Romania

Investor Presentation

November 2019

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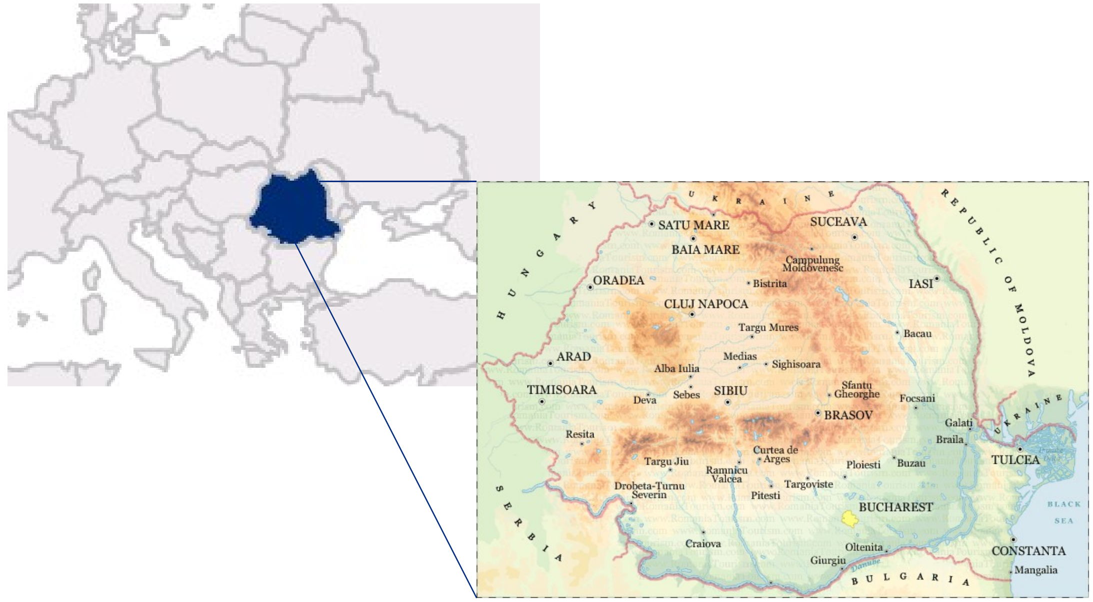
Overview

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 (2018)	c. 19.5 million
Currency	New Romanian Leu (RON)
GDP (2018)	EUR 202.9(p) billion
GDP per Capita (2018)	EUR 10,420(p)
Average Real GDP Growth (2007–2018)	3.0%
Average Inflation Rate (2007–2018)	3.5%
Unemployment[1] (October 2019)	4.0%
Public Debt / GDP (December 2018)[2]	35.0%



S&P Global — **BBB- / Stable** *since May 16, 2014, confirmed August 30, 2019*

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

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.
(P) Provisional Data.

Key Features of Romania's Credit Profile

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

Strong Macroeconomic Framework

- Romania had one of the highest growth rates in the EU during the last decade: the annual average GDP growth since the EU accession (2007) was 3% and accelerated to 4.4% during 2013–2018;
- After joining the EU, real convergence expressed in GDP per capita in PPS significantly improved from 39%[(1)] in 2006 to 64% in 2018 of EU average.
- Romania recorded in H1 2019, 4.6% growth, the third fastest pace among EU member states (after Ireland – 6.6% and Hungary – 5.1%) and three times higher than the EU aggregate (1.4%).

Well Capitalized and Liquid Banking Sector

- NPL ratio[(2)] showed a sustained downward trend (from 9.6% at end 2016 to 6.4% at end 2017 and 4.6% in July 2019).
- No public funds used to bail out local banks.
- Very well capitalized banking sector, with a total capital (solvency) ratio of 19.60% as of June 2019.
- Stable exchange rate.

Improving Financial Sector

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

Low Public Debt

- Public Debt to GDP ratio of 35.7%[(4)] at end of July 2019, increased compared to 35.0% at end of 2018 (Eurostat, ESA methodology), decreasing from 37.8% in 2015.
- Prudent debt management policy.

(1) Source: Eurostat; (2) Under the EBA Methodology. The same observation applies to data under the national methodology; (3) Source: National Bank of Romania: http://www.bnr.ro/Direct-investment---directional-principle-12352.aspx; (4) According to EU methodology the debt to GDP ratio was calculated taking into consideration the sum of the GDP for the last four quarters (NIS press release 6 Sept. 2019).

Stable and Resilient to External Risks

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

Pro EU and NATO

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

Exposure to Brexit

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

Russia and Ukraine

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

Oil Prices

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

Migrant Crisis

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

Nominal Convergence Criteria

Convergence Criteria	Maastricht Requirements	Romania	Fulfilment of the criteria
Inflation rate (HICP) (%, annual average)	≤ 1.5 pp above 0.8% the average of the three best-performing EU Member States(1)	4.0% (July 2019)	No
Long-term interest rates (% p.a., annual average)	≤ 2 pp above 1.8% (average of the three best-performing EU Member States in terms of price stability (5)	4.8% (July 2019)	No
Exchange rate vs the euro(4) (2-year maximum percentage change)	± 15%	+0.2 / -4.3% (July 2019)	Yes
General government deficit (% of GDP)(2)	≤ 3%	3%	Yes
Government debt (% of GDP)(3)	≤ 60%	35,7%	Yes

(1) The reference value for July 2019 was calculated by NBR taking into account Denmark, Greece and Portugal, based on Eurostat data.
(2) End 2018, ESA methodology, Eurostat statistical data
(3) As at the end of July 2019
(4) The reference value for July 2019 was calculated by NBR, based on Eurostat data. Maximum percentage deviations of the bilateral exchange rate against the euro from its July 2017 average level in August 2017 to July 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 July 2017.
(5) The reference value for July 2019 was calculated by NBR taking into account Denmark, Greece and Portugal, based on Eurostat data.

Source: Eurostat, NBR and NCSP calculations.

Strong Economic Growth

Romania's Economy: Macroeconomic Indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Macroeconomic Indicators								***Provisional***	***Estimate***
Real GDP (% y-o-y)	2.0	2.1	3.5	3.4	3.9	4.8	7.1	4.1	5.1
Inflation rate (%, e.o.p.)	3.1	5.0	1.6	0.8	(0.9)	(0.5)	3.3	3.3[1]	3.5
Inflation rate (%, annual average)	5.8	3.3	4.0	1.1	(0.6)	(1.5)	1.3	4.6[1]	3.7
Budget balance (% GDP, cash)	(4.2)	(2.5)	(2.5)	(1.7)	(1.4)	(2.4)	(2.8)	(2.8)	(2.8)
Budget balance (% GDP, ESA2010)	(5.4)	(3.7)	(2.1)	(1.3)	(0.7)	(2.9)	(2.9)	(3.0)	(2.8)
Government debt (% GDP, EU methodology)	34.0	36.9	37.5	39.2	37.8	37.3	35.2	35.0	35.6
Exports of goods (%, y-o-y)	22.5	(0.5)	10.0	6.7	4.9	6.2	9.2	8.1[(S)]	5.1
Current account balance (% GDP)	(5.0)	(4.8)	(1.1)	(0.7)	(1.2)	(2.1)	(3.2)	(4.6)	(4.0)
Interest And Exchange Rates									
NBR policy rate (%, e.o.p)	6.00	5.25	4.0	2.75	1.75	1.75	1.75	2.50	2.50
Credit facility rate	10.00	9.25	7.00	5.25	3.25	3.25	2.75	3.50	3.50
Deposit facility rate	2.00	1.25	1.00	0.25	0.25	0.25	0.75	1.50	1.50
Average exchange rate (RON/EUR)	4.24	4.46	4.42	4.44	4.45	4.49	4.57	4.65[1]	4.74
Labor Market Indicators									
ILO unemployment rate (%)	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.2	4.0

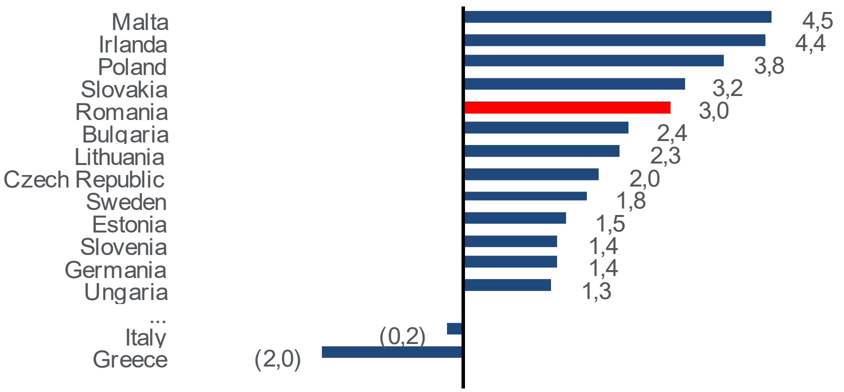
Source: National Institute of Statistics, National Commission for Strategy and Prognosis (Autumn forecast 2019), Budget Law no 50/2019, Fiscal Budgetary Strategy 2019-2020 (Ministry of Finance), Spring forecast NCSP (July 2019);

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

Economic Growth Supported by Domestic Demand

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

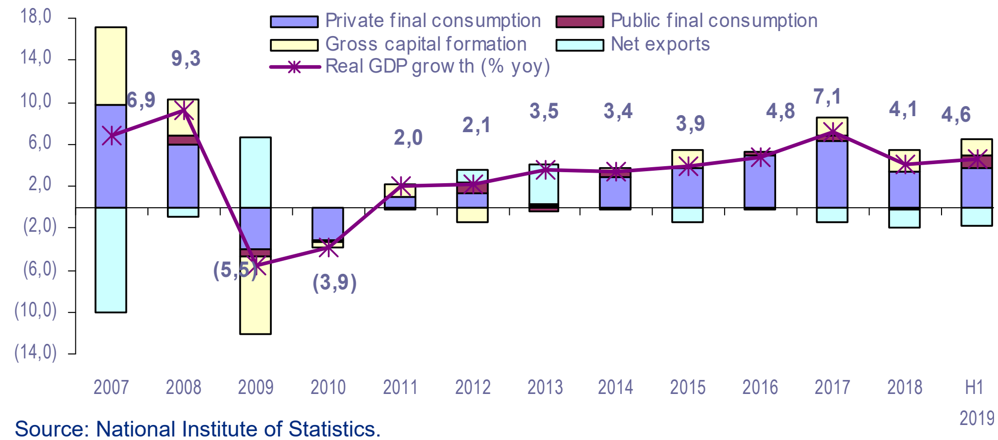
% GDP Growth, Average 2007–2018



Source: Eurostat.

…with GDP Growth Underpinned by Strong Domestic Demand

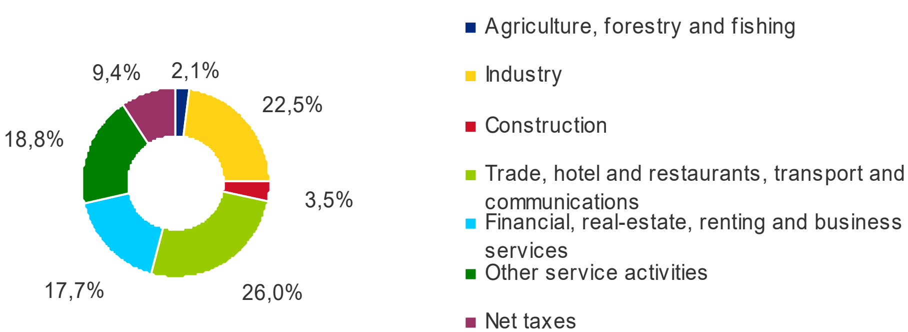
GDP Components, Percentage Points



Source: National Institute of Statistics.

The Romanian Economy is Diversified

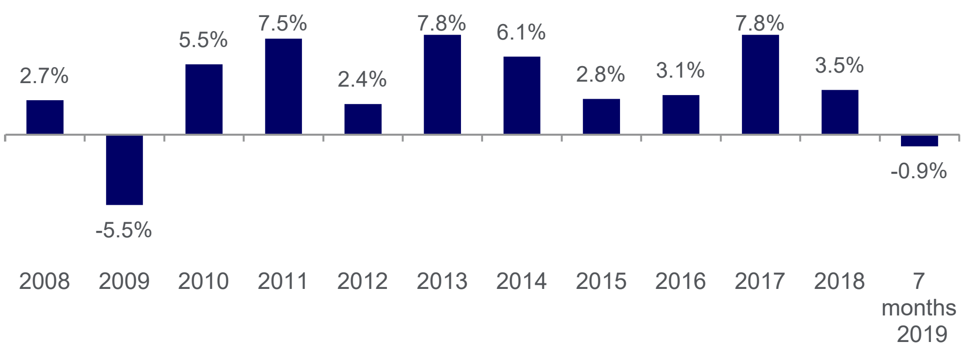
Structure of Gross Domestic Product by Sectors in H1 2019, %



Source: National Institute of Statistics.

Industrial Production Underpins Economic Growth

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



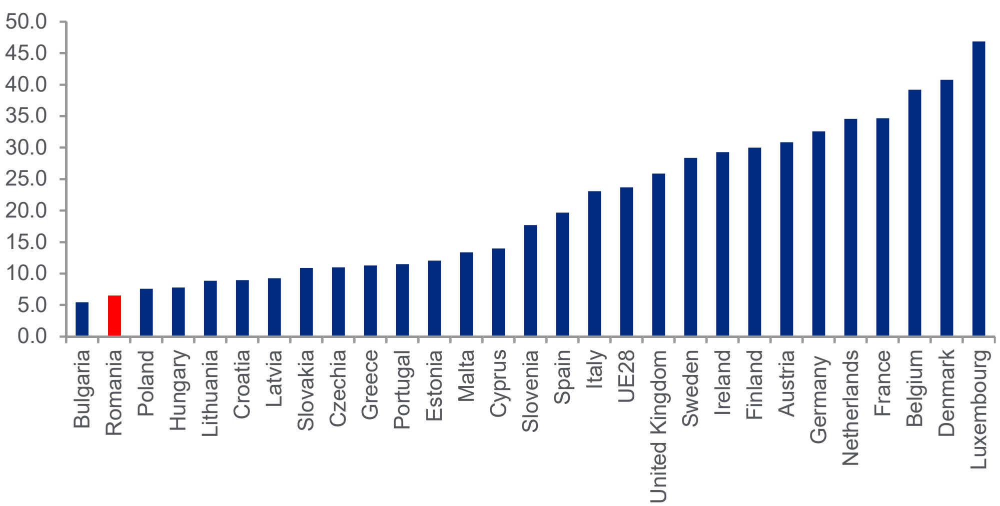
Source: National Institute of Statistics.

Labour Market Conditions Supportive of Long-Term Growth

- Romanian labour costs per hour are among the most competitive in the EU
- Highly educated workforce: #54 / #187 in 2013 according to the United Nations Education Index[(1)]
- Romania's unemployment rate remains substantially lower than the EU28 average. The ILO unemployment rate in August 2019 was 3.8%, one of the lowest in the EU member states.

Low Labour Costs

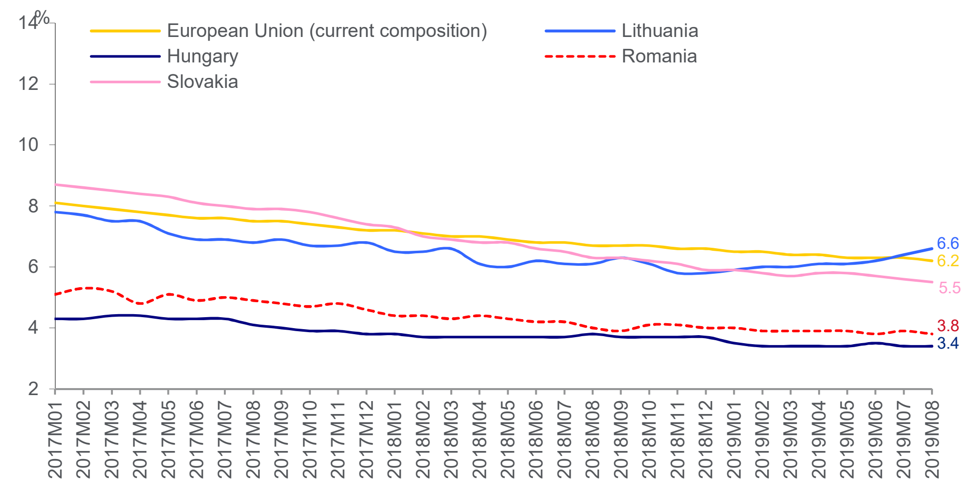
Labour Costs per Hour, EUR as of 2018



Source: Eurostat. Data according to ESA 2010 methodology.

Low Unemployment

Unemployment rate (monthly, seasonally adjusted)



Source: Eurostat, ILO Methodology.

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

Fiscal Policy

2018 Budget: Major Features

2018 Revenue Measures

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

2018 Expenditure Measures

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

2018 Budget Execution – Deficit of 2.88% of GDP

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

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

Source: Ministry of Public Finance.

2019 Budget: Overview and Key Assumptions

Revenue Measures

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

Expenditure Measures

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

Macroeconomic assumptions for the first budget revision of 2019	
GDP (RON billion)	1,031.0
Real Growth Rate (%)	**5.5**
Inflation / end of year	3.2
Inflation / annual average (%)	3.4
Average number of employees ('000s)	5,282
No. of unemployed persons registered as at the end of year ('000s)	287
- Rate of registered unemployment (%)	3.2
Gross average salary (RON / month)	5,163
Goods exports – growth rate (%)	8.9
Goods imports – growth rate (%)	9.4

Source: Ministry of Public Finance.

2019 Budget: Execution

October 2019 Budget Execution – Deficit of 2.8% of GDP

- Revenues to the general consolidated budget, in the amount of RON 261.1 billion (25.3% of GDP), increased by 12.4% in nominal terms compared to the same period of last year.
  - Increases in the collection of: social security contributions (+14.4%), income tax (+13.1%) and excises (+9.1%).
  - The collection of VAT increased by 11.8% as compared to the same period of last year.
  - Revenues from property taxes have increased by 12.9%.
  - Reimbursments from the EU: RON 15.2 billion.

- The expenditures of the general consolidated budget, in the amount of RON 289.9 billion, increased in nominal terms by 14.5% YoY compared to the same period of last year.
  - Personnel expenditure increased by 19.5%, compared to the same period of last year.
  - Goods and services expenditures increased by 16.6%, while the expenditure for social assistance increased by 11.3%.
  - Investment expenditure amounted to RON 26.8 billion, 30.4% higher than the same period of last year.
  - Subsidy expenses rose by 12.5% compared to the same period of last year.

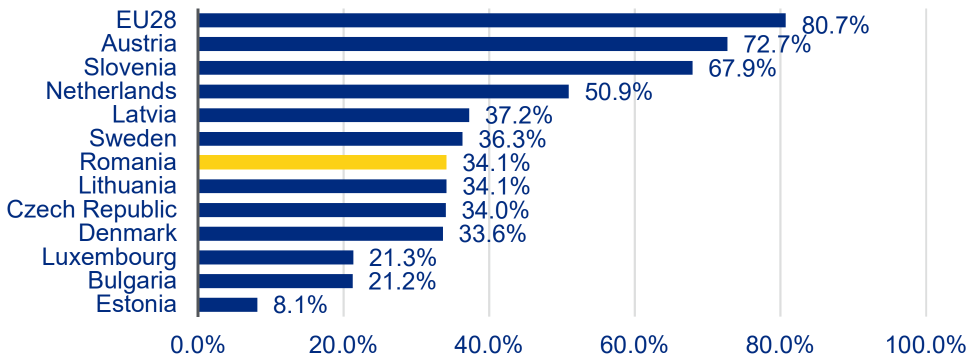
Source: Ministry of Public Finance.

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 Q1 2019, %

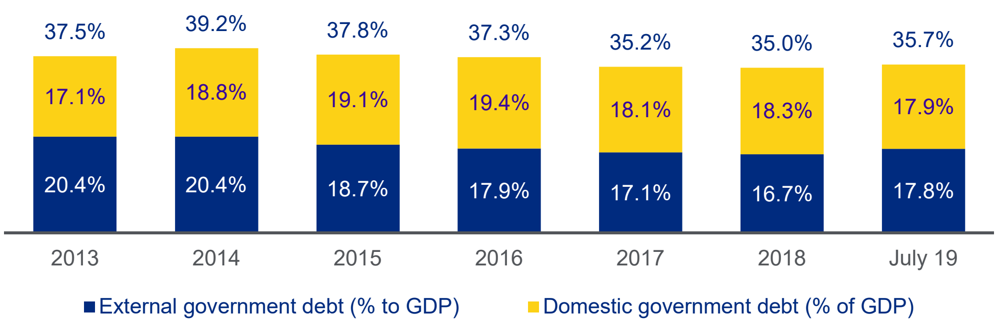


Source: Eurostat News release no. 119/19.07.2019.

(% of GDP)	2016	2017	2018	2019F	2020F
Gross Financing need, Out of which:	9.0%	7.5%	7.5%	7.0%	7.0%
– Budgetary Deficit	2.4%	2.8%	2.84%	2.76%	2.96%
– Refinancing of Public Debt	6.6%	4.7%	4.7%	4.3%	4.1%
Foreign Currency Buffer[1]	3.6%	2.8%	2.6%	2.4%	2.3%
Net Government Debt[1][2]	33.7%	32.4%	32.4%	33.2%	33.8%

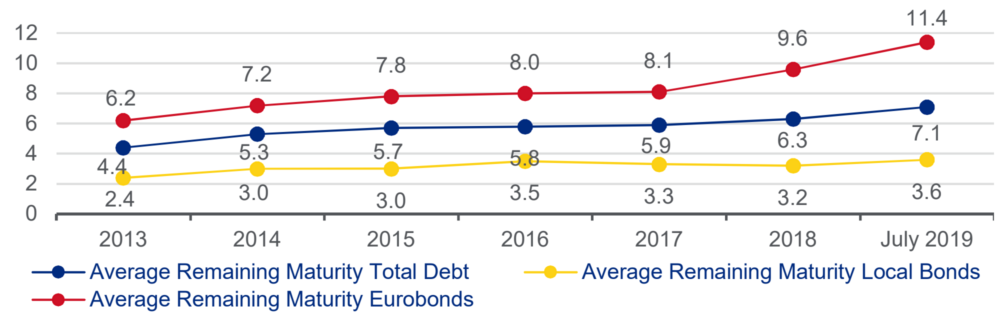
Debt / GDP is Stable…

General Government Debt / GDP ESA 2010 – July 2019



…with a Prudent Maturity Profile

Average Remaining Maturity in years (as of July 2019)



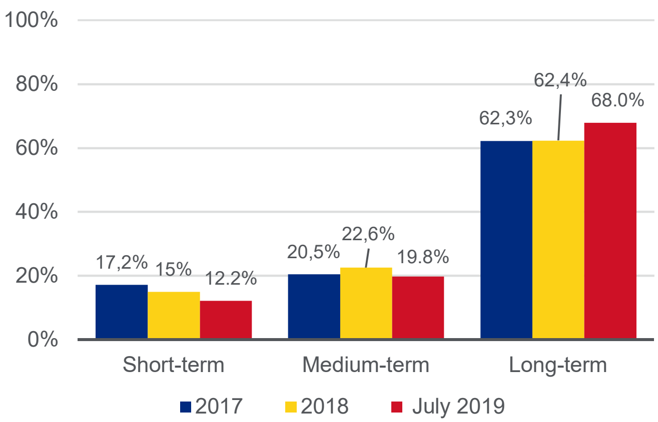
Source: Ministry of Public Finance (public government debt according to the national legislation, without temporary financing).

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

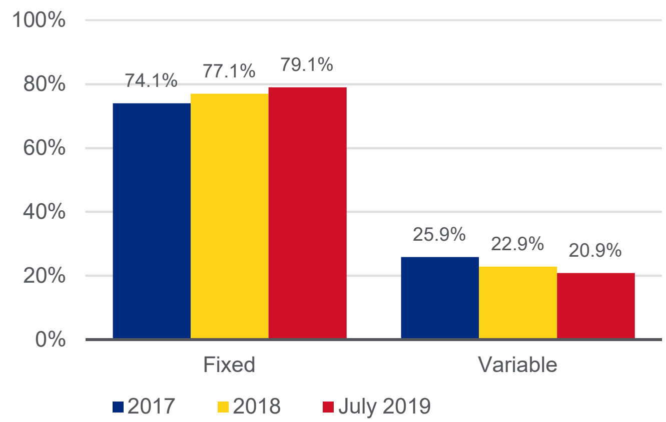
(1) Source: Ministry of Public Finance, Historical compilation of the Public Debt Bulletin; National Commission for Strategy and Prognosis; (2) Calculated as Gross government debt (EU Methodology) – Foreign currency buffer.

Stable Government Borrowing Profile

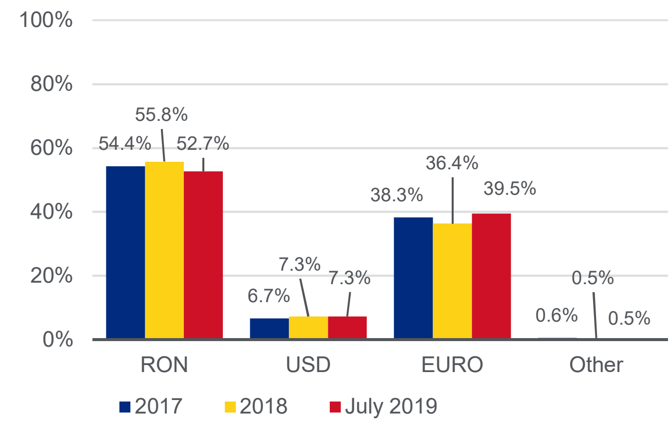
Increasingly Long Tenor Borrowings…



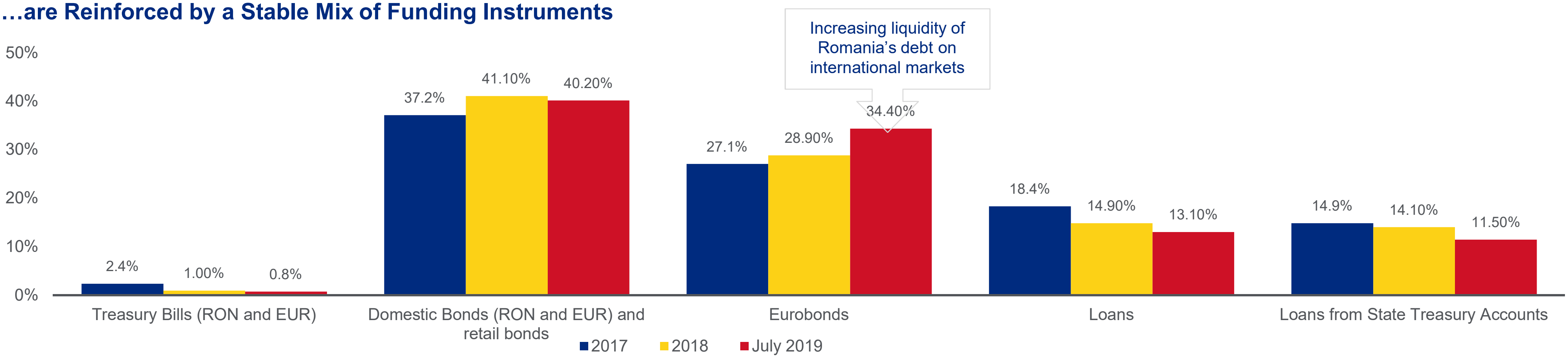
…Mostly Paying Fixed Interest…



…Primarily in RON and EUR…



…are Reinforced by a Stable Mix of Funding Instruments



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

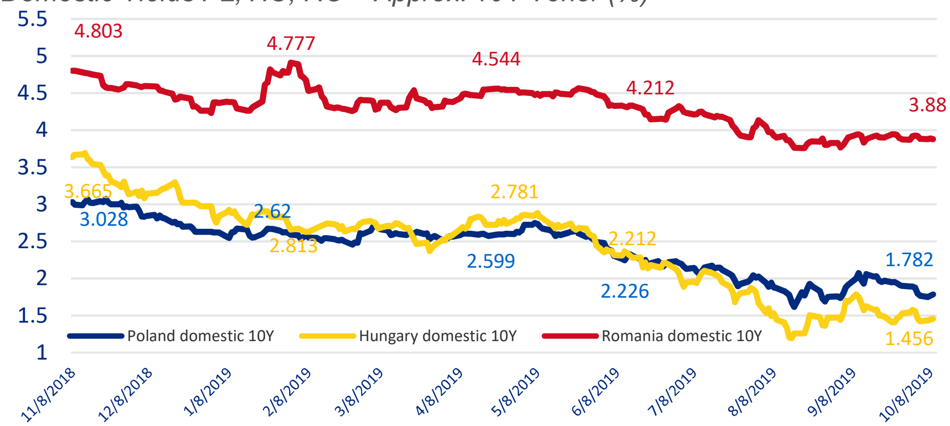
Investment Grade Ratings Underpin Strong Market Performance

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

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

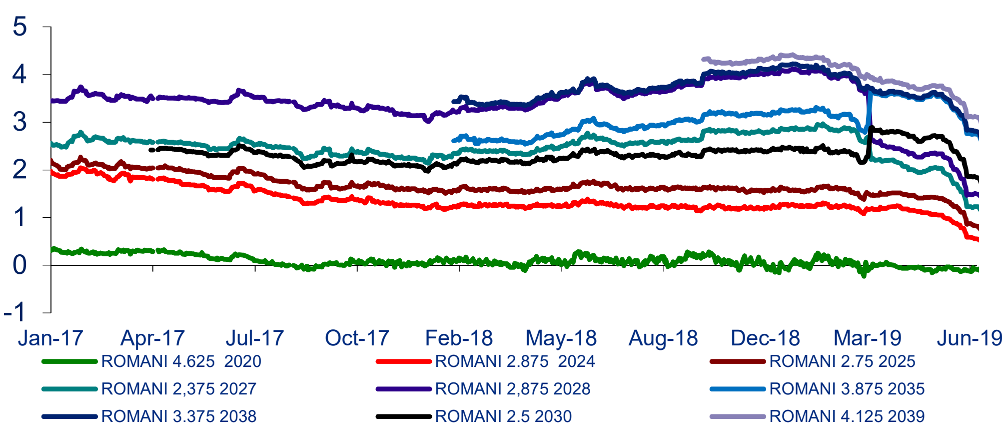
Yields have been relatively stable, on Romania's domestic debt…

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



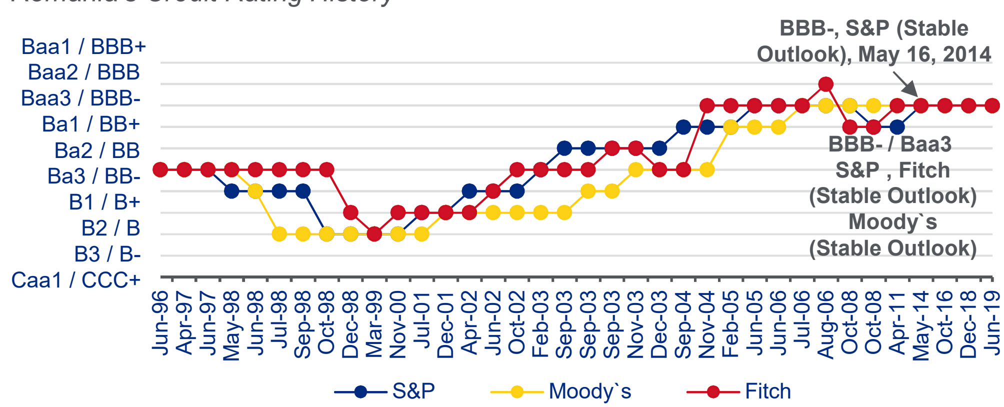
…and on its foreign debt

Bid Yields of Romanian EUR Eurobonds, %



Romania Regained Full Investment Grade Status in 2014

Romania's Credit Rating History



Source: Market data.

Non-Residents Hold Less than 20% of Government Securities

Instruments

- On the domestic government securities market, MFP 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
- Starting 2018 new programme of government securities dedicated to retail investors was launched - maturities between 1-5 years, bonds distributed through local Treasury offices and postal units. In 2019 the indicative target amount to be issued for retail investors is RON 5 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 July, 2019)* (1)
  - Local commercial banks 44.2%
  - Pension funds 20.2%
  - Non-residents 19.4%
- *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).

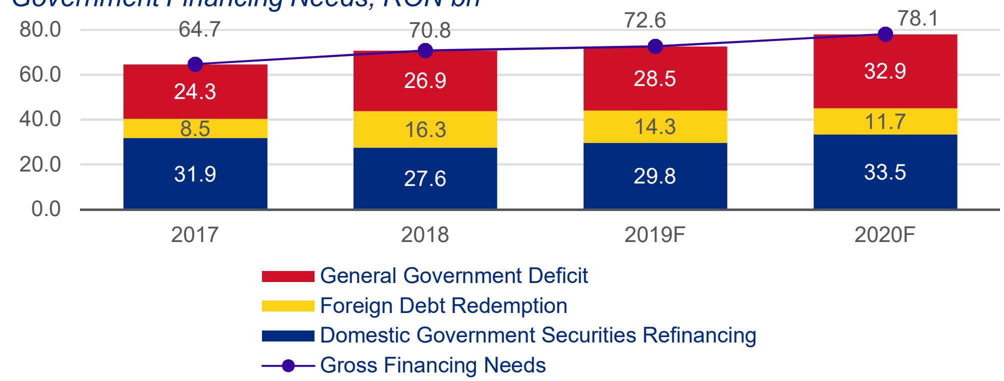
Prudent Debt Management Policy

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 are Relatively Modest

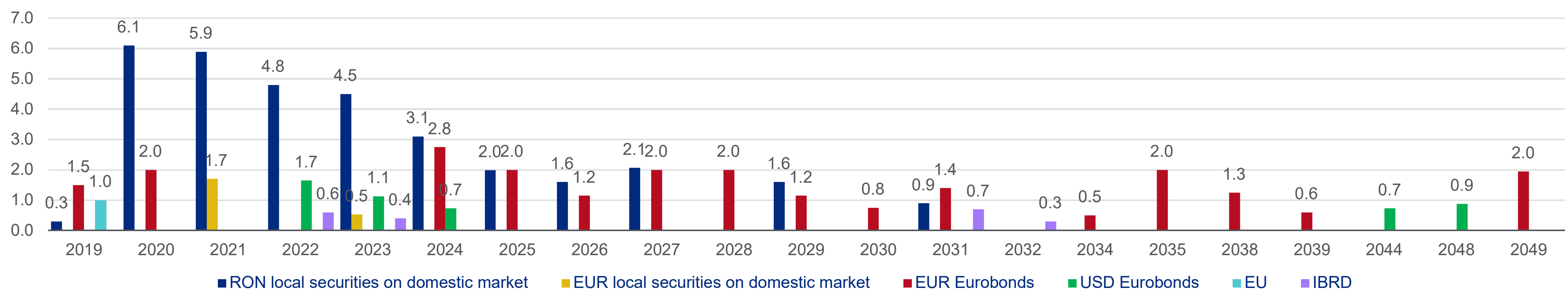
Government Financing Needs, RON bn



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 October 9th, 2019.

Prudent Debt Management Policy (Cont'd)

Sovereign Debt Risk Management Targets

	Parameters[1]	Levels as of July 2019[2]	Levels as of December 31, 2018	Indicative Targeted Min / Max Ranges (2019–2021)[5]
Currency Risk	Share of domestic currency debt, % of total	44.9	48.6	45–60
	Share of EUR debt out of total foreign-currency denominated debt, %	84.0	82.2	80–95
Refinancing Risk	Debt maturing in one year, % of total	9.0	14.0	10–20
	Local currency debt maturing in one year, % of total	14.0	17.0	15–25
	ATM[3] for total debt, years	7.1	6.3	6.0–7.0
	ATM[3] for local currency debt, years	4.4	4.0	3.5–5.0
Interest Rate Risk	Debt re-fixing in one year, % of total	11.0	17.0	10–20
	Local currency debt re-fixing in one year, % of total	12.0	16.0	15–25
	ATR[4] for total debt, years	7.2	6.3	6.0–7.0
	ATR[4] for local currency debt, years	4.4	4.0	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 the General Current Account; (2) Risk indicators presented are calculated for public government debt according to national legislation, excluding loans from availabilities of the State treasury account (temporary financing), in line with the limits established in the Debt Management Strategy 2018–2020; (3) ATM – average time to maturity; (4) ATR – average time to re-fixing; (5) The revised Debt Management Strategy for 2019–2021 was approved by the Government at the beginning of September 2019, proposing indicative targets for managing the financial risks of the debt portfolio.

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

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

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

Source: Ministry of European Funds.

EU Funds Absorption under the 2014–2020 Programming Period

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

Operational Program	Funds Allocated, EUR bn	Absorption Rate (Amount Requested to EC) (%)					
		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Aug 2019	Sept 2019
OP Technical Assistance	0.25	0	0	23.28	37.29	45.74	48.01
OP Competitiveness	1.33	0	0	6.48	17.01	20.09	20.09
OP Human Capital (including Youth Employment Initiative: EUR 0.11bn)	4.37	0	0	0.09	14.87	18.34	19.74
OP Administrative Capacity	0.55	0	0	4.15	12.95	16.00	16.65
OP Large Infrastructure	9.22	0	0	10.13	17.77	20.18	21.49
OP Regional	6.76	0	0	0.41	12.78	15.89	15.89
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	15.30	16.46
OP Aid for the Most Deprived	0.44	0	0.97	17.37	17.35	17.35	17.35
Total	**23.50**	**0**	**0.02**	**5.62**	**15.65**	**18.60**	**19.44**

- 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 September 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 9,9 billion, which means approx. 32% of the EU allocation for these programs (about EUR 31 billion).

Increased Focus on Controls

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

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

Note: The 2014–2020 allocations for Technical Assistance, Large Infrastructure and Regional Operational OP's was modified due to the financial reallocations between the programmes.
* The OP for SME's Initiative was included in the OP Regional by EC approval from 16.10.2018.

Source: Ministry of European Funds.

Thank you!