated social services.**
* Increasing the allowance for children to 600 Lei for children up to 2 years of age, respectively 3 years of age for children with disabilities, and to 243 Lei for children between the ages of 2 and 18.
* **Consolidation of program budgeting based on result indicators, which shall be focused on:**
* *optimizing the efficiency and effectiveness of the proposed policies;*
* *eliminating budget waste, increasing budget transparency, making public spending more efficient, predictability of budget resources.*
* *Development of a planning and programming system which should offer a comprehensive national strategic perspective on the long term.*

Strengthening corporate governance in State owned companies in order to improve their performance, by using the best European practices.

* ***increasing their competitiveness through improvement of the framework in which they operate,*** *through extensive and sustained structural reforms, which would stimulate the competitiveness of Romanian economy and accelerate Romania’s real convergence with the developed economies from the European Union.*
* ***elaboration of a national strategy of decentralization of restrictive decisions imposed to public enterprises in order to develop profitable State-owned companies,*** *to offer good quality services at a competitive price, at the same time as modernizing the services offered on a competitive market.*
* *prioritizing the decentralization of the decision to establish the expenses for profitable State-owned companies by moving the decision to the line ministries in order to avoid bureaucracy and for their sustainable and* ***accelerated*** *development.*

**Post-pandemic economy**

The onset of the COVID-19 pandemic represents a good opportunity towards **a new paradigm of economic growth,** more resilient to external shocks and a favorable moment **for the implementation of structural reforms that fundamentally change Romania’s economic growth model**, through an improved alignment to the European agenda.

**It can be noted already a change in the growth paradigm, meaning that in 2022 investments will represent the engine of the economy’s advance.** Gross fixed capital formation is estimated to increase by 9.3%, this advance being based on the absorption of both the funds from the multiannual financial framework and those from the NRRP, 2022 being the first year when investments shall be made from these financing sources.

The budget construct for 2022 which shall be influenced by the European funds shall bring to the forefront **the need for a new economic approach and for preparation of the conditions for a new manner of formulation of public policies, *which should offer in time a quality/price ratio that leads to the optimization of their efficiency and effectiveness,* strengthening the concepts of sustainability and resilient economy, of the balances between macro and micro-economy, consolidating governance, orienting future investment projects towards the reduction/elimination of structural vulnerabilities (transport infrastructure, health infrastructure)** in the framework of the challenges of a society which is undergoing profound changes.

**External resources** give the chance for another approach of the national investment policy, through integration into a holistic, global, European framework vision that increases the participation to common, regional, trans-European projects.

Reconsiderations of priorities, financing of new policies (green economy and digitalization) and European cooperation will allow the increase of competitiveness and productivity, the support for creation of jobs, the acceleration of economic and social conversion, **respectively the consolidation of resilience, correction of the macroeconomic imbalances of the member states, protection of the contagion effect both at regional level and at the level of the member states of the Eurozone.**

**Green financing is the big challenge of future budgets**

**Romania’s recovery and resilience plan** is part of an unprecedented coordinated response of the EU to the crisis caused by the COVID-19 pandemic, being a typical one, exogenous to the economic sphere, similar, in many ways, to a natural disaster, with abrupt developments and difficult to predict. **The plan proposes projects in all six flagship domains of the EU** and it is meant to approach the common European challenges through adoption of the green and digital transition, as well as to consolidate economic and social resilience and the cohesion of the single market. Following the implementation of the projects, the economy should become more resilient to future shocks, and the population should become more adaptable to changing economic models.

**The Commission ascertained that Romania’s plan allocates 41% of the total amount for green transition support measures.**

For the purpose of a continued reduction of pollution, the allocation of resources to green investment projects, (**Green Reconstruction**) considers the reorientation of the economy with the purpose of giving it elasticity in the process of attainment of climate related objectives and must target the fields which generate the biggest volume of greenhouse gas emissions: **the (processing, chemical) industry, the buildings, the transportation industry, energy production, the food industry and agriculture.**

Romania’s orderly transition towards a low carbon economy implies the elaboration and implementation of public policies at national level which would ensure the balance between keeping economic competitiveness and the need for sustainable development.

In addition, the achievement of a normal (orderly) transition depends to a large extent on the capacity of implementing investment projects, as well as on the speed of implementation of investments and structural reforms.

In addition, preventing climate changes is a process with considerable potential of supporting economic growth, the development of several economic sectors and the creation of new jobs.

**The RRM offers Romania important resources, dedicated to green investments,** during the period of 2021-2026, **to which are added those with green destination from the 2021-2027 multi-annual financial framework,**(through the cohesion component), **together with the funds from the other Community initiatives of fund pooling (associated with the European Green Pact),** with the purpose of increasing the efficiency of use of resources and of neutralizing greenhouse gas emissions (with the target of year 2050).

Green financing is an important instrument Romania can use to successfully respond to the challenge of climate changes and it presents **numerous opportunities:**

* changing the structure of the economy towards one with bigger added value.
* the possibility of positioning Romania as an attractive country for foreign direct investments in green sectors.
* funds which shall be offered to the Member States will facilitate the transition towards a more sustainable model of economic growth.

**2. MEDIUM TERM BUDGET OBJECTIVE**

**2.1 Potential GDP and output – gap**

The estimates of the potential gross domestic product and of the output-gap for Romania have been calculated using the common European methodology agreed by all member states of the EU on the basis of the macroeconomic framework published in the fall 2021 macroeconomic forecast of the NCSP.

We mention that the estimates calculated on the basis of data available until the present indicate that the potential GDP corresponding to year 2020 was affected by the COVID-19 pandemic to a lesser extent than anticipated at the onset of the crisis. Provisional data regarding the national accounts and the final figures related to the labor market of 2020 reveal a potential growth for Romania of 3.1 compared to 2.5 as it was estimated for the budget of 2021, considering that the economic recession (the decrease of the effective real GDP) was also one of the most limited among the Member States (-3.9% in Romania compared to -5.9% in the EU).

As of 2021 it is estimated that the potential economic growth shall be recovered towards the dynamics from the pre-pandemic period, namely around 4%. Moreover, during the peak period of implementation of the investments and reforms provided in the National Recovery and Resilience Plan, namely the 2023-2025 interval, potential growth reaches an annual average of 4.3%.

Following the investment flows, both from the NRRP and from other sources (2021-2027 MFF, the State budget, ISD), the contribution of the capital stock to potential growth becomes, as of 2022, clearly superior to that of total factor productivity (TFP). Nevertheless, the intensive nature of Romania’s potential economic growth on medium term is maintained, because the TFP contribution remains around the level of 2 percentage points.

**Potential GDP growth and the cyclical component of budget deficit**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
| **Potential GDP (%)** | **3.1** | **3.9** | **4.0** | **4.3** | **4.4** | **4.3** |
| *of which the factors’ contribution:* |  |  |  |  |  |  |
| *Capital (pp)* | 1.5 | 1.9 | 2.1 | 2.3 | 2.4 | 2.4 |
| *Labor (pp)* | 0.0 | 0.1 | 0.2 | 0.1 | 0.0 | -0.2 |
| *TFP (pp)* | 1.6 | 1.8 | 1.7 | 1.8 | 1.9 | 2.0 |
| **Output Gap (%)** | **-5.1** | **-2.2** | **-1.7** | **-0.7** | **-0.1** | **0.1** |
| **Cyclical component (%)** | **-1.63** | **-0.72** | **-0.53** | **-0.22** | **-0.02** | **0.03** |

Source: National Commission of Strategy and Prognosis. Note: The estimates have been calculated by using the European methodology approved by all 27 member states of the EU. The possible discrepancies between potential growth and the sum of the factors’ contribution are caused by rounding.

The main challenge related to the medium term development capacity is represented by the negative demographic evolution, with direct impact on labor resources. It is estimated that in 2022-2025, the working population (15-74 years, category used when establishing the potential GDP) shall decrease by approximately 387 thousand persons (-2.7%). The resilience of the labor market and the active measures provided in the NRRP and other strategic documents lead to the increase of the employment rate and the maintenance of unemployment in balance, represented by NAWRU, at reduced limits, thereby the population decrease being compensated. As a consequence, the contribution of the labor factor to potential growth remains approximately neutral, on average, on the forecast horizon.

The output-gap is on the negative territory, but follows an accelerated restriction trajectory, closing as of 2024.

**2.2 Evolution of the structural deficit in the period 2019-2024**

**In 2021, the structural deficit is estimated in Romania at 7.31% of GDP.**

Considering the fiscal relaxation measures adopted, as well as those in the field of expenses, and the projection of the general consolidated budget as of 2016, Romania does not observe the rule[[4]](#footnote-4) related to the annual structural balance of the public administration, deviating from its Medium term budget objective (MTBO), namely an annual structural balance of at most -1% of GDP.

**Budget deficits in 2019-2024**

- % of GDP

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Budget deficits** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| ESA deficit | -4.36 | -9.35 | -8.03 | -6.24 | -4.40 | -2.90 |
| Structural Deficit\*) | -4.80 | -7.72 | -7.31 | -5.71 | -4.18 | -2.88 |
| Cash deficit | -4.58 | -9.64 | -7.13 | -5.84 | -4.37 | -2.89 |



The adjustment made after the economic and financial crisis of 2009 was mainly on the expenditure side, the structural reforms being promoted especially in the field of salaries of public employees, the public pension system and budget programming. Since Romania is a country which has had bigger imbalances at the beginning of the world crisis, bigger adjustment efforts were necessary compared to other countries from the region. The adjustment made by our country was a very ambitious one, and the performance obtained with regard to correcting fiscal imbalances judged in terms of structural deficit was very good, considering the extent thereof.

The crisis of 2009 determined in Romania one of the most severe austerity packages, while Romania before 2020 registered the highest budget deficit in the EU. **It can be noted that between the two crises, Romania passed from austerity to the excessive deficit procedure, which is a particularly contrasting economic evolution. This is why the pandemic crisis means responsible, prudent, qualitative policies for the future.**

In the framework of the pandemic, the countries, Romania included, implemented important programmes to support the economy and maintain the living standards. The fast adoption of fiscal measures designed to cover the financial needs in the sectors most affected by the crisis generated by the COVID-19 pandemic, especially to support the employees and/or to ensure a minimum revenue to the unemployed, as well as to avoid the bankruptcy of a very large number of companies, especially SMEs, is essential in order to avoid a more severe contraction of the economic activity.

Fiscal measures, although necessary, especially for the most affected sectors, might generate an increase of public debt and budget deficits. The implementation in Romania of expansive fiscal and revenue policies during a period of economic growth has caused the deterioration of the current account deficit, and the cash budget deficit reached 9.64% of GDP at the end of 2020, **but has started decreasing since 2021.** In addition, the deficient collection of budget deficits and the high share of rigid expenses in fiscal revenues are structural vulnerabilities which shall make more difficult the fiscal consolidation process.

The excessive deficit procedure was started in April of 2020, as a result of the breach of the 3% limit for the budget deficit provided in the Treaty on the Functioning of the European Union on the entire forecasted horizon, and of the lack of introduction of fiscal consolidation following the warnings received from the European Commission. Thus, the EU Council issued a recommendation in April 2020 to conclude the current excessive deficit procedure until 2022. Considering the exceptional situation and the adopted measures which lead to a significant increase of budget deficit, the European Commission has decided to suspend the provisions related to the target budget deficit, in order to allow the member states to implement adequate fiscal measures oriented towards economic recovery. In Romania’s case, considering the situation of excessive deficit prior to the pandemic, the progress in obtaining a decrease of the structural deficit shall be assessed through exclusion of the additional costs due to the health crisis.

The budget construction for 2022 and the 2023-2024 perspective was based on the fiscal relaxation measures started during the period prior to the onset of the pandemic, as well as on the fiscal and budget measures taken in 2020 and 2021 to eliminate the effects of the Covid-19 crisis, as well as the new measures that shall be taken in 2022, which shall influence the macroeconomic framework and the budget indicators on the 2023-2024 horizon.

In structural terms, it is estimated that the significant deviation registered in 2016 from the MTO set for Romania (namely 1% of GDP) started to adjust as of 2021 and continues in 2022, which emphasizes the Romanian authorities’ intention to formulate a healthy policy.

**3. MACROECONOMIC FRAMEWORK**

**3.1 Recent macroeconomic evolutions of the Romanian economy**

***Year 2021***

In the first 9 months of 2021, the economic activity was marked by the maintenance of the state of alert imposed by the extension of the health crisis, which led to the preservation of certain restrictions necessary to limit the spread of the virus. At the same time, during this period appeared malfunctions of the internal and international economic environment which left their mark on the evolution of certain activities (problems of the supply chain, the workforce deficit in constructions, the price increases for building materials, the price increase for industrial production, etc.).

As a result thereof, in January - September 2021, according to the “provisional 1” data published by the National Institute of Statistics, the gross domestic product increased by comparison with the similar period of the previous year by 7.1% on gross series and by 6.9% on seasonally adjusted series. The 7.1% increase thus ensures the coverage of the decline from the first 9 months of 2020 and the achievement of a bonus of 1.8 percentage points over the level of 2019.

On the offer side, the advancement of the economy was supported by the industry, agriculture, and services. The industry sector had a contribution of 1.3 percentage points, following the increase of the gross added-value by 7.1%, although this sector started facing major difficulties as a result of the problems of the supply chain, which led to a slowing of the growth pace; this was reflected in the evolution of Q3, when a growth of only 2.2% was registered compared to the corresponding period of the previous year.

It should be noted the evolution of the agricultural sector, which was characterized by the achievement of spectacular production for cereal crops, 2021 being a good year for Romanian agriculture. Therefore, the contribution of agriculture was a considerable one, namely of 1 percentage point, to the real growth of the gross domestic product, following the increase of the gross added value by 23.2%.

With respect to the evolutions from the tertiary sector, they were different from one branch to another, due to the fact that the activity of certain categories of services was felt during certain time intervals, as a consequence of the extension of the health crisis and of the restrictive measures. Thus, the branch which includes shows, cultural, and recreational activities and which had a lot to suffer in 2020 registered an increase of only 6.5%, but did not ensure the recovery of the accentuated decline (approximately -25%) of the previous year.

With respect to the branch of “trade, transportation, hotels, and restaurants” was registered an increase of the gross added-value of 10.9%, this being the field with the biggest contribution to economic growth (2 percentage points). This branch registered a spectacular comeback because of the resumption of air travel activity, as well as of that from the HORECA field.

The branch of information and communications continued to represent the best performing field, with an increase of the gross added-value of 14.2%and a contribution to the economic advancement of 1 percentage point.

On the whole, the gross added-value from the tertiary sector increased by 6.3%, being the main supporter of economic growth, by 4 percentage points.

**On the demand side**, the economy’s advancement from the first 9 months of 2021 is owed to the increase of domestic demand by 8.6%, respectively to a contribution of 9.0 percentage points to the increase of the gross domestic product. Within this, private consumption increased by 7.4%, with a significant contribution from commodity purchases (+12.9%) and services (+16.6%), which recovered the decrease registered in the previous year. In the opposite sense, government consumption decreased by 0.6%, mainly due to a slowly reduced incidence, compared to the same period of 2020, of spending related to the combating and limitation of the effects of the COVID-19 pandemic.

The decrease of activity volumes from the field of constructions caused a moderate increase of the gross fixed capital formation in the first 9 months of 2021 (6.2%), the reduction being of 0.4% in Q3 of 2021 compared to Q3 of 2020; it was compensated by the higher dynamics registered in the previous quarters of 2021 (11.7% in Q1 and 12.6% in Q2). What is significant is the fact that gross accumulation (gross investments plus stock accumulation) increased by 19.8%, having a contribution of 4.5 percentage points to economic growth. Within this, the positive contribution of 3.0 percentage points of the variation of stocks was caused by certain factors, like: (i) the behavior of economic agents of creating stocks to ensure activity continuity in case of occurrence of disturbances in the supply chains due to the effect of the pandemic on the international transport system; (ii) a changed behavior of the economic agents in the sense of ensuring the inputs in advance, due to the worsening of expectations regarding the increase of production prices, which was fueled especially by the energy and raw material components; (iii) the very good agricultural production obtained this year.

Net export had a negative contribution of 1.9 percentage points to the economic growth rate, as a result of the increase of exports of goods and services in real terms by 13.8%, correlated with a higher increase of the volume of imports of goods and services (16.7%).

According to the fall forecast, it is estimated for 2021 an economic advancement of 7.0%, a nominal value of the gross domestic product of 1,190.3 billion Lei and a deflator of 5.4%. The 2021 fall forecast of the European Commission estimates for 2021 a nominal value of the gross domestic product of 1,173.5 billion Lei based on an economic growth of 7.0% and a GDP deflator of 3.9%.

- percentage changes compared to the previous year -

| **Gross domestic product** | **2020**  **provisional** | **2021**  **estimate** |
| --- | --- | --- |
| Domestic demand, of which: | -2.1 | 8.3 |
| Final consumption | -3.6 | 6.4 |
| - Private consumption expenditures | -5.2 | 8.0 |
| - Expenditures for final consumption of the population | -5.2 | 8.1 |
| - Government consumption expenditures | 2.0 | 1.2 |
| - Effective collective consumption of the public administration | 6.4 | 0.7 |
| Gross fixed capital formation | 6.8 | 8.2 |
| Export of goods and services | -9.7 | 9.4 |
| Import of goods and services | -5.1 | 12.4 |
| **GDP** | -3.9 | 7.0 |
| - Industry | -9.1 | 5.9 |
| - Agriculture | -16.2 | 20.3 |
| - Constructions | 10.0 | 0.2 |
| - Services | -1.8 | 6.8 |

*Source: National Institute of Statistics and National Commission of Strategy and Prognosis*

In Q2 of 2021 the employment rate for the population in group age 20-64 years was of 67.5% (according to the AMIGO definition).

**The average number of employees** (average monthly population, according to the NIS, as per the national methodology) was of 4,961.1 thousand people in the first 9 months of 2021, increasing by 0.6% compared to the same period of 2020.

The average number of employees from the industry decreased by 1.5% compared to 9 months of 2020. This negative evolution was compensated to a certain extent by the increase of the number of employees from the other activities of the competitive sector, especially information and communication (5.2%) and constructions (4.9%).

The unemployment rate registered at the end of October 2021 was of 2.76%, 0.51% percentage points lower than at the end of October 2020 (3.27%).

**The gross average salary** per total economy was of 5,701 Lei in the first 9 months of 2021. The average net salary increased by 7.3 %, being of Lei 3,494.

In real terms on the total economy, the increase of the salaries was of 3.1%. The real salary in the competitive sector registered an increase of 4.9%, while in the public sector it decreased by 2.7%. In the competitive sector, industry registered the biggest growth, i.e. 5.9%, followed by services with 5%.

With respect to the decrease of the real salary from the public sector, it was more clearly found in administration (-3.5%) and education (-3.6%), while in the health sector the decrease was of only 1.4%.

In 2020, **exports of goods** had a value of 62.2 billion EUR, decreasing by 9.9% compared to year 2019, while the decrease registered by imports of goods was of 6.6%, the value thereof being of 80.6 billion EUR. Under these circumstances, the FOB-CIF commercial deficit was of 18.4 billion EUR, increasing by 6.4% compared to that registered in 2019.

Exports of goods registered in the first 10 months of 2021 an increase of 19.6% compared to the same period of 2020 and amounted to 61.1 billion EUR on the basis of gradual resumption of supply flows and of the extension of the vaccination process for the population. Intra-Community shipments represented 72.6% of the total exports made in the first 10 months of 2021 and were 17.7% bigger than the level reached during the same period of the previous year. **Imports of goods** registered a value of 80.3 billion EUR in the first 10 months of 2021, which is 21.8% bigger than that of the similar period of 2020. In the area of origin, the value of goods inflows increased by 20.7% compared to the comparison period in 2020, representing 72.7% of total purchases.

On the entire year 2021, exports of goods are expected to reach the value of 73.1 billion EUR, i.e. 17.6% core than the previous year, and CIF imports are estimated to be of 96.7 billion EUR, increasing by 20.0%. The evolution of exchanges of goods shows that demand tends to recover, and the dynamics of international trade indicators regains some of the losses registered in 2020.

**The current account** of the payment balance registered in 2020 a deficit of 11 billion EUR, representing 5.0% of GDP. After the first 9 months of 2021, the value of the current account deficit was of 11.5 billion EUR, i.e. 3.7 billion more than during the same period of the previous year. On the entire year 2021 it is expected that the negative balance will deepen down to 15.2 billion EUR, based on the commercial balance deficit.

million EUR -

| **Foreign trade and current account** | **2021** | **2022** |
| --- | --- | --- |
| FOB export | 73,114 | 79,097 |
| - annual percentage change, % | 17.6 | 8.2 |
| CIF import | 96,655 | 105,329 |
| - annual percentage change, % | 20.0 | 9.0 |
| FOB - CIF Commercial Balance | -23,541 | -26,232 |
| Current account balance | -15,218 | -16,261 |
| - % of GDP | -6.3 | -6.1 |

*Source: National Institute of Statistics, National Bank of Romania, NCSP*

In 2020, consumer prices increased on average by 2.63% compared to the previous year, mainly because of the increase of prices for food commodities (4.80%) and of the increase of tariffs for services by 3.10%, while the prices of non-food commodities increased only by 1.01%.

The current international framework related to the increase of energy prices and of the oil barrel, the crisis of raw materials, as well as to the disconnects from the supply and distribution chains, led to major imbalances between demand and offer at global level, causing price increases for all categories of commodities and services. Induced inflation pressure was also reflected on consumer prices at national level, statistical data indicating for October an annual inflation of 7.94%.

In the first 10 months, the **average inflation rate** reached 4.46%. On components, it was found a more accentuated increase for non-food commodities (6.37%), which was caused especially by the continuous increase of prices for electricity, natural gas and fuels. This also had consequences on the evolution of the prices of the other commodities and services which also followed slightly ascending trajectories. The prices of food commodities were at a moderate level, recording an average growth rate of 2.61%, while the trend of services continues the slightly ascending trajectory started in March, reaching a level of 2.85%.

**3.2 Budget execution in the period January 1 - October 31, 2021**

The execution of the general consolidated budget in the first ten months of 2021 ended with a **deficit of 47.98 billion Lei (4.03% of GDP)**, which is lower than **the deficit of 74.04 billion Lei (7.01% of GDP)** registered during the same period of 2020. (Annex no. 1 and Annex no. 2).

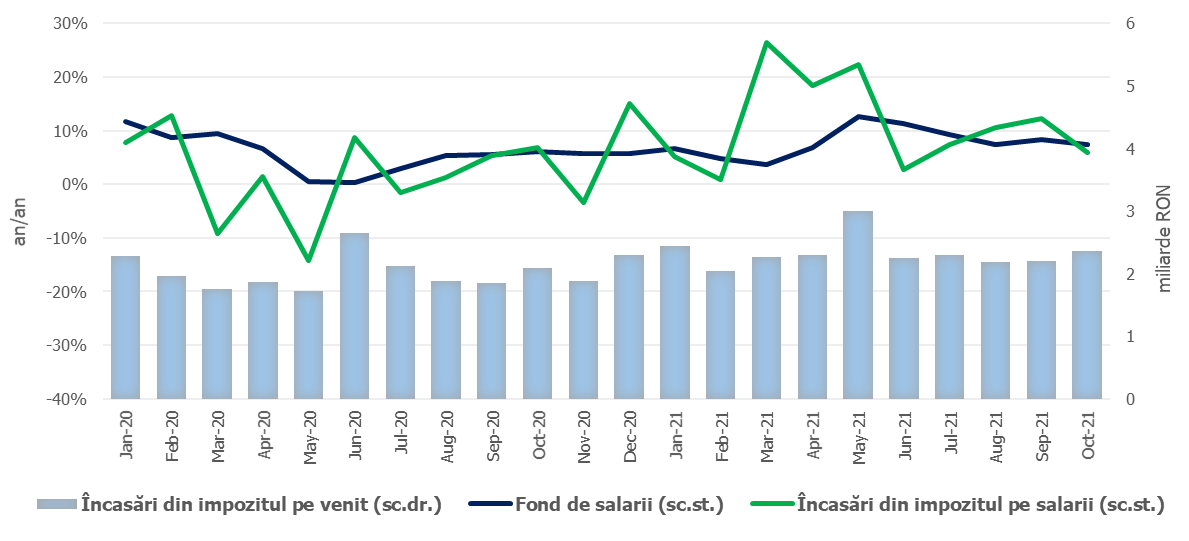
This evolution was determined by: (i) the increase of budget revenues by 1 percentage point of GDP (year/year), mainly influenced by the advance of VAT collections; (ii) the decrease of budget expenses by 2 percentage points of GDP (year/year), mainly following the decrease of the share of salary and social assistance expenditure in GDP.

At the same time, in the period of January - October 2021, investment expenses were **2.71 billion Lei** bigger than during the same period of the previous year, and the exceptional payments generated by the COVID-19 epidemic were of **11.36 billion Lei.**

1. **revenues of the general consolidated budget**

The revenues of the general consolidated budget amounted to 308.61 billion Lei in the first ten months of 2021, i.e. a 17.1% over the level collected in the corresponding period of the previous year. This progress was influenced both by the low collections from the comparable period of the previous year - as an effect of certain taxpayer support measures (payment term postponement, bonuses, and exemptions), as well as by the recovery of economic indicators, respectively the partial recovery of certain categories of revenues (VAT, insurance contributions, personal income tax and corporate income tax). At the same time, the most significant nominal increases are noted in the case of VAT, and insurance contributions.

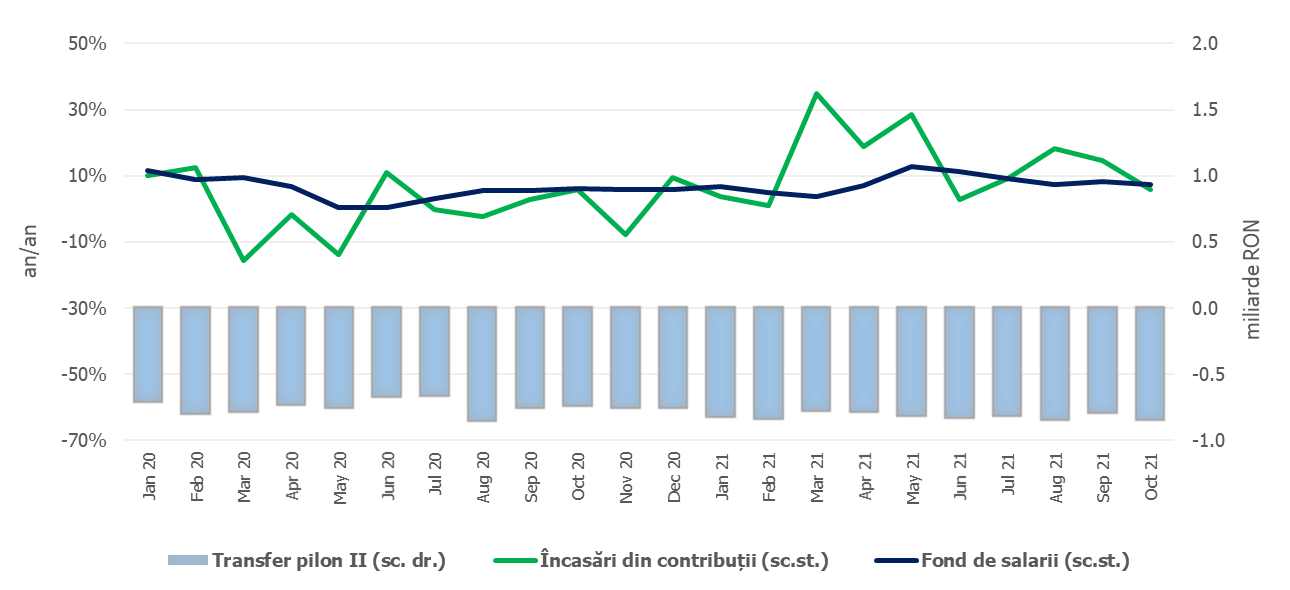
The collections from ***salary and personal income tax*** totaled 23.34 billion Lei in Jan-Aug 2021, recording a 15.7% increase (year/year), which was supported by the increase of collections from *pension tax*(+47.7%), *the tax on dividends* (+31.3%), respectively the *Single declaration* (+20.6%). At the same time, revenues from the *salary tax* increased by 10.7%, the dynamics being superior to that registered by the salary fund from the economy of 7.8%[[5]](#footnote-5) (Fig. 1).



Source: MF, NIS, own calculations

**Fig. 1 Personal income tax**

***Insurance contributions*** registered 105.00 billion Lei in the first ten months of year 2021, an increase of 12.9% (year/year). Just like in the case of the personal income tax, the evolution is superior to the dynamics of the salary fund (Fig. 2) and was influenced both by low collections from the comparable period of 2020 and by the partial recovery of the postponed contributions of the previous year.

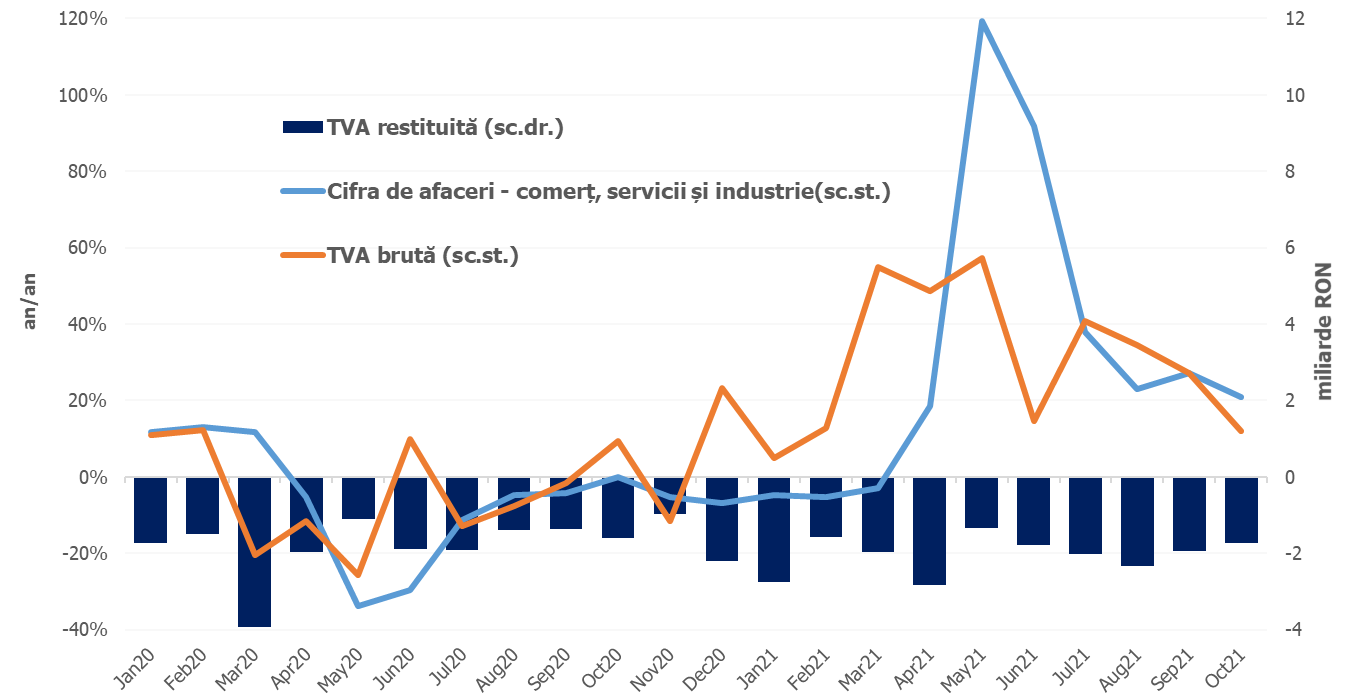


Source: MF, NIS, own calculations

**Fig.2. Insurance contributions**

Collections from ***corporate income tax*** amounted to 18.57 billion Lei in Jan-Oct 2021, which is an increase of 27.8% (year/year). This advancement was determined by the main component - the collections from the corporate income tax from economic agents[[6]](#footnote-6), with positive dynamics of 30.8% (year/year).

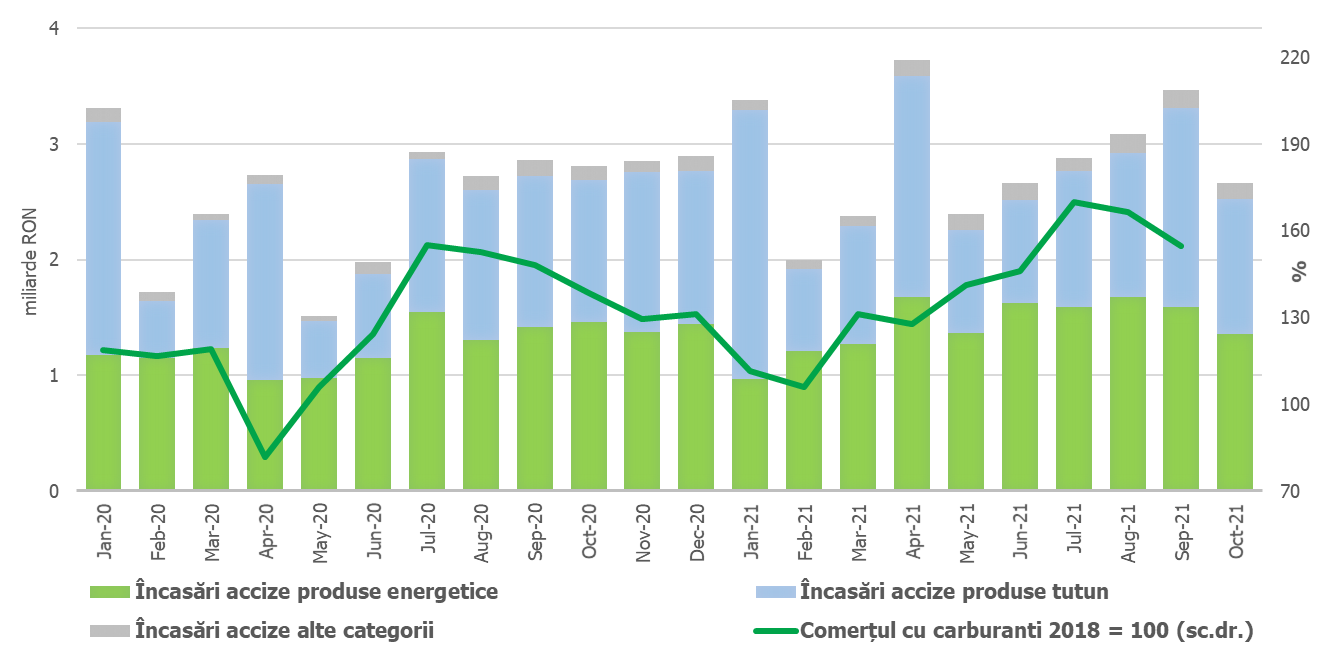
***Net collections from VAT[[7]](#footnote-7)*** registered 64.40 billion Lei in the first ten months of the current year, i.e. an increase of 35.2% (year/year). At the same time, *VAT returns* amounted to 20.19 billion Lei during the period under analysis, which is 10.0% over the level registered in Jan - Oct 2020. The evolution of VAT collections was influenced by the reduced base corresponding to the previous year - when the measures of postponement of the payment term for VAT were taken, the partial recovery of postponed VAT in 2020, and the recovery of the relevant macroeconomic base.



Source: MF, NIS, own calculations

**Fig. Collections from value-added tax**

Revenues from ***excise duties*** amounted to 28.62 billion Lei in Jan-Oct 2021, which is an increase of 14.6% (year/year). In structure, it is noted a dynamic of 15.6% in the case of collections from excise duties for *energy products* - mainly determined by the normalization of fuel consumption compared to the reference period, and by an advance of 11.9% of collections from *excise duties for tobacco products*, also supported by the increase of the excise duty for cigarettes[[8]](#footnote-8).



Source: MF, NIS, own calculations

**Fig. 4 Collections from excise duties**

***Non-fiscal*** revenues amounted to 23.44 billion Lei in Jan - Oct 2021, recording an increase of 2.1% (year/year), which was also supported by the dynamics of revenues from dividends (+5.1% year/year).

***The amounts refunded by the European Union on account of payments made and donations*** totaled 24.64 billion Lei in the first ten months of 2021, which is an increase of 9.6% compared to the level registered during the same period of the previous year.

1. **EXPENDITURES of the general consolidated budget**

The expenditures of the general consolidated budget of 356.58billion Lei increased in nominal terms by 5.6% compared to the same period of the previous year.

In the first ten months of 2021, investment expenses were 2.71 billion Lei bigger than during the same period of the previous year, and the exceptional payments generated by the COVID-19 epidemic were of 11.36 billion Lei.

***Personnel expenses*** amounted to 91.84 billion Lei, i.e. an increase of 1.5% compared to the same period of the previous year. Expressed as share in the GDP, personnel expenses represent a level of 7.7% of GDP, i.e. 0.9 percentage points less than during the same period of the previous year. Out of the total personnel expenses, payments representing the risk bonus granted for COVID 19 were of 70.35 million Lei, as well as other personnel expenses, including bonuses granted to the medical and auxiliary personnel involved in the activities with patients diagnosed with COVID-19 of approximately 2,033.88 million Lei.

***Expenses for goods and services*** amounted to 47.72 billion Lei, i.e. an increase of 6.8% compared to the same period of the previous year. An increase is reflected in the state budget, namely of 15.2% compared to the same period of the previous year, as well as in the budget of the National Single Fund of Health Insurance of 8.9%; according to the data communicated by the main spending authorities, 5.6 billion Lei of the total for goods and services are payments for medicines, health materials, reagents and other products necessary for the diagnostic and treatment of patients infected with coronavirus SARS-CoV-2, as well as the payment for vaccines against Covid-19.

***Social assistance expenses*** amounted to 124.12 billion Lei, i.e. an increase of 6.7% compared to the same period of the previous year. The evolution of social assistance expenses was mainly influenced by the increase of the pension point as of September 1, 2020 by 177 Lei, respectively from 1,265 Lei to 1,442 Lei. It is also reflected in the increase as of September 1, 2020 of the level of the guaranteed social allowance for the retired from 704 Lei to 800 Lei, as well as in the increases related to the State allowances for children as of January 1, 2020, as of August 1, 2020, which represent an increase of the allowance by approximately 20% more than the one paid in July 2020, as well as the increase as of January 1, 2021, which represents an increase of the allowance by approximately 16% more than the one paid in December 2020.

At the same time, the payments for the exceptional measures taken in the social and economic field for the purpose of reducing the negative effects caused by the COVID 19 pandemic. Thus, by the end of October have been paid for active measures 1,742.66 million Lei, respectively 607.16 million Lei for allowances granted throughout the term of temporary suspension of the individual employment agreement at the employer’s initiative; 190.55 million Lei for allowances granted for other professionals and for the persons who have concluded individual employment agreements and who interrupt their activity as a result of the effects of SARS-CoV-2; 419.89 million Lei for amounts granted to the employers to deduct part of the gross salary of the employees kept under employment; 67.09 million Lei in amounts granted to the employers for hiring certain categories of individuals, as well as 457.96 million Lei in allowances granted during the period of temporary decrease of the activity for professionals, and for the persons who have concluded individual employment agreements pursuant to Law no. 1/2005.

The deductions of health insurance allowances for medical leave continue for the purpose of decreasing the stock of outstanding payments related thereto, so that at the end of October the payments were of 3,538.9 million Lei.

**Expenses for subsidies** were of 5.76 billion Lei, a large part thereof being allocated to transports, respectively subsidies for passenger transport, as well as for support of agricultural producers.

***Other expenses*** were of 6.04 billion Lei and represented mainly amounts corresponding to payment titles issued by the National Authority for Property Restitution, in accordance with the legislation in force; scholarships for pupils and students; other civil damages, as well as allowances granted to parents for child supervision during the period of temporary closing of educational units.

***The expenses related to projects financed from external non-reimbursable funds*** (including subsidies from the European Union corresponding to agriculture) were of 26.97 billion Lei, i.e. 15.4% more than in the previous year.

***The investment expenses***, which include capital expenses, as well as those corresponding to the development programs financed from internal and external sources, amounted to 38.19 billion Lei, i.e. an increase of 7.7% compared to the same period of the previous year, when they amounted to 35.47 billion Lei. It is also noted a stronger increase of the projects financed from post-accession non-reimbursable external funds, which represent 53.09% of the total investment expenses for the first ten months of year 2021, i.e. 5.89 billion Lei bigger compared to the same period of the previous year.

Also, from the budget of the Ministry of Internal Affairs were paid 199.67 million Lei for the procurement of products - stocks of medical emergency, including thermal scanners used in the fight against the spread of the infection with coronavirus SARS-COV-2.

Source: MF

**Fig. 5 Structure of investment expenses**

**3.3 Medium-term macroeconomic forecasts (2022-2024)**

For 2022-2024 was considered a sustainable economic growth, based on investments, for the gross fixed capital formation being estimated evolutions clearly superior to end consumption.

According to the 2021 fall forecast, for 2022 it is estimated an economic growth of 4.6%.

For 2022-2024, the average annual pace of growth of the gross domestic product is provided at 5.0% in real terms.

| **Economic growth** | **2022** | **2023** | **2024** |
| --- | --- | --- | --- |
| **Annual percentage change** | | | | |
| Real GDP | 4.6 | 5.3 | 5.0 |
| Nominal GDP | 10.7 | 9.3 | 8.3 |
| Real GDP components | | | | |
| Domestic demand, of which: | 5.4 | 5.9 | 5.5 |
| Final consumption | 4.1 | 4.5 | 4.4 |
| - Expenditures for private consumption, of which: | 4.5 | 4.9 | 4.8 |
| - Expenditures for final consumption of the population | 4.5 | 4.9 | 4.8 |
| - Expenditures for government consumption, of which: | 2.7 | 3.1 | 2.8 |
| - Collective consumption of the public administration | 3.0 | 3.1 | 3.2 |
| Gross fixed capital formation | 9.3 | 11.2 | 9.0 |
| Exports of goods and services\*) | 5.4 | 6.0 | 5.5 |
| Imports of goods and services\*) | 7.2 | 7.3 | 6.7 |
| Contributions to GDP growth (percentages) | | | | |
| Final domestic demand | 5.7 | 6.6 | 6.0 |
| Change of stocks | 0.0 | -0.4 | -0.1 |
| Net export | -1.1 | -0.9 | -0.8 |
|  |  |  |  |

*Source: National Commission of Strategy and Prognosis*

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

On the demand side, gross fixed capital formation will be the main factor of economic growth, with an annual pace of 9.9%, the scenario considering the impact of absorption of both the funds allocated through the NRRP and of those from the multi-annual financial framework. Exports and imports of goods and services will register growth rhythms, in real terms, with an annual average of 5.7%, respectively 7.1%, net export having a negative effect on economic growth, but it shall gradually reduce.

**The average number of employees** will increase between 2022 and 2024, by 2.4% on average every year, and **the unemployment rate registered** at the end of the year will decrease, reaching 2.6 % at the end of 2024.

In 2022-2024 it is estimated that **exports of goods** shall increase on average by 7.6%, while **imports of goods** will have higher dynamics, i.e. of 8.2%. The more accentuated increase of the imports of goods are due to a more accelerated increase of the procurement of intermediate goods, in correlation with the expected evolution of industrial production and the acceleration of the constructions activity. A similar trend is also estimated in the case of imports of capital goods, investments requiring especially procurement from foreign markets.

With respect to consumer goods, they are also estimated to slightly increase on the basis of a tempering of consumption demand of households.

- million EUR -

| Foreign trade and current account | 2022 | 2023 | 2024 |
| --- | --- | --- | --- |
| FOB export of goods\*) | 79,097 | 85,137 | 91,040 |
| - annual percentage change, % | 8.2 | 7.6 | 6.9 |
| CIF import of goods\*) | 105,329 | 114,103 | 122,445 |
| - annual percentage change, % | 9.0 | 8.3 | 7.3 |
| FOB - CIF Commercial Balance | -26,232 | -28,966 | -31,405 |
| Current account balance | -16,261 | -16,742 | -16,934 |
| - % of GDP | -6.1 | -5.8 | -5.5 |

\*) Export and import of goods are nominal values expressed in EUR.

*Source: National Commission of Strategy and Prognosis*

The level of the **current account deficit** will have an average of 16.6 billion EUR in 2022-2024, the share thereof in GDP being of 5.5% in the last year of the forecast horizon.

For 2022, following the tendencies of increase of prices for energy products and for several raw materials at world level, it is estimated that **inflation** will continue its ascending trend, the average annual rate increasing by 6.5%, while at the end of the year it is expected that consumer prices will reach a level of 4.7%. In the absence of other shocks, the inflation tends to decrease, reaching a ceiling of 2.7% at the end of 2024, and of 2.9%, respectively, as annual average.

The forecasts have taken into account both normal agricultural years and a stabilization of prices for electricity, natural gas, oil, and other raw materials at world level. A slight depreciation in nominal terms of the national currency relative to the European currency has been considered as well.

|  |  |  | - %- |
| --- | --- | --- | --- |
| Inflation | 2022 | 2023 | 2024 |
| - end of year | 4.7 | 3.4 | 2.7 |
| - annual average | 6.5 | 3.7 | 2.9 |

**4.** **THE FISCAL AND BUDGETARY FRAMEWORK ON THE 2022-2024 HORIZON**

**4.1 ESTIMATED ACHIEVEMENTS IN 2021 COMPARED TO THE MEASURES UNDERTAKEN THROUGH THE FISCAL AND BUDGET STRATEGY FOR 2021-2023**

**In the field of direct taxes:**

**Corporate income tax**

● application of discounts when establishing the corporate income tax according to the maintenance/increase of own capitals, in accordance with G.E.O. No. 153/2020, for the period 2021-2025. The tax discount percentages are in the interval 2% - 10%, according to the registration of positive own accounting capitals or to the level of increase of fiscally adjusted capitals; 2021 is the first year of application and for the calculation of this discount were changed:

- the payment term of the corporate income tax for the taxpayers who apply this ordinance as of March 25 until June 25 of the fiscal year;

- the rules related to the first anticipated payment, for those who apply the system of annual calculation with anticipated payments, namely they shall make the anticipated payment for Q1 of every fiscal year/amended fiscal year at the level of the amount resulting from the application of the tax rate on the accounting profile of the period for which the anticipated payment is made, until the 25th, inclusive, of the month following Q1.

● the tax deductions for early education have been suspended for April 1 - December 2021, in accordance with the provisions of G.E.O. No. 19/2021 *on certain fiscal measures, as well as for amendment and supplementation of certain legislative acts in the fiscal field.* According to this legal framework, these tax deductions shall be reapplied as of January 1, 2022.

*Other measures:*

● repealing of the amendment related to the complete deduction of the adjustments for depreciation of receivables registered in accordance with the applicable legal regulations, brought through Law no. 296/2020 for reduction of the budget impact, at the same time as the amendment of the deduction percentage from 30% to 50%, of the adjustments for receivables not collected, in the framework of increase of the volume of receivables not collected as a result of the negative effects of the COVID-19 pandemic. The provisions shall be applied as of 2022, in accordance with *G.O. No. 8/2021 on the amendment and supplementation of Law no. 227/2015 on the Fiscal Code*.

**Tax on the income of microenterprises**

● application of the discounts for the tax on the revenues of microenterprises according to the maintenance/decrease of own capitals, through GEO no. 153/2020, for the period 2021-2025, 2021 being the first year of application.

**Other direct taxes in the field of natural resources for 2021:**

● In 2021 were applied the provisions of Government Ordinance no. 6/2013 on the establishment of special measures for taxation of the exploitation of natural resources, other than natural gas, approved as amended and supplemented through Law no. 261/2013, as subsequently amended, as a result of the postponement of the term of application through Government Emergency Ordinance no. 114/2018 for the period 2019-2021, as well as of the provisions in Government Ordinance no. 5/2013 on the establishment of special measures of taxation of activities of the type of natural monopoly in the electricity and natural gas sector, as subsequently amended.

*Activities performed in response to the crisis caused by the COVID-19 pandemic:*

● Taxpayers required to pay the specific tax in accordance with Law no. 170/2016 on the tax specific for certain activities for year 2021 benefited of:

- exemption from the payment of the specific tax for:

- a term of 90 days, calculated as of January 1, 2021, in accordance with GEO no. 226/2020 on certain fiscal and budget measures and amending and supplementing certain legislative acts and for the postponement of certain deadlines;

- a term of 90 days, calculated as of April 01, 2021, in accordance with GEO no. 19/2021 on certain fiscal measures and amending and supplementing certain legislative acts in the fiscal field;

- postponement of the payment term for the specific tax corresponding to Q1 of 2021 until December 25, 2021, inclusive, through G.E.O. No. 59/2021 amending and supplementing Law no. 227/2015 on the Fiscal Code, considering the period of closing or reduction of activity in the fields of activity provided by Law no. 170/2016 on the tax specific for certain activities, as subsequently supplemented, in the framework of the COVID-19 pandemic.

The purpose of the measures referred to the reduction of the fiscal burden for these taxpayers, considering that the mechanism of establishment of the tax specific for certain activities relative to certain variables (the locality ranking, the commercial/service/activity performance useful area, the seasonality coefficient, the value of the standard tax for hotels and other accommodation facilities corresponding to the category and/or type of tourist reception structure mentioned in the classification certificate) and not in connection with the level of achieved revenues, affects the liquidity thereof.

**The tax and mandatory social contributions corresponding to the revenues obtained by private individuals**

● granting to the employees who perform activities under remote work regime an amount of up to 400 Lei/month to support utilities expenses at the place where they work, like electricity, heating, water and data subscription, and the procurement of furniture and office equipment, within the limits established by the employer through the employment agreement or the internal remote work regulation. The amounts up to the ceiling of Lei 400 shall be granted with no need to submit supporting documents and shall not be subject to taxation.

● non-taxation of the value of epidemiological tests and/or of the vaccination of employees to stop the spread of diseases that endanger employee and public health borne by the employers.

**The tax on the revenues obtained by non-resident private individuals and legal entities**

● was elaborated the Law on the ratification by the Romanian side of the Multilateral convention for implementation in the fiscal treaties of the measures related to preventing the erosion of the tax base and the transfer of profits and it was sent to the Parliament for approval.

**In the field of direct taxation:**

**Valued-Added Tax**

● Government Emergency Ordinance no. 13/2021 amending and supplementing Law no. 227/2015 on the Fiscal Code and the Accounting Law no. 82/1991, through which were adopted mainly the following measures in the field of VAT:

- the corresponding amendments of the provisions in Law no. 227/2015 on the Fiscal Code in order to implement the ceiling of Lei 4,500,000 for the application of the VAT on collection system, as well as the establishment of the possibility to opt for the application of the system anytime during the year, such as it was intended by Law no. 296/2020;

- clarification of the provisions with respect to the value ceiling for application of the reduced VAT rate of 5% for the delivery of housing as part of the social policy.

● Government Emergency Ordinance no. 19/2021 on certain fiscal measures, as well as amending and supplementing certain legislative acts in the fiscal field, through which were adopted mainly the following measures in the field of VAT:

- introduction of exemptions from the submission of the recapitulative statement for the operations performed between taxable persons from Romania and taxable persons from the United Kingdom of Great Britain and Northern Ireland, considering that after January 1, 2021 the VIES system no longer offered information with respect to VAT registration of taxable persons from the United Kingdom of Great Britain and Northern Ireland

- reintroduction of the provisions related to the exemption from inclusion in the tax deduction of the amounts representing payable VAT with which the tax body registered on the creditors’ table, according to Law no. 85/2014.

● Government Emergency Ordinance no. 59/2021 amending and supplementing [Law no. 227/2015 on the Fiscal Code](http://legislatie.just.ro/Public/DetaliiDocumentAfis/239509) through which were introduced new rules related to VAT in the field of electronic commerce, applicable as of July 1, 2021, as a result of the transposition into the national legislation of the following directives of the Council of the European Union:

- art. 2 and art. 3 in Directive (EU) 2017/2445 of the Council of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods, such as it was amended through Decision (EU) 2020/1109 of the Council of July 20, 2020 amending Directives (EU) 2017/2455 and (EU) 2019/1995 with regard to the dates of transposition and application, in response to the COVID-19 pandemic;

- Directive (EU) 2019/1995 of 21 November 2019 amending Directive 2006/112/EC as regards provisions relating to distance sales of goods and certain domestic supplies of goods, such as it was amended through Decision (EU) 2020/1109 of the Council of July 20, 2020 amending Directives (EU) 2017/2455 and (EU) 2019/1995 with regard to the dates of transposition and application, in response to the COVID-19 pandemic.

● Government Ordinance no. 8/2021 amending and supplementing Law no. 227/2015 on the Fiscal Code, through which were adopted the following measures in the field of VAT:

- the performance of certain correlations of technical nature in the framework of application of the new VAT rules in the field of electronic commerce, implemented through Government Emergency Ordinance no. 59/2021;

- amendment of the legal provisions so that they should no longer exclude certain taxable persons from the application of the special regime of the single counter for VAT, in the framework of the letter of placement in default in Case 2020/4142;

- transposition into the national legislation of the provisions of Directive (EU) 2021/1159 of the Council of July 13, 2021 amending Directive 2006/112/EC with respect to temporary exemptions applied to imports and certain deliveries of goods or provisions of services, in response to the COVID-19 pandemic.

● Government Emergency Ordinance no. 120/2021 on the administration, operation, and implementation of the national system regarding electronic invoicing RO e-Factura and electronic invoicing in Romania, as well as supplementing Government Ordinance no. 78/2000 on the homologation, issuance of the identity card of the vehicle and certification of the authenticity of road vehicles for their introduction on the market, placement at disposal on the market, registration in Romania, as well as supervision of the market for them, through which was regulated the national system of electronic invoicing RO e-Factura, as well as electronic invoicing at national level.

We also mention that through Laws no. 286/2021 and no. 287/2021, published in the Official Gazette, Part I, no. 1168 of December 9, 2021, the rate of VAT is reduced from 19% to 5% for:

* delivery of fire wood to private individuals, under the form of trunks, stumps, twigs, branches or the like, which are classified under codes NC 4401 11 00 and 4401 12 00;
* deliveries of fire wood, under the form of trunks, stumps, twigs, branches or the like, which are classified under codes NC 4401 11 00 and 4401 12 00, made by legal entities or other entities, no matter their legal form of organization, including schools, hospitals, medical dispensaries and social assistance units.

We also mention that through Law no. 291/2021 amending art. 291 para. (3) letter a) in Law no. 227/2015 on the Fiscal Code, as of January 1, 2022 the scope of application of the reduced VAT rate for delivery of school manuals, books, newspapers and magazines was extended to include those transmitted electronically, with certain exceptions.

**Excises**

* ***with applicability as of January 01, 2021:***
* was increased the level of the total excise for cigarettes from Lei 533.97/1000 cigarettes to Lei 546.21/1000 cigarettes, so as to observe the requirements provided by Directive 2011/64/EU of the Council on the structure and excise rates applicable to processed tobacco.
* was increased the level of the excise for fine-cut smoking tobacco intended for rolling in cigarettes, as well as for other smoking tobacco from Lei 435.40/kg to Lei 457.20/kg, according to the schedule of gradual increase of the level of excises provided in the Fiscal Code and was updated with the increase of consumer prices officially communicated by the National Institute of Statistics, so that the level of excises applicable as of January 1, 2021 is of Lei 504.34/kg.
* We also mention that the level of excises provided in annex no. 1, with the exception of cigarettes, and in annex no. 2 to Title VIII “Excises and other special duties” in the Fiscal Code was updated with the increase of consumer prices officially communicated by the National Institute of Statistics.
* ***with applicability as of April 01, 2021:***
* Was increased the level of the total excise for cigarettes from Lei 546.21/1000 cigarettes to Lei 563.97/1000 cigarettes, according to the schedule of gradual increase of the total excise level for cigarettes provided in the Fiscal Code.

**In the field of the Fiscal Procedures Code, we mention that a series of the measures adopted by the Government in 2020 produce their effects in 2021 as well**, through the postponement of the terms or the permanence thereof, as follows:

● have been established **measures of award of fiscal facilities** which refer to all taxpayers with outstanding debts at March 31, 2020 (private individuals, legal entities, private individuals who perform economic activities or liberal professions, entities without legal personality, public institutions, etc.), respectively **of annulment of owed accessories, provided the principal budget liabilities are paid, and of current liabilities**, in which framework we mention that the term within which the request for annulment of the accessories can be submitted was extended until January 31, 2022 (term extended through Government Emergency Ordinance no. 19/2021);

● **have been made flexible the conditions of accession of the restructuring of budget liabilities** through the adoption of certain provisions that would regulate: the inclusion in the scope of budget liabilities for which can be granted the restructuring of budget liabilities until December 31, 2020, the extension of the term of submission of notifications regarding the intention of benefiting of the restructuring of budget liabilities until September 30, 2021, and the restructuring request can be submitted until January 31, 2022 (terms extended through Government Emergency Ordinance no. 19/2021). In order to benefit of the restructuring of budget liabilities, taxpayers must cumulatively fulfill certain requirements provided by law;

● **was regulated a simplified procedure of granting the payment in installments for at most 12 months**, for the principal and accessory budget liabilities whose due date/payment term is met after the date of declaration of the state of emergency until the date of issuance of the tax ascertaining certificate, if certain conditions are fulfilled. With respect to this facility, we mention that:

- beneficiaries of the facility are all taxpayers, no matter the form of ownership, including those who have a payment facility in process, in accordance with the Fiscal Procedure Code, and who do not have outstanding fiscal liabilities on the date of declaration of the state of emergency and not extinguished on the date of issuance of the tax ascertaining certificate;

- this measure has advantages, because it regulates a simplified procedure of award of the payment in installments for the taxpayers who have been good payers until the date of entry into the state of emergency. Compared to the normal procedure of award of the payment in installments, according to the Fiscal Procedure Code, the procedure and the documents submitted by the debtors are simplified, meaning that a payment in installment is granted only on the basis of a request, no other documents being submitted, and, therefore, the settlement term is much reduced;

- also, the measure has the advantage that no guarantees must be established, considering the short term of award of the payment in installments (12 months), the difficult situation faced by the taxpayers from the perspective of much reduced financial liquidities compared to the period prior to the entry into the state of emergency, as well as the need to support the business environment to revitalize the activity;

- it must be mentioned that the interest charged during the time of payment in installments is reduced, from 0.02% as provided by the current fiscal legislation, to 0.01%, which corresponds to an interest level of 3.65%.

● permanence of the VAT refund procedure through negative VAT returns with refund option, meaning that the refund shall be made with subsequent control.

VAT refund with anticipated control shall be exceptional, namely: the taxpayer/payer has deeds in its fiscal record which are sanctioned as crimes or if the central fiscal body, based on the information it holds, finds that there is a risk of undue refund.

The effect of this measure is represented by the fact that the amounts requested for refund are quickly reintroduced in the economic circuit.

**In the field of non-fiscal taxes and tariffs and the specifically regulated fields**

● through the Order of the chairman of ANAF no. 435/March 30, 2021 *approving the Procedure of connection of electronic fiscal devices, defined by art. 3 para. (2) in Government Emergency Ordinance no. 28/1999 on the obligation of economic operators of using electronic fiscal devices, to the national information system of supervision and monitoring of fiscal data of the National Agency for Fiscal Administration,* were set the terms until which the economic operators that use electronic fiscal devices are required to connect them to the information system of the National Agency for Fiscal Administration, namely:

- until June 30, 2021, economic operators classified into the category of large taxpayers;

- until November 30, 2021, the economic operators from the category of small and medium enterprises.

In this framework we show that currently, according to the information held by the Ministry of Finance, out of a total of 650,908 electronic fiscal cash registers installed, over 526,000 have transmitted data to the information system of ANAF.

**4.2. SHORT CHARACTERIZATION OF THE FISCAL POLICY FOR 2022-2025, MAIN MEDIUM-TERM OBJECTIVES**

**The main objectives of the fiscal policy taken into account for medium term** mainly refer to the following aspects:

* Implementation of the measures comprised in the Government Programme for 2021-2024, as the fiscal and budget space allows it, as well as of those included in the National Recovery and Resilience Plan;
* Improvement and simplification of the fiscal legislation, as a result of the dialogue with the business environment;
* Improving the legislation according to evasion phenomena, in order to fight them.
* Implementation of a mandatory electronic invoicing system to ensure efficiency and effectiveness improvement in the collection of taxes and charges, as well as to prevent and fight fraud/evasion in the field of VAT, with prior obtaining of a special measure of derogation from the provisions of Directive 2006/112/EC on the common system of value-added tax.
* Preparing certain reforms in the fiscal field to contribute to sustainable economic growth on medium and long term;
* Continued improvement of the legislation to correspond to the criteria of harmonization with the Community legislation, through transposition into the national legislation of the measures adopted at European level. Are also considered the initiatives proposed by the European Commission through the “Action plan for fair and simple taxation supporting the recovery strategy”, whose purpose is to reduce the administrative burden in the Member States and for the taxpayers, as well as to simplify legislative provisions and the obligations of registration and reporting in the field of VAT;
* Increasing the collection of fiscal revenues and extensive measures to enter a regime of voluntary compliance of taxpayers, including through the digitalization of the relationships between the State and the taxpayers, as well as business to business.

**Main fiscal policy measures on the 2022-2025 horizon**

**◊** In the field of corporate income tax/the tax on the income of microenterprises/the tax specific for certain activities

- amendment of the regulations through gradual introduction of the scope of applicability of the special taxation regime for microenterprises;

- establishment of tax incentives, with the purpose of simplifying the taxation system to be more efficient, transparent, equitable until 2024;

- during the meeting of October 8, 2021, the Inclusive Framework of OCDE - BEPS, was adopted the Consensus Declaration and the Detailed plan of implementation of the measures referred to in **Pillar One and Pillar Two of the BEPS plan**, to which Romania adhered. **Pillar Two** refers to the immediate transposition of the provisions of the initiative at global level through avoidance of the erosion of the taxable base and the transfer of profits, which shall substantially reduce tax evasion;

- inclusion on the production costs of companies of only the expenses strictly related to the performance of the economic activity thereof that directly generates revenues, in accordance with the practices from European developed countries. As an effect, production costs shall decrease, through the elimination of subjective expenses of the shareholders and directors which are currently registered in the accounting records of the companies and, as such, the taxation base shall increase;

- extension of the period of suspension of the regulations related to the fiscal facility for early education expenses until December 31, 2022;

- revision of the distortions and gaps from the fiscal legislation, ensuring correctness and equity in the system on the principle of taxation neutrality.

◊Other direct taxes in the field of natural resources

* postponement until December 31, 2025, inclusive, of the term provided under art. 6 in Government Ordinance no. 6/2013 establishing certain special measures for taxation of the exploration of natural resources, other than natural gas, approved as amended and supplemented through Law no. 261/2013, as subsequently amended.

◊In the field of local taxes and charges

- analysis of the taxation system from Romania in order to elaborate recommendations to make sure the taxation system contributes to the promotion and maintenance of sustainable economic growth through the implementation of the measures from the National Recovery and Resilience Plan;

- granting facilities by the local administrations: for example, lots for the construction of houses, establishment of facilities related to local taxes and charges, etc., a measure for which shall be organized consulting between the ministries involved in order to establish the measures and the granting of competences to local public authorities;

- granting the possibility to the local public administration authorities to support families who have children in their care through discounts/exemptions from taxes and charges, as well as by granting complementary scholarships for pupils coming from numerous families, a measure for which shall be organized consulting sessions between the ministries involved in order to establish the exemptions/payment discounts for local taxes and charges and the granting of competences to local public authorities.

◊ In the field of tax and mandatory social contributions corresponding to the revenues obtained by private individuals

**The 2021-2024 Government Programme** provides the revision of the Fiscal Code through implementation of the following measures:

* amendment of the Fiscal Code by eliminating the facility of exemption from payment of health insurance contributions for private individuals who are pensioners, for the revenues from pensions in excess of Lei 4,0000;
* analysis of the taxation system from Romania in order to elaborate recommendations to make sure the taxation system contributes to the promotion and maintenance of sustainable economic growth;
* reintroduction of the deduction at source, approaching the decrease of labor taxation, especially in the area of low revenues;
* creation of a fiscal environment favorable for the development and support of the business environment in the field of tourism;
* ensuring differentiated fiscal treatment according to the fiscal behavior of the taxpayers and gradual application of certain specific measures by the fiscal bodies;
* granting fiscal credit for children registered with nurseries and kindergartens, so that employers should have the possibility to partially cover nursery and kindergarten costs of their employees in exchange to tax discounts;
* fiscal facilities for entrepreneurs who offer to the workers certain family favorable benefits (for example, deduction of nursery or educational expenses, etc.)
* revision of the distortions and gaps from the fiscal legislation, ensuring correctness and equity in the system on the principle of taxation neutrality;
* awarding fiscal facilities for payment of tax liabilities for good payers;
* extending the facilities for payment of taxes and charges through the platform Ghiseul.ro.

Also, through the **National Recovery and Resilience Plan** it is sought to implement the following fiscal measures:

- the performance, with support from technical assistance and counseling and consultancy services, of an analysis of how the structure of the fiscal system/fiscal legislation in Romania can be improved so that the fiscal system should contribute to promoting and maintaining sustainable economic growth. The focus shall be on:

- the gradual elimination of fiscal incentives and fiscal gaps with respect to personal income tax, corporate income tax (including the special regimes that can be subject to derogations), social contributions.

- amendment of the Fiscal Code through implementation of the results following the revision of the fiscal system in order to make sure the fiscal system contributes to the promotion and maintenance of sustainable economic growth. These amendment shall be gradually introduced until January 2024.

- gradual reduction of fiscal incentives for the personnel employed in the constructions sector. The gradual decrease of fiscal incentives for the personnel employed in the constructions sector shall start in 2025 and shall be completed by the end of 2028.

◊ In the field of taxation of non-resident private individuals and legal entities

**Pillar One of the BEPS plan, which refers to the following aspects:**

- multinational enterprises which shall fall under the scope of application of Pillar I are those having a global turnover bigger than 20 billion EUR and profitability (profit before taxation/total revenues) over 10%.

- exclusion from the application of Pillar One of certain activities, like the exploitation of natural resources and the field of regulated financial services.

- pillar One focuses on the establishment of a nexus and of profit allocation rules which would allow the taxation of revenues obtained by companies in jurisdictions where they do not have a physical presence but carry out economic activities, if the multinational enterprise obtains in that jurisdiction revenues in excess of 1 billion EUR. For the jurisdictions where GDP is lower than 40 billion EUR, the limit of revenues was set at EUR 250,000.

Through the adopted ***Declaration of the Inclusive Framework*, in terms of Pillar One** were agreed the following:

1) the percentage of residual profit, defined as profit which exceeds 10% of total revenues, which shall be allocated to the market jurisdictions, using an allocation key based on the amount of revenues, was set at 25%.

2) the introduction of a mechanism of prevention and combating of disputes between countries regarding Amount A and aspects related to Amount A which would be optional, not mandatory, for jurisdiction in process of development which do not have or have very few cases of amicable procedures with the fiscal authorities of other states.

3) coordinating the terms of enforcement of Pillar One with the suspension/repealing of the unilateral measures taken by different jurisdictions for taxation of digital economy.

For **the implementation of Pillar One shall be elaborated by OCDE a Multilateral Convention (MC)** through which shall be applied several measures, like the implementation of Amount A or the repealing of charges on the digital services introduced by certain jurisdictions. The Multilateral Convention shall contain the rules necessary to determine and allocate Amount A, to eliminate double taxation, as well as for efficient and simplified fiscal administration, for the exchange of information, and for the establishment of a mechanism for the prevention and settlement of disputes in a mandatory manner for all jurisdictions, thus ensuring consistency, certainty and efficiency in the application of the aspects related to Pillar One.

The text of the Multilateral Convention shall be elaborated by OCDE in the beginning of 2022, so that the Multilateral Convention should be open for signing as of the middle of 2022, and starting from 2023 it shall enter into force; the participating jurisdictions, including Romania, must ratify the Multilateral Convention in the second part of 2022.

In the process of adherence to the Multilateral Convention, the participating jurisdictions, including Romania, will have to amend their internal legislation for the purpose of implementing the principles of reallocation of profit, in accordance with Amount A. In order to come to the aid of these jurisdictions, the Inclusive Framework of OCDE shall elaborate **Model Rules** for the regulation of the aspects related to Amount A in the national legislation, until the beginning of 2022.

***◊*** In the field of VAT

- Considering Romania’s obligation, as Member State of the European Union, of harmonizing the national legislation with the legislation of the European Union, it is in process of elaboration a draft legislative act, with applicability as of July 1, 2022, through which are transposed into the national legislation the provisions of Directive (EU) 2019/2235 amending Directive 2006/112/EC on the common system of value-added tax and Directive 2008/118/EC on the general regime of excises, with respect to the defense actions of the Union.

- Through art. IV in Law no. 196/2021 *amending and supplementing the Law on the public service of heating supply no. 325/2006, amending para. (5) of art. 10 in Law no. 121/2014 on energy efficiency and supplementing para. (3) of art. 291 in Law no. 227/2015 on the Fiscal Code* was adopted the reduced VAT rate of 5% for deliveries of heating dedicated to the population, a provision which applies as of January 13, 2022 (according to art. V in that law).

- At the same time, in the framework of the process of harmonization with the Community legislation it is also considered the transposition into the national legislation:

* until December 31, 2023 of the provisions of Directive (EU) no. 2020/284 amending Directive 2006/112/EC with respect to the introduction of certain requirements for payment services providers;
* until December 31, 2024 of the provisions in Directive (EU) 2020/285 amending Directive 2006/112/EC on the common system of VAT with respect to the special regime for small enterprises and of the Regulation (EU) no. 904/2010 with respect to administrative cooperation and exchange of information for the purpose of monitoring the correct application of the special regime for small enterprises.

◊ In the field of excises

* Transposition of Directive (EU) 2020/1151 of the Council amending Directive 92/83/EEC on the harmonization of the structures of excises for alcohol and alcoholic beverages.
* Transposition of Directive (EU) 2020/262 of the Council of December 19, 2019 establishing the general regime of excises (reformation).

**With applicability as of January 01, 2022:**

Increase of the level of the excise for fine-cut smoking tobacco intended for rolling in cigarettes, as well as for other smoking tobacco from Lei 457.20/kg to Lei 480.10/kg, according to the schedule of gradual increase of the level of excises provided in the Fiscal Code and update with the increase of consumer prices officially communicated by the National Institute of Statistics, so that the level of excises applicable as of January 01, 2022 is of Lei 548.61/kg.

We also mention that the level of excises provided in annex no. 1, with the exception of cigarettes, and in annex no. 2 to Title VIII “Excises and other special duties” in the Fiscal Code was updated with the increase of consumer prices officially communicated by the National Institute of Statistics, which leads to an estimated impact of 727 million Lei.

**Effects of the considered measures on the business environment on the 2022-2025 horizon:**

The measures in the field of corporate tax which refer to the increase of the percentage of deduction of adjustments for the receivables not collected and the reduction of taxes according to the maintenance/increase of own capitals shall lead to the reduction of the fiscal burden corresponding to the level of collection of receivables, the reduction of financing costs and an improved functioning of the economic circuit.

The measures regarding the granting of periods of exemption to the taxpayers required to pay specific tax have been beneficial to the business environment in the framework of combating the effects of the COVID-19 pandemic which have caused difficulties of financial nature for most economic operators, which were facing a severe absence of liquidities.

With regard to the adoption of measures with effect of prevention and combating of tax evasion, they shall contribute to the consolidation of an honest competitive environment, through the elimination from the economy of the economic operators who, through a conduct non-compliant with the fiscal rules and the fiscal procedures, generate unfair competition relative to those taxpayers who operate under observance of all legal regulations specific for a market economy.

At the same time, shall be continued the improvement of the fiscal legislation to correspond to certain principles, among which, from the perspective of fiscal policy, we mention simplification, transparency, stability, and predictability.

The implementation of the measures related to discouraging the practices of avoidance of fiscal liabilities will guarantee an equitable taxation.

**Budget indicators of 2022**

**The projection of the revenues of the general consolidated budget for the period 2022-2024** was made on the basis of the macroeconomic indicators for the reference horizon, as well as of the current regulations from the fiscal field.

On medium term, based on economic revival, budget revenues will follow an ascending trend in nominal value.

Thus, in 2022, budget revenues in nominal terms are estimated at 439.9 billion Lei (33.4 of GDP), with the increase in nominal value on the reference horizon reaching 530.5 billion Lei in 2024 (34.0% of GDP).

The biggest shares in budget revenues in 2022 are registered by **social insurance contributions (31.8% of total revenues), followed by VAT with 20.8%, amounts received from the EU (13.4% of total revenues), and excises (8.7%).**

It should be noted **the growth tendency in 2022 in the total budget revenues compared to 2021 of the amounts coming from the EU**, which shall have a positive contribution to economic growth, European money representing a financing source which relieves the national budget and a means of implementation of reforms in agreement with the European agenda.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| The share of revenues in the total budget revenues for years 2021-2022 | | | | |
|  |  |  |  |  |
|  |  |  |  | - million Lei - |
|  | **2021** | | **2022** | |
|  | **% of total** | **Amount** | **% of total** | **Amount** |
|  |  |  |  |  |
|  |  |  |  |  |
| **Total budget revenues** | **100.0** | **387,737** | **100.0** | **439,986** |
| Corporate income tax | 5.2 | 20,062 | 4.9 | 21,582 |
| Tax on salaries and income | 7.2 | 28,020 | 7.2 | 31,499 |
| Property taxes and charges | 1.7 | 6,580 | 1.7 | 7,468 |
| VAT | 20.5 | 79,592 | 20.8 | 91,693 |
| Excises | 8.9 | 34,665 | 8.7 | 38,417 |
| Tax on foreign trade and international transactions | 0.4 | 1,471 | 0.4 | 1,678 |
| Other fiscal revenues | 3.8 | 14,614 | 4.2 | 18,582 |
| Social insurance contributions | 32.5 | 126,007 | 31.8 | 140,089 |
| Non-fiscal revenues | 7.5 | 29,145 | 6.6 | 29,113 |
| Capital income | 0.3 | 1,280 | 0.2 | 868 |
| Amounts received from the EU | 11.9 | 46,300 | 13.4 | 59,000 |

**4.3 EXPENDITURE POLICY**

**Medium term measures**

* Ensuring a sustainable level for the salary and pension expenditure in the public sector;
* Guiding available resources towards driving public investments in the fields of: infrastructure, agriculture, and rural development, energy and advanced technology, green and digital transition to which are added resources from the European funds corresponding to the 2021-2027 financial framework and the Recovery and Resilience Mechanism.
* Redirecting public investment expenditures for the purpose of obtaining a gradual passing from investments financed entirely from national sources to investments co-financed from European funds, the trait which is noted on the entire reference period.
* Accelerating the rhythm of spending European funds in order to improve the absorption rate and operationalize the NRRP.
* Continued financing of State aid schemes in 2022-2024, in order to contribute to the creation of new jobs, the performance of investments using new technologies, to obtaining products, services, innovative technologies, with effects on economic growth and on ensuring macroeconomic stability, which reflects a friendly attitude with the business environment.
* Continued process of making budget spending more qualitatively efficient by increasing the share of expenses with financing from external funds compared to those from national sources, as well as of investment expenses in total budget expenses.

**The budget expenditures estimated for 2022** are of 516.9 billion Lei, and in 2024 they reach 575.6 billion Lei, respectively 36.9% of GDP, registering a tendency of decrease as share in the GDP on the reference horizon due to the need to decrease the budget deficit.

The biggest increase on the reference horizon is registered by **social assistance expenditures**, namely of 12.2% of GDP in 2022, but it is nevertheless emphasized a tendency of decrease on the reference horizon.

**Personnel expenditures** are of 115.4 billion Lei in 2022, reaching 120.7 billion Lei in 2024, and decreasing as share in GDP on the reference horizon.

**Goods and services** register a tendency of decrease on the reference horizon, while interest expenses also register a decrease as share in the GDP for 2022-2024.

**Investment expenses** amount to 119.9 billion Lei in 2024, with a tendency of increase on the reference horizon.

Big shares in total expenses in 2022 have social assistance (31.0% of the total expenses), personnel expenses (22.3% of total), and investment expenses (17.2% of total). Nevertheless, in the structure of budget expenses it is found in 2022-2024 an increase of the share of investment expenses, a decrease of the expenses for goods and services, of personnel expenses, **which reflects the process of making budget spending more qualitatively efficient**.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **The share of expenditure in the total budget expenditure for years 2021-2022** | | | | |
|  |  |  |  |  |
|  |  |  |  | **- million Lei -** |
|  | **2021** | | **2022** | |
|  | **% of total** | **Amount** | **% of total** | **Amount** |
|  |  |  |  |  |
|  |  |  |  |  |
| **Total expenditures** | **100.0** | **472,642** | **100.0** | **516,969** |
| Personnel expenses | 23.8 | 112,429 | 22.3 | 115,407 |
| Goods and services | 13.3 | 62,922 | 12.9 | 66,569 |
| Interests | 3.9 | 18,300 | 3.9 | 19,938 |
| Subsidies | 1.8 | 8,454 | 2.3 | 12,146 |
| Social assistance | 31.2 | 147,663 | 31.0 | 160,401 |
| Other transfers | 11.9 | 56,308 | 10.4 | 53,729 |
| Investment expenses | 14.1 | 66,566 | 17.2 | 88,779 |

**4.4 FISCAL ADMINISTRATION POLICY**

**Achievements of ANAF in 2021**

2021 was a year of construction of the reforms meant to ensure the improvement of the fiscal administration activity, to increase the revenue collection capacity and reduce the fiscal gap in a sustainable manner. This is a medium and long term consolidation process, which requires time and sustained efforts and which progressively produces structural changes.

This is why the reform and modernization measures started in the middle of 2019 were continued, new measures to make activity more efficient were implemented and, not lastly, an efficient collaboration was ensured at international level and the opening towards good practices adopted by other countries.

**Strategic framework**

As a continuance of previous strategic documents (*General plan of revenue collection improvement for the General consolidated budget -* June 2019*, and Operational Plan of Revenue Recovery -* July 2020) in April was published the strategy of ANAF for 2021-2024. The basic strategic document of the Agency provides the three majors lines of action for the following medium time horizon, namely:

* continued partnership with the taxpayers, the academia, and the business environment;
* adoption of integrated digital solutions;
* prevention and fighting of tax evasion.

To an equal extent, 2021 was the year when the substantive reforms of ANAF for the following years were defined, the *Reform of ANAF through digitalization* being included in Component “*Reform of the fiscal and pensions systems*” of the National Recovery and Resilience Plan (NRRP). For the fiscal administration this represents a unique opportunity and an exceptional framework for the performance of profound and necessary reforms, including through assurance of non-reimbursable financing of 355.7 million EUR, exclusive of VAT, the biggest non-reimbursable financing that ANAF as benefited since its incorporation.

**Key results of ANAF**

In 2021, ANAF gradually resumed the normal fiscal administration activities, proposing a fast recovery to the level of fiscal compliance registered at the end of 2019, and the results registered in 2021 show that this objective was reached.

Thus, the programme of revenue collections allocated to the National Agency for Fiscal Administration for a cumulated 11 months of 2021 was of **277.4 billion Lei**, being collected the amount of **283.2 billion Lei**, which represents:

* an increase of **18.7%** - nominal index, **13.3%** - real index, in absolute amounts, i.e. 44.6 billion Lei more than the cumulated amount for 11 months of 2020;
* a degree of achievement of **102.1%** of the collection programme, with a plus of **5.8 billion Lei**;

The share in GDP of the net collected revenues increased by:

* **1.2 p.p.** over that of 2020,
* **0.5 p.p.** over that of 2019.

Compared to the similar period of 2019, the cumulated collections of the first 11 months of 2021 registered an increase of **14.7%** - *nominal index*, **6.7%** - *real index*, **36.4 billion Lei** more than in the first 11 months of 2019.

It must be noted as well the substantial increase of refunded VAT, **both in terms of value** - from **17.4 billion Lei** to **20.7 billion Lei** (plus of **3.3 billion Lei**, respectively ***119%***), and **in terms of numbers** (settled returns) - from 69,621 cumulated for eleven months of 2019 to 92,206 returns in 2021 (plus of **22,585** returns), which is an important contribution of financial flow in the economy.

**Main measures implemented in 2021**

All these results are due to the measures implemented by ANAF in 2021, which referred to ***a continued implementation of the measures provided in the “Operational plan for revenue recovery (OPRR)”.***

The document was adopted in the first months of the health crisis in 2020 and includes a series of measures which referred to supporting the taxpayers during this exceptional period, the maintenance of the level of fiscal compliance, as well as the adaptation of ANAF’s operations to the new framework, ensuring the safety of taxpayers and of its own personnel. The plan considered good international practices, as well as the recommendations issued by the international organizations in the field (IMF, OCDE, COM) and was elaborated based on consultations with the business environment.

The latest measures from the OPRR have their completion term ***by December 31, 2021.***

Among **the most important operational measures** adopted in 2021 as a result of the OPRR, separately on the 3 main chapters of the document, we mention:

**Chapter I** - **Revenue safeguarding measures**, which referred to activities in the area of risk management, to support the activity of voluntary compliance or in the area of the activity of collection and fiscal control.

Thus, for 2021 we mention the most important measures which were adopted:

* **Simplification of VAT registration procedures**, through approval of a series of applicable procedures in the field:
  + was approved through **O.P. ANAF no. 393/2021 the *“Procedure on the assessment of fiscal risk for taxable persons who request VAT registration”***;
  + Were approved through **O.P. ANAF no. 699/2021 the “*Internal work procedures with respect to the assessment of the fiscal risk in the case of taxable persons who request VAT registration*”;**
  + Was approved through **O.P. ANAF no. 239/2021** the “**VAT registration procedure**”, according to the provisions of art. 316 para. (1) letter a), b), or c) in Law no. 227/2015 on the Fiscal Code, published in the Official Gazette no. 182/February 23, 2021. **The result of these actions had the effect of simplifying the VAT registration procedure.**
* **Permanence of the VAT refund procedure with subsequent control**
  + In April 2020, as support measure of the economic environment at the beginning of the health crisis, *through the provisions of art. XI in Government Emergency Ordinance no. 48/2020 on certain financial and fiscal measures*, were established **special rules on the settlement of DNOR through the extension of situations where refund is granted with performance of subsequent control**
  + Through *Government Ordinance no. 11/2021 amending and supplementing Law no. 207/2015 on the Fiscal Procedure Code and regulating certain fiscal measures*, **was made permanent the refund of VAT with subsequent control as of February 1, 2022**
  + Thus, in the first 11 months of 2021 were settled **22,585** VAT returns in addition. The additional amount refunded by the similar period of 2019 is of **3.3 billion Lei**.
* Regulation of budget collection through **restructuring of outstanding budget liabilities and simplification of the procedures for payment in installments**
  + **Restructuring of the budget liabilities outstanding on December 31, 2020**, in accordance with GO no. 6/2019 on the establishment of fiscal facilities, as subsequently amended and supplemented, for a period of maximum 7 years, with possibility of annulment of accessory liabilities.

The term of submission of the notifications was **September 30, 2021** and restructuring requests can be submitted by January 31, 2022. 2,480 notifications and 603 restructuring requests have been submitted and the volume of outstanding fiscal liabilities at December 31, 2020, which can be subject to restructuring is of Lei 9,120 million.

* + **Simplified payment in installments, in accordance with GEO 181/2020** on certain fiscal and budget measures, amending and supplementing certain legislative acts, as well as for the postponement of certain terms. This facility was made permanent through Government Ordinance no. 11/2021 amending and supplementing Law no. 207/2015 on the Fiscal Procedure Code and the regulation of certain fiscal measures.

Also, in the Fiscal Procedure Code was introduced a new chapter, i.e. Chapter IV.1., titled “***Payment in installments, in simplified form, for the fiscal liabilities administered by the central fiscal body***”.

* + In addition to the form adopted through G.E.O. No. 181/2020, through the amendment of the Fiscal Procedure Code was regulated **the possibility of suspension upon request of the conditions for maintenance of the validity of payments in installments that had been granted** for the debtors whose activity is limited/closed during the state of emergency/alert through decisions issued by the state’s authorized bodies until the date when their activity is resumed
  + Through the Order of the president of ANAF no. 1767/2021 as approved the internal procedure of analysis of the payments in installments, in simplified form, by the central fiscal body.
  + **79,620** requests have been submitted so far for the total amount of **13.3 billion Lei** and **66,718** approval decisions have been issued for the amount of **11.9** billion Lei.
* **Implementation of the E-Popriri information system** 
  + As of January 2021 were resumed the legal procedures of forced execution for outstanding fiscal liabilities, in parallel with the application of the fiscal facilities regarding the structuring or simplified payment in installments of the fiscal liabilities declared during the period of the health crisis.
  + The information system e-popriri became operational on **January 1, 2021.** It facilitates exclusive electronic communication with credit institutions for the purpose of operative establishment and lifting of bank garnishments.
  + Until **November 30** of this year were communicated to credit institutions through the information system e-Popriri a total number of **1,900,565** administrative documents, among which:
    - **1,031,326** letters of establishment of garnishment over cash assets;
    - **832,222** decisions of lifting the measures of forced execution over cash assets;
    - **37,017** letters of temporary suspension of account unavailability.
* **Assessment of the tax burden for taxpayers**

ANAF assessed the tax burden for taxpayers and defined the measures that can be taken in order to improve this aspect by using the OCDE maturity model, the measures being an integral part of the general action plan of ANAF.

In this framework were made:

* + **an analysis regarding the reflection of the cost of fiscal compliance** in international reports, namely “International Standard Cost Manual” and “Paying Taxes 2020”.

The analysis is the base of definition of the measures and shall be performed yearly, establishing and permanently adapting the actions in agreement with the findings in international reports and by considering both the regional framework and the measures of other similar administrations from central and East-European countries which are members of the EU.

* + **continuance of the series of surveys regarding *“Taxpayer satisfaction study regarding the services offered by ANAF”***, which collects data and information with respect to the perception and opinion of the taxpayers on the services offered by ANAF and the possible improvements that can be brought thereto. The main conclusions of the surveys are taken into account in the design of the measures implemented by ANAF in the area of taxpayer services;
  + separately, in October 2021, ANAF launched **a specific survey to assess the services offered through the Call Center**. The objective of the survey is to assess both the general perception of taxpayers on the Call Center and the perception regarding the services offered through it;
  + as of 2022, ANAF intends to perform certain **extensive surveys with respect to the deciding factors of compliance,** which would allow a more detailed understanding of compliance motivation, the causes of non-compliance and the main areas of improvement in order to adopt targeted measures of legislative, administrative or organizational nature;
  + implementation with non-reimbursable financing from the European Commission of the project of “**Development of instruments to increase voluntary compliance in the field of the tax on revenues of private individuals in Romania**”, an extremely important project through which shall be defined the Compliance strategy in the field of personal income tax and the specific action measures to improve fiscal compliance for this type of tax on this strategic horizon.
* **Implementation of the main instruments to support voluntary compliance, to prevent and fight tax fraud and tax evasion**, based on the information provided by the fiscal administration.
  + In 2021 was adopted the primary and secondary legislative framework with respect to the obligation to submit the “***Standard File of Fiscal Control (SAF-T)***”, being started the process of voluntary testing through which any accountant can verify Informative Statement D406T and were created the conditions for implementation of this important instrument in the Romanian fiscal administration as of 2022. Terms of submission for the first informative statement D406, as follows:
    - large taxpayers - as of January 1, 2022;
    - medium taxpayers - as of January 1, 2023;
    - small taxpayers - as of January 01, 2025;
    - new taxpayers registered after the reference date for every category as of actual date of registration.
* The connection of **the electronic cash registers (AMEF)** to the IT infrastructure of ANAF was started on **March 31, 2021**.

Until the present have been connected to the information system of ANAF **550,401** electronic cash registers, out of the total of 640,238 electronic cash registers installed, i.e. approximately 86%.

* The project referring to the introduction of the **electronic invoice**, started in 2020, was continued throughout 2021. ANAF has been directly and actively involved in the work groups established in the Ministry of Finance for the development of the “electronic invoice”.

Thus, in 2021 was elaborated the secondary legislation necessary for the implementation of the project, being published in the Official Gazette *GEO no. 120/2021 on the administration, management, and implementation of the national system related to electronic invoicing RO e-factura and the electronic invoice in Romania.*

Also, it was approved the *Procedure on the organization and registration in the register RO e-factura, as well as the model, content, and instructions for filling in form 084 “Application for registration in the Register RO e-factura/waiver of the application for registration in the Register RO e-factura”* through OPANAF no. 1713/November 1, 2021, published in the Official Gazette.

Not lastly, in November 2021 become operational the electronic invoicing system for invoices issued by economic operators in their relationship with public institutions.

* Implementation of ***desk audit*** *(as documentary verification method carried out at the seat of the fiscal body, with no physical interaction with the taxpayer)*

In the first months of 2021 only were completed **7,496** such verifications, with additional amounts of 350 million Lei, much more than the planned annual objective of 3,000 documentary verifications;

The process will progressively continue in the following years, the objective of ANAF being for this type of verification/control to represent the majority/predominant form of control in the following years, with a target assumed through the NRRP for the end of year 2025 of 60% of total actions of fiscal control.

In the first 11 months of 2021 were completed at private individuals and legal entities **20,444 tax inspections**, being established additional principal fiscal liabilities of **4,386.45 million Lei.**

* **Performance of tax inspections in accordance with the BEPS** (Base Erosion Profit Shifting) plan and the ATAD directive - European and international regulations on preventing and combating tax evasion.

As a result, in the first 11 months of 2021 were made 1,716 verifications in the field, the value of verified transactions being of 57,295.1 million Lei for a taxable base of 1,433.4 million Lei. **The additional amounts established (corporate income tax + accessories) were of 149.6 million Lei, and fiscal loss was reduced by 165.8 million Lei.**

**Chapter II - Assuring the availability of taxpayer services,** included measures which referred to the organization of the collection activity and the improvement of communication with taxpayers and taxpayers’ migration to the electronic environment

Among the most important measures taken in 2021 on this area of activity, which referred to the development of new taxpayer services, as well as to the development of functionalities for existing services, we mention the following:

* Transmission through **the SP**V of **250,876 personalized letters** to private individuals and legal entities which had outstanding payment liabilities and of approximately **70,000 letters** through other means, in order to stimulate the increase of taxpayer payment compliance;
* **Preparation of the electronic submission of all tax declarations**

As of February 2021 it has been gradually implemented the electronic submission of as many tax declarations as possible, so as to reach the objective of exclusively electronic communication with the taxpayers in the customary relationships with the fiscal administration.

Until the present have been digitalized 51 forms and shall be completed their transposition into electronic format - another 61 forms shall be digitalized in the first half of 2022;

* **implementation of on-line campaigns**, jointly with the MEA, the Department for Romanians Everywhere, the General Inspectorate for Immigrations, being popularized the guide on tax residence on the website thereof, as well as on the pages open on social media sites. The guide presents the manner of submission of the forms specific for avoidance of double taxation and international fiscal agreements.
* creation in collaboration with the Ministry of Finance of **the possibility of electronic transmission and receipt by the taxpayers of the specific documents for avoidance of double taxation and international fiscal agreements through the SPV service** and the e-guvernare.ro portal, these forms being approved through the Order of the Minister of Public Finance no. 583/2016, as subsequently amended and supplemented;
* operationalization, as of **July 1, 2021**, on the portal www.anaf.ro, of the electronic system **“One Stop Shop (Special VAT regime)”**, in accordance with the provisions in the VAT Directive no. 112/2006 regarding the implementation of the “electronic trade related VAT package”, facilitating electronic declaration for companies and the payment of the value-added tax (VAT) corresponding to certain categories of B2C (Business-to-Consumer) services.

The mini one stop shop (MOSS) was extended to become a one stop shop (OSS) as of **July 1, 2021**, covering a larger range of services provided and goods delivered.

* extension of the **“self-service”** concept to the 210 fiscal units by making available certain technical means of fulfillment of obligations by taxpayers.
* **amendment of the telephone interaction with taxpayers (messages transmitted automatically through IVR).** The IVR system was made operational in March 2021 and taxpayers were able to access useful information automatically. The manner in which it is accessed by taxpayers shall be monitored through the “Altitude” application. Starting with this year, through the IVR (software application which allows interaction with the caller, in order to select a certain operation or transmit to him/her different vocal messages), taxpayers have the possibility to access information in self-service system, transmitted automatically, with respect to:
  1. registration as user of the Virtual Private Space (SPV);
  2. accessing the service of on-line programming (available in SPV and on the website of ANAF);
  3. information regarding the avoidance of double taxation and submission of questionnaires regarding the establishment of fiscal residence;
  4. the calendar of tax liabilities;
  5. manners of performance of payments to ANAF.
* **development of the Call Center**, as of March 31, 2021, thus increasing the call reception capacity. Currently, maximum 90 calls can be simultaneously received through the call center, which is why ANAF is processing today more quickly a bigger number of requests from taxpayers;

As of July 1, 2021, the telephone numbers dedicated to taxpayer assistance in the County Administrations of Public Finance were closed, and the calls dedicated to taxpayer assistance were taken over by the Call Center.

* **launch of the chat service** on the website of ANAF in November 2021

Through this service, taxpayers shall benefit of specific assistance in order to access the services available on the website of ANAF.

Were started the works for the reconfiguration of ANAF’s portal and of the SPV (Virtual Private Space), through the introduction of new taxpayer services and the creation of a mobile app.

**Chapter III - Measures to support business processes - *continued implementation of the activities and health and safety of the personnel and of taxpayers: internal and external communication, assurance of activity continuity.***

The measures in this chapter were dedicated exclusively to the aspects related to the organization and operation of ANAF in the pandemic framework and referred to issues like remote work, using the new electronic devices in the framework of remote work, promoting on-line communication instruments, both for internal communication, and for the external one, analysis of external communication channels and designing future measures referring to the extension of the use of electronic instruments by the fiscal administration.

**An important aspect related to the limitation of the effects of the pandemic is represented by the fact that over 71% of ANAF employees are vaccinated against COVID-19.**

At international level, in recent years have been consolidated ANAF’s cooperation relationships with different specialty international bodies (OCDE, IOTA, IMF, etc.), ANAF making plenty of use of the experience and goods practices acquired.

As proof of the reputation of the Romanian Fiscal Administration, ANAF was a member of the Executive Council of the Intra-European Organization of Tax Administration (IOTA) for two years in a row; this role makes the Agency perform at the highest international standards and reach its objectives towards taxpayers in a transparent, correct and prompt manner, as well as ensure the resources necessary for the functioning of the Romanian State.

2021 was a year of substantiation of the construction of reforms meant to ensure results on medium-term. ANAF’s activity in 2021 was performed in accordance with good international practices and with the recommendations formulated by the international financial bodies, and the constantly increased performance of the fiscal administration shows that the efforts of consolidation of revenue collection activities and of reduction of the fiscal gap produce the expected effects.

All the measures implemented by ANAF had direct impact on increasing the revenues to the General Consolidated Budget.

With respect to the activity of customs structures of fighting cigarette contraband, we mention that, in accordance with the market study performed by Novel Research in November, was registered the lowest level of the illicit market of cigarettes of the last 15 years - 7.4%, and for 2021 the average is of 8.4%, being the lowest annual average registered during the same time interval.

**Strategic objectives of ANAF on short and medium term**

ANAF continues the reform and modernization process, the implementation of plans to make activity more efficient and, not lastly, an efficient collaboration at international level and the opening towards good practices adopted by other countries.

The new design of the Agency is developed around the concept of integrated risk monitoring and active monitoring of activity processes. On medium and long term, it is sought to transform ANAF into an innovative institution, capable of responding to the challenges of the external environment. In this sense, in the following four years shall be taken actions in **four major directions**, namely, **continued partnership with the taxpayers**, the academia and the business environment, **adoption of integrated digital solutions, efficiency and transparency**, and, not lastly, **prevention and combating of tax evasion**.

The strategic objectives of ANAF shall be achieved through the symbiosis between the two basic strategic components: digitalization and efficient management of human resources, contributing to the accelerated increase of collection of revenues administered by ANAF, to the efficient combating of tax evasion and of unfair fiscal competition.

The National Recovery and Resilience Plan (NRRP), a strategic document developed in 2021, represents one of the biggest challenges of recent years for ANAF, offering the biggest/most substantial non-reimbursable financing source the organization has benefited of ever since it was incorporated, i.e. 355.7 million EUR, exclusive of VAT, for the implementation of fundamental reforms necessary for its transformation.

To an equal extent, the NRRP has offered the framework of excellence for the development of a series of structural reforms which shall remodel the fiscal administration and the context in which it evolves. Through the NRRP shall be taken complex reform measures, of legal and organizational nature, which promote change, supported by a series of investments in digitalization, with the final objective of modernizing and digitalizing ANAF, so as to:

* streamline revenue collection in the consolidated general budget with consequences **on the increase of the revenue-to-GDP ratio by 2.5 percentage points** until Q4 of 2025 compared to 2019,
* reduce **fiscal gap** for VAT by **5 percentage points** until Q4 of 2022, compared to 2019, relative to the level set by the European Commission for 2019.

**II. Priority actions in 2022**

2022 will be an extremely important year for the digitalization processes included in the NRRP, the performance of public procurement procedures for them being the key step during this period.

Considering the Strategy of ANAF and the NRRP, for 2022 were set five objectives which have the following targets:

* an increase by approximately **0.8%** of the share in GDP of the revenues collected by the fiscal administration compared to 2019;
* advancing the target on reducing the VAT tax gap compared to the level estimated by the European Commission for 2019, **by 5%**;
* improving the administrative and operational capacity of the customs administration and directing customs clearance to a fully electronic environment, including through investments in the equipment needed for the control activity on the national territory and at the EU's external border.

**Objective 1: Development of taxpayer services. Consolidation of the partnership relationship with taxpayers for the provided services**

Shall be continued the activities related to:

* reducing face-to-face interaction with taxpayers, as a result of the extension of digital services;
* development of services provided in self-service system to taxpayers, at the headquarters of fiscal units and ensuring the digital inclusion of taxpayers;
* continued development of remote (electronic or telephone) services, through new functionalities;
* extension of the range of services offered in self-services system through IVR, respectively of those offered through the chat service;
* implementation of a webinar service dedicated to taxpayer assistance, development of functionalities for customized remote/email and video communication;
* introducing the possibility of on-line registration for certain categories of taxpayers;
* simplification of the forms, completion of their transposition into electronic format - 61 forms shall be digitalized in the first half of 2022;
* Initiating the digitalization of activities of capitalization and forced execution, through the creation of an on-line auction platform for capitalization of movable and immovable assets with significant values;
* implementation of the specific actions for the project MPF SIPOCA 739 “Increasing the administrative capacity of the Ministry of Finance and of the subordinated institutions in order to improve the interaction of citizens and the business environment to obtain extended electronic services through the ANAF portal”, for:
  + modernization of the ANAF portal and of the Virtual Private Space (SPV) to ensure high availability of the electronic services available in SPV. Until Q4/2022 shall be ensured the additional registration in SPV of 500,000 private individual taxpayers;
  + extension of the range of services offered in electronic system through the SPV;
  + extension of the availability of electronic services to the beneficiaries through elaboration of the versions of the ANAF portal adapted to devices of smart phone and tablet type;
  + development of applications for the Android and IOS platforms through which are accessible certain services supplied through the SPV;
  + introduction of new modalities of authentication in the system through mobile devices;
  + promoting the use of simplified procedures and updating the national norms in accordance with trade union requirements in order to reduce the administrative burden of the business environment, seeking to eliminate the obligation of submission by economic operators of the documents which can be obtained electronically from the databases of ANAF and the NTRO (17 legislative acts).

**Objective 2: INTEGRATED DIGITAL SOLUTIONS - Transforming ANAF into a performing and smart institution with integrated digital solutions, through optimal use of available data and information.**

According to the objectives included in the Digitalization Strategy of ANAF and assumed in the NRRP, shall be continued the projects related to:

* improving the usage capacity/massive and smart use of data/information;
* supplying new services to the taxpayers and ensuring the digital assistance thereof;
* digital transformation of fiscal administration processes, in order to ensure an accelerated reaction to current and future information challenges;

Thus, in 2022 shall be implemented the following **projects**:

* efficient fiscal services for the administration and citizens - SFERA;
* development of remote (electronic or telephone) services through new functionalities and/or creation of new services;
* digitalization of the capitalization activity - computerization and rendering more efficient the activity of capitalization of goods entered under the law in the State’s private ownership;
* Investments related to the implementation of a platform for massive capitalization of data and information - Big Data;
* MF-ANAF - a collaborative and innovative fiscal administration to the benefit of taxpayers;
* information system of monitoring intra-Community transactions of goods - SIMTIC and development of the project “Commodities radar”;
* increasing the administrative capacity of the Ministry of Finance and of the subordinated institutions in order to improve the interaction of citizens and the business environment to obtain extended electronic services through the ANAF portal;
* extension of the AEOI\_RO (Automatic Exchange of Information) system with specific functionalities;
* redesign and optimization of the information system VIES\_RO (Value Added Tax Information Exchange System);
* increasing the administrative capacity of the National Agency for Fiscal Administration through digitalized management of activity in the judicial field;
* car fleet management system for means of transportation in the patrimony of ANAF;
* implementation of the information function regarding the Customs declaration with reduced set of data for low value shipments, as a result of the entry into force as of July 1, 2021 of the new legislative provisions of implementation of the “VAT package regarding electronic trade”, with the purpose of facilitating cross-border trade and combating VAT fraud (the implementation of this system started in 2021 and will end in 2022);
* alignment to the ICS2 - Stage 1 system, namely with respect to the interconnection of the national risk analysis system RMF-RO with the trans-European system ICS2 in order to perform a complete risk analysis in the field of safety and security for commodities transported by air by post operators and express transporters; (the implementation of this system started in 2021 and will end in 2022);
* implementation of NCTS\_RO stage 5 and AES\_RO;
* alignment of the system EMCS\_RO to EMCS Stage 4, respectively alignment to the current versions of the EMCS (Excise Movement Control System) system, a system of monitoring the movements of excisable products under suspensive regime, which is used by all Member States of the European Union;
* modernization of the National Import System within the Customs Code of the Union, respectively modernization of the national import system and implicitly updating the related applications;
* The one stop shop of the EU for customs - CERTEX, respectively the extension of functionalities EU CSW-CERTEX, with availability for managing the quantity and format of the portable document (PDF);
* uniform user management and digital signature, respectively development and implementation of the Uniform user management and digital signature system to allow direct access of economic operators to the central customs services of the EU and to uniquely manage the user accounts like single users recognized in all Member States;
* alignment to the System ICS2 - stage 2, respectively implementation of the new obligations regarding summary entry declarations, of related processes and of risk management processes for all air traffic commodities;
* alignment to the ICS2 - Stage 3 system, namely interconnection of the national risk analysis system RMF-RO with the trans-European system ICS2 in order to perform a complete safety and security risk analysis for all commodities carried by sea, river, road and rail traffic;
* monitoring system for the customs supervision and control activity;
* application for authorization and management of activities from the Free zone;
* application for management of national decisions (authorizations).

Every project has its own implementation schedule, with most of the projects being completed in 2024, and the more complex ones (with approximately 36-48 months in implementation) being completed in 2025, for example the Big Data platform.

For all of these projects, in 2022 shall be started most public procurement procedures and procedures of award of subsequent agreements, services agreements for development of digital services.

In the performance of all these digitalization projects, the collaboration between ANAF and CNIF is essential for the success of the reforms proposed in the area of fiscal and customs administration. Also, in the Reform of ANAF through digitalization provided in the NRRP are included the investments which refer to the re-engineering and modernization of the software and hardware infrastructure of the IT system of the Ministry of Finance.

**Objective 3: Increasing voluntary compliance**

In order to support voluntary compliance for declaration and payment of tax liabilities, shall be continued the measures regarding:

* the simplification of forms, the completion of the transposition thereof in electronic form, and the elimination of reporting obligations, where possible;
* Implementation of pilot projects regarding the increase of voluntary compliance in the field of personal income tax:
  + “Income obtained by taxpayers - private individuals, from assignment of the use of goods”
  + “Income obtained by taxpayers - private individuals, from private lessons/educational activities and other forms of education”
  + “Income obtained by taxpayers - private individuals, from the provision of activities of beauty/body care”
  + “Stimulation of voluntary compliance - project dedicated to private individuals”
  + “Implementation of new approaches and instruments to improve fiscal compliance of large taxpayers from Romania”
  + “Identification of best practices, improvement of the fiscal legislation and consolidation of the capacity in the field of transfer pricing in Romania”
* Performing proactive actions among taxpayers, through:
  + offering assistance in the fiscal field through meetings which shall be held on-line, as a result of the launch of the webinar service;
  + elaboration of guides and other informative materials and publication thereof on the website of ANAF
  + publication on the website of ANAF of the main findings and consequences resulting from the fiscal control activity
  + organization of awareness campaigns among taxpayers with respect to the services offered by ANAF in order to facilitate the fulfillment of tax liabilities.

**Objective 4: Intensification of actions of combating tax evasion and customs fraud**

* Implementation of integrated risk management, through:
  + defining the risk criteria for classification of taxpayers and approving the applicable legal framework by the end of Q4/2022, respectively completion and approval of OPANAF regarding the risk criteria necessary to classify taxpayers into risk classes and subclasses, respectively:
    - defining a taxpayer management system through fiscal risk classes;
    - creation of a system of identification, planning, assessment, and adaptation of activities in the fiscal administration process, according to the identified fiscal risks;
    - creation of an electronic risk register, a system which shall contain the identified risks, risk categories, risk prioritization, as well as the response to every risk;
    - creation of a unique risk profile of the taxpayer, which shall impose the harmonization of risks identified in fiscal administration activities, tax, customs and fiscal antifraud inspection.
* Refining existing models for calculation of tax gaps.

ANAF started a process of development of the analytical capacity with the purpose of identifying areas with high fiscal risk and adopting the best measures to increase the effectiveness and efficiency of revenue collection to the general consolidated budget. The new alternative models of estimation of tax gap shall allow the identification of the field with the highest non-compliance risk, with a direct effect on the prioritization of fiscal administration activities.

* Operationalization/approval of the common action plan between the National Agency for Fiscal Administration and the Labor Inspection to prevent and limit the phenomenon of evasion related to under-declared/non-declared work;
* Increasing the rate of documentary verifications relative to the total of fiscal control actions carried out by the fiscal administration to **30%**;
* Increasing the number of tax inspections by **5%**;
* Entry into force of the amended legal framework applicable in the field of activity of fiscal control structures, revision of internal work procedures and elaboration of the new control guides (objective for which was requested financing through call TSI 2021);
* Equipping border customs offices, operative customs control structures and the Customs laboratory with control equipment, through the use of funds available in the EU, namely: The financial support instrument for customs control equipment (CCEI) as part of the Integrated Border Management Fund and the National Recovery and Resilience Programme (NRRP).

**Objective 5: Human resources management**

The employees of ANAF are a valuable resources which, corroborated with the positive effects of digitalization, represent the main manner in which the Agency offers quality services to taxpayers. Thus, the following measures shall be continued:

* implementation of the measures provided in the plan of occupation of positions elaborated in 2021 to support the deficient activities and ensure the diversification of the necessary professional specializations;
* elaboration of a professional reconversion plan referring to personnel migration, relative to the digitalization of repetitive/massive activities, towards other/new activities, using at maximum the potential of human resources available to the institution;
* development of professional training policies and practices for the personnel, with the objective of changing the organizational culture and the mentality;
* external personnel recruitment (minimum 300 positions) with adequate skills, capable of answering the requirements of a modern administration, seeking firstly to rejuvenate the fiscal institution and ensure personnel in deficient areas or new fields of activity - statisticians, IT, econometrics or data analysis specialists.

During all this period of profound changes in ANAF’s activity shall be keep permanent connection with the professional organizations through the Consultative Committee. In this respect shall be organized periodical meetings of the Fiscal Analysis Group.

**III. Priority actions for 2023-2025**

**Objective 1: Improving the services offered - Development of a partnership with the taxpayers to increase voluntary compliance**

ANAF continues to target the development of taxpayer services and new functionalities specific to the services currently made available remotely, in order to change the interaction of the fiscal administration with the taxpayers, ensuring at the same time assistance and alternatives where access to the Internet and technologies is limited.

Also, the reduction of compliance costs for taxpayers (administrative burden) and of administration (collection cost for the fiscal administration) shall be made through the development and optimization of activity processes which would support the taxpayers, at the same time as the development of electronic services.

This reform component is supported through a series of investments, on two main areas:

* **remote services**, through the implementation of facilities for interaction with the taxpayers;
* **digital services**, with punctual investments in the development of functionalities for customized remote/email and video communication.

**Objective 2: Integrated digital solutions - Digital transformation of ANAF through integrated digital solutions, which use at maximum the available data and information**

The introduction of digitalization is considered a smart approach for the operational fields of the fiscal administration. It must be accompanied by a consolidation of the administrative capacity necessary for the digital transformation process. It shall be ensured the technological framework necessary for the transition towards a digital fiscal administration by passing the ITC infrastructure towards new technologies. Shall be ensured the increase of the number of IT equipment used in the administration, the development of the support infrastructure necessary to support the continuous technological development of the data centers of the MF.

In order to implement the strategic objectives, ANAF shall completed in 2023-2025 a series of projects in progress in 2022, whose results shall have an impact in all the institution’s fields of activity;

|  |  |
| --- | --- |
|  | Efficient fiscal services for the administration and citizens - SFERA  - updating the IT systems for fiscal administration and ensuring their interoperability with the IT systems of state institutions that own and can provide useful information in the activity of collecting taxes / duties |
|  | Effective administration through consolidated information - APIC  - implementation of a Big Data platform which will allow the management of a massive volume of (structured and not structured) data, analysis and predictive modeling, the implementation of an integrated IT tool to ensure the automatic performance of the fiscal risk analysis of taxpayers. |
|  | Integrated Fiscal and Customs Administration System  - digitalization of all activity processes and ensuring optimal electronic services, with the purpose of improving voluntary compliance, combating tax evasion and increasing collection efficiency. |
|  | Development of electronic and telephone services offered to taxpayers through the Call Center  - extension of the Call Center's capacity by offering electronic and telephone services to support the taxpayers for compliance purposes. Through the use of such services shall be ensured through the Call Center both taxpayer assistance in the fiscal and IT fields, and customized information with respect to the taxpayers’ own fiscal situation, thus becoming an extensive telephone and electronic services provider. |
|  | *Integrated Customs Information System*  *- in accordance with European obligations*   * Implementation of NCTS\_RO stage 5 and AES\_RO; * Modernization of the National Import System within the Customs Code of the Union, respectively modernization of the national import system and implicitly updating the related applications; * The one stop shop of the EU for customs - CERTEX, respectively the extension of functionalities EU CSW-CERTEX, with availability for managing the quantity and format of the portable document (PDF); * Uniform user management and digital signature, respectively development and implementation of the Uniform user management and digital signature system to allow direct access of economic operators to the central customs services of the EU and to uniquely manage the user accounts like single users recognized in all Member States; * Alignment to the System ICS2 - stage 2, respectively implementation of the new obligations regarding summary entry declarations, of related processes and of risk management processes for all air traffic commodities; * Alignment to the ICS2 - Stage 3 system, namely interconnection of the national risk analysis system RMF-RO with the trans-European system ICS2 in order to perform a complete safety and security risk analysis for all commodities carried by sea, river, road and rail traffic; * Monitoring system for the customs supervision and control activity; * Application for authorization and management of activities from the Free zone;   Application for management of national decisions (authorizations). |
|  | MF-ANAF - a collaborative and innovative fiscal administration to the benefit of taxpayers  - shall be transformed into smart organizations, which shall use at maximum the data and information, with employees who facilitate information streamlining and exchange of ideas, thus becoming innovative organizations, capable of responding to challenges from the outside environment. |
|  | Digitalization of the capitalization activity - computerization and rendering more efficient the activity of capitalization of goods entered under the law in the State’s private ownership  - integration into an IT application of the entire process of capitalization of goods entered, under the law, into the State’s private ownership;  - creation of an electronic and transparent work flow for the entire activity of capitalization, which would allow real time obtaining of information and data about the situation and status of capitalization of assets entered into the State’s private ownership; |

**Objective 3: Prevention of combating of tax evasion ANAF - An organization which supports taxpayer compliance and the maintenance of an equitable economic environment**

Prevention and combating of tax evasion contributes to one of the priority objectives mentioned in the ANAF’s Strategy for the period 2021-2024. Efficient combating of non-compliant behaviors and of tax evasion is made through complex, targeted actions related to high fiscal risk taxpayers, in order to ensure an equitable fiscal environment and discourage unfair competition. This presupposes well-identified risks, short and efficient controls, quickly recoverable amounts.

Shall be continued the measures of identification and early approaching of non-compliance risks through the development of specific instruments, as follows:

* Identification and analysis of non-compliance risks with significant fiscal impact in the field of VAT, of corporate income tax/income on the revenues of microenterprises, of personal income tax and of social contributions;
* Establishing the treatment options for efficient alleviation of identified and analyzed fiscal non-compliance risks, in order to:
  + optimize fiscal control actions and guide them towards well-targeted actions, at taxpayers with significant fiscal risk;
  + increasing the share of documentary verifications, in the case of taxpayers whose non-compliance risks can be treated through short and efficient controls;
  + ensuring an equitable fiscal environment and discouraging unfair competition.
* Performing simultaneous and collaborative actions for legal entities and private individuals they control either directly or indirectly, in complex cases of tax evasion/fiscal optimization.

Shall be identified and made more efficient the following activities of fiscal control:

* 24H monitoring of road transport of commodities from intra-community acquisitions, in the context of the implementation of the e-transport project and the project "Improving the monitoring system of intra-community transactions";
* control actions on under-declared imports and real-time intervention in domestic trading chains, given that the importers concerned use missing trader links to disguise actual transactions and evade the payment of tax liabilities;
* actions of analysis and control in the field of digital economy. At present, control actions have revealed an exponential increase in on-line business transactions by which taxpayers evade fiscal law by not registering, not declaring and avoiding the payment of tax obligations related to transactions;
* concentrated actions in the field of trade in used cars. ANAF’s actions will increase in efficiency through the operationalization of exchange of data between RAR and the Agency, regulated through G.E.O. No. 120/2021 on the administration, operation and implementation of the national system regarding the electronic invoice RO e-Factura and the electronic invoice in Romania, as well as supplementing Government Ordinance no. 78/2000. The main measures referred to:
  + focusing risk analyses on the detection and early stopping of cases of fraud;
  + creating a fast reaction mechanism in the stage prior to obtaining the identity card from RAR, for operative capitalization of information through the establishment of precautionary measures in cases of fraud or implementation of forced execution measures, as applicable.
* activities oriented towards fields with high risk of tax evasion for VAT and corporate income tax, like constructions (including related services), real estate transactions, car repairs, wholesale and retail trade (especially in the field of fruit and vegetables, recyclable materials. etc.);
* actions of monitoring and control in the fields of excisable products, mainly in the area of energy products, including electricity and natural gas, raw tobacco and recyclable materials;
* actions in the field of retail trade and services provision directly to the population, as well as in the field of wholesale trade;
* documentary verification actions, i.e. desk audit, with low complexity and duration, for the taxpayers whose fiscal risks are quantifiable, so as to achieve the target assumed through the NRRP for the end of 2025, namely of 60% of the total fiscal control actions;
* fiscal inspections which refer to the prevention and combating of taxable base erosion at:
  + taxpayers identified with fiscal risk associated to transfer pricing, profit transfers to other fiscal jurisdictions, with impact on corporate income tax;
  + taxpayers identified with high fiscal risk, who operate in fields which have registered economic growth, without also recording adequate increase of the level of taxes and duties declared to the general consolidated budget (impact with respect to corporate income tax and value-added tax).
  + taxpayers organized as non-profit entities, identified as performing economic activity, without fulfilling the legal obligations of declaring corporate income tax or value-added tax;
  + private individuals who carry out independent activities and register low income margins compared to the level of the gross income declared (impact on personal income tax, social contributions and health contributions).

The complete operationalization of integrated fiscal risk management, as well as of the “Standard audit file” - SAF-T, of the electronic invoicing system, of the connection of cash registers and of other digitalization projects, will lead to the increase of the degree of collection and the decrease of tax gap.

**Objective 4: Efficiency and transparency - Transforming ANAF into a solid, modern, and trustworthy institution**

The achievement of this objective presupposes:

* the consolidation of the collaboration and communication with international bodies (EC, IOTA, IMF, OECD), as well as with other fiscal administrations;
* development of a human resources policy focused on optimizing the professional and skills profile, implementation of the employment plan, of the professional reconversion plan, as well as of the continuous professional training plan with the objective of changing the cultural organization, the mentality and increasing efficiency;
* the introduction of formal processes to encourage innovation and the implementation of a comprehensive approach that focuses on the business process, from the beginning to the end;
* strengthening the consultative mechanism of collaboration with the business environment and taxpayers, for transparency and increasing fiscal compliance.

Through the NRRP shall be carried out a project which refers to *“Knowing taxpayer behavior”* through which shall be punctually implemented a consultative mechanism regarding the services offered to taxpayers, whom shall be involved even from the design stage of the new services/functionalities.

* establishment of the Taxation School, organized as a center of excellence in the fiscal field. This educational structure intends to attract lecturers of high professional and academic level in support of the purpose thereof of delivering professional training courses, training public servants at the beginning of their careers, performing scientific studies and research in the field of taxation, organizing seminars and scientific communication sessions.

**4.5 GENERAL CONSOLIDATED BUDGET**

Medium-term fiscal policy aims to further achieve the overall goal of **reducing the budget deficit** to a level that will allow it to emerge in 2024 from the European excessive deficit procedure, but with the support of the economy, the health system and social protection system, which remain a priority in the difficult circumstances of the Covid-19 pandemic.

Adjusting the ESA deficit by over 5 percentage points at the end of 2024 compared to 2021, or by 6.5 pp compared to 2020, is a significant effort, especially since the Covid-19 crisis overlapped with a structural fiscal imbalance installed during the pre-pandemic period.

The continuance of the **adjustment trajectory of structural deficit** towards the target value recommended by the institutions of the European Union for the Medium Term Budget Objective (in English, short: MTO), started in 2021, shall be ensured, on the one hand, through limitation of current expenses of the public administration, and, on the other hand, by resorting to the external funds made available by the European Union both from its traditional resources and through the Recovery and Resilience Mechanism and the use thereof to significantly increase investment expenses.

- % of GDP-

**2019**

**2020**

**2021**

**2022**

**2023**

**2024**

REVENUES of the general consolidated

budget (cash)

30,3

30,6

32,6

33,4

33,7

34,0

EXPENSES of the general consolidated

budget (cash)

34,9

40,2

39,7

39,2

38,1

36,9

BALANCE of the general consolidated

budget (cash)

-4,58

-9,64

-7,13

-5,84

-4,37

-2,89

BALANCE of the general consolidated

(budget ESA)

-4,36

-9,35

-8,03

-6,24

-4,40

-2,90

Structural BALANCE

-4,80

-7,72

-7,31

-5,71

-4,18

-2,88

Note: Due to rounding off, it is possible for some accounting identities not to be verified

**General consolidated budget**

The European Commission’s most recent forecasts with respect to Romania’s budget deficit are presented in the table below:



**4.5.1 Recent evolutions and tendencies of the budgetary revenues[[9]](#footnote-9)**

The estimation of the main categories of taxes and charges for 2022-2024 is based on the projection of the macroeconomic indicators presented in the 2021 Fall Forecast, correlated with the evolution of revenue collection and the legislative provisions in force.

Most revenues are projected, in nominal terms, to increase at the end of the forecast horizon from the level of 2021, with a higher nominal dynamics than GDP in the case of personal income tax, corporate income tax, property taxes, VAT, excise duties, social insurance contributions and EU funds. This nominal dynamics represents an advancement of 1.4 pp compared to 2021, relative to GDP.

In 2022, total budget revenues, in nominal terms, are estimated to increase compared to the programme of 2021, based on the improvement of collection, on the measures of recovery of certain fiscal liabilities corresponding to 2020 whose payment was postponed by effect of the law (including the measure of payment in installments, in simplified form), on the measures of fighting tax evasion in the field of personal income tax and social contributions and from the capitalization of radio frequencies in the new frequency bands harmonized at European level for 5G broadband terrestrial mobile communications systems (2.5 billion Lei). The basis of the estimated revenues of 2022 included a target of 10.7 billion Lei, supported by the measures of improvement of collection, out of which VAT of 7.2 billion Lei, social contributions of 2.5 billion Lei, corporate income tax of 0.7 billion Lei and personal income tax of 0.3 billion Lei.

Budget revenues projected on medium term follow an ascending trend in nominal value, in the framework of the legislative measures with impact on corporate income tax (increasing the limit of deduction of the adjustments for depreciation of receivables registered in accordance with accounting regulations, from 30% to 50% of their value), and VAT (increasing the ceiling for application of the reduced VAT rate of 5% for the delivery of housing, extension of the reduced rate of 5% for the delivery of school manuals and books in audio, multimedia or electronic format, heating and fire wood).

In detail, the methodology of estimation and the evolution of the main categories of revenues is the following:

The revenues from corporate income tax are forecasted to gradually increase throughout the forecast horizon, up to 1.8% of GDP, a level determined by the legislative amendments in the field of corporate income tax (increasing the limit of deduction of the adjustments for depreciation of receivables registered in accordance with accounting regulations, from 30% to 50% of the value thereof) and by the recovery of the corporate income tax whose payment was postponed by effect of the law.

The collections from personal income tax are forecasted at 2.4% of GDP in 2022 and increasing to 2.5% of GDP towards the end of the forecast horizon, a level determined by the forecasted increase of the average gross salary, of the average number of employees and of the measures of combating tax evasion in the field of personal income tax.

Revenues from VAT estimated in 2022 at a level of 7% of GDP will advance to 7.4% at the end of the forecast horizon, and the collections from excises estimated in 2022 at 2.9% of GDP are forecasted to increase up to 3.1% of GDP. The estimation of revenues from VAT for the time horizon 2022-2024 includes targets of the collection improvement measures of revenues from VAT of 7.2 billion Lei, including the amounts to be recovered which correspond to the VAT whose payment was postponed in 2020 and the legislative amendments in the field of VAT (increasing the ceiling for application of the reduced VAT rate of 5% for the delivery of housing, extending the reduced VAT rate of 5% for the delivery of school manuals and audio, multimedia or electronic books, thermal energy and fire wood).

Collections from the tax on the use of goods, the authorization of the use of goods or on the performance of activities in 2022 will increase as share in GDP from 0.2% in 2021 to 0.4% of GDP as a result of the inclusion in the estimates of the capitalization of 5G licenses, while on medium term they shall remain relatively constant as share in the GDP, at 0.2%.

Estimated revenues from the tax on foreign trade and international transactions shall be maintained at 0.1% of GDP on the whole forecast interval, a value similar to that registered in previous years.

Non-fiscal revenues are estimated at 2.2% of GDP in 2022, being mainly based on the collection of dividends from national enterprises, national companies and fully or majority State-owned companies, as well as on transfers from autonomous administrations due to the increase of the percentage of distribution of dividends/transfers of minimum 75% compared to the percentage of 50%, as provided by Government Ordinance no. 64/2001. On medium term, it is estimated a quasi-constant share in GDP of non-fiscal revenues.

Collections from social insurance contributions in 2022 are estimated at 10.6% of GDP, an evolution determined by the legislative amendments from the field of social insurance contributions (elimination of the facility of exemption from payment of the health insurance contribution applicable to retirees), by the forecasted increase of the salary fund on the total economy (average salary and number of employees), by the measures of improvement of collection of 2.5 billion Lei, of combating tax evasion in the field of social contributions and of recovery of the social contributions corresponding to 2020 whose payment was postponed by effect of the law. On medium term, the share thereof is forecasted to reach 11.0% of GDP in 2024, an increased caused by the evolution of the average salary and of the number of employees. For estimation of social insurance contributions was maintained the 3.75% transfer rate towards pension Pillar II on the entire forecast horizon.

**- by types of revenue -**

- mill. lei -

**2019**

**2020**

**2021**

**2022**

**2023**

**2024**

**Total,**

of which:

321.075

322.656

387.737

439.986

485.718

530.522

Corporate income tax

17.720

15.988

20.062

21.582

23.955

27.484

Income and salary tax

23.201

24.334

28.020

31.499

35.393

39.596

Property taxes and charges

6.192

5.936

6.580

7.468

8.322

9.174

Value-added tax

65.421

60.817

79.592

91.693

103.040

116.093

Excises

31.463

30.715

34.665

38.417

43.084

47.912

Foreign trade tax

1.160

1.120

1.471

1.678

1.763

1.848

Other fiscal revenues

11.204

12.367

14.614

18.582

17.297

18.472

Social insurance contributions

111.473

112.251

126.007

140.089

155.471

171.377

Non-fiscal revenues

27.036

24.527

29.145

29.113

31.899

35.323

Capital income

867

776

1.280

868

945

1.022

Donations

20

3

8

9

4

4

Amounts from the EU

25.320

33.556

46.292

58.991

64.545

62.216

Amounts collected in the single account

Of the State budget or in process of

redistribution

-4

267

Note: Due to rounding off, it is possible that the total is not equal to the sum of its components

**Revenues of the general consolidated budget**

**- by types of revenues -**

- % of GDP -

**2019**

**2020**

**2021**

**2022**

**2023**

**2024**

**Total,**

Of which

**30,3**

**30,6**

**32,6**

**33,4**

**33,7**

**34,0**

Corporate income tax

1,7

1,5

1,7

1,6

1,7

1,8

Personal income tax

2,2

2,3

2,4

2,4

2,5

2,5

Property taxes and charges

0,6

0,6

0,6

0,6

0,6

0,6

Value-added tax

6,2

5,8

6,7

7,0

7,2

7,4

Excises

3,0

2,9

2,9

2,9

3,0

3,1

Foreign trade tax

0,1

0,1

0,1

0,1

0,1

0,1

Other fiscal revenues

1,1

1,2

1,2

1,4

1,2

1,2

Social insurance contributions

10,5

10,6

10,6

10,6

10,8

11,0

Non-fiscal revenues

2,6

2,3

2,4

2,2

2,2

2,3

Capital income

0,1

0,1

0,1

0,1

0,1

0,1

Donations

0,0

0,0

0,0

0,0

0,0

0,0

Amounts from the EU

2,4

3,2

3,9

4,5

4,5

4,0

Amounts collected in the single account

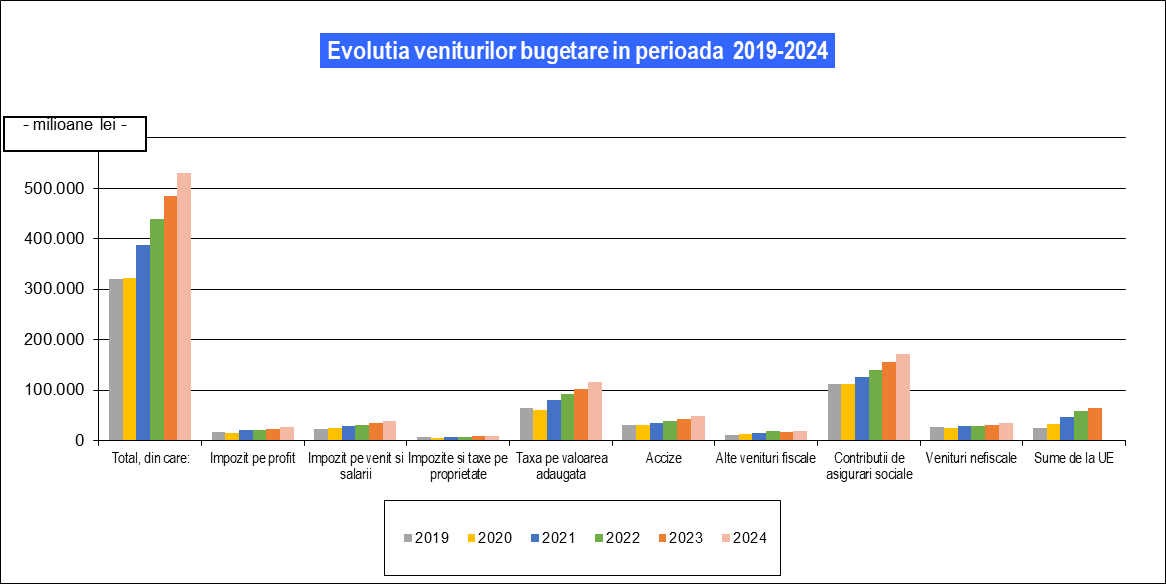
Of the State budget or in process of redistribution

0,0

0,0

Note: Due to rounding off, it is possible that the total is not equal to the sum of its components

**Revenues of the general consolidated budget**



The biggest share in the revenues of the general consolidated budget is held by the State budget, followed, as of 2024, by the Social Insurance Budget and the Local budgets.

The largest subsidies from the State budget are received by the Social Insurance Budget for correction of the imbalance of the public pension system and by the Local budget for financing of certain decentralized activities at the level of the local communities, which explains in part the level of revenues thereof.



Note: due to rounding off, it is possible that the total is not equal to the sum of components

Revenues of the general consolidated budget

- by component budgets-

Total, of which:

State budget

Centralized general budget of the administrative-territorial units

Social insurance budget

Unemployment insurance budget

Budget of the Health insurance fund

Budget of institutions/activities financed from own revenues

Other components of the general consolidated budget

Transfers between budgets and financial operations (to be deducted)

**4.5.2 Recent evolutions and tendencies of the budgetary expenditures[[10]](#footnote-10)**

If by 2020 inclusive, total budget expenditures have significantly increased their share of GDP (in 2020 also due to the Covid-19 crisis), starting with 2021 a correction of this trend will be made to support the objective of adjusting the budget deficit towards sustainable levels.

Through the measures of limitation of the expenses applied in 2022, in nominal terms, for most categories of current expenses, with the exception of social assistance expenses, was ensured a temperate increase by the end of the planning horizon (2024) by keeping lower dynamics compared to those of the GDP.

Even if in nominal value the total expenditures increase in the medium term, compared to the GDP there is a decrease of 2.8 pp compared to the level of 2021 amid the structural resettlement of current expenditures.

Even in conditions of significant adjustment of total expenses, it was ensured a significant increase of investment expenses to 6.7% of GDP in 2022, which shall reach a level of 7.7% of GDP in 2024, especially through the use of external non-reimbursable funds made available by the European Union.



-% of GDP-

Note: due to rounding off, it is possible that the total is not equal to the sum of components

Total, of which:

Personnel expenses

Goods and services

Interests

Subsidies

Social assistance

Other transfers

Investment expenses

Expenses of the general consolidated budget

* by economic classification -



Total, of which:

Personnel expenses

Goods and services

Interests

Subsidies

Social assistance

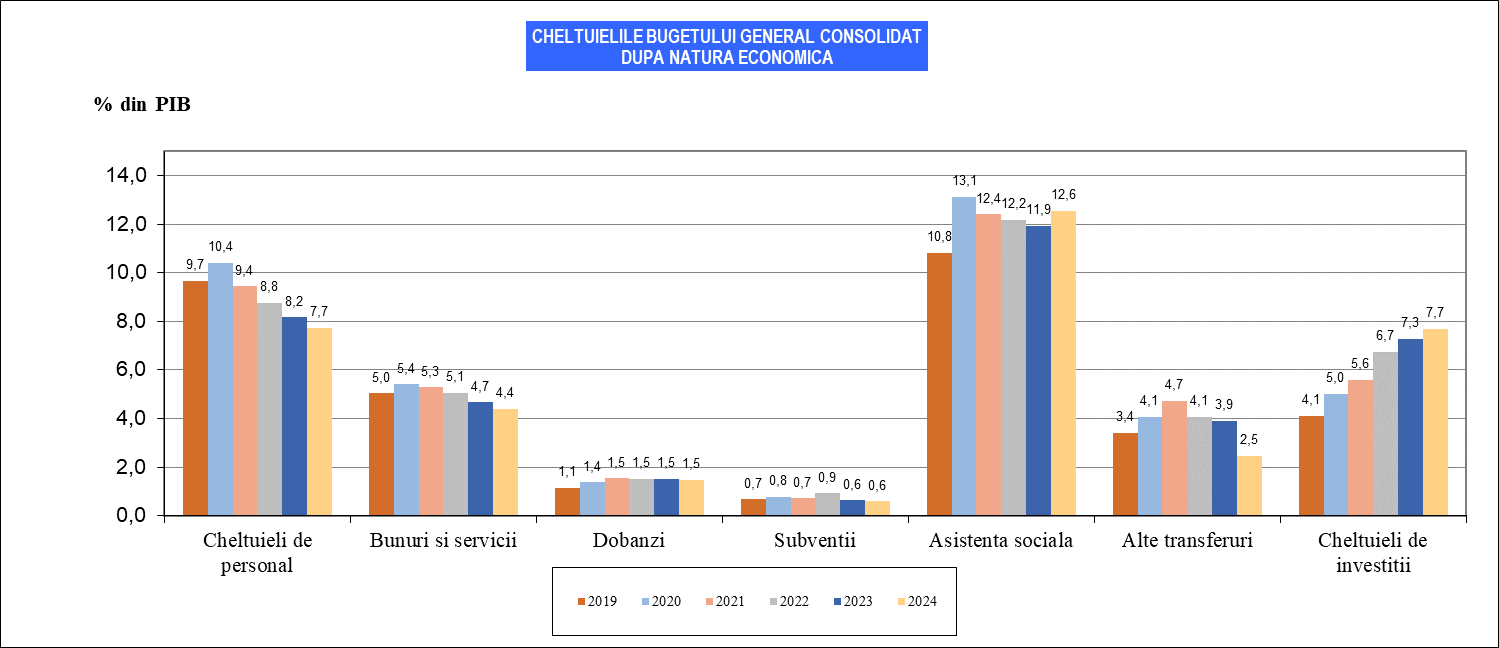
Other transfers

Investment expenses

Expenses of the general consolidated budget

* by economic classification -

Note: due to rounding off, it is possible that the total is not equal to the sum of components



The most important component of the general consolidated budget is the State budget, which has the biggest share in the total budget expenditures. The next component, as a share, is, starting with 2024, the social insurance budget closely followed by the centralized budget of the administrative-territorial units.

The size of the State budget’s expenditures is also increased by the amounts which are transferred from it to other components of the general consolidated budget, either for balancing thereof (social insurance budgets) or for financing of decentralized activities in the local communities.

All transfers awarded from the State budget to other budgets are eliminated when aggregating the general consolidated budget, in order to avoid double registration thereof.

Expenses of the general consolidated budget

* by component budgets-



Note: due to rounding off, it is possible that the total is not equal to the sum of components

Total, of which:

State budget

Centralized general budget of the administrative-territorial units

Social insurance budget

Unemployment insurance budget

Budget of the Health insurance fund

Budget of institutions/activities financed from own revenues

Other components of the general consolidated budget

Transfers between budgets and financial operations (to be deducted)

**4.5.3 Differences from the previous Strategy**

The data on **economic growth** for 2021 from the forecast scenario of the Fiscal-Budget Strategy for 2022-2024 differ significantly from that of the previous version, estimating an increase in gross domestic product by 7.0%. For the 2022-2024 forecast horizon, the average economic growth pace will be of 5.0%, investments representing the engine of economic growth.

The difference between the dynamics of **exports of goods** from the two strategies for 2021 is due to the increase of external demand correlated with the economic evolutions of the main commercial partners. At the same time, the dynamics contains an important price component, much over prior estimates.

Under the previously presented conditions, **the current account** corresponding to year 2021 has worsened, due to the deterioration of commercial balance. In this respect, it should be mentioned the bigger growth of imports of goods than that of exports. Just like in the previous strategy, future evolutions foresee a gradual improvement of the current account balance, so that the share thereof in GDP will decrease from 6.3% in 2021 to 5.8% in 2023.

The difference of over 5 percentage points in the case of **inflation** at the end of 2021 is mainly due to the increase of the price for electricity and natural gas, in the framework of alignment of prices on the domestic market to international quotations. The growth tendency of inflation is maintained in 2022 and starting in 2023 the trajectory of inflation shall follow a descending trend.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2020** | | **2021** | | **2022** | | **2023** | |
|  | **FBS for 2021-2023** | **FBS for 2022-2024** | **FBS for 2021-2023** | **FBS for 2022-2024** | **FBS for 2021-2023** | **FBS for 2022-2024** | **FBS for 2021-2023** | **FBS for 2022-2024** |
| **GDP - real growth, %** | **-4.4** | **-3.9** | **4.3** | **7.0** | **4.7** | **4.6** | **5.0** | **5.3** |
| **Exports of goods, %** | **-10.4** | **-9.9** | **7.7** | **17.6** | **6.6** | **8.2** | **7.3** | **7.6** |
| **IPC - end of year, %** | **2.06** | **2.06** | **2.5** | **7.7** | **2.4** | **4.7** | **2.3** | **3.4** |
| * **annual average, %** | **2.63** | **2.63** | **2.4** | **5.0** | **2.6** | **6.5** | **2.5** | **3.7** |
| **Average number of employees, %** | **-1.4** | **-2.6** | **1.3** | **1.4** | **2.3** | **2.0** | **2.4** | **2.9** |
| **Current account balance, % of the GDP** | **-5.0** | **-5.0** | **-4.6** | **-6.3** | **-4.4** | **-6.1** | **-4.1** | **-5.8** |
|  | **(% of GDP)** | | | | | | | |
| **Revenues (cash methodology)** | **31.0** | **30.6** | **32.7** | **32.6** | **31.4** | **33.4** | **31.00** | **33.7** |
| **Expenditures (cash methodology)** | **40.8** | **40.2** | **39.8** | **39.7** | **37.3** | **39.2** | **35.3** | **38.1** |
| **Balance (cash methodology)** | **-9.79** | **-9.64** | **-7.16** | **-7.13** | **-5.84** | **-5.84** | **-4.37** | **-4.37** |
| **ESA balance** | **-9.10** | **-9.35** | **-8.23** | **-8.03** | **-6.36** | **-6.24** | **-4.68** | **-4.40** |
| **Structural balance** | **-7.76** | **-7.72** | **-7.42** | **-7.31** | **-6.07** | **-5.71** | **-4.83** | **-4.18** |

*Source: National Commission of Strategy and Prognosis, Ministry of Finance*

At the same time, it is presented ***the comparative consolidated situation of revenues, expenditures and the deficit of the general consolidated budget,*** corresponding to the ***Fiscal and budget strategy for 2021-2023*** and ***the Fiscal and budget strategy for 2022-2024***.

* 1. **PUBLIC POLICIES**

**Policy in the field of labor and social solidarity**

1. **Correct and efficient pension policies**

**The proposed objectives are the following:**

**I.1.** Digitalization/Assessment of pension files;

**Proposed measures:**

* Transposition of all pension files from letter format into electronic format;
* Increasing the capacity of pension houses in using technology to solve the requests of pensioners;
* Strengthening the capacity for communication/response to information requests of the beneficiaries by using information in digital system;
* Making more efficient the activity of pension houses through digitalization and assessing all pension files in the perspective of recalculation of the pension.

**I.2.** Establishing the implementation schedule of Law no. 127/2019 (within 120 days), considering the conditions regarding modernization assumed through the NRRP and the negotiations with the European Commission; recalculation of all pensions in accordance with Law no. 127/2019, in order to eliminate inequalities from the system.

**Proposed measures:**

* Setting the new amount of pensions.

**I.3.** Increasing the pension point to 1,586 Lei and increasing the minimum social allowance from 800 Lei to 1,000 Lei as of January 1, 2022; supporting low income pensioners in overcoming the winter period of 2022.

**I.4.** Pension recalculation. General application of the contribution principle when establishing the right to pension.

1. **Modernization of the salary system**

**The proposed objectives are the following:**

**II.1.** Elimination of salary differences from the budget system;

**II.2.** Establishing the implementation schedule of Law 153/2017, considering the conditions of modernization assumed through the NRRP and the negotiations with the EC, which shall be announced within 120 days.

**II.3.** Establishment of a performance stimulation system.

For the development of an equitable and unitary salary system in the public sector shall be performed the following **specific actions**:

* Performance of a global assessment of the legislation’s impact on salaries in the public sector;
* Capitalization of the assessment results for the purpose of improving public services.

Negotiations with the trade unions and employers’ associations in order to establish a predictable mechanism of increase of the minimum salary.

1. **Modernization of the social assistance system**

**Proposed objectives:**

Financing should be given per beneficiary, no matter the provider of social assistance services, and the approach should be customized and integrated according to the beneficiary’s profile: it is taken by the specialists of the social protection system who will offer the entire range of social benefit services, as well as counseling and mediation for the labor market or for retirement.

The MLSS will also elaborate the draft law on social assistance for the elderly, which refers to assuring efficiency in the financing of long term care services, the improvement of the current social assistance system for the elderly, especially of the long term care services system; development of a long term care program and implementation of the public policies for promotion of active aging and protection of the elderly.

**Proposed measures:**

- Evaluation of support measures for providing benefits to economically vulnerable people, in order to remove 1.5 million people from severe material deprivation;

- Implementation of the reform on the minimum inclusion income (VMI) according to the things assumed within the National Recovery and Resilience Plan. The objective of this reform is to improve social assistance and to reduce poverty among the most vulnerable persons. The reform shall be performed through the update of the legislation in the field of social benefits, by ensuring real and adequate support to vulnerable families, under conditions of budget sustainability, correlated with the measures of stimulation of employment. The focus will be on passing from the status of social assistance beneficiary to that of active participant on the labor market, seeking correlation with the measures of activation and increase of the level of education. In addition, the aim will be to reduce the administrative burden, both at the level of local public authorities and the National Agency for Payments and Social Inspection by developing the digital platform that supports this reform by digitizing all social assistance services;

- De-institutionalization of people with disabilities - restructuring of high capacity centers and ensuring the inclusion of beneficiaries in the community;

- Implementation of social protection measures for vulnerable consumers from the energy field;

- Continued implementation of the stages of increasing the allowances for children as of January 1, 2022:

* Allowances for children between 0 and 2 years old shall increase to Lei 600;
* The allowance for children 2 years old and older shall increase to Lei 243;

- Establishing an objective mechanism of increase of the reference social index;

- Collaboration with the Ministry of Education and the Ministry of Health in order to provide integrated services and benefits;

- Improving the procedures of performance of social inspection;

- Creation of a framework to make possible the transfers of social cases among counties and of the financing thereof; this aspect shall be considered in the draft law amending and supplementing Law no. 292/2011 on social assistance.

- Development of services of the type respiro/day centers for adults and children with disabilities;

- Development of the social services for people with addictions: they are provided to be financed from POIDS 2021-2027, as well as from own budget/the State budget (subsidies), as applicable;

- Checking the application of measures to promote the accessibility of the physical and information environment for people with disabilities;

- Ensuring access to health services for all vulnerable categories;

- Digitalization and simplification of the system of assessment and classification into the degree of disability;

- Transmission, based on the consent of the disabled person, of the certificate of classification to other public institutions (for example, the directorate of taxes and duties for exemption from real estate tax).

- Access to European services for people with disabilities;

- Supporting the European initiative “European Disability Card”;

The compensatory allowance shall be granted once only, in January 2022;

- Modernization of social assistance through investments in infrastructure and social services - shall be supported through:

1. Annual financing from the State budget, through the MLSS’ budget, of the expenses for investments and capital repairs for day centers and residential centers, in accordance with GD no. 973/2012.

2. Approval and implementation of programs of national interest for the development of social services for the elderly.

3. For the program of subsidization of associations, foundations, and cults, which is carried out by the Ministry of Labor and Social Assistance, on the basis of Law no. 34/1998.

4. Financing of homes for the elderly, from amounts deducted from value added tax.

5. Financing long term care in day centers of assistance and recovery (DC) and in home care units (HCU) for the elderly.

The MLSS is responsible for the implementation and management of certain **programs/projects of investments and reforms** included in the National Recovery and Resilience Plan.

The performance indicator for the reform of long term care of the elderly, provided in the NRRP, under the responsibility of the MLSS, with deadline in 2022, is represented by the approval and entry into force of the legislative framework ensuring the sustainable mechanism of assurance of long term care granted in day centers and at home and, implicitly, of the responsibilities of the public administration at local and central level.

Ensuring decent living conditions for families in difficulty and vulnerable social categories.

**Benefits and social assistance and social inspection services**

* Implementation of the reform regarding the minimum inclusion income (VMI), in accordance with the things assumed through the National Recovery and Resilience Plan, with a focus on passing from the status of social assistance beneficiary to that of active participant on the labor market, seeking correlation with the measures of activation and increase of the level of education;
* Implementation of social protection measures for vulnerable consumers from the energy field;
* Increasing the amount of State allowances for children as of January 1, 2022;
* Establishing an objective mechanism of increase of the reference social index;
* Collaboration with the Ministry of Education and the Ministry of Health in order to provide integrated services and benefits;
* Creation of a framework to make possible the transfers of social cases among counties and of the financing thereof;
* Improving the procedures of performance of social inspection;
* Granting, extraordinarily, the 13th allowance to persons with disabilities, in January 2022;
* Development of an integrated information management system in the field of social assistance and benefits;
* Establishing the legal framework for development of the public and private long term care system;
* Modernization of the system for granting parental leave and allowances, in accordance with European directives;
* Continued application of the support measures for combating the effects of the spread of SARS-CoV-2 coronavirus.

**Intended results:**

* Existence of the unitary legal framework necessary for the implementation of measures and activities in the field of social assistance benefits;
* Improving the mechanisms for activating people belonging to vulnerable categories on the labor market;
* Reducing the risk of energy poverty;
* Increasing the revenues of the poorest households;
* Supporting families with children and encouraging natality;
* Preventing the risk of social exclusion for people economically affected by the spread of SARS-CoV-2 coronavirus.

Social assistance benefits are only part of the social assistance system, which are complemented by social services. Thus, in the new approach, the benefits of social assistance and social services will constitute a unitary package of related and complementary measures that will contribute to ensuring social needs and increasing the quality of life.

1. **Active employment and labor stimulation policies**

**Objective:** Streamlining employment and employment stimulation policy so as to provide competitive services adapted to the realities of the labor market for both employers and job seekers.

**Measures under existing legislation are in place to target active and passive measures for the unemployed and job seekers, to provide subsidies to employers in order to activate and encourage the employment of categories of people with more difficult access to the labor market, and other financial support measures.**

1. **Ensuring protection measures for the victims of human trafficking**

Prevention of all forms of violence against women and implementation of the law and of additional prevention strategies, as well as making available on a large scale of specialized support and protection services for victims to have access to them. One of the activities reported in this field is represented by the participation of the experts from the MLSS in the inter-institutional work group organized under coordination of the Ministry of Justice for elaboration of the inter-institutional collaboration protocol between the MLSS, the MIA and the MJ on the registration, update of information from the Special register of victims of crimes referred to support and protection services and transmission of statistical data to the Ministry of Justice, respectively to the National Agency against Human Trafficking, in accordance with the provisions of G.E.O. No. 24/2019 amending and supplementing Law no. 211/2004 on certain measures to ensure protection for the victims of crimes.

1. **European funds**

**A.** The Ministry of Labor and Social Solidarity has the role of beneficiary/partner in projects with external non-reimbursable financing, mainly under non-competitive regime, in the Operational Programme of Human Capital for 2014-2020, within the Investment Priorities 9.IV - Increasing access to accessible, sustainable and high quality services, including medical assistance and social services of general interest, as well as within the Operational Programme of Administrative Capacity for 2014-2020.

Operational Program of Human Capital for 2014-2020:

* Readapting the services of the National Employment Agency to market dynamics through on-line provision of the services offered to employers and creation of new instruments of information and counseling for the unemployed.
* Mechanisms of monitoring and assessment of public policies and of anticipation of skill needs.

The eSPOR Project - Relationship with the employers, one of the most important projects, consists of the elaboration of a set of simplified procedures, the reduction of bureaucratic processes through the introduction of on-line services based on electronic signature in the implementation of measures of stimulation of the labor force dedicated to employers. Shall be created a single platform that will integrated all services dedicated to SPO clients.

The ReCONNECT project - makes the correlation between the demand and offer of labor force through the introduction of new instruments and mechanisms of monitoring and assessment of public policies and of anticipation of skill needs.

B. The cohesion policy and the operational programs (MLSS as partner of MIEP in the process of negotiation with the European Commission, for the purpose of approving the following operational programs, corresponding to the financial exercise 2021-2027)

In the Operational Programme of Education and Employment for 2021-2027 were provided a series of investment priorities from the field of competence of the MLSS, with the following objectives:

- Improving the quality, the inclusive nature, the effectiveness and the relevance for the labor market of education and training systems, including through validation of non-formal and informal education, to support the acquisition of key competences, including entrepreneurial and digital competences, as well as through the promotion of introduction of dual training systems and apprenticeships.

Through the National Recovery and Resilience Programme, the MLSS undertook in the field of employment to regulate the activity of household providers.

The implementation of the provisions in the legislative act presupposes financial expenses from the budget of unemployment insurance which shall be made in 2024-2026.

C. The MLSS, both at central level and at the level of the structures subordinated thereto/coordinated by it, will implement in the NRRP the following reforms/investments

Component 1 - Social reforms

* Reform 1 - Creation of a new legal framework to offer adequate solutions to support families living in poverty, with dependent children, so that they can be kept in the family;
* Reform 2 - Reform of the system of protection of adults with disabilities: intensification of the actions of increasing social resilience in the community, with the purpose of preventing institutionalization and improving the quality of life of adults with disabilities;
* Reform 3 - Implementation of the Minimum Inclusion Income;
* Reform 4 - Introduction of work vouchers and formalization of work in the field of household workers;
* Reform 5 - Improvement and modernization of the legislation regarding social economy;
* Reform 6 - Reform of long-term care for the elderly and promotion of active aging;
* Reform 7 - An objective formula for calculation of the minimum salary;
* Investment 1 - Creation of a network of day centers for children in risk situations;
* Investment 2 - Rehabilitation, renovation and development of the social infrastructure for people with disabilities;
* Investment 3 - Operationalization of the institutional and technical system for implementation of the Minimum Inclusion Income;
* Investment 4 - Operationalization of the introduction of work vouchers in the field of household workers;
* Investment 5 - Development of a network of 71 centers of assistance and rehabilitation for the elderly.

Component - II.1 Government cloud and digital public systems

* NEA - Digitalization of employment services offered to citizens and employers;
* NAPSI - Digitalization of services of award of social assistance benefits;
* Labor Inspection - Digitalization of the records and monitoring of labor relations through implementation of the information system REGES-ONLINE (NEW REVISAL);
* Labor Inspection - Digitalization of the control activity in the field of labor relations and labor health and safety (COLOMBO).

Component - III.1 Fiscal reforms and the reform of the pension system

* A new legislative framework for the pension system;
* Entry into force of the legislative framework for sustainability of pension pillar 2;
* Supporting the process of assessment of pension files in payment;
* Operational efficiency and advanced electronic services for the national pension system through digitalization.

**Policy in the field of transport and infrastructure**

The Ministry of Transport and Infrastructure is the main responsible for ensuring the national transport infrastructures and providing transport and transport related services.

Also, the Ministry of Transport and Infrastructure is responsible for the balanced development of the national transport system, of the local and regional economy, for improving passenger comfort and increasing their safety, making freight transport more efficient, increasing population mobility, as well as improving the quality of the environment, increasing Romania’s accessibility through integration of the national railway, road, naval, air transport networks (and logistics) with European, and, respectively, international networks.

**Romania’s objectives for 2022-2025 in the chapter of transport infrastructure** refer to:

* accelerating public investments;
* ensuring correctly sized financial and human resources to successfully implement investment projects;
* assuming strategic decisions to start structural reforms and ensure increased administrative capacity;
* Prioritizing investments in the transport field, so as to reflect connectivity and mobility needs, the needs of reducing overcrowding and ensuring circulation fluency.

**Strategic priorities in the field of transport and infrastructure** for the period 2022-2025 refer mainly to:

* increasing Romania’s accessibility through integration of the national railway, road, naval, air networks (and logistics) into European and international networks, at the same time as obtaining a balanced development of the national transport system, of the local and regional economy,
* improving passenger comfort and increasing their safety,
* making freight transport more efficient,
* increasing the mobility of the population and improving the quality of the environment.

in this framework and in response to the commitments assumed through the national programmatic documents, the general objective of the Strategy of the Ministry of Transport and Infrastructure is represented by the assurance of infrastructure and services, as support for the economic and social activity for improvement of the quality of life.

At the same time, shall be operationalized the National Road Investment Company.

The accelerated and efficient implementation of the infrastructure projects included in the Investment Plan depends on a set of measures whose applicability shall be carefully monitored at the level of every company which carries out major investment projects. Thus, shall be acted in the following directions:

1. Increasing the quality of feasibility studies and technical projects;
2. Making more efficient the relationship with endorsing institutions and entities;
3. Improving the legislation regarding public procurement;
4. Introducing a system of fast settlement of appeals;
5. Increasing the performance of beneficiaries and the cooperation between local and national authorities;
6. Effective project implementation monitoring.

The following 4 years shall be decisive for the evolution of the field of transport, with the Government focusing on a few directions of action that would guarantee the successful implementation of the strategic objectives established through the Government Programme, on the transport infrastructure component;

* Accelerating the implementation of projects under execution through responsible and proactive management, continuous dialogue with entrepreneurs and efficient inter-institutional collaboration, so as to quickly identify the solutions in order to eliminate possible blockages arising during the implementation of these projects;
* Careful monitoring of ongoing projects in the main corridors of European connectivity, so that their completion perspective should be within a medium time horizon;
* Starting new investment projects in transport infrastructure through promotion of mature and well-substantiated documentations based on the economic efficiency of these projects;
* Achieving connectivity between the historical regions by intensifying the process of closing the road and railway corridor TEN-T Rhine-Danube and East / East-Mediterranean and implementing large infrastructure projects in the other regions of Romania, on the north-south and east-west axis;
* Continuation of the recovery program of state transport companies and the selection process of professional managers based on a transparent and solid analysis;
* Attracting Romanian specialists who work abroad (“repatriation”) in the implementation of major projects of billions of EUR;
* Partnerships with public institutions which manage infrastructure in other Member States of the EU for technical assistance;
* Implementation of the **Investment Plan for development of the transport infrastructure for 2020-2030**, a document which updates the implementation strategy of the General Transport Master Plan and which shall form the basis of accessing European funds in the future European financial exercise;
* Adoption of a new financing strategy for infrastructure projects that would ensure the sustainable and efficient implementation of projects. Shall be supported major investments in infrastructure with the main source of financing being non-reimbursable European funds, this being a key factor of Romania’s modernization. The European Union encourages countries to access other financing instruments as well, apart from European funds, in order to maximize the impact thereof and to allow the development of a bigger number of projects.

The achievement of this general objective and of the specific objectives in all fields of transport shall be supported through general measures and mandatory measures, like:

• Increasing competitiveness between the modes of transport

• Improving transport services through investments in the rolling stock park

• Modernization of railway stations

• Modernization of ports and airports

• High quality road infrastructure

• Extension of multi-modal transport.

In this respect, **the financing policy proposed for the period 2022-2025 will consider the prioritization of the public investment program.**

Thus, the General Transport Master Plan (GTMP) is elaborated to provide the necessary elements for prioritization of investments in the field of transport, for all modes of transport (road, railway, naval, air), based on a multi-criteria analysis.

At the same time, in the process of allocation of resources on programs/projects and modes of transport, the Ministry of Transport and Infrastructure will continue to support the implementation of a coherent financing policy, of massive attraction of non-reimbursable European funds, of gradual increase of the users’ participation to infrastructure financing, of encouraging the participation of the private sector through public-private partnership arrangements.

In the framework of the European policy in the field of transport, which provides the creation of an integrated European network oriented towards the development of a central network, with completion term in 2030 (TEN-T Core) and of a global network which shall support the central network, with completion term in 2050 (TEN-T Comprehensive), Romania will have to continue the investments in transport infrastructure oriented towards the development of trans-national multi-modal corridors which cross Romania, namely: The Rhine-Danube Corridor and the Orient/East Mediterranean Corridor, correlated with the specific national priorities.

In conjunction with the stated policies, the strategic priorities of the Ministry of Transport and Infrastructure are mainly focused on completing the works on the objectives / investment projects in an advanced stage of realization, with secured financing and continuing the works on the objectives / investment projects in progress, as well as the start of new works, located on the TEN-T network, with secured financing from non-reimbursable funds and reimbursable funds, materializing in:

* the construction of highways/express roads on the TEN-T;
* Modernization and development of the network of national roads, including through the construction of bypasses;
* rehabilitation and modernization of the railway infrastructure on the TEN-T network, by completing the missing sections related to the corridors on the central TEN-T, including actions to increase the quality of rail transport services;
* station modernization and construction of high-speed lines;
* improving navigation conditions on the Danube and the navigable channels;
* modernization and development of the infrastructure or marine and river ports.
* investments in airport infrastructure in order to increase the level of safety and security on all airports and airfields from Romania.
* Developing the RO-LA transport and multi-modal transport network.

The investment priorities in the field of transport and infrastructure for the period 2022-2025 are in accordance with the provisions of the Government Program and Government Decision no. 666/2016 for the approval of the strategic document General Transport Master Plan of Romania.

The stated strategic priorities are materialized through programs / projects coordinated by the Ministry of Transport and Infrastructure and carried out by the units under its authority.

The Operational Programme of Large Infrastructure (POIM) for 2014-2020 was elaborated to respond to Romania’s development needs identified in the General Transport Master Plan of Romania (MPGT), the Partnership Agreement for 2014-2020 and in accordance with CSC and the Position Document of European Commission services.

In POIM 2014-2020, the allocation of the EU for the transport sector is of approximately 5 billion EUR. According to the programming agreed with the European Commission, the efforts of POIM 2014-2020 were mainly oriented towards the development of the TEN-T central network, especially towards the development of corridors which cross Romania, namely: Rhine-Danube and Orient/East Mediterranean.

274 projects have been submitted so far within POIM and 158 projects have been contracted, whose total value is of approximately 12.23 billion EUR.

At the same time, several major projects are being prepared, which shall be sent to the European Commission in the following period of time:

* *ARF rolling stock procurement (EUR 343.601.000);*
* *Transilvania Highway, section Nușfalău - Biharia, including connection road with Oradea Municipality (EUR 484.938.016)*

**The Operational Programme Transport for 2021-2027,** the programmatic document in process of negotiation with the representatives of the European Commission through which shall be continued the financing of investments in transport infrastructure, carried out during the programming period 2014-2020, based on the investment priorities identified in the Investment Plan for Transport Infrastructure for 2020-2030.

The list of priority projects which shall be included in the POT shall be defined when the negotiations with the representatives of the European Commission are completed and shall include projects on all modes of transport.

**The National Recovery and Resilience Plan for 2021-2026** is a new financing mechanism made available to the EU Member States, through which shall be established Romania’s priority investment fields for overcoming the crisis, economic relaunch and increasing the Romanian State’s resilience capacity.

For the transport infrastructure component, the investments included in this programme will be oriented towards the continuance of investments started in 2014-2020, with the main objective of finalizing the corridors of the TEN-T network which transits Romania, namely Rhine-Danube and Orient/East Mediterranean, through the construction of missing sections, as well as for the development and modernization of the national road network which ensures the connection to the TEN-T network and modernization of the railway network, thus contributing to the creation of the assumptions for Romania’s local and regional economic development.

**In 2022**, for the transport component are scheduled to be started several reforms and investments, among which we mention the following, in accordance with the implementation schedule of the **NRRP**:

* The national road safety strategy which shall be completed by December 31, 2022;
* The strategy and legislative package regarding smart transport systems (STI), until June 30, 2022;
* The award of agreements to winning enterprises for 50% of the construction works and supervision of the railways until the end of 2022, as follows:
  + Modernization, electrification of railway lines, ERTMS on the Arad - Timișoara - Caransebeș section;
  + Modernization, electrification of railway lines, ERTMS on the Cluj-Napoca - Episcopia Bihor section;
  + Electrification and renewal of railway lines: Constanța – Mangalia, and Videle – Giurgiu.
* Renewal investments cover the following lines:

- București – Pitești – inclusion into the TEN-T;

- Reșița – Voiteni – connection with the corridor of the central TEN-T network.

* Investments will also include a series of projects of “quick-wins” type to eliminate speed restrictions and limitations on the following sections:

- București – Craiova;

- Arad – Oradea;

- Sibiu – Copșa Mică;

- Oradea – Satu Mare – Halmeu;

- Apahida – Dej – Baia Mare – Satu Mare;

- Dej – Beclean – Ilva Mică;

- Adjud – Siculeni;

- Filiași – Tg. Jiu – Petroșani – Simeria;

- Pitești – Slatina – Craiova;

- Coșlariu – Teiuș – Cluj-Napoca;

- Tecuci – Bârlad – Vaslui – Iași.

By the end of 2022 shall be signed the agreements for purchase of 50% of the works for the new metro lines in Bucharest and Cluj-Napoca, as follows:

* M4 Bucharest: section Gara de Nord - Filaret (6 stations), length of 5.2 km;
* M1 Cluj-Napoca: SF. Maria – Europa Unită (9 stations), length of 7.5 km;

The works included in this investment are: structural resistance works, stations, inter-stations, tunnels, galleries, other constructions. The auction procedure shall be carried out in accordance with Law no. 98/2016, as subsequently amended, which transposed the relevant European directive, namely Directive 2014/24/EU.

**Compania Națională de Administrare a Infrastructurii Rutiere SA (C.N.A.I.R)**

The strategic investment priorities of the MTI for 2022-2025 are mainly focused on completing the works on the objectives / investment projects in an advanced stage of realization, with secured financing and continuing the works on the objectives / investment projects in progress, as well as the start of new works, located on the TEN-T network, with secured financing from non-reimbursable funds and reimbursable funds, materializing in:

* the construction of highways/express roads for TEN-T

**The list of main highway construction projects, introduced into the Budget in 2022**, comprises the following objectives:

* Sibiu - Pitesti Highway, sections 1, 2, 3, 4, and 5,
* Lugoj - Deva Highway (Dumbrava - Deva sector),
* Nadaselu - Suplacu de Barcau - Borş Highway, including the connection Oradea Bypass (turn to Sintandrei road) - A3 Highway (Biharia),
* Câmpia Turzii – Ogra - Târgu Mureş Highway,
* South highway belt of Bucharest municipality, including the interventions on the existing belt (extension to 4 lanes of the Bucharest Belt between A1 - DN 5, DN 2 - A2, and A1 - DN 7, Berceni, Domnesti, Oltenita and Mogosoaia Passageways),
* North highway belt of Bucharest municipality,
* Craiova - Pitesti Express Road,
* Brăila – Galaţi Express Road,
* Suspended bridge over the Danube in the Braila area,
* Ploiesti-Buzău Highway

**The projects of highways in preparation in 2021, which shall gradually enter in execution in 2022-2025**, include:

* Elaboration/completion of the feasibility studies for highways Sibiu-Făgăraş, Făgăraş – Braşov, Târgu Neamţ - Târgu Mureş, Târgu Neamţ – Iaşi – Ungheni, Timişoara – Moraviţa,
* Elaboration of feasibility studies and technical projects for the Brasov - Bacău highway, and for high speed roads Ploieşti - Buzău - Focşani - Bacău – Paşcani - Suceava – Siret,
* Elaboration of feasibility studies and technical projects for the express roads: Craiova – Târgu Jiu, Ovidiu - Tulcea, Brăila - Tulcea, Brăila - Buzău, Focşani - Brăila, Găeşti – Ploieşti, Piteşti – Mioveni, Bacău – Piatra Neamţ,
* Elaboration/completion of the feasibility studies for Express Road/ Highway (Express Road Connection Satu Mare (VO Satu Mare) - Oar (Romanian - Hungarian Border - Express Road M49 Hungary), Satu Mare - Baia Mare and North Highway/High speed road Baia Mare – Suceava (Lot 1, Baia Mare – Bistrita; Lot 2 Bistrita – Vatra Dornei; Lot 3 Vatra Dornei – Suceava), Tisita - Albiţa,
* Completion of the feasibility study and elaboration of the technical project for the express road Arad - Oradea;

Among the major road infrastructure projects (highways) in execution in 2021, have been finalized and open for traffic the following sections:

* Highway Câmpia Turzii – Ogra - Târgu Mureş, sector 1C Târgu Mureș – Ungheni;
* Sebes - Turda Highway, lot 2.

In 2021 were signed design and execution/work execution agreements for the following major road infrastructure projects:

* Sibiu - Pitesti Highway, section 4;
* Highway belt of Bucharest Municipality, sector North Belt, lot 2;
* Connection between Oradea Belt (turn to Sintandrei road) - A Highway (Biharia);
* Craiova-Pitești Express Road, Section 4;
* Brăila – Galaţi Express Road;

In 2022-2025 are considered the continuance of works for objectives already in execution, as well as the staged start of the works for the objectives currently in design (elaboration of Technical Project);

- modernization and development of the network of national roads, including through the construction of bypasses;

**The list of main bypass construction projects, introduced into the Budget in 2022, comprises the following objectives:**

* Bypasses in execution: Modernization of the road bypass of Bucharest Municipality (passageways of Berceni, Olteniţa, Mogoşoaia, Domneşti, DN 2-A2), Tecuci, Bârlad, Satu Mare, Stei, Rădăuţi, Timişoara Sud, Săcueni, Zalău, Connection Road DN 5 - Podul Prieteniei (VO Giurgiu Vest), Târgu Jiu, Bypass of Galaţi, Sfântu Gheorghe, Bypass of Zalău, stage 2, between DN1F, km 79+625 - DJ191C, Bypass of Craiova variant South DN 56-DN 55-DN 7, Drajna passageway
* Bypasses that shall enter execution/design and execution: Târgu Mureş, Giurgiu (Est), Sighişoara, Buftea
* Bypasses which shall enter into the design/design and execution stage on the basis of partnerships with the ATUs: Aleșd, Stei, Beclean, bypass ring of Târgu Mureş (through the interconnection of A3 highway, E60, DN 15, and DJ 152 A), Arad Est, Mediaş, Sibiu Sud, Bypass on the west side of Sebeş, Gura Humorului, Valea lui Mihai.

The portfolio of projects in preparation, for which there are already budget allocations in 2021, includes bypass versions in the preparatory stage (elaboration of Pre-feasibility study, Feasibility study, and Technical Projects), Râmnicu Vâlcea, Vaslui, and Techirghiol, Timişoara Vest, Piteşti Vest Bypass, Roman passageway.

**Among the projects in execution, in 2021 have been completed and open for traffic the following objectives:**

* Satu Mare Bypass, sector km 9+600 (intersection of VOSM with DN19) – km 13+600 (intersection of VOSM with DN19A);
* Mihăilești Bypass.

**The main projects of modernization of national roads introduced into the Budget in 2022, are:** DN 18, Moisei - Iacobeni; DN 66, Lainici parking, DN 76, Deva – Oradea (completed), DN 5, Bucharest - Adunații Copăceni; DN 6, Alexandria - Craiova (lot 2); DN 73, Piteşti - Câmpulung - Braşov; Modernization of the circulation safety infrastructure on DN 1, in "Linear villages and black points"; A 1 - Titu - Bâldana - Târgovişte - Sinaia; DN 52, Alexandria - Turnu Magurele; DN 28B, Târgu Frumos - Botoşani; DN 29D, Botoşani – Ştefăneşti, DN 2L, Soveja - Lepşa; Connection road A1 Highway Arad - Timişoara - DN69, Defects remedy on DN1H km 6+000 - km 12+000, DN 2N km 52+860 - km 60+000 Jitia - Bisoca and new bridge over Râmnicu Sărat River at km 53+301, DN 1S km 0+000-km 23+831, DN 67B Scoarța - Pitești km 0+000-188+201.

**The projects in preparation, for which budget allocations were already made in 2021 and which shall be budgeted in 2022 as well, include:**

* DN 7C, Transfăgărășan (technical expertise and elaboration of Feasibility Study);
* Connection road A1 - DN 7 (Titu/ DJ 711A) (Revision/Update of the Feasibility Study and Elaboration of the Technical Project)
* Execution of the Connection between DN 73C and Sibiu-Piteşti Highway (Tigveni Node) and Modernization of DN 73C, km 44+800 – km 68+000 (elaboration of Feasibility Study and Technical Execution Project);
* Execution of 6 road nodes on A1 and A3 highways, in the Western area of Romania;

**Projects which will be budgeted in 2022, after obtaining the necessary legal approvals, currently in the stage of preparation/award in view of elaborating the technical and economic documentations or design and execution;**

* Cumpana Node (connection to A4 - DN 39E);
* Martinesti Node (connection to A1 - DN 1);

**The bridges which shall enter in execution in 2021 and shall continue to be budgeted in 2022** are:

* Bridge on DN 10 km 46+471 over Basca at Cislău;
* Consolidation of the bridge on DN2B km 149+841 over Prut Galaţi - Giurgiulești;
* Bridge on DN 1 km 135+332 over Azuga River at Azuga;
* Bridge on DN 24 km 105+678 at Crasna;
* Bridge on DN 13C km 1+200 at Vânători;
* Bridge in Cernavodă, located on A2 Highway, at km 157+600;
* Bridge over Borcea Arm, located on A2 Highway, at km 149+680;
* New bridge in Cosmești, over Siret, on DN24, km 7+620;
* Flood protection of the locality Babadag, Tulcea county/Restoration of 5 bridges on DN 22 km 210+291, km 211+812, km 212+045, km 212+495, km 213+600”;
* Bridge over Dâmbovița River on DN 73, km 78+519

Bridges that shall enter design and execution:

* Bridge over Tisa (design and execution);
* Bridge in Ungheni, over Prut River.

**Road infrastructure maintenance**

C.N.A.I.R. S.A. is currently ensuring the administration and maintenance of a network of 16,758 km, of which 945 km of highway and 15,910.851 km of national roads, a network which is developed on the entire territory of Romania, of which over 58.6% has the operating life expired (the normal service life of a road is the duration of use expressed in years, as of commissioning of the road as new and until its introduction in the first capital repair or between two capital repairs). Normal service life may be extended if the technical condition of existing road systems and the load-bearing capacity of the road are maintained within the permissible limits laid down by the technical regulations in force on the date of expiry of normal service life by carrying out regular maintenance (bituminous treatments, very thin road layers, asphalt carpets, recycling in SITU) and current repairs (reinforcements of road systems), according to the technical regulations in force and in the rhythm provided by them.

**National Railway Company CFR SA (**CNCF CFR-SA)

CNCF CFR-SA proposes the following **strategic priorities**, focused mainly on:

* continuance and completion of the works on sections Brașov – Sighișoara, Sighișoara - Simeria, and Simeria – Gurasada – Km.614, in different stages of execution, programs of elimination of speed restrictions on the entire central and global TEN-T, with direct and immediate impact on travel duration and/or on increasing traveler safety and comfort;
* modernization of safety systems and centralization, including through projects of increasing the quality of railway transport services in railway stations;
* Projects of electrification of missing railway lines from the central and global TEN-T network on railway lines Episcopia Bihor – Cluj Napoca, Rădulești – Giurgiu, Constanța – Mangalia, and București – Giurgiu;
* rehabilitation and modernization of the corridor Arad – Timișoara – Caransebeș, Craiova – Calafat, and București – Giurgiu;
* rehabilitation and modernization of the railway line Ploiești Sud-Focșani-Pașcani-Iași-Border, Pașcani-Dărmănești-Vicșani-Frontiera;
* rehabilitation and modernization of the railway line Predeal - Brașov;
* acquisition of working train systems for the activity of renewal (capital repair), rehabilitation, modernization, construction of components of the railway infrastructure and increasing the degree of safety of railway traffic;
* rehabilitation and modernization of the Gara de Nord Railway Complex, including the Bucharest railway belt as an alternative for the urban transport of the inhabitants of the peripheral areas, easier access to the big shopping centers and warehouses located in the belt area and creation of inter modal nodes at the end of the transport lines.

The main objectives are also found in the Railway Infrastructure Development Strategy for 2021-2025 and the Action Plan for the Development of Railway Infrastructure and the modal shift to the rail of passenger and freight transport flows.

**Societatea de Transport cu Metroul Bucureşti "METROREX" (METROREX SA)**

The main **investment objectives in the field of urban transport by metro** to be developed in the period 2022-2025 are:

* Accessibility of subway stations in operation for the visually impaired,
* Drumul Taberei - Pantelimon Thoroughfare 5,
* Modernization of the installations on metro thoroughfares I, II, III, and TL
* Connection of the metro network with Henri Coandă – Otopeni International Airport
* Renewal of rolling stock for which agreements were concluded in the amount of approximately 500 million lei.

**NAVAL TRANSPORT**

In the field of naval transport, in the period 2022 - 2025, the priorities are in accordance with the Government Program approved by Parliament Decision no. 42/2021 on giving the vote of confidence to the Government and refer to the capitalization of the huge potential offered by the Danube, by river transport, of development of the commercial Danube ports, the transformation of the port of Constanța into a regional leader, the intensification of the process of finalizing the started projects and the preparation of the projects that will be financed from the financing programs of the European Union for the period 2021-2027.

**The priorities in the naval transport field** refer to:

* elaboration of the naval strategy;
* ensuring navigation conditions on the Danube, all year round;
* modernization of the infrastructure of marine and river ports (Constanța, Galați, Giurgiu, Corabia, Calafat, Drobeta, Oltenița etc.) and connecting the ports, especially river ports, to road and railway transport systems;
* development of Constanta Port through promotion of a major investment plan, so that it should reach its maximum potential and extend the hinterland with the perspective of becoming the most important port in the region;
* increasing traffic safety by developing infrastructure for coastal maritime traffic information and management services and the acquisition of technical vessels;
* digitization: permanent updating of electronic navigation maps; exchange of RIS (River Information Services) information at regional level; waterway management; improving the IT infrastructure for storing and processing geospatial data; creation of databases for qualification certificates, service logs and logbooks according to EU Directive 2017/2397; implementation of the Single European Maritime Counter (EMSWe) in accordance with Regulation (EU) 2019 / 1.239.

**AIR TRANSPORT**

Priorities for the development of investment objectives in the field of aviation for the period 2022-2025 are:

1. Aviation unit: „Traian Vuia” International Airport in Timișoara

- Programme name: Departures terminal for external flights at the International Airport in Timișoara – Traian Vuia SA

- Project value: 184,506 thousand Lei

- Financing source: external non-reimbursable funds.

2. Aviation unit: “Mihail Kogălniceanu” International Airport in Constanța

- Programme/project name: Runway strip arrangement and RESA

- Project/programme value: Total: 49,856 thousand Lei

- Financing source: State budget

- Description: In order to observe the EU Regulation 139/2014 it is necessary to execute runway strip arrangement works, as well as works of arrangement of land areas necessary for the airport’s safety operation.

3. Aviation unit: Higher School of Civil Aviation

- Programme/project name: Synthetic body building training center Gf + 3 building flight simulators and related spaces equipped with a BoF 737 NG SBB flight simulator

- Project/programme value: Total: 76,759 thousand Lei

- Financing source: State budget

- Description: The program aims to build a synthetic flight training center, equipped in the first phase with a single SBB simulator, to ensure the training to the highest standards of pilots who carry out their activity in companies operating in Romania.

4. Aviation unit: Romanian Aeroclub

- Programme/project name: Modernization and asphalting of the runway of the Bucharest Territorial Aeroclub, Clinceni commune

- Project/programme value: Total: 22,810 thousand Lei

- Financing source: State budget

5. Aviation unit: Romanian Aeroclub

- Programme/project name: Modernization and extension of the infrastructure at the territorial aeroclub "Aurel Vlaicu" Clinceni

- Project/programme value: Total: 17,606 thousand Lei

- Financing source: State budget

- Description: The project aims to supplement the necessary infrastructure for carrying out the activities organized by the Clinceni Territorial Aeroclub: introductory courses in aviation sports (motor flight, aerobatics, gliding, skydiving), training of performance athletes.

**Policy in the field of education**

*România Educată (Educated Romania),* a Project of the President of Romania and the Government Programme for 2021-2024, project the public policies in the field of education and professional training on medium and long term, rearranging societal values, ensuring sustainable development and responding to the challenges of the future. Thus, we need a balanced, equitable and quality educational system, characterized by professionalism and integrity, flexible system which guarantees the well-being of all those involved, responds to different needs and supports excellence in learning and teaching.

Also, the main strategic guidelines in the field are convergent with the programmatic European document: The National Recovery and Resilience Plan, the European Green Pact, the 2030 Agenda for Sustainable Development, the European Pillar of Social Rights, the Council’s Resolution on a strategic framework for European cooperation in the field of education and training in the perspective of creation and continued development of the European Education Area (2021-2030), and so on.

| **Objectives** | | **Lines of action, programs, projects** |
| --- | --- | --- |
| The short-term priorities of the Ministry of Education are: | | |
| * Ensuring the conditions of performance of school and university classes under conditions of health safety | | |
| * Organization of remote or hybrid learning during the pandemic | | |
| * Equipping with appropriate equipment for conducting on-line courses for children, pupils, students and teachers. | | |
|  | | |
| **I. Pre-university education** | | |
| 1. Development of the teaching career | Development of a skill profile for teachers  Restructuring of the system of initial training for teachers  Improving the quality and access to continuous training of teachers  Development of a flexible career management system | |
|  | |
| 2. Improving the management and redefining the governance of the education system | Improving the processes of elaboration, implementation, and assessment of public policies in education  Implementing a governance system of the pre-university education system in partnership with the local public authorities | |
| Redefining the institutional framework and the competence areas in the field of governance of the pre-university education system | |
|  | |
| 3. Improving the financing of the pre-university education system | Improving the absorption of non-reimbursable funds from the field of education and attracting non-budget revenues for education  Increasing the financing of pre-university education | |
| 4. Development of the infrastructure of pre-university education | Development of the infrastructure for professional education  Revision of the standards for the school infrastructure  Reorganization of the school network | |
| 5. Update of the curriculum and of the skill focused assessments | Periodic analysis, monitoring and evaluation of the applied and the realized curriculum, in order to carry out some improvement interventions  Promotion of a curriculum design model  Development and implementation of standards and descriptors corresponding to the grading scales used in student assessment | |
| Revision and progressive improvement of assessment processes in the educational process of students, both at threshold moments and throughout | |
| Using information systems in the evaluation process and in the mapping of pupils’ results | |
| Increasing access to quality education for all social categories, especially those coming from disadvantaged environments | |
| 6. Ensuring inclusive and quality education for all children | Reducing the school dropout rate; revision of social programmes | |
| Improving and promoting programs to support the reintegration of school leavers | |
| Promoting an inclusive and child-centered pedagogy | |
| Improving public equity policies | |
| Creation and development of practices, material and human resources for the successful integration of children with disabilities or SEN | |
| 7. Supporting and promoting functional literacy | Supporting children with parents who have gone to work abroad, through psycho-emotional help | |
| Improving functional literacy, at all levels and under all forms thereof: literacy, mathematics, sciences, media, digital, and social | |
| Continuous evaluation of the pupils’ and adults’ functional literacy level | |
| Application of a curriculum in which the key competence *Learning to learn* and the meta-competences of autonomy and understanding play a central role | |
| Scientific literacy of all students and improved performance in TIMSS assessments | |
| Stimulating the involvement of students in the STEAM area, both in the educational process and in choosing a career | |
| Training and support of teachers for teaching, learning, assessment and motivation of students in the STEAM area | |
| 8. Promoting STEAM education | Ensuring the infrastructure, technology, and resources necessary for the educational process in the STEAM field | |
| Promotion of initiatives, partnerships, and openness towards society, focused on the STEAM component | |
| 9. Supporting education digitalization | Development of digital skills among auxiliary and non-teaching staff in the education system | |
| Providing programs for cyber-security, data protection, on-line security and IT ethics | |
| Development of resilience mechanisms in pre-university and university educational institutions | |
| Preparing pupils to face a continuously changing social dynamics through subjects correlated with the needs of the democratic society | |
| 10. Ensuring resilience | Educating children in the spirit of protecting their physical and emotional integrity, of attention to health | |
| Fighting the bullying phenomenon, under all its forms | |
| 11. Development of early education | Ensuring quality early education services | |
| Revision, supplementation, and harmonization of the legislative framework | |
| 12. Supporting primary and secondary education | Supporting pedagogical approaches that aim at personalizing learning, investigative-based science learning, problem/project-based learning, to replace memory-based education  Internationalization of higher secondary education | |
| 13. Developing professional education |  | |
| Development of the dual education for an improved correlation of educational offers with labor market requirements | |
| Integrating the values from the “România Educată” Report in the manner of regulation, implementation, and evaluation of the educational system and process  Increasing the quality of educational processes in all its forms | |
| 14. Complementary lines of action | Disseminating the implementation of education for sustainable development in the education and training system | |
| Supporting education in the languages of national minorities | |
| Encouraging initiative in private education | |
| Increasing integrity, reducing vulnerabilities and corruption risks in the national education system | |
| Supporting the participation of adults to life-long education | |
| Consolidating the substantiation of strategic decision instruments | |
| II. Higher education  1. Increasing participation to tertiary forms of education |  | |
|  | |
| Accelerated reconnection of the private to the university environment  Intensifying the efforts of increasing access to tertiary education for underrepresented groups | |
| Increasing the quality and availability of counseling services | |
| Improving student retention | |
| Increasing the financing of higher education in correlation with the increase of autonomy and responsibility of universities | |
| Supporting universities to develop joint-degree or interdisciplinary curricula related to the labor market | |
| Attracting qualified external experts | |
| 2. Intensifying the efforts of internationalization of the Romanian education system | Correlating the amount of student scholarships with the beneficiaries’ needs and the evolution of the minimum guaranteed income | |
| Supporting universities to reach the national target of participation of adults to life-long forms of education | |
| Supporting the efforts of internationalization of universities  Increasing the number of international mobilities, including through accessing of external non-reimbursable funds, for the co-financing of mobilities | |
| Automatic mutual recognition of study programmes. | |
|  | |
| Training the persons involved in university management before and/or at the beginning of a management mandate | |
| Development of open resources to support the activity of people involved in university management | |
| 3. Increasing the capacity of university management of implementing national policies | Supporting the formation of poles of excellence - university consortia which should include universities and research institutes | |
| Increasing the capacity for collection and analysis of relevant data to support the decisional process, both at institutional level and at the level of the higher education system | |
| Creation of “pilot laboratories” by the universities which are members of the European Consortia and transforming them into models for the Romanian higher education system | |
| 4. Increasing university autonomy, with respect to the use of own funds, human resources policies | Transparency of decision-making processes at the university level | |
| Measures of legislative correlation in the fiscal and budget field, in the field of procurement, and in the field of labor legislation | |
| Encouraging innovation and originality of PhD students in scientific research | |
|  | |
| 5. Consolidating the quality of doctoral studies | Internationalization of doctoral studies  Monitoring the insertion of graduates of doctoral studies into the labor market | |
| Encouraging PhD students’ autonomy | |
| 6. Supporting ethics and integrity in the university environment | Development of an organizational culture regarding ethics and integrity in the higher education system  Harmonization of the codes of university ethics with the evolution in the EES/EHES | |
| 7. Development of a digital ecosystem for university education | Development of training programmes for digital pedagogy skills  Development and multiplication of virtual reality and augmented reality laboratories | |
| Development of high digital skills of students, teachers, and researchers from universities | |
| Development of the digital infrastructure and generalization of the access to electronic equipment and development of digital content and learning dedicated software. | |

**In addition to the financing from the state budget, from the National Recovery and Resilience Plan, the following will be ensured:**

- Elaboration of the Functional analysis regarding the governance of the pre-university education system

- Implementation of a training and mentoring programme for school managers and inspectors

- Development of a network of “Green Schools”

- Ensuring school transport through the procurement of 3200 electric minibuses

- Equipping classrooms, laboratories and school offices in the pre-university system

- Generalization of the early warning mechanism regarding school dropout and implementation of the National Program for reducing school dropout

- Implementation of training programmes for improvement of digital pedagogy skills for teachers

- Ensuring open equipment and educational resources

- Development of the pupils’ digital skills’ profile

- Establishment of 412 complementary services for early education

- Construction of rural school consortia

- Reconfiguration of the dual professional education system on a complete/integrated trajectory, from secondary education to university education

- Transforming agricultural high schools into professionalization centers

- Equipping school workshops from professional and technical education units

- Construction and equipping of 10 integrated campuses for dual education

- Rehabilitation of the university infrastructure for student dedicated social services

- Digitalization of higher education processes - creation of a digital ecosystem for universities.

**Policy in the field of entrepreneurship and tourism**

The Ministry of Entrepreneurship and Tourism, established on the basis of the Government Emergency Ordinance on establishing measures at the level of central public administration and on amending and supplementing certain legislative acts no. 121/2021 on establishing measures at the level of central public administration and amending and supplementing certain legislative acts, is organized and functions as a specialized body of the central public administration, subordinated to the Government which implements the strategy and the Government Program in the fields of entrepreneurship, small and medium enterprises, tourism, cooperation and business environment, foreign trade, trade policy and international economic relations and foreign investment, in line with the requirements of the market economy and to stimulate the initiative of economic operators.

***In the field of tourism***

1. ***Romania’s representation in the Member States of the European Union and in third countries***

According to Government Ordinance no. 58/1998 on the organization and performance of the tourism activity in Romania, as subsequently amended and supplemented, the State supports and encourages free initiatives in the field of promotion and development of the tourism activity and, especially, in the stimulation and attraction of foreign tourists in Romania, as well as in the development of the activity of tourist resorts, through the organization of actions of tourism promotion both internally and externally through tourism promotion offices from abroad and tourism attaches, and in order to ensure Romania’s representation both in the member states of the European Union and in third countries, in the field of tourism policy and promotion of tourism products and services, as well as of national tourism forms, shall be established the position of tourism attaché.

1. **Fulfilling the strategic role regarding the tourist promotion of Romania in accordance with the provisions of Government Decision no. 20 of January 11, 2012 on the approval of the Multiannual Program for marketing and tourism promotion and the Multiannual Program for the development of tourist destinations, forms and products, as subsequently amended and supplemented**
2. The multi-annual marketing and tourism promotion program aims to promote the most important destinations and forms of tourism in Romania on the domestic market and on the main tourist markets abroad.

**Measures:**

* Development of an integrated promotional campaign in 2022 for repositioning on the international tourism market;
* Performing marketing studies and market researches;
* Carrying out digital marketing activities, without being limited to them: search engines, social networks, platforms, various websites and blogs with an impact on increasing the tourist circulation in Romania;

1. The multi-annual program for the development of tourist destinations, forms and products aims to support domestic tourism in order to improve tourist circulation in parallel with the conservation of the natural and cultural heritage.

The annual program for the development of forms of tourism aims at developing domestic tourism and incoming tourism in order to improve tourist circulation while preserving the natural and cultural heritage, increasing the notoriety of Romanian tourist destinations on the domestic and international market, diversification and development of Romanian tourism products, and increasing the quality of tourist services in Romania for the period 2021-2023.

**Measures:**

* Capitalization and conservation of traditional architecture;
* Supporting local gastronomy;
* Development and promotion of the national network of ecotourism destinations, in accordance with the National Ecotourism Strategy;
* Creation of a system of attestation of cultural routes, developed at national level for the effective and efficient promotion thereof;
* Creation of a voluntary system of thematic specialization of tourist pensions, to complement the classification system;

***Policy in the field of public investments***

**The program for the development of investments in tourism** - the Master Plan for investments in tourism - and the eligibility criteria for tourism investment projects, approved by Government Decision no. 558/2017, as subsequently amended and supplemented.

**Measures:**

The Programme is seeking financial support of administrative-territorial units, to supplement their own sources through transfers from the State budget to the local budgets.

**Expected results:**

The tourist industry generates a significant number of jobs, and investments in this field have a relatively short amortization term. Tourists create an additional demand for consumer services and goods, thus stimulating the tertiary sector of the economy (services, trade, artisan industries, etc.). At the same time, tourist localities tend to have a more developed urban and service infrastructure. The transport and real estate sector are two other important branches that have benefited of the development of tourism. If at present the share of tourism in the gross domestic product is reduced both at national and regional level (about 2-3%), in the medium term it can easily double, even without expanding the structures of tourist reception.

***In the field of small and medium-sized enterprises, cooperation and the business environment, trade, trade policy and international economic relations and foreign investment, in accordance with the requirements of the market economy and to stimulate the initiative of economic operators***

1. **Making exports more efficient**

**Export stimulation programme**

**Measures:**

* Providing advice to economic operators with export activity in order to develop and implement export strategies and present best practices in the field of promoting the export offer in order to identify export opportunities;

**Results:**

* Increasing export competitiveness of companies from Romania;
* Annual increase of export.

1. **Creating the institutional, legislative, and financial favorable for supporting SMEs**
2. The program for the development of entrepreneurial skills among young people and facilitating their access to finance - START, established based on Law no. 346 of July 14, 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented, **will be implemented according to the Romania Tech Nation Economic Stimulation Package to support and boost the digitalization of the economy from the Government Program.**
3. The multi-annual national micro-industrialization program established based on Law no. 346 of July 14, 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented, **will be implemented according to the Package to stimulate domestic production and supply chains "Made in Romania" in the Government Program**
4. Program for the development of marketing activities for market products and services, established based on Law no. 346 of July 14, 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented, will be implemented according to the Economic Stimulation Package in the Government Program. The measure shall stimulate on-line trade and digitalization and shall include mandatory eligible expenses, like digitalization vouchers.
5. The multi-annual national program for the development of entrepreneurship among women from the sector of small and medium enterprises, established based on Law no. 346 of July 14, 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented, **will be implemented according to the Romania Tech Nation Economic Stimulation Package to support and boost the digitalization of the economy - “Woman in Tech” Component from the Government Program.**
6. The multi-annual national program for the establishment and development of technological and business incubators, established on the basis of Law no. 346 of 14 July 2004 on stimulating the establishment and development of small and medium-sized enterprises, as subsequently amended and supplemented, will be implemented according to the Economic Incentive Package for SMEs in the Government Program and will support the establishment of business incubators for students in universities, in cooperation with the local partners (public authorities, companies operating in the local market).
7. The program for accelerating the development of small and medium enterprises, established on the basis of Law no. 346 of 14 July 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented.
8. The multi-annual national program for supporting crafts and handicrafts, established on the basis of Law no. 346 of 14 July 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented.
9. The program for organizing the fair of small and medium enterprises, established on the basis of Law no. 346 of 14 July 2004 on stimulating the establishment and development of small and medium enterprises, as subsequently amended and supplemented.
10. The State-aid scheme dedicated to the Horeca industry established on the basis of EMERGENCY ORDINANCE no. 224 of December 30, 2020 on certain measures to grant financial support to enterprises in the field of tourism, public catering and event organization, whose activity has been affected in the framework of the COVID-19 pandemic.
11. Measure 1 “Micro-grants” of the State aid scheme established through GOVERNMENT ORDINANCE no. 130 of July 31, 2020 on certain measures to grant financial support from external non-reimbursable funds, corresponding to the Operational Programme Competitiveness for 2014-2020, in the framework of the crisis generated by COVID-19, as well as other measures in the field of European funds.
12. Measure 2 “Grants for working capital” of the State aid scheme established through GOVERNMENT ORDINANCE no. 130 of July 31, 2020 on certain measures to grant financial support from external non-reimbursable funds, corresponding to the Operational Programme Competitiveness for 2014-2020, in the framework of the crisis generated by COVID-19, as well as other measures in the field of European funds.
13. The support measure approved through Government Decision no. 421/2018 establishing a State aid scheme to support the film industry, as subsequently amended and supplemented;

**Policy in the field of internal affairs**

In accordance with the Institutional Strategic Plan for 2021-2024, the Ministry of Internal Affairs acts for the fulfillment of the following **strategic objectives:**

* Ensuring a high degree of personal safety and heritage protection;
* Increasing the MIA’s capacity to handle major events;
* Increasing the MIA’s efficiency and administrative capacity.

The strategic objectives are supported by the following **programmes**:

* Public order and safety;
* State border safety, migration, asylum, and integration;
* Civil protection and support given to the community;
* Services for citizens and legal entities;
* Administrative capacity and operational support.

Every program provides measures and expected results, as follows:

**PROGRAM 1.1 “PUBLIC ORDER AND SAFETY”**

Strategic objective of the program - **Ensuring a high degree of safety for people and protection of assets**

**Measures of program 1.1:**

* Prevention and fighting of crimes against people**;**
* Prevention and fighting of crimes against assets**;**
* Preventing and fighting crimes against the regime of weapons and ammunitions, nuclear materials, explosive materials and hazardous substances;
* Fighting organized crime on the line of human trafficking;
* Fighting organized crime on the line of drug trafficking;
* Fighting cybercrime;
* Fighting organized crime on the line of terrorism financing and money laundering;
* Human trafficking prevention;
* Giving support to victims of human trafficking;
* Prevention of drug consumption;
* Giving assistance to drug users;
* Prevention and fighting of fiscal evasion;
* Smuggling prevention and combating;
* Preventing and combating crime in the field of

intellectual property rights;

* Preventing and combating the main causes of road accidents;
* Preventing and combating deviations and crimes against railway circulation safety;
* Preventing and combating deviations and crimes against the naval transport regime;
* Preventing and combating crimes against the regime of protection of the national cultural heritage
* Prevention and fighting of forestry crimes
* Preventing and combating of crimes against the fishing fund, fishing and aquaculture
* Participation of the representatives of the General Inspectorate of Romanian Police (IGPR) to international missions and activities
* Performance of the initial and continued professional training of policemen in the School of Police Agents “Vasile Lascar”, Campina and in the School of Police Agents “Septimiu Muresan” in Cluj-Napoca
* Performance of the continuous training of policemen in the Center of Training and Improvement of Policemen “Nicolae Golescu” in Slatina and in the Dog Center “Dr. Aurel Greblea” Sibiu
* Ensuring operative interventions for the calls received in the operational centers of the territorial structures of MIA
* Ensuring guard, protection, supervision, and intervention
* Performing missions of public order maintenance and assurance
* Prevention and combating of terrorism
* Participation of the representatives of the General Inspectorate of Romanian Gendarmerie (IGJR) to international missions and activities
* Performing initial and continuous training in the Military School of Petty Officers of Gendarmes “Grigore Alexandru Ghica” in Dragasani and in the Military School of Petty Officers of Gendarmes in Falticeni
* Performing continuous professional training of gendarmes in the School of Application for officers “Mihai Viteazul” in Bucharest, the Center for Training and Improvement in Gheorghieni, the Mountain Center for Training and Improvement in Sinaia and the Center for Training and Improvement in Ochiuri;
* Performing information and operative activities for the identification, prevention, and counteracting of threats, vulnerabilities and of the risk factors that might lead to a serious disturbance of public order
* **Expected results of program 1.1:**
* To prevent and fight crimes against people, assets, as well as against the regime of weapons, ammunitions, nuclear materials, explosive materials and hazardous substances;
* De-structuring of organized crime groups;
* Increasing the capacity for self-protection of the population against victimization and re-victimization through human trafficking;
* Reducing drug demand and offer;
* Reducing tax evasion and other forms of economic and financial crime;
* To reduce deviations and crimes which generate road, railway, and naval risks;
* To protect the national cultural heritage and the national natural ecosystems;
* To extend cooperation with external partners in the specific fields of IGPR;
* To ensure specialized human resources - initial and continuous training of the personnel of IGPR;
* To maintain a high percentage of interventions with response time below 10 minutes for the calls of SNUAU 112;
* To reduce the incidents registered at the objectives, goods, values, and transports under the responsibility of the Romanian Gendarmerie;
* To reduce the number of antisocial acts committed on the streets;
* To contribute to maintaining the terrorist threat at a low level;
* To extend cooperation with external partners in the specific fields of IGJR;
* To ensure specialized human resources - initial and continuous training of the personnel of IGJR;
* To ensure decisional support in the activity of assurance and restoration of public order.
* **Impact indicators of program 1.1:**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Indicator name** | **M.U.** | **Target for 2024** |
| 1. | Number of crimes per 100,000 inhabitants | No. | 1,540 |
| 2. | The population’s confidence level in the structures of the MIA (the share of the population who has much and very much confidence in the Romanian Police) | % | 53% |

**PROGRAM 1. “STATE BORDER SAFETY, MIGRATION, ASYLUM, AND INTEGRATION”**

Strategic objective of the program - **Ensuring a high degree of safety for people and protection of assets**

* **Measures of program 1.2:**
* Supervision and control of State border crossing;
* Combating fraudulent border crossings;
* Combating migrant trafficking;
* Participation of the representatives of the Romanian Border Police (RBP) to peace preservation missions/operations;
* Secondment of personnel of the RBP to international institutions and agencies;
* Participation of the representatives of RBP to common operations under the aegis of FRONTEX;
* Participation of the representatives of the General Aviation Inspectorate of the Ministry of Internal Affairs (IGAv) to international actions under the aegis of FRONTEX;
* Performing initial and continuous training of border police agents in the School of training of border police agents “Avram Iancu” from Oradea;
* Performance of continuous training of border policemen in the Centers of Preparation of the Border Police in Iasi, Drobeta Turnu Severin and Agigea;
* Prevention and combating of illegal stay and undeclared work of nationals of third countries;
* Giving assistance to those who claim asylum and to the beneficiaries of a form of international protection;
* Endorsing visa applications and awarding/extending the right of stay of nationals of third countries in Romania.
* **Expected results of program 1.2:**
* Managing the State border crossing process;
* Maintaining cooperation with external partners in the specific fields of IGPF;
* Ensuring specialized human resources - initial and continuous training of the personnel of IGPF;
* Reducing the number of nationals of third countries who live/work without legal forms on Romanian territory;
* Implementing policies in the field of international protection and integration of foreigners;
* Admission and legal stay on Romanian territory of nationals of third countries.
* **Impact indicators of program 1.2:**

**Program 1.2** finances the same objective as **Program 1.1**.

The impact indicators of **Program 1.2**, together with the targets for 2024 are detailed in **Program 1.1**.

**PROGRAM 2.1 “CIVIL PROTECTION AND SUPPORT GIVEN TO THE COMMUNITY”**

Strategic objective of the program - **Increasing the MIA’s capacity to handle major events**

* **Measures of program 2.1:**
* Preventing the risks associated with emergency situations and disasters and improving intervention effectiveness;
* Giving qualified first aid and emergency medical assistance;
* Preparing the population, the economy and the territory for defense;
* Performing initial and continuous professional training in the School of Petty Officer Firemen and Civil Protection “Pavel Zaganescu” in Boldesti;
* Performing continuous training of firemen in the National Center of Improvement of the Training for Management of Emergency Situations in Ciolpani and of the preparation/training centers;
* Training the representatives of the prefect institutions and the personnel with management positions and duties in the field of emergency situations from the local public administration.
* **Expected results of program 2.1:**
* Ensuring population protection and reducing the effects associated with emergency situations and disasters;
* Ensuring specialized human resources - initial and continuous training of own personnel and of the personnel with duties in emergency situations from the local public administration.
* **Impact indicators of program 2.1:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Current No.** | **Indicator name** | **M.U.** | **Target for 2024** |
| 1. | Level of confidence of the population in the structures of IGSU (firemen)/of the MIA with duties in preventing and managing emergency situations | % | 87% |

**PROGRAM 3.1 “SERVICES FOR CITIZENS AND LEGAL ENTITIES”**

Strategic objective of the program -**Increasing the MIA’s efficiency and administrative capacity**

* **Measures of program 3.1:**
* Issuance of documents under the competence of the Directorate for Civil Register and Database Administration (DEPABD);
* Issuance of documents under the competence of the General Directorate of Passports (DGP);
* Issuance of driving licenses and vehicle registration documents under the authority of the Directorate of Driving License Regimes and Vehicle Registration (DRPCIV);
* Taking over archives from third parties;
* Issuance of documents from the competence of the National Archives (AN).
* **Expected results of program 3.1:**
* Managing the process of issuance of documents under the authority of DEPAD;
* Managing the process of provision of public services under the authority of DGP;
* Managing the process of issuance of documents and plates with registration numbers under the authority of the Directorate of Driving License Regimes and Vehicle Registration;
* Managing the activity of the AN.
* **Impact indicators of program 3.1:**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Indicator name** | **M.U.** | **Target for 2024** |
| 1. | Satisfaction of beneficiaries related to the graduates of the schools of MIA | % | 75% of employers are happy and very happy |
| 2. | Total budget allocation managed by the MIA (percentage changes compared to the previous year) | % | + 0.65% |

**PROGRAM 3.2 “ADMINISTRATIVE CAPACITY AND OPERATIONAL SUPPORT”**

Strategic objective of the program -**Increasing the MIA’s efficiency and administrative capacity**

* **Measures of program 3.2:**
* Observing the legal provisions related to promotion of draft public policy documents;
* Observing the legal provisions related to promotion of draft legislative act documents;
* Improving the efficiency and effectiveness of the control act in the MIA;
* Improving the efficiency and effectiveness of internal public audit in the MIA;
* Making more efficient the process of planning, management and coordination necessary for an integrated response in case of occurrence of special and crisis situations;
* Managing the funds allocated to create the assumptions for optimal performance of the activity of the ministry’s structures;
* Making the payment of pension rights and other social insurance rights due to the beneficiaries of Law no. 223/2015;
* Managing the logistics resources necessary for a good operation of the ministry;
* Implementation of electronic services and assuring the maintenance of the existing infrastructure;
* Managing the human resources necessary for a good operation of the ministry’s structures;
* Training the personnel of MIA to acquire expertise in specific fields;
* Ensuring air support for reestablishment of public order, border supervision and interventions in emergency situations;
* Accessing external non-reimbursable funds;
* Prevention and combating of corruption in the MIA;
* Ensuring a climate of knowledge and observance of the norms related to classified information protection among the workers of the MIA;
* Fast information of mass media and citizens;
* Training specialists with university training for the structures of MIA;
* Adapting training programs in correlation with the evolution of phenomena in the field of public order and safety;
* Ensuring methodological support for the prefect institutions;
* Ensuring participation to the Councils of JAI, to Schengen assessment missions and to international cooperation activities carried out in bi and multilateral frameworks;
* Developing cooperation relationships at international level for the purpose of making exchanges of data and information with regard to the process of identification and protection of the national/European critical infrastructures;
* Ensuring the participation of the personnel of MIA to international sports activities.
* **Expected results of program 3.2:**
* Ensuring the observance of the legal provisions in the process of elaboration and promotion of public policy documents/legislative acts;
* Developing the control and audit capacity in the MIA;
* Consolidating the management capacity for managing special and crisis situations;
* Ensuring the management of financial, logistics, ICT and human resources;
* Managing actions/interventions with air support;
* Making more efficient the process of attraction of non-reimbursable funds;
* Consolidating the integrity environment in the MIA;
* Development of the security culture in the MIA;
* Making more efficient public communication of the MIA with regard to the activities performed by the structures of the MIA;
* Increasing the quality of the educational act of “Alexandru Ioan Cuza” Police Academy and of the Institute for Public Order Studies;
* Ensuring unitary coordination of the activities of the prefect institution;
* Increasing the MIA’s visibility at European and international level.
* **Impact indicators of program 3.2:**

**Program 3.2** finances the same objective as **Program 3.1**.

The impact indicators of Program 3.2, together with the targets for 2024 are detailed in **Program 3.1**.

**Policy in the field of national defense**

**The strategic objective of the defense policy** for the period 2022-2024 is the modernization and adaptation of the Romanian Army to the risks and challenges specific for the current geopolitical framework, as well as the consolidation of Romania’s profile of relevant strategic partner in NATO, the EU and the strategic partnership with the USA.

1. **Objectives of the defense policy**
2. Development of the political and judicial framework in the field of defense and national security
3. Increasing Romania’s strategic relevance in NATO and the EU
4. Consolidating the Strategic Partnership with the USA
5. Intensification of the bilateral and regional cooperation in the field of defense
6. Continued measures of developing the capabilities through implementation of the provisions in the 2040 Romanian Army Programme and of The multi-annual endowment plan of the Romanian Army
7. Elaboration and improvement of the legislative framework specific for the field of defense and the personnel’s life quality
8. **Main directions of development of the military capacity**

* Implementation of the structure of forces “2040 Romanian Army”, resulting from the “2020 Strategic Analysis of Defense”. It will allow passing to multi-annual planning through which shall be ensured the personnel dynamics according to current and prospective needs of the Ministry of National Defense.
* With respect to NATO, the sought result refers to increasing Romania’s strategic credibility, based on predictability, continuity and commitment on the line of the objectives undertaken at ally level, with respect to: ensuring the parameters established in the framework of NATO for financing defense; developing the national defense capacity and the level of reaction; ensuring the relevant national offer for implementation of NATO initiatives in the plan of development of the Alliance’s collective reaction capacity; participation to allied initiatives and projects referring to the development of common allied capabilities; participating to NATO missions and operations; contributing to the implementation of the Allied presence in other Eastern allies and managing the increasingly complex and diverse security challenges on NATO's southern flank, adding, in addition to conventional threats, cyber and hybrid threats, with a high multiplier factor, generated by the exponential trend of technological evolution (artificial intelligence, megadata, quantum technology, drones, etc.), which requires the adaptation of the military body on these new coordinates.
* The budget allocations for MApN for 2022-2024 must reconfirm the decisions adopted following the Summit in Wales, as well as the National Political Pact, signed by the Parliamentary Parties. The fulfillment of this wish leads to the need to continue assuring the level of 2% of GDP for the reference period, in accordance with the provisions of the Government Program for 2021-2024.
* The capabilities of the Romanian Army shall be developed in the following fields: command, control, and communications, employment, information, force projection, protection and support.
* The establishment, development, and maintenance of the capabilities shall be made by considering the requirements and actions comprising elements of: doctrine, organization, preparation, command, equipment, personnel, infrastructure, and interoperability (DOTLMPFI).
* According to the fields of action, the main capabilities of the Romanian Army are the following:

1. **command, control, and communications** of strategic, operative, and tactical level, centers of communication and informatics and support units in the field of communications and informatics/CIS of the structure of forces;

**2.** **engagement**: large units and mechanized units, infantry units, tanks, mountain hunters, artillery, special forces, battle aviation, battle helicopters, marine and river battle ships, marine infantry, and psychological operations;

**3.** **information**: large units and military information, supervision and research units;

**4.** **force projection:** large units and tactical air transport units, ships and support units, and land transport units;

5. **protection**: large units and land-air rocket units, anti-aircraft defense units, genius combat units, CBRN, cyber-defense, EOD, mining/de-mining units, military police, and for protection of Romanian and foreign military dignitaries on the national territory;

6. **support**: large units and operational and support logistics units.

* The development and maintenance of robust, resilient, credible, inter-operable, flexible, and efficient defense capabilities, dedicated both to fulfilling the commitments undertaken as a result of the capacity as NATO and EU member state and to discouraging a possible aggression against Romania and articulating an adequate response to current and future challenges of the security environment, including in the non-conventional, hybrid spectrum, is the essential condition for fulfillment of the other objectives of the defense policy.
* In the process of development of capabilities shall be sought mainly to fulfill the requirements resulting within the NATO defense planning process (NDPP) in the 2021 Capabilities Targets, which have been assumed at political level during the North-Atlantic Council’s meeting, in the format of the defense ministers in October 2021.
* Within NATO’s initiative of ensuring a tailored Forward Presence/tFP in the Black Sea region have been established and operate on the national territory the Headquarters of the Multinational South-East Division (HQ MDNSE) (included also in the contribution to the NDPP), the South-East Multinational Brigade (MN BDE-SE) and the NATO integration of the allied forces unit (RO NFIU), and, as of 2021, it operates on the national territory a command and control capability of army corps level/HQ MNC-SE (Parliament Decision no. 8 of June 18, 2020).
* An important focus will be placed on the modernization/reconfiguration of the military infrastructure (instruction and quartering) according to possible scenarios of a conventional military aggression, including by considering the operationalization of allied command and control structures established on the national territory, respectively of the needs related to assuring support of the host nation for possible NATO forces dislocated in Romania in case of a military aggression, as well as for the pre-positioning thereof. In this respect, special attention is given to investments made through the NATO Security Investment Program (NSIP).
* An important element from this perspective is represented by the projects of modernization of the military infrastructure on the national territory within the USA’s European Deterrence Initiative/EDI and within the Set of European Activities.
* Shall be also continued the collaboration in the field of equipment through procurement of certain pieces of equipment declared to be EDA by the USA.
* At the same time, special attention will be given to the participation to the projects of development of the capabilities for defense proposed in the framework of Permanent Structured Cooperation (PESCO) in the field of defense at EU level, for which Romania identified a potential of involvement, in accordance with the provisions of the Memorandum themed “*Permanent Structured Cooperation (PESCO) in the field of defense at EU level*”, approved by the CSAT on October 17, 2017. Thus, out of 60 PESCO projects in progress (stages I, II, III, and IV), Romania is involved in 20 projects (16 as member in 4 as observer), in two of them having the statute of coordinating nation (EU CBRN Defence Training Range and European Union Network of Diving Centers).
* Increasing attractiveness of the military field through improvement of the salary and pension system and of the continuous professional training offer, which should be one of the main lines of action for increasing organizational performance.
* Another objective considered by the MApN for the reference period is to increase the life quality of the military and civil personnel by ensuring residential facilities (including through the project of Residences for military personnel and through the legislative framework established through Law no. 101/2019 amending and supplementing Law no. 80/1995 on the status of military personnel), as well as through assurance of medical assistance for army personnel and for military personnel in reserve and retiring.

1. **Investment programs considered for 2022-2024:**

The investment prioritization system used by the ministry is meant to ensure the achievement and development of the capabilities necessary to the Romanian Army in order to fulfill the missions assigned to it and the commitments undertaken in allied context.

Special focus is placed on:

- the elaboration and implementation of the subsequent action plans, together with the Government of Romania, of solutions focused especially on the inclusion of Romanian industry in the implementation of the multi-annual endowment and re-engineering plan thereof to ensure pragmatic industrial military resilience;

- starting the multi-functional Corvette agreement and monitoring the fulfillment of the offset obligations undertaken by the foreign supplier.

The continuance of the measures for development of the capabilities shall be mainly materialized through the following endowment programmes:

*Programmes in progress (contracted)*

* HSAM - PATRIOT High Ground Air Missile System
* Armored troop conveyor (TBT 8X8)
* MLRS - HIMARS (Multiple Launch Rocket System)
* Multi-role Air Force aircraft
* Mobile anti-ship missile launch system (SIML)
* Multi-purpose road transport platforms
* Revitalization and modernization of IAR-99 aircraft from MapN equipment

*Programmes in process of signing or initiated*

* Multi-functional corvette
* Operational tactical UAS systems - class II

*Approved programmes, which shall be initiated in 2022-2025*

* Light type armored tactical vehicles - ATBTU
* C4I systems with ISTAR integration capabilities
* Tracked infantry fighting machine - MLI
* Cyber security and defense system
* Tactical UAS systems - class I
* Mobile electronic warfare system - SREM
* Very short range, portable anti-aircraft missile system - MANPAD
* SHORAD / VSHORAD integrated weapon system
* NATO individual weapons system
* Optical and optoelectronic equipment (Stage I)
* CBRN detection, warning, decontamination and protection equipment and systems (individual and collective)
* Modernization of the OERLIKON anti-aircraft artillery system Model GDF 103 to the standard of anti-aircraft artillery system with CRAM capabilities
* Continue to equip the Air Force with multi-role aircraft by purchasing a package of 32 M6.5.2 F-16 aircraft, logistics support equipment and training services from the Norwegian Air Force surplus.

*The main infrastructure investment objectives are:*

* Static infrastructure of HQ MNC-SE in barracks 562 Sibiu
* Infrastructure of Base 57 Air in the barracks 888 Mihail Kogălniceanu
* Infrastructure Base 71 Aerial Câmpia Turzii
* 3600 Mihai Bravu Barracks Infrastructure (HSAM)
* Infrastructure Base 86 Aerial Borcea

The realization of the nominated investment projects will allow the increase of the operational capacity of some structures of the Romanian Army and the fulfillment of its missions according to the plans at allied and national level, which requires the adequate training and endowment of the participating forces, in accordance with mission requirements and NATO standards, in full volume, in a very short time and with all the responsibility of the institutions involved.

It is also considered to continue the modernization of the hospital infrastructure from the army’s own health network, both for the purpose of ensuring medical assistance for military staff and army personnel in reserve and retiring, as well as in order to ensure the medical capabilities necessary in situations of crisis and war.

In this framework, the estimated necessary financial resources for the implementation of the equipment programmes considered in 2022-2024 is the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| thousand Lei   |  |  |  |  | | --- | --- | --- | --- | | **Indicator name** | **2022** | **2023** | **2024** | | MApN budget - source “State budget”, out of which: | 23,186,457 | 25,642,457 | 28,042,457 | | Non-financial assets | 7,924,489 | 9,797,067 | 11,527,082 | |

**Health policy**

1. **MISSION**

Health interventions have the purpose of ensuring health services of higher quality for all citizens. Increasing the quality of medical services presupposes the optimization of all components related thereto, from infrastructure and equipment to the medical act itself, from management and information systems to the observance of patient rights.

1. **STRATEGIC PRIORITIES ON MEDIUM TERM**

**General objective**

In the current framework are imposed, on the one hand, measures for adequate preparation of the health system to manage the COVID-19 pandemic and, on the other hand, it is necessary to balance the manner of assurance of medical assistance through the development of ambulatory services of primary and specialized medical assistance granted in integrated system with those offered by hospitals.

**Strategic objectives**

1. **Managing the COVID-19 pandemic** - in the current epidemiological framework are imposed measures of:

* *Ensuring easy access to diagnostic and treatment for COVID-19 patients*, by defining the services which can be ensured in ambulatory (consultations, investigations, fast prescription for patients diagnosed with COVID-19, access to prescription based antiviral medication in open circuit pharmacies), establishing the criteria for hospital admission of COVID-19 patients.
* *Universal access to testing through the organization of testing centers,* assurance of rapid tests of adequate quality, in accordance with the ECDC list, which can be deducted on the basis of a reference price, testing of pupils, as well as students, with saliva tests.
* *Continuance of the vaccination campaign,* in parallel with the implementation of a credible information campaign
* *Prioritization of investments in the structure of the sections of infectious diseases and ICU*, to increase the safety of patients, especially by resizing electricity and oxygen supply networks.

1. **Redefining medical services to ensure the resilience of the health system**

* *National network of community medical centers*, with the purpose of ensuring permanent, fast, and unrestricted access of all citizens to primary medical care.
* *Network of specialized ambulatory medical assistance centers,* with the purpose of substantially increasing the accessibility of all citizens, especially from small towns and rural localities, to quality specialized services, access to a complete package of paraclinical investigations, day hospitalization and related services to medical services.
* *Hospital based medical assistance* - ensuring the quality of hospital based medical services, comparable with an European standard and making more flexible the use of hospital beds according to addressability, through the creation of organizational structures with related medical and surgical specialties
* *E-health:* Ensuring the implementation of an integrated IT system targeting the main health care providers, setting up National Disease Registers to plan national programs and investments and to support decision-making in health policy, evidence-based and outcome-based medicine; Extending the regulations in the field of telemedicine and associated services, by ensuring specific regulatory rules, but also the financial resources needed to implement this important level in the health field.

1. **Implementation of health programmes**

* Accelerating the implementation of national screening programmes and extension thereof with financing from the EU, in the field of non-communicable diseases with the highest incidence among Romania’s population: cardiovascular disease, diabetes, lung cancer, colorectal cancer, breast cancer, cervical cancer, prostate cancer, hepatitis;
* Approval of the National Plan for surveillance and control of antimicrobial resistance, implementation through the responsible institutions (MoH, Ministry of Environment, ANSVSA) and funding for implementation;
* Updating national strategies for the prevention and control of HIV/AIDS and tuberculosis, reducing stigma;
* Development, implementation and funding of the National Cancer Control Plan (NCCP) through an integrated approach to the fight against cancer - from prevention, screening, early diagnosis, rapid access to treatment, therapies and care, life after cancer, in line with the European Plan cancer;
* Financing and implementation of public health communication programmes and campaigns to improve health education - education for health and encouraging the adoption of a healthy lifestyle.

1. **Human resources assurance**

* Implementing a sustainable policy of assurance of human resources in the health field;
* Residency reform through methodological coordination of training by universities/faculties of medicine and pharmacy, correlation of places and positions put up for competition with the 5-year design of deficient specialties and the needs of health care and human resources at local and regional level;
* Guidelines will be the foundation of the structuring and financing of priority actions of the Ministry of Health and of the national programmes;
* The guidelines will be the basis for the elaboration of the algorithm for diagnosis and treatment of different diseases, as well as the protocols for diagnosis and treatment depending on the specifics of each specialty and each health unit;

**V. Investment policy in the health field** - has the purpose of ensuring performing medical services for the population, which would cover its needs and be comparable with those currently offered by the providers of services of the same type from the Member States of the European Union.

* Increasing public financing for health in order to get closer to the EU average and adequate financing of the health sector
* Implementation of multi-annual budgeting in the health field
* Ensuring a high degree of absorption of the European funds dedicated to health in 2021-2027 and capitalization of this opportunity as an additional financing source for the Romanian health system
* Accessing European funds for health from the centralized programmes managed by the European Commission, i.e. EU4Health, Digital Europe, and Horizon Europe
* The Ministry of Health will carry out a rigorous analysis of the infrastructure and facilities of public hospitals and establish a list of urgent investment priorities where there are unsanitary conditions or which endanger patient safety.

**Policy in the field of territory development, public works, and administration**

STRATEGIC PRIORITIES: economic and social cohesion at national level, through balanced and sustainable regional development of the territory and capitalizing on the potential of European territorial cooperation; efficient public administration; increasing the absorption of non-reimbursable funds; strengthening the administrative capacity of the MDLPA (organizational management component and legislative component).

Lines of action, targets and objectives proposed, measures of implementation of the objectives, programmes, and projects considered for 2022-2024:

**REGIONAL DEVELOPMENT (TERRITORIAL DEVELOPMENT AND COOPERATION, PUBLIC WORKS, CADASTRE AND LAND REGISTRATION)**

For the period 2022-2024, it was established the definition and assurance from the state budget/non-reimbursable funds of the amounts necessary for the implementation of public services in each locality of type: health; education; water - sewerage; gas; thermal energy, electricity; transport, roads; sanitation; culture; worship; sports; House.

The measures provided in the field of regional development are financed both from the state budget and from non-reimbursable external funds, respectively the Regional Operational Program and the European Territorial Cooperation Programs.

**General target/objective:** Increasing territorial cohesion at national level by ensuring the population's access to services and facilities of general interest, increasing the quality of life and economic opportunities, by sustainably using the territory of urban and rural localities, and by improving cross-border, transnational and interregional territorial cooperation.

**Specific objectives/Implementation measures for the period 2022-2024:**

1. Ensuring the strategic and regulatory framework for the sector policies and strategies in the field of regional development, urban development and territorial cohesion, public works, constructions, dwelling and European territorial cooperation

2. Developing operational territory management tools

3. Improving the monitoring and control activity of the market of community services of public utility and assurance of EU quality standards

4. Territory development through efficient and effective implementation of investment programs financed from Community, or national funds and other legally established sources

5. Correlation of investment programs for the development of local communities with the financing programs from European non-reimbursable funds within the multiannual financial exercise 2021 - 2027.

**Priority programs/projects for 2022-2024:**

In the field of **DEVELOPMENT**, the priority measures are:

- to implement the programmes managed by the ministry;

- to approve Romania's National strategy for territory development and start the implementation of the policies and programs derived from it;

- approval of the National Seismic Risk Reduction Strategy and start of the implementation of the actions derived from it, including complementary steps to support the implementation of the strategy (development of sectoral investment programs aimed at seismic consolidation, development of a mechanism to monitor their indicators and progress in implementation, intensification of information and training actions for the population, training of responsible authorities in the field);

- to approve the Law on measures to reduce the seismic risk of buildings;

- to implement the National Long-Term Renovation Strategy to support the renovation of the national park of residential and non-residential buildings, both public and private, and its gradual transformation into a high-efficiency and decarbonized real estate park by 2050, respectively of the action plan;

- to implement the Integrated sustainable development strategy of the Danube Delta through the Integrated territorial investment;

- finalization of the Spatial Planning, Urbanism and Construction Code, which aims to reform the legislation in the field of spatial planning, urbanism and construction and achieve a simplified and updated regulatory framework to ensure sustainable territory planning, simplification and digitization of administrative processes and accelerated implementation of investments

- reorganization and simplification of the technical regulatory system based on the audit of the entire regulatory system and full revision/modification of technical regulations in order to significantly simplify and reduce the number of technical regulations, - increase the number of construction specialists - technical experts, project verifiers and energy auditors, in many areas there is an acute shortage of such specialists;

- completion of the project **"Systematization of legislation in the field of territory planning, urbanism and construction and strengthening the administrative capacity of specialized structures in central public institutions with responsibilities in the field",** SIPOCA code 50 aimed at **increasing the quality of the legislative and methodological framework affecting business and on the citizens by systematizing the legislation in the field of landscaping, urbanism and constructions and by consolidating the administrative capacity of the specialized structures from the central public institutions with responsibilities in the field;**

- completion of the project **"Strengthening the strategic planning capacity of the Ministry of Development, Public Works and Administration in renovating the nationally built fund from the perspective of energy efficiency and seismic risk", SIPOCA code 606**, which aims to strengthen the strategic and operational planning capacity of MDLPA, in with of fulfilling the European obligations regarding energy efficiency and streamlining the ministry's actions in the field of seismic risk;

- completion of the project **"Increasing the coherence of the regulatory framework and the efficiency of technical regulations in the field of construction", SIPOCA code 73**, which aims to strengthen the capacity of MDLPA, as a building regulator, by increasing the coherence of the regulatory framework and the efficiency of technical regulations construction.

- to develop operational territory management tools - the measure targets the National Agency for Cadastre and Land Registration (ANCPI). In this respect, ANCPI has provided the following projects:

* Projects financed from POR 2014-2020, Priority axis 11 - Geographical extension of the system of property registration in the cadastre and land book
  + Increasing the degree of coverage and inclusion of the system of registration of properties in the rural areas of Romania - project financed from external non-reimbursable funds;
* National Cadaster and Land Book Programme for 2015-2023 (PNCCF)
  + PNCCF Objective - Completion of the registration at national level in the Integrated System of Cadastre and Land Book of all real estate;
  + Continuance of the agreements from the Pilot project of systematic registration of real estate; Expected result: registration of the selected rural properties in the Integrated System of Cadastre and Land Book;
* Projects financed from ENF and EEA
  + VOLTA Project - innovation in geospatial and 3D data/Exchange of experience in the field of research and innovation - project financed from external non-reimbursable funds
  + Interoperability Model for Land Registration III - project financed from external non-reimbursable funds;
  + Geographic information for the environment, climate change and EU integration LAKI III - project financed from external non-reimbursable funds;

**In the field of DWELLING, the priority programmes** are:

* **The program of construction of social and necessity housing carried out on the basis of the provisions of the Housing law no. 114/1996:**

Objectives for 2022-2024: Shall be promoted and performed execution works for 1,000 new houses, shall be continued the works for approximately 3,300 houses included for financing

* **The program regarding the construction of housing for young people, intended for rent, carried out by the National Agency for Housing, according to the provisions of Law no. 152/1998 regarding the establishment of ANL:**

Objectives for 2022-2024: During this period shall be promoted and started the execution works for approximately 12,000 houses. In 2022 shall be continued the execution works and shall be started investments for a total of 4,681 houses and in 2023-2024 shall be started other investments for a total of 7,819 houses. It is foreseen that by the end of 2022 shall be received approximately 1,300 houses, of which 200 are houses for health and education specialists.

* **The Program of construction of service homes, carried out by the National Housing Agency, in accordance with the provisions of GD no. 719/2016 approving the program of “Construction of service homes”:**

Objectives for 2022-2024: During this period shall be promoted and continued the execution works for 2,500 houses. In 2022 shall be continued the execution works and shall be started investments for a total of 1,015 houses and in 2023-2024 shall be started other investments for a total of 1,485 houses.

* **The Program of construction of homes in the rural area, carried out by the National Housing Agency, in accordance with the provisions of GD no. 151/2010 approving the program of “Rebirth of the Romanian village - 10 houses for specialists”:**

Objectives for 2022-2024: During this period shall be promoted and continued the execution works for 1,000 houses. In 2022 shall be started investments for a total of 200 houses and in 2023-2024 shall be started other investments for a total of 800 houses.

* **The pilot programme** [***Social housing for Roma communities***](http://www.anl.ro/ro/locuinte-pentru-tineri/locuinte-pentru-rromi/)**, carried out by the National Agency for Housing, according to the provisions of H.G. 1237/2008 for the approval of the Pilot Program “Social housing for Roma communities”** is an experimental component of the program for social inclusion of Romanian citizens belonging to the Roma minority and envisages the implementation of projects for the construction of social housing in the 8 development regions of Romania, in locations established by the MDLPA together with the local public administration authorities and the National Agency for Roma.

Objectives for 2022-2024: In 2022 shall be promoted and continued the execution works for 63 houses, and by the end of 2022 it is foreseen that 21 houses shall be completed.

* **The annual action plan on the design and execution of intervention works to reduce seismic risk in multi-storey residential buildings.**

Objectives for 2022-2024: Transformation into a multi-annual programme, introduction on the list of eligible expenses of different types of eligible works necessary to increase the energy performance of buildings, extension of the programme for public buildings, apart from multi-family residential ones, introduction of the seismic risk class RsII among the eligibility criteria, apart from the seismic risk class RsI).

**In the field of INFRASTRUCTURE,** the priority programmes are:

* **National Local Development Program (PNDL)**

Program status for 2021:

- financing of the 1,212 investment objectives in execution, out of the 4,509 objectives included in the first stage (2015-2022) of the Programme;

- financing of the 4,318 investment objectives in execution, out of the 7,231 objectives included in the Second stage of the PNDL (2017-2022).

Objectives for 2022-2023: continued financing of the investment objectives included in the Programme in Stage II, as well as of the investment objectives from stage I of the PNDL.

* **National Programme of constructions of public or social interest carried out on the basis of Annex 3 to G.O. no. 25/2001 on the incorporation of the National Investment Company “C.N.I.” - S.A.**

Program status for 2021: 890 objectives in different stages of execution, of which 109 have been completed in 2021 until December 1, 2021, 419 objectives are in the procurement procedure, 216 objectives with technical and economic indicators approved for which shall be started the public procurement procedures, 1300 investment objectives whose documentations are in process of analysis on this date in order to approve the technical and economic indicators.

Objectives for 2022-2024: continuance of the works and of the implementation for those over 800 investment objectives in different stages of execution and implementation.

* **The national program on increasing energy performance of residential buildings**

Objectives for 2022-2024: are proposed for financing a number of approximately 15,000 apartments, shall be continued the works for 23,700 apartments included for financing and being in different stages of execution.

* **The Program of elaboration and/or update of the general urban plans and of the local urban regulations (annual program)**

Program status for 2021: In 2021, 740 ATUs of the 39 County Councils which requested financing in 2021 benefited of financing for the elaboration/update of the GUP and the LUR.

Objectives for 2022-2024: Transformation into multi-annual programme.

* **Program of elaboration of maps of natural risk for earthquakes and land slides**

Program status for 2021: In 2021, 5 county councils benefited of financing. (Dâmbovița, Gorj, Mehedinți, Suceava, and Teleorman).

Objectives for 2022-2024: Transformation into multi-annual programme.

**“Anghel Saligny” National Investment Programme**

Shall be financed investment objectives in 2021-2028, amounting to a total of 50,000,000 thousand Lei.

In September 22, 2021 - November 8, 2021 were registered 7,545 financing requests with a requested value from the State budget of 137,589,448,686 Lei for investment objectives from the fields of water supply and water treatment stations, sewerage systems and wastewater treatment stations, classified public roads, bridges, culverts, passageways or pedestrian decks, and after the publication of the methodological norms of implementation of the programme shall be also submitted financing requests for the field of natural gas distribution systems.

1. **PUBLIC ADMINISTRATION:**

**General objective:** Increasing the efficiency of the Romanian public administration and the responsiveness thereof to citizen needs, reducing the economic and social disparities between Romania and the more developed countries in the extended European Union (EU) and/or contributing to the reduction of economic and social disparities in Romania, between the dynamic urban centers and the peripheral regions which are weak in structural terms.

**Specific objectives/Measures:**

Continued implementation of the actions corresponding to criteria of the ex-ante conditioning on the field of public administration imposed by the European Commission in the Partnership Agreement for the Thematic Objective 11 - “Consolidation of the institutional capacity and an efficient public administration”, in correlation with the objectives established through the Government Programme on the field of public administration, regarding:

1. Debureaucratisation and administrative simplification through continuance of the measures of simplification and rationalization of administrative procedures for the citizens;
2. Increasing the quality of and the access to public services through continued measures regarding the promotion of quality management;
3. Human resources from public administration through continued implementation of human resource strategies and policies that would cover the main gaps identified in this field, development of competencies at all levels of the professional hierarchy from the public authorities, as well as other measures referring to the consolidation of the public administration’s capacity included in strategic and programmatic documents in the field;

* Simplification/systematization/coding of the public administration legislation;
* Continuance of the decentralization process in accordance with the provisions of G.D. no. 229/2017 on the General Decentralization Strategy;
* Implementation of measures to increase the capacity of MDLPA and of the local public administration authorities of fulfilling the duties conferred upon them by the law and of responding best to citizen requests and needs and those of other categories of beneficiaries, through the promotion of solutions that should be implemented in a unitary manner, inclusive through the facilitation of collaboration mechanisms between the administrative-territorial units of the type of administrative consortia;
* Implementation of the project “Tools for systematization of legislation, monitoring and evaluation in public administration”, code SIPOCA 59;
* Implementation of the project “Integrated Computer System for Issuing Civil Status Documents” - SIIEASC, code MySMIS 120025;
* Adoption of the Code of Local Public Finance, which regulates:

• local public finance;

• the financial crisis and the insolvency of administrative-territorial units;

• local taxes and charges;

• local fiscal procedure.

* Modernization of the infrastructure corresponding to the public service of heating supply for localities and improving energy efficiency through financing of investment objectives through the Heating Programme for 2019-2027.

**Priority Programmes/Projects:**

* The implementation and monitoring of the measures in the Integrated Plan for the simplification of administrative procedures applicable to citizens - the development and application of mechanisms for monitoring and evaluation of the Simplification Plan and the preparation of monitoring and evaluation reports of the implementation of the measures from the Plan - shall be achieved through the project “Tools for systematization of legislation, monitoring and evaluation in public administration”, SIPOCA code 59;
* Implementation and monitoring of the actions from the Action plan for staged implementation of quality management for 2016-2020 - through the project “Tools for systematization of legislation, monitoring and evaluation in public administration”, SIPOCA code 59, shall be assessed the impact of the implementation of quality management systems and tools in public administration, as well as the actions of information, promotion and training through quality management systems and tools;
* Elaboration of the Administrative Procedure Code - the substantiation of the draft Administrative Procedure Code shall be made through the project “Tools for systematization of legislation, monitoring and evaluation in public administration”, SIPOCA code 59;
* Continued implementation of the actions under the responsibility of MDLPA from the Public Administration Consolidation Strategy (SCAP) for 2014-2020, approved through G.D. No. 909/2014, as subsequently amended and supplemented and of the programmatic documents subsequent thereof, namely the Strategy regarding the development of the public function for 2016-2020 approved through G.D. No. 525/2016, as subsequently amended and supplemented and the Strategy regarding the professional training for public administration for 2016-2020, approved through G.D. No. 650/2016, as subsequently amended and supplemented.
* Participation to the implementation of the activities under the responsibility of MDLPA from the project “Integrated Computer System for Issuing Civil Status Documents” - SIIEASC, MySMIS 120025 code, carried out in partnership with MDLPA, STS, and MTI (the component corresponding to the former MCSI).
* Continued process of decentralization of competencies - in the capacity as coordinator of the process of elaboration of quality and cost standards by the ministries involved;
* Supporting the process of increasing the administrative capacity of the local public administration authorities of fulfilling the duties conferred upon them by the law and of responding best to citizen requests and needs and those of other categories of beneficiaries, through the creation of the necessary framework for facilitation of collaboration mechanisms between the administrative-territorial units of the type of administrative consortia;
* Modernization, rehabilitation, re-engineering and extension or establishment of centralized heating supply systems through the Heating Programme. Estimated results through implementation of the Heating Programme in 2022-2024: financing of approximately 35 investment objectives proposed by 18 beneficiary administrative-territorial units.

1. **EUROPEAN FUNDS**

**General target/objective:** Improving the absorption and efficient management of European Funds

**Specific objectives/Implementation measures (as applicable) for the period 2021-2023:**

1. Reaching the annual absorption targets established through the operational programmes;

2. fast evaluation of the submitted projects and fast signing of financing agreements; analysis of every operational programme and reallocation of funds to sectors with maximum potential of absorption in order to avoid the risk of disengagement of the funds allocated to Romania; measures of simplification for improvement of the administrative system and of the capacity of absorption of European funds.

**PROGRAMS MANAGED BY ROMANIA BETWEEN 2014 AND 2020, THROUGH THE MDLPA:**

1.**REGIONAL OPERATIONAL PROGRAM (POR)**

The total budget of POR 2014-2020 is of 8.39 billion EUR, of which 6.86 billion EUR (including the performance reserve) represents EU support, through the European Regional Development Fund, respectively 1.53 billion EUR national contribution, ensured from national public funds (State budget, local budgets).

The degree of absorption of European funds in the POR is of 47.21%, representing an ERDF value of 3,238.55 million EUR, requested for reimbursement by the European Commission through the payment applications sent by the Certifying and Paying Authority. By December 2021 were transmitted expense declarations of EUR 846.92 million to the EC.

*Status of implementation of POR 2014-2020:*

The amount provided in POR for year 2022 for avoidance of the disengagement of European funds in 2018 is of 1,170 million EUR ERDF. For 2022, the amount estimated to be absorbed in the Regional Operational Program, according to the schedules of submission of reimbursement requests sent by the beneficiaries and corresponding to the agreements signed is of 1,250 million EUR ERDF.

***2.* OPERATIONAL PROGRAM OF ADMINISTRATIVE CAPACITY (POCA)**

The total budget of 671.29 million EUR, of which 563.59 million EUR (including the performance reserve) represents EU support, through the European Social Fund, respectively 107.70 million EUR national contribution, ensured from national public funds (State budget, local budgets).

*Results obtained that correspond to the Operational Program of Administrative Capacity (POCA):*

261.22 million EUR payments made within the program, which represents 46.35 % of the EU allocation at program level;

257.41 million EUR of EU contribution included in the expenditure statements sent to the CPA, which represents 45.67% of the EU allocation at program level.

***3.* COOPERATION PROGRAMS:**

* The Interreg V-A Romania-Bulgaria Programme, with a total budget of 258.50 million EUR. The current contracting rate is of 115.34% (exclusively the technical assistance axis), 52 projects are under implementation, 117 being already finalized. No funds have been disengaged.
* The Interreg V-A Romania-Hungary Programme, with a total budget of 231.86 million EUR. Currently, the contracting rate is of 97.13%. Of the 114 contracted projects, 50 projects are under implementation, 64 being already finalized. No funds have been disengaged.
* IPA Cross-border cooperation programme between Romania and the Serbian Republic for 2014-2020, with a total budget of 88.12 million EUR. The current contracting rate is of 98.33%, 22 projects are under implementation, 57 being already finalized. No funds have been disengaged.
* The transnational programme Danube has a total budget of 274.57 million EUR. In the approved projects participate 211 organizations from Romania, being signed 170 co-financing agreements.
* The inter-regional cooperation programme INTERREG EUROPE has a total budget of 426.31 million EUR. In the approved projects participate 111 organizations from Romania, being signed 105 co-financing agreements.
* The inter-regional cooperation programme URBACT III has a total budget of 96.32 million EUR. In the approved projects participate 20 organizations from Romania, being signed 34 co-financing agreements.
* The inter-regional cooperation programme INTERACT III has a budget of 39.40 million EUR ERDF, to which are added 163,530 EUR as contribution of Switzerland and Norway.
* The cooperation programme ESPON 2020 has a budget of 41.37 million EUR ERDF, to which are added the national contributions of 7.3 million EUR and the contribution of the partner countries (Switzerland, Norway, Iceland, Liechtenstein) of 1.85 million EUR.
* Cooperation programs that correspond to the neighboring policy of the EU, financed from the ENI:
* The Romania - Ukraine Common Operational Program for 2014-2020 has a budget of 66 million EUR. 67 projects have been contracted so far, the contracting rate being of 103.79%. The principle of disengagement of funds is not applied.
* The Romania - Republic of Moldova Common Operational Program for 2014-2020 has a total budget of 89.10 million EUR. 81 projects have been contracted so far, the contracting rate being of 103.3%. The principle of disengagement of funds is not applied.
* The Black Sea Basin Common Operational Program for 2014-2020 has a total budget of 53.94 million EUR. 61 projects have been contracted so far, the contracting rate being of 97.5%. The principle of disengagement of funds is not applied.
* The ENI Cross-border Cooperation Program Hungary-Slovakia - Romania - Ukraine for 2014-2020 has a total budget of 81 million EUR. In the approved projects participate 41 organizations from Romania, being signed 35 co-financing agreements.

**The external non-reimbursable funds** managed by **MDLPA** from the European Union are presented in **section 4.8**.

**Policy in the field of agriculture and rural development**

**The Ministry of Agriculture and Rural Development** has the priority of elaborating and implementing agricultural policies adequate for citizens and farmers, to support the increase of agro-food competitiveness and the sustainable development of the rural sector, under conditions of food safety and protected environment, managed by an efficient and responsible public sector.

**National Budget**

* **State aid for procurement of diesel fuel with reduced excise**
* **National transitional aid** (NTA) in the vegetable and zoo-technical sector, with the purpose of increasing revenues for agricultural producers.
* **Support program for swine breeders for the reproduction activity** - State aid scheme
* **Support program for the reproduction, incubation and breeding activity in the poultry sector** - State aid scheme
* **De minimis aid for the implementation of the support program for breeding pigs in the Bazna and/or Mangalita breeds**
* **Support program for swine breeders in the Bazna and/or Mangalita breeds, for the reproduction activity** - State aid scheme
* **National Beekeeping Program for 2020-2022**
* **State aid in the field of animal breeding, in order to improve the genetic quality** **of livestock and implicitly the production potential in animal breeds which have improvement programs established**
* **State aid for neutralization of animal waste**
* **Sector program for research and development**
* **Financing specific investments and material expenses necessary for the operation of technological high school with mainly agricultural profile**
* **Payment of linguistic contributions and services**
* **Support program for garlic producers**
* **National anti-hail program and precipitation stimulation**

The financing of agriculture from external non-reimbursable funds received from the European Union is presented in section 4.8

**Local budgets**

The amounts broken down from value-added tax for the local budgets have been estimated on the reference horizon on the basis of the legislation in force.

As of 2010, for the purpose of establishment of criteria to make more efficient the use of funds awarded from the State budget to the local budgets, for current expenditures, the amounts broken down from the value-added tax were substantiated on the basis of cost standards approved through Government decisions in the fields of education and social services.

**The amounts broken down from value-added tax are dedicated to financing:**

* **the decentralized expenditures at county level:**

a) financing social services from the child protection system and of protection measures of day center type and residential centers for adults with disabilities;

b) Financing of Romania’s Program for schools, until the end of the school year 2021-2022, at the level of the amounts provided in the annexes to Government Decision no. 881/2021 on the establishment of the budget for implementation of Romania’s Program for schools between 2017 and 2023 for school year 2021-2022, as well as amending and supplementing Government Decision no. 640/2017 approving Romania’s Program for schools between 2017 and 2023 and on the establishment of the budget for implementation thereof in school year 2017-2018;

c) financing the rights of children with special educational needs who go to special education institutions, according to the provisions of Government Decision no. 564/2017 on the manner of award of rights for children with special educational needs registered in the pre-university education system, as subsequently amended, in the amount established in accordance with the provisions of letter A in the annex to Government Decision no. 904/2014 on the establishment of minimum expenditure ceilings corresponding to the rights provided by art. 129 para. (1) in the Law of national education no. 272/2004 on the protection and promotion of children’s rights;

d) financing the expenditures for goods and services for current maintenance of the units of special education and of county centers for resources and educational assistance in special education;

e) payment of the support under the form of contributions, which shall ensure the supplementation of the salary rights not covered from own funds of local cult units, for non-clerical staff employed in cult units from the country, in accordance with the provisions of art. 9 para. (1) letter a) in chapter III “Cults”, letter E - Section 3 “State support for the salaries of non-clerical staff of recognized cults” in annex no. I to Framework law no. 153/2017 on the salaries of staff paid from public funds, as subsequently amended and supplemented;

f) financing of operating expenditures of homes for the elderly at county level, according to the provisions of art. 18 para. (5) letter c) in Law no. 17/2000 on social assistance for the elderly, republished, as subsequently amended and supplemented;

g) financing of the educational incentive, under the form of social vouchers given to children from disadvantaged families for the purpose of stimulating their participation to special pre-school education established through Law no. 248/2015 on stimulating the participation to special pre-school education of children from disadvantaged families, as republished;

h) financing the expenses for scholarships granted to pupils from special education substantiated and distributed on counties by the Ministry of Education, in accordance with the provisions of art. 82 and art. 105 in the Law on national education no. 1/2011, as subsequently amended and supplemented.

* **decentralized expenditures at the level of communes, cities, municipalities and sectors of Bucharest;**

a) basic financing of State-owned pre-university educational units for the categories of expenditures provided by art. 104 para. (2) letters b) - d) in the Law on national education no. 1/2011, as subsequently amended and supplemented;

b) rights of personal assistants of people with serious disabilities or monthly allowances of people with serious disabilities granted on the basis of the provisions under art. 42 para. (4) in Law no. 448/2006 on the protection and promotion of the rights of people with disabilities, as republished, as subsequently amended and supplemented;

c) financing decentralized expenses at the level of the sectors and of Bucharest municipality, namely for: social services in the child protection system; protection measures of the type of day centers and residential centers for adults with disabilities; implementation of Romania’s Program for schools, until the end of the school year 2021-2022, at the level of the amounts provided in the annexes to Government Decision no. 881/2021 on the establishment of the budget for implementation of Romania’s Program for schools between 2017 and 2023 for school year 2021-2022, as well as amending and supplementing Government Decision no. 640/2017 approving Romania’s Program for schools between 2017 and 2023 and on the establishment of the budget for implementation thereof in school year 2017-2018; expenses for goods and services for current maintenance of special education units and educational resources and assistance centers, payment under the form of contributions, which shall ensure the supplementation of the salary rights not covered from own funds of local cult units, for non-clerical staff employed in cult units from the country, in accordance with the provisions of art. 9 para. (1) letter a) in chapter III “Cults”, letter E - Section 3 “State support for the salaries of non-clerical staff of recognized cults” in annex no. I to Framework law no. 153/2017, as subsequently amended and supplemented;

d) financing of the educational incentive, under the form of social vouchers given to children from disadvantaged families for the purpose of stimulating their participation to pre-school education established through Law no. 248/2015 on stimulating the participation to pre-school education of children from disadvantaged families, as republished;

e) financing the rights of children with special educational needs integrated in mass education, according to the provisions of Government Decision no. 564/2017, as subsequently amended, in the amount established in accordance with the provisions of letter A in the annex to Government Decision no. 904/2014 on the establishment of minimum expenditure ceilings corresponding to the rights provided by art. 129 para. (1) in the Law of no. 272/2004 on the protection and promotion of children’s rights;

f) financing of operating expenditures of homes for the elderly at the level of communes, cities, municipalities, sectors of Bucharest municipality, according to the provisions of art. 18 para. (5) letter c) in Law no. 17/2000 on social assistance for the elderly, republished, as subsequently amended and supplemented;

g) financing the expenses for scholarships granted to pupils from State owned pre-university education units from communes, cities, and municipalities, substantiated and distributed on counties by the Ministry of Education, in accordance with the provisions of art. 82 and art. 105 in the Law on national education no. 1/2011, as subsequently amended and supplemented.

* **financing the expenditures related to county and communal roads;**
* **balancing the local budgets of communes, cities, municipalities and counties;**
* **financing accredited private and confessional education:**

a) financing of salary expenses;

b) financing of expenses for goods and services;

c) financing the rights of children with special educational needs who attend particular and confessional, special and mass educational units, according to the provisions of Government Decision no. 564/2017, as subsequently amended, in the amount established in accordance with the provisions of annex no. 1, point A in Government Decision no. 904/2014 on the establishment of minimum expenditure ceilings corresponding to the rights provided by art. 129 para. (1) in the Law of no. 272/2004 on the protection and promotion of children’s rights.

The distributed shares from the personal income tax due to the local budgets of the administrative-territorial units, the amounts distributed from the value added tax for the local budgets, as well as the subsidies allocated from the state budget to finance some expenses from the component budgets of the centralized general budget of administrative-territorial units, through the budgets of some ministries, are presented in the table below:

* thousand Lei -

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Indicator denomination | 2020 Execution | 2021 Budget (LBS15/2021) | Budget proposal for 2022 | Estimates for 2023 | Estimates for 2024 | Estimates for 2025 |
|
|  | 1 | 2 | 3 | 4 | 5 | 6 |
| Distributed amounts from personal income tax | 24,048,661 | 26,166,190 | 31,371,605 | 35,254,161 | 39,445,701 | 42,356,772 |
| Amounts broken down from VAT | 21,074,157 | 18,496,058 | 20,396,877 | 16,800,977 | 13,853,282 | 13,902,969 |
| Subsidies | 16,806,677 | 13,089,849 | 14,841,273 | 14,695,083 | 14,696,022 | 14,659,400 |

**4.7 PRIORITIZED SIGNIFICANT PUBLIC INVESTMENTS**

According to the provisions of GEO no. 88/2013 and of the Methodological norms on the prioritization of public investment projects, approved through GD no. 225/2014, as subsequently amended and supplemented, the main spending authorities and the Ministry of Finance carried out the assessment process of significant public investment projects, in order for the Ministry of Finance to elaborate and present to the Government for approval the list of prioritization of significant public investment projects.

When elaborating the draft budget for 2022, the main spending authorities will respect the prioritization results in the process of distribution of the budget resources for the significant public investment projects, in accordance with the provisions of art. 45 para. (4) in GEO no. 88/2013.

In the prioritization process, 8 main spending authorities presented information about 177 significant public investment projects, with a total updated value of 221,042,715 thousand Lei and an amount left for financing for completion purposes of 136,041,923 thousand Lei. Of these, 130 significant public investment projects are in different stages of implementation, whose updated value is of 189,250,142 thousand Lei, with a rest to be financed for completion of 129,465,536 thousand Lei.

The remaining 47 projects are projects whose execution works are completed (physical status of 100%), but they are not financially closed, being necessary payments for civil sentences, costs corresponding to the DAB procedure, arbitral awards, final certificates, legal assistance, road safety audit, litigations, expropriations, etc., which are separately presented.

The biggest share in the portfolio of significant projects in different stages of implementation is held by the Ministry of Transport and Infrastructure, which administers 94 significant public investment projects, with a total updated value of 168,368,071 thousand Lei, followed by the Ministry of Environment, Water and Forests with 10 significant public investment projects, with a total updated value of 6,375,855 thousand Lei, the Ministry of Development, Public Works and Administration with 9 projects with a total updated value of 1,627,795 thousand Lei. At the opposite end is the Ministry of Research, Innovation and Digitalization with 2 projects and the Service of Guard and Protection, which implements one significant public investment project.

|  |  |
| --- | --- |
| **Main credit authority** | **Number of projects under implementation included in the prioritization process** |
| Ministry of Transport and Infrastructure | 94 |
| Ministry of Health | 7 |
| Ministry of Justice | 4 |
| Ministry of Public Works, Development and Administration | 9 |
| Ministry of Environment, Waters and Forests | 10 |
| Ministry of Research, Innovation and Digitalization | 2 |
| Ministry of National Defense | 3 |
| Service of Guard and Protection | 1 |
| **Total:** | **130** |

We present hereinbelow the main aspects revealed in the memorandum:

* The distribution of expenditures representing the total updated value of the projects by main spending authorities: it was found that the biggest share of expenditures belongs to the Ministry of Transport (88.97%), followed by the Ministry of Health (4.80 %). (Figure 1).

*Figure no. 1*

* Distribution of the rest of financing until completion of the investment projects by spending authorities: from the data presented in *Figure 2* it results that the biggest share belongs to the Ministry of Transport and Infrastructure (87.02%), followed by the Ministry of Health (6.93%).

*Figure no. 2*

With regard to the status of implementation of the 130 significant public investment projects sent by the main credit authorities in the prioritization process, it is found that:

|  |  |
| --- | --- |
| **Status of implementation** | **Number of projects** |
| Physical status of 0% | 59 |
| Projects in process of implementation | 71 |

The 47 significant public investment projects whose physical execution status is of 100% (completed), are not financially closed because of the civil sentences, disputes, arbitrations, etc.; the amounts necessary to make the payments for financial closing represent 4.84% of the total necessary financing for the prioritized significant public investment projects. We present in figure no. 3 the distribution of these projects by main spending authorities.

*Figure no. 3*

Note: *the information on the basis of which have been elaborated the syntheses above was communicated by the main spending authorities in the prioritization process.*

**4.8 POLICY IN THE FIELD OF EUROPEAN FUNDS**

**A. Structural and cohesion funds**

1. **European Structural and Investment Funds - CFM 2014-2020**
   1. **Status of implementation**

As of 2015 were launched project calls for all 6 operational programs of (OP) ESIF - OP of Large Infrastructure, Human capital, Competitiveness, Technical Assistance, Regional, Administrative Capacity, as well as for FEAD-POAD. The total budget launched for these calls is of approximately 29.2 billion EUR, representing 102.2% of the total allocation of approximately 28.6 billion EUR available for the implementation of these programs.

By December 2021 were signed 11,979 financing agreements, with a total value of approximately 42.8 billion EUR, representing 146% of the total allocation corresponding to these OP.

Within these agreements were made payments by the management authorities of 13.5 billion EUR.

For the aforementioned PO were received from the European Commission (EC) pre-financing funds amounting to 2.4 billion EUR, representing 9.9% of the EU allocation of approximately 28.6 billion EUR corresponding thereto.

Until the present, the value of the payment applications sent to the European Commission is of approximately 11.4 billion EUR, of which the EC has reimbursed so far the amount of 10.2 billion EUR.

The total amounts received from the European Commission as pre-financing and reimbursements for the programs financed from ESIF (OP Large Infrastructure, OP Competitiveness, OP Regional, OP Administrative Capacity, OP Technical Assistance, OP Human Capital, NP of Rural Development, OP Fishing and Marine Affairs) are of approximately 19.1 billion EUR, which means approximately 55% of the EU allocation that corresponds to these programs. We mention that in the European Union the average rate of amounts received from the European Commission is currently of approximately 61%. Relative to the total net payments made in 2014-December 2021, Romania ranks 6th compared to the other member states.

With respect to the risk of automatic disengagement of the funds, we mention that until the present (December 2021) no funds have been disengaged in the operational programmes.

According to the monthly estimates of the amounts which shall be sent to the European Commission (EC), the risk of disengagement of funds shall be covered for all operational programmes.

In accordance with the provisions of the European regulations applicable to the current programming period, the reimbursement of the declared expenditures was made after the completion of the process of appointment of the authorities involved in the management and control system of the funds, a process which involved the assessment thereof by the Audit Authority from Romania and the issuance of an opinion on the compliance of the system with the accreditation requirements.

Through the Partnership Agreement, Romania undertook to finance all thematic objectives established through the (EU) Regulations no. 1303/2013, which imposed the application of all 36 ex ante conditions provided in annex XI to the aforementioned Regulation.

All 36 conditions are currently fulfilled (December 2021).

**1.2 Measures implemented and planned in the field of European funds**

**1.2.1 Implemented measures**

The main measures taken in 2016-2021 referred, on the one hand, to the process of closing of the operational programs for 2007-2013, the process of appointment of the authorities involved in the management of ESI funds and to accelerating the implementation of the operational programs corresponding to the period 2014-2020, and, on the other hand, to the generation of a prompt and efficient response in order to fight the negative effects of the COVID-19 pandemic on the economic and social environment.

Thus, a series of measures have been taken with respect to the revision of the legal and institutional framework, referring to the assurance of the necessary financing for the local public administration authorities for investment projects.

In addition, it was made an improvement/simplification of the MySMIS application, as a result of the implementation of a process of consulting with the beneficiaries and the personnel involved in the assessment of the projects.

At the same time, several assessment reports related to the programmes’ implementation have been completed.

With respect to the preparation of the 2021-2027 programming period, in the Government meeting of September 5, 2018 was signed the Memorandum themed “Preparation of national funding documents for post-2020 European funding”, which set a schedule for the elaboration of the strategic documents/plans of post-2020 national sector measures and prioritization of investments from post-2020 European funds, under the conditions of the new European legislative package for 2021-2027. Thus, a series of plans of measures were established at the level of the responsible authorities which were relevant for the fulfillment of the prior conditions, and these plans were approved through Government Memoranda.

The negotiations for preparation of the programming documents (Partnership Agreement and Operational Programmes) were started as well.

In 2021, the Partnership Agreement and the operational programmes were updated:

* to respond to the observations formulated by the specialty COM services,
* to create synergies and ensure complementarity with the priorities included in the National Recovery and Resilience Plan,
* to be consistent with the allocation officially communicated by the European Commission.

Based on the self-assessments and on the existing strategic documents, the Commission accepted 4 favorable requirements as fulfilled - 2 horizontal ones and 2 thematic ones - namely: the public procurement market, the norms regarding State aid, the efficient management framework for disaster risk, biodiversity.

Due to the COVID-19 crisis, current challenges are related to economic relaunch and in this respect the priorities are the measures related to job preservation, improvement of the access to employment, occupation and professional reinsertion, development of employee competences, correlated with supporting entrepreneurship, social economy structures and other initiatives of the business environment, in the sense of reducing the negative effects caused by the limitation or interruption of social and economic activities.

With respect to the React-EU allocation for Romania, in 2021 it amounted to 1.32 million EUR and the European Commission approved the programme amendments for POIM, POC, POAD, and for POCU were finalized the negotiations and the programme amendment is in process of approval by the EC.

The React-EU allocation is mainly dedicated to supporting the alleviation of the effects caused by the crisis. Thus, the measures already implemented in the framework of the COVID-19 crisis were mainly continued.

**1.2.2 Planned measures for the implementation of ESI funds**

With regard to the measures of acceleration of ESI funds’ absorption, special focus will be placed on the following actions provided in the Government Program:

* Maintenance of an annual absorption rate which should lead to an absorption of 100% at the end of 2023;
* capitalization of the flexibility elements made available by the European Commission;
* Using the resources from REACT-EU to cover the financing needs of the fields of health, increasing SME competitiveness, digitalization of education and active employment measures;
* avoidance of the risk of disengagement through monthly monitoring of the status of financial implementation of operational programmes;
* speeding the launch of the last project calls for the amounts still available;
* streamlining the process, including the acceleration of the evaluation and contracting pace through improvement of the internal work procedures;
* constant monitoring of the projects which risk not being completed by December 31, 2023, to identify possible delays and take remedial and delay recovery measures;
* reallocation of funds to the priority axes of a programme;
* increasing and optimizing the implementation capacity of the projects already admitted for financing, by supporting the beneficiaries throughout the implementation of the investments, through project managers from the management authority in order to monitor every project and intensify the dialogue with every beneficiary for the purpose of analyzing the project in question and identifying adequate solutions, in order to obtain a significant impact of the investments;
* ensuring the funds necessary to the management authorities to make the payments to the beneficiaries;
* ensuring the interconnectivity and interoperability between the databases of state institutions and the My SMIS system to simplify the process of submission of projects and increase the speed of the verification procedures of projects and beneficiaries from the assessment and project monitoring periods.
* fast processing of final refund requests and authorization for payment thereof;
* preparation and development of a portfolio of mature projects, of the necessary framework for using simplified cost options, respectively of using financial instruments to rapidly start the implementation in 2021-2027;
* revision of the legal framework, in accordance with the specific evolutions from the field;
* ensuring a good relationship between the authorities and potential beneficiaries/project beneficiaries, in the sense of orientation towards dialogue, simplification, and support in the process of performance of investments.

In the MIPE it is permanently monitored the implementation status, respectively the progress registered in the process of assessment, contracting, and payment, for the identification of possible delays and in order to take remedy measures and delay recovery measures.

With respect to the 2021-2027 programming period, the following measures have been taken:

* ensuring the monitoring of the fulfillment of prior conditions;
* ensuring the partnership framework and the operation of Work groups for elaboration of post-2020 programming documents;
* elaboration of the programming documents for 2021-2027 and finalization of the negotiations with the European Commission.

**1.3. The funds corresponding to MFF 2014-2020, the allocation thereof on the cohesion policy and on the common agricultural policy, on separate objectives, as well as the operational programs that will be financed from these funds**

In the financial exercise 2014-2020, Romania’s total allocation is of approx. 46.55 billion EUR, of which approx. 24.1 billion EUR through the Cohesion Policy and approximately 22.4 billion EUR through the Common Agricultural Policy and the Integrated Marine Policy.

|  |  |  |
| --- | --- | --- |
|  |  | *million EUR* |
|  | **Fund type** | **Allocation (EU)** |
| **PO Technical Assistance** | ERDF | 332.76 |
| **PO Competitiveness** | ERDF | 2,379.79 |
| **PO Human Capital** | ESF | 4,362.06 |
| **PO Administrative Capacity** | ESF | 563.59 |
| **PO Regional** | ERDF | 6,860.00 |
| **PO Large Infrastructure** | ERDF | 2,587.41 |
| CF | 6,535.00 |
| **National Rural Development Program** | EAFRD | 10,968.15 |
| **OP Fishing and Maritime Affairs** | EMFF | 168.42 |

The Operational Programs supported through the ESIF 2014-2020 are supplemented by the Operational Program of Aid for the Most Deprived, with financing from the Fund for European Aid to the Most Deprived (FEAMD), with a total allocation of 575 million EUR (of which the EU contribution is of 497 million EUR) for the period 2014-2020 and the European Territorial Cooperation Programs, with a total allocation of approx. 787 (of which the EU contribution is of approx. 670 million EUR) million EUR from funds corresponding to the objective of European territorial cooperation.

In order to grant assistance for the alleviation of the effects caused by the crisis, in the framework of the COVID-19 pandemic and of its social consequences, and for the preparation of a green, digital, and resilient recovery of the economies of the Member States, was approved the allocation of additional resources with the purpose of Recovery assistance for cohesion and the territories of Europe (REACT-EU), for a fast distribution to the real economy through the existing operational programmes.

Based on an allocation method established through the regulation, in 2021 Romania will receive 1.324 billion EUR in current prices from the total allocation of this instrument.

**1.3.1 Amounts allocated to Romania for the multi-annual financial framework for 2014-2020, in total, on years and operational programs**

*million EUR*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Program** | **ESI funds** | **Total** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| **PO Large Infrastructure** | **ERDF** | **2,587.41** | 0.00 | 593.27 | 324.66 | 333.05 | 180.35 | 420.24 | 251.96 | 483.88 | 0.00 |
| **CF** | **6,535.00** | 0.00 | 1,710.04 | 949.84 | 999.90 | 1,046.79 | 1,093.83 | 734.60 | 0.00 | 0.00 |
| **PO Human Capital** | **FSE + ILMT** | **4,362.06** | 561.79 | 583.86 | 575.92 | 624.85 | 648.45 | 672.17 | 695.02 | 0.00 | 0.00 |
| **OP Helping the Disadvantaged** | **FEAMD** | **497.01** | 59.32 | 60.50 | 61.72 | 62.95 | 64.22 | 65.50 | 66.80 | 56.00 | 0.00 |
| **OP Administrative Capacity** | **ESF** | **563.59** | 67.22 | 71.39 | 75.92 | 79.53 | 83.04 | 86.43 | 100.06 | 0.00 | 0.00 |
| **OP Competitiveness** | **ERDF** | **2,379.79** | 156.53 | 168.17 | 171.39 | 184.73 | 201.79 | 210.67 | 736.51 | 550.00 | 0.00 |
| **OP Technical Assistance** | **ERDF** | **332.76** | 21.28 | 31.91 | 28.91 | 31.91 | 71.92 | 31.91 | 114.92 | 0.00 | 0.00 |
| **OP Regional** | **ERDF** | **6,860.00** | 0.00 | 1,671.14 | 941.39 | 994.50 | 1,165.65 | 1,029.45 | 1,057.87 | 0.00 | 0.00 |
| **NP Rural Development** | **EAFRD** | **10,968.15** | 0.00 | 1,723.26 | 1,751.61 | 1,186.54 | 1,184.73 | 1,141.93 | 1,139.93 | 1,385.76 | 1,454.38 |
| **OP Fishing and Maritime Affairs** | **EMFF** | **168.42** | 0.00 | 46.47 | 23.59 | 23.98 | 24.53 | 24.70 | 25.15 | 0.00 | 0.00 |
| **TOTAL:** |  | **35,254.19** | **866.14** | **6,660.01** | **4,904.95** | **4,521.94** | **4,671.47** | **4,776.83** | **4,922.82** | **2,475.64** | **1,454.38** |

**Programming the funds corresponding to the Cohesion Policy for the 2021-2027 MFF**

MIPE coordinates the elaboration of programming documents regarding the national investment supported through European funds within the Cohesion Policy for 2021-2027, where Romania has allocated European funds of 31.35 billion EUR (current prices, including European territorial cooperation).

Until the present have been held discussions on the preliminary versions of Partnership Agreement for the programming period 2021-2027 and the proposals for future operational programmes are:

* OP Sustainable Development;
* OP Transport;
* OP Smart Growth, Digitalization and Financial Instruments;
* OP Social Inclusion and Dignity;
* OP Health
* OP Education and Employment;
* OP Technical Assistance;
* OP Just Transition
* 8 Regional Operational Programmes.

Through these Operational Programmes shall be supported key fields, through the use of the material, human, and financial resources made available to Romania.

In 2021, the Partnership Agreement and the operational programmes were updated:

* to respond to the observations formulated by the specialty COM services,
* to create synergies and ensure complementarity with the priorities included in the National Recovery and Resilience Plan,
* to be consistent with the allocation officially communicated by the European Commission.

In order to be able to update the operational programmes have been organized numerous consulting sessions with the line ministries, the management authorities, NGOs, different partners, so that these documents would meet national needs and observe the provisions of European regulations.

Based on the self-assessments and on the existing strategic documents, the Commission accepted 4 favorable requirements as fulfilled - 2 horizontal ones and 2 thematic ones - namely: the public procurement market, the norms regarding State aid, the efficient management framework for disaster risk, biodiversity.

For the following conditions were sent to COM the updated versions of the self-assessments and of the strategic documents for the Charter of Fundamental Rights, the rights of people with disabilities, energy efficiency in buildings, waste management, education, Roma inclusion.

The Memorandum of Understanding between the Government of Romania and the World Bank regarding the Partnership for Modernization of Public Administration and Supporting Structural Reforms was signed on July 13, 2021, in Bucharest.

The draft GD approving this Memorandum was published on the website of the MIPE on November 25, 2021.

The draft emergency ordinance regarding financial management of European funds for the programming period 2021-2027 allocated to Romania from the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus, the Fair Transition Fund was elaborated after ample consulting of the entities involved in the management of European funds. The legislative act establishes the general financial framework for management of the non-reimbursable financial assistance allocated to Romania from the aforementioned funds, during the programming period 2021-2027, as well as of the pre-financing and co-financing corresponding to this assistance, in order to ensure an efficient financial management.

The draft legislative act was published in public consulting on the website of the Ministry of Investments and European Projects on November 26, 2021.

**NRRP - description and status**

**Description**

The Recovery and Resilience Mechanism (RRM) is the central element of the NextGenerationEU instrument (amounting to over 800 billion EUR), with loans and grants of 723.8 billion EUR available to support the reforms and investments undertaken by the EU member states. The purpose of the mechanism is to alleviate the economic and social impact of the COVID-19 pandemic and to make the European economies and societies become more sustainable, more resilient and better prepared for the challenges and opportunities offered by the transition towards a green economy and the digital transition.

In this respect, Romania officially transmitted on May 31, 2021 the National Recovery and Resilience Plan, a document which contains investments and reforms with a total budget of approximately 29.2 million EUR, of which 14.2 billion EUR grants and loans amounting to 14.9 billion EUR.

The Plan is a coherent and integrated response to the current economic and social situation, to the country specific recommendations corresponding to the 2019-2020 European Semester, including with respect to the fiscal aspects, contributing to strengthening the economic growth potential, to the creation of jobs and economic, social, and institutional resilience, implementing also the European pillar of social rights. Thus, through the included reforms and investments, the plan contributes to climate changes with an amount representing at least 37% of the total allocation and, respectively, at least 20% to digital transition.

The Plan is based on the six pillars provided by the Recovery and Resilience Mechanism, including measures related to water management, waste management, biodiversity, sustainable transport, green energy, education, health, energy efficiency in multi-family buildings and public buildings, all corroborated with horizontal measures of digitalization and strengthening of the public administration. The distribution of the allocated funds is mentioned in the table below:

|  |  |  |
| --- | --- | --- |
| **Pillar** | **Composition** | **Allocation (million EUR)** |
| **I. Green transition** | C1. Water management | 1,462.00 |
| C2. Protection of forests and biodiversity | 1,173.00 |
| C3. Waste management | 1,239.01 |
| C4. Sustainable transport | 7,620.00 |
| C5. Renovation wave | 2,200.00 |
| C6. Energy | 1,620.00 |
| **II. Digital transformation** | C7. Digital transformation | 1,884.95 |
| **III. Smart, sustainable, and inclusion favorable growth** | C8. Fiscal reforms and pension reform | 456.93 |
| C9. Support for the business environment and research, development, and innovation | 2,558.63 |
| **IV. Social and territorial cohesion** | C10. Local fund | 2,100.00 |
| C11. Tourism and culture | 449.01 |
| **V. Health, as well as economic, social, and institutional resilience** | C12. Health | 2,450.01 |
| C13. Social reforms | 196.74 |
| C14. Good governance | 165.60 |
| **VI. Policies for the new generation** | C15. Education | 3,605.97 |

Through the reforms and investments undertaken through the plan it is considered a sustainable and extensive economic development. The reforms proposed in the NRRP will have a far-reaching effect for the Romanian economic and society. For example, fiscal reforms and that of the pension system shall generate a sustainable trajectory of public finance on medium and long term. These reforms shall meet the demographic problems and shall ensure a fiscal trajectory that would not burden the State budget. Through the reform of the pension system it is ensured the fact that the following generations will be able to receive equitable and adequate pensions, in line with the contribution principle.

Fiscal reforms will lead to a gradual increase of State budget revenues, to allow the State budget to extend the level of public investments, where European funds cannot contribute or where there is a very high need for financing. Considering also the reforms through which shall be optimized public expenses (for example, spending reviews, as well as the new unitary salary system in the public sector), it is estimated an increase of capital expenses in the national budget.

The measures which shall contribute to green and digital transition will also have a major impact on medium and long term, Romania contributing to the attainment of the targets undertaken at European level until 2030, respectively the reduction by at least 55% of greenhouse gas emissions (in synergy with the other initiatives of the European Union) and the increase of the share of energy from renewable resources in final gross consumption by 32%. In the energy field, the NRRP will contribute to the objective of making the transition from the use of coal to renewable resources at the beginning of the next decade. It shall also introduce hydrogen into the energy mix, a source which shall be gradually integrated into the Romanian economy. At the same time, the massive investments in energy efficiency in the private environment and in buildings will ensure an important reduction of emissions and of electricity consumption on medium and long term.

Through the adoption of digital technologies, as well as of green technologies, shall be passed to a more sustainable economic model at country level, which shall favor economic growth. Through the NRRP shall be taken measures of digital transformation of the economic and social sectors, including of public services, through the development of the digital public infrastructure, for the creation of the possibility of practicing telemedicine, on-line education, digitalization of transportation, as well as through support measures for SME digitalization. Investments in digitalization, advanced technologies and cyber security, as well as in microelectronic components and systems, are essential for sustainable economic digitalization. Thus, Romania, together with other member states, can make a difference on medium and long term in the field of microelectronics, to respond to technological, society, and security challenges in Europe, in the NRRP being included innovative investments in the field and participation at European level at IPCEI of profile. Not lastly, the NRRP finances reforms and investments which improve the population’s connectivity and which have adequate coverage for all sectors of the economy, through installation of broadband networks, with positive effects on the entire society.

Also, the legislative reforms proposed for simplification of the environment where enterprises operate, through digitalization of reporting procedures, of procedures of entry on/exit from the market, simplification of obtaining licenses, construction permits, etc., confers a growth potential of the business environment. In addition, it is considered the improvement of corporate governance of State-owned companies from the sector.

At the same time, through the NRRP it shall be ensured the increase of digital competences of users, which shall increase the sustainability of investments through digital transition and will contribute to stimulating medium term innovation, through reforms and investments in the field of education, competences and long life learning.

Investments and reforms in the field of transportation will contribute to a long term transformation of the population’s preferences from classical transportation to a sustainable one. In the road field, the proposed measures will intensely promote electromobility and the use of vehicles without emissions. On the other hand, investments in the railway field, in the subway and in the bicycle network will contribute to an increase of the use of these alternative forms of transport.

**Stage**

In accordance with the provisions of art. 20 para. (1) in the Regulation (EU) 241/2021 of establishment of the Recovery and Resilience Mechanism, the Commission assessed the plan sent by Romania, and the Council of the European Union approved the implementation decision, which was communicated to the member state on November 3, 2021.

Then, Romania concluded the agreement related to the non-reimbursable financial contribution, being already granted the pre-financing of 1.8 billion EUR. Until December 31, 2022, the European Commission places at Romania’s disposal 70% of the amount provided for non-reimbursable financial support, transformed into current prices, and as of January 1, 2023 until December 31, 2023, the rest of 30%% of the previously mentioned amount, transformed into current prices.

By the end of 2021 shall also be completed the procedures of closing and of the loan agreement and shall also be received the corresponding pre-financing of approximately 1.9 billion EUR.

For the implementation of the NRRP, it is necessary to establish the institutional framework and the financial flows, the draft emergency ordinance being in process of approval in the Government, and the corresponding norms of implementation shall be approved within the shortest time possible. 21 central public institutions shall coordinate the reforms and/or investments corresponding to the NRRP for the achievement of the assumed landmarks and targets.

The national coordinator of the NRRP, the Ministry of Investments and European Projects (MIPE), will conclude financing agreements with the coordinators or reforms and/or investments for monitoring and control of the allocated funds and to ensure the centralization of the information and the transmission of the payment requests to the European Union. Two payment requests in Q2 and Q4, respectively, are provided on a yearly basis, the amount thereof being set in the Council Decision of implementation of the assessment of Romania’s plan. The payment of the installments shall be made only as a result of achievement of all landmarks and related targets for every payment request and only after the EC’s satisfactory assessment. The payment requests are provided in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Payment request no. | non-reimbursable financial, mill. EUR | Loan, million EUR |
| 2022 | 1 | 203.71 | 907.67 |
| 2 | 214.75 | 1,080.20 |
| 2023 | 3 | 204.75 | 1,095.64 |
| 4 | 183.31 | 1,352.73 |
| 2024 | 5 | 179.75 | 1,404.17 |
| 6 | 111.47 | 2,646.04 |
| 2025 | 7 | 103.49 | 2,625.93 |
| 8 | 89.56 | 1,463.48 |
| 2026 | 9 | 79.15 | 1,248.07 |
| 10 | 54.03 | 1,118.23 |
| Total |  | 1,423.97 | 14,942.15 |

At this time, Romania sent at the end of November 2021 the first progress report corresponding to the NRRP, already reporting as fulfilled 3 of the 21 landmarks and targets corresponding to 2021, the rest being in progress.

**B. Funds from the Common Agricultural Policy**

***1. National Rural Development Program (PNDR)***

The National Rural Development Program for 2014-2020 was adopted by the European Commission through the Commission’s Implementation Decision no. 3508 of May 26, 2015 approving the rural development program of Romania for support from the European Agricultural Fund for Rural Development, drawing the priorities of Romania for the use of the approximately 8.1 billion EUR.

In 2020, the financial allocation of the EU was supplemented on the basis of the (EU) Regulation no. 2220/2020 which provides the extension of applicability of the 2014-2020 legal framework in 2021-2022, with 2.15 billion EUR in resources coming from the Multi-annual Financial Framework (MFF for 2021-2027) and with 0.69 billion EUR in additional funds coming from the European Union Recovery Instrument (EURI) as a result of the crisis caused by the COVID-19 pandemic.

To the EU allocation is added the national contribution from the State budget, amounting to 1.73 billion EUR.

Thus, the financial allocation coming from EAFRD is of 10.97 billion EUR, and the total budget of the PNDR is of 12.70 billion EUR.

The financial allocation (EAFRD) for the PNDR of 2014-2020, extended on the basis of transition norms to 2021-2022, distributed by years, is the following:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Years** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **Total** |
| EAFRD Allocation | 0.00 | 1,723.26 | 1,751.61 | 1,186.54 | 1,184.73 | 1,141.93 | 1,139.93 | 1,385.77 | 1,454.38 | 10,968.15 |

*million EUR*

**1.1. Absorption rate of PNDR 2014-2020** (extended on the basis of transition norms in 2021-2022)

Payments have been made (EAFRD and State budget) in public value of **7,802.06 million EUR** (*according to the quarterly declarations of expenses sent in 2016-2021 - Q3, to which are added the payments made in October - December 2021*). Out of this value, only the value of payments made from EAFRD to the beneficiaries of all measures of the PNDR is of 6,730.88 million EUR (degree of absorption of 61.37% relative to the additional allocation with the transition amounts).

Compared to this amount effectively paid, Romania received in 2015 and 2016, respectively, from the EAFRD budget, the amount of 325.12 million EUR as pre-financing for assurance of the budget necessary to start and implement the Programme. This amount is added to the payments made and leads to **a degree of absorption of EAFRD of 64.33%** (payments made and pre-financing of EAFRD).

We mention that the payments that correspond to budget commitments are made on the N+3 principle.

Until the present, the amounts allocated from EAFRD for years 2015, 2016, 2017, 2018, and 2019 have been fully consumed, with no disengagement.

* 1. **Implementation of the PNDR for 2014-2020**

42 (sub)measures/components/schemes are active, of which 34 are implemented by AFIR/MA for PNDR, 7 measures by APIA, and one measure of strengthening the administrative capacity of the authorities responsible for the implementation of the PNDR, respectively Technical Assistance.

For the measures which are performed on the principle of submission of projects, following the sessions carried out in the six years of implementation, on a cumulative basis, the number of submitted projects is of 100,913, with a public value of 11,568.46 million EUR.

The number of projects selected for financing is of 56,610 in public value of 5,710.74 million EUR, of which 51,542 projects were contracted, in public value of 5,392.16 million EUR.

in addition, through the transition procedure were transferred from the PNDR for 2007-2013 to PNDR for 2014-2020 for completion thereof 18,665 projects with a public value of 417.03 million EUR.

**Programming period 2023 -2027**

According to the Regulation (EU) 2115/2021 of the European Parliament and of the Council of December 2, 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) no. 1305/2013 and (EU) no. 1307/2013, Romania was allocated for 2023-2027 RAFRD funds of 4.84 billion EUR, EAGF direct payments of 9.98 billion EUR and EAGF sector interventions (beekeeping and wine sector) of 213.79 million EUR.

The distribution of these amounts at intervention level shall be found in the National Strategic Plan for 2023-2027; the plan is in process of elaboration, it shall be transmitted to and shall be subject to negotiations with the Commission in 2022, and shall be implemented as of 2023.

***2. European Agricultural Guarantee Fund (EAGF)***

**2.1. Main achievements in the field of EAGF European funds in the campaign of 2020**

The Agency for Payments and Intervention in Agriculture (APIA) is subordinated to the Ministry of Agriculture and Rural Development (MARD) and manages the support schemes granted to farmers, financed from the European Agricultural Guarantee Fund (EAGF), the European Fund for Agriculture and Rural Development (EFARD) and the National Budget (NB).

The schemes of direct payments financed from the EAGF are the following:

* the scheme of single payment per area;
* the redistributive payment;
* the payment for agricultural practices which are beneficial for the climate and the environment;
* the payment for young farmers;
* the coupled support schemes for the vegetable and zootechnic sectors;
* the simplified scheme for small farmers.

The payment beneficiaries - are the active farmers, private individuals and/or legal entities who carry out agricultural activities acting as users of agricultural land areas and/or legal owners of animals, in accordance with the legislation in force. In the category of payment beneficiaries are included the agricultural cooperatives, according to Law no. 566/2004 on agricultural cooperatives, as well as the groups of producers who carry out agricultural activities.

Allocation of the European Agricultural Guarantee Fund (EAGF), direct payments for 2015-2020

*million EUR*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **EAGF Allocation** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **TOTAL ALLOCATED FOR 2015-2020** |
| **Direct payments  (EUR)** | 1,599.99 | 1,772.47 | 1,801.33 | 1,872.82 | 1,903.20 | 1,903.20 | 10,853.01 |

\*To the aforementioned financial ceilings from the EAGF shall be added those for market and foreign trade measures of 444.69 million EUR for the period 2015-2020

In accordance with the Regulation (EU) no. 2220/2020 of the European Parliament and of the Council approved on December 23, 2020, the ceilings corresponding to the direct payments granted to Romania for the 2021-2022 transition period, in accordance with Annex II to the Regulation (EU) no. 1307/2013, are the following:

Annex II: For Romania, the ceilings are the following (thousand EUR):

* 2021: 1,891,805 EUR
* 2022: 1,919,363 EUR

In total, Romania benefits of a total allocation of 3,811,168,000 EUR for years 2021 and 2022.

With regard to the amounts reimbursed by the European Commission in financial years 2016, 2017, 2018, 2019, 2020, and 2021, following the request through the monthly declarations of expenditures, we mention the fact that until this date the European Commission has reimbursed the amount of 10.69 billion EUR.

|  |  |
| --- | --- |
| **Financial year** | **Amount communicated in the EC decision**  **(EUR)** |
| **2016** | 1,509,929,433.56 |
| **2017** | 1,772,508,497.61 |
| **2018** | 1,768,957,065.95 |
| **2019** | 1,884,530,341.45 |
| **2020** | 1,896,032,075.20 |
| **2021** | 1,900,674,856.94 |
| **Total** | **10,692,632,270.71** |

With regard to the 2020 Campaign, the APIA has authorized for payment from EAGF (direct payments) the amount of **1.857 billion EUR**, which represents a percentage of absorption of **98.59%** from the financial ceiling allocated to Romania for direct payments, in the 2020 Campaign of **1.903 billion EUR**.

The payments are made at the exchange rate of **4.8725 Lei for one EUR**, as set by the Central European Bank on Wednesday, September 30, 2020 and published in the Official Journal of the European Union, series C, no. 323/05 of 10/1/2020.

***3. European Agricultural and Rural Development Fund***

The Agency for Payments and Intervention in Agriculture has implemented on the basis of the delegation agreements concluded with the Agency for Financing of Rural Investments (AFIR) the following measures financed from the EARDF:

* MEASURE 08 - Investments in the development of wooded areas and in the improvement of forest viability – sub-measure 8.1 - Afforestation and creation of wooded areas
* MEASURE 10 - Agro-environment and climate
* MEASURE 11 - Ecologic agriculture
* MEASURE 13 - Payments for areas facing natural restrictions or other specific restrictions
* MEASURE 14 (former measure 215) - Payments in favor of animal welfare
* MEASURE 15 - Forestry and environment services, climate services and wood preservation - Sub-measure 15.1 - Payments for forestry and environment commitments
* MEASURE 21 - Specific measure of award of temporary support of exceptional nature in the EAFRD in response to the COVID pandemic

***4. European Maritime and Fisheries Fund***

Degree of commitment of the allocated amounts for 2014-2020: 85.76%.

Degree of absorption on the current date (amounts justified by the beneficiaries): 51.24%.

**C. Romania’s contribution to the EU budget**

According to the commitments undertaken through the Treaty of Accession of the Republic of Bulgaria and of Romania to the European Union, ratified through Law no. 157/2005, Romania, in its capacity as Member State, participates to the financing of the European Union's budget according to unitary Community rules which are directly applicable on accession date. Thus, as of January 1, 2007, Romania ensures the payment of its contribution for the financing of the budget of the European Union within the system of own resources of the Community budget.

The system of own resources of the European Union is regulated through Decision (EU, EURATOM) 2020/2053 of the Council of December 14, 2020 on the system of own resources of the European Union.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Romania’s contribution to the budget of the European Union for 2022 and estimate**  **for years 2023-2024** | | | | |
|  |  |  |  | thousand Lei |
| **Code** | **Name** | **2022** | **2023** | **2024** |
| **55.03.01** | Contributions from customs duties | 948,216.0 | 967,180.0 | 986,524.0 |
| **55.03.03** | Contributions from the sugar sector | 0.0 | 0.0 | 0.0 |
|  | ***Total contributions from traditional own resources*** | ***948,216.0*** | ***967,180.0*** | ***986,524.0*** |
| **55.03.04** | Contributions from the VAT resource | 1,237,001.0 | 1,261,741.0 | 1,286,976.0 |
| **55.03.05** | Contributions for the correction/discount offered to Great Britain | 0.0 | 0.0 | 0.0 |
| **55.03.06** | *Contributions from NGR resource* | *9,438,420.0* | *9,627,188.0* | *9,819,732.0* |
| **55.03.10** | Contributions for the discounts in favor of Denmark, Austria, the Netherlands, Sweden, Austria, and Germany | 643,373.0 | 656,240.0 | 669,365.0 |
| **55.03.11** | Contributions from non-recycled plastic packaging waste | 611,264.0 | 613,719.0 | 613,719.0 |
| **55.03** | ***Romania’s contribution to the EU budget*** | ***12,878,274.0*** | ***13,126,068.0*** | ***13,376,316.0*** |

These amounts can be changed due to automatic technical adjustments of the indicators established in the ACOR-Forecasts meeting, at the time when the new macroeconomic indicators estimated by the European Commission appear, as well as due to other influences from the internal and international market.

**Romania’s contribution to the European Development Fund**

**for 2022-2024**

Through Law no. 16/2008, Romania adhered to the Agreement signed in Luxembourg on June 25, 2005 and amending the Partnership Agreement between the members of the groups of countries from Africa, the Caribbean and the Pacific (ACP), on the one hand, and the European Community and the Member States, on the other hand, signed in Cotonou on June 23, 2000. In this framework, Romania has been contributing to the 11th European Development Fund (EDF 11).

The table below presents the estimation of Romania’s contribution to the EDF for the period 2022-2024:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Romania’s contribution to the European Development Fund for 2022 and estimate**  **for years 2023-2024** | | | | |  |
|  |  |  |  | *thousand Lei* |
| **Code** | **Name** | **2022** | **2023** | **2024** |
| **55.02.05** | Romania’s contribution to the European Development Fund | 100,189.0 | 75,456.0 | 64,684.0 |
| **55.02** | **Current transfers abroad (to international organizations)** | **100,189.0** | **75,456.0** | **64,684.0** |

These amounts can be amended according to the decisions taken at EU level with regard to the necessary funds for the payments to the CPA countries.

**Romania’s net financial position in relation to the EU budget**

**mil. euro**

Denomination

Allocations

2007-2013

Realizat

2007 - 2020

Realizat

2021

(execu?ia la

31.10.2021)

Realizat

2007-2021

(execu?ia la

31.10.2021)

**I. SUME PRIMITE DE LA BUGETUL UE**

(A+B)

**40.251,21**

**36.682,76**

**0,00**

**36.682,76**

***A. Fonduri de pre-aderare***

**2.851,62**

**2.754,86**

**0,00**

**2.754,86**

***B. Fonduri post-aderare,***

*din care:*

**37.399,59**

**33.927,89**

**0,00**

**33.927,89**

***i)***

Avansuri

3.693,27

3.655,51

0,00

3.655,51

***ii)***

Rambursari (inclusiv FEGA)

33.706,32

30.272,39

0,00

30.272,39

**B1. Fonduri structurale si de coeziune (FSC),**

din care:

**19.667,65**

**17.262,77**

**0,00**

**17.262,77**

**a)**

Avansuri din FSC

2.125,81

2.125,81

0,00

2.125,81

**b)**

Rambursari din FSC

17.541,84

15.136,96

0,00

15.136,96

**B2. Fonduri pentru dezvoltare rurala si pescuit**

**(FEADR+FEP),**

din care:

**8.327,99**

**7.298,93**

**0,00**

**7.298,93**

**a)**

Avansuri (FEADR+FEP)

32,30

32,30

0,00

32,30

**b)**

Rambursari (FEADR+FEP)

8.295,69

7.266,63

0,00

7.266,63

**B3. Fondul European pentru Garantare Agricola (FEGA)**

7.658,82

7.658,82

0,00

7.658,82

**B4. Altele (post-aderare),**

din care:

**1.745,13**

**1.707,37**

**0,00**

**1.707,37**

***a)***

Avansuri

1.535,16

1.497,40

0,00

1.497,40

***b)***

Rambursari

209,97

209,97

0,00

209,97

**( BALAN?A FINANCIAR? NET?)**

**Sume primite în CFM**

**\*)**

**2007-2013**

**Evolu?ia fluxurilor financiare dintre România ?i Uniunea European?**

**la 31.10.2021**











**4.9 PUBLIC DEBT AND FINANCING OF BUDGET DEFICIT**[[11]](#footnote-11)

***The Government debt (according to the EU methodology)***

At the end of 2020, due to the debt contracting for coverage of the high financing needs of the budget deficit (9.64% of the GDP, according to the preliminary execution) for pre-financing of the financing needs for 2021 and consolidation of the reserve in foreign currency available to the State Treasury, as well as on the basis of an economic decline of -3.9%, the share of government debt, according to the EU methodology was at 47.4%[[12]](#footnote-12) of GDP, exceeding the ceiling of 45% of GDP provided in accordance with Law no. 69/2010 on fiscal and budget responsibility.

In accordance with the provisions of art. 13 para. (1) in Law no. 69/2010 on fiscal and budget responsibility, considering the exceeding of the ceiling of 45% of government debt in GDP provided in the aforementioned legal framework, was submitted for approval of the Government the Report on the justification of the increase of government public debt, as well as the measures for maintenance of this indicator at a sustainable level.

As of 2021, Romania has started on a trajectory of gradual adjustment of the deficit towards the target recommended by the European Commission, but with assurance of sustainable economic growth on the entire prognosis horizon. It is sought to gradually adjust the ESA deficit by the end of 2024 down to a level lower than the limit of 3% of GDP, in accordance with the provisions of the Maastricht Treaty, which will allow the country to be released from the Excessive Deficit Procedure. The general objective of the fiscal and budget policy on medium term is represented by the gradual reduction of the deficit, without endangering the perspectives of economic recovery.

On medium term, the financial support package of the EU which will also benefit Romania, can play an important role in the achievement of budget correction. Romania has an estimated allocated budget of 29.2 billion EUR through the Recovery and Resilience Facility, a temporary instrument conceived to stimulate economic recovery. These financial resources are dedicated to financing reforms and investments which shall consolidate the economic growth potential, with favorable implications on maintaining the share of public debt in GDP at a sustainable level. Thus, the fall forecast of CNSP provides a complete recovery of the economic activity in 2021, with an estimated advance of real GDP of 7.0%, followed by an average annual pace of 5.0% until 2024.

The use of the loan component from the National Recovery and Resilience Plan (NRRP) approved by the Economic and Financial Business Formation (ECOFIN) of the EU Council on October 28, 2021 will have an impact on public debt. Thus, with the loan component of approximately 14.94 billion EUR to be attracted for financing of the reforms of the PNRR shall be reduced the planned financing volume from the external market through issues of Eurobonds, which shall lead to the reduction of financing costs at sovereign level, considering the fact that the loan within this instrument shall be contracted at very advantageous costs (namely under the financial terms based on which the EC borrows in the name of the EU from the financial markets, to which are added the costs borne by the EC to obtain and manage that financing), which shall have a positive impact on interest expenses corresponding to public debt and, implicitly, on the budget deficit of the years following the use of the drawings from this loan.

On medium term (2022-2024), under conditions of fiscal consolidation, the reduction of the budget deficit will determined a decrease of financing needs at government level and, implicitly, of public debt.

At the end of October 2017, the government debt was of 48.2% of GDP[[13]](#footnote-13), of which domestic debt was of 23.8% of GDP and foreign debt was of 24.4% of GDP.

The level of government debt in GDP also includes the debt contracted in their own name by the companies reclassified in the public administration sector at the end of October 2021 of 0.1% of GDP, a level which was extrapolated on the entire period under analysis.

For the end of 2021 it is estimated a level of government public debt of 48.8% of GDP, with observance of the ceiling established for 2021 at 49.5% of GDP, in accordance with GEO no. 97/2021 on the rectification of the State budget for 2021.

On medium term (2022–2024)[[14]](#footnote-14), under conditions of fiscal consolidation, the gross government debt, according to the EU methodology, shall be maintained at a sustainable level which shall not exceed 50.3% of GDP, while the net government debt (representing the gross government debt minus the liquid financial assets)[[15]](#footnote-15) shall not exceed 44.6% of GDP.

***The Government debt according to the EU methodology (% of GDP)***

*Source: Ministry of Finance*

The factors that will determine the level of public debt according to the EU methodology on medium term are presented in the table below:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **% OF GDP** | **SEC CODE** | **2019** | **2020** | **2021**  **est.** | **2022**  **prog.** | **2023**  **prog.** | **2024**  **prog.** | |
| 1. Gross government debt |  | 35.3 | 47.4 | 48.8 | 49.8 | 50.3 | 49.9 | |
| 2. Government debt change |  | 0.3 | 12.1 | 1.4 | 1.0 | 0.5 | -0.4 | |
| Contribution to the gross debt change | | | | | | | |  | |
| 3. Primary balance |  | -3.2 | -7.9 | -6.5 | -4.3 | -2.6 | -1.2 | |
| 4. Interest | EDP D.41 | 1.2 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 | |
| 5. Stock-flow adjustments (2+3-4) |  | -4.1 | 2.8 | -6.5 | -4.8 | -3.6 | -3.1 | |
| *Of which:*  - Differences between interests paid and accrual |  | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0 | |
| - Net accumulation of financial assets |  | -1.5 | 1 | 0 | 0 | 0 | 0 | |
| *of which:*  - from privatization |  | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Effects of the assessment and others |  | -2.5 | 1.9 | -6.4 | -4.8 | -3.5 | -2.9 | |
| p.m. implicit interest rate over debt\* |  | 3.7 | 4.0 | 3.5 | 3.4 | 3.3 | 3.2 | |

\* *is represented in the report between the annual interest payments and the debt balance of the previous year*

*Source: Ministry of Finance*

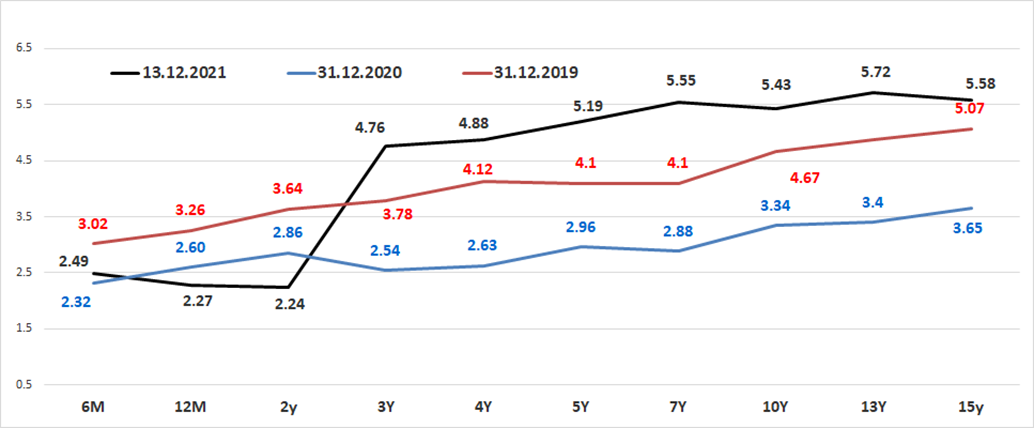
***Budget deficit financing***

In 2021, the necessary gross financing was at approximately 136.2 billion Lei[[16]](#footnote-16), the total volume of loans which were attracted by the Ministry of Finance from the domestic and external markets being determined by a level of budget deficit estimated at 7.13% of GDP and a level of debt to be refinanced in of approximately 51.3 billion Lei.

Financing on the domestic market was made through the organization of regular government securities auctions on the interbank market, with maturities between 6 months and 15 years with a total attracted volume[[17]](#footnote-17) of approximately 60 billion Lei (through issuances of government securities denominated in Lei and EUR), of which 14% short term debt, 35% on medium term, and 51% on long term, to which are added approximately 9 billion Lei attracted through government securities dedicated to the population, within the 2 programs of government securities dedicated to the population, i.e. TEZAUR and FIDELIS.

Non-residential holdings of government securities issued on the domestic market remained at a relatively stable level throughout 2021, recording an average value of approximately 18%.

Compared to the levels registered in 2019-2020, the evolution of the yields of government securities on the domestic market in 2021 presents a growing evolution of approximately 224 bps, on average, compared to 2020, as shown in the graph below.



Source: Ministry of Finance

On the external market were launched two issuances of Eurobonds amounting to a total equivalent of 7 billion EUR, as follows:

* On April 14, 2021 was attracted the amount of 3.5 billion EUR through the issuance of Eurobonds in two installments, of which 2 million EUR with a maturity of 12 years (yield of 2.104%, coupon of 2.000%) and 1.5 billion EUR with a maturity of 20 years (yield of 2.773%, coupon of 2.750%);
* On July 13, 2021 was attracted the amount of 3.5 billion EUR through the issuance of Eurobonds in two installments, of which 2 billion EUR with a maturity of 9 years (yield of 1.756%, coupon of 1.750%) and 1.5 billion EUR with a maturity of 20 years (yield of 2.992%, coupon of 2.875%);

**4.10 CEILINGS REGARDING THE MAIN BUDGET INDICATORS BETWEEN 2022 AND 2024**

The tables below present limits for certain budget indicators which will form the object of adoption by the Parliament according to art. 26 in the Law on fiscal and budget responsibility, no. 69/2010, republished.



\*) Ceilings refer only to the period 2022-2024

\*\*) Excludes interest payments

Balance of the general consolidated budget (% of GDP)

Structural balance (% of GDP)

Primary balance\*\*) of the general consolidated budget (mill. Lei)

Balance of the general consolidated budget (mill. Lei)

State budget balance (mill. Lei)

Social insurance budget balance (mill. Lei)

Balance of the Health insurance fund budget (mill. Lei)

Balance of the un

employment fund budget (mill. Lei)

Balance of the budget of institutions financed from own revenues (mill. Lei)

Ceilings \*) regarding the budget balance on the main component budgets

In order to observe the target budget deficit for 2022-2024, certain annual limits were proposed for the administrative-territorial units (ATU), both for the contracted value of the reimbursable financing which shall be contracted by them, and limits of budget expenditures that correspond to drawings from reimbursable financings contracted or which shall be contracted by the ATU.

Considering the growth perspective of the national economy, we estimate that the Government debt according to the EU methodology will be situated at a stable and sustainable level and, as such, we propose ceilings of at most 50.3% of GDP for the period 2022-2024, while for the reduction of the budget risk resulting from the payments which should be made by the MF and the ATU on account of the guarantees issued in accordance with GEO no. 64/2007 on public debt were proposed the following ceilings:

Ceilings for: government debt, contracted loans and guarantees granted



\*) Does not include reimbursable financing dedicated to refinancing local public debt and those dedicated to projects which benefit of non-reimbursable external funds from the European Union, as well as those dedicated to the projects benefiting of non-reimbursable external funds from European donors within inter-governmental programmes.

\*\*) in order to support companies and relaunch the economic activity, we propose the allocation for 2022-2024 of an annual ceiling of 30 billion Lei, to be revised according to the needs of every year.

Note: The MF started the draft GD approving the annual limits for years 2022, 2023, and 2024, for the reimbursable financing which can be contracted and for the drawings from the reimbursable financing contracted or to be contracted by the administrative-territorial units/subdivisions.

Guarantees issued by the Ministry of Finance and the administrative-territorial units \*\*) – mill. Lei-

Drawings from reimbursable financing contracted or to be contracted by the administrative-territorial units/subdivisions\*) – mill. Lei-

Reimbursable financing contracted by administrative-territorial units/subdivisions \*) – mill. Lei-

Public debt (EU methodology) - % of GDP-

The ceilings regarding total and personnel expenditures of the general consolidated budget, excluding financial assistance from the European Union and other donors, are presented in the table below.



\*)The ceilings refer only to the 2022-2024 period

General consolidated budget

-personnel expenses

-personnel expenses %of GDP

State budget

-personnel expenses

Centralized general budget of administrative-territorial units

-personnel expenses

Social insurance budget

-personnel expenses

Unemployment insurance budget

-personnel expenses

Budget of the national single fund of health insurance

-personnel expenses

Budget of the institutions/activities financed from own revenues

-personnel expenses

Other budgets that form the general consolidated budget

-personnel expenses

**Ceilings\*) regarding personnel expenses and total expenses, exclusive of financial assistance from the EU or other donors**

4.11 **POSSIBLE FISCAL AND BUDGET RISKS ASSOCIATED WITH THE FISCAL AND BUDGET STRATEGY FOR 2022-2024**

The budget estimates and the economic forecasts which form the basis of elaboration of the Fiscal and budgetary strategy for 2022-2024 may deviate from the levels from the basic scenario, as a result of the possible materialization of numerous risks which might occur both from foreign and domestic sources, with different implications for the evolution of public finance.

|  |
| --- |
| Macroeconomic risks |

|  |
| --- |
| Risks associated with the economic perspective for Romania |

Uncertainties and risks related to the economic forecasts of the fall of 2021 remain high, due to the pandemic’s persistence, the occurrence of new virus strains against which the vaccine has a limited response and continued registration of a low vaccination rate in the Romanian economy. A series of European countries have had to impose new periods of quarantine, which might affect external demand, private consumption, and investments.

The persistence of blockages on the global supply chains and the semiconductor crisis continue to be risks which put pressure on car manufacturers and it is expected to manifest in the first part of the following year as well, affecting exports of goods, especially in the case of the car industry.

Inflation could remain at high levels if the demand-offer imbalance continues on longer term, thus putting pressure on prices and on inflation expectations.

Another risk is represented by the possibility of escalation of geopolitical tensions.

On the other hand, there are assumptions for economic growth beyond expectations, which would be supported by the faster materialization of reforms and investments provided in the NRRP, with a positive impact on competitiveness as well.

|  |
| --- |
| The sensitivity of budget projections to the variation of key macroeconomic variables |

|  |
| --- |
| Sensitivity of budget revenues for different scenarios and assumptions |

Given that collections from taxes and charges are strongly correlated with the evolution of the employment rate in the economy, of the medium salary and economic growth, the table below presents the impact on the budget revenues of the variation of 1 p.p. of the mentioned economic variables.

Compared to the basic scenario of 2022, the highest risk in case of decrease of the economic indicators is associated with the collections from value-added tax and social contributions.

Table. Sensitivity of the budget forecasts for different scenarios and assumptions

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Category of taxes and charges | | Macroeconomic base | Changes of the macroeconomic base (percentage points) | | Changes of the revenues (% of GDP) 2022 | |
| Personal income tax | Gross average salary | | | Reduced by 1 p.p. | | -0.019 | |
| Average number of employees | | | Reduced by 1 p.p. | | -0.018 | |
| Social contributions | Gross average salary | | | Reduced by 1 p.p. | | -0.101 | |
| Average number of employees | | | Reduced by 1 p.p. | | -0.099 | |
| Corporate income tax | GDP | | | Reduced by 1 p.p. | | -0.015 | |
| Value-added tax | GDP | | | Reduced by 1 p.p. | | -0.064 | |

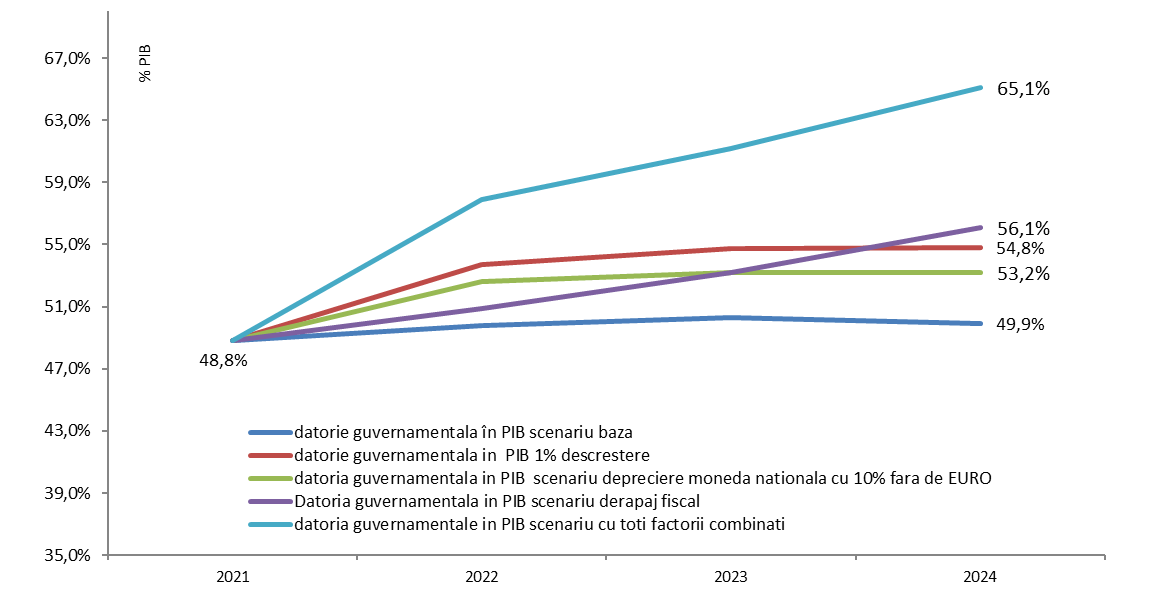
Source: MPF calculations

|  |
| --- |
| Sensitivity of gross Government debt and interest payments compared to the changes of macroeconomic variables |

Public debt sensitivity analysis[[18]](#footnote-18)

* the influence of economic growth, of the depreciation of the national currency, as well as of the fiscal slippage on the government debt balance, and
* the influence of the depreciation of the national currency and of the amendment of the interest rates on interest payments.

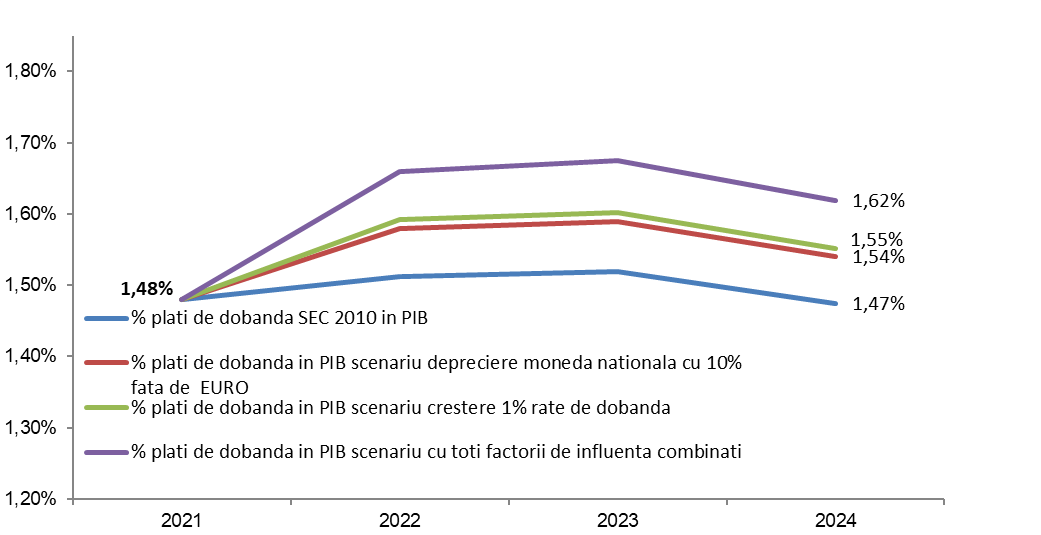
*Influencing factors of government debt*



Source: Ministry of Finance

In the chart above it can be noted that the influence of an economic decrease of 1% of GDP would have a negative impact on the indebtedness level, of increase by 4.9% of GDP in 2024, and the depreciation of the national currency by 10% compared to EUR, the main foreign currency in which the Government debt in foreign currency is denominated, would cause the increase of the weight of government debt in GDP of up to 3.3% of GDP in 2024. A fiscal slippage transposed into a cash deficit to finance of 6.3%[[19]](#footnote-19) of GDP in 2022-2020 would lead to an increase of the indebtedness degree by up to 6.2% of GDP in 2024, while the combined influence of these factors on the weight of government debt in GDP determines an increase of this indicator by 15.2% of GDP in 2024.

*Influencing factors over interest payments*



Source: Ministry of Finance

In the chart above it can be noted that the depreciation of the national currency relative to EUR would have a relatively low impact on interest payments, within the meaning of increasing the weight thereof in the GDP by up to 0.07% of GDP in 2024, while the increase of interest rates by 1% would lead to an increase of the weight of interest payments in GDP by up to 0.08% in 2024. The combined influence of these factors on interest payments would cause an increase of these payments by 0.15% of GDP in 2024.

|  |
| --- |
| Long-term sustainability of public finance |

**Long-term sustainability of public finance**

Public finance viability for the Member States of the European Union is analyzed in detail once every three years, both in the Fiscal Sustainability Report and in the Population Aging Report. The most recent edition of the Population Aging Report was published in 2021, based on the projections made in the fall of 2020. The assessment of Romania’s situation is significantly influenced by the amendment of the pension legislation.

The most recent amendments brought to the pension law were at the beginning of 2021 (GEO no. 8/2021), when the Government postponed the increase of pension indexation and the entry into force of the pension law no. 127/2019 as of September 1, 2023.

GEO 125/2021 returned to a prudent timetable for increasing the pension point in view of the difficult situation caused by rising energy prices but also rising inflation well above initial estimates and it was established that the pension point will increase to 1586 lei from January 1, 2022.

At the same time, through the government program it was decided to establish an implementation schedule of Law no. 127/2019 (within 120 days), considering the conditions regarding modernization assumed through the NRRP and the negotiations with the European Commission; recalculation of all pensions in accordance with Law no. 127/2019, in order to eliminate inequalities from the system.

Considering the priorities of the fiscal and budget policies of reduction of the medium term deficit, as well as of assurance of public finance sustainability on long term, are considered amendments of the pension law that would ensure both equity for the pensioners and sustainability of public finance on the long term. One of the reforms mentioned in the National Recovery and Resilience Plan (NRRP) provides that the legislative amendments in the field of pensions should mainly refer to:

* the introduction of a new calculation formula for new pensions and pensions in payment;
* the introduction of a new pension indexation rule consistent with the pension expenses as percentage of the target GDP and mechanisms against ad-hoc indexation;
* the significant reduction of the possibilities of anticipated retirement, the introduction of incentives to extend the professional life and the voluntary increase of the standard retirement age to 70 years, in accordance with the increase of life expectancy
* equalization of the legal retirement age for men and women to 65 years until 2035;
* introduction of incentives to postpone retirement;
* revision of the special pensions, in accordance with the contribution principle and consolidation of the system’s contribution principle;
* increasing the degree of adequacy of minimum pensions, especially for those on the brink of poverty;
* increasing the contributions to pension Pillar II. In this respect, the current Government programme provides the increase of the contribution by 1 pp, to 4.75%, until 2024.

The updated version of the Population Aging Report of 2021 indicates an increase of pension expenses compared to previous assessments. The previous exercise (year 2018) of the Report presented a balanced evolution of budget costs, the European average of the increase of expenses strictly related to population aging being of 1.7 percentage points. In the 2021 projection round, two thirds of the total Member States estimate, on the horizon of 2070, a more pronounced increase of the share in GDP of this type of expenses. The general effort among the Member States continues to go in the direction of adjustments and reforms from the pensions, health and social assistance sectors.

It should be mentioned that the projection exercise of 2021 was made on the basis of the data and legislative framework of the beginning of 2019, and the results shall be revised. In 2013-16, the indexation of the pension point was of approximately 4% per year, on average, but as of 2017 the ad-hoc increases started to be more pronounced (the pension point increased by 65% in 2017-2020). The projections included in the 2021 edition of the Population Aging Report indicate an increase of the weight of pension expenses from Pillar 1, from 8.1% of GDP in 2019 to approximately 14% of GDP at the end of the 2040-50 decade, followed by a gradual decrease towards the end of the forecast period in 2070.

Table 11 - Long-term forecast of pension expenses

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | 2030 | 2040 | 2050 | 2060 | 2070 |
| Pension pillar 1 | 8.1 | 12.9 | 14.2 | 14.8 | 13.6 | 11.9 |
| Pension pillar 2 | - | 0.1 | 0.3 | 0.7 | 1.0 | 1.1 |

Source: National Commission of Strategy and Prognosis

Compared to the evolutions at European level, the rhythm of increase of expenses related to population aging is characterized in Romania by an accentuated change of the age pyramid.

|  |  |
| --- | --- |
| **Graphic: Structure of Romania’s population in year 2020-2090** | |
| **Structure of Romania’s population in year 2020** | **Structure of Romania’s population in year 2090** |
|  | |
| *Source: Eurostat- EUROPOP* |  |

Demographic changes will change the structure of Romania’s population. The amplitude and speed of population aging depend on the future tendencies with regard to life expectancy, fertility and migration. In addition, future projections will be influenced by the changes caused by the Covid-19 pandemic. The aging process will change the ratio between the population at retirement age and the active population, which will lead to changes in the age structure and to implications on the labor market.

**Graphic: Population evolution**

*Source: Eurostat- EUROPOP 2019*

The ratio between people aged over 65 years and those at working ages (15 to 64 years) will increase, which means that in the perspective of the following years the public pension system will have lower resources relative to expenditures. The results of the demographic forecast offered by Eurostat for Romania (Europop), indicates a significant decrease of the population, by 5.7 million people less in 2070 compared to year 2019. Although the young population is decreasing, due to the ever lower number of women at fertility ages, there are a series of positive signals of increase of the fertility rate. On the other hand, according to Eurostat estimates, in Romania, life expectancy at birth for men is estimated to increase by approximately 12 years throughout the projection period, from 71/9 in 2019 to 83/5 years in 2070. Life expectancy at birth is estimated to increase by 9 years for women, from 79/5 years in 2019 to 88/5 years in 2070, which indicates a slight convergence of life expectancy between men and women. On medium and long term, the evolution of the pensions sector will be strongly influenced by the demographic perspectives given by the evolution of the natality rate and of life expectancy and by the unavoidable process of population aging.

**Table. Demographic indicators**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2019** | **2020** | **2030** | **2040** | **2050** | | **2060** | **2070** |
| Fertility rate | 1.65 | 1.60 | 1.66 | 1.70 | 1.72 | | 1.73 | 1.74 |
| Population - total mill. | 19.35 | 19.21 | 17.74 | 16.52 | 15.45 | | 14.49 | 13.65 |
| of which: |  |  |  |  |  | |  |  |
| Men | 9.47 | 9.41 | 8.73 | 8.17 | 7.70 | | 7.28 | 6.91 |
| Women | 9.88 | 9.80 | 9.01 | 8.35 | 7.75 | | 7.22 | 6.74 |
| Life expectancy at birth |  |  |  |  | |  |  |  |
| Men | 71.9 | 72.1 | 74.7 | 77.2 | | 79.5 | 81.6 | 83.5 |
| Women | 79.5 | 79.5 | 81.6 | 83.5 | | 85.3 | 87.0 | 88.5 |
| Life expectancy at 65 years of age |  |  |  |  | |  |  |  |
| Men | 14.9 | 15.0 | 16.5 | 18.0 | | 19.5 | 20.8 | 22.1 |
| Women | 18.6 | 18.6 | 20.1 | 21.6 | | 22.9 | 24.2 | 25.4 |

*Source: Eurostat- EUROPOP 2019*

According to Eurostat estimates (EUROPOP2019), in Romania, life expectancy at birth for men is estimated to increase by approximately 12 years throughout the projection period, from 71/9 in 2019 to 86/5 years in 2070. Life expectancy at birth is estimated to increase by 9 years for women, from 79/5 years in 2019 to 88/5 years in 2070, which indicates a slight convergence of life expectancy between men and women. Life expectancy at 65 years is foreseen to evolve as follows:

* Men 15/3 years (2019) - 22/0 years (2070)
* Women 18/7 years (2019) - 25/1 years (2070)

On medium and long term, the evolution of the pensions sector is strongly influenced by the demographic perspectives given by the evolution of the natality rate and of life expectancy and by the unavoidable process of population aging.

|  |
| --- |
| Specific fiscal and budgetary risks |

The size of the Government guarantees awarded according to the national legislation

The balance of public debt guaranteed by the Government, through the Ministry of Finance and by the administrative-territorial units, according to Government Emergency Ordinance no. 64/2007, on public debt, is the following:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | 2020 | 2021 est. | 2022 forec. | 2023 forec. | 2024 forec. |
| I. Balance of guaranteed public debt at the end of the period\*) | | | | | | |
| - billion Lei | 19.2 | 33.5 | 40.0 | 50.0 | 60.0 | 70.0 |
| - % of GDP | 1.8% | 3.2% | 3.4% | 3.8% | 4.2% | 4.5% |
| II. GDP (bn. Lei)[[20]](#footnote-20) | 1,058.2 | 1,055.5 | 1,190.3 | 1,317.3 | 1,440.1 | 1,560.1 |

\*) the guarantee projection was based on the value estimated by the Ministry of Finance for issuance of new State guarantees

*The budgetary risk resulting from payments that could be made by the MF in its capacity as guarantor, for guarantees issued by the State*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | 2020 | 2021 est. | 2022 forec. | 2023 forec. | 2024 forec. |
| I. *Payments of the MF in its capacity as guarantor for the guarantees issued by the State* | | | | | | |
| - million Lei - | 65.8 | 60.1 | 94.4 | 206.0 | 248.0 | 275.8 |
| - % of GDP | 0.01% | 0.01% | 0.01% | 0.02% | 0.02% | 0.02% |
| II. GDP (bn. Lei) | 1,058.2 | 1,055.5 | 1,190.3 | 1,317.3 | 1,440.1 | 1,560.1 |
| \*) Includes all payments made by the Ministry of Finance in its capacity as guarantor, including those from the risk fund | | | | | | |

|  |
| --- |
| Risks that correspond to the absorption of European non-reimbursable funds |

**Risks that may intervene in 2020-2021 in the implementation of POPAM**

* lack of available funds of the applicants/beneficiaries of POPAM;
* delays in obtaining the endorsements, authorizations, etc. from different institutions by the beneficiaries;
* failure to implement the projects on time due to the restrictions imposed by the COVID-19 pandemic;
* inoperability on significant periods of the electronic data transmission system used by DGP-MAPOPAM;
* low interest of the local public authorities for the port fishing infrastructure, due to the fact that it can be financed only the modernization of the existing infrastructure, not the creation of new fishing ports, landing docks or auction centers, although the financial support for public authorities is of 100%;
* difficulties of the beneficiaries in operating the data in MySMIS 2014;
* temporary malfunctions of the information systems MySMIS 2014, SMIS2014, and so on.
* delay/lack of approval by the EC of the amendments of the targets/operations or budget reallocations for POPAM;
* frequent changes of the legislative and institutional framework;
* excessive bureaucracy.

|  |
| --- |
| *Risks associated with the sector of State-owned companies* |

1. **The number of non-financial public enterprises (economic operators) that submitted financial statements - total of 1484.**

Public enterprises were grouped as follows:

* - **292** public enterprises of **central subordination**. Of these:

\* 213 public enterprises were active and

\*79 public enterprises were in different stages of insolvency, bankruptcy, judicial reorganization, dissolution, according to Law 85/2014, as subsequently amended and supplemented;

* **1192** public enterprises of **local subordination**. Of these:

\* 1084 public enterprises were active and

\*108 public enterprises were in different stages of insolvency, bankruptcy, judicial reorganization, dissolution, according to Law 85/2014, as subsequently amended and supplemented;

1. **The main economic and financial indicators reportedby the non-financial public enterprises (economic operators)**

**1. Own capital** of the non-financial public enterprises amounted to a total of 53.18 billion Lei and represents 5.03% of the Gross Domestic Product (GDP), of which the own capital of the enterprises of central subordination was of 52.42 billion Lei and represents 4.96% of GDP, and the own capital of public enterprises of local subordination amounted to 0.75 billion Lei;

**2. Total assets** of non-financial public enterprises amounted to a total of 260.12 billion Lei, of which the total assets of public enterprises of central subordination amounted to 228.73 billion Lei, and the total assets of public enterprises of local subordination were of 31.39 billion Lei.

**3. Total debts** (amounts which must be paid within a period of up to 1 year and over 1 year) of non-financial public enterprises amounted to a total of 134.67 billion Lei, of which the total debts of public enterprises of central subordination amounted to 117.44 billion Lei, and the total debts of public enterprises of local subordination were of 17.23 billion Lei.

Of the total debts, **outstanding payments** of non-financial public enterprises amounted to a total of 23.99 billion Lei and represent 2.27% of the Gross Domestic Product (G.D.P.). Of these, the outstanding payments of public enterprises of central subordination amounted to 14.82 billion Lei and represent 1.40% of GDP, and the outstanding payments of enterprises oflocal subordination were of 9.17 billion Lei and represent 0.86% of G.D.P.

Of the total outstanding payments of enterprises of central subordination, the amount of 6.98 billion Lei was registered by 213 active public enterprises and the amount of 7.84 billion Lei was registered by 79 public enterprises undergoing different stages of insolvency, bankruptcy, judicial reorganization, dissolution, according to Law no. 85/2014;

Of the total outstanding payments of enterprises of local subordination, the amount of 1.87 billion Lei was registered by 1084 active public enterprises, the amount of 7.31 billion Lei was registered by 108 public enterprises undergoing different stages of insolvency, bankruptcy, judicial reorganization, dissolution, according to Law no. 85/2014.

**4. The indebtedness degree** calculated according to the formula (Total Debt/Total Assets) of non-financial public enterprises was of 51.77 % of which public enterprises of central subordination register an indebtedness degree of 51.34%, and public enterprises of local subordination register an indebtedness degree of 54.88%.

**5.** With regard to **gross loss/gross profit** registered by non-financial public enterprises in 2020, the data analysis reveals the following:

a). Of the 292 public enterprises of central subordination, a number of 168 public enterprises registered gross profit amounting to a total of 6.38 billion Lei, representing 0.60% of GDP, and a number of 124 public enterprises registered gross loss amounting to a total of 4.68 billion Lei, representing 0.44% of G.D.P.

b). Of the 1192 public enterprises of local subordination, a number of 705 public enterprises registered gross profit amounting to a total of 0.59 billion Lei, representing 0.05% of GDP, and a number of 487 public enterprises registered gross loss amounting to a total of 0.70 billion Lei, representing 0.06% of G.D.P.

**The value of State participations in non-financial public enterprises of central subordination** which submitted their financial statements for 2020 was of a total of 29.29 billion Lei, of which direct participations were of 27.67 billion Lei and indirect participations were of 1.62 billion Lei;

In the Ministry of Finance were monitored 243 non-financial public enterprises of central subordination, which registered at the end of 2020 outstanding payments amounting to a total of 11.45 billion Lei and a gross result of a total of 2.27 billion Lei.

Of the 243 public enterprises of central subordination, the outstanding payments of 7.61 billion Lei were registered by 221 active public enterprises, and the amount of 3.84 billion Lei was registered by 22 public enterprises undergoing different stages of insolvency, bankruptcy, judicial reorganization, dissolution, according to Law no. 85/2014;

Were also monitored 1269 non-financial public enterprises of local subordination, which registered at the end of 2020 outstanding payments amounting to a total of 3.18 billion Lei and a gross result of a total of 0.13 billion Lei.

Of the 1269 public enterprises of central subordination, the outstanding payments of 1.96 billion Lei were registered by 1239 active public enterprises, and the amount of 1.22 billion Lei was registered by 30 public enterprises undergoing different stages of insolvency, bankruptcy, judicial reorganization, dissolution, according to Law no. 85/2014.”

1. **Main economic and financial indicators reportedby financial public enterprises**

The State owns share capital in a majority or entire proportion in 9 financial public enterprises

**1. Their own capital** amounted to a total of 7.88 billion Lei and represents 0.74 % of the Gross Domestic Product (G.D.P.);

**2. Total assets** amounted to a total of 62.18 billion Lei.

**3. Total debt** (amounts which must be paid within a period of up to 1 year and over 1 year) were of a total of 53.62 billion Lei.

**4. The indebtedness degree** calculated according to the formula (Total Debt/Total Assets) was of 86.25 %.

**5.** **The gross profit** amounted to a total of 0.49 billion Lei and represents 0.04% of the Gross Domestic Product (G.D.P.);

**6. The value of State participations** was of a total of 5.10 billion Lei of which direct participations were of 4.27 billion Lei and indirect participations were of 0.83 billion Lei;

The GDP used is of 1055.5 billion Lei (according to the projection of the main macro-economic indicators for 2021-2025 autumn forecast for 2021 – source: National Commission of Prognosis.

|  |
| --- |
| Risks generated by emergency situations (natural disasters, accidents) |

|  |
| --- |
| System of management of risks generated by emergency situations in Romania |

In Romania, the system of risk management[[21]](#footnote-21) comprises a series of institutions belonging to the central public administration, as well as to the local one. The institutional capacity and the resources thereof are important due to the imminence of certain types of emergency situations, which have a repetitive model in Romania and an important impact on people, the environment and social and political stability. The system was created to ensure efficient management of any type of emergency situation and, also, to cover the obligations Romania has as part of international treaties and agreements, especially as Member State of the European Union. It also includes an European risk prevention system, considering the cross-border nature of contemporary risks.

***Ministry of Internal Affairs***

*Assessment of the budget impact in case of occurrence of an event of disaster type*

*Generalities*

In accordance with Romanian legislation, in Romania are identified 24 types of major risks with 55 associated risks, which can be manifested on the national territory, causing losses of human lives, material and environmental damages.

Taking into account the risk assessment made by the RO-RISK project, as well as the country reports on risk management[[22]](#footnote-22) prepared and submitted, in the period 2016-2020, to the European Commission in order to fulfill the obligations arising from the application of Decision no. 1313/2013/EU on a Union Civil Protection Mechanism, as amended by Decision (EU) 2019/420 of the European Parliament and of the Council of 13 March 2019, Romania is a country with a high vulnerability to natural and technological disasters.

In the current context of disaster risk in Romania, geophysical and climate-related disasters pose a significant threat to the country's efforts to alleviate poverty and sustainable economic growth, with disaster losses increasing as climate change and urbanization occur and have had significant physical, social and financial effects in recent decades.

Romania is predisposed to a series of natural disasters, especially earthquakes, floods, drought and extreme weather, epidemics, as well as due to humans and their activities (fire, chemical accidents, transport accidents involving hazardous substances and nuclear and radiological accidents).

Risk assessment at national level has proven that in Romania practically the whole national territory is subject to one or several types of disasters, which makes the population’s exposure one of the highest in the European Union (according to the INFORM report of 2019, the global risk index (GRI) corresponding to Romania is of 2.9, much higher than the European average of 2.1, and that of exposure to hazards of 3.5 compared to 2.37 the European average).

*Scenarios considered*

Considering the aforementioned, in order to estimate the budget impact of disasters for 2021-2024 were taken into account 4 scenarios belonging both to natural risks, and to technological risks, which might occur throughout the period, without considering a relation of dependence between them.

The considered scenarios are:

* Vrancea type earthquake with an average recurrence period of 1000 years;
* Nuclear accident at the plant in Cernavoda - Severe accident at Unit 1;
* Flood on the Danube with an average recurrence period of 1000 years;
* Influenza pandemic.

### I. Vrancea type earthquake with an average recurrence period of 1000 years

The presented scenario presupposes a strong earthquake in the area of Vrancea, with an average recurrence period of 1000 years and that the quake would be triggered at night and 95% of the population would be in residential buildings.

*I.1 ASSESSMENT OF THE ECONOMIC IMPACT*

The earthquake itself, as well as other associated severe geological disasters, such as landslides, rock falls or dam breakage, can directly cause great loss of life, destruction of infrastructure (roads, railways, railway tunnels, bridges, water, oil, gas and communications pipelines, etc.), buildings and vehicles, as well as fires or explosions. The earthquake can damage or even destroy industrial targets and/or business centers.

**Direct costs** include the loss of physical and human capital, assistance costs, as well as the costs for the operations of cleaning, rehabilitation, reconstruction, replacement, rebuilding, repair or maintenance.

**Indirect costs** are owed to secondary impacts, like loss of production and investments. The macroeconomic imbalances caused by disasters often lead to debts and/or poverty. Indirect costs include all the other costs borne indirectly, as a result of the disaster. They include:

* the decrease of the real estate value in the areas threatened by disasters;
* the loss of tax revenues corresponding to properties devalued as a result of the disaster;
* loss of industrial, agricultural and forestry productivity, as well as tourist income due to damage to land or facilities or disruption of transportation systems;
* loss of human productivity or that of domestic animals due to death, injury or psychological trauma;
* the costs of mitigation measures associated with the potential disaster, such as landslides and floods;
* the consequences of deviating from public spending to cover assistance efforts, etc.

*I.2 RESULTING INDICATORS CORRESPONDING TO THE SCENARIO[[23]](#footnote-23)*

**The total economic costs associated with the earthquake risk - Vrancea scenario 1000 years (million EUR)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| C2.1  Value of human losses | C2.2 Value of material losses | C2.3 Value of environmental losses | C2. Value of intervention costs | C2.5 Indirect impact | | | | Grand total |
| Losses of income | GDP impact | Reduction of GDP impact through investments | Total |
| 1,888.76 | 6,115.25 | 0.00 | 2,696.61 | 2,406.62 | 0.00 | 3,133.65 | 727.03 | 9,973.60 |

**Classification of total economic costs into the impact classes**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **C2.1**  **Value of human losses** | **C2.2**  **Value of material losses** | **C2.3**  **Value of environmental losses** | **C2.4**  **Value of intervention costs** | **C2.5**  **Indirect impact** |
| Impact  Very high | Impact  Very high | Impact  Very low | Impact  Very high | Impact  Very low |

**II. Nuclear accident scenario at the Cernavoda nuclear power plant - Severe accident Unit 1 - Loss of external power supply and loss of all other AC sources (backup and emergency power generators) - Station Black-Out (SBO).**

*II.1 ASSESSMENT OF THE ECONOMIC IMPACT*

The economic assessment of the costs related to the effects on the population is made on two categories:

* Deaths - the economic assessment of the deaths was made in accordance with the methodology through the method of capitalization of net revenues;
* Bodily injuries - the economic assessment of the bodily injuries considering the number of days lost and the average net monthly salary, the costs for medical care for an average period of 5 days of hospitalization and related treatment.

The economic costs of the impact on the environment were estimated on the basis of the affected areas necessary to be decontaminated and of the average decontamination price, as well as of intervention costs.

The assessment of indirect costs was made by considering the revenues lost by the companies due to the occurrence of the event, estimated on the basis of the number of days of interruption of activity and the loss of electricity for a period of two years, namely the recovery period of a nuclear unit.

*II.2 RESULTING INDICATORS CORRESPONDING TO THE SCENARIO*[[24]](#footnote-24)

**Total economic costs associated to the nuclear accident scenario - Severe accident at Unit 1 - Station Black-Out (SBO) (million EUR)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| C2.1  Value of human losses | C2.2 Value of material losses | C2.3 Value of environmental losses | C2. Value of intervention costs | C2.5 Indirect impact | | | | Grand total |
| Losses of income | GDP impact | Reduction of GDP impact through investments | Total |
| 0.01 | 0.01 | 9,420.00 | 0.01 | 103.40 | 2,426.27 | 0.00 | 2,529.67 | 11,979.69 |

**Classification of total economic costs into the impact classes**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **C2.1**  **Value of human losses** | **C2.2**  **Value of material losses** | **C2.3**  **Value of environmental losses** | **C2.4**  **Value of intervention costs** | **C2.5**  **Indirect impact** |
| Impact  Very low | Impact  Very low | Impact  Very low | Impact  Very low | Impact  High |

**III. Extreme event - Danube (dam failure) - The maximum flows taken into account in the development of the Danube scenario (dam failure) may be associated with the probability of exceeding the maximum flow of 0.1%**

*III.1 ASSESSMENT OF THE ECONOMIC IMPACT*

a) **The direct patrimonial costs** representing the economic value of the losses and damages produced to the affected residential constructions, as well as of the damages and losses incurred by the infrastructure as a result of the occurrence of the event.

b) **The human losses** amounted to the loss of human lives, the costs due to the hospitalization of the injured, for an average period of 10 days of hospitalization.

c) **The economic indirect costs** are of two categories:

* Losses of revenues determined by the loss of agricultural production corresponding to the agricultural land affected by the floods.
* The investments necessary to recover the patrimonial damages caused were introduced in the model through the increase of the VAB rate for the constructions sector in the following years, for as long as the recovery period was considered to be.
* ***GDP (gross domestic product) losses*** are determined by the losses of revenues. These losses are estimated with the help of a CGE model.

d) **The costs generated by the intervention of the forces** - intervention costs for evacuees or victims - amounts to costs related to medical consultation, food, accommodation and other services.

*III.2 RESULTING INDICATORS CORRESPONDING TO THE SCENARIO[[25]](#footnote-25)*

**The total economic costs associated with the flood scenario on the Danube (dam failure) (million EUR)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| C2.1  Value of human losses | C2.2 Value of material losses | C2.3 Value of environmental losses | C2. Value of intervention costs | C2.5 Indirect impact | | | | Grand total |
| Losses of income | GDP impact | Reduction of GDP impact through investments | Total |
| 0.61 | 917.92 | 0.00 | 0.98 | 846.80 | 825.46 | 147.13 | 2,644.86 | 3,564.38 |

**Classification of total economic costs into the impact classes**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **C2.1**  **Value of human losses** | **C2.2**  **Value of material losses** | **C2.3**  **Value of environmental losses** | **C2.4**  **Value of intervention costs** | **C2.5**  **Indirect impact** |
| Impact  Very low | Impact  High | Impact  Very low | Impact  Low | Impact  High |

**IV. Pandemic flu**

An influenza pandemic is a global pandemic which implies a virus strain which has not previously circulated among the human population. Of the three main influenza groups (A, B, and C), the one with influenza A virus has the highest capacity of causing human pandemics. Influenza A virus is classified according to the 2 proteins on the outside of the virus (hemagglutinin H and neuraminidase N). There are 16 known types of H and 9 known types of N, and combinations of these types of proteins form distinct strains of influenza A. Since 2009, only three combinations of H1N1, H2N2 and H3N2 have been implicated in the direct spread from one person to another. However, other viral strains, such as those found in birds or pigs, may change and become able to infect other species.

Therefore, the most likely cause of an influenza pandemic is the emergence of a genetically significant influenza A virus that is significantly different from the circulating ones, with the following characteristics: capable of causing disease and being easily transmitted from human to human. Next, in the scenario created, it will be used as **a type A influenza virus (HxNy).**

*IV.1 ASSESSMENT OF THE ECONOMIC IMPACT*

The economic assessment of the costs related to the effects on the population is made on two categories:

* Deaths - the economic assessment of the deaths was made in accordance with the methodology through the method of capitalization of net revenues;
* Cases of illness - the economic assessment of the bodily injuries considering the number of days lost and the average net monthly salary, the costs for medical care for an average period of 5 days of hospitalization and related treatment.

The indirect costs were assessed taking into account the revenue lost by the companies due to the occurrence of the event, taking into account also the lost man-hours for the care staff at home.

*IV.2 RESULTING INDICATORS CORRESPONDING TO THE SCENARIO[[26]](#footnote-26)*

**Total economic costs associated with the pandemic influenza scenario**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| C2.1  Value of human losses | C2.2 Value of material losses | C2.3 Value of environmental losses | C2. Value of intervention costs | C2.5 Indirect impact | | | | Grand total |
| Losses of income | GDP impact | Reduction of GDP impact through investments | Total |
| 2,797.53 | 0.00 | 0.00 | 0.00 | 0.00 | 1,926.80 | 0.00 | 1,926.80 | 4,724.35 |

**Classification of total economic costs into the impact classes**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **C2.1**  **Value of human losses** | **C2.2**  **Value of material losses** | **C2.3**  **Value of environmental losses** | **C2.4**  **Value of intervention costs** | **C2.5**  **Indirect impact** |
| Impact  Very high | Impact  Very low | Impact  Very low | Impact  Very low | Impact  Very high |

***Ministry of Transport and Infrastructure***

**Estimating the budget impact of disasters in order to be included in the fiscal-budget strategy for the period 2022-2024 for the entities subordinated to/under the authority of the Ministry of Transport and Infrastructure**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | - thousand Lei - |
| **Current No.** | **MTI Directorate/MTI entity** | **Explanations** | **Estimate cost** |
|  | **Air Transport Directorate** |  |  |
| 1 | Civil Aviation Safety Investigation and Analysis Authority (AIAS) | Air disaster on land | 24,450 |
| Air disaster in the Romanian territorial waters | 151,590 |
| 2 | SN Aeroportul Internațional Timișoara "Traian Vuia" - SA | Natural disasters | 2,300 |
| 3 | SN Aeroportul Internațional Mihail Kogălniceanu - SA | Natural disasters | 2,300 |
| 4 | CN Aeroporturi București | Earthquake insurance, landslides, storms, storms, tornadoes | 2,744 |
|  | **Directorate of Strategic Projects and Project Monitoring** |  |  |
| 5 | CNAIR - SA | Rehabilitation works for the national road and motorway sectors affected by meteorological and hydrological phenomena | 136,394 |
| Earthquake impact on road bridges | 154,380 |
|  | **Naval Transport Directorate** |  |  |
| 6 | RA AFDJ Galați | Financial resources necessary for the management of emergency situations in 2022-2024 | 29,340 |
| 7 | ARSVOM | Estimating the budget impact of the disaster in the period 2022-2024 | 432,855 |
|  | **Railway Transport Directorate** |  |  |
| 8 | METROREX - SA | Estimation of major earthquake production affecting the entire subway network | 6,930,000 |
|  | **Medical Directorate** |  |  |
| 9 | Subordinated hospitals | Estimation of budget impact of disaster occurrence | 138,872 |
|  | **GRAND TOTAL** |  | **7,905,225** |

***Scenarios of possible risks caused by natural calamities***

***The fiscal impact generated by a possible natural disaster and inclusion thereof in the Fiscal and Budget Strategy***

1. Methodology of assessment of the impact caused by a possible natural disaster

In the framework of implementation of the Cat DDO in Romania, the World Bank has made available to the Ministry of Finance a model adapted to the Romanian framework for assessment of the economic and fiscal impact generated by the occurrence of natural disasters. The instrument is based on natural disaster scenarios built according to the history of disasters produced in Romania over time, having as data source the RO-RISK platform. The RO-RISK scenarios whose fiscal impact can be simulated through the World Bank instrument, as well as the estimated amount of damages and intervention costs are summarized in the table below:



According to the World Bank's assessment based on RO-RISK data, **the most important risks Romania may face are earthquakes and floods** with physical damage accumulated in the period 1900-2018 of over 6 billion USD, of which only the 1977 Vrancea earthquake represents about 2 billion USD. Major floods have occurred several times each decade, while significant earthquakes occur regularly. In the last five centuries, there have been, on average, two earthquakes with magnitude 7+ in each century, with five earthquakes in 1802 with magnitudes greater than 7.5. At the same time, Romania is among the countries with the highest risk of earthquakes in the European Union due to its geographical position in the Vrancea subduction zone, the stock of vulnerable buildings and the local soil conditions.

**The instrument used to assess the impact of a potential natural disaster is based on a long-term growth model of Solow-Swan type.** The impact of natural disasters on the GDP is estimated by assuming that a reduction of the capital productive stock leads to a decrease of the GDP. This effect is transmitted to the fiscal variables in two ways: firstly, it reduces budget revenues as the deterioration of economic activity affects the collection of taxes and duties and, secondly, it increases budget expenditures as the government responds to meet emergency and reconstruction needs caused by the disaster.

Considering the most important natural disasters that can occur in Romania, simulations were performed for **two alternative scenarios: (i) a major earthquake in 2022 (scenario 3 in the table above) and ii) a slow flood in 2022 (scenario 5) followed by a landslide in 2023 (scenario 1).**

**The obtained results depend on the following two hypotheses:**

* It is assumed that only part of the capital of the production function is affected by a natural disaster, i.e. 75% in the event of an earthquake and 60% in the event of a flood followed by a landslide.
* Budget revenues decrease in accordance with revenue elasticity to GDP determined during the period prior to the disaster.
* The authorities cover 50% of the damage, which involves restoring public capital and covering a small part of the uninsured private capital. The remaining costs are presupposed to be covered by the private sector. (According to IMF data, public capital represents 45% of total capital).
* Budget expenditures for recovery are allocated according to the scheme below:

1. Earthquake



1. Floods and landslides



* The results are obtained based on the CNSP 2021 fall forecast, the forecast of budget variables for the Fiscal-Budget Strategy 2021 - 2025 and the Penn World Table 10.0 data.

1. The impact generated by a possible natural disaster

**In case of occurrence of a major earthquake in 2022, the impact on the GDP and the fiscal variables is significant.** In the year of the impact, GDP growth is estimated to decrease by about 0.7 percentage points and will return to the initial growth trajectory in the coming years as a result of the recovery of the capital affected by the earthquake. With respect to budget deficit, the simulated scenario indicates an annual increase thereof by approximately 1.4 percentage points in 2022-2024[[27]](#footnote-27) (see fig. 3). The deterioration of the budget deficit stems from the increase in budget expenditures needed to cover damage and intervention costs but also as a result of the reduction in budget revenues. Therefore, public debt is provided to increase up to 57% of GDP in 2024. We recall the hypothesis that only 50% of the damages caused are covered from public funds, in the period 2022-2025. Covering a higher percentage of damages or scheduling expenses in a shorter period of time will increase the impact on tax variables.

**The alternative scenario of a slow flood in 2022 followed by a landslide in 2023 has a lower impact on GDP and fiscal variables** as the damage is significantly lower than in the earthquake scenario. Thus, economic growth is affected by about 0.04 percentage points in 2022, respectively 0.16 percentage points in 2023, and in 2024 the shock will be attenuated and GDP growth will be similar to that in the baseline scenario. Budget deficit is estimated to deteriorate yearly by approximately 0.1 percentage points as a result of the cumulation of the impact of the two disasters[[28]](#footnote-28) (see fig. 4). Public debt shall slightly increase by approximately 0.5 percentage points at the end of the forecast horizon.

|  |  |
| --- | --- |
| 1. GDP evolution (percentage amendment) | 1. Public debt evolution (% of GDP) |
|  |  |
|  |  |
| 1. Amendment of the fiscal balance (% of GDP) - earthquake | 1. Amendment of the fiscal balance (% of GDP) - flood and landslide |
|  |  |

**5. MEDIUM-TERM EXPENDITURE FRAMEWORK FOR 2022-2024**

The total expenditures of the State budget for 2020-2024, as well as the aggregated expenditures of the biggest 10 main credit authorities according to the criteria of funds allocated from the State budget, are presented in the table below:



The budget of the 10 main credit authorities presented in the strategy represent approximately 65% of the total expenditures of the State budget.

The detailing of the expenditures for each of the 10 main spending authorities on the reference horizon is presented in Annexes 1 to 10 to this Strategy.





















**6. DECLARATION OF LIABILITY**

It is hereby attested the accuracy and integrity of the takeover and processing by the Ministry of Finance of the information provided in the Fiscal and Budget Strategy for 2022-2024.

The Fiscal and Budget Strategy for 2022-2021 was elaborated on the basis of the fiscal and budget information provided by the factors involved in the budgetary process, as well as by considering the internal and international circumstances known on this date.

**NICOLAE-IONEL CIUCĂ**

**PRIME-MINISTER**

**ADRIAN CÂCIU**

**MINISTER OF FINANCE**

1. The Government Programme adopted through GD no. 42/2021 on giving the vote of confidence to the Government [↑](#footnote-ref-1)
2. *Recommendation of Recommendation of the Council to cease the excessive public deficit situation in Romania COM/2021/530 final*

   *COM(2021) 500 final -* ***Communication of the Commission to the European Parliament, the Council, the Central European Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank; Economic policy coordination in 2021; overcoming the crisis generated by the COVID-19 pandemic, supporting the recovery and modernization of our economy*** [↑](#footnote-ref-2)
3. Liquid financial assets calculated on the basis of the data available from the NBR. Liquid financial assets refer to the following instruments: AF1 - gold and DST, AF2 - deposits and cash, AF3 - securities, other than shares, AF5 - shares and other capital participations, if quoted on the stock exchange, including units of mutual funds, according to the methodology for the Convergence Program. [↑](#footnote-ref-3)
4. The rule is established through the provisions of art. 3 para. (1) in TSCG ratified by Romania through Law no. 83/2012, and according to the provisions of art. 3 para. (2) in the same TSCG, the rule was taken over in the national legislation through the amendment of the Law on fiscal and budget responsibility no. 69/2010, so it is currently found at art. 7 in Law no. 69/2010, republished, as subsequently amended and supplemented. [↑](#footnote-ref-4)
5. The evolution of the salary fund from the economy reflects the dynamics of the average gross salary (+7.4%) and of the average number of employees (+0.4%) registered between Dec 2020 and September 2021 compared to Dec 2019 - September 2020. [↑](#footnote-ref-5)
6. They hold a share of approximately 97% in this category. [↑](#footnote-ref-6)
7. Net revenues from VAT represent the difference between collected VAT or gross VAT and VAT returns. [↑](#footnote-ref-7)
8. 8.4% starting from January 1, 2021, and 5.6% starting on April 1, 2021 [↑](#footnote-ref-8)
9. If not otherwise specified, the indicators presented in this section are calculated in cash methodology. [↑](#footnote-ref-9)
10. If not otherwise specified, the indicators presented in this section are calculated in cash methodology. [↑](#footnote-ref-10)
11. *the gross Government debt calculated in accordance with the EU methodology, which includes the debt of companies reclassified in the public administration sector.*  [↑](#footnote-ref-11)
12. according to the EU methodology, the share of debt in GDP was calculated by considering the amounts of GDPs of the last 4 quarters (GDP according to the communication of the NIS on January 12, 2021) [↑](#footnote-ref-12)
13. according to the EU methodology, the share of debt in GDP was calculated by considering the amounts of GDPs of the last 4 quarters (GDP according to the communication of the NIS on December 7, 2021) [↑](#footnote-ref-13)
14. The projection of government debt in accordance with the EU methodology was made on the basis of the macroeconomic indicators from the fall forecast of NCSP - November 2021 [↑](#footnote-ref-14)
15. Liquid financial assets calculated on the basis of the data available from the NBR. Liquid financial assets refer to the following instruments: AF1 - gold and DST, AF2 - deposits and cash, AF3 - securities, other than shares, AF5 - shares and other capital participations, if quoted on the stock exchange, including units of mutual funds, according to the methodology for the Convergence Program. [↑](#footnote-ref-15)
16. The amount reflects the necessary financing updated in accordance with the second budget rectification approved through GEO no. 122/2021 [↑](#footnote-ref-16)
17. On December 08, 2021 [↑](#footnote-ref-17)
18. All the indicators used in this sub-chapter are compliant with the EU methodology. [↑](#footnote-ref-18)
19. The determination of this indicator took into account the fall forecast of 2021 of the EC, which estimates for 2022 an ESA2010 deficit of 6.9% of GDP, and for 2023 an ESA2010 deficit of 6.3% of GDP [↑](#footnote-ref-19)
20. According to the fall forecast of the NCSP – November 2021 [↑](#footnote-ref-20)
21. In accordance with legislative provisions: GD no. 762/2008 on the approval of the National Strategy of Prevention of Emergency Situations; Government Decision no. 557/2016 on the management of types of risk; Emergency Ordinance no. 1/2014 on certain measures in the field of management of emergency situations and amending and supplementing Government Emergency Ordinance no. 21/2004 on the National System of Management for Emergency Situations. [↑](#footnote-ref-21)
22. Reporting obligation in accordance with art. 6 in Decision no. 1313/2013/EU on a Union civil protection mechanism, amended through Decision (EU) no. 2019/420 of the European Parliament and of the Council of 13 March 2019 [↑](#footnote-ref-22)
23. According to the consolidated report on the assessment of earthquake risk – UTCB, URBAN INCERC, and INFP and the consolidated report on the economic impact of the 10 types of risks analyzed in the project - IPE [↑](#footnote-ref-23)
24. According to the consolidated report on the assessment of the nuclear accident risk – ANDR, and the consolidated report on the economic impact of the 10 types of risks analyzed in the project - IPE [↑](#footnote-ref-24)
25. According to the consolidated report on the assessment of the flood risk – MMAP, and the consolidated report on the economic impact of the 10 types of risks analyzed in the project - IPE [↑](#footnote-ref-25)
26. According to the consolidated report on the assessment of the epidemic risk – INSP, and the consolidated report on the economic impact of the 10 types of risks analyzed in the project - IPE [↑](#footnote-ref-26)
27. The shock is not completely alleviated at the end of 2025. The simulation includes the forecast only until the end of 2025, considering the available data. [↑](#footnote-ref-27)
28. Similarly to the earthquake scenario, the impact on budget deficit is not completely alleviated. [↑](#footnote-ref-28)