



Romania

Investor Presentation

January 2024



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Overview



Snapshot of Romania's Economy



Overview

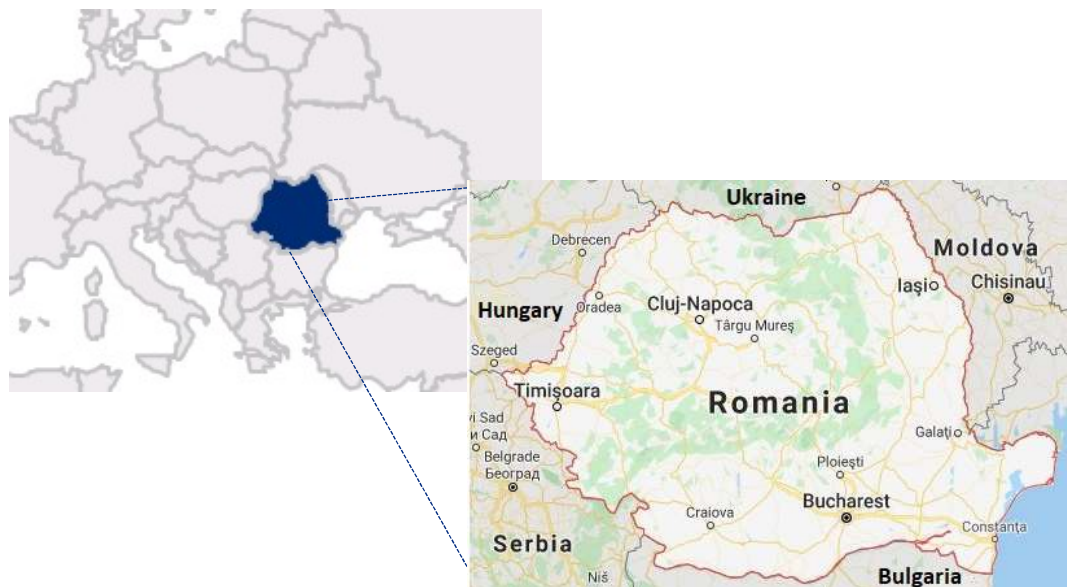
Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

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EU Funding

Area	238,391 sq. km
Population (2023)	19.05 ⁽¹⁾ mn
Average RON/EUR rate (2023)	4.9465
GDP (2022 current prices)	RON 1,401.3 ⁽²⁾ bn
GDP (2022 current prices)	EUR 284.2 ⁽²⁾ bn
GDP per Capita (2022)	EUR 14,917 ⁽²⁾
GDP Growth (2022, y-o-y)	4.1% ⁽²⁾
GDP Growth (9M 2023, y-o-y)	1.4% ⁽³⁾
Average Inflation (2023)	10.4%
Annual Inflation Rate (December 2023)	6.61%
Unemployment ⁴ (December 2023)	2.93%
Public Debt / GDP ⁵ (November 2023)	49.7%



Current Credit Ratings

S&P Global

FitchRatings

MOODY'S



BBB- / Stable

BBB- / Stable

Baa3 / Stable

BBB/ Stable

*since May 16, 2014;
rating affirmed on
October 13, 2023*

*since July 4, 2011;
rating affirmed on
September 8, 2023*

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

*rating affirmed on
November 27, 2023*

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

(1) Provisional data; (2) Semifinal data according to Press Release No. 332 from 21 December 2023, National Institute of Statistics ("NIS"); (3) Provisional data according to Press Release No. 308 from 7 December 2023, National Institute of Statistics ("NIS"); (4) Registered unemployment rate; (5) According to EU methodology

Key Features of Romania's Credit Profile



Overview

Long Years of Uninterrupted GDP Growth

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Strong Macroeconomic Framework

- After joining the EU, real convergence expressed in GDP per capita in PPS significantly improved from 39.6% in 2006 to 76.0 %⁽¹⁾ in 2022 of EU average.
- In 2022 the GDP registered an increase of 4.1% compared to 2021⁽²⁾, due to the increase of gross fixed capital formation by 5.9% and the robust growth of private consumption by 5.8%.
- In the first 9 months of 2023 the GDP registered an increase of 1.4% compared to the same period of 2022⁽³⁾. As a result of the favorable evolution of infrastructure works, which were supported by both EU funds (NRRP and the Multiannual Financial Framework) and public funds, with an increase of 10.7%, gross fixed capital formation became the main supporter of economy.

Well Capitalized and Liquid Banking Sector

- NPL ratio⁽⁴⁾ showed a sustained downward trend (3.8% at the end of 2020, 3.4% at the end of 2021, 2.7% at the end of 2022 and 2.42% in November 2023).
- To date, the Romanian government has not used public money to support local banks and their recapitalisation has been entirely a responsibility of the shareholders.
- Very well capitalized banking sector, with a total capital adequacy ratio of 25.1%⁽⁵⁾ as of December 2020, 23.3% as of December 2021, 23.4% as of December 2022 and 22.3% in September 2023.
- Relatively stable exchange rate.

Improving Financial Sector

- Tempering the risk aversion of international investors towards countries in the geographical proximity of the war in Ukraine.
- Higher levels of interest rates on the new deposits compared to other countries in the region, which also implies a reduction in the loans-deposits interest rate spread.

Sustainable Public Debt

- 49.7% of GDP government debt according to EU methodology at the end of November 2023, compared to 47.2% at the end of 2022⁽⁶⁾.
- Sustainable debt management policy continued.

(1) Source: Eurostat; (2) Semifinal data according to National Institute of Statistics Press Release no. 332 from 21 December 2023 (3) Provisional estimates data according to National Institute of Statistics Press Release no. 308 from 7 December 2023; (4) Under the EBA Methodology; (5) National Bank of Romania, "Aggregate Indicators for Credit Institutions"; (6) Data updated according to the Fiscal Notification from October 2023



**Long Years of Uninterrupted
GDP Growth**



Romania's Economy: Macroeconomic Indicators



Overview

Long Years of Uninterrupted GDP Growth

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	2019	2020	2021	2022	2023	2024
Macroeconomic Indicators						Forecast
Real GDP (% y-o-y)	3.9	(3.7)	5.7	4.1	2.0 ^d	3.4 ^b
Inflation rate (% , e.o.p.)	4.0	2.1	8.2	16.4	6.6 ^e	4.6 ^b
Inflation rate (% , annual average)	3.8	2.6	5.1	13.8	10.4 ^d	6.0 ^b
Budget balance (% GDP, cash)	(4.6)	(9.6)	(6.7)	(5.8)	(5.7)	(5.0)
Budget balance (% GDP, ESA 2010)	(4.3)	(9.2)	(7.1)	(6.2)	(5.7)	(5.0)
Government debt (% GDP, EU methodology)	35.1 ^a	46.8 ^a	48.6 ^a	47.2	49.3 ^c	48.7 ^c
Exports of goods (% , y-o-y)	1.9	(9.9)	20.2	23.1	2.1 ^b	5.6 ^b
Current account balance (% GDP)	(4.9)	(4.9)	(7.2) ^d	(9.1) ^d	(7.1) ^b	(6.9) ^b
Interest And Exchange Rates						
NBR policy rate (% , e.o.p)	2.50	1.50	1.75	6.75	7.00	7.00
Credit facility rate	3.50	2.00	2.50	7.75	8.00	8.00
Deposit facility rate	1.50	1.00	1.00	5.75	6.00	6.00
Average exchange rate (RON/EUR)	4.75	4.84	4.92	4.93	4.95 ^b	5.00 ^b
Labor Market Indicators						
ILO unemployment rate (%)	4.9 ^d	6.1 ^d	5.6	5.6	5.5 ^b	5.4 ^b

Source: NIS (for 2019-2021 final data; semi-final data for 2022 according to National Institute of Statistics Press Release No. 332 from 21 December 2023) and NCSP Autumn Forecast, November 2023

Notes: Budget balance (% of GDP cash and ESA2010) for the 2019-2020 period is estimated at the moment of the 2019 Budget adoption. 2020 estimates are part of budget planning for 2020 and the medium-term. Revised 2013 – 2019 data in the context of common European benchmark revision 2019; (a) Data updated according to Fiscal Notification from October 2023; (b) NCSP Autumn Forecast, November 2023; (c) Debt estimates – Ministry of Finance; (d) Revised data (e) NIS Press Release No. 10 from 12 January 2024

Growth Supported by Domestic Demand and Capital Formation



Overview

Long Years of Uninterrupted GDP Growth

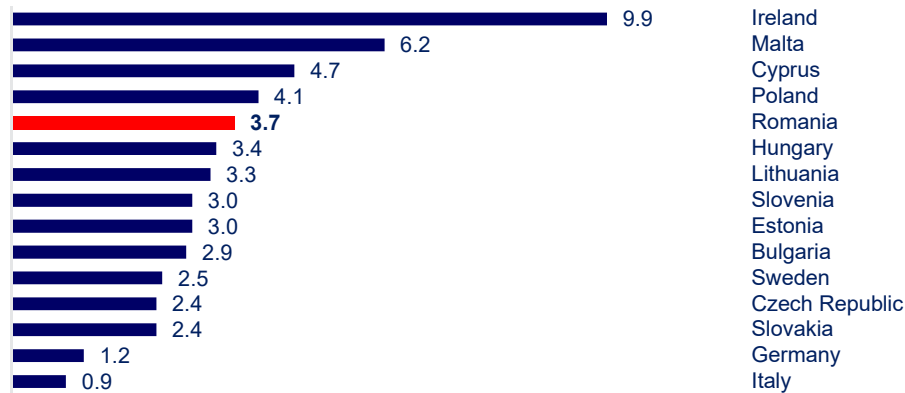
Sustainable Fiscal Policy

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EU Funding

Romania is One of the Fastest Growing Economies in the EU

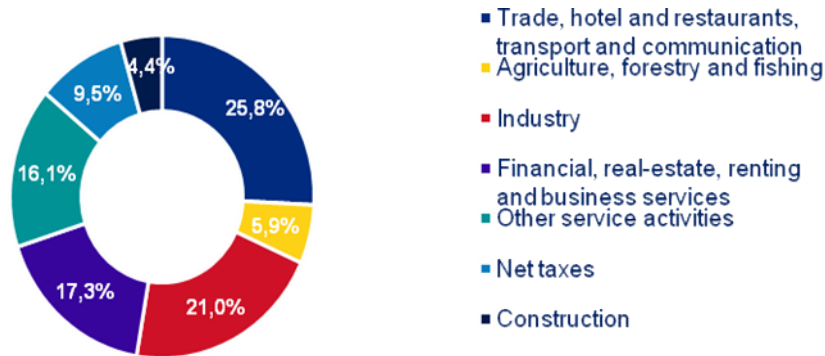
% GDP Growth, Average 2015–2022



Source: Eurostat

The Romanian Economy is Diversified

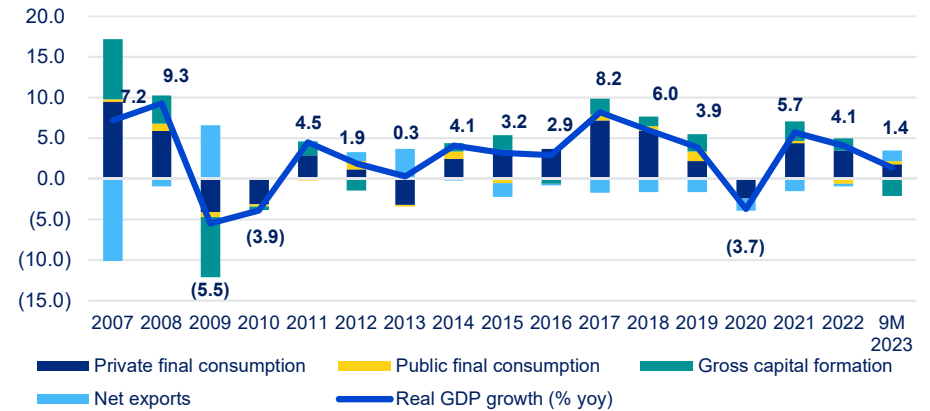
Structure of Gross Domestic Product by Sectors for the first nine months of 2023, %



Source: NIS

GDP Growth is Underpinned by Domestic Demand

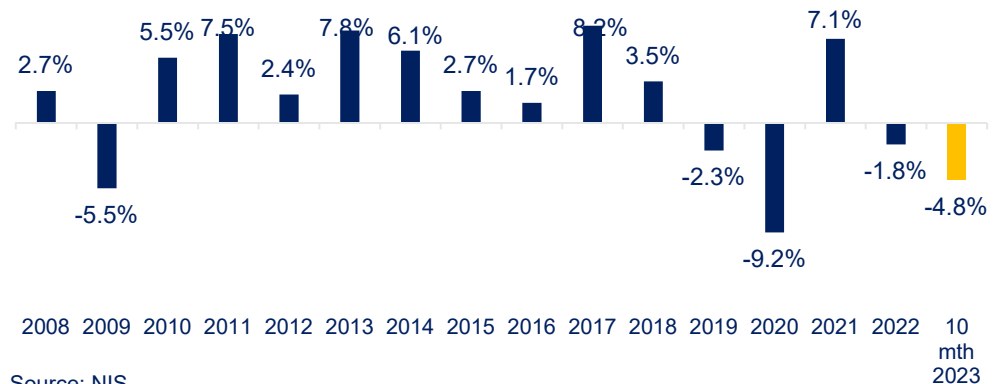
GDP Components, %



Source: NIS

Industry, in the negative territory

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



Source: NIS

Labour Market Conditions Supportive of Long-Term Growth



Overview

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Sustainable Fiscal Policy

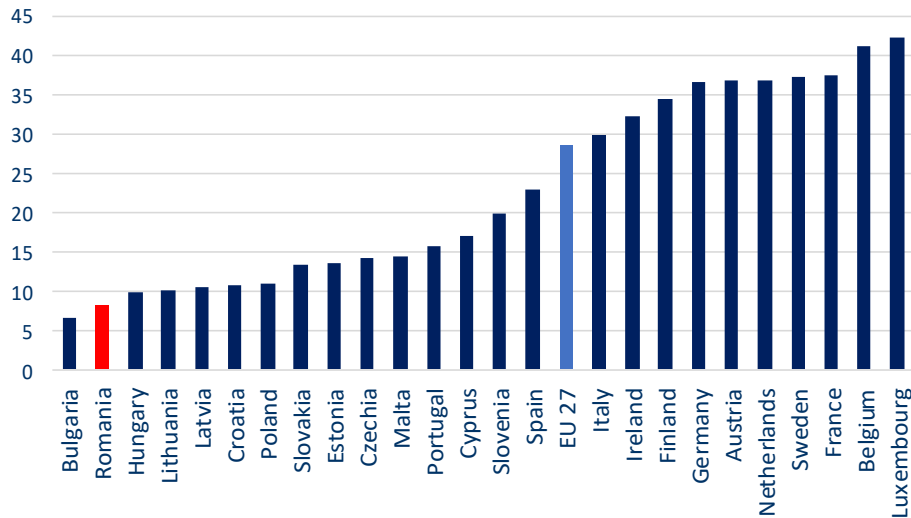
Prudent Public Debt Management

EU Funding

- Highly educated workforce as evidenced by the United Nations' Human Development Indicators 2020: skilled employees constitute 81.7% of the Romanian labour force and 70.7% of the population are internet users. The country ranked **#49 / #189**, according to the current Human Development Index.
- Romanian labour costs per hour remain among the most competitive in the EU.
- Romania's unemployment rate (ILO methodology) is nevertheless below the EU27 average and remains one of the lowest among the member states to date, respectively 5.4% in November 2023.

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

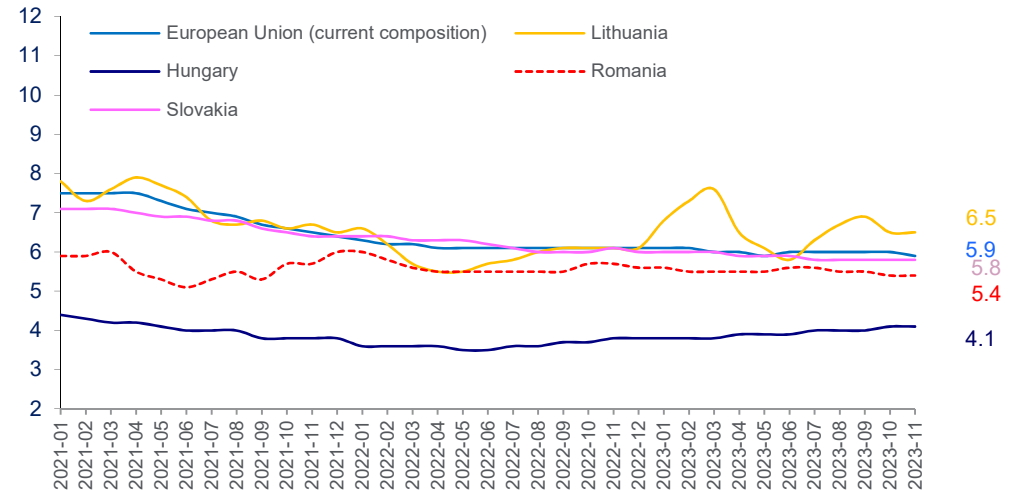
Annual data as of 2020, EUR



Source: Eurostat. Data according to ESA 2010 methodology

Unemployment Rate Below the EU Average

Unemployment rate (monthly, seasonally adjusted), %



Source: Eurostat, ILO Methodology



Sustainable Fiscal Policy





2023 Budget Execution – Deficit of 5.68% of GDP

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

2024 Budget: Overview and Key Assumptions



Overview

Long Years of Uninterrupted GDP Growth

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Prudent Public Debt Management

EU Funding

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

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

Macroeconomic Assumptions for the 2024 Budget

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

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



Prudent Public Debt Management



Public Debt is on a Sustainable Path



Overview

Long Years of Uninterrupted GDP Growth

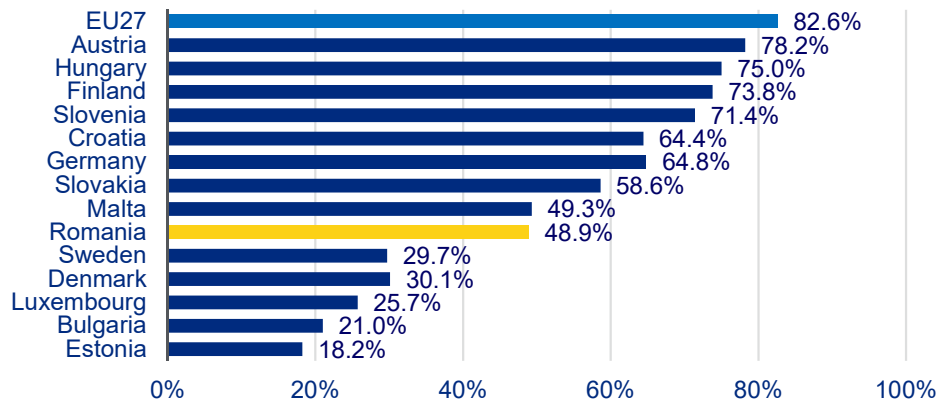
Sustainable Fiscal Policy

Prudent Public Debt Management

EU Funding

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

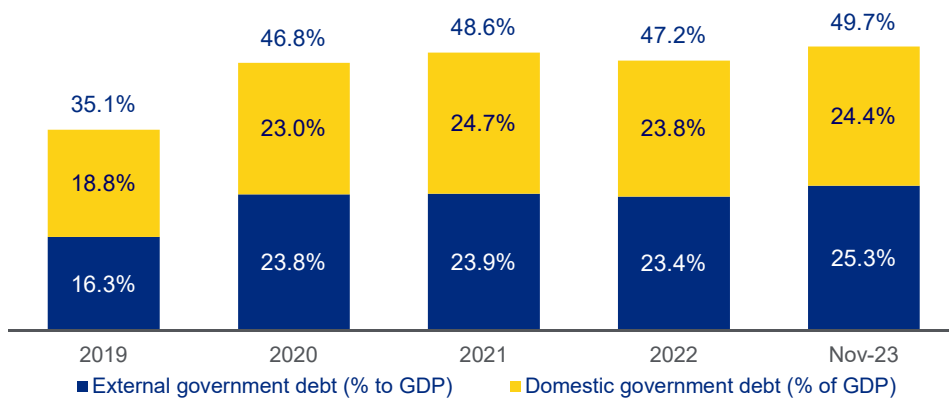
General Government Debt / GDP, Q3 2023



Source: Eurostat press release no. 12/22.01.2024

Debt / GDP Ratio is Stable...

General Government Debt / GDP ESA 2010², November 2023



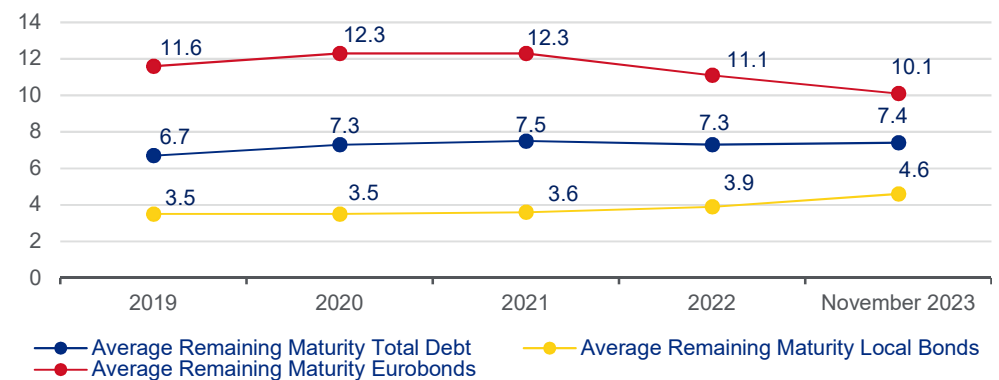
Source: Ministry of Finance – (EU Methodology).

(% of GDP)	2019	2020	2021	2022	2023 P	2024 F
Gross Financing Need, Out of which¹:	8.6%	14.1%	11.1%	10.7%	11.8%	10.5%
– Budgetary Deficit	4.6%	9.6%	6.7%	5.8%	5.7%	5.0%
– Refinancing of Public Debt ¹	4.0%	4.5%	4.4%	4.9%	6.1%	5.5%

(P) Provisional. (F) Forecasted.

...with a Prudent Maturity Profile

Average Remaining Maturity in years



Source: Ministry of Finance.

(1) Ministry of Finance (own calculation); (2) Ministry of Finance - according to EU methodology, the debt to GDP ratio was calculated taking into consideration the sum of GDP for the last four quarters. Preliminary data as of November 2023.

Stable Government Borrowing Profile



Overview

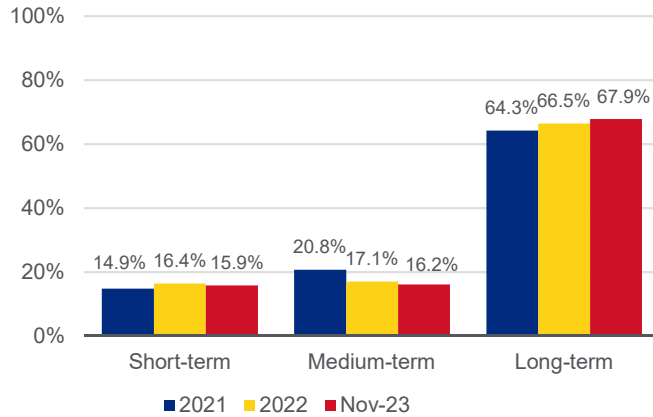
Long Years of Uninterrupted GDP Growth

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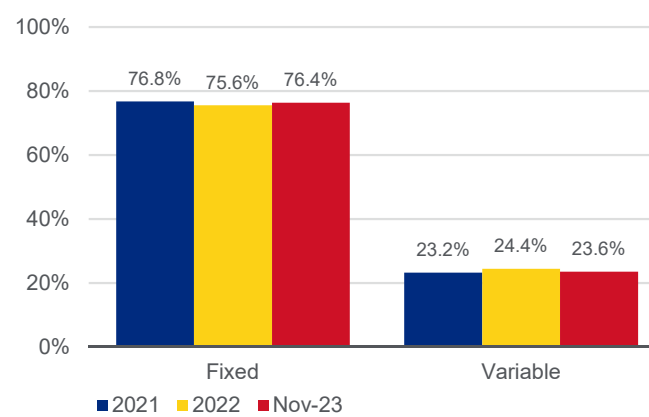
Prudent Public Debt Management

EU Funding

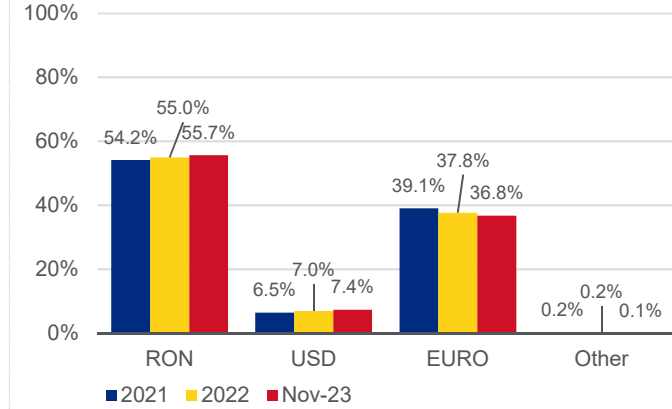
Increasingly Long Tenor Borrowings...



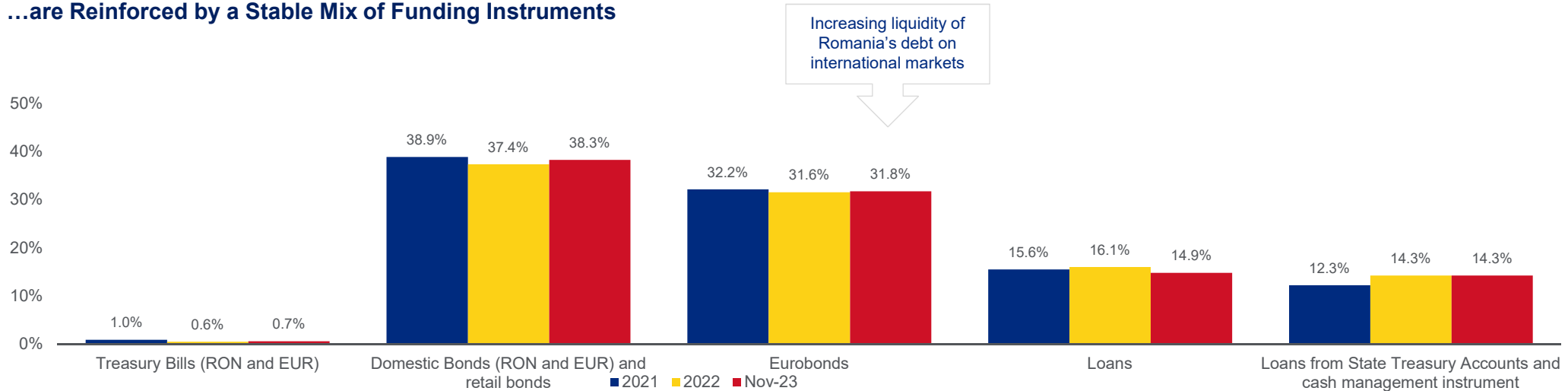
...Mostly Paying Fixed Interest...



...Primarily in RON and EUR...



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



Source: Ministry of Finance. Historical compilation of the Public Debt Bulletin, at the end of November 2023.

Note: Based on national legislation.

Investment Grade Ratings Underpin Strong Market Performance



Overview

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

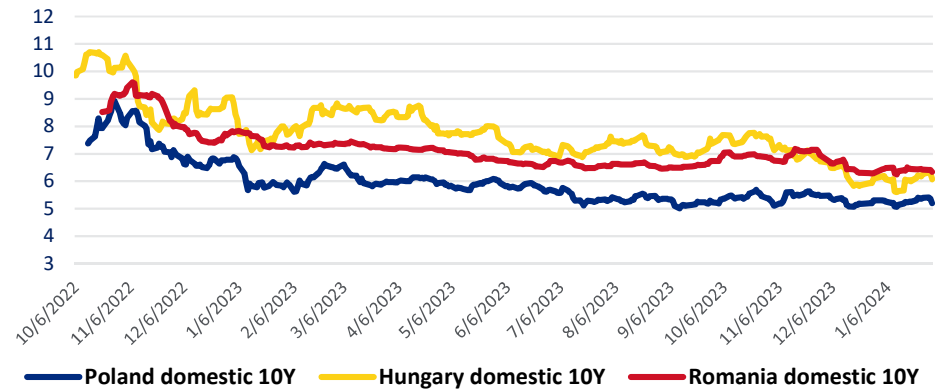
Prudent Public Debt Management

EU Funding

- Since the start of 2024 RON yields registered a increase of 18 to 34bps, with an average of 16bps up for all maturities, and with greater emphasis on the long term section of the curve.
- In the same period EUR yields had a evolution from -15bps to +23 bps, with the small average evolution of the Euro yield curve of 1-2bps and up to 30-35 bps down over the yield curve of the benchmark German bonds with the same maturities (10 and 15 years). The USD yields of government bonds have increased with 18 to 34bps.

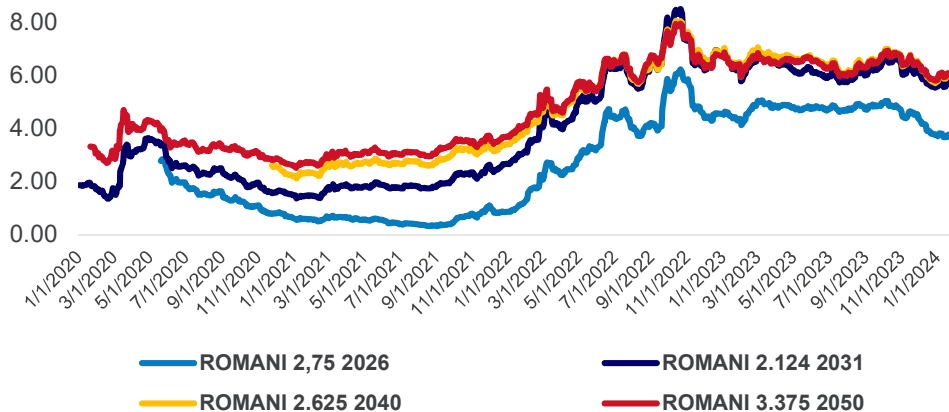
Yields have been relatively stable, on Romania's domestic debt...

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

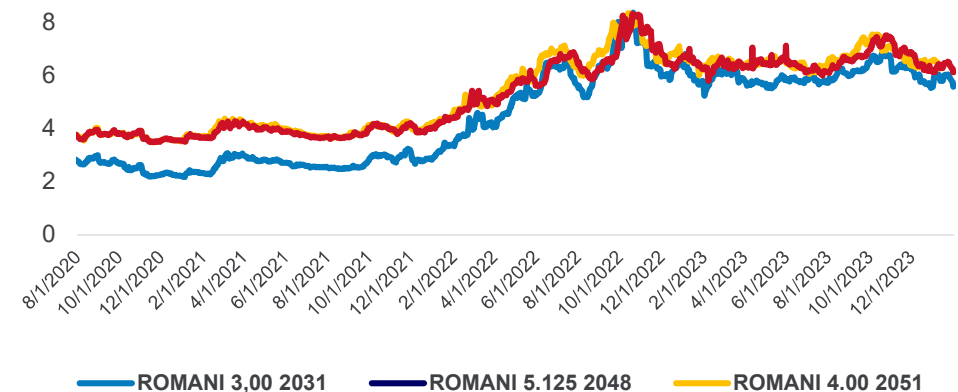


...and on its foreign debt

Bid Yields of Romanian Eurobonds EUR, %



Bid Yields of Romanian Eurobonds USD, %



Source: Market data.

Fine-tuned instruments and diversified investor base



Overview

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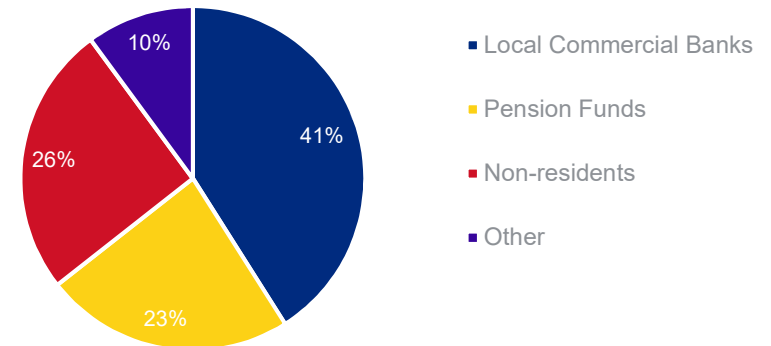
EU Funding

Domestic Capital Markets Instruments

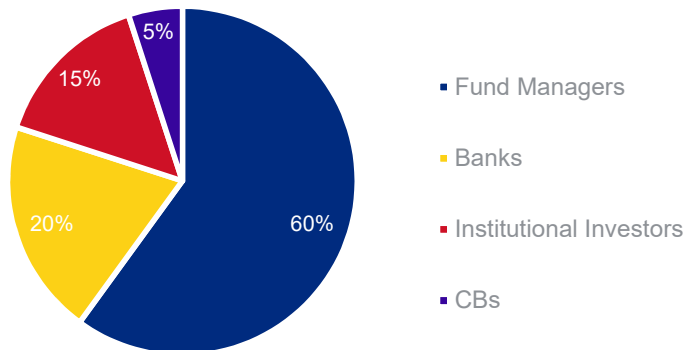
- Interbank market:
 - ✓ government securities with maturities between 6 months and 15 years,
 - ✓ liquid benchmarks to an equivalent of about EUR 2.5-3 bn.

- Retail market:
 - ✓ two programs for bond issuance with 1 to 5 years maturity via treasury offices, postal units and banks (via the Bucharest Stock Exchange in EUR and local currency).

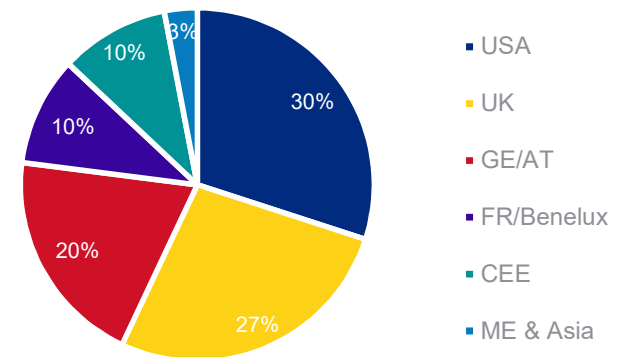
Holders of domestic market government securities⁽¹⁾



Average Eurobonds Distribution by Investor Type⁽²⁾



Average Eurobonds Distribution by Geography⁽²⁾



Note: statistics for longer tenors, 10Y+

(1) Source: Ministry of Finance. Public Debt Bulletin, end of November 2023
 (2) Source: Ministry of Finance (own calculation).

Prudent Debt Management Policy



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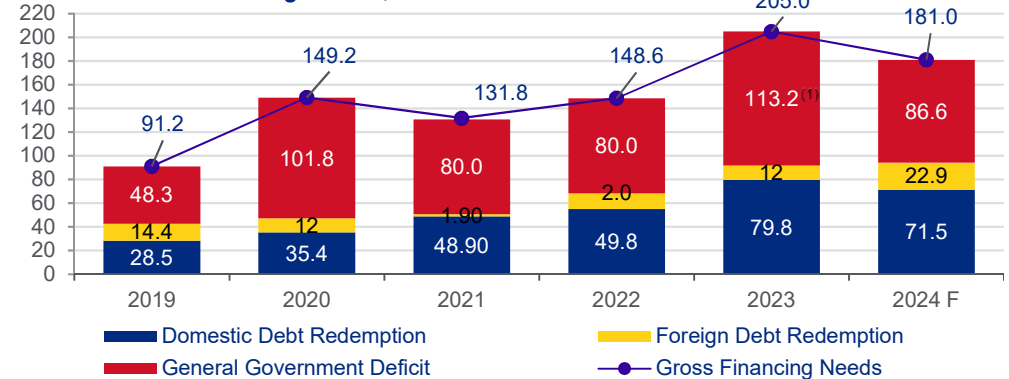
EU Funding

Romania Enjoys Robust Market Access

- Romania's funding sources are well diversified:
 - Domestic market** via RON and EUR government securities issued on the interbank market and retail government securities;
 - External market** (Eurobonds, Institutional Loans from IFIs and government agencies, RRF, PPs).
- Hard currency buffer policy, to cover up to four months of gross financing needs.
- In 2023, the government financing needs were revised from RON 160 billion to RON 205 billion, including a pre-funding of some 2024 financing needs.
- In 2024, the government financing needs are estimated at RON 181 billion, out of which around RON 86.6 billion are for the financing of the general budget deficit of 5% of GDP.

Financing Needs

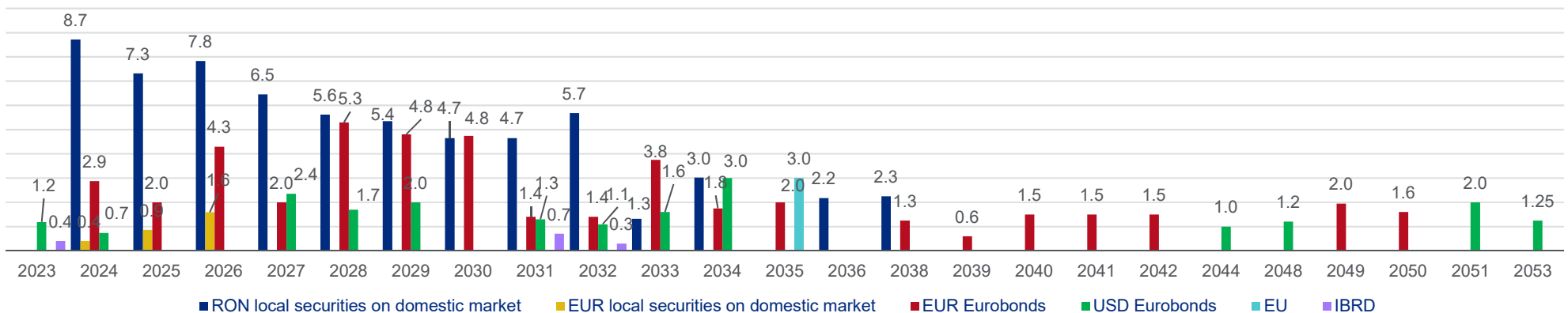
Government Financing Needs, RON bn



Source: Ministry of Finance (own calculation)

Government Debt Maturity Structure is Well Distributed across a Long Horizon

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



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

Source: Ministry of Finance. Data as of January 31, 2024.

Prudent Debt Management Policy (Cont'd)



Overview

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Sovereign Debt Risk Management Targets

	Parameters ¹	Levels as of November 30, 2023	Levels as of December 31, 2022	Indicative Targeted Min / Max Ranges (2023–2025) ²
Currency Risk	■ Share of domestic currency debt, % of total	48.4	48.3	45 (Min) – 60
	■ Share of EUR debt out of total foreign-currency denominated debt, %	83.1	83.9	75 (Min) – 90
Refinancing Risk	■ Debt maturing in one year, % of total	12.0	14.0	10 – 20 (Max)
	■ Local currency debt maturing in one year, % of total	16.0	21.0	15 – 25 (Max)
	■ ATM ³ for total debt, years	7.4	7.3	6.5 (Min) – 8.0
	■ ATM ³ for local currency debt, years	5.2	4.5	4.0 (Min) – 6.0
Interest Rate Risk	■ Debt re-fixing in one year, % of total	12.0	15.0	10 – 20 (Max)
	■ Local currency debt re-fixing in one year, % of total	14.0	19.0	15 – 25 (Max)
	■ ATR ⁴ for total debt, years	7.3	7.2	6.5 (Min) – 8.0
	■ ATR ⁴ for local currency debt, years	5.2	4.5	4.0 (Min) – 6.0

Objectives of the Debt Management Strategy

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

Strategic Guidelines During 2023–2025

- Financing mainly in local currency, with the objective of ensuring net financing (covering the budget deficit) mainly from domestic sources from 2024 onwards.
- Pursuing a smooth redemption profile (liability management operations – buyback and exchange).
- Maintaining a foreign currency buffer at a comfortable level to mitigate the refinancing risk and the liquidity risk.
- FX funding mostly in EUR and USD, taking into account the cost and risk assessment.
- Maintaining the exposure to interest rate risk under control by monitoring the share of domestic debt re-fixing within the next year and the average time to re-fix for the total portfolio.
- Using IFIs and EU funding in order to benefit from the favorable terms and conditions attached to those instruments.

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



- In 2024, the gross financing requirements are RON 181 billion, from RON 203 billion in 2023 driven by a lower budget deficit target. At the end of January approximately 18% of the 2024 financing needs were covered.
- The gross financing needs will cover the budget deficit of 5% of GDP (RON 86.6 billion) and the refinancing of the public debt (RON 94.4 billion).
 - Domestic market volume of around RON 116-121 billion, with a maturity structure of approx. 15%/85% (short term vs medium and long term).
 - Domestic market issuance conducted via interbank government bond auctions and retail bond issuances.
 - International markets volume of around EUR 12-13 billion, out of which around EUR 8.5-9.5 billion via Eurobonds and private placements, EUR 2 billion are disbursements from the European Commission within the Facility of Recovery and Resilience and EUR 1.5 billion drawings from loans contracted from IFIs.
- Maintaining a constant presence in EUR and USD markets via Eurobond transactions and private placements.
- Launching the first green bond in benchmark size, based on Romania's Sovereign Green Bond Framework adopted by the Government.
- Planning the inaugural Samurai bond transaction with a green offering, to be launched in H1 for investor base diversification.



Legal Framework and Governance

- The Framework for the Issuance of Bonds Intended to Finance the Protection of the Environment and Combat Climate Change was launched in December 2023.
- The Interministerial Committee for the financing of projects/expenditures intended to protect the environment and combat climate change approved the Green Bond Framework in December 2023.

Support in the process

- The World Bank provided technical assistance to establish the green bond program.
- The Ministry of Finance appointed two internationally prestigious investment banks (Citi and HSBC) as structuring banks in order to provide external support.

Current stage

- The processes put in place for the program follow international best practices and were evaluated by S&P Global Ratings (S&P).
- S&P’s Second Party Opinion (SPO) confirms the alignment of the Framework with (ICMA)’s Green Bond Principles.
- The Framework was assessed as "medium green" based on S&P’s evaluation of eligible projects, estimated allocations to these projects, and expected impact on the protection of the environment and the fight against climate change.



EU Funding



EU Funds Absorption has Accelerated in the Past Years



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Operational Program	Development Objective	Allocation 2007–2013	Absorption Rate (Amount Requested to EC) (%)									
			Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023
		EUR bn	%	%	%	%	%	%	%	%	%	%
RO Program⁽¹⁾	Economic, social, balanced and sustainable regional development	3.71	57	64	85	93	100	100	100	100	100	100
SOP⁽²⁾ Environment	Protect and improve the environment and living standards	3.98	42	62	79	84	94	94	94	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	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	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	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	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	100	100	100
Total		17.57⁴	52	63	83	89	95	95	95	95	95	95

■ To assure the highest level of absorption, Romania implemented the following 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 completed 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 decommitted.

Source: Ministry of Investments and European Projects

EU Funds Absorption under the 2014–2020 Programming Period



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

- **Cohesion funds:** reducing disparities between the various regions and the lags of the least-favoured regions;
- During 2014–2020 Romania has additional available financing of approx. EUR 26 bn, under the **Common Agricultural Policy**;
- As of December 2023, the total amounts received from the European Commission, pre-financing and reimbursements related to the operational programs financed by the ESIF and Fund for European Aid to the Most Deprived (FEAD), are at approx. EUR 32.1 bn (31.7 bn ESIF and 0.46 bn FEAD), which means 90% of the EU allocation for these programs (about EUR 35.7 bn).

As of December 2023, Romania ranked 4th among the 27 Member States, in absolute values of EU funds received. The contracting rate of 167% creates a prerequisite for an increase in the absorption rate in the upcoming period.

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

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

Source: Ministry of Investments and European Projects



- **Next generation EU (NGEU)** is a new, temporary and exceptional instrument, intended exclusively to support Member States in recovering from the crisis.
- The **total value of this instrument is 806.9 billion (€750 billion in 2018 prices)** of which 407.5 billion euro will be provided to Member States in the form of grants and 385.8 billion euro in the form of loans, in current prices.
- Through the NGEU, a number of programs and instruments will be additionally funded to complement the allocations in the European budget, with a **focus on financing investments and reforms that will increase the resilience of the Member States and the Union.**
- All of the money raised through Next Generation EU and the new EU budget will be channeled through EU programs, across three pillars:
 - **The first pillar is support to Member States** for investment and reforms to address the crisis, by:
 - Recovery and Resilience Facility (RRF), who will support Member States to implement investments and reforms that are essential for a sustainable recovery.
 - REACT-EU, who will provide a top-up for cohesion support to Member States. This will be available from 2020 and will support workers and SMEs, health systems and the green and digital transitions and will be available across various sectors – from tourism to culture.
 - **The second pillar is about kick-starting the EU economy by incentivizing private investment:**
 - InvestEU
 - **The third pillar** is about learning the lessons of the crisis.
- The majority of funds from NextGenerationEU (€723.8 billion in current prices) will be spent through the Recovery and Resilience Facility (RRF) programme. The RRF consists of large-scale financial support to public investments and areas such as green and digital projects. The support will be given out in the form of grants (€338.0 billion) and loans (€385.8 billion), in current prices.

Operational Programs under NGEU:	Funds Allocated, EUR bn in current prices
Recovery and Resilience Facility	723.8
ReactEU	50.6
Horizon Europe	5.4
InvestEU	6.1
European Agricultural Fund for Rural Development	8.1
Just Transition Fund	10.9
RescEU	2.0
Total	806.9

MFF 2021 – 2027 & Next Generation EU



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

MFF 2021-2027 ⁽¹⁾		Next Generation EU (NGEU) ⁽¹⁾	
Cohesion Policy*	EUR 29.2 bn	Recovery and Resilience Facility (RRF)	EUR 29.2 bn: (EUR 14.2 bn in form of grants, EUR 14.9 bn in form of loans)
Common Agricultural Policy	EUR 20.7 bn	REACT-EU 2021/2022	EUR 1.5 bn (EUR 1.3 bn / 0.2 bn)
Just Transition Fund (EU Green Deal)	EUR 0.9 bn*	Just Transition Fund	EUR 1.2 bn (p)
		European Agricultural Fund for Rural Development	EUR 0.7 bn
Total MFF	EUR 49.9 bn	Total NGEU	EUR 32.6 bn
Total allocated EU Funds		~ EUR 82.5 bn (p)**	

- The **NGEU amount** represents 4%⁽²⁾ of the total value of this fund, Romania receiving the **5th highest allocation of all EU member states**, taking into account the analysis made at the moment of launching the Next Generation EU through the **Recovery and Resilience Facility (RRF)**
 - In 2021 Romania received a pre-financing amount of 13% from the Recovery and Resilience Facility / RRF of EUR 1.851.159.668, from the grant RRP allocation and on January 13th, 2022 Romania received a pre-financing of EUR 1.942.479.890, from the loan RRP’s allocation.
 - Romania aims to access the full RRF allocation of 29.2 billion euro both on grants and loans.
 - Romania has received, so far, amounts from two payments requests, as follows:
 - ✓ Payment request no 1: On October 27, 2022, the European Commission, following the positive assessment, transferred to the National Bank accounts EUR 2.56 billion EUR (grant component approx. 1.77 billion EUR and the loan component – 0.78 billion EUR).
 - ✓ Payment request no 2: On 29th September, the European Commission, following the positive assessment, transferred to the National Bank accounts EUR 2.76 billion EUR (grant component approx. 1.87 billion EUR and the loan component – 0.89 billion EUR).
 - Throughout 2023, Romania concentrated its efforts to revise the NRRP and introduce the new RePower EU chapter. On December 15, 2023 Romania submitted the third payment request
 - The payment requests are approved based on a satisfactory assessment on the fulfilment of milestones and targets for each reform and investment included in the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Romania.
 - Through the NGEU, Romania intends **to address investment needs in the private sector** by providing grants and support programs. The decision aims to ensure working capital measures, by financing:
 - > investment needs; economic growth measures; companies digitalization schemes and measures to support employment growth.
- * Cohesion Policy funds are fair balanced through the Partnership Agreement (PA) in 8 regional programmes and 8 sectorial/national programmes: Sustainable Development, Transport, Health, Education and Employment, Inclusion and Social Dignity, Just Transition, Smart Growth, Digitalization and Financial Instruments and Technical Assistance.
- The PA was approved on 25 of July 2022 and all the 16 programmes were also approved in 2022. After the approval of the programmes, the European Commission started to pay the prefinancing, according to the provisions of the regulations applicable to the 2021-2027 programming period. As of December 2023, the total amounts received from EC, representing prefinancing for the programmes financed by the Cohesion Policy, are of approx. EUR 753 million which represents approx. 2.4% of the EU allocation of the programmes.

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

Key measures of Romania's National Recovery and Resilience Plan



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41% of the NRRP total allocation for reforms and investments supports climate objectives

- Railway modernisation: modernising railway infrastructure, including electrified or zero-emission railways and rolling stock (**EUR 3.9 billion**).
- Urban mobility: infrastructure for a green and more secure urban transport (**EUR 1.8 billion**).
- Clean energy production: phasing-out of coal and lignite power production, deployment of renewables as well as related production processes, and hydrogen (**EUR 855 million**).
- Energy efficiency of buildings: energy-efficient renovation and seismic renovation of buildings to reduce CO2 emissions by at least 0.15 million tons in private buildings and 0.075 million tons in public buildings (**EUR 2.7 billion**).
- Biodiversity and environmental protection: afforestation and reforestation and forest nurseries, as well as other biodiversity measures for ecological reconstruction and species protection (**EUR 1.1 billion**).

21% of the NRRP total allocation for reforms and investments supports digital objectives

- Digitalisation of public administration: digitalising public administration in key areas such as justice, employment and social protection, environment, civil service management and skills development, public procurement, cybersecurity, tax and customs, while building a secure government cloud infrastructure and supporting eID deployment (**EUR 1.5 billion**).
- Digitalisation of health: developing an integrated e-Health system, connecting over 25,000 healthcare providers and telemedicine systems (**EUR 470 million**).
- Digitalisation of education: improving digital pedagogical skills, educational content and equipment and resources, including in universities (**EUR 881 million**).

Measures to reinforce Romania's economic and social resilience

- Strengthening the public administration: measures reinforcing the effectiveness of the judicial system and fighting corruption will contribute to improving the quality and effectiveness of the public administration.
- Social and territorial cohesion: modernising the Romanian social benefits system by implementing the minimum inclusion income reform, a reform of the pension system, measures to improve the employment and digitising social protection digital systems.
- Fiscal sustainability: Reinforced budgetary framework, better expenditure control and review of taxation, pension system reform, state guarantees for SMEs.
- Strengthened resilience of the health system: investing in modern hospital infrastructure to ensure patient safety and reduce the risk of healthcare-associated infections in hospital settings (**EUR 2 billion**).

Next Generation EU – Recovery and Resilience Facility



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- The first payment request was disbursed by the EC on 27 October 2022 (EUR 2.56 billion from which the grant component amounted to EUR 1.772.317.380 and the loan component amounted to EUR 789.672.460). The following milestones and targets were included in this payment request:
 - 1 Entry into force of the amendments to the Law No 241/2006 on water supply and sewerage
 - 69 Adoption of the strategy for the development of railway infrastructure 2021-2025 and application of the action plan
 - 78 Entry into force of the Law no. 50/2021 for the approval of the Emergency Ordinance no. 55/2016 on the reorganization of the National Company of Highways and National Roads in Romania - S.A. (C.N.A.I.R.) and the establishment of the National Road Investment Company - S.A. (C.N.I.R.)
 - 113 Decommissioning of coal-fired power-production capacity
 - 142 Task-force to implement and monitor Digital Transformation reforms and investments established and operational
 - 146 Entry into force of the 5G network security law
 - 150 Adoption of the National Cybersecurity Strategy 2021-2026
 - 211 Contract technical assistance provided by an entity that shall be selected according to the national public procurement legislation
 - 212 Entry into force of a minister's order setting up a monitoring committee in charge of reviewing, with the support of the technical assistance provider the pension system and the policy interventions in the pension system
 - 220 Number of cash registers connected to the National Agency for Fiscal Administration IT system
 - 247 Signature of the contribution agreement between the European Commission and the Romanian Government.
 - 250 "Signature of the contribution agreement between the European Commission and the Romanian Government."
 - 253 "Signature of the financing agreement between the European Investment Fund and the Romanian Government for the creation of the Recovery Risk Capital Fund ("the Fund") and adoption of the investment policy of the Fund."
 - 259 Signature of the contribution agreement between the European Commission and the Romanian Government.
 - 270 Policy Support Facility (PSF) Reform Implementation Unit established and operational
 - 366 Adoption of criteria for prioritising investments in integrated community centres
 - 426 Entry into force of the legislative act approving new National Anti-Corruption Strategy
 - 450 "Audit and Controls: information for monitoring implementation of the recovery and resilience plan"
 - 451 "Entry into force of a Government Ordinance enacting the legal mandate of the Ministry of Investments and European Projects (MIPE), Ministry of Finance (MoF) and the Audit Authority (AA)"
 - 462 "Entry into force of the Government Decision establishing the implementation of the National Programme to reduce early school leaving"
 - 464 transition from lower to upper secondary education, on the basis of 5 indicators defined in the Early Warning Mechanism in Education

Nota bene: With this request, the Romanian authorities provided detailed and comprehensive evidence demonstrating the fulfilment of all 21 milestones and targets.

Source: Ministry of Investments and European Projects

Next Generation EU – Recovery and Resilience Facility



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



Thank you!

