Romania

Investor Presentation

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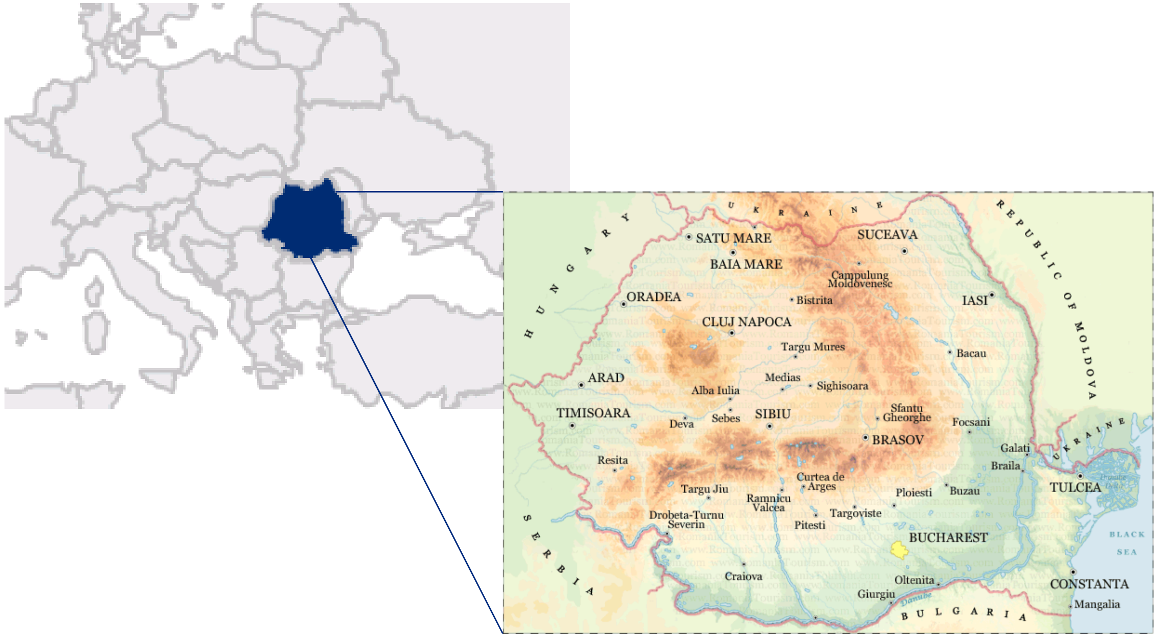
Overview

Snapshot of Romania's Economy

Area	238,391 km^2
Population (2018)	c. 19.5 million
Currency	New Romanian Leu (RON)
GDP (2018)	EUR 202.1$^{(p)}$ billion
GDP per Capita (2018)	EUR 10,376$^{(p)}$
Average Real GDP Growth (2007–2018)	3.0%
Average Inflation Rate (2007–2018)	3.5%
Unemployment[(1)] (Jan-Sep 2018)	4.2%
Public Debt / GDP (December 2018)[(2)]	35.1%



S&P Global — **BBB- / Stable** *since May 16, 2014, confirmed March 15, 2019*

Moody's — **Baa3 / Stable** *since December 11, 2015, confirmed August 24, 2018*

Fitch Ratings — **BBB- / Stable** *since July 4, 2011, confirmed November 29, 2018*

Source: National Institute of Statistics, Eurostat.
(1) Unemployment as a % of active population, ILO methodology (Monthly seasonally adjusted data).
(2) According to EU methodology.
(P) Provisional Data.

Key Features of Romania's Credit Profile

Overview	Strong Economic Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption

Strong Macroeconomic Framework

- Romania had one of the highest growth rates in the EU during the last decade: the annual average GDP growth since the EU accession (2007) was 3% and during 2013–2018 accelerated to 4.4%
- After joining the EU, real convergence expressed in GDP per capita in PPS significantly improved from 39%[(1)] in 2006 to 63% in 2017 of EU average.
- In 2018 Romanian economy continued its robust development with **real GDP** growing by 4.1% driven by:
  - On the demand side: domestic demand (+5.8% YoY)
  - On the supply side by industry (+4.1% YoY) and services (+3.6 % YoY).
- Romania had the third fastest potential GDP growth among the EU member states in 2018, according to the European Commission.
- The forecasted GDP growth for 2019 is 5.5%.

Well Capitalized and Liquid Banking Sector

- NPL ratio[(2)] showed a sustained downward trend (from 9.6% at end 2016 to 6.4% at end 2017 and 5.0% at end 2018).
- No public funds used to bail out local banks.
- Very well capitalized banking sector, with a total capital (solvency) ratio of 19.66% as of December 2018.
- Stable exchange rate.

Improving Financial Sector

- FDI increased by 30.5% in 2016, by 6.2% in 2017 and by 2.9 % in 2018[(3)].
- Constant decrease of foreign currency denominated deposits and loans.

Low Public Debt

- Public Debt to GDP ratio of 35.1%[(4)] at end of December 2018, similar to 35.2% at the end of 2017 (Eurostat, ESA methodology).
- Prudent debt management policy.

(1) Source: Eurostat; (2) Under the EBA Methodology. The same observation applies to data under the national methodology; (3) Source: National Bank of Romania: http://www.bnr.ro/Direct-investment---directional-principle-12352.aspx; (4) According to EU methodology the debt to GDP ratio was calculated taking into consideration the sum of the GDP for the last four quarters (NIS press release March 2019).

Stable and Resilient to External Risks

Overview | Strong Economic Growth | Sustainable Fiscal Policy | Prudent Public Debt Management | EU Funds Absorption

Pro EU and NATO

- All major political parties in Romania are officially committed to EU and NATO membership
- No extremist parties are popular in Romania
- Romania hosts a permanent NATO base and is part of the US Missile Defense Shield in Eastern Europe

Exposure to Brexit

- The Brexit process has had limited negative impact so far on Romania, the initial volatility subsiding over time
- Uncertainty about the Brexit effects still remain, but exposure to UK economy is relatively limited, compared to other EU Member States

Russia and Ukraine

- Trade relationships with Ukraine – small share in total foreign trade (less than 1%)
- Limited dependence on gas imports from Russia, since Romania is able to cover a large share of its gas consumption from domestic sources
- Very limited Russian presence in metallurgy, iron and steel and oil refining sectors
- No credit institutions with Russian or Ukrainian shareholding

Oil Prices

- The rise in oil prices will have a negative, but limited effect

Migrant Crisis

- Romania is not on the main Balkan immigration route and the effects from Middle Eastern / African immigration flows have been limited

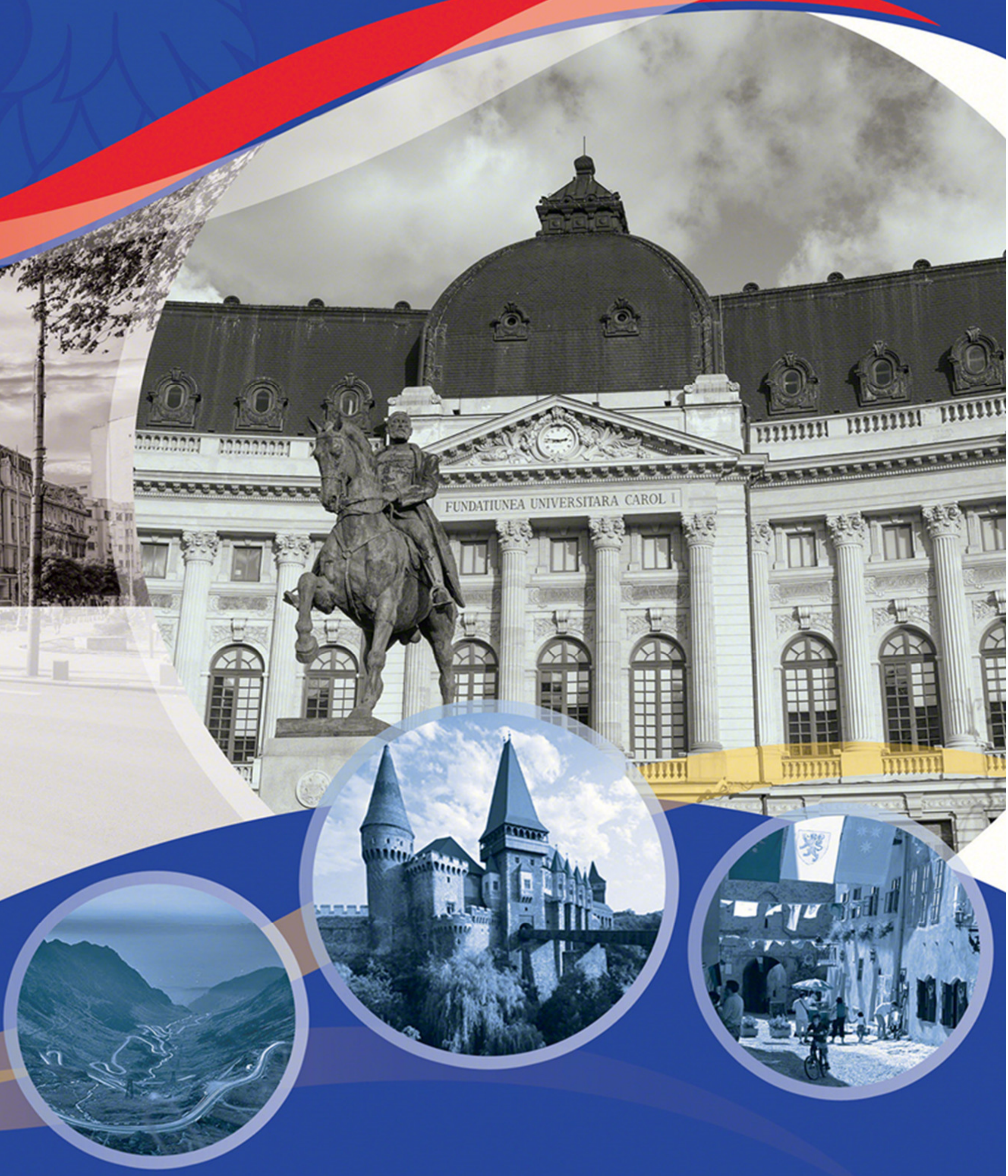
Nominal Convergence Criteria

Convergence Criteria	Maastricht Requirements	Romania
Inflation rate (HICP) (%, annual average)	≤ 1.5 pp above 0.8% the average of the three best-performing EU Member States[(1)]	4.1% (February 2019)
General government deficit (% of GDP)[(2)]	≤ 3%	3.0%
Government debt (% of GDP)[(3)]	≤ 60%	35.1%
Exchange rate vs the euro[(4)] (2-year maximum percentage change)	± 15%	+0.1 / -5.4% (February 2019)
Long-term interest rates (% p.a., annual average)	≤ 2 pp above the average of the three best-performing EU Member States in terms of price stability (1.8% at February 2019)[(5)]	4.7% (February 2019)

(1) The reference value for February 2019 was calculated by NCSP taking into account Denmark, Greece and Ireland, based on Eurostat data.
(2) EDP October 2018, ESA 2010 methodology, Eurostat statistical data
(3) As at the end of December 2018
(4) The reference value for February 2019 was calculated by NCSP, based on Eurostat data. Maximum percentage deviations of the bilateral exchange rate against the euro from its February 2017 average level in March 2017 to February 2019 based on daily data at business frequency. An upward / downward deviation implies that the currency was stronger / weaker than the average exchange rate in February 2017.
(5) The reference value for February 2019 was calculated by NCSP taking into account Denmark, Greece and Ireland, based on Eurostat data.

Source: Eurostat, NBR and NCSP calculations.

Strong Economic Growth



Romania’s Economy: Macroeconomic Indicators

Overview | **Strong Economic Growth** | Sustainable Fiscal Policy | Prudent Public Debt Management | EU Funds Absorption

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Macroeconomic Indicators								***Provisional***	***Estimate***
Real GDP (% y-o-y)	2.0	2.1	3.5	3.4	3.9	4.8	7.0	4.1	5.5
Inflation rate (%, e.o.p.)	3.1	5.0	1.6	0.8	(0.9)	(0.5)	3.3	4.6[1]	2.8
Inflation rate (%, annual average)	5.8	3.3	4.0	1.1	(0.6)	(1.5)	1.3	4.6[1]	2.8
Budget balance (% GDP, cash)	(4.2)	(2.5)	(2.5)	(1.7)	(1.4)	(2.4)	(2.8)	(2.9)	(2.8)
Budget balance (% GDP, ESA2010)	(5.4)	(3.7)	(2.1)	(1.3)	(0.7)	(2.9)	(2.9)	(3.0)	(2.8)
Government debt (% GDP, EU methodology)	34.0	36.9	37.5	39.2	37.8	37.3	35.2	35.1	35.5
Exports of goods (%, y-o-y)	22.5	(0.5)	10.0	6.7	4.9	6.2	9.6[(S)]	8.2	8.6
Current account balance (% GDP)	(5.0)	(4.8)	(1.1)	(0.7)	(1.2)	(2.1)	(3.2)	(4.5)	(3.3)
Interest And Exchange Rates									
NBR policy rate (%, e.o.p)	6.00	5.25	4.0	2.75	1.75	1.75	1.75	2.50	2.50
Credit facility rate	10.00	9.25	7.00	5.25	3.25	3.25	2.75	3.50	3.50
Deposit facility rate	2.00	1.25	1.00	0.25	0.25	0.25	0.75	1.50	1.50
Average exchange rate (RON/EUR)	4.24	4.46	4.42	4.44	4.45	4.49	4.57	4.65[1]	4.67
Labor Market Indicators									
ILO unemployment rate (%)	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.2	4.1

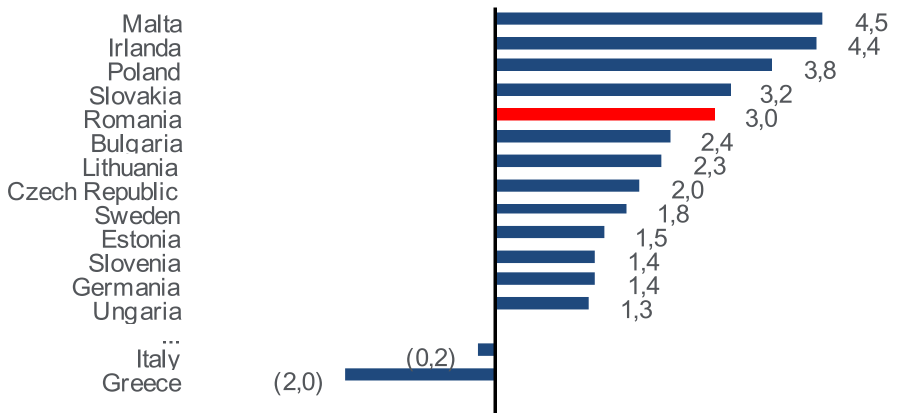
Source: National Institute of Statistics, National Commission for Strategy and Prognosis (Autumn forecast 2018), Budget Law no 50/2019, Fiscal Budgetary Strategy 2019-2020 (Ministry of Finance), Spring forecast NCP;

Note: Budget balance (% of GDP cash and ESA2010) for the 2018-2019 period is estimated at the moment of the 2018 Budget adoption; Jan – Sep 2018 data.
(S) Semi-final data; (P) Provisional data, 1 – final data.

Economic Growth Supported by Domestic Demand

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

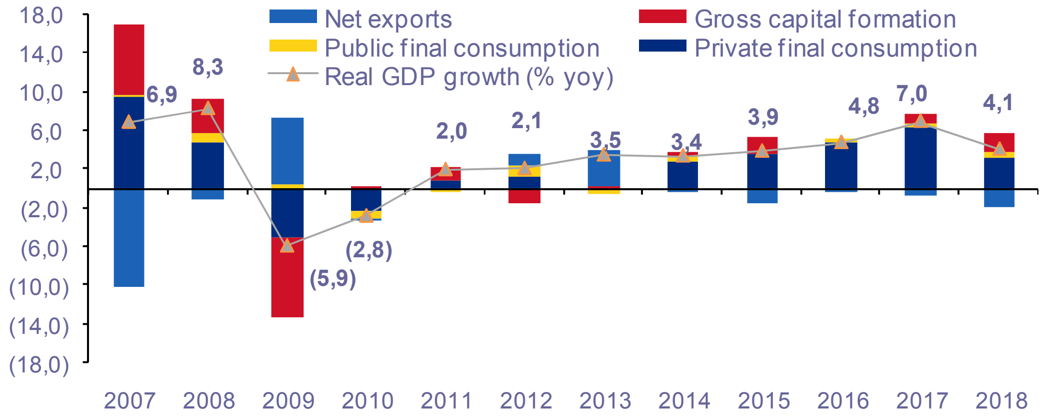
% GDP Growth, Average 2007–2018



Source: Eurostat.

…with GDP Growth Underpinned by Strong Domestic Demand

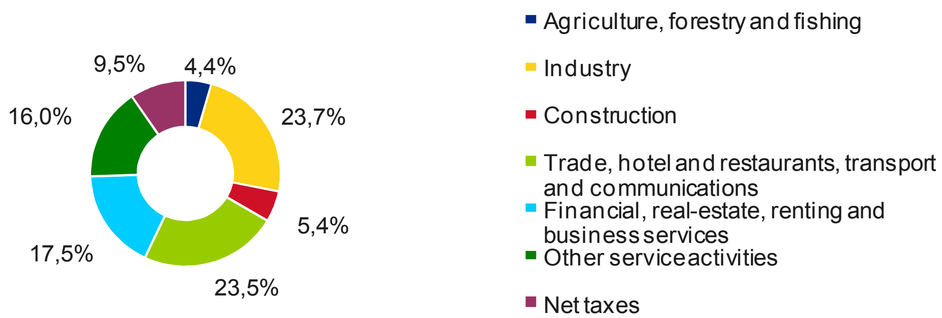
GDP Components, Percentage Points



Source: National Institute of Statistics.

The Romanian Economy is Diversified

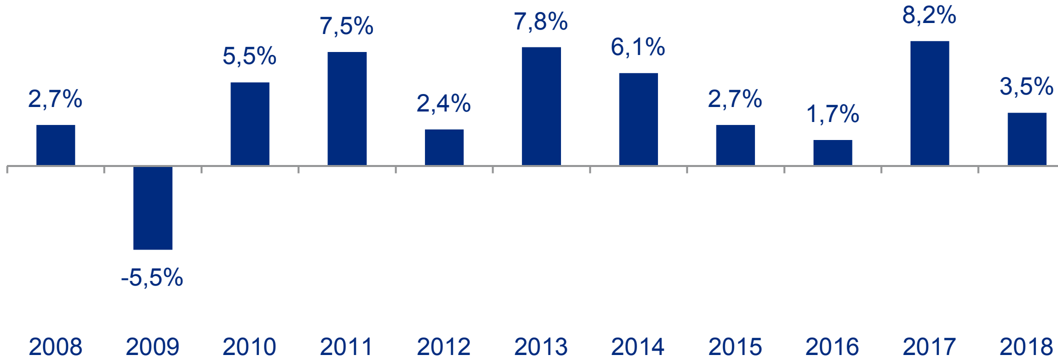
Structure of Gross Domestic Product by Sectors in 2018, %



Source: National Institute of Statistics.

Industrial Production Underpins Economic Growth

Real Change in Industrial Production, y-o-y, (base year 2015)



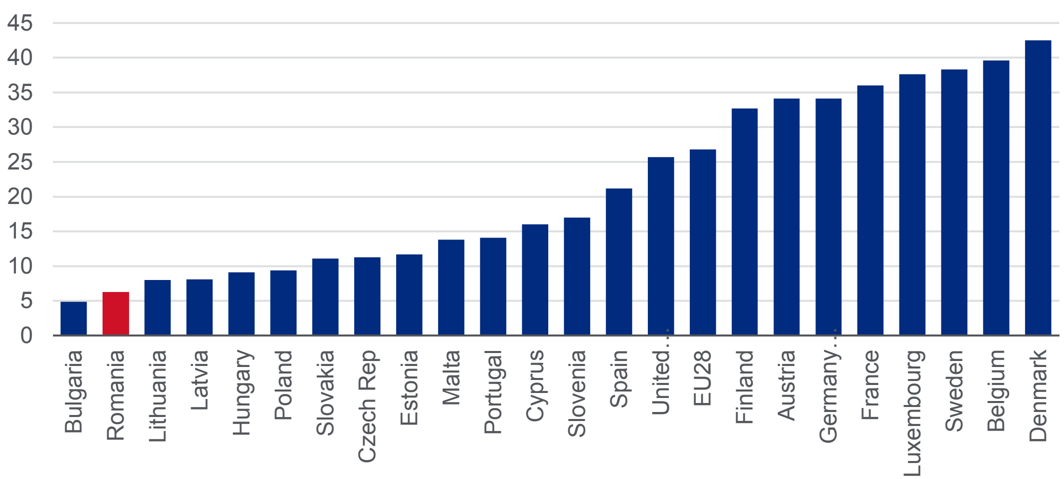
Source: National Institute of Statistics.

Labour Market Conditions Supportive of Long-Term Growth

- Romanian labour costs per hour are among the most competitive in the EU
- Highly educated workforce: #54 / #187 in 2013 according to the United Nations Education Index(1)
- Romania's unemployment rate remains substantially lower than the EU28 average. The ILO unemployment rate in January 2019 was 3.9%, one of the lowest in the EU member states.

Low Labour Costs

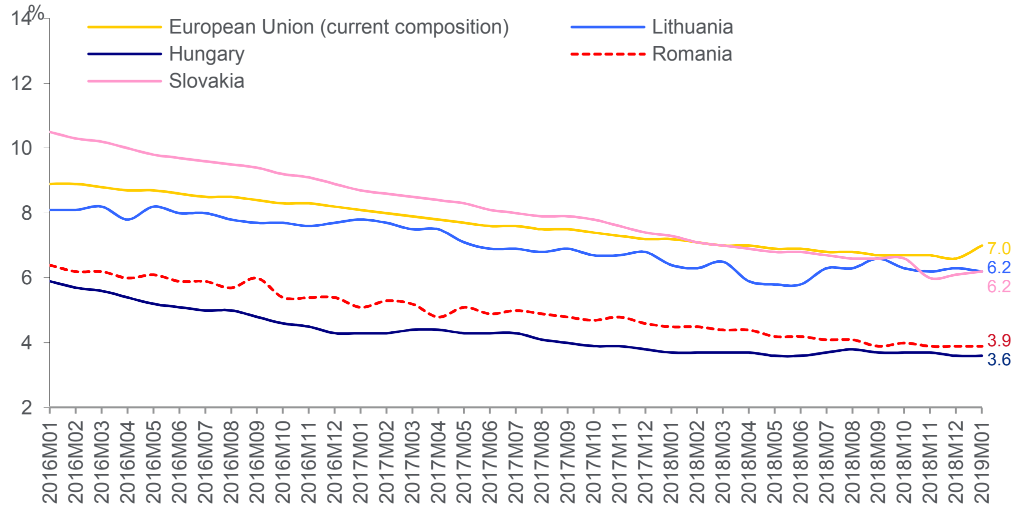
Labour Costs per Hour, EUR as of 2017



Source: Eurostat. Data according to ESA 2010 methodology.

Low Unemployment

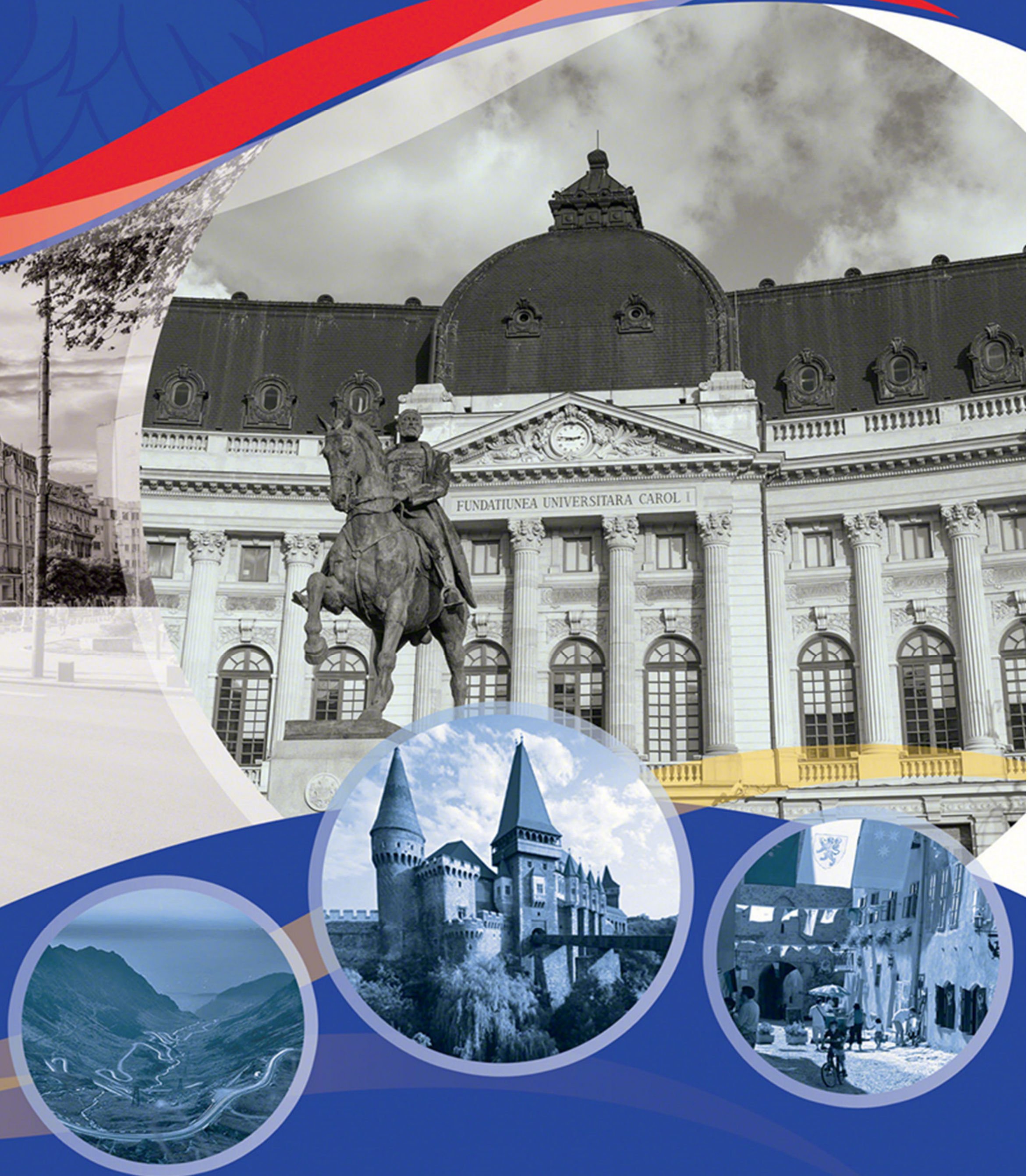
Unemployment rate (monthly, seasonally adjusted)



Source: Eurostat, ILO Methodology.

(1) Based on 2013 data, the most recently available.

Fiscal Policy



2018 Budget: Overview and Key Assumptions

- The major budget priorities: health, education and infrastructure, to benefit from significant additional investment, but also from improving quality in health and education, including through incentive wages
- Investments and consumption were the main engines to reach the economic growth target of 4.5% in 2018
- In the 2018 Budget, the total amounts of payments by the European Union were RON 27.1 billion

The 2018 budget was built assuming a cash deficit of 2.97% of GDP (ESA deficit of 2.96% of GDP)

Macroeconomic Assumptions for the 2018 Budget	2018 September revision	2018 November revision
GDP (RON billion)	945.0	949.6
Real Growth Rate (%)	**5.5**	**4.5**
Average exchange rate RON / EUR	4.65	4.65
Inflation / annual average (%)	4.7	4.7
Average number of employees (‘000s)	5,138	5,138
No. of unemployed persons registered as at the end of year (‘000s)	347	310
- Rate of registered unemployment (%)	3.8	3.5
Gross average salary (RON / month)	4,300	4,385
Goods exports – 8.2 growth rate (%)	8.7	9.0
Goods imports – 10.6 growth rate (%)	9.4	9.7

- By the second amendment of the budget, the revenues of the general consolidated budget increased by RON 229 million and the expenditures by RON 366 million, resulting in a growth of the cash deficit in the absolute value of RON 137 million, while maintaining the share in GDP at 2.97% as in the original planning and the first amendment of the budget (the GDP share of the deficit remained at the same level as the initial budgetary planning due to the increase of the projected nominal GDP for 2018 compared to the initial budget).

Source: Ministry of Public Finance.

2018 Budget: Major Features

Overview | Strong Economic Growth | **Sustainable Fiscal Policy** | Prudent Public Debt Management | EU Funds Absorption

2018 Revenue Measures

- Introduce a mandatory VAT collection mechanism (split VAT) for companies in insolvency and with overdue payments to the budget and optional for the rest of the companies;
- Reduce the income tax rate from 16% to 10%;
- Reduce the total share of mandatory social contributions, by a total of 2 percentage points, from 39.25% to 37.25%;
- Reduce the number of social contributions from 9 to 3;
- Transfer the tax burden of mandatory social contributions payable by the employer to the employee on salaries and salary income;
- Reduce the transfer rate to the second pension pillar to 3.75%.
- Set a 2.25% employment insurance contribution for employers with respect to salary and wage income.

2018 Expenditure Measures

- Implementation of the Unified Wage Law on the remuneration of staff paid out of public funds;
- Provision of vacation vouchers in the amount of RON 1,450 per employee in the period of 1 July 2017 – 30 November 2018;
- Minimum monthly salary of RON 1,900 as of 1 January 2018 from RON 1,450;
- The social allowance for pensioners was RON 640 between 1 July and 31 December 2018;
- The value of the pension point of RON 1,100 as of 1 July 2018;
- Measures to limit spending.

2018 Budget Execution – Deficit of 2.88% of GDP

- Revenues to the general consolidated budget, in the amount of RON 295.1 billion (31.1% of GDP), increased by 17.2% in nominal terms compared to the same period of last year
  - Increases in the collection of: social security contributions (+36.8%), non-fiscal taxes (+24.0%) and excises (+7.2%);
  - The collection of VAT increased by 11.3% compared to the same period of last year.
- The expenditures of the general consolidated budget, in the amount of RON 322.4 billion (34.3% of GDP), increased in nominal terms by 16.8% YoY compared to the same period of last year
  - Personnel expenditure increased by 23.7%;
  - Goods and services expenditures increased by 9.8%, while the expenditure for social assistance increased by 9.5%;
  - Investment expenditure amounted to RON 34.2 billion, 27.9% more as compared to the same period of last year.

The execution of the general consolidated budget, during the period of 1 January 2018 to 31 December 2018, ended with a cash deficit of RON 27.3 billion, or 2.88 per cent. of GDP

Source: Ministry of Public Finance.

2019 Budget: Overview and Key Assumptions

Overview | Strong Economic Growth | **Sustainable Fiscal Policy** | Prudent Public Debt Management | EU Funds Absorption

Revenue Measures

- Increase minimum wage to construction sectors workers and reduce labour taxation: -2,2 bilion RON;
- State owned companies pay dividends of 35% from the amount allocated to other reserves that have not been used for investment purposes: +1,5 bilion RON;
- Increase tobacco excise duty by 5,7%: +0,6 bilion RON;
- Increase taxation for the gambling industry: +0,5 bilion RON;
- Turnover tax in energy and telecom sectors: +0,8 bilion RON.

Expenditure Measures

- Continuing the implementation of the unified wage law (total impact of RON 17 billion):
  - Public wages will rise with ¼ of the difference between the basic salary for year 2022 and that of December 2018;
  - Increase of the minimum wage to RON 2,080 per month from 1 January 2019;
  - Granting of holiday vouchers within the limit of RON 1,450 / employee in the period 2019 – 2020;
  - Granting food allowance for the public sector employees (excl. military, law enforcement).
- Measures regarding pensions (total impact of RON 7.7 billion):
  - 15% increase in the value of the pension point from Sep 1st 2019 from RON 1,100 to RON 1,265;
  - 10% increase in social allowances for pensioners starting with Sep 1st 2019, the level will increase from RON 640 to RON 704.

Macroeconomic Assumptions for the 2019 Budget	
GDP (RON billion)	1,022.5
Real Growth Rate (%)	**5.5**
Inflation / end of year	2.8
Inflation / annual average (%)	2.8
Average number of employees ('000s)	5,282
No. of unemployed persons registered as at the end of year ('000s)	287
- Rate of registered unemployment (%)	3.2
Gross average salary (RON / month)	5,163
Goods exports – growth rate (%)	8.6
Goods imports – growth rate (%)	9.2

Source: Ministry of Public Finance.

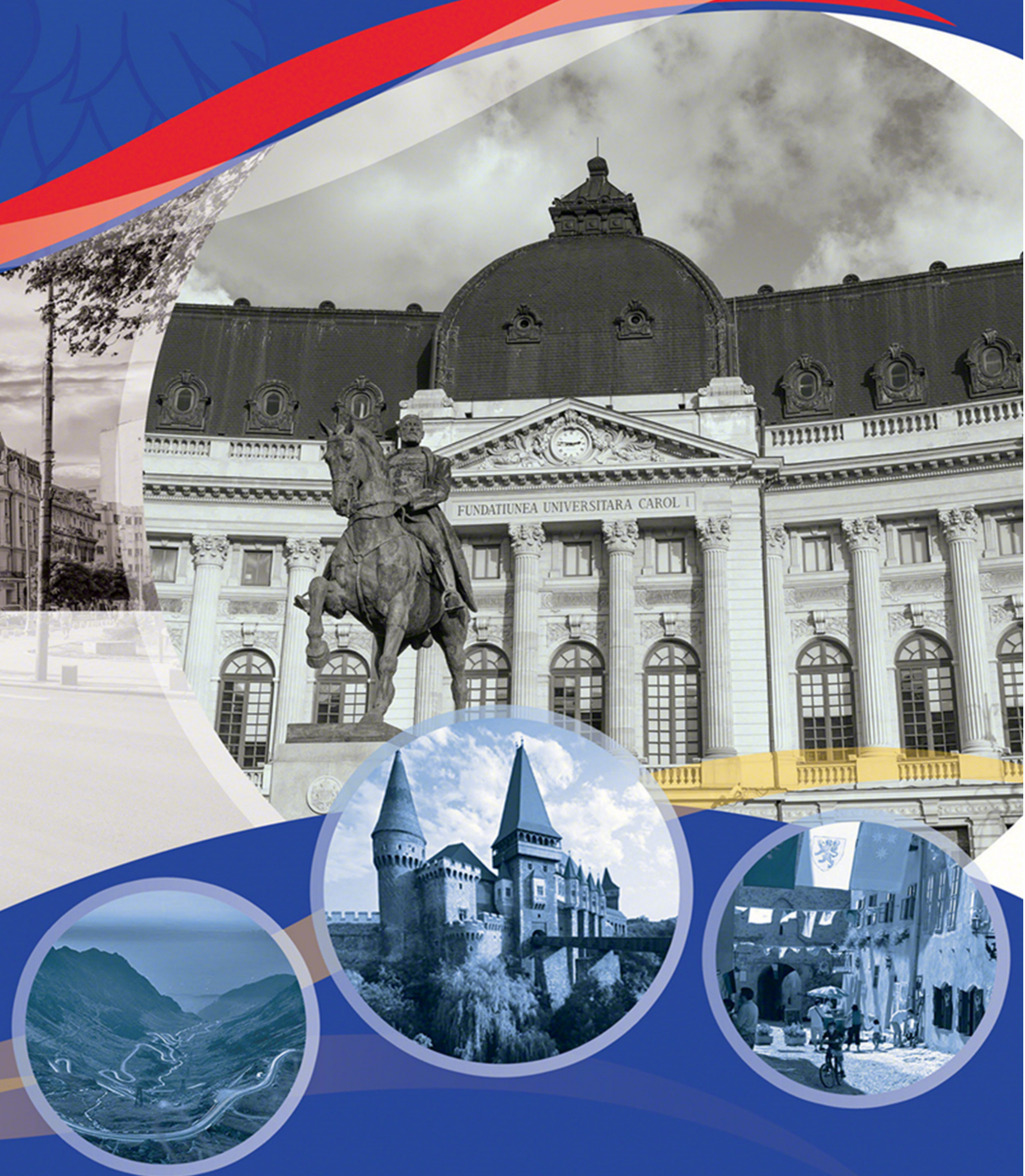
2019 Budget: Execution

February 2019 Budget Execution – Surplus of 0.07% of GDP

- Revenues to the general consolidated budget, in the amount of RON 46.7 billion (4.6% of GDP), increased by 10.4% in nominal terms compared to the same period of last year.
  - Increases in the collection of: social security contributions (+27%) and excises (+22.2%).
  - The collection of VAT increased by 14.1% as compared to the same period of last year.
  - Revenues from property taxes have increased by 11.3%.
  - Reimbursments from the EU: RON 2.4 billion.

- The expenditures of the general consolidated budget, in the amount of RON 51.9 billion, increased in nominal terms by 8.6% YoY compared to the same period of last year.
  - Personnel expenditure increased by 25.2%.
  - Goods and services expenditures increased by 21.5%, while the expenditure for social assistance increased by 18%.
  - Investment expenditure amounted to RON 1.6 billion.
  - Interest expenses rose by 15.7% compared to the same period of last year.

Source: Ministry of Public Finance.

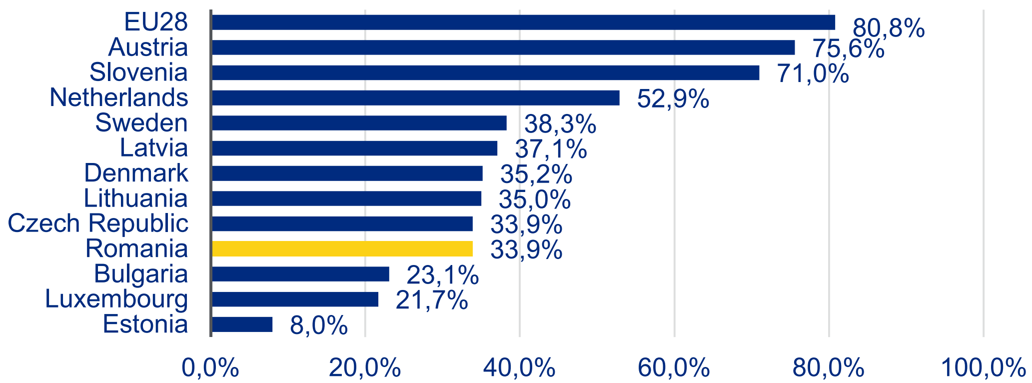


Prudent Public Debt Management

Public Debt is on a Sustainable Path

Romania has one of the lowest Debt / GDP Ratio in the EU

General Government Debt / GDP Q3 2018, %

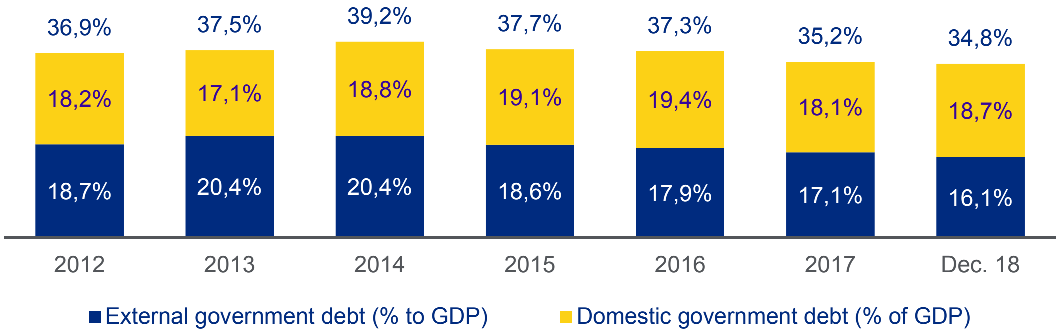


Source: Eurostat News release no. 15/21.01.2019.

(% of GDP)	2015	2016	2017	2018	2019F
Gross Financing need, Out of which:	8.8%	9.0%	7.5%	7.6%	7.1%
– Budgetary Deficit	1.4%	2.4%	2.8%	2.91%	2.76%
– Refinancing of Public Debt	7.4%	6.6%	4.7%	4.7%	4.3%
Foreign Currency Buffer[1]	3.7%	3.6%	2.8%	2.6%	2.4%
Net Government Debt[1][2]	34.1%	33.7%	32.3%	32.5%	33.1%

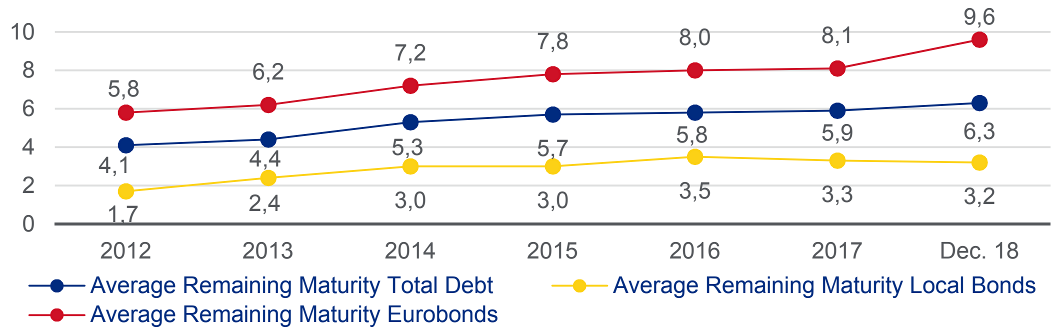
Debt / GDP is Stable…

General Government Debt / GDP ESA 2010 – December 2018



…with a Prudent Maturity Profile

Average Remaining Maturity in years (as of December 2018)



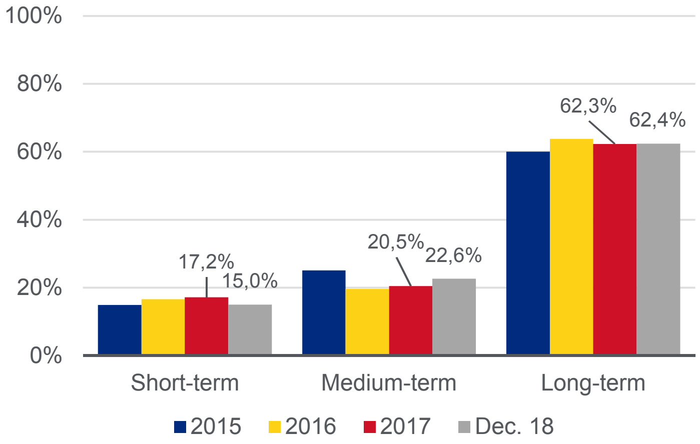
Source: Ministry of Public Finance (public government debt according to the national legislation, without temporary financing).

Source: Ministry of Public Finance – (EU Methodology).

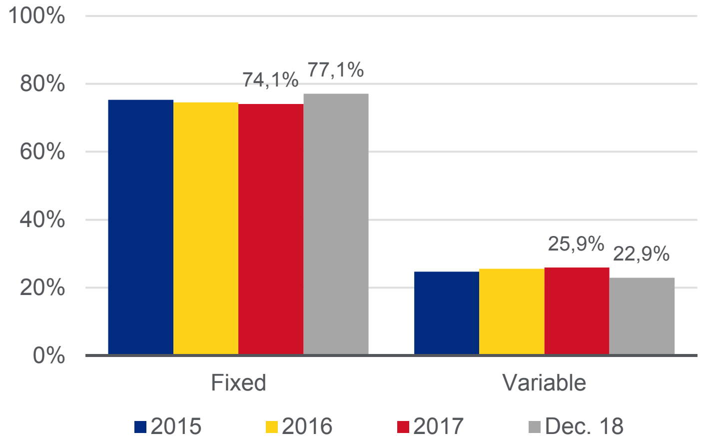
(1) Source: Ministry of Public Finance, Historical compilation of the Public Debt Bulletin; 2017 and 2018 figures have been updated due to change in the forecasted GDP figures by the National Institute of Statistics as of March 2019; (2) Calculated as Gross government debt (EU Methodology) – Foreign currency buffer.

Stable Government Borrowing Profile

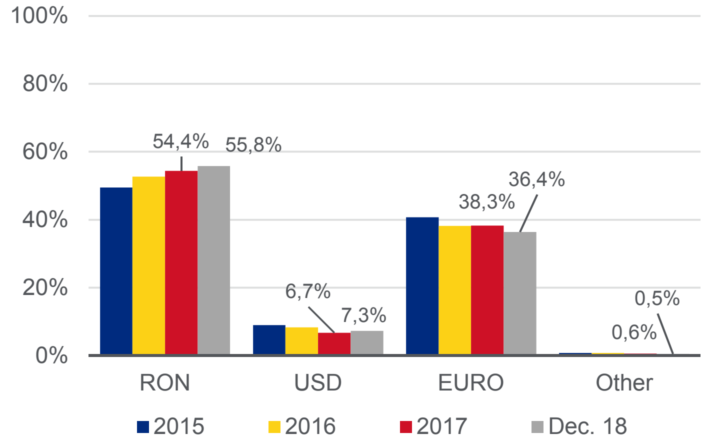
Increasingly Long Tenor Borrowings…



…Mostly Paying Fixed Interest…

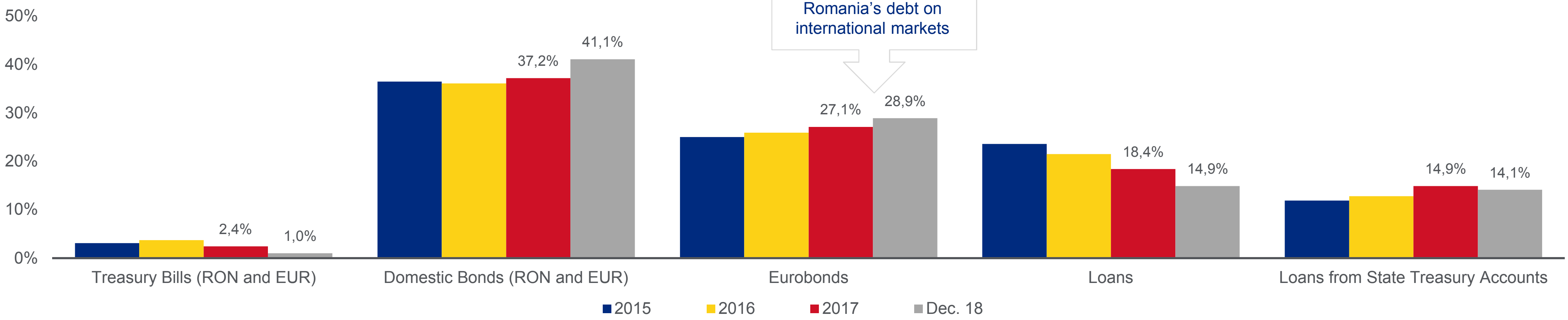


…Primarily in RON and EUR…



…are Reinforced by a Stable Mix of Funding Instruments

Increasing liquidity of Romania’s debt on international markets



Source: Ministry of Public Finance. Historical compilation of the Public Debt Bulletin.
Note: Based on national legislation.

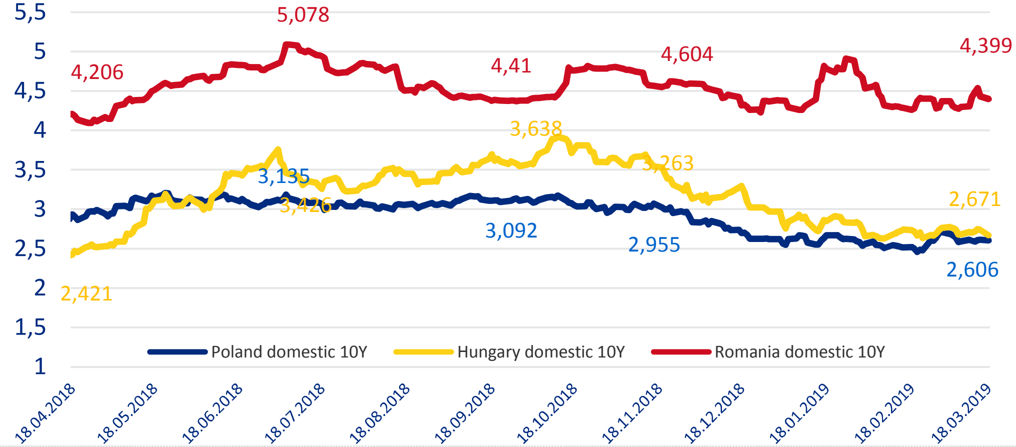
Investment Grade Ratings Underpin Strong Market Performance

- Romanian Eurobond yields have shown resilience during volatile periods and are still at relatively low levels while strong spread compression happened across the curve after Brexit referendum and during 2017

- From the start of 2018, Romanian domestic yields have experienced episodes of volatility, in line with the region, however have been compressing in 2019 given improved market sentiment

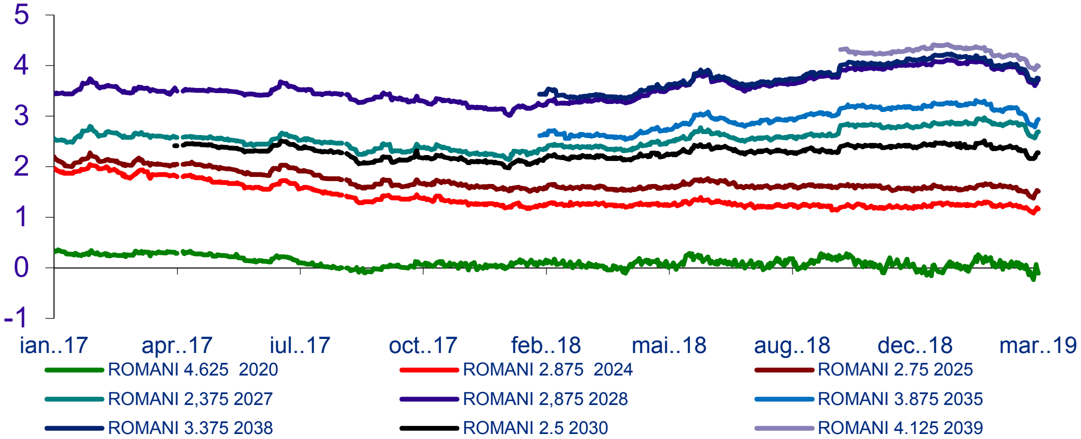
Yields have been relatively stable, on Romania's domestic debt…

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



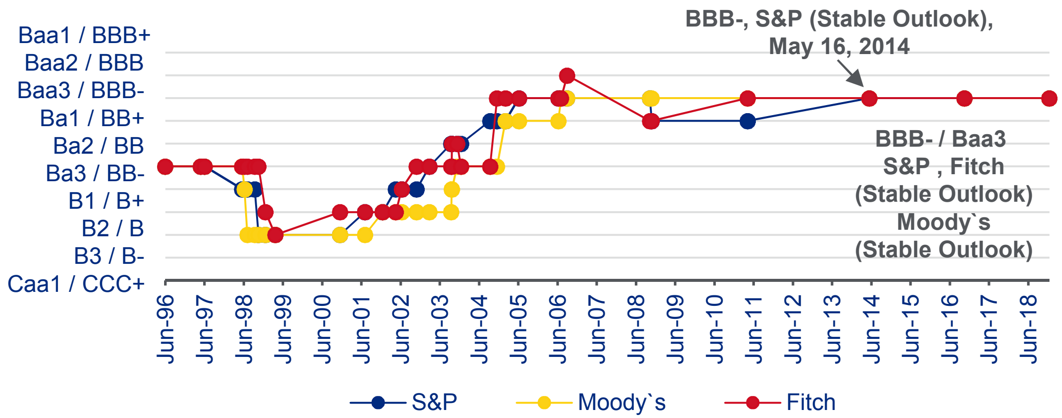
…and on its foreign debt

Bid Yields of Romanian EUR Eurobonds, %



Romania Regained Full Investment Grade Status in 2014

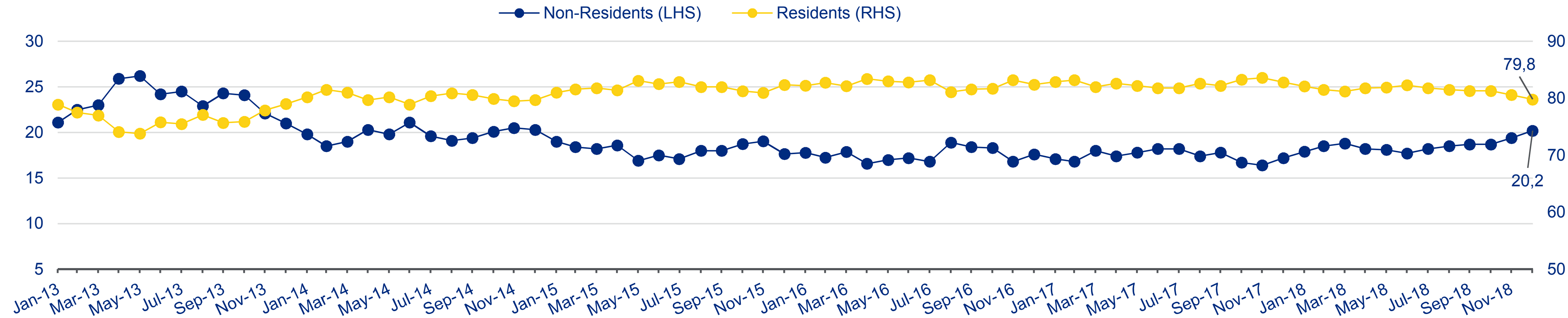
Romania's Credit Rating History



Source: Market data.

Non-Residents Hold Less than 20% of Government Securities

Domestic Government Securities Held by Non-Residents, %



Source: Ministry of Public Finance. Historical compilation of the Public Debt Bulletin.

- Holders of domestic market government securities (end of December, 2018)[(1)]
  - Non-residents 20.2%
  - Local commercial banks 46.0%
  - Pension funds 18.2%
- Average participation in Eurobonds issues[(2)]
  - Fund managers 60–70%
  - Institutional investors 10–20%
  - Commercial and private banks 15–25%
  - Central banks 3–5%;
- Geographical distribution of Eurobond issuances in EUR[(2)] – mostly Western European Countries (Germany and Austria around 8% for issues of 10Y and 20% for longer tenors, the UK around 25% on average, France and Benelux around 10% etc.); Central and Eastern European states (usually around 10%), and investors from the Middle East and Asia had an average participation of around 2–3%.

(1) Source: Ministry of Public Finance. Public Debt Bulletin.
(2) Source: Ministry of Public Finance (own calculation).

Prudent Debt Management Policy

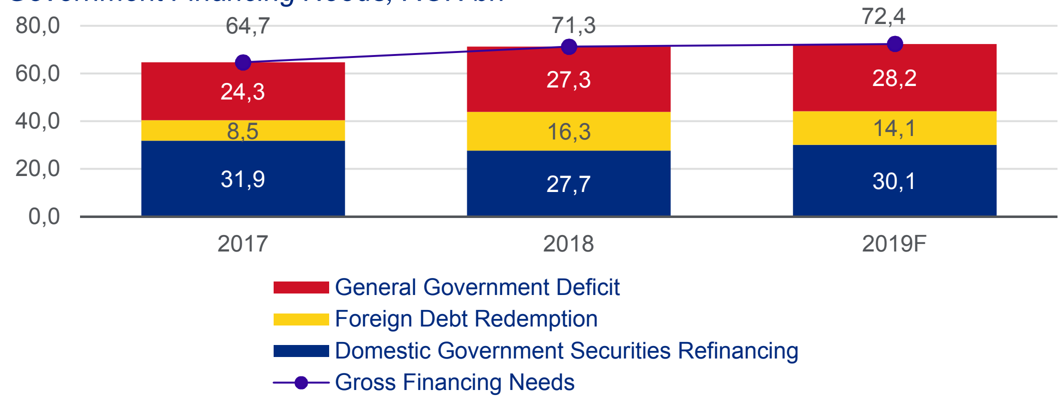
Overview | Strong Economic Growth | Sustainable Fiscal Policy | **Prudent Public Debt Management** | EU Funds Absorption

Romania Enjoys Robust Market Access

- Romania's funding sources are well diversified:
  - **Domestic market** via government securities issues in RON and in EUR
  - **External market** (Eurobonds, Institutional Loans from IFIs and government agencies)
- A hard currency buffer has been built up to cover around four months of gross funding needs

Financing Needs are Relatively Modest

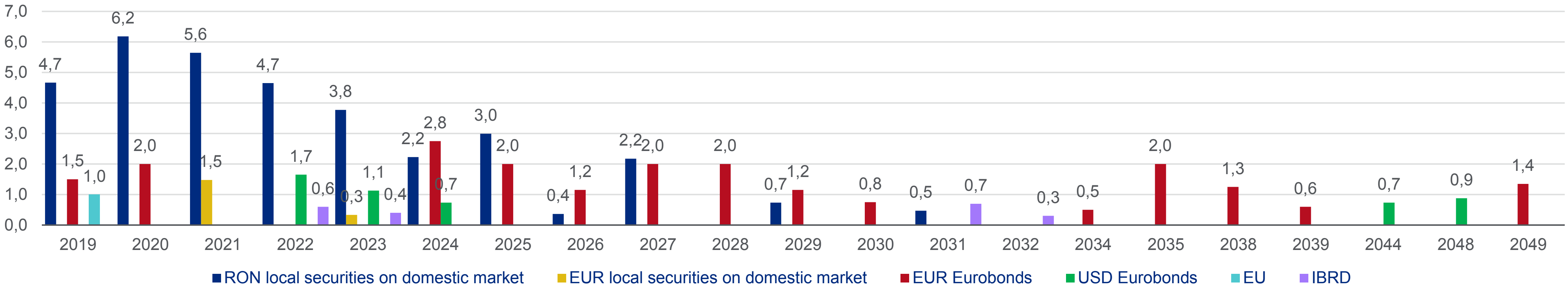
Government Financing Needs, RON bn



Source: Ministry of Public Finance (own calculation).

Maturity Structure is Well Designed

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



Source: Ministry of Public Finance. Data as of April 1st, 2019.

Prudent Debt Management Policy (Cont'd)

Sovereign Debt Risk Management Targets

	Parameters[1]	Levels as of November 2018[2]	Levels as of December 31, 2017	Indicative Targeted Min / Max Ranges (2018–2020)
Currency Risk	Share of domestic currency debt, % of total	48.0	46.5	45–60
	Share of EUR debt out of total foreign-currency denominated debt, %	82.0	84.0	80–95
Refinancing Risk	Debt maturing in one year, % of total	14.0	12.0	10–20
	Local currency debt maturing in one year, % of total	17.0	18.0	15–25
	ATM[3] for total debt, years	6.4	5.9	5.5–7.0
	ATM[3] for local currency debt, years	4.1	3.7	3.5–5.0
Interest Rate Risk	Debt re-fixing in one year, % of total	16.0	15.0	10–20
	Local currency debt re-fixing in one year, % of total	15.0	17.0	15–25
	ATR[4] for total debt, years	6.4	5.9	5.5–7.0
	ATR[4] for local currency debt, years	4.0	3.7	3.5–5.0

Objectives of the Debt Management Strategy

- Cover funding needs of the central government, while minimizing medium and long term debt costs
- Limit risks for the government public debt portfolio
- Develop the domestic market for government securities

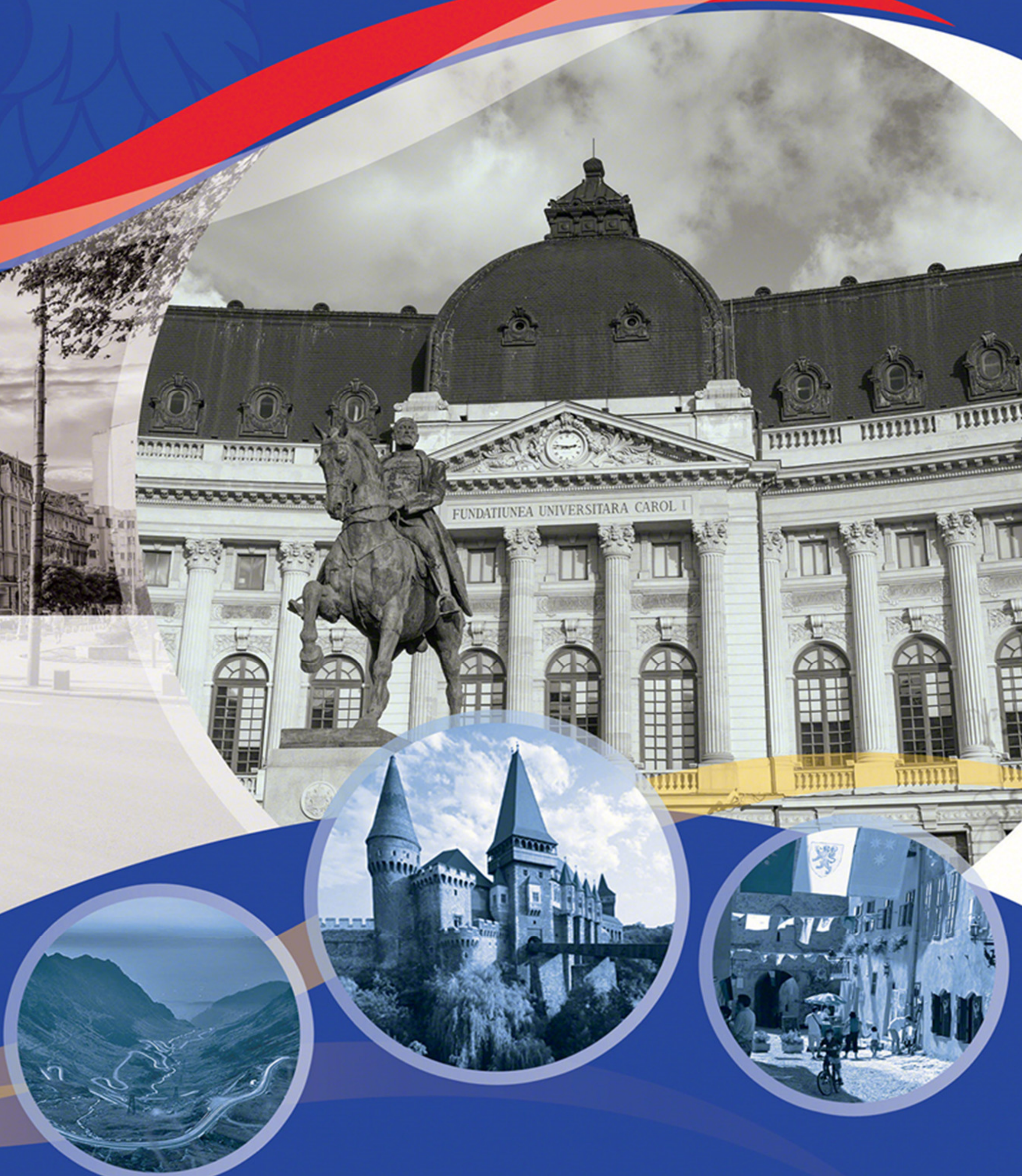
Strategic Guidelines During 2018–2020

- Pursue policy of favoring local currency net financing to develop the domestic debt market and mitigate foreign currency exposure
- Smoothening redemption profile
- Foreign currency buffer to mitigate refinancing and liquidity risks
- Keep presence on the euro market, mainly in EUR and access to US dollar market or other foreign currency markets on an opportunistic basis
- External financing will be contracted mainly in EUR
- The issuance of domestic government securities in EUR can be considered only under the circumstances of reimbursement/refinancing of similar instruments
- Monitor exposure to interest rate risk by maintaining under control the share of domestic debt refixing within the next year and ATR for the total portfolio
- Continue the use of financing instruments offered by international financial institutions to benefit from favorable terms and conditions

(1) Relates to government public debt according to national legislation excluding the General Current Account; (2) Risk indicators presented are calculated for public government debt according to national legislation, excluding loans from availabilities of the State treasury account (temporary financing), in line with the limits established in the Debt Management Strategy 2018–2020; (3) ATM – average time to maturity; (4) ATR – average time to re-fixing.

Source: Ministry of Public Finance: Historic compilation of the Public Debt Bulletin.

Improved EU Funds Absorption



EU Funds Absorption has Accelerated in the Past Years

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

- To assure the highest level of absorption, Romania implemented structural measures:
  - Strengthening and improving of the monitoring at the level of large infrastructure projects in order to speed up implementation
  - Active promotion by the Government of the alternative use of EU funds, through similar projects
  - Further reallocation among priority goals of various programmes
  - Increase the administrative capacity of programming departments through the use of European Investment Bank expertise
  - Extending the categories of eligible expenditures, allowing the reimbursement for expenditure already realised under the approved projects
  - Phasing of projects between the 2007–2013 and the 2014–2020 programming periods

Note: The final absorption rate can be calculated after the acceptance by the EC of the final documents for closure, that were submitted by the Member States up to March 31, 2017.
(1) Abbreviations: Regional Operational; (2) Abbreviations: Sectoral Operational Program; (3) Includes amount requested through top-up mechanism; (4) The 2007–2013 allocation was modified due to the amounts decommited.

Source: Ministry of European Funds.

EU Funds Absorption under the 2014–2020 Programming Period

Operational Program	Funds Allocated, EUR bn	Absorption Rate (Amount Requested to EC) (%)					
		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Jan 2019	Feb 2019
OP Technical Assistance	0.25	0	0	23.28	37.29	37.29	38.68
OP Competitiveness	1.33	0	0	6.48	17.01	17.01	18.08
OP Human Capital (including Youth Employment Initiative: EUR 0.11bn)	4.37	0	0	0.09	14.87	14.87	15.06
OP Administrative Capacity	0.55	0	0	4.15	12.95	12.95	13.06
OP Large Infrastructure	9.22	0	0	10.13	17.77	17.77	17.77
OP Regional	6.76	0	0	0.41	12.78	12.78	12.78
OP for SME's Initiative*	0.10	0	0	93.09	-	-	-
OP's for European Territorial Cooperation	0.48	0	0.54	1.76	9.56	9.90	10.20
OP Aid for the Most Deprived	0.44	0	0.97	17.37	17.35	17.35	17.35
Total	**23.50**	**0**	**0.02**	**5.62**	**15.65**	**15.66**	**15.78**

- Cohesion funds are aimed at reducing disparities between the various regions and the lags of the least-favoured regions;
- Aside from cohesion funds, during the 2014–2020 period, Romania has additional available financings of approx. EUR 20bn, under the Common Agricultural Policy;
- At the end of February 2019, the total amounts received from the European Commission, pre-financing and reimbursements related to the operational programs financed by the FESI and FEAD (POAD), are at approx. EUR 8,7 billion, which means approx. 28% of the EU allocation for these programs (about EUR 31 billion).

Increased Focus on Controls

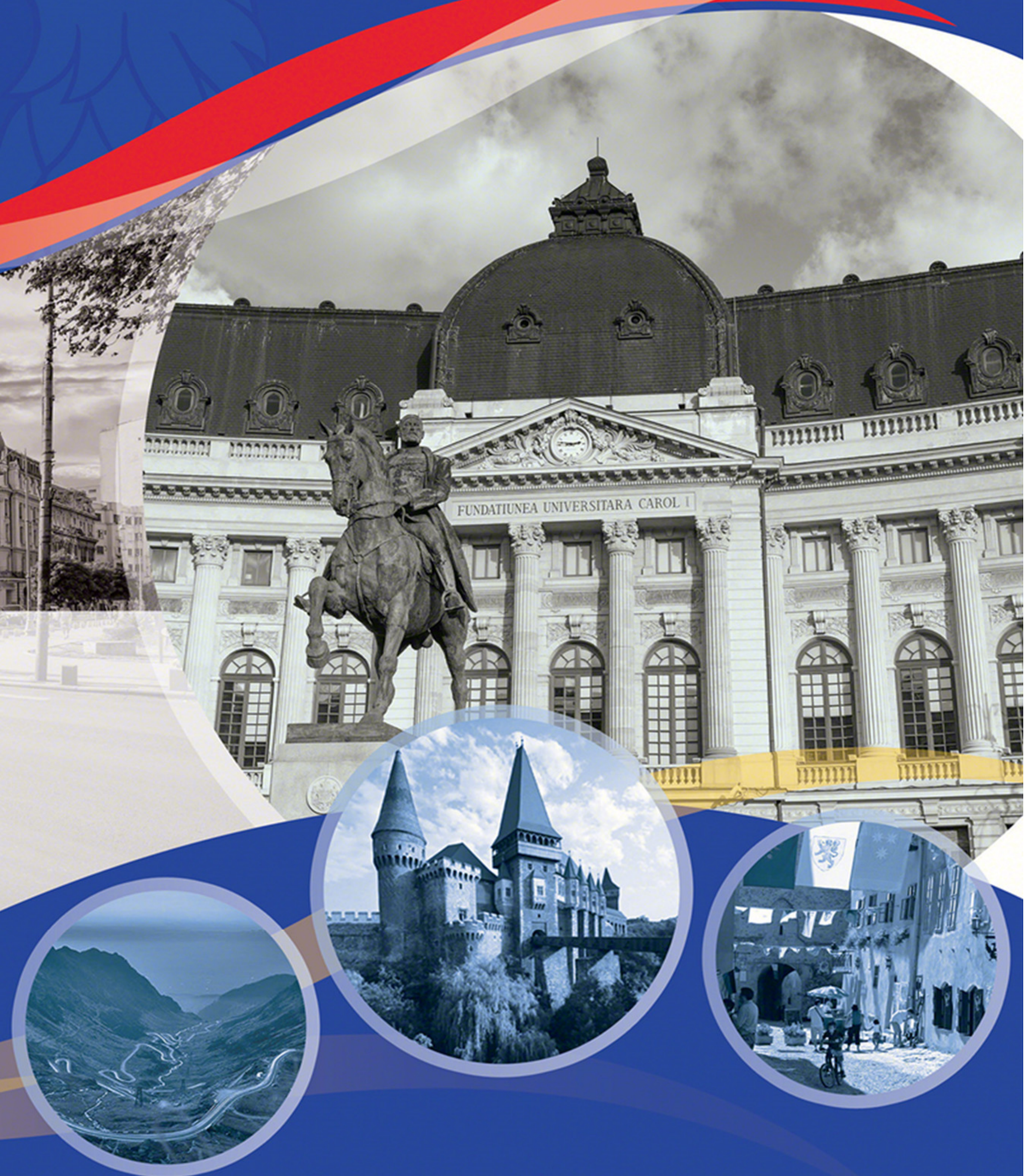
- **Performance Oriented:** There is a monitoring framework, including milestones and specific targets corresponding to each operational programme
  - Their completion will be verified for 2018 and 2023
- **Improving efficiency of EU funds spending:** the EC is putting in place performance reserves in amounts ranging between 5 and 7 percent of (most of) the allocations under each priority within the operational programmes
  - The performance reserve amounts will be released subject to the achievement of the milestones set for 2018
- **Ex-ante conditionalities** to ensure the conditions for effective cohesion policy investments and predictability of national sectorial policies

The impact of EU Funds on the Romanian economy is set to increase given Romania's strides in improving EU fund absorption and the increased focus on European Commission Control

Note: The 2014–2020 allocations for Technical Assistance, Large Infrastructure and Regional Operational OP's was modified due to the financial reallocations between the programmes.

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

Source: Ministry of European Funds.



Thank you!