Romania

Investor Presentation

March 2020

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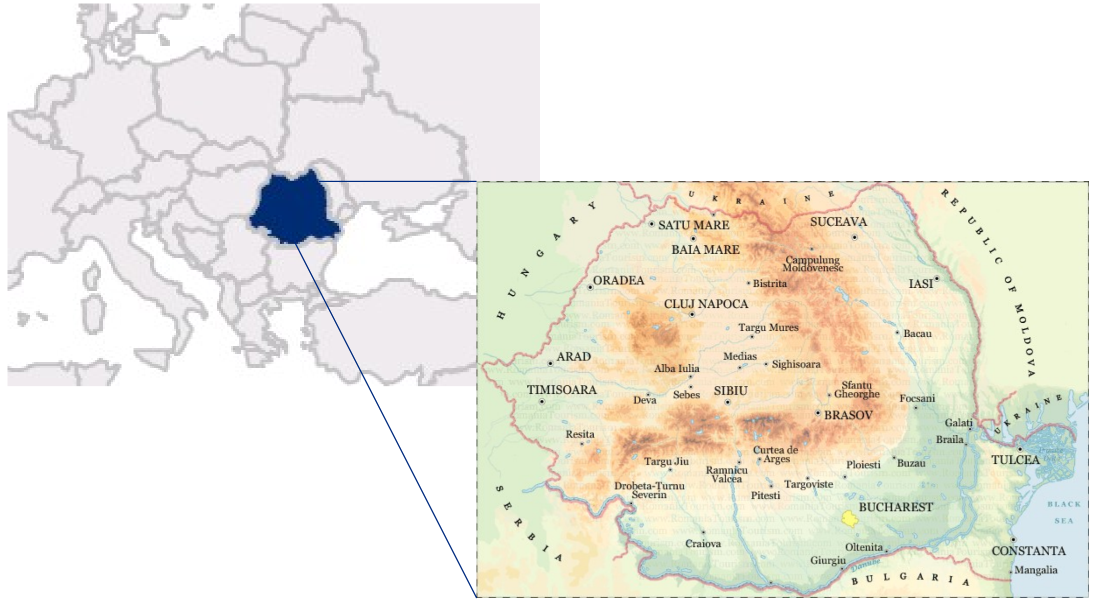
Overview

Snapshot of Romania's Economy

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

Area	238,391 km^2
Population (2019)	c. 19.4 million
Currency	New Romanian Leu (RON)
GDP (2018)	EUR 204.7$^{(s)}$ billion
GDP per Capita (2018)	EUR 10,511$^{(s)}$
Average Real GDP Growth (2007–2018)	3.1%
Average Inflation Rate (2007–2018)	3.5%
Unemployment$^{(1)}$ (January 2020)	3.9%
Public Debt / GDP (February 2020)$^{(2)}$	37.2%



S&P Global	**BBB- / Negative** *since December 10, 2019*
Moody's	**Baa3 / Stable** *since December 11, 2015, confirmed July 17, 2019*
Fitch Ratings	**BBB- / Stable** *since July 4, 2011, confirmed November 8, 2019*

Source: National Institute of Statistics, Eurostat.
(1) Unemployment as a % of active population, ILO methodology (Monthly seasonally adjusted data).
(2) According to EU methodology.
(S) Semi-final 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 3.1% and accelerated to 4.5% during 2013–2018; ▪ After joining the EU, real convergence expressed in GDP per capita in PPS significantly improved from 39%(1) in 2006 to 65% in 2018 of EU average. ▪ Romania’s GDP went up by 1.5% in the fourth quarter of 2019, posting the strongest quarterly advance in the last five quarters. The overall real growth of GDP increased in 2019 to 4.1%, surpassing the projections of international financial institutions.
Well Capitalized and Liquid Banking Sector	▪ NPL ratio(2) showed a sustained downward trend (from 9.6% at end 2016 to 4.96% at end 2018 and 4.08% in December 2019). ▪ No public funds used to bail out local banks. ▪ Very well capitalized banking sector, with a total capital adequacy ratio of 20% as of December 2019. ▪ Stable exchange rate.
Improving Financial Sector	▪ Lasting FDI growth: 30.5% in 2016, 6.2% in 2017, by 9.8 % in 2018 and 2.55% for 11 months of 2019(3) to EUR 5.15 billion. ▪ Constant decrease of the share foreign currency denominated deposits and loans.
Low Public Debt	▪ Public Debt to GDP ratio of 37.2%(4) at end of February 2020, increased compared to 35.4% at end of 2019(4) (Eurostat, ESA methodology), but remains below the spike of 39.2%(5) of 2014 as per Ministry of Public Finance data. ▪ Sustainable debt management policy continued.

(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 (the source for GDP data is the NIS press release no. 61/10.03.2020); (5) Ministry of Public Finance – "Government debt according to EU methodology historical data".

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

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

Convergence Criteria	Maastricht Requirements	Romania	Fulfilment of the criteria
Inflation rate (HICP) (%, annual average)	≤ 1.5 pp above 0.27% the average of the three best-performing EU Member States(1)	3.8% (November 2019)	No
Long-term interest rates (% p.a., annual average)(2)	≤ 2 pp above -0.31% (average of the three best-performing EU Member States in terms of price stability	4.32% (November 2019)	No
Exchange rate vs the euro(3) (2-year maximum percentage change)	± 15%	+3.1 / -0.3% (December 2019)	Yes
General government deficit (% of GDP)(4)	≤ 3%	4.6%	No
Government debt (% of GDP)(5)	≤ 60%	37.2%	Yes

(1) The reference value for November 2019 was calculated by NBR taking into account Italy, Portugal and Belgium, based on Eurostat data.
(2) The reference value for November 2019 was calculated by NBR taking into account Germany, Denmark and Luxembourg, based on Eurostat data.
(3) The reference value for December 2019 was calculated by NBR, based on Eurostat data. Maximum percentage deviations of the bilateral exchange rate against the euro from its December 2017 average level in January 2017 to November 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 December 2017.
(4) December 2019 budget execution. Source: 2019 report on the execution of the general consolidated budget, Ministry of Public Finance.
(5) As at end of February 2020. Source: Monthly Report of the Ministry of Public Finance.

Source: Eurostat and NBR calculations.

COVID-19 – measures aimed at reducing the negative impact

The Government[(1)] has adopted the following measures in order to combat the negative economic effects of the SARS-CoV-2 pandemic:

- state guarantees for investment loans or credit lines for working capital (up to 80% of the value of the loan for SMEs, respectively up to a maximum of 90% of the value of the loan for micro or small enterprises);
- the deadline for the payment of taxes to the local budgets (on buildings, land and means of transport) has been postponed from March 31, 2020 to June 30, 2020;
- companies can submit applications to restructure their budgetary obligations;
- for unpaid fiscal obligations interest and late penalties are not calculated and are not considered due. Forced executions, fiscal control and anti-fraud actions are suspended or not started. These measures apply during the state of emergency and for 30 days after its ending;
- budgetary revisions can be promoted in the first semester of 2020;
- SMEs will benefit from deferred payment for utilities (electricity, natural gas, water, telephone, internet and electricity services) and rent;
- technical unemployment payments will be supported by the state (not more than 75% of the gross average wage);
- quicker VAT refunds and implementation of a new VAT reimbursement mechanism, starting with April 1, 2020;
- suspension of the obligation to pay due installments related to loans for up to 9 months (individuals, SMEs);
- taxpayers paying corporate income tax will benefit from a 5% or 10% discount, calculated on the amount due.

(1) According to Government Emergency Ordinances no. 29, 30, 33 and 37/2020, published in the Official Gazette of Romania.

Strong Economic Growth

Romania's Economy: Macroeconomic Indicators

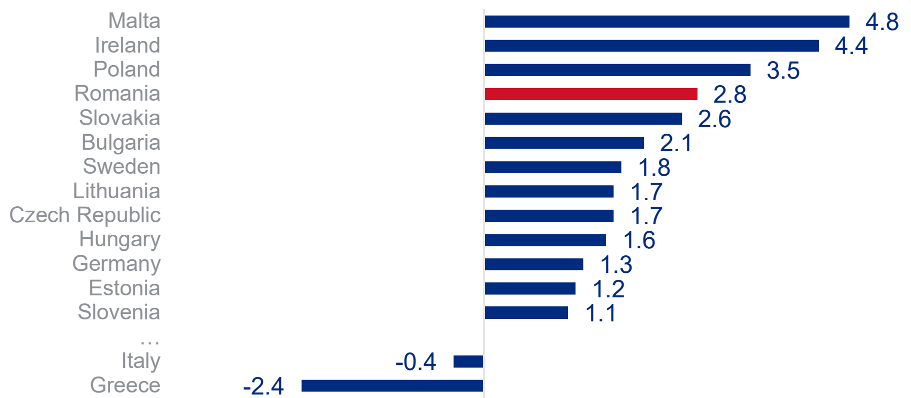
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Macroeconomic Indicators									***Estimate***
Real GDP (% y-o-y)	2.1	3.5	3.4	3.9	4.8	7.1	4.4	4.1	4.1
Inflation rate (%, e.o.p.)	5.0	1.6	0.8	(0.9)	(0.5)	3.3	3.3[1]	3.8	3.0
Inflation rate (%, annual average)	3.3	4.0	1.1	(0.6)	(1.5)	1.3	4.6[1]	3.8	3.1
Budget balance (% GDP, cash)	(2.5)	(2.5)	(1.7)	(1.4)	(2.4)	(2.8)	(2.8)	(4.6)	(3.6)
Budget balance (% GDP, ESA2010)	(3.7)	(2.1)	(1.3)	(0.6)	(2.6)	(2.6)	(3.0)	(4.6)	(3.6)
Government debt (% GDP, EU methodology)	37.0	37.6	39.2	37.8	37.3	35.1	34.7	35.4	36.5
Exports of goods (%, y-o-y)	(0.5)	10.0	6.7	4.9	6.2	9.2	8.1[(S)]	2.7[2]	4.5
Current account balance (% GDP)	(4.8)	(0.8)	(0.2)	(0.6)	(1.4)	(2.8)	(4.4)	(4.9)	(4.5)
Interest And Exchange Rates									
NBR policy rate (%, e.o.p)	5.25	4.0	2.75	1.75	1.75	1.75	2.50	2.50	2.00
Credit facility rate	9.25	7.00	5.25	3.25	3.25	2.75	3.50	3.50	2.50
Deposit facility rate	1.25	1.00	0.25	0.25	0.25	0.75	1.50	1.50	1.50
Average exchange rate (RON/EUR)	4.46	4.42	4.44	4.45	4.49	4.57	4.65[1]	4.74	4.75
Labor Market Indicators									
ILO unemployment rate (%)	6.8	7.1	6.8	6.8	5.9	4.9	4.2	3.9	3.8

Source: National Institute of Statistics, National Commission for Strategy and Prognosis (Autumn forecast 2019), Budget Law no 50/2019, Fiscal Budgetary Strategy 2020-2022 (Ministry of Finance);
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; 1 – final data; 2 - Assumption from November 2019 bugetary revision.

Growth Supported by Domestic Demand and Capital Formation

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

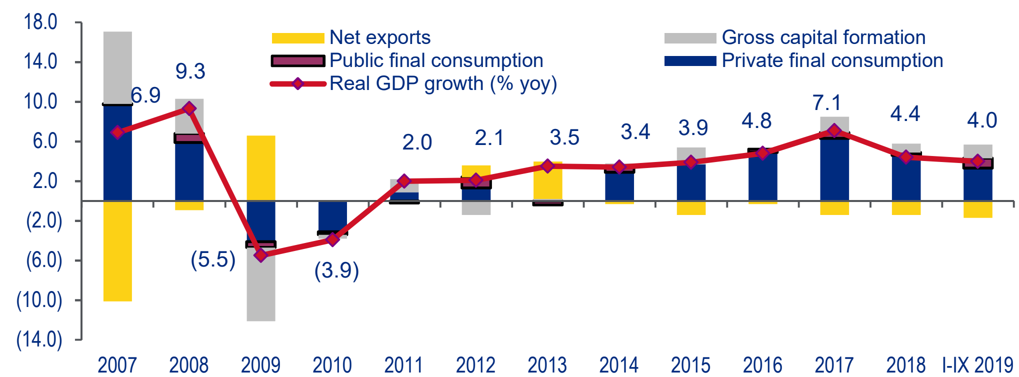
% GDP Growth, Average 2008–2018



Source: Eurostat

…with GDP Growth Underpinned by Strong Domestic Demand

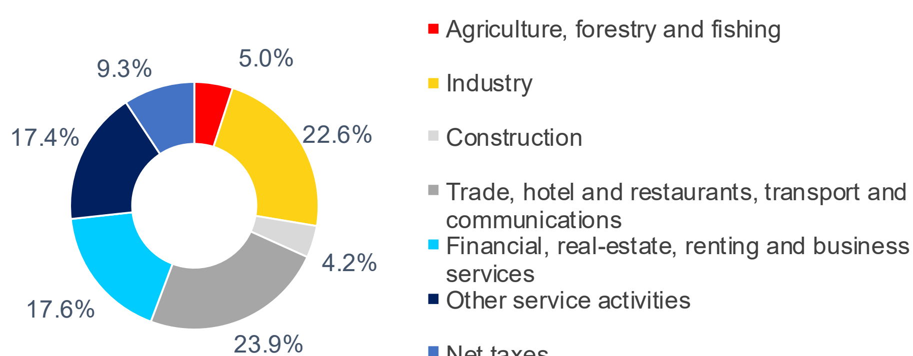
GDP Components, Percentage Points



Source: NIS

The Romanian Economy is Diversified

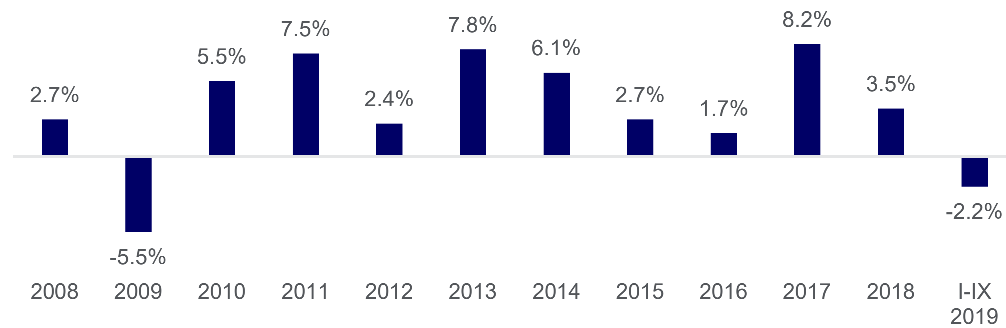
Structure of Gross Domestic Product by Sectors in Jan - Sep, 2019, %



Source: NIS

Industry Slump Offset by Consumption and Capital Formation

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



Source: NIS

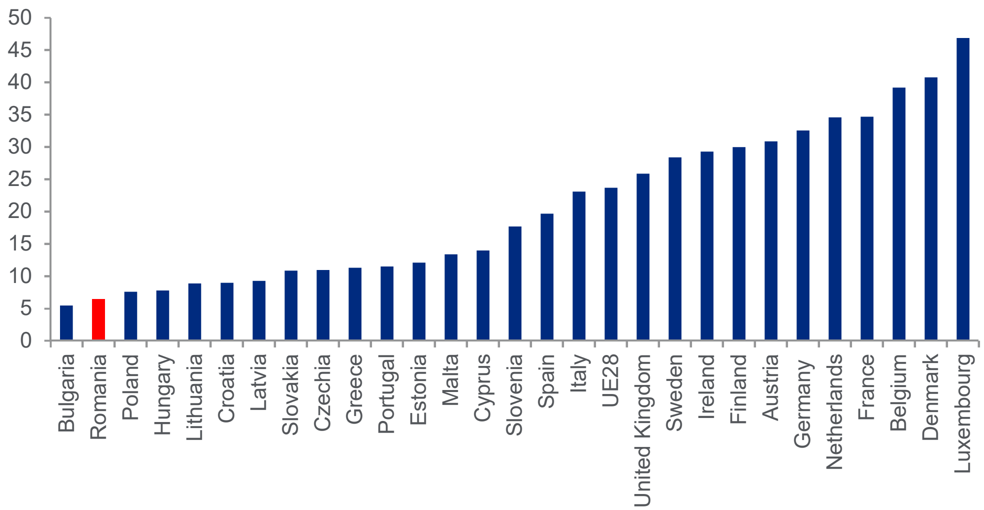
Labour Market Conditions Supportive of Long-Term Growth

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

- 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 2020 was 3.9%, one of the lowest in the EU member states.

Low Labour Costs

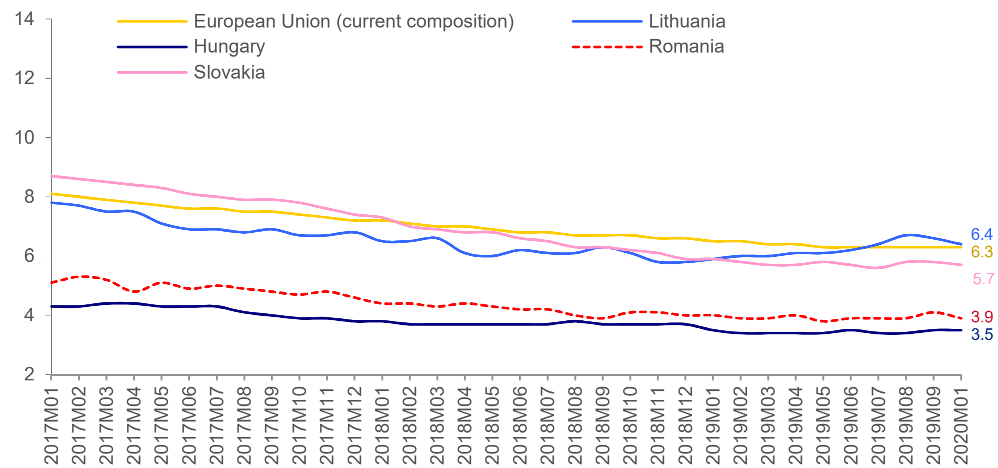
Labour Costs per Hour as of 2018, EUR



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

2019 Budget: Overview and Assumptions

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

2019 Budget Execution – Deficit of 4.6% of GDP

- Revenues to the general consolidated budget, in the amount of RON 321.13 bn, increased by 8.8% in nominal terms compared to the same period of last year
  - Increases in the collection of: insurance contributions (+13.6%), corporate tax (+13.2%), excises (+10.3%);
  - The collection of VAT increased by 9.7% as compared to the same period of last year. Reimbursments from the EU amounted to RON 25.32 bn.
- The expenditures of the general consolidated budget, in the amount of RON 369.43 bn, increased in nominal terms by 14.7% YoY compared to the same period of last year
  - Personnel expenditures increased by 18.8%;
  - Expenditures on goods and services increased by 18.3%, while the expenditure for social assistance increased by 13.2%;
  - Investment expenditure amounted to RON 43.61 bn, 27.4% higher than the same period of last year. Subsidies expenditure amounted to RON 7.1 bn (0.7% of GDP), at the same level as in 2018.

The execution of the general consolidated budget, during the period of 1 January 2019 to 31 December 2019, ended with a cash deficit of RON 48.3 bn, or 4.6 per cent. of GDP.

Macroeconomic Assumptions for the 2019 Budget	2019 August revision	2019 November revision
GDP (RON bn)	1,031.0	1,040.8
Real Growth Rate (%)	**5.5**	**4.0**
Inflation / end of year (%)	3.2	3.8
Inflation / annual average (%)	3.4	3.8
Average number of employees (‘000s)	5,282	5,170
No. of unemployed persons registered as at the end of year (‘000s)	287	287
- Rate of registered unemployment (%)	3.2	3.2
Gross average salary (RON / month)	5,163	4,945
Goods exports – growth rate (%)	8.9	2.7
Goods imports – growth rate (%)	9.4	4.0

Source: Ministry of Public Finance

2020 Budget: Overview and Key Assumptions

Revenue Measures

- Correcting the measures from the emergency government ordinance 114/2018:
  - Eliminating bank asset tax starting with 2020
  - Gradual elimination of the turnover tax in energy sector
- Minimum wage increase starting from 1 January 2020 with 7,2% from 2080 Ron to 2230 Ron per month.

Expenditure Measures

- Starting with January 2020, the amount of bonuses, allowances and compensations are maintained at the level of December 2019 (e.g.: food allowance, merit allowance, holiday vouchers, etc.)
- Starting with January 1, 2020, the monthly allowances for public dignity functions and the functions assimilated to them, are maintained at the level of December 2019;
- Streamlining of the central public administration, considering the reduced number of ministries to 16, with expected savings in personnel and goods and services.
- Reducing funds allocated to the National Program of Local Development (PNDL) and increasing the scope for EU funds in local investment.

Macroeconomic Assumptions for the 2020 Budget	
GDP (RON bn)	1,129.2
Real Growth Rate (%)	**4.1**
Inflation / end of year (%)	3.1
Inflation / annual average (%)	3.0
Average number of employees ('000s)	5,268
No. of unemployed persons registered as at the end of year ('000s)	275
- Rate of registered unemployment (%)	3.0
Gross average salary (RON / month)	5,429
Goods exports – growth rate (%)	4.5
Goods imports – growth rate (%)	5.5

Source: Ministry of Public Finance

February 2020 Budget Execution – Deficit of 0.73% of GDP

- Revenues to the general consolidated budget, in the amount of RON 51.28 billion, increased by 9.8% in nominal terms compared to the same period of last year.
  - Increases in the collection of: social security contributions (+11.2%), income tax (+16.2%) and excises (+11.3%).
  - The collection of VAT increased by 6.7% as compared to the same period of last year.
  - Revenues from taxes on the use of goods have increased by 24.6%.
  - Non-tax revenues increased by 9.4% as compared to the same period of last year.
  - Reimbursments from the EU amounted to RON 2.4 billion, up by 2.7% compared to the same period of last year.

- The expenditures of the general consolidated budget, in the amount of RON 59.58 billion (5.2% of GDP), increased in nominal terms by 14.8% YoY compared to the same period of last year.
  - Personnel expenditure increased by 9.9%, compared to the same period of last year.
  - Goods and services expenditures increased by 13.9%, while the expenditure for social assistance increased by 16%.
  - Investment expenditure amounted to RON 3.2 billion, almost two times higher than the same period of last year.
  - Other transfer expenditures decreased by 12.3%, compared to the same period of last year.

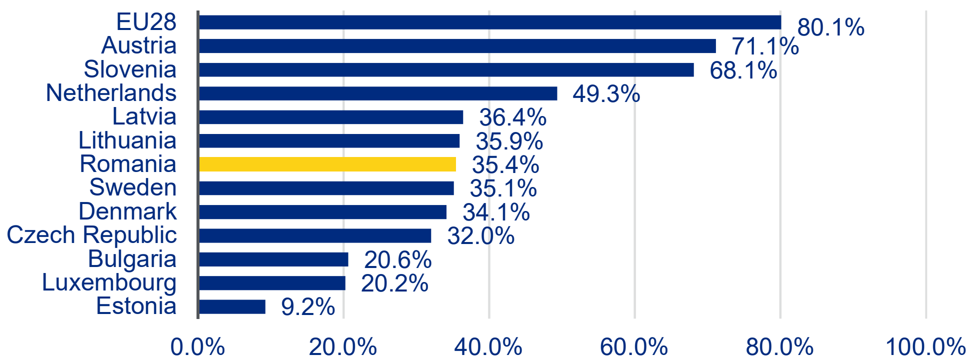
Source: Ministry of Public Finance.

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 2019, %

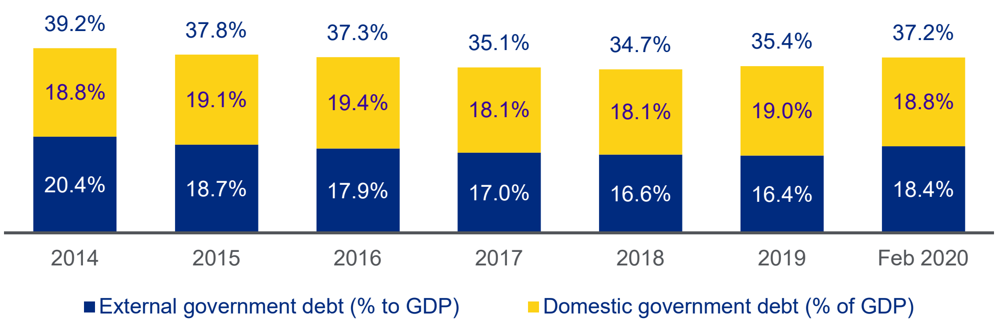


Source: Eurostat News release no. 15/21.01.2020.

(% of GDP)	2016	2017	2018	2019	2020F
Gross Financing need, Out of which:	9.0%	7.6%	7.4%	8.7%	7.7%
– Budgetary Deficit	2.4%	2.8%	2.8%	4.6%	3.6%
– Refinancing of Public Debt	6.6%	4.8%	4.6%	4.1%	4.1%
Foreign Currency Buffer(1)	3.6%	2.8%	2.6%	1.8%	2.5%
Net Government Debt(1)(2)	33.7%	32.3%	32.1%	33.6%	34%

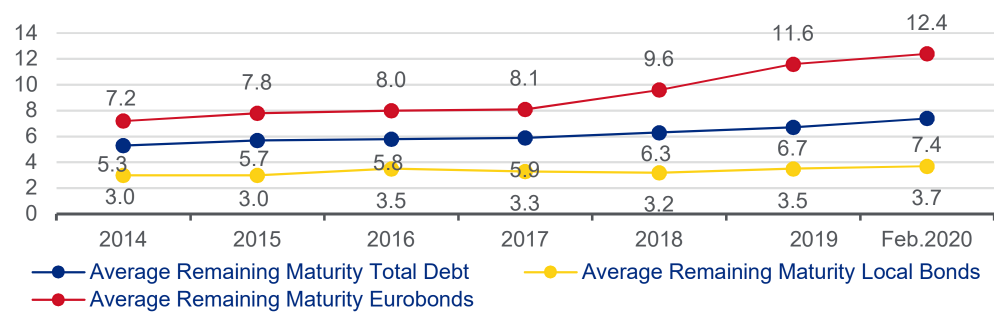
Debt / GDP Ratio is Stable…

General Government Debt / GDP ESA 2010 – December 2019



…with a Prudent Maturity Profile

Average Remaining Maturity in years



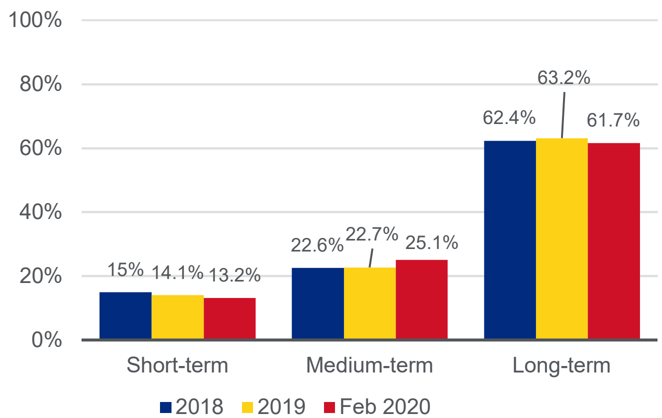
Source: Ministry of Public Finance (public government debt according to the national legislation, without temporary financing).

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

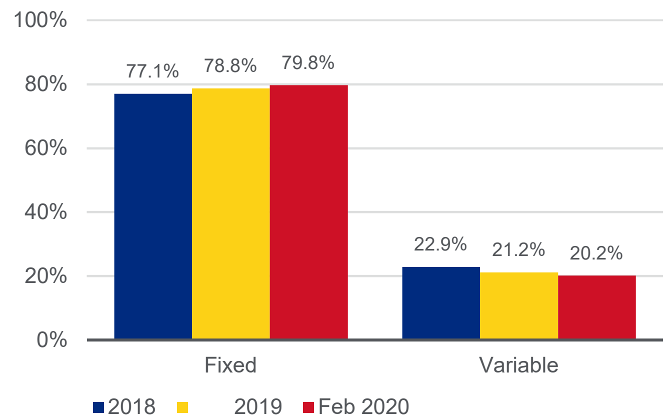
(1) Source: Ministry of Public Finance, Historical compilation of the Public Debt Bulletin; (2) Calculated as Gross government debt (EU Methodology) – Foreign currency buffer; Note: for 2020, the source for GDP data is NCSP (Winter Forecast, February 2020)

Stable Government Borrowing Profile

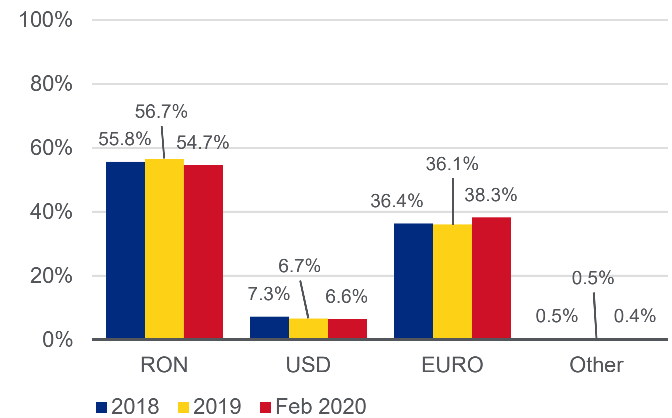
Increasingly Long Tenor Borrowings…



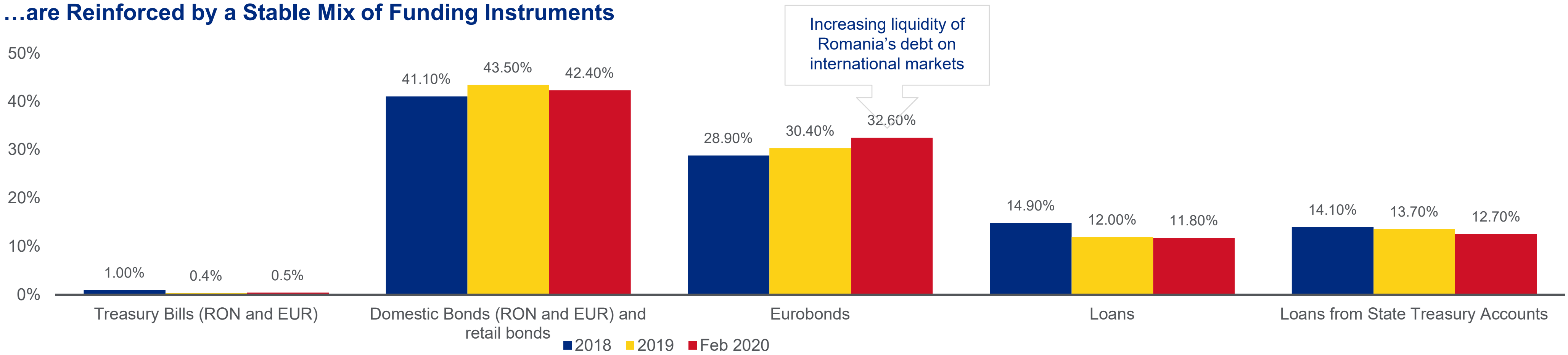
…Mostly Paying Fixed Interest…



…Primarily in RON and EUR…



…are Reinforced by a Stable Mix of Funding Instruments



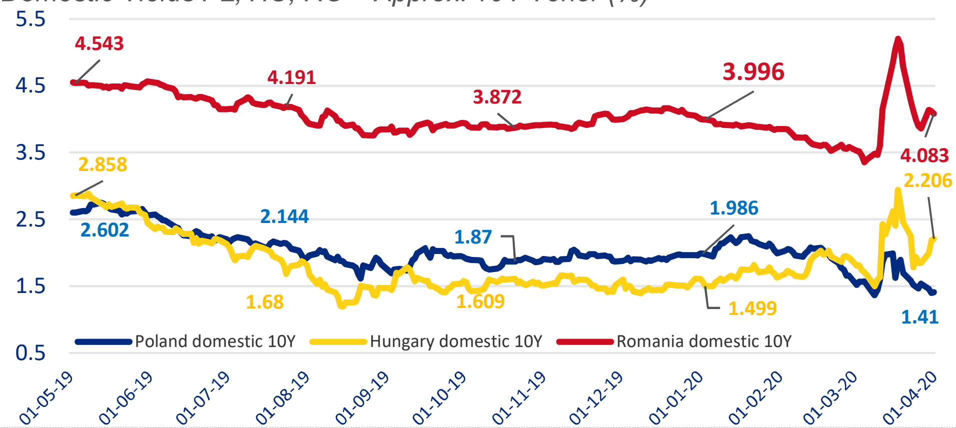
Source: Ministry of Public Finance. Historical compilation of the Public Debt Bulletin.
Note: Based on national legislation.

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

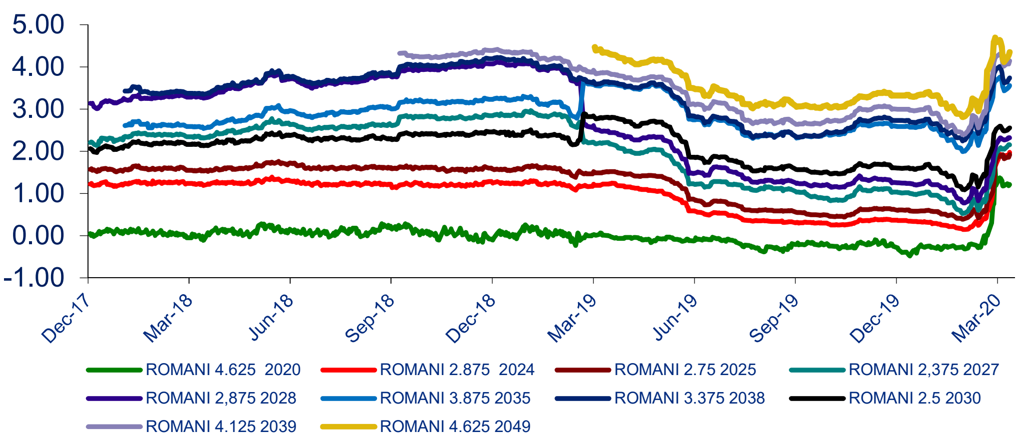
Yields have been relatively stable, on Romania's domestic debt…

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



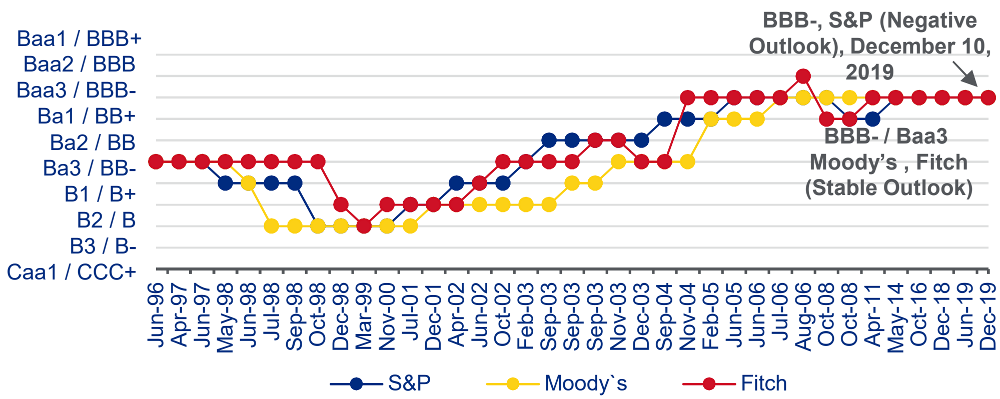
…and on its foreign debt

Bid Yields of Romanian EUR Eurobonds, %



Romania Regained Full Investment Grade Status in 2014

Romania's Credit Rating History



Source: Market data.

Instruments

- On the domestic government securities market, MoPF intends to issue a wide range of maturities between 6 months and 15 years on the interbank market, building liquid benchmarks to an equivalent of about EUR 2.5 billion
- In 2020 MoPF will continue to issue retail bonds with 1 to 5 years maturity via treasury offices, postal units and banks; the indicative target amount to be issued for retail investors is RON 6 billion (equivalent to around 10% of the government securities issued on domestic market).

Well diversified Investor base

- *Holders of domestic market government securities (end of February, 2020)* [1]
  - Local commercial banks 44.6%
  - Pension funds 19.4%
  - Non-residents 21.2%
- *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 27% on average, France and Benelux around 10% etc.); US (around 29-30%); Central and Eastern European states (usually around 10%) and investors from the Middle East and Asia (with an average participation of around 2–3%).

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

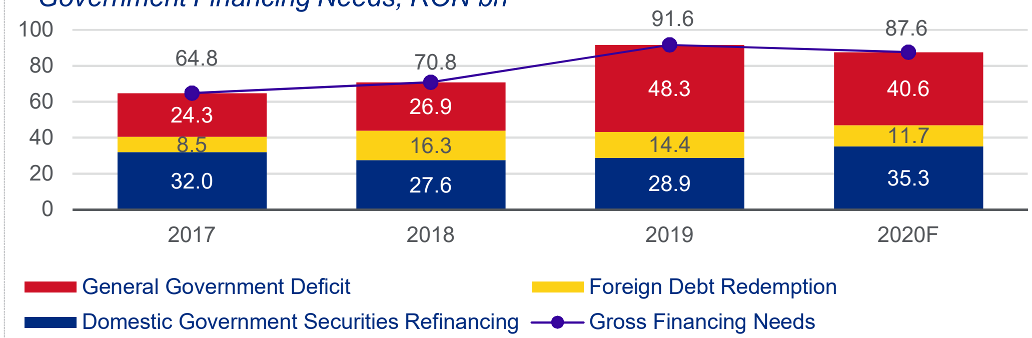
Prudent Debt Management Policy

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).
- A hard currency buffer has been built up to cover around four months of gross funding needs

Financing Needs

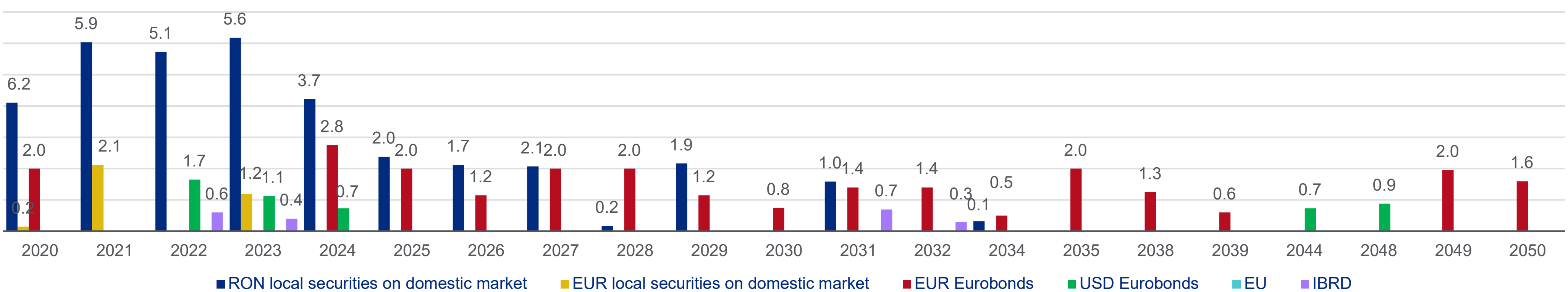
Government Financing Needs, RON bn



Source: Ministry of Public 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



Source: Ministry of Public Finance. Data as of March 4, 2020.

Prudent Debt Management Policy (Cont'd)

Sovereign Debt Risk Management Targets

	Parameters[1]	Levels as of February 2020	Levels as of December 31, 2019	Indicative Targeted Min / Max Ranges (2019–2021)[4]
Currency Risk	Share of domestic currency debt, % of total	48.1	49.8	45–60
	Share of EUR debt out of total foreign-currency denominated debt, %	84.4	83.4	80–95
Refinancing Risk	Debt maturing in one year, % of total	12.0	12.0	10–20
	Local currency debt maturing in one year, % of total	12.0	17.0	15–25
	ATM[2] for total debt, years	7.4	6.7	6.0–7.0
	ATM[2] for local currency debt, years	4.4	4.1	3.5–5.0
Interest Rate Risk	Debt re-fixing in one year, % of total	14.0	14.0	10–20
	Local currency debt re-fixing in one year, % of total	12.0	17.0	15–25
	ATR[3] for total debt, years	7.4	6.8	6.0–7.0
	ATR[3] for local currency debt, years	4.4	4.1	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 2019–2021

- The net financing mainly in local currency is as a move to further facilitate the development of the domestic market of government securities and help mitigate foreign currency exposure, at the same time considering the domestic market absorption capacity and, in general, the demand for debt instruments denominated in lei, as well as the need for a further diversification of the investor base of government securities.
- Depending on the market circumstances, the Ministry of Public Finance takes into consideration to partially pre-secure the next year's estimated financing needs.
- Pursue a smooth redemption profile, avoiding to the extent possible the concentration of principal repayments/refinancing of government securities in the short-term.
- Mitigate the refinancing risk and the liquidity risk by maintaining a foreign currency buffer at a comfortable level and possibly by using other instruments depending on the terms and conditions thereof.
- Maintain a presence on the international capital markets, through issuances of Eurobonds mainly in Euro and access the USD market or other foreign currency markets on an opportunistic basis, giving consideration to the extension of the debt portfolio average maturity and taking into account the cost/risk ratio associated thereto and the diversification of the investment base.
- In the process of external financing, the debt will be contracted mainly in euros.
- The euro issuances on the domestic market will be considered only if there is a special demand from domestic investors in the absence of alternative lending instruments, provided that there is a beneficial maturity/cost ratio.
- Maintain the exposure to interest rate risk under control by monitoring the share of domestic debt refixing within the next year and the average time to refix for the total portfolio.
- Use financing instruments offered by the international financing institutions to benefit of the favorable terms and conditions attached to those instruments.

(1) Relates to government public debt according to national legislation excluding temporary financing; (2) ATM – average time to maturity; (3) ATR – average time to re-fixing; (4) According to the Debt Management Strategy for 2019–2021, approved by the Government at the beginning of September 2019, indicative targets for managing the financial risks of the debt portfolio are proposed.

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	Dec 2019	Jan 2020	Feb 2020
		EUR bn	%	%	%	%	%	%	%	%
RO Program(1)	Economic, social, balanced and sustainable regional development	3.71	57	64	85	93	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
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
SOP Increase of Economic Competitiveness	Fostering growth towards a knowledge-based economy	2.54	57	76	105[3]	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
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
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
Total		**17.57[4]**	**52**	**63**	**83**	**89**	**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 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	Dec 2019	Jan 2020	Feb 2020
OP Technical Assistance	0.25	0	0	23.28	37.29	56.90	56.90	58.56
OP Competitiveness	1.33	0	0	6.48	17.01	25.38	25.38	26.02
OP Human Capital (including Youth Employment Initiative: EUR 0.11bn)	4.37	0	0	0.09	14.87	25.28	25.28	26.25
OP Administrative Capacity	0.55	0	0	4.15	12.95	23.23	23.23	23.27
OP Large Infrastructure	9.22	0	0	10.13	17.77	25.24	25.24	25.96
OP Regional	6.76	0	0	0.41	12.78	22.86	22.86	22.86
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	22.88	22.23
OP Aid for the Most Deprived	0.44	0	0.97	17.37	17.35	30.27	30.27	30.27
Total	**23.50**	**0**	**0.02**	**5.62**	**15.65**	**24.87**	**24.90**	**25.40**

- 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 December 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 12 bn, which means approx. 38% of the EU allocation for these programs (about EUR 31 bn).

Increased Focus on Controls

- **Performance Oriented:** There is a monitoring framework, including milestones and specific targets corresponding to each operational programme
  - Their completion is 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!