



# Romania

## Investor Presentation

September 2018

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# Overview



# Snapshot of Romania's Economy



Overview

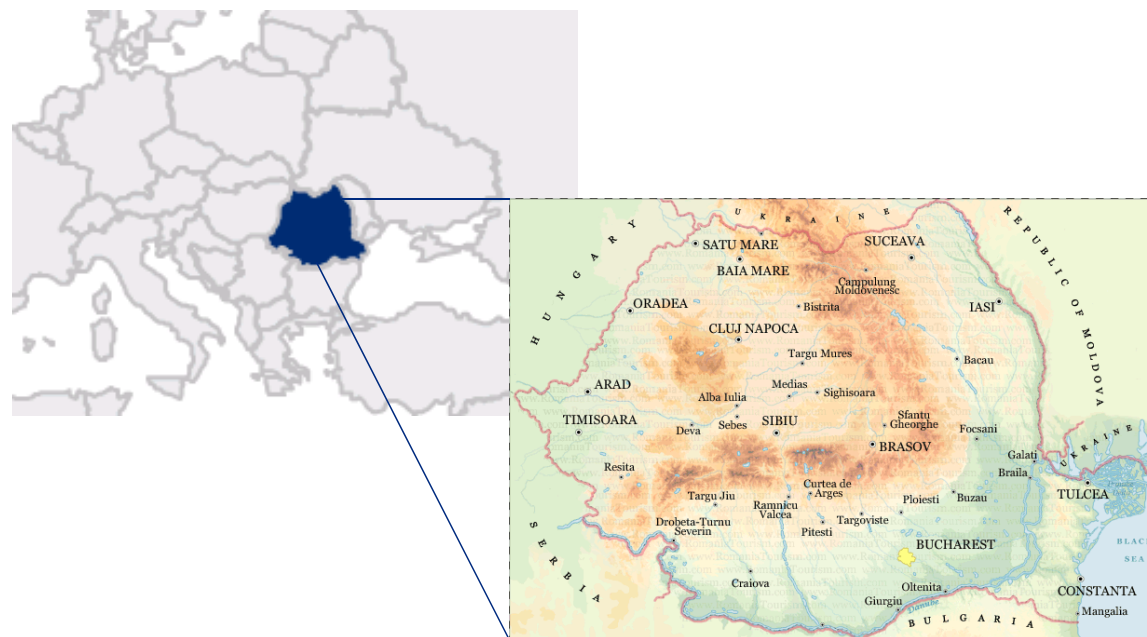
Strong Economic Growth

Sustainable Fiscal Policy

Prudent Public Debt Management

EU Funds Absorption

Area	238,391 km <sup>2</sup>
Population (2017)	c. 19.6 million
Currency	New Romanian Leu (RON)
GDP (2017)	EUR 188 billion
GDP per Capita (2017)	EUR 9,592
Average Real GDP Growth (2007–2017)	2.9%
Average Inflation Rate (2007–2017)	3.4%
Unemployment <sup>(1)</sup> (April 2018)	4.6%
Public Debt / GDP (end 2017) <sup>(2)</sup>	35.0%



**S&P Global**

**MOODY'S**

**Fitch Ratings**

**BBB- / Stable** since May 16, 2014,  
confirmed March 2, 2018

**Baa3 / Stable** since December 11, 2015,  
confirmed March 6, 2018

**BBB- / Stable** since July 4, 2011,  
confirmed January 19, 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.

# 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 2.9% and during 2013–2017 accelerated to 4.5%
- After joining the EU, real convergence, expressed in GDP per capita in PPS, of EU average, significantly improved from 39%<sup>(1)</sup> in 2006 to 63% in 2017
- In 2017 real GDP growth was 6.9% driven by:
  - On the demand side: final consumption (+8.4% YoY), gross fixed capital formation (+4.7% YoY);
  - On the supply side the GVA<sup>(2)</sup> growth of agriculture (18.3% YoY), industry (8.0% YoY) and services (6.5% YoY).
- The forecasted GDP growth for 2018 is 5.5% and 5.7% for 2019

### Well Capitalized and Liquid Banking Sector

- NPL ratio<sup>(3)</sup> showed a sustained downward trend (from 9.6% at end 2016 to 6.4% at end 2017 and 6.2% in March 2018 – prudential data)
- No public funds used to bail out local banks
- Very well capitalized banking sector, with an average total capital (solvency) ratio of 17.9% as of March 2018
- Stable exchange rate

### Improving Financial Sector

- FDI increased by 30.5% in 2016, by 1.4% in 2017 and by 27.2% in the first six months of 2018<sup>(4)</sup>, compared to H1 2017
- Constant decrease of foreign currency denominated deposits and loans

### Low Public Debt

- Public Debt to GDP ratio of 34.9% at end of July 2018, down from 35.0% at end of 2017<sup>(5)</sup> (Eurostat, ESA methodology)
- Prudent debt management policy

(1) Source: Eurostat; (2) Gross Value Added; (3) Under the EBA Methodology. The same observation applies to data under the national methodology; (4) Source: National Bank of Romania: <http://www.bnr.ro/Direct-investment---directional-principle-12352.aspx>; (5) Source: According to Eurostat News release no. 69/23.04.2018.



## 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



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Convergence Criteria	Maastricht Requirements	Romania
Inflation rate (HICP) (% , annual average)	$\leq 1.5$ pp above 0.6% the average of the three best-performing EU Member States <sup>(1)</sup>	1.1% (December 2017)
General government deficit (% of GDP) <sup>(2)</sup>	$\leq 3\%$	2.9%
Government debt (% of GDP) <sup>(3)</sup>	$\leq 60\%$	35.0%
Exchange rate vs the euro <sup>(4)</sup> (2-year maximum percentage change)	$\pm 15\%$	+1.3 / -3.3% (December 2017)
Long-term interest rates (% p.a., annual average)	$\leq 2$ pp above the average of the three best-performing EU Member States in terms of price stability (1.3% at December 2017) <sup>(5)</sup>	4.0% (December 2017)

(1) The reference value for December 2017 was calculated by NBR taking into account Cyprus, Finland and Ireland, based on Eurostat data.

(2) EDP April 2018, ESA 2010 methodology, Eurostat statistical data

(3) As of end of 2017. MofPF: [http://discutii.mfinante.ro/static/10/Mfp/buletin/executii/EvdatorieguvconformUEenglezadec2017\\_02052018.pdf](http://discutii.mfinante.ro/static/10/Mfp/buletin/executii/EvdatorieguvconformUEenglezadec2017_02052018.pdf)

(4) The reference value for December 2017 was calculated by NBR, based on Eurostat data. Maximum percentage deviations of the bilateral exchange rate against the euro from its December 2015 average level in January 2016 to December 2017 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 2015.

(5) The reference value for December 2017 was calculated by NCP taking into account Cyprus, Finland and Ireland, based on Eurostat data.

Source: Eurostat, NBR and NCP calculations.



# Strong Economic Growth





# Romania's Economy: Macroeconomic Indicators



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	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Macroeconomic Indicators</b>								<i>Forecast</i>	<i>Forecast</i>
Real GDP (% y-o-y)	2.0	1.2	3.5	3.1	4.0	4.8	6.9	5.5	5.7
Inflation rate (% , e.o.p.)	3.1	5.0	1.6	0.8	(0.9)	(0.5)	3.3	3.5	2.8
Inflation rate (% , annual average)	5.8	3.3	4.0	1.1	(0.6)	(1.6)	1.3	4.7	2.8
Budget balance (% GDP, cash)	(4.2)	(2.5)	(2.5)	(1.7)	(1.4)	(2.4)	(2.8)	(3.0)	(2.6)
Budget balance (% GDP, ESA2010)	(5.4)	(3.7)	(2.1)	(1.4)	(0.8)	(3.0)	(2.9)	(3.0)	(2.4)
Government debt (% GDP, EU methodology)	34.0	36.9	37.5	39.1	37.7	37.4	35.0	35.0	35.3
Exports of goods (% , y-o-y)	22.5	(0.5)	10.0	6.7	4.9	5.1	9.1	8.7	8.6
Current account balance (% GDP)	(4.9)	(4.8)	(1.1)	(0.7)	(1.2)	(2.1)	(3.3)	(3.1)	(2.8)
<b>Interest And Exchange Rates</b>									
NBR policy rate (% , e.o.p)	6.00	5.25	4.0	2.75	1.75	1.75	1.75	2.50	
Credit facility rate	10.00	9.25	7.00	5.25	3.25	3.25	2.75	3.50	
Deposit facility rate	2.00	1.25	1.00	0.25	0.25	0.25	0.75	1.50	
Average exchange rate (RON/EUR)	4.24	4.46	4.42	4.44	4.45	4.49	4.57	4.65	4.62
<b>Labor Market Indicators</b>									
ILO unemployment rate (%)	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.8	4.6

Source: National Institute of Statistics, National Commission of Prognosis – July forecast 2018;

Note: Budget balance (% of GDP cash and ESA2010) for the 2018-2019 period is estimated at the moment of the 2018 Budget adoption.

# Economic Growth Supported by Domestic Demand



Overview

**Strong Economic Growth**

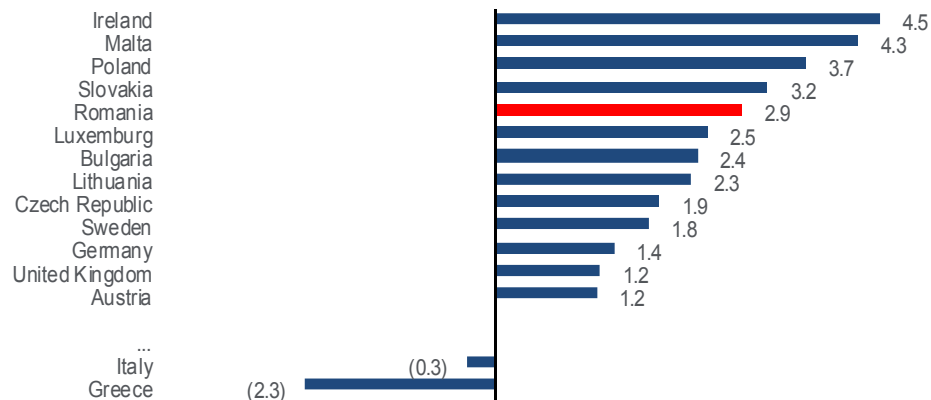
Sustainable Fiscal Policy

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EU Funds Absorption

## Romania is One of the Fastest Growing Economies in the EU...

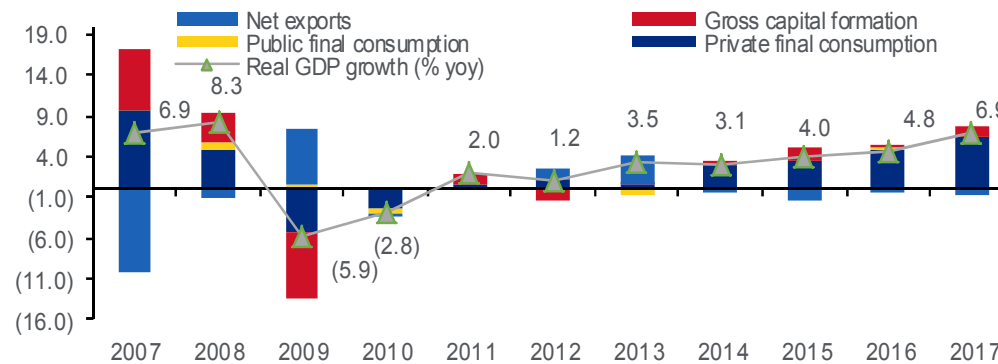
% GDP Growth, Average 2007–2017



Source: Eurostat.

## ...with GDP Growth Underpinned by Strong Domestic Demand

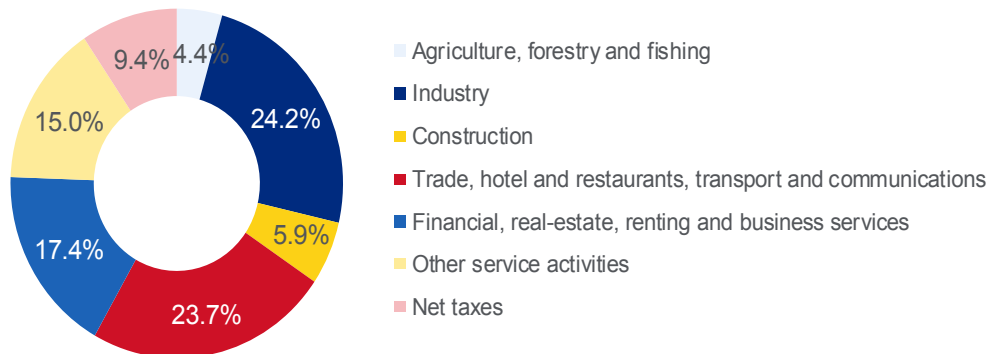
GDP Components, Percentage Points



Source: National Institute of Statistics.

## The Romanian Economy is Diversified

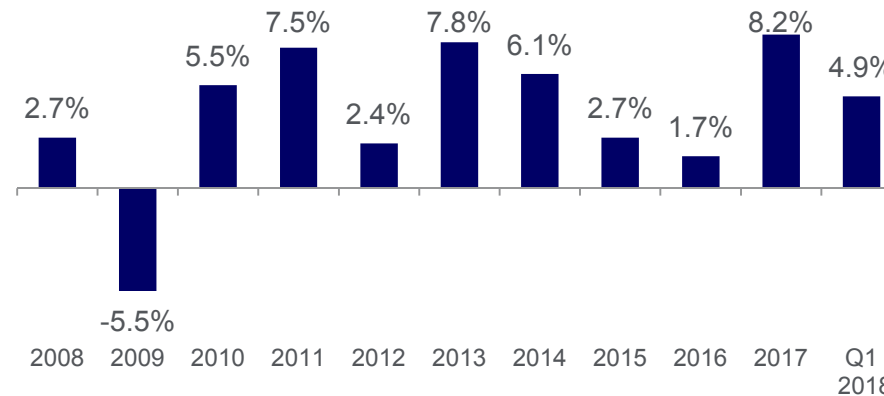
Structure of Gross Domestic Product by Sectors in 2017, %



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



Overview

**Strong Economic Growth**

Sustainable Fiscal Policy

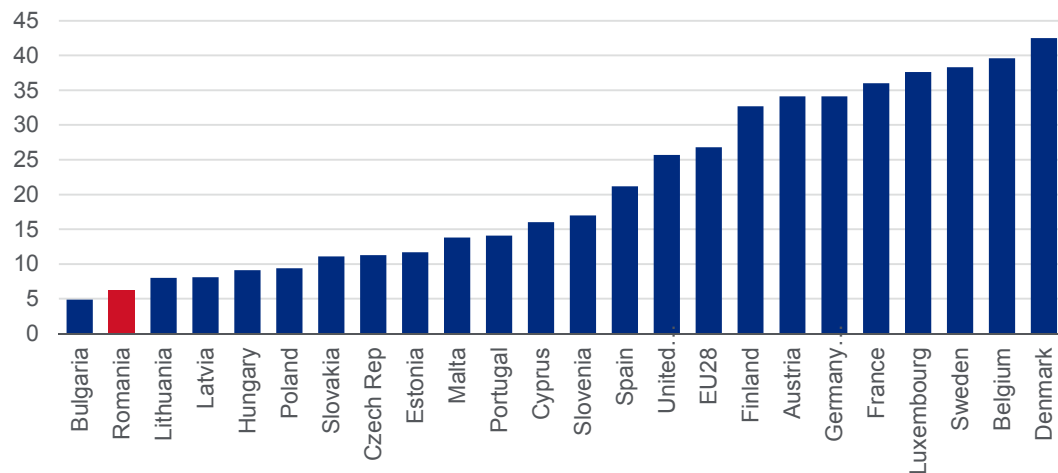
Prudent Public Debt Management

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<sup>(1)</sup>
- Romania's unemployment rate remains substantially lower than the EU28 average
  - The ILO unemployment rate in April 2018 was 4.6%, one of the lowest in the EU member states.

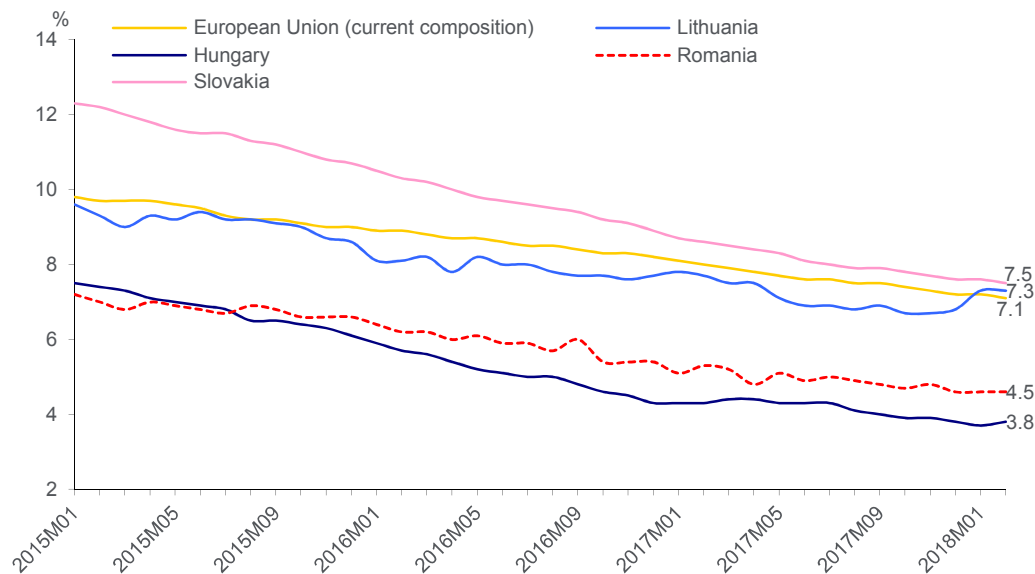
## Low Labour Costs

Labour Costs per Hour, EUR as of 2017



## Low Unemployment

Unemployment rate (monthly, seasonally adjusted)



Source: Eurostat. Data according to ESA 2010 methodology.

Source: Eurostat, ILO Methodology

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



## National Development Bank

- Supporting a sustainable development and addressing the market failures and funding gaps by funding viable projects in the economy (bank-like instruments - lending and guarantees);
- Following the request of the Romanian Ministry of Public Finance, the European Commission, through the Structural Reform Support Program, in June 2017, approved the financing of a project to set up the Romanian National Development Bank (“NDB”);
- The project covers an independent ex-ante assessment on financial market failures to be addressed by the NDB, a pre-feasibility study of two scenarios on the legal and operational structure of NDB, an implementation Study on the selected NDB scenario and a roadmap for the implementation of the NDB of Romania project;
- The project on setting up of the National Development Bank of Romania is under implementation.

## Sovereign Development and Investment Fund (FSDI)

- The objective of FSDI is to develop and finance from own funds and from borrowed funds of profitable and sustainable investment projects, in various economic sectors, by direct participation or through other investment funds or investment companies, alone or together with other institutional or private investors, including through participation in PPP, as well as administration of own financial assets, in order to obtain profit;
- The draft law was approved by the Parliament on June 6th, 2018 and according to it the share transfer to FSDI is realized based on an analysis so that FSDI to be classified outside the general government sector.

# Sovereign Development and Investment Fund (FSDI) - Mechanism



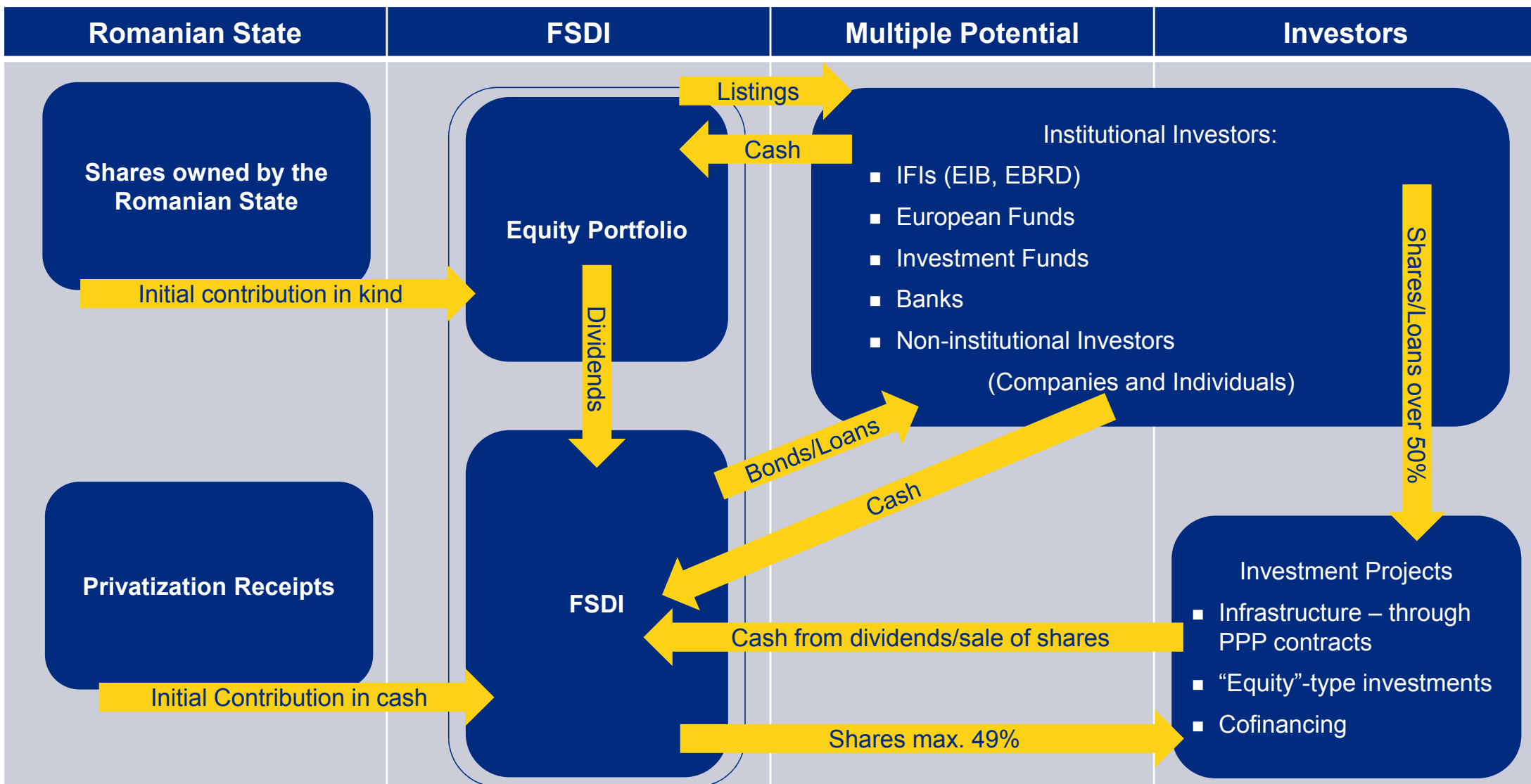
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# Sustainable Fiscal Policy





## Overview

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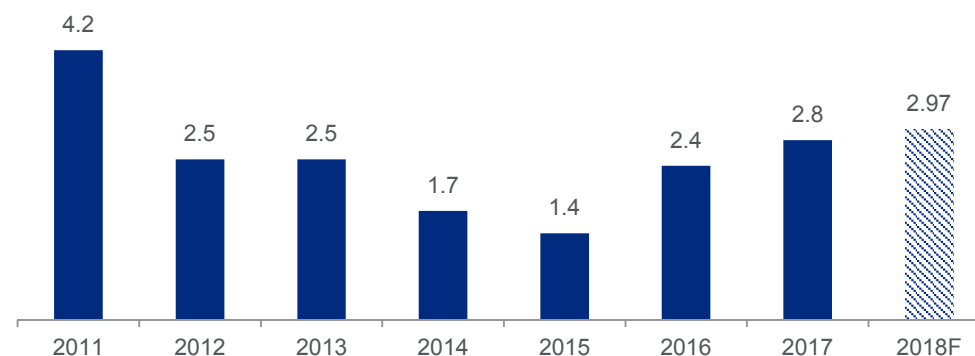
## Prudent Public Debt Management

## EU Funds Absorption

- The Government has addressed pay inequality in public sector by increasing wages, introducing paid overtime and reducing the wage gap
- The increase in public sector salaries aims to improve the standard of life of the general population and diminish social inequalities. Additionally, the measure aims to reduce development gaps between Romania and other EU member states
  - Although the wage increases will add to government expenditure, the budget balance will remain below the 3% threshold and the increased disposable income will support GDP growth

## Fiscal Deficit Has Remained below Maastricht Threshold since 2011

Budget Balance / GDP (%), Cash basis



## 2017 Budget Execution - Revenue Sources

- Revenues to the general consolidated budget, in the amount of RON 251.8 billion (29.9% of GDP), increased by 12.5% in nominal terms compared to the same period of 2016
  - As compared to the same period of 2016, revenues registered increases in the collection of: income and salary tax (+8.6%), social security contributions (+17.0%) and non-fiscal taxes (+21.1%)
  - Revenues from the collection of VAT increased by 3.6%, as compared to the same period of 2016, due to the reduction of the VAT standard rate from 24% to 20% from January 1, 2016, which was reflected from February 2016 and the reduction of the VAT standard rate from 20% to 19% which was reflected from February 2017

## 2017 Budget Execution - Expenditure Items

- The expenditure of the general consolidated budget, in the amount of RON 276.1 billion, increased in nominal terms by 14.0% YoY compared to the same period of 2016
  - Personnel expenditure increased by 22.0%, as compared to the same period of 2016, mainly influenced by salary increases in the second part of 2016
  - Goods and services expenditures decreased by 0.7% YoY, while the expenditure for social assistance increased by 13.1% YoY, as compared to the same period of 2016
  - Investment expenditure, including capital expenditure and the expenditure related to development programs amounted to RON 26.7 billion, representing 3.2% of GDP

# 2018 Budget: Overview and Key Assumptions



Overview

Strong Economic Growth

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EU Funds Absorption

- 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 will represent alongside consumption the main engines to reach the economic growth target of 5.5% in 2018
- In 2018 the public investment expenditures are expected to reach RON 38.5 billion, i.e. 4.2% of GDP
- In the 2018 Budget, European funds of RON 28.4 billion are expected to be attracted

*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

Value

GDP (RON billion)	907.9
<b>Real Growth Rate (%)</b>	<b>5.5</b>
Average exchange rate RON / EUR	4.55
Inflation / annual average (%)	3.1
Average number of employees ('000s)	5,138
No. of unemployed persons registered as at the end of year ('000s)	351
- Rate of registered unemployment (%)	3.9
Gross average salary (RON / month)	4,162
Goods exports – growth (%)	7.6
Goods imports – growth rate (%)	8.7
Current account balance (% of GDP)	(2.6)

Source: Ministry of Public Finance.





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## 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;

## 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 July 1st 2017 – November 30th 2018;
- Minimum monthly salary of RON 1,900 as of January 1st 2018 from RON 1,450;
- The social allowance for pensioners will be RON 640 between July 1st and December 31st 2018;
- The value of the pension point of RON 1,100 as of July 1st 2018;
- Measures to limit spending;

## July 2018 Budget Execution – Deficit of 1.26% of GDP

- Revenues to the general consolidated budget, in the amount of RON 160.8 billion (17.0% of GDP), increased by 13.9% in nominal terms compared to the same period of last year
  - Increases in the collection of: social security contributions (+37.5%) and non-fiscal taxes (+20.7%);
  - The collection of VAT increased by 9.8% as compared to the same period of last year.
- The expenditures of the general consolidated budget, in the amount of RON 172.8 billion, increased in nominal terms by 18.0% YoY compared to the same period of last year
  - Personnel expenditure increased by 25.1%;
  - Goods and services expenditures increased by 8.5%, while the expenditure for social assistance increased by 13.1%;
  - Investment expenditure amounted to RON 10.9 billion, 29.8% more as compared to the same period of last year.

Source: Ministry of Public Finance.



# Prudent Public Debt Management



# Public Debt is on a Sustainable Path



Overview

Strong Economic Growth

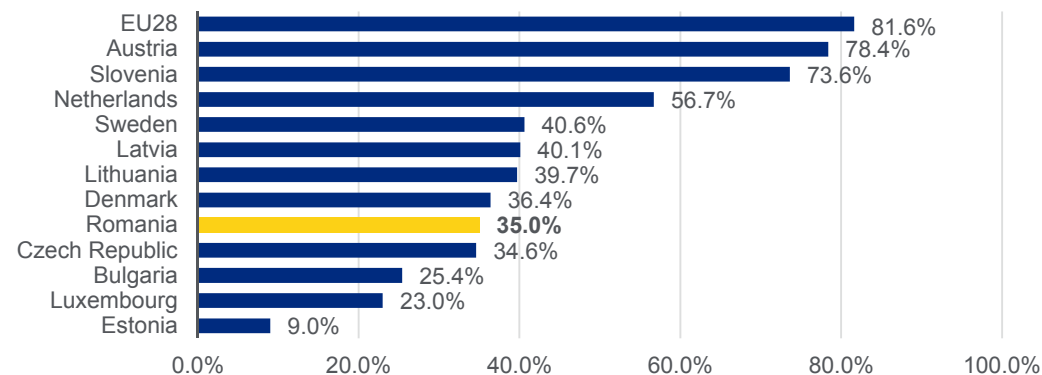
Sustainable Fiscal Policy

**Prudent Public Debt Management**

EU Funds Absorption

## Romania has the Fifth Lowest Debt / GDP Ratio in the EU

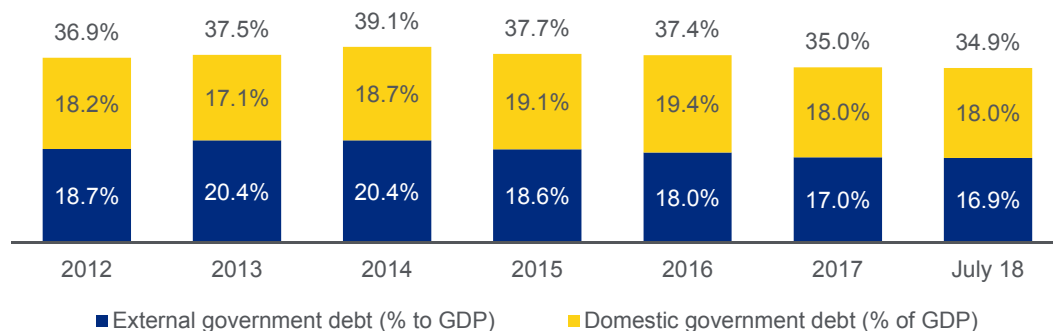
General Government Debt / GDP 2017, %



Source: Eurostat News release no. 69/23.04.2018.

## Debt / GDP is Stable...

General Government Debt / GDP ESA 2010 – July 2018

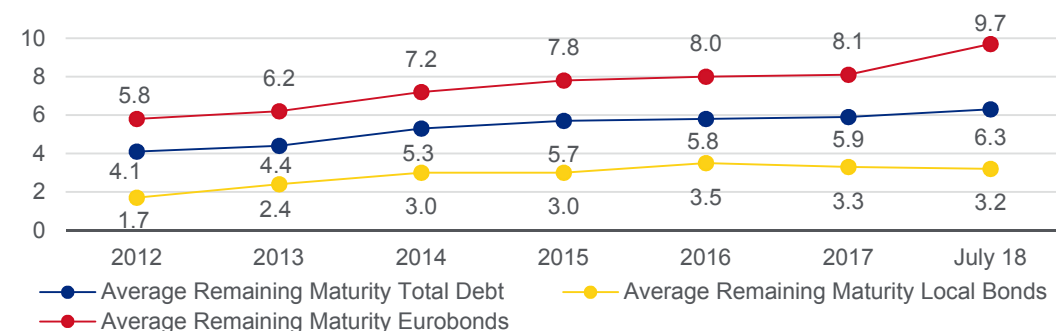


Source: Ministry of Public Finance – (EU Methodology).

(% of GDP)	2014	2015	2016	2017	2018F
<b>Gross Financing need, Out of which:</b>	9.0%	8.8%	9.0%	7.5%	7.6%
– Budgetary Deficit	1.7%	1.4%	2.4%	2.8%	2.97%
– Refinancing of Public Debt	7.3%	7.4%	6.6%	4.7%	4.6%
<b>Foreign Currency Buffer<sup>(1)</sup></b>	4.6%	3.7%	3.6%	2.8%	2.6%
<b>Net Government Debt<sup>(1)(2)</sup></b>	34.5%	34.0%	33.8%	32.2%	32.4%

## ...with a Prudent Maturity Profile

Average Remaining Maturity in years (as of July 2018)



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

(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 Commission of Prognosis as of July 2018; (2) Calculated as Gross government debt (EU Methodology) – Foreign currency buffer;

# Stable Government Borrowing Profile



Overview

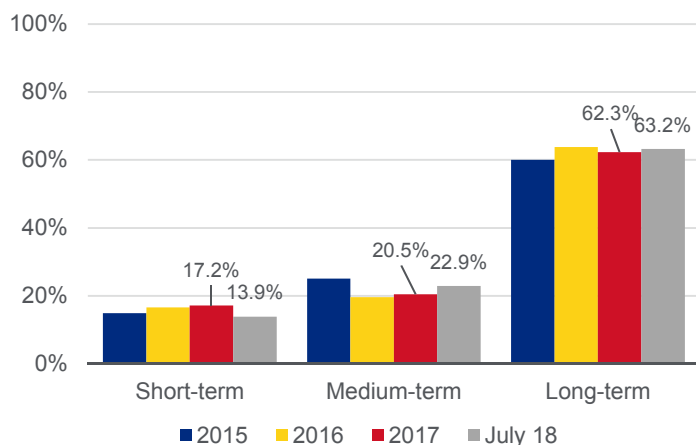
Strong Economic Growth

Sustainable Fiscal Policy

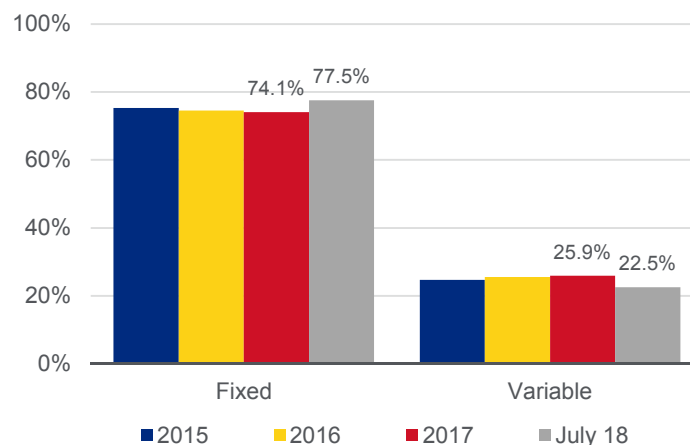
**Prudent Public Debt Management**

EU Funds Absorption

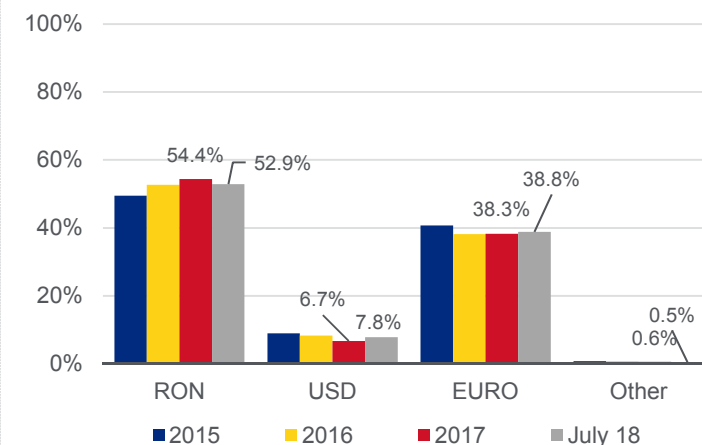
## Increasingly Long Tenor Borrowings...



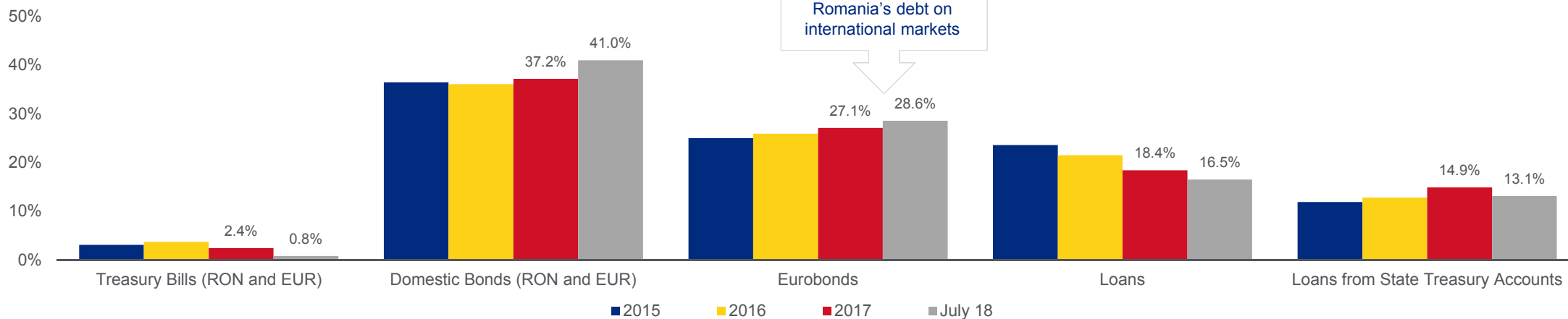
## ...Mostly Paying Fixed Interest...



## ...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



Overview

Strong Economic Growth

Sustainable Fiscal Policy

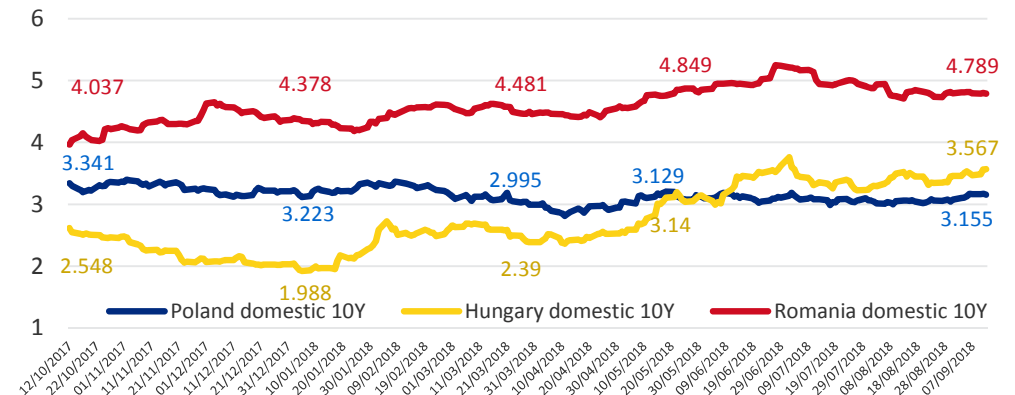
**Prudent Public Debt Management**

EU Funds Absorption

- 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
- In the final part of 2017, due to the start of a new monetary policy cycle and an increase in inflationary expectations, yields on the domestic market have increased. From the start of 2018, Romanian domestic yields have experienced episodes of volatility, in line with the region

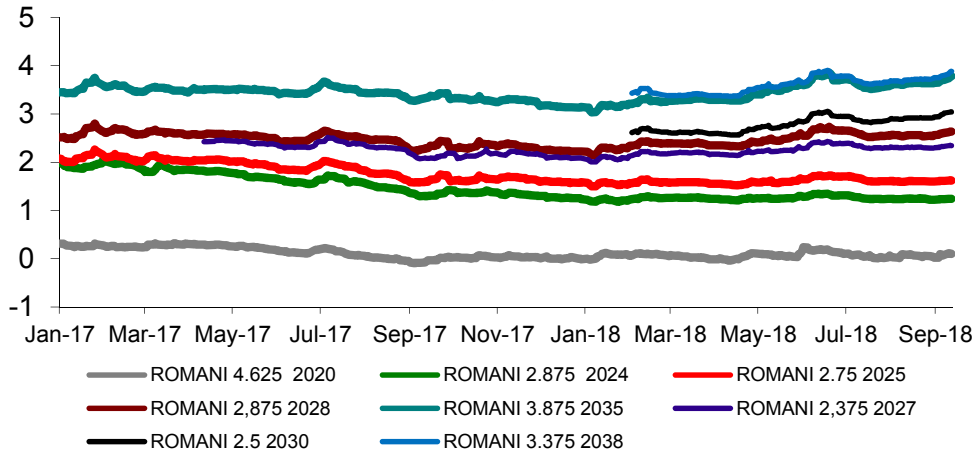
## Yields have been relatively stable, on Romania's domestic debt...

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



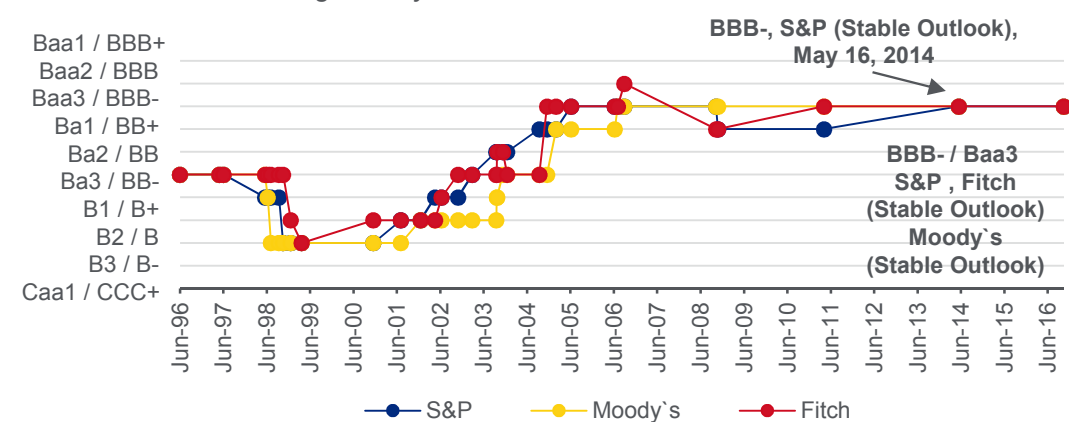
## ...and on its foreign debt

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



Overview

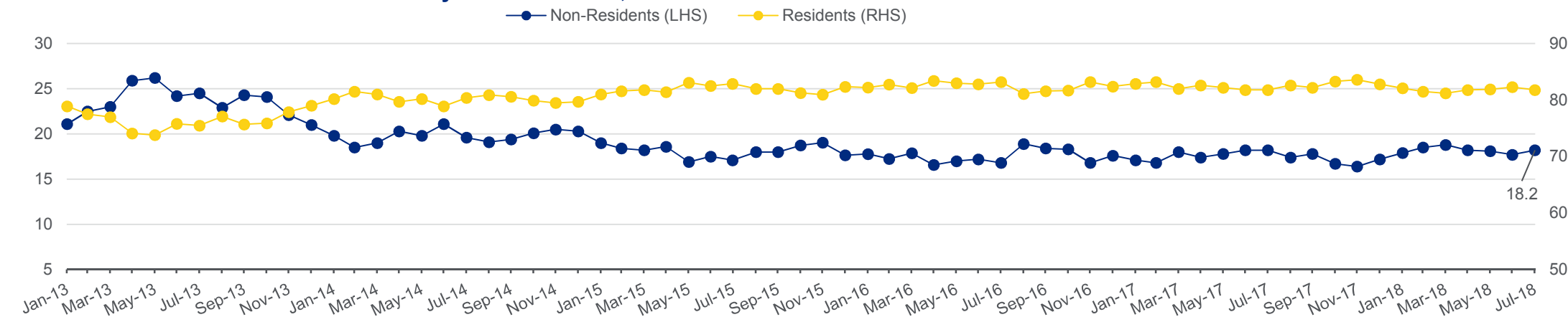
Strong Economic Growth

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## 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 July, 2018)<sup>(1)</sup>
  - Non-residents 18.2%
  - Local commercial banks 47.5%
  - Pension funds 18.2%
- Average participation in Eurobonds issues<sup>(2)</sup>
  - 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<sup>(2)</sup> – 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).



Overview

Strong Economic Growth

Sustainable Fiscal Policy

**Prudent Public Debt Management**

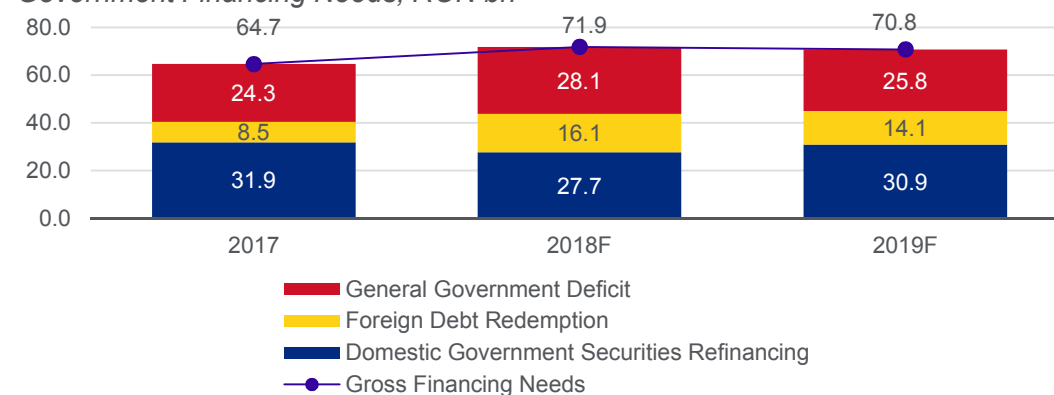
EU Funds Absorption

## 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

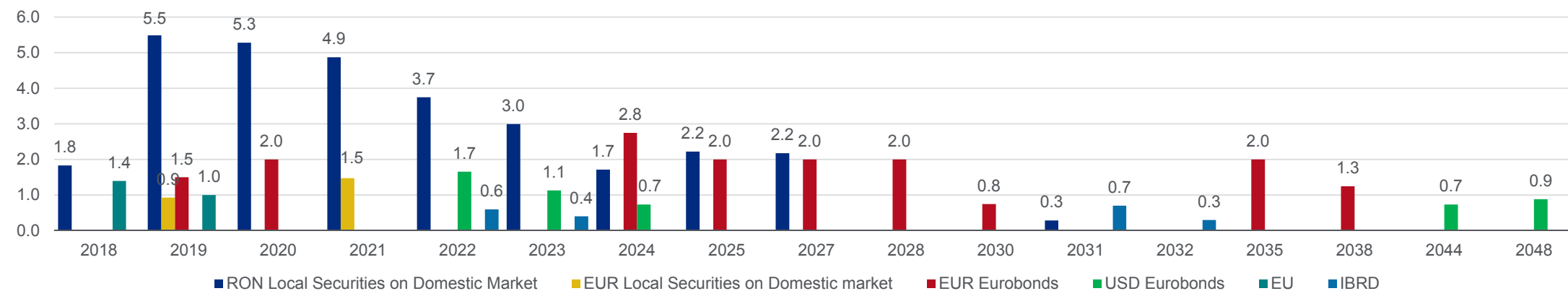
Government Financing Needs, RON bn



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 August 28<sup>th</sup>, 2018.



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## Sovereign Debt Risk Management Targets

	Parameters <sup>(1)</sup>	Levels as of July 2018 <sup>(2)</sup>	Levels as of December 31, 2017	Indicative Targeted Min / Max Ranges (2017–2019)
<b>Currency Risk</b>	■ Share of domestic currency debt, % of total	45.7	46.5	45–60
	■ Share of EUR debt out of total foreign-currency denominated debt, %	82.3	84.0	80–95
<b>Refinancing Risk</b>	■ Debt maturing in one year, % of total	15.0	12.0	10–20
	■ Local currency debt maturing in one year, % of total	24.0	18.0	20–30
	■ ATM <sup>(3)</sup> for total debt, years	6.3	5.9	5.5–7.0
	■ ATM <sup>(3)</sup> for local currency debt, years	3.7	3.7	3.5–5.0
<b>Interest Rate Risk</b>	■ Debt re-fixing in one year, % of total	18.0	15.0	10–20
	■ Local currency debt re-fixing in one year, % of total	23.0	17.0	20–30
	■ ATR <sup>(4)</sup> for total debt, years	6.4	5.9	5.5–7.0
	■ ATR <sup>(4)</sup> for local currency debt, years	3.7	3.7	3.5–5.0

## Objectives of the Debt Management Strategy

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

## Strategic Guidelines During 2017–2019

- Pursue policy of favoring local currency net financing to develop the domestic debt market and mitigate foreign currency exposure
- Smoothing 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 re-fixing 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 2017–2019; (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



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EU Funds Absorption

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

■ 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 decommitted.

Source: Ministry of European Funds.

# EU Funds Absorption under the 2014–2020 Programming Period



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EU Funds Absorption

Operational Program	Funds Allocated, EUR bn	Absorption Rate (Amount Requested to EC) (%)										
		Dec 2015	Dec 2016	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018
OP Technical Assistance	0.25	0%	0%	23.28%	23.28%	23.28%	25.40%	21.38%	21.38%	25.68%	26.16%	26.16%
OP Competitiveness	1.33	0%	0%	6.48%	6.48%	6.48%	7.46%	8.21%	8.94%	10.29%	10.29%	11.93%
OP Human Capital (including Youth Employment Initiative: EUR 0.11bn)	4.37	0%	0%	0.09%	0.09%	0.09%	0.09%	0.09%	0.21%	0.46%	0.46%	0.64%
OP Administrative Capacity	0.55	0%	0%	4.15%	4.29%	4.61%	5.08%	5.47%	5.47%	5.66%	5.66%	5.66%
OP Large Infrastructure	9.22	0%	0%	10.13%	10.13%	10.13%	10.13%	11.34%	11.34%	12.28%	12.28%	13.11%
OP Regional	6.76	0%	0%	0.41%	0.41%	0.41%	0.54%	0.52%	0.52%	0.96%	0.96%	0.96%
OP for SME's Initiative	0.10	0%	0%	93.09%	93.09%	93.09%	93.09%	93.09%	93.09%	93.09%	93.09%	93.09%
OP's for European Territorial Cooperation	0.48	0%	0.54%	1.76%	1.76%	1.76%	2.50%	2.83%	3.11%	3.48%	3.85%	5.05%
OP Aid for the Most Deprived	0.44	0%	0.97%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%	17.37%
<b>Total</b>	<b>23.50</b>	<b>0%</b>	<b>0.02%</b>	<b>5.62%</b>	<b>5.62%</b>	<b>5.63%</b>	<b>5.77%</b>	<b>6.22%</b>	<b>6.29%</b>	<b>6.96%</b>	<b>6.98%</b>	<b>7.45%</b>

- 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 August 2018, the total amounts received from the European Commission, pre-financing and reimbursements related to the operational programs financed by the FESI and EAFRD (POAD), are at approx. EUR 6 billion, which means over 19% 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 in 2018 and 2022
- **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.

Source: Ministry of European Funds.



**Thank you!**

